MANAGEMENT'S DISCUSSION AND ANALYSIS

February 10, 2022

The following management's discussion and analysis ("MD&A") of Cineplex Inc. ("Cineplex") financial condition and results of operations should be read together with the consolidated financial statements and related notes of Cineplex (see Section 1, Overview of Cineplex). These financial statements, presented in Canadian dollars, were prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), defined as International Financial Reporting Standards ("IFRS") as set out in the Handbook of the Canadian Institute of Chartered Professional Accountants.

Unless otherwise specified, all information in this MD&A is as of December 31, 2021 and all amounts are in Canadian dollars.

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Non-GAAP and Other Financial Measures
Cineplex reports on certain non-GAAP measures, non-GAAP ratios, supplementary financial measures and total segments measure that are used by management to evaluate the performance of Cineplex. In addition, non-GAAP measures are used in measuring compliance with debt covenants. Non-GAAP measures do not have standardized meaning under GAAP and may not be comparable to similar measures provided by other issuers. Cineplex includes these measures because management believes that they assist investors in assessing financial performance. The definition, calculation and reconciliation of non-GAAP measures are provided in Section 17, Non-GAAP and other financial measures.

Forward-Looking Statements
Certain information included in this MD&A contains forward-looking statements within the meaning of applicable securities laws. These forward-looking statements include, among others, statements with respect to Cineplex's objectives, goals and strategies to achieve those objectives and goals, as well as statements with respect to Cineplex's beliefs, plans, objectives, expectations, anticipations, estimates and intentions. The words "may", "will", "could", "should", "would", "suspect", "outlook", "believe", "plan", "anticipate", "estimate", "expect", "intend", "forecast", "objective" and "continue" (or the negative thereof), and words and expressions of similar import, are intended to identify forward-looking statements. Forward-looking statements also include, statements pertaining to:

- *Cineplex's outlook, goals, expectations and projected results of operations, including factors and assumptions underlying Cineplex's projections regarding the duration and impact of a novel strain of coronavirus ("COVID-19") pandemic on Cineplex, the movie exhibition industry and the economy in general, as well as Cineplex's response to the pandemic related to the closure or operational restrictions of its theatres and location-based entertainment ("LBE") venues, employee reductions and other cost-cutting initiatives and increased expenses relating to safety measures taken at its facilities to protect the health and well-being of guests and employees;*
- *Cineplex's expectations with respect to liquidity and capital expenditures, including its ability to meet its ongoing capital, operating and other obligations, and anticipated needs for, and sources of, funds; and*
- *Cineplex's ability to execute cost-cutting and revenue enhancement initiatives in response to the COVID-19 pandemic.*

The COVID-19 pandemic has had an unprecedented impact on Cineplex, along with the rest of the movie exhibition industry and other industries in which Cineplex operates, including material decreases in revenues, results of operations and cash flows. The situation continues to evolve and the social and economic effects are widespread. As an entertainment and media company that operates spaces where guests gather in close proximity, Cineplex's business has been significantly impacted by the actions taken to control the spread of COVID-19. These actions include, among other things, the introduction of vaccine passports or proof of vaccination mandates, social distancing measures and restrictions including those on capacity. The uncertainty of the timing of the reductions of many government-imposed restrictions may potentially have negative effects on Cineplex's businesses. Restrictions imposed in many of the markets in which Cineplex operates are gradually being lifted as COVID-19 cases decline across the country, providing clearer visibility for the reopening of Cineplex's business and the return to normalcy. Cineplex is actively monitoring the situation and is adapting its business strategies as the impact of the COVID-19 pandemic evolves.

By their very nature, forward-looking statements involve inherent risks and uncertainties, including those described in Cineplex's Annual Information Form ("AIF"), and in this MD&A. Those risks and uncertainties, both general and specific, give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements. Cineplex cautions readers not to place undue reliance on these statements, as a number of important factors, many of which are beyond Cineplex's control, could cause actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to, the duration and impact of the COVID-19 pandemic on Cineplex, the movie exhibition industry and the economy in general, as well as Cineplex's response to the COVID-19 pandemic as it relates to the closure of its theatres and LBE venues, employee reductions and other cost-cutting initiatives, and increased expenses relating to *safety measures taken at its facilities to protect the health and well-being of customers and employees; Cineplex's expectations with respect to liquidity and capital expenditures, including its ability to meet its ongoing capital, operating and other obligations, and anticipated needs for, and sources of, funds; Cineplex's ability to execute cost-cutting and revenue enhancement initiatives in response to the COVID-19 pandemic; risks generally encountered in the relevant industry, competition, customer, legal, taxation and accounting matters; the outcome of the litigation surrounding the termination of the Cineworld transaction (described below); and diversion of management time on litigation related to the Cineworld transaction.*

The foregoing list of factors that may affect future results is not exhaustive. When reviewing Cineplex's forward-looking statements, readers should carefully consider the foregoing factors and other uncertainties and potential events. Additional information about factors that may cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements may be found in the "Risks and Uncertainties" section of this MD&A.

Cineplex does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable Canadian securities law. Additionally, Cineplex undertakes no obligation to comment on analyses, expectations or statements made by third parties in respect of Cineplex, its financial or operating results or its securities. All forward-looking statements in this MD&A are made as of the date hereof and are qualified by these cautionary statements. Additional information, including Cineplex's AIF, can be found on SEDAR at www.sedar.com.

1. OVERVIEW OF CINEPLEX

Cineplex (TSX:CGX) is a top-tier Canadian brand that operates in the Film Entertainment and Content, Amusement and Leisure, and Media sectors. Cineplex offers a unique escape from the everyday to millions of guests through its circuit of over 170 movie theatres and location-based entertainment venues. In addition to being Canada's largest and most innovative film exhibitor, the company operates Canada's favourite destination for 'Eats & Entertainment' (*The Rec Room*) and complexes specially designed for teens and families (*Playdium*). It also operates successful businesses in digital commerce (CineplexStore.com), alternative programming (Cineplex Events), cinema media (Cineplex Media), digital place-based media (Cineplex Digital Media "CDM") and amusement solutions (Player One Amusement Group "P1AG"). Providing even more value for its guests, Cineplex is a partner in Scene LP ("Scene+"), Canada's largest entertainment and lifestyle loyalty program.

Cineplex's theatre circuit is concentrated in major metropolitan and mid-sized markets. As of December 31, 2021, Cineplex owned, leased or had a joint venture interest in 1,652 screens in 160 theatres from coast to coast as well as 13 LBE venues in six provinces.

Cineplex
Theatre locations and screens at December 31, 2021

Province	Locations	Screens	3D Digital Screens	UltraAVX	IMAX Screens (i)	VIP Auditoriums	D-BOX Auditoriums	Recliner Auditoriums	Other Screens (ii)
Ontario	67	722	356	41	13	48	48	108	11
Quebec	17	220	88	10	3	9	7	17	1
British Columbia	25	236	125	16	3	20	16	43	1
Alberta	20	213	114	20	2	16	16	83	6
Nova Scotia	11	90	43	1	1	—	2	—	1
Saskatchewan	6	54	28	3	1	3	3	16	1
Manitoba	5	49	26	1	1	3	2	—	1
New Brunswick	5	41	20	2	—	—	2	—	—
Newfoundland & Labrador	2	14	9	—	1	—	1	—	—
Prince Edward Island	2	13	6	—	—	—	1	—	—
TOTALS	**160**	**1,652**	**815**	**94**	**25**	**99**	**98**	**267**	**22**
Percentage of screens			49 %	6 %	2 %	6 %	6 %	16 %	1 %

(i) All IMAX screens are 3D enabled. Total 3D screens including IMAX screens are 840 screens or 51% of the circuit.
(ii) Other screens includes 4DX, *Cineplex Clubhouse* and ScreenX.

Cineplex - Theatres, screens and premium offerings in the last eight quarters

	2021				2020			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Theatres	160	161	160	161	162	164	164	164
Screens	1,652	1,656	1,651	1,657	1,667	1,687	1,687	1,687
3D Digital Screens	815	816	816	816	819	826	826	826
UltraAVX Screens	94	94	94	94	94	94	94	94
IMAX Screens	25	25	25	25	25	25	25	25
VIP Auditoriums	99	94	89	84	84	84	84	84
D-BOX Locations	98	98	98	98	98	99	99	99
Recliner Screens	267	262	258	253	253	221	221	221
Other Screens	22	19	19	19	19	19	19	19

Cineplex - LBE - at December 31, 2021	**2021**		**2020**	
Province	***The Rec Room***	***Playdium***	***The Rec Room***	***Playdium***
Ontario	4	2	3	2
Alberta	3	—	3	—
Manitoba	1	—	1	—
Newfoundland & Labrador	1	—	1	—
British Columbia	1	—	—	—
Nova Scotia	—	1	—	—
TOTALS	10	3	8	2

1.1 RECENT DEVELOPMENTS

COVID-19 business impacts, risks and liquidity

In early 2020, the outbreak of COVID-19 was confirmed in multiple countries throughout the world and on March 11, 2020, it was declared a global pandemic by the World Health Organization ("WHO"). In response, Cineplex immediately introduced enhanced cleaning protocols and reduced theatre capacities to promote social distancing. By mid-March 2020, each of Canada's provinces and territories had declared a state of emergency resulting in, among other things, the mandated closure of non-essential businesses, restrictions on public gatherings and quarantining of people who may have been exposed to the virus. On March 16, 2020, Cineplex announced the temporary closure of all of its theatres and LBE venues across Canada, as well as substantially all route locations operated by P1AG. On August 21, 2020, Cineplex reopened its entire circuit of theatres and LBE venues, however, theatre operations and LBE venues were continuously impacted by additional government mandated restrictions and closures over the next several quarters.

As of July 17, 2021, Cineplex had reopened its entire circuit of theatres subject to capacity restrictions in some cases, after months of extended closure periods. The reopening included Cineplex's then 161 theatre locations, encompassing 1,656 screens across Canada including 18 VIP Cinemas locations. As restrictions were temporarily eased in markets in which Cineplex operated, Cineplex also reopened its LBE venues across Canada as well as route locations operated by P1AG. All theatres, LBE venues and P1AG route locations continue to operate with enhanced safety and cleaning measures to ensure the safety of Cineplex's employees and customers.

Effective December 18, 2021, due to the rise of the Omicron variant, capacity restrictions were reinstated in Ontario, Cineplex's largest market, limiting indoor capacity to 50% along with prohibiting the consumption of concessions in theatres. Theatres in Quebec were also mandated to temporarily close effective December 20, 2021. The reinstated restrictions significantly impacted Cineplex's ability to benefit from the strong slate of films released during the busiest weeks of the fourth quarter of 2021 including *Spider-Man: No Way Home* and *Sing 2.* Subsequent to December 31, 2021, social gathering restrictions were further modified or reinstituted in several key markets in which Cineplex operates, resulting in theatre closures and prohibiting indoor dining in Ontario. Cineplex was also required to temporarily close or reduce capacity in other provinces. Effective January 29, 2022, January 31, 2022 and February 7, 2022 theatres in New Brunswick, Ontario and Quebec were permitted to reopen at reduced capacity levels, respectively. Cineplex is continuously monitoring operating restrictions and adjusts operating capacities in accordance with government directives.

In Canada, most provinces have adopted a phased approach to reopening businesses subsequent to each closure. The plan includes mandatory proof of vaccination for people attending certain social and recreational settings and events which includes indoor dining, performance venues, cinemas, sports venues, gyms, arcades, amusement parks, recreation centres and sports and physical activities. The following table reflects the current status to the date of this MD&A. The reopening plans are subject to frequent change.

Province	Theatres	Restaurants
British Columbia	Cinemas open at 50% capacity per auditorium. Proof of vaccination required effective September 13, 2021.	Restaurants open at 50% capacity with a maximum of 6 guests per table. Proof of vaccination required effective September 13, 2021.
Alberta	Cinemas open to a maximum of 500 per auditorium.	Restaurants open with capacity limits that vary to a maximum of 500 persons per building depending on building size.
Saskatchewan	Cinemas open at 100% capacity. Proof of vaccination required effective October 1, 2021.	Restaurants open at 100% capacity. Proof of vaccination required effective October 1, 2021.
Manitoba	Cinemas open at 50% capacity. Proof of vaccination required effective September 3, 2021.	Restaurants open at 50% capacity. Proof of vaccination required effective September 3, 2021.
Ontario	Cinemas open at 50% capacity per auditorium. Permitted to operate at 100% capacity effective February 21, 2022. Proof of vaccination required effective September 22, 2021.	Restaurants open at 50% capacity. Permitted to operate at 100% capacity effective February 21, 2022. Proof of vaccination required effective September 22, 2021.
Quebec	Cinemas open at 50% capacity up to 500 per auditorium. Permitted to operate at 100% capacity effective February 28, 2022. Proof of vaccination required effective September 1, 2021.	Restaurants open at 50% capacity with a maximum of 4 guests per table. Proof of vaccination required effective September 1, 2021.
New Brunswick	Cinemas open at 50% capacity with physical distancing measures in place. Proof of vaccination required effective September 22, 2021.	Restaurants open at 50% capacity. Proof of vaccination required effective September 22, 2021.
Nova Scotia	Cinemas open at 25% capacity up to 50 per auditorium with physical distancing measures. Proof of vaccination required effective October 4, 2021.	Restaurants open at 50% capacity with physical distancing measures with a maximum of 10 guests per table. Proof of vaccination required effective October 4, 2021.
Prince Edward Island	Cinemas open at 50 per building. Permitted to operate at 50% capacity effective February 17, 2022. Proof of vaccination required effective October 5, 2021.	Restaurants open at 50% capacity. Proof of vaccination required effective October 5, 2021.
Newfoundland	Cinemas open at the lower of 25% capacity or 50 per auditorium. Permitted to operate at 50% capacity per auditorium effective February 14, 2022. Proof of vaccination required effective October 22, 2021.	Restaurants open at 50% capacity with a maximum of 10 guests per table. Proof of vaccination required effective October 22, 2021.

To mitigate the negative impact of COVID-19 and support its long-term stability, Cineplex has undertaken a variety of measures including:

Liquidity measures:

- June 2020: entered into the First Credit Agreement Amendment with The Bank of Nova Scotia as administrative agent to Cineplex's seventh amended and restated credit agreement (as amended, the "Credit Facilities") providing certain financial covenant relief in light of the COVID-19 pandemic and its impact on Cineplex's business (Section 7.4, Long-term debt);
- July 2020: issued convertible unsecured subordinated debentures (the "Debentures") for net proceeds of $303.3 million, (Section 7.4, Long-term debt);
- November 2020: entered into the Second Credit Agreement Amendment providing further financial covenant relief (Section 7.4, Long-term debt);
- December 2020: entered into an agreement to enhance and expand the SCENE loyalty program receiving $60.0 million with respect to the reorganization;
- January 2021: completed the sale and leaseback transaction of Cineplex's head office buildings located at 1303 Yonge Street and 1257 Yonge Street, Toronto, Ontario for gross proceeds of $57.0 million;
- January 2021: filed tax returns for the 2020 taxation year claiming a $62.6 million recovery of income taxes paid in prior periods (all of which has been received as of December 31, 2021);

- February 2021: entered into the Third Credit Agreement Amendment providing further financial covenant relief (Section 7.4, Long-term debt);
- February 2021: issued 7.50% senior secured second lien notes due February 26, 2026 (the "Notes Payable") for net proceeds of $243.3 million (Section 7.4, Long-term debt); and
- December 2021: entered into the Fourth Credit Agreement Amendment providing further financial covenant relief (Section 7.4, Long-term debt).

Cost reduction and subsidy measures:
- temporary layoffs of all part-time and full-time hourly employees as well as a number of full-time employees who chose a temporary layoff rather than a salary reduction during the second quarter of 2020 and additional temporary layoffs of part-time employees beginning in December 2021 further expanding in the first quarter of 2022;
- reduced full-time employee salaries by agreement with such employees during the second and third quarters of 2020;
- suspended or deferred current capital spending, reviewing all capital projects to consider either deferral or cancellation;
- reduced non-essential discretionary operational expenditures (such as spending on marketing, travel and entertainment);
- implemented a more stringent review and approval process for all outgoing procurement and payment requests;
- continued negotiations with landlords for cash payments in exchange for the sale of contractual rights or negotiating rent relief, including abatements, reductions and deferral;
- worked with major suppliers and other business partners to modify the timing and quantum of certain contractual payments;
- reviewed and applied for government subsidy programs where available, including municipal and provincial property tax and energy rebates or subsidies;
- applied for the ongoing Canada Emergency Wage Subsidy ("CEWS"), which was launched by the Government of Canada, providing a variable subsidy for employee wages incurred from March 2020 to October 23, 2021;
- applied for the ongoing Canada Emergency Rent Subsidy ("CERS"), which was launched by the Government of Canada as a result of government mandated lockdowns, providing a variable subsidy for rent and other occupancy-related costs incurred from September 27, 2020 through October 23, 2021;
- applied for Canada's Tourism and Hospitality Recovery Program ("THRP") which provides wage and rent subsidies for businesses that have faced revenue losses, with a subsidy rate of up to 75%;
- continued evaluation of Cineplex's eligibility under other relief programs; and
- continued the suspension of dividends.

The COVID-19 pandemic continues to have a material negative effect on all aspects of Cineplex's businesses resulting in material decreases in revenues, results of operations and cash flows. As a result of the reopening of its theatres, Cineplex was able to significantly reduce its average monthly net cash burn to an approximately net neutral position during the fourth quarter of 2021 (defined as net cash provided by (used in) operating activities adjusted for changes in operating assets and liabilities, less repayments of lease obligations - principal and net capital expenditures, plus net cash received from CDCP) compared to the prior six quarters, however, Cineplex continues to be materially impacted by capacity and other restrictions in major markets in which it operates.

As some of Cineplex's largest expenses, such as film cost and cost of food services, are fully variable, during the closure of its theatres and LBE venues Cineplex focused on reducing its largest fixed and semi-fixed expenses, including those attributed to theatre payroll and theatre occupancy. With higher revenues from the reopening of theatres that commenced during the third quarter, variable wage and rent subsidy rates which were designed to reduce with revenue growth, have declined and Cineplex recognized no additional subsidy receipts with respect to the CEWS and CERS programs beyond October with both programs coming to an end on October 23, 2021. However, in December of 2021, capacity restrictions or closure requirements were reinstituted in several key markets in which Cineplex operates, including Ontario, New Brunswick, Nova Scotia, Quebec, British Columbia and Prince Edward Island, materially impacting its ability to benefit from highly anticipated film releases. Cineplex was able to mitigate these losses through the recognition of wage and rent subsidies of $9.4 million and $1.1 million, respectively, from Canada's THRP. With respect to theatre occupancy expenses, Cineplex has continued to work with its landlord partners subsequent to the government-imposed lockdowns to obtain relief measures, resulting in significantly reduced cash rent being paid in 2020 and 2021. Including the sale of certain restrictive lease rights to landlords undertaken in the third quarter of 2020, Cineplex was able to materially reduce net cash lease outflows on an annual basis by $72.5 million in 2020. As a result of ongoing discussions with landlords, Cineplex was able to reduce net cash lease outflows by $6.6 million during the fourth quarter of 2021 ($36.1 million year to date including the sale of certain lease rights for $6.4 million in 2021). The negotiated lease obligation savings represent forgiveness of lease payments. Cineplex remains focused on identifying opportunities to extract value under its existing lease agreements.

Since the closure of its theatres and LBE venues in March 2020, Cineplex diligently prepared for their safe reopening, carefully re-examining all of its buildings and processes and implementing an industry-leading program with end-to-end health and safety protocols. In June 2021, Cineplex introduced its VenueSafe program, which encompasses all of Cineplex's health and safety protocols, in accordance with Canada's public health guidelines. With the VenueSafe seal of approval, Cineplex believes that guests can feel confident in the company's commitment to provide a safe and comfortable environment to be entertained once again in both our theatres and other entertainment venues.

While the specific protocols will evolve over time with the emergence from the pandemic, VenueSafe will remain consistent across all of Cineplex's venues as health and safety remain a top priority and top of mind for our guests. Some of the measures include:

- improved ventilation systems to improve the delivery of clean air;
- reserved seating in all auditoriums across Canada; specially designed games-floor and dining-space configurations in LBE venues;
- reduced capacity based on province-specific guidelines;
- enhanced cleaning practices throughout the facilities, with particular focus on high-contact surfaces, restrooms and seats;
- safety signage throughout theatres and LBE venues;
- ensuring employees have the personal protective equipment they need and as required by law; and
- making hand sanitizer readily available for guests and employees throughout the buildings.

Canada's vaccination rate has made tremendous progress during the year with a high percentage of the eligible population receiving at least one dose of a COVID-19 vaccine and an increasing number having received two or three doses. With increasing concerns over more transmissible variants, including the highly transmissible new Omicron variant, the Canadian government has accelerated the rollout of COVID-19 vaccine booster doses providing extra protection against COVID-19 and its variants. In order to control the spread of COVID-19, the majority of provinces across Canada require proof of vaccination as part of the reopening plans in select settings including those that operate indoors with close proximity of patrons.

The capacity and other restrictions materially impacted Cineplex's ability to benefit from highly anticipated film releases released during the holiday season. Despite mandatory capacity restrictions that continue to be enforced where and as applicable, Cineplex recognized a significant increase in revenues during the fourth quarter, the highest since the pandemic was declared in early 2020. Cineplex will continue to monitor capacity restrictions and will adjust operating levels in accordance with government directives. Cineplex is optimistic that all of its businesses will recover over time, believing that consumer demand for the theatrical experience, combined with a backlog of anticipated releases of strong film content will help drive visitation, as was evidenced by strong post-reopening box office and food services revenues recognized during the second half of 2021.

The release late in the second quarter of 2021 of the highly anticipated *F9: The Fast Saga* generated strong attendance in North America and globally, grossing $173.0 million and $726.2 million, respectively, as reported to date. The film generated $70.0 million during the opening weekend, more than doubling the opening box office earnings of *Godzilla vs. Kong* which previously held the opening box office record since the pandemic started in March 2020. The release of *Shang-Chi and the Legend of the Ten Rings* set the all-time box-office record for a Labour Day release generating $94.0 million during its opening weekend, and total gross box office revenues in North America and globally of $224.5 million and $432.0 million, respectively, as reported to date. The release of Marvel's highly anticipated *Spider-Man: No Way Home* in December 2021 generated the second biggest North American opening weekend of all time and the biggest December opening weekend of all-time grossing $260.1 million and earning $735.9 million in North America and $1.7 billion globally since its release, as reported.

Management continues to pursue all viable options to maintain adequate liquidity to fund operations for the currently anticipated duration of the pandemic. This includes but is not limited to asset sales such as Cineplex's head office buildings in Toronto which was completed during the first quarter, the issuance of Notes Payable (Section 7.4, Long-term debt) and amendments to its existing Credit Facilities (Section 7.4, Long-term debt).

As at December 31, 2021, Cineplex had a cash balance of $26.9 million and $270.7 million available under its Revolving Facility subject to the liquidity covenants set forth in the Credit Facilities as amended (Section 7.4, Long-term debt). Combined with the continued focus on reducing costs and capital expenditures, management believes that it has adequate liquidity to fund operations for the currently anticipated duration of the pandemic in the regions in which Cineplex operates.

Cineworld Transaction

On December 15, 2019, Cineplex entered into an arrangement agreement (the "Arrangement Agreement") with Cineworld Group, plc ("Cineworld"), pursuant to which an indirect wholly-owned subsidiary of Cineworld agreed to acquire all of the issued and outstanding common shares of Cineplex ("Shares") for $34.00 per share in cash (the "Cineworld Transaction"). The Cineworld Transaction was to be implemented by way of a statutory plan of arrangement under the *Business Corporation Act* (Ontario).

On June 12, 2020, Cineworld delivered a notice (the "Termination Notice") to Cineplex purporting to terminate the Arrangement Agreement. In the Termination Notice, Cineworld alleged that Cineplex took certain actions that constituted breaches of Cineplex's covenants under the Arrangement Agreement including failing to operate its business in the ordinary course. In addition, Cineworld alleged that a material adverse effect had occurred with respect to Cineplex. Cineworld's repudiation of the Arrangement Agreement was acknowledged by Cineplex and the Cineworld Transaction did not proceed. Cineplex vigorously denied Cineworld's allegations.

On July 3, 2020, Cineplex announced that it had commenced an action in the Ontario Superior Court of Justice (the "Court") against Cineworld and 1232743 B.C. Ltd. seeking damages arising from what Cineplex claimed was a wrongful repudiation of the Arrangement Agreement. The claim sought damages, including the approximately $2.18 billion that Cineworld would have paid upon the closing of the Cineworld Transaction for Cineplex's securities, reduced by the value of the Cineplex securities retained by its security holders, as well as compensation for other losses including the loss to Cineplex of expected synergies, the failure of Cineworld to repay or refinance Cineplex's approximately $664 million in debt, and transaction expenses. Cineplex also advanced alternative claims for damages for the loss of benefits to its security holders, and to require Cineworld to disgorge the benefits it improperly received by wrongfully repudiating the Cineworld Transaction.

On July 6, 2020, Cineworld announced that it would defend Cineplex's claim, and on September 2, 2020, filed its Statement of Defence and Counterclaim in which it denied Cineplex's claims and advanced a counterclaim seeking reimbursement of £32 million for costs incurred with respect to the transaction and an unspecified amount for punitive damages. Cineplex responded to Cineworld's defence and counterclaim on September 15, 2020, denying all claims levied by Cineworld.

A trial of the action commenced before the Court on September 13, 2021 and continued until November 4, 2021.

On December 14, 2021, the Court released its decision in the action (the "Decision"). The Court held that Cineplex did not breach any of its covenants in the Arrangement Agreement, and that Cineworld had no basis for terminating the Arrangement Agreement. The Court held that Cineworld breached the Arrangement Agreement and repudiated the transaction to acquire Cineplex, which actions precluded Cineplex from seeking specific performance and entitled Cineplex to monetary damages. The Court awarded damages for breach of contract to Cineplex in the amount of $1.24 billion on account of lost synergies, and $5.5 million for transaction costs, exclusive of pre-judgment interest. The Court also held that Cineplex's shareholders did not have any rights under the Arrangement Agreement to enforce the agreement or sue Cineworld for any breach. The Court also denied Cineworld's counterclaim against Cineplex.

On January 12, 2022, Cineworld filed a Notice of Appeal with the Court of Appeal for Ontario and on January 27, 2022, Cineplex filed its Notice of Cross Appeal.

Due to uncertainties inherent in appeals, it is not possible for Cineplex to predict the timing or final outcome of the appeal of the Decision announced by Cineworld. Further, even if Cineworld's appeal is not successful, Cineworld may not have the ability to pay the full amount of any damages or costs awarded by the Court. Therefore no amount has been accrued as a receivable.

1.2 FINANCIAL HIGHLIGHTS

Financial highlights	**Fourth Quarter**			**Full Year**		
(in thousands of dollars, except theatre attendance in thousands of patrons and per Share and per patron amounts)	**2021**	**2020**	**Change (i)**	**2021**	**2020**	**Change (i)**
Total revenues (ii)	$ 299,951	$ 52,452	471.9%	$ 656,669	$ 418,263	57.0%
Theatre attendance	10,245	786	NM	20,080	13,065	53.7%
Net loss from continuing operations (iii)	$ (21,778)	$ (230,403)	-90.5%	$ (248,722)	$ (624,001)	-60.1%
Net loss from discontinued operations	$ —	$ —	—	$ —	$ (4,952)	-100.0%
Net loss (iii)	$ (21,778)	$ (230,403)	-90.5%	$ (248,722)	$ (628,953)	-60.5%
Net loss as a percentage of sales	(7.3)%	(439.3)%	432.0%	(37.9)%	(149.2)%	111.3%
Cash provided by (used in) operating activities	$ 27,480	$ (61,041)	NM	$ 61,004	$ (106,314)	NM
Box office revenues per patron ("BPP") (iv)	$ 12.29	$ 9.23	33.2%	$ 11.77	$ 10.17	15.7%
Concession revenues per patron ("CPP") (iv)	$ 7.49	$ 9.06	-17.3%	$ 7.93	$ 6.99	13.4%
Adjusted EBITDA (v)	$ 58,328	$ (32,097)	NM	$ 59,927	$ (55,866)	NM
Adjusted EBITDAaL (iii) (v)	$ 20,198	$ (65,948)	NM	$ (84,295)	$ (182,815)	-53.9%
Adjusted EBITDAaL margin (iii) (vi)	6.7 %	(125.7)%	132.4%	(12.8)%	(43.7)%	30.9%
Adjusted free cash flow (v)	$ (1,032)	$ (30,530)	-96.6%	$ (151,517)	$ (161,870)	-6.4%
Adjusted free cash flow per Share (vi)	$ (0.016)	$ (0.482)	-96.7%	$ (2.392)	$ (2.556)	-6.4%
Earnings per Share ("EPS") from continuing operations - basic and diluted (iii)	$ (0.34)	$ (3.64)	-90.7%	$ (3.93)	$ (9.85)	-60.1%
EPS from discontinued operations - basic and diluted	$ —	$ —	—%	$ —	$ (0.08)	-100.0%
EPS - basic and diluted (iii)	$ (0.34)	$ (3.64)	-90.7%	$ (3.93)	$ (9.93)	-60.4%

(i) Throughout this MD&A, changes in percentage amounts are calculated as 2021 value less 2020 value.

(ii) All amounts are from continuing operations.

(iii) 2021 includes expenses related to the Cineworld Transaction and associated litigation in the amount of $2.3 million (2020 - $1.3 million) for the fourth quarter and $11.4 million (2020 - $4.1 million) for the full year.

(iv) Represents a supplementary financial measure. See Section 17, Non-GAAP and other financial measures.

(v) Represents a non-GAAP financial measure. See Section 17, Non-GAAP and other financial measures.

(vi) Represents a non-GAAP ratio. See Section 17, Non-GAAP and other financial measures.

Total revenues for the fourth quarter of 2021 increased 471.9%, or $247.5 million to $300.0 million as compared to the prior year period. In the prior year, the majority of Cineplex's businesses were closed or operating under strict capacity restrictions as a result of significant increases in daily COVID-19 case counts. During the fourth quarter of 2021, Cineplex's entire circuit of theatres and LBE venues were open, subject to capacity and operating restrictions in select provinces, resulting in significant increases in revenue when compared to the prior year period. The release of highly anticipated films including *Spider-Man: No Way Home, Dune, No Time To Die* and *Venom: Let There Be Carnage* contributed to the significant theatre attendance increase of 9.5 million to 10.2 million as compared to 0.8 million in the prior year period which had limited first run films. Cineplex reported box office revenues of $125.9 million in the fourth quarter and an all-time quarterly record BPP of $12.29, food service revenues of $87.2 million and a fourth quarter CPP of $7.49 which was negatively impacted by restrictions on food service sales in Cineplex's theatres. Food service revenues consist of theatre food service revenue of $76.7 million, home delivery revenues of $3.0 million and LBE food service revenues of $7.5 million. Media revenues of $32.8 million were mainly from cinema media and network management and services. Amusement revenues of $45.1 million generated in the fourth quarter were primarily from P1AG route operations including family entertainment centres ("FEC") locations and theatres that reopened in the United States and Canada. Cineplex reported an increase in adjusted EBITDAaL of $86.1 million to $20.2 million compared to the prior year period loss of $65.9 million and adjusted free cash flow per Share was a loss of $(0.016) as compared to a loss in the prior year period of $(0.482). Cineplex's net loss from continuing operations decreased from a reported loss of $230.4 million in the prior year period to a loss of $21.8 million in the current period with a net loss per share from continuing operations decreasing from $(3.64) in the prior year period to $(0.34) in the current period.

Reflecting the positive reopening of Cineplex's businesses, total revenues for the year ended December 31, 2021 increased by $238.4 million to $656.7 million, or 57.0% from $418.3 million recognized in the prior year period. Adjusted EBITDAaL for the year was a loss of $84.3 million as compared to a loss of $182.8 million recognized in the prior year. For the annual period, Cineplex was able to reduce its net loss from continuing operations reported in the current year from $624.0 million reported in the prior year to $248.7 million reported in the current year period.

1.3 KEY DEVELOPMENTS IN 2021

The following describes certain key business initiatives undertaken and results achieved during 2021 in each of Cineplex's core business areas:

FILM ENTERTAINMENT AND CONTENT

Theatre Exhibition

- Reported annual box office revenues of $236.3 million, a 77.9% increase from 2020 as a result of increased theatre attendance due to theatre reopenings compared to theatre closures that remained in effect for a majority of the prior year period.
- BPP was $11.77, an all-time annual record, an increase of $1.60 or 15.7% when compared to the prior year due to new releases and premium offerings in the current period as compared to the prior period which focused on discounted pricing for older and more classic film product.
- Opened Quebec's second VIP Cinemas at *Cineplex Forum and VIP* in downtown Montreal on June 18, 2021.
- Opened Western Canada's first standalone VIP Cinemas at *Cineplex VIP Cinemas Brentwood* in Burnaby, British Columbia on July 7, 2021.
- Opened Cineplex's 25th VIP Cinemas, *Cineplex VIP Cinemas University District* located in the University District Calgary on November 17, 2021.
- Opened three new ScreenX auditoriums: *Scotiabank Theatre Winnipeg* in Manitoba, *Cinéma Cineplex Odeon Brossard et VIP* in Quebec and *Cineplex Cinemas Ancaster* in Ontario
- Launched CineClub, Canada's first of its kind movie subscription program providing members with benefits accessible across Cineplex's businesses nationwide including Cineplex theatres, the Cineplex Store and LBE venues.

Theatre Food Service

- Reported annual theatre food service revenues of $159.2 million, a 74.2% increase compared to the prior year period primarily due to a significant increase in theatre attendance as a result of the reopening of theatres coupled with a record CPP.
- CPP was $7.93, an all-time annual record, an increase of $0.94 or 13.4% when compared to the prior year, due to product mix, modest price increases and film product that appealed to first-run viewers who tend to have a higher concession spend.
- Continued focus on theatre food delivery service over the prior year reporting annual revenues of $13.1 million, an increase of 59.7% or $4.9 million.

Alternative Programming

- Alternative Programming (Cineplex Events) included the stage event *The Great Big Boo,* the documentary about the author CS Lewis, the anime features *Sword Art Online* and *Gintara*, as well as the successful re-release of past films including the reissue of *The Matrix, Halloween (1999)* and *Rad the 35th Anniversary.*
- Cineplex released the feature film *Lamb* on October 8, 2021 and *The Tragedy of Macbeth* on December 25, 2021.

Digital Commerce

- Total registered users for Cineplex Store increased by 18% as compared to the prior year period, reaching over 2.2 million registered users.
- Cineplex Store continues to benefit from Premium Video On Demand ("PVOD") and Premium Electronic Sell Through ("PEST") releases.

MEDIA

- Total media revenues remained flat at $65.3 million for the year ended December 31, 2021.

Cinema Media

- Reported annual Cinema media revenues of $33.0 million, an increase of $9.4 million or 39.8% over the prior year, due to increases in show-time and pre-show advertising as a result of reopened theatres and new film releases.

Digital Place-Based Media

- Reported annual revenues of $32.4 million, a decrease of $9.4 million or 22.5%, compared to 2020. The decrease is attributable to a lower number of deployments combined with the impact of certain contract expirations while focusing on higher margin projects.
- Cineplex Digital Media rolled out the Flex SmartEngine, a data-driven machine learning software platform that optimizes digital signage.

AMUSEMENT AND LEISURE

Amusement Solutions

- Reported annual revenues of $134.5 million an increase of $56.6 million or 72.6% as compared to the prior year. The increase is due to the reopening of P1AG route locations in Canada and the United States.

Location-based Entertainment

- Reported total annual revenues of $44.8 million including food service revenues of $14.7 million, amusement revenues of $29.2 million and other revenues of $0.8 million, an increase of $19.2 million or 75.3% as compared to 2020. The increase was due to the reopening of LBE businesses compared to closures that remained in effect for a majority of the prior year period.
- Opened *Playdium* in Dartmouth, Nova Scotia on February 26, 2021, British Columbia's first location of *The Rec Room* in Burnaby on July 5, 2021, and *The Rec Room* in Barrie, Ontario, on July 26, 2021. With these openings, Cineplex has 10 locations of *The Rec Room* and three locations of *Playdium* across Canada.

LOYALTY

- Scene+ launched on December 13, 2021, merging the SCENE loyalty and Scotia Rewards programs.
- Membership in the Scene+ loyalty program remained flat during the year ended December 31, 2021.

CORPORATE

- Cineplex completed a sale and leaseback transaction for its head office buildings located at 1303 Yonge Street and 1257 Yonge Street, Toronto, Ontario for gross proceeds of $57.0 million. Fifty percent of the net proceeds were used to permanently reduce the amount outstanding under Cineplex's Credit Facilities.
- On February 8, 2021, Cineplex and Cineplex Entertainment Limited Partnership entered into the Third Credit Agreement Amendment with The Bank of Nova Scotia providing Cineplex with certain financial covenant relief in light of the COVID-19 pandemic and its effects on Cineplex's business (Section 7.4, Long-term debt).
- On February 26, 2021, Cineplex completed the $250.0 million Notes Payable offering. Cineplex used the net proceeds raised in part to permanently repay $100.0 million of its Credit Facilities. The Notes Payable bear interest at a rate of 7.50% per annum and mature on February 26, 2026 (Section 7.4, Long-term debt)
- Cineplex negotiated the sale of certain restrictive lease rights for total proceeds of $6.4 million.
- On December 14, 2021 the Ontario Superior Court of Justice ruled in favour of Cineplex, finding that Cineworld repudiated the transaction to acquire Cineplex. The court awarded damages for breach of contract to Cineplex in the amount of $1.24 billion and reimbursement of transaction costs of $5.5 million.
- On December 30, 2021, Cineplex and Cineplex Entertainment Limited Partnership entered into the Fourth Credit Agreement Amendment with The Bank of Nova Scotia, which among other things, extended the suspension of financial covenant testing until the second quarter of 2022 and liquidity covenant requirements until June 30, 2022 (Section 7.4, Long-term debt).

2. CINEPLEX'S BUSINESS AND STRATEGY

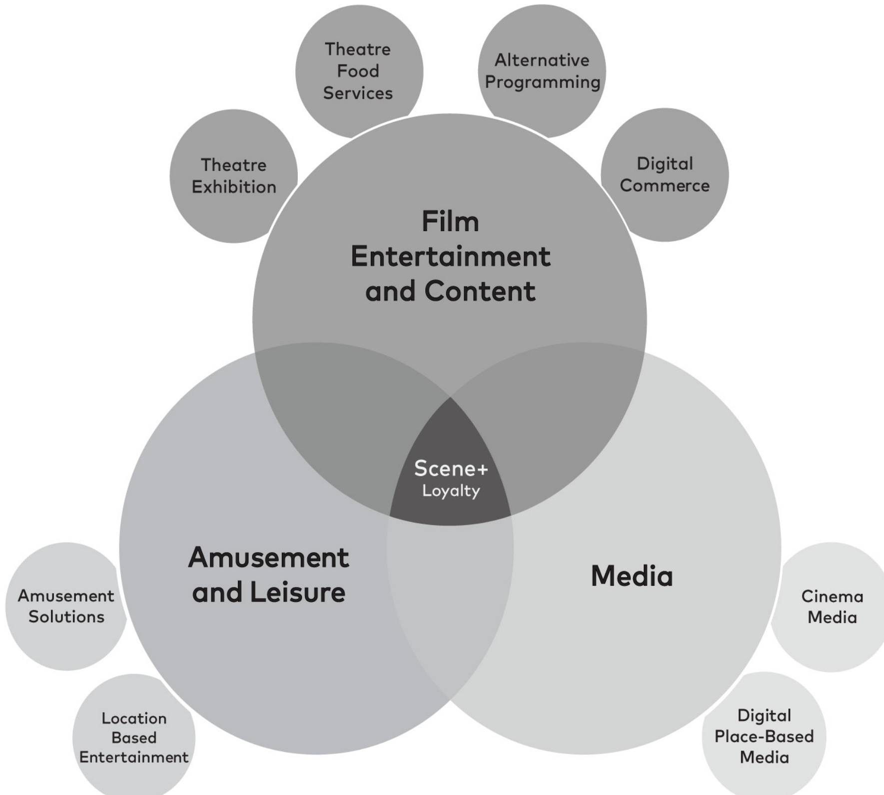
Cineplex's mission statement is "Passionately delivering exceptional experiences." All of its efforts are focused towards this mission and it is Cineplex's goal to consistently provide guests and customers with exceptional experiences.

Cineplex's operations are primarily conducted in four main areas: film entertainment and content, media, amusement and leisure, and location-based entertainment, all supported by the Scene+ loyalty program. Cineplex's key strategic areas of focus include the following:

- Continue to enhance and expand Cineplex's presence as an entertainment destination for Canadians in-theatre, at-home and on-the-go;
- Capitalize on core media strengths and infrastructure to provide continued growth of Cineplex's media business both inside and outside theatres;
- Develop and scale amusement and leisure concepts by extending existing capabilities and infrastructure;
- Drive value within businesses by leveraging opportunities to optimize value, realize synergies, implement customer-centric technology and leverage big data across the Cineplex ecosystems; and
- Pursue opportunities that capitalize on Cineplex's core strengths.

Cineplex uses the Scene+ loyalty program and database as a strategic asset to link these areas of focus and drive customer acquisition and spending across all lines of business.

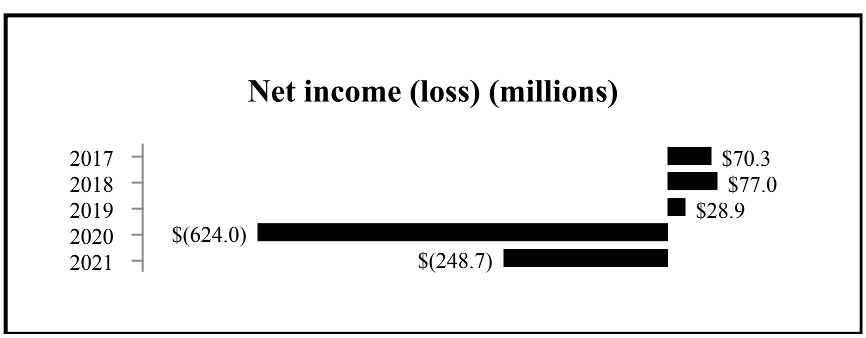
Diversified Entertainment and Media Company

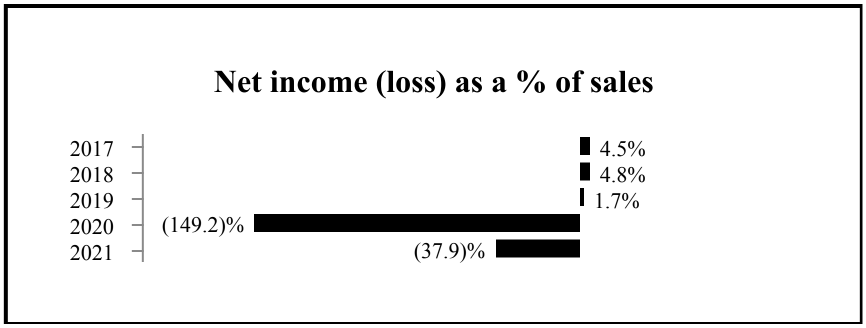


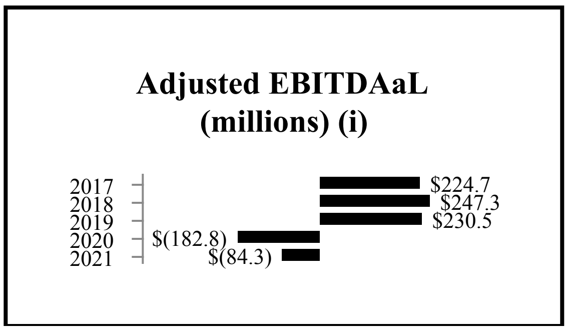
Key elements of this strategy include going beyond movies to reach customers in new ways and maximizing revenue per patron. Cineplex has implemented in-theatre initiatives to improve the overall entertainment experience, including increased premium offerings, enhanced in-theatre services, alternative pricing strategies, continued development of the Scene+ loyalty program and initiatives in theatre food service such as optimizing and adding product offerings and improving service execution. The ultimate goal of these in-theatre customer service initiatives is to maximize revenue per patron and increase the frequency of movie-going at Cineplex's theatres.

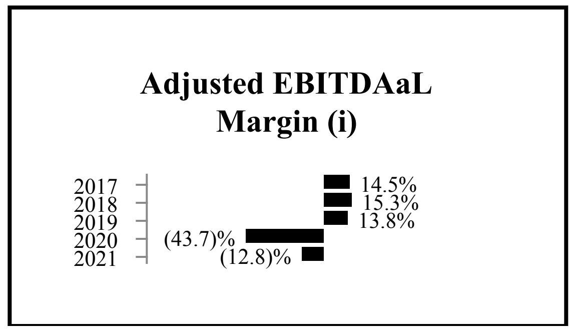
While box office revenues (which include alternative programming) typically account for the largest portion of Cineplex's revenues, Cineplex has diversified its revenue streams through expanded theatre food service offerings, cinema media, digital place-based media, amusement and leisure, the Cineplex Store, promotions and other revenue streams which have increased as a share of total revenues.

As a result of the impact of the COVID-19 pandemic on Cineplex's business, Cineplex's attention has shifted to respond to the impacts of the COVID-19 pandemic by implementing a variety of measures to reduce costs and has placed an increased focus on the safe reopening of its business (see Section 1.1, COVID-19 business impacts, risks and liquidity). The following charts present the annual results:









(i) 2021 includes expenses related to the Cineworld Transaction and associated litigation in the amount of $11.4 million (2020 $4.1 million).

3. CINEPLEX'S BUSINESSES

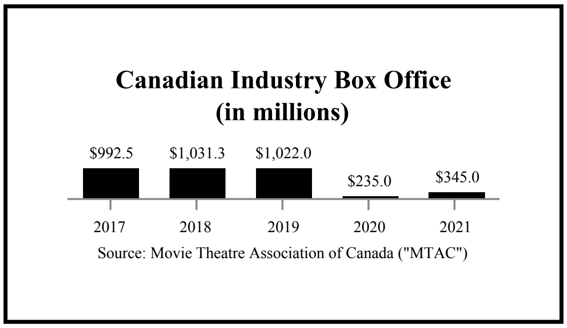
During 2021, all aspects of Cineplex's business were materially negatively impacted by COVID-19. Despite this impact, the following reflects management's belief that its business will return to profitability as operating restrictions are eventually fully lifted across all of Cineplex's businesses and guests return to Cineplex's theatres and venues. Cineplex's operations are primarily conducted in four main areas: film entertainment and content, media, amusement and leisure and location-based entertainment, all supported by the Scene+ loyalty program.

FILM ENTERTAINMENT AND CONTENT

Theatre Exhibition

Theatre exhibition is the core business of Cineplex. Box office revenues are highly dependent on the marketability, quality and appeal of the film product released by the major motion picture studios.

The motion picture industry consists of three principal activities: production, distribution and exhibition. Production involves the development, financing and creation of feature-length motion pictures. Distribution involves the promotion and exploitation of motion pictures in a variety of different channels. Theatrical exhibition is a key channel for new motion picture releases and is the core business function of Cineplex.



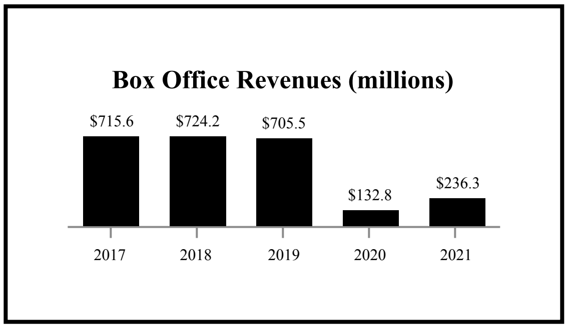
Cineplex believes that the following market trends are important factors in the growth of the film exhibition industry in Canada:

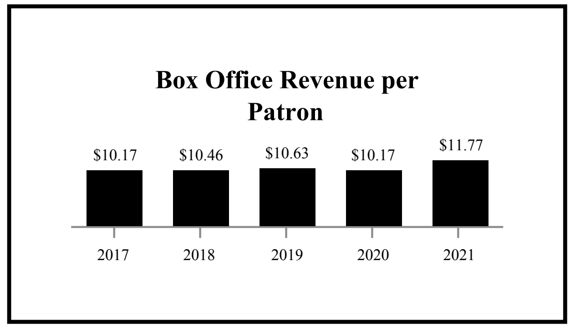
- *Importance of theatrical success in establishing movie brands and subsequent movies.* Theatrical exhibition is the initial and most important channel for new motion picture releases. A successful theatrical release which "brands" a film is often the determining factor in its popularity and value in "downstream" distribution channels, such as transactional video-on-demand ("TVoD"), Blu-ray, pay-per-view, subscription video-on-demand ("SVoD") as well as network television. While studios have experimented with different release strategies through secondary channels such as streaming, initial theatrical releases continue to be the most vital channel for film success as evidenced by the successful box office releases of *Spider-Man: No Way Home and Shang-Chi and the Legend of the Ten Rings.*

- *Continued supply of successful films.* Studios are increasingly producing film franchises, such as *Star Wars, Fast & Furious* and *Jurassic Park*. Additionally, new franchises continue to be developed, such as the films in the Marvel and DC universes. When the first film in a franchise is successful, subsequent films in the franchise benefit from existing public awareness and anticipation. The result is that such features typically attract large audiences and generate strong box office revenues. The success of a broader range of film genres also benefits film exhibitors. In 2022, the studios are currently planning to release a strong slate of films, including *Morbius, Uncharted, The Batman, Sonic the Hedgehog 2, Fantastic Beasts: The Secrets of Dumbledore, Doctor Strange in the Multiverse of Madness, Legally Blonde 3, Top Gun:Maverick, John Wick: Chapter 4, Jurassic World: Dominon, Lightyear, Minions: The Rise of Gru, Thor:Love and Thunder, Black Adam, Puss in Boots: The Last Wish, Spider-Man: Across The Spider-Verse - Part One, The Flash, Black Panther: Wakanda Forever, Avatar 2* and *Aquaman and the Lost Kingdom.* In spite of changing release models, Cineplex remains confident that studios will continue to release a significant number of films with an exclusive theatrical window.

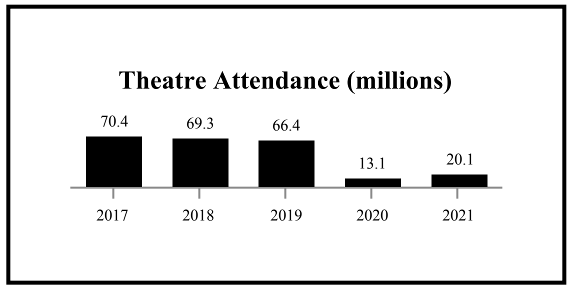
- *Convenient and affordable form of out-of-home entertainment.* Cineplex's BPP was $11.77 and $10.17 in 2021 and 2020, respectively. Excluding the impact of Cineplex's premium-priced product, BPP was $10.25 and $9.18 in 2021 and 2020, respectively. The movie-going experience continues to provide value and compares favourably to alternative forms of out-of-home entertainment in Canada such as professional sporting events or live theatre, and with Cineplex, Scene+ members enjoy the ability to earn points towards Cineplex products as well as discounts and special offers. CineClub members also have benefits accessible across Cineplex's businesses nationwide including Cineplex theatres, the Cineplex Store and LBE venues.

- *Providing a variety of premium and enhanced guest theatre experiences.* Premium priced theatre offerings include 3D, 4DX, UltraAVX, VIP, IMAX, D-BOX, ScreenX and *Cineplex Clubhouse*. BPP for premium-priced product was $15.37 in 2021, and accounted for 38.7% of total box office revenues in 2021. Recent enhancements to the current circuit include the addition of three VIP Cinemas and three new ScreenX auditoriums.





Cineplex's leading market position enables it to effectively manage film, food service and other theatre-level costs, thereby maximizing operating efficiencies. Cineplex seeks to continue to achieve incremental operating savings by, among other things, implementing best practices and negotiating improved supplier contracts. In addition, Cineplex continues to evaluate its existing theatre portfolio on an ongoing basis.

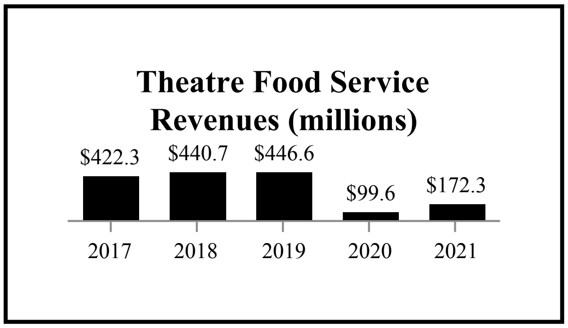


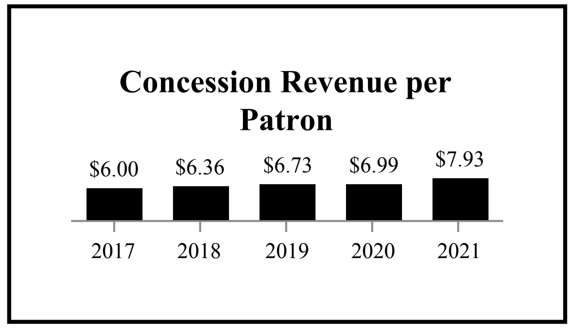
The development of premium experiences through design, structure and digital technology makes Cineplex theatres ideal locations for meetings and corporate events. Organizations, particularly corporations with offices across the country, can use Cineplex's theatres and digital technology for annual meetings, product launches and employee or customer events, producing revenue streams independent of film exhibition.

Theatre Food Service

Cineplex's theatre food service business offers guests a range of food choices to enhance their theatre experience while generating strong profit margins for the company. Cineplex's theatres feature its internally developed brands: *Outtakes* and *Melt*. Certain Cineplex theatres also feature popular fast food retail branded outlets ("RBO's") including Starbucks and Pizza Pizza, among others.

Cineplex continually focuses on process improvements designed to increase the speed of service at the concession counter in addition to optimizing the RBO's available at Cineplex's theatres. Each of the wide range of menu items available at *Outtakes* locations, expanded liquor service available in theatres, partnerships with Uber Eats and Skip The Dishes as well as the expanded menu and the licensed lounge service available at VIP Cinemas are designed to reach a wider market and to increase both purchase incidence and transaction value. Digital menu boards installed across the circuit offer flexibility in menu offerings to guests which contribute to an improved guest experience while also creating additional revenue opportunities.





Alternative Programming

Alternative programming includes Cineplex's international film programming as well as content offered under its *Event Cinema* brand offerings, including The Metropolitan Opera, sporting events, concerts and dedicated event screens. International film programming includes Bollywood content as well as Cantonese, Hindi, Punjabi, Mandarin, Korean and Filipino language films, amongst others, in select theatres across the country based on local demographics. This programming attracts a more diverse audience, expanding Cineplex's demographic reach and enhancing revenues.

The success of Cineplex's alternative programming events has led to offerings including the National Theatre from London, the *In the Gallery* series and screening select television content on the big screen. Cineplex offers the Classic Film Series and Family Favourites programming at non-peak hours to enhance theatre utilization rates. As additional content becomes available, Cineplex will continue to expand its alternative programming offerings. Cineplex distributed a limited number of films including the feature film *Lamb* on October 8, 2021 and *The Tragedy of Macbeth* on December 25, 2021.

Digital Commerce

Cineplex's digital products consist of cineplex.com, the Cineplex mobile app and the Cineplex Store. Cineplex has developed cineplex.com into one of the leading entertainment sites in Canada, a destination of choice for Canadians seeking movie entertainment information on the internet. The website offers streaming video, movie information, showtimes and the ability to buy tickets online, entertainment news and box office reports as well as advertising and digital commerce opportunities. To complement cineplex.com, the Cineplex mobile app is available as a free download for a wide variety of devices, providing guests with the ability to find showtimes, buy tickets as well as find information relating to the latest movie choices and movie-related entertainment content in addition to providing mobile food and beverage ordering in VIP auditoriums.

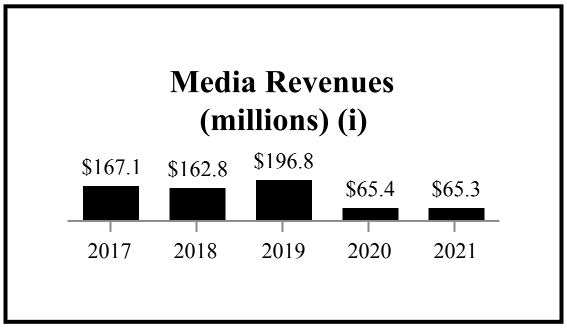
These features and others enable Cineplex to engage and interact with its guests online and on-the-go, allowing Cineplex to offer engaging, targeted and sponsored content to visitors and advertisers, resulting in opportunities to generate additional revenues.

The Cineplex Store rents and sells over 11,600 movies in digital form (TVoD including PVOD and PEST movies). Cineplex continues to improve the user experience including releasing new Cineplex Store user interfaces and experiences across the website and multiple connected televisions and device apps.

Cineplex's strong brand association with movies and well-established partnerships with movie studios combined with Cineplex's website, app and the Cineplex Store provide Cineplex with the ability to expand its touchpoints to consumers across multiple channels. As emerging technologies continue to change the ways in which content is consumed, Cineplex will continue to leverage its digital commerce properties to provide guests with in home and on-the-go options for content delivery.

MEDIA

Cineplex's media businesses cover two major categories: cinema media, which incorporates advertising mediums related to theatre exhibition, and digital place-based media which provides digital signage solutions.



(i) Media revenues for prior year periods have been restated to present revenue amounts from continuing operations.

Cinema Media

Cinema media incorporates advertising mediums related to theatre exhibition, both within Cineplex's own circuit of theatres as well as in competitors' theatres through revenue sharing arrangements. Cineplex's media advertising arrangements are impacted by theatre attendance levels which drive impressions and ultimately impact media revenue generated by Cineplex.

Cineplex's core cinema media offerings include:

- Show-time advertising, which runs just prior to the movie trailers in the darkened auditorium with limited distractions.
- Pre-show advertising, featured on the big screen as guests settle in to enjoy their movie night, in the period prior to Show-time.
- Digital lobby advertising and digital poster cases located in high traffic areas featuring big, bold digital signage.
- Website and mobile advertising sales through cineplex.com and the Cineplex mobile app.

Cineplex's theatres also provide opportunities for advertisers' special media placements (including floor and door coverings, window clings, standees, banners, samplings, activations and lobby domination setups).

In addition to these individual offerings, Cineplex offers integrated solutions that can cross over some or all of the above-mentioned platforms. Advertisers can utilize these forms of media individually or take advantage of an integrated advertising program spanning multiple platforms. In partnership with its digital commerce platforms, Cineplex offers online media packages that include page dominations, page skins, pre-roll and post-roll advertising; all with geo-targeting capabilities.

Cineplex's cinema media business is well positioned for continued growth and is the ideal channel for advertisers wanting to reach all demographics, especially the highly sought-after 17 to 25-year-old Canadian market.

Cineplex also generates revenues from the sale of sponsorship and advertising at LBE venues.

Digital Place-Based Media

Cineplex's digital place-based media designs, installs, maintains and operates digital signage networks in four verticals including digital out of home ("DOOH") (in public spaces such as shopping malls and office towers), quick service restaurants, financial institutions and retailers.

Cineplex Digital Media is focused on providing its clients smart solutions including the rollout of Flex SmartEngine, a data-driven machine learning software platform that optimizes digital signage to deliver the right content, to the right audience at the right time. Cineplex believes it can generate increased profitability with this new platform.

Cineplex Digital Media's advertising sales team combined with the project management, system design, network operations, and creative services teams within its digital place-based media business have Cineplex well positioned to expand its media reach throughout its current infrastructure as well as in numerous place-based advertising locations across the country. Cineplex believes that the strength of its digital place-based media assets make it a leader in the indoor digital signage industry and provide a platform for significant growth throughout North America and Europe.

AMUSEMENT AND LEISURE

Amusement and leisure includes two primary areas of operations:

- Amusement solutions, comprised of P1AG which is one of the largest distributors and operators of amusement, gaming and vending equipment in North America;
- Location-based entertainment, which includes social entertainment destinations featuring gaming, entertainment and dining, including *The Rec Room,* and *Playdium.*

Amusement Solutions

Cineplex's amusement solutions business generates revenues from the following activities in both Canada and the United States:

- Route operations: P1AG collects a revenue share on games revenues earned by P1AG-owned amusement and vending equipment placed into third party locations such as family entertainment centres, arcades, theatres, restaurants, bars and other locations.
- Third party equipment sales.
- Operating family entertainment centres.

In addition to expanding Cineplex's amusement and gaming presence outside of its theatres, the growth of P1AG has allowed Cineplex to vertically integrate its gaming operations. Cineplex's in-theatre gaming business features Cineplex's 40 XSCAPE Entertainment Centres as well as arcade games in select Cineplex theatres and LBE venues, with all of the games supplied and serviced by P1AG.

Location-based Entertainment

Cineplex operates LBE establishments under the brand names *The Rec Room* and *Playdium,* as well as other family entertainment centres.

The Rec Room is a social entertainment destination targeting millennials featuring a wide range of entertainment options including, simulation, redemption, video, recreational gaming, attractions, and a live entertainment venue for watching a wide range of entertainment programming. These entertainment options are complemented with an upscale casual dining environment, featuring an open kitchen and contemporary menu, as well as a larger bar with a wide range of digital monitors and a large screen for watching sporting and other major events.

The Rec Room earns revenues from food and beverage service, from amusement, gaming and leisure attraction play, and from ticket sales for events held within the destination. Cineplex opened British Columbia's first location of *The Rec Room* in Burnaby on July 5, 2021, as well as *The Rec Room* in Barrie, Ontario, on July 26, 2021. With these openings, Cineplex has ten locations of *The Rec Room.*

Playdium targets families and teens in mid-sized communities across Canada. Cineplex opened a new location in Dartmouth, Nova Scotia on February 26, 2021. With this opening, Cineplex has three locations of *Playdium.*

LOYALTY

Cineplex and Scotiabank are partners in the Scene+ loyalty program, providing Cineplex with significant data and a more comprehensive understanding of the demographics and behaviors of its audience. During the fourth quarter of 2021, Cineplex and Scotiabank launched Scene+ to bring together the full benefits of SCENE with Scotia Rewards, Scotiabank's flexible customer loyalty program.

Scene+ is a customer loyalty program designed to offer members discounts and the opportunity to earn and redeem points. Scene+ members can earn and redeem points for purchases at Cineplex's theatres, at its location-based entertainment establishments, online at the Cineplex Store as well as at locations operated by select program partners and as part of the Cineplex Tuesdays program. Scene+ members also can earn and redeem points at a wide variety of popular retailers, and redeem points as statement credits on certain Scotiabank products, as well as book flexible travel.

The Scene+ loyalty program has been well received as evidenced by the strong membership, high engagement and satisfaction levels of its program members. Management believes Scene+ will drive further growth and engagement by providing members with more reward options and ways to earn and redeem points. Through Scene+, Cineplex has gained a more thorough understanding of its customers, driven increased customer frequency, increased overall customer spending across its businesses and provides Cineplex with the targeted ability to communicate directly and regularly with customers.

The Scene+ customer database has allowed Cineplex to segment the member population and provide special offers to Cineplex's guests, implement targeted marketing programs and deliver tailored messages to subsets of the membership base, providing members with relevant information and offers which in turn drive increased frequency and spend. Cineplex continues to influence consumer behavior through the use of Scene+ points and experience upgrades for Scene+ members in its initiatives as well as in partnership with movie studios.

Cineplex has gained tremendous insight into customer behavior with over 14 years of data collected. Cineplex will continue to focus on leveraging this data through marketing automation to drive customer behavior as well as accelerating the adoption of artificial intelligence and machine learning for more robust consumer insight. Scene+ will continue to build its strategic marketing partnerships with participating partners across Canada, providing promotions and offerings.

4. OVERVIEW OF OPERATIONS

Revenues

Cineplex generates revenues primarily from box office and food service sales. These revenues are affected primarily by theatre attendance levels and by changes in BPP and CPP. Box office revenue represented 36.0% of revenue in 2021. Revenues continue to be materially impacted due to the ongoing negative impact of the COVID-19 pandemic.

The following table presents the revenue mix for comparative years:

Revenue mix % by period	**2021**	**2020**	**2019**	**2018**	**2017**
Box office	**36.0 %**	31.8 %	42.4 %	44.9 %	46.2 %
Food service	**28.5 %**	26.0 %	29.0 %	29.5 %	28.5 %
Media	**9.9 %**	15.6 %	11.8 %	10.1 %	10.8 %
Amusement	**20.5 %**	18.6 %	13.7 %	12.8 %	11.9 %
Other	**5.1 %**	8.0 %	3.1 %	2.7 %	2.6 %
Total	**100.0 %**	100.0 %	100.0 %	100.0 %	100.0 %

Cineplex has four reportable segments, film entertainment and content, media, amusement and leisure and location-based entertainment. The reportable segments are business units offering differing products and services and managed separately due to their distinct natures. These four reportable segments are based on the information used by Cineplex's chief operating decision makers. The revenue mix percentages for the four reportable segments during the year continue to be materially impacted by reduced capacities of theatres and LBE locations as a result of COVID-19.

Revenue mix % by year	Year to date	
	2021	2020
Film Entertainment and Content	68.0 %	64.0 %
Media	9.9 %	15.5 %
Amusement and Leisure	15.3 %	14.4 %
LBE	6.8 %	6.1 %
Total	100.0 %	100.0 %

A key component of Cineplex's business strategy is to position itself as the leading exhibitor in the Canadian market by focusing on providing customers with an exceptional entertainment experience. Cineplex has focused on optimizing revenues during the COVID-19 closures by offering a catalog of classic film products along with new releases and expanding product offerings through the Cineplex Store. In addition, prior to COVID-19, as a result of Cineplex's focus on diversifying the business beyond the traditional movie exhibition model, its revenue mix has shifted from box office revenue to other revenue sources.

The commercial appeal of the films and alternative content released during a given period, and the success of marketing as well as promotion for those films by film studios, distributors and content providers all drive theatre attendance. BPP is affected by the mix of film and alternative content product that appeals to certain audiences (such as children or seniors who pay lower ticket prices), ticket prices during a given period and the appeal of premium priced product available that increase BPP. While BPP was negatively impacted by CineClub, the Cineplex Tuesdays program and the Scene+ loyalty program, these programs are designed to increase theatre attendance frequency at Cineplex's theatres. Cineplex's main focus is to drive incremental visits to theatres, to employ a ticket price strategy which takes into account the local demographics at each individual theatre and to maximize BPP through premium offerings.

Food service revenues are comprised primarily of concession revenues, arising from food and beverage sales at theatre locations, as well as food and beverage sales at LBE venues including *The Rec Room* and *Playdium*. In addition, food service revenues include home delivery serviced by Uber Eats and by Skip the Dishes. CPP represents theatre food service revenues divided by theatre attendance, and is impacted by the theatre food service product mix, theatre food service prices, film genre, promotions, discounts for CineClub members, and the impact of SCENE points on the purchases of food and beverages at theatres prior to the introduction of Scene+. Films targeted to families and teenagers tend to result in a higher CPP and more adult-oriented product tends to result in a lower CPP. As a result, CPP can fluctuate from quarter to quarter depending on the genre of film product playing. Prior to the launch of Scene+, the SCENE points on theatre food service purchases decreased food service revenues on individual purchases. Cineplex believes the Scene+ and CineClub programs drive incremental purchase incidence, increasing overall revenues. Cineplex focuses primarily on growing CPP by optimizing the product offerings, improving operational excellence and strategic pricing to increase purchase incidence and transaction value. Food service revenues from LBE include food and beverage revenues from the various bars and restaurants located throughout the venues.

Media revenues include both cinema media (Cineplex Media) and digital place-based media (Cineplex Digital Media) revenues. Cineplex Media generates revenues primarily from selling pre-show and show-time advertising in Cineplex's theatres as well as other circuits through representation sales agreements. Cineplex's media advertising arrangements are impacted by theatre attendance levels which drive impressions and ultimately impact media revenue generated by Cineplex. Additionally, Cineplex Media sells media placements throughout Cineplex's circuit including digital poster cases, as well as sponsorship and advertising in LBE venues. Cineplex Media also sells digital advertising for cineplex.com, the Cineplex mobile app and on third party networks operated by Cineplex Digital Media. Cineplex Digital Media designs, installs, maintains and operates digital signage networks in four verticals including DOOH (in public spaces such as shopping malls and office towers), quick service restaurants, financial institutions and retailers.

Amusement revenues include amusement solutions revenues from P1AG, which supplies and services all of the games in Cineplex's theatre circuit while also supplying equipment to third party arcades, amusement parks and centres, bowling alleys and theatre circuits across Canada and the United States, in addition to owning and operating FECs. Additionally, included in amusement revenues are revenues generated by Cineplex's XSCAPE Entertainment Centres and game rooms in theatres as well as revenues generated at LBE venues.

Cineplex generates other revenues from the Cineplex Store, promotional activities, screenings, private parties, corporate events and breakage on gift card sales.

Cost of Sales and Expenses

Film cost represents the film rental fees paid to distributors on films exhibited in Cineplex theatres. Film costs are calculated as a percentage of box office revenue and are dependent on various factors including the performance of the film. Film costs are accrued on the related box office receipts at either mutually agreed-upon terms established prior to the opening of the film, or estimated terms where a mutually agreed settlement is reached upon conclusion of the film's run, depending upon the film licensing arrangement. There can be significant variances in film cost percentage between quarters due to, among other things, the concentration of box office revenues amongst the top films in the period with stronger performing films having a higher film cost percentage.

Cost of food service represents the cost of concession items and other theatre food service items sold and varies with changes in concession and other theatre food service revenues as well as the quantity and mix of concession and other food service offerings sold. Cost of food and beverages sold at LBE is also included in cost of food service.

Depreciation - right-of-use assets, represents the depreciation of Cineplex's right-of-use assets related to leases. Depreciation is calculated on a straight-line basis from the date of commencement of the lease to the earlier of the end of the useful life of the asset or the end of the lease term.

Depreciation and amortization - other, represents the depreciation and amortization of Cineplex's property, equipment and leaseholds, as well as certain of its intangible assets. Depreciation and amortization are calculated on a straight-line basis over the useful lives of the assets.

Gain on disposal of assets represents the gain recognized on assets or components of assets that were sold or otherwise disposed.

Other costs are comprised of theatre occupancy expenses, other operating expenses and general and administrative expenses. These categories are described below.

Theatre occupancy expenses include lease related expenses, percentage rent, property related taxes, business related taxes and insurance and exclude cash rent.

Other operating expenses consist of fixed and variable expenses, with the largest component being theatre salaries and wages. Although theatre salaries and wages net of subsidies (CEWS and THRP) include a fixed cost component, these expenses vary in relation to revenues as theatre staffing levels are adjusted to handle fluctuations in theatre attendance. Other components of this category include marketing and advertising, media, amusement and leisure (including P1AG and LBE), loyalty, digital commerce, supplies and services, utilities and maintenance. To the extent these costs are variable, they can be curtailed with changes in business volumes.

General and administrative expenses are primarily costs associated with managing Cineplex's business, including film buying, marketing and promotions, operations and theatre food service management, accounting and financial reporting, legal, treasury, design and construction, real estate development, communications and investor relations, information systems and administration. Included in these costs are payroll (including Cineplex's Omnibus Incentive Plan costs), occupancy costs related to Cineplex's corporate offices, professional fees (such as public accountant and legal fees) and travel and related costs. Cineplex maintains general and administrative staffing and associated costs at a level that it deems appropriate to manage and support the size and nature of its theatre portfolio and its business activities.

Accounting for Joint Arrangements

The financial statements incorporate the operating results of joint arrangements in which Cineplex has an interest using either the equity accounting method (for joint ventures and associates) or recognizing Cineplex's share of the assets, liabilities, revenues and expenses in Cineplex's consolidated results (for joint operations).

Under IFRS 11, Cineplex's 50% share of one IMAX auditorium in Ontario, its 78.2% interest in the Canadian Digital Cinema Partnership ("CDCP"), 50% interest in *YoYo's Yogurt Cafe* ("YoYo's") are classified as joint ventures or associates. Through equity accounting, Cineplex's share of the results of operations for these joint ventures and associates are reported as a single item in the statements of operations, 'Share of income of joint ventures and associates'. Theatre attendance for the IMAX auditorium held in a joint venture is not reported in Cineplex's consolidated theatre attendance as the line-by-line results of the joint venture are not included in the relevant lines in the statement of operations.

As part of the ongoing reorganization of Scene GP ("SCENE") which began in December 2020, Cineplex and its loyalty partner launched Scene+ on December 13, 2021 and as a result, Cineplex began equity accounting for its 50% economic interest in Scene LP ("Scene+"), the operator of the Scene+ loyalty program.

In addition to the joint ventures which are equity accounted, Cineplex consolidates its 50% share of assets, liabilities, revenues and expenses of its joint operation, which includes Scene GP, and up to December 12, 2021 Scene LP.

In the fourth quarter of 2020, Cineplex announced that it had entered into an agreement with its existing partner Scotiabank to enhance and expand the SCENE loyalty program. Cineplex received $60.0 million in December 2020 from its existing partner with respect to the agreement to reorganize the program and reposition it for future growth. In conjunction with the agreement, Cineplex's ownership in Scene+, was reduced to 33.3%. Cineplex continues to be entitled to and responsible for 50% of the economic benefits and obligations until specific non-financial milestones are met, resulting in the deferral of the recognition of the proceeds in deferred revenue and other. As a result of the December 13, 2021 step in the reorganization, Cineplex will no longer consolidate 50% of the results of Scene LP, but will continue to consolidate 50% of Scene GP which subsequent to December 12, 2021 holds the deferred revenue obligation for SCENE points issued up to December 12, 2021.

5. RESULTS OF OPERATIONS

5.1 SELECTED FINANCIAL DATA

The following table presents summarized financial data for Cineplex for the three most recently completed financial years (expressed in thousands of dollars except Shares outstanding, per Share data and per patron data, unless otherwise noted):

	Year ended December 31, 2021	Year ended December 31, 2020	Year ended December 31, 2019
Box office revenues	$ 236,320	$ 132,820	$ 705,521
Food service revenues	186,998	108,632	483,330
Media revenues	65,330	65,358	196,755
Amusement revenues	134,473	77,901	228,231
Other revenues	33,548	33,552	51,309
Total revenues	656,669	418,263	1,665,146
Film cost	114,674	66,922	369,386
Cost of food service	41,683	30,667	106,823
Depreciation - right-of-use assets	102,247	128,393	145,946
Depreciation and amortization - other assets	113,042	124,846	128,883
(Gain) loss on disposal of assets	(28,283)	(13,101)	1,764
Other costs (a)	439,554	375,690	782,693
Impairment of long-lived assets and goodwill	3,717	294,863	—
Costs of operations	786,634	1,008,280	1,535,495
Net (loss) income from continuing operations	$ (248,722)	$ (624,001)	$ 36,516
Net loss from discontinued operations	—	(4,952)	(7,625)
Net (loss) income	$ (248,722)	$ (628,953)	$ 28,891
Adjusted EBITDA (i) (v)	$ 59,927	$ (55,866)	$ 405,786
Adjusted EBITDAaL (i) (v)	$ (84,295)	$ (182,815)	$ 230,546
(a) Other costs include:			
Theatre occupancy expenses	40,945	60,514	71,867
Other operating expenses	339,313	276,092	629,849
General and administrative expenses (v)	59,296	39,084	80,977
Total other costs	$ 439,554	$ 375,690	$ 782,693
Net (loss) income per share from continuing operations - basic and diluted (iii)	$ (3.93)	$ (9.85)	$ 0.58
Net loss per share from discontinued operations - basic and diluted	—	(0.08)	(0.12)
Net (loss) income per share - basic and diluted (v)	$ (3.93)	$ (9.93)	$ 0.46
Total assets	$ 2,114,838	$ 2,333,870	$ 3,100,412
Long-term debt (iv)	$ 739,211	$ 725,271	$ 625,000
Shares outstanding at period end	63,344,298	63,333,238	63,333,238
Cash dividends declared per Share	$ —	$ 0.150	$ 1.780
Adjusted free cash flow per Share (ii)	$ (2.392)	$ (2.556)	$ 2.660
Box office revenue per patron (iii)	$ 11.77	$ 10.17	$ 10.63
Concession revenue per patron (iii)	$ 7.93	$ 6.99	$ 6.73
Film cost as a percentage of box office revenues	48.5%	50.4%	52.4%
Theatre attendance (in thousands of patrons) (iii)	20,080	13,065	66,360
Theatre locations (at period end)	160	162	165
Theatre screens (at period end)	1,652	1,667	1,693

(i) Represents a non-GAAP financial measure. See Section 17, Non-GAAP and other financial measures.

(ii) Represents a non-GAAP ratio. See Section 17, Non-GAAP and other financial measures.

(iii) Represents a supplementary financial measure. See Section 17, Non-GAAP and other financial measures.

(iv) Represents the principal component as presented on the financial statements net of any equity component and unamortized costs of long-term debt, Debentures, and Notes Payable. Excludes share-based compensation, lease obligations, fair value of interest rate swap agreements, post-employment benefit obligations and other liabilities.

(v) 2021 includes expenses related to the Cineworld Transaction and resulting litigation in the amount of $11.4 million (2020 - $4.1 million).

5.2 OPERATING RESULTS FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2021

Total revenues

Total revenues for the three months ended December 31, 2021 increased $247.5 million (471.9%) to $300.0 million as compared to the prior year period. Total revenues for the year ended December 31, 2021 increased $238.4 million (57.0%) to $656.7 million as compared to the prior year. A discussion of the factors affecting the changes in box office, food service, media, amusement and other revenues for the two periods is provided below.

Non-GAAP and other financial measures discussed throughout this MD&A, including adjusted EBITDA, adjusted EBITDAaL, adjusted store level EBITDAaL, adjusted EBITDAaL margin, adjusted store level EBITDAaL margin, adjusted free cash flow, theatre attendance, BPP, premium priced product, same theatre metrics, CPP, film cost percentage, food service cost percentage, concession margin per patron and net cash burn are defined and discussed in Section 17, Non-GAAP and other financial measures.

Box office revenues

The following table highlights the movement in box office revenues, theatre attendance and BPP for the fourth quarter and the full year (in thousands of dollars, except theatre attendance reported in thousands of patrons and per patron amounts, unless otherwise noted):

Box office revenues	Fourth Quarter			Full Year		
	2021	2020	Change	2021	2020	Change
Box office revenues	$ 125,890	$ 7,260	NM	$ 236,320	$ 132,820	77.9%
Theatre attendance (i)	10,245	786	NM	20,080	13,065	53.7%
Box office revenue per patron (i)	$ 12.29	$ 9.23	33.2%	$ 11.77	$ 10.17	15.7%
BPP excluding premium priced product (i)	$ 10.40	$ 8.61	20.8%	$ 10.25	$ 9.18	11.7%
Same theatre box office revenues (i)	$ 124,747	$ 7,239	NM	$ 234,474	$ 131,601	78.2%
Same theatre attendance (i)	10,187	783	NM	19,982	12,920	54.7%
% Total box from premium priced product (i)	47.3%	19.1%	28.2%	38.7 %	28.1 %	10.6%

(i) Represents a supplementary financial measure. See Section 17, Non-GAAP and other financial measures.

Box office continuity	Fourth Quarter		Full Year	
	Box Office	Theatre Attendance	Box Office	Theatre Attendance
2020 as reported	$ 7,260	786	$ 132,820	13,065
Same theatre attendance change	86,915	9,404	71,939	7,062
Impact of same theatre BPP change	30,595	—	30,937	—
New and acquired theatres (i)	1,123	56	1,722	85
Disposed and closed theatres (i)	(3)	(1)	(1,098)	(132)
2021 as reported	$ 125,890	10,245	$ 236,320	20,080

(i) See Section 17, Non-GAAP and other financial measures. Represents theatres opened, acquired, disposed or closed subsequent to the start of the prior year comparative period and is used to report on Cineplex's supplementary financial measures.

Fourth Quarter and Full Year

	Fourth Quarter 2021 Top Cineplex Films	3D	% Box		Fourth Quarter 2020 Top Cineplex Films	3D	% Box
1	Spider-Man: No Way Home	✔	23.7 %	1	Honest Thief		11.9 %
2	No Time To Die	✔	13.4 %	2	Tenet		11.3 %
3	Dune	✔	11.4 %	3	The War With Grandpa		10.3 %
4	Venom: Let There Be Carnage	✔	8.4 %	4	The Croods: A New Age		7.6 %
5	Eternals	✔	8.3 %	5	100% Wolf		5.3 %

Full Year 2021 Top Cineplex Films		3D	% Box	Full Year 2020 Top Cineplex Films		3D	% Box
1	Spider-Man: No Way Home	✔	12.6%	1	1917		8.1%
2	Shang-Chi And The Legend Of The Ten Rings	✔	8.0%	2	Star Wars: The Rise of Skywalker	✔	7.7%
3	No Time To Die	✔	7.1%	3	Jumanji: The Next Level	✔	7.6%
4	Dune	✔	6.1%	4	Bad Boys For Life		7.2%
5	Venom: Let There Be Carnage	✔	4.5%	5	Sonic The Hedgehog		5.4%

Fourth Quarter and Full Year

Box office revenues increased $118.6 million to $125.9 million during the fourth quarter of 2021, compared to $7.3 million recorded in the same period in 2020. This increase was mainly due to a 9.5 million increase in theatre attendance as Cineplex’s theatre circuit commenced reopening during the third quarter, compared to closures that remained in effect for a majority of the prior year period. The release of Marvel’s highly anticipated *Spider-Man: No Way Home* also contributed to the significant increase in box office revenues when compared to the prior year; it had the second biggest North American opening weekend of all-time, grossing $260.1 million becoming the fourth highest grossing film in North America and eighth highest worldwide of all-time. It is also the first film to generate in excess of $200.0 million during its opening weekend since *Avengers: Endgame* which debuted in 2019. However, government imposed capacity restrictions were reinstated in December 2021 impacting the majority of Cineplex’s theatres, limiting Cineplex’s ability to fully benefit from the strong slate of film releases in December.

BPP for the three months ended December 31, 2021 was $12.29, an all-time quarterly record for Cineplex. Price increases in select key markets and additional VIP theatre locations which drive higher per patron spend attributed to the increase. The release of first run film product available in the current period drove guests to premium experiences compared to limited film product in the prior year, further contributing to the increase in BPP. When compared to the prior year period, BPP increased $3.06 or 33.2% from $9.23 due to more new releases and premium offerings in the current period as compared to the prior period which focused on discounted pricing for older and more classic film products.

Cineplex reported box office revenues for the year ended December 31, 2021 of $236.3 million, an increase of $103.5 million or 77.9% from the prior year. The increase in box office revenues was primarily due to a 7.0 million increase in theatre attendance as a result of the full reopening of Cineplex’s theatres that commenced during the third quarter compared to prolonged closures or significant capacity restrictions that remained in effect for a majority of the prior year period.

Cineplex’s BPP for the year ended December 31, 2021 increased $1.60, or 15.7%, from $10.17 in 2020 to an all-time annual record of $11.77 in 2021, eclipsing a record previously established in 2019. This increase was primarily due price increases in select key markets, and more first run film product available in the current period driving guests to premium experiences in the current period as compared to the prior period which focused on discounted pricing for older and more classic film products.

Food service revenues

The following table highlights the movement in food service revenues, theatre attendance and CPP for the quarter and the full year (in thousands of dollars, except theatre attendance and same store attendance reported in thousands of patrons and per patron amounts):

Food service revenues	Fourth Quarter			Full Year		
	2021	2020	Change	2021	2020	Change
Food service - theatres	$ 76,695	$ 7,122	976.8%	$ 159,201	$ 91,384	74.2 %
Food delivery - theatres	2,999	2,660	12.7%	13,052	8,175	59.7 %
Food service - LBE	7,524	632	NM	$ 14,613	8,882	64.5 %
Food delivery - LBE	26	129	-79.9%	132	191	-31.1 %
Total food service revenues	$ 87,244	$ 10,543	727.5%	$ 186,998	$ 108,632	72.1 %
Theatre attendance (i)	10,245	786	NM	20,080	13,065	53.7 %
CPP (i) (ii) (iii)	$ 7.49	$ 9.06	-17.3%	$ 7.93	$ 6.99	13.4 %
Same theatre food service revenues (i)	$ 75,594	$ 7,189	951.5%	$ 157,465	$ 90,695	73.6 %
Same theatre attendance (i)	10,187	783	NM	19,982	12,920	54.7 %

(i) Represents a supplementary financial measure. See Section 17, Non-GAAP and other financial measures.
(ii) Food service revenue from LBE and delivery is not included in the CPP calculation.
(iii) 2021 CPP was negatively impacted by government restrictions prohibiting concession sales effective December 18, 2021, in Ontario.

Theatre food service revenue continuity	Fourth Quarter		Full Year	
	Theatre Food Service	Theatre Attendance	Theatre Food Service	Theatre Attendance
2020 as reported	$ 7,122	786	$ 91,384	13,065
Same theatre attendance change	86,412	9,404	49,576	7,062
Impact of same theatre CPP change	(17,911)	—	17,193	—
New and acquired theatres (i)	1,089	56	1,651	85
Disposed and closed theatres (i)	(17)	(1)	(603)	(132)
2021 as reported	$ 76,695	10,245	$ 159,201	20,080

(i) See Section 17, Non-GAAP and other financial measures. Represents theatres opened, acquired, disposed or closed subsequent to the start of the prior year comparative period and is used to report on Cineplex's supplementary financial measures.

Fourth Quarter and Full Year

Food service revenues are comprised primarily of concession revenues, which includes food service sales at theatre locations and through delivery services including Uber Eats and Skip the Dishes. Food service revenues also include food and beverage sales at *The Rec Room* and *Playdium.*

Food services revenues increased by $76.7 million primarily due to the $69.6 million increase in theatre food service revenues to $76.7 million in the quarter. The increase in food service revenues is due to the reopening of theatres and LBE businesses that commenced during the third quarter resulting in an increase in attendance across Cineplex's businesses, although government imposed capacity restrictions reinstated in December limited attendance levels that have historically been higher during the holiday period. CPP decreased by $1.57 or 17.3% to $7.49, partly due to government restrictions imposed in Ontario prohibiting food consumption which negatively impacted theatre food sales and CPP. In the prior year period, a higher percentage of theatres were open in provinces that have historically had a higher CPP, with excited movie goers incurring a higher spend per visit. Food service revenues from LBE venues increased by $6.9 million to $7.5 million compared to the prior year period due to the reopening of LBE businesses across Canada as restrictions were temporarily lifted in 2021 and the addition of new LBE locations.

Annual food service revenues increased $78.4 million, or 72.1% as compared to the prior year to $187.0 million. The increase in food service revenues is primarily driven by the increase in theatre food service revenue as a result of the reopening of theatres across Canada compared to extended closure periods experienced in the prior year. CPP increased $0.94 or 13.4% to an all-time annual record of $7.93. Product mix, modest prices increases to Cineplex's core food service products, additional VIP theatre locations and film product targeted towards adult demographics all contributed to the increase in CPP.

Media revenues

The following table highlights the movement in media revenues for the quarter and the full year (in thousands of dollars):

Media revenues	**Fourth Quarter**			**Full Year**		
	2021	**2020**	**Change**	**2021**	**2020**	**Change**
Cinema media	$ 22,007	$ 1,368	NM	$ 32,958	$ 23,568	39.8%
Digital place-based media	10,788	11,128	-3.1%	32,372	41,790	-22.5%
Total media revenues from continuing operations	$ 32,795	$ 12,496	162.4%	$ 65,330	$ 65,358	—%
Media revenues from discontinued operations	—	—	—%	—	602	-100.0%
Total media revenues	$ 32,795	$ 12,496	162.4%	$ 65,330	$ 65,960	-1.0%

Fourth Quarter and Full Year

Total media revenues from continuing operations increased $20.3 million or 162.4% to $32.8 million in the fourth quarter of 2021 compared to the prior year period. This increase was due to a $20.6 million increase in Cinema media as a result of the reopening of theatres leading to significant increases in pre-show and show-time advertising revenues. Cineplex's cinema media arrangements are impacted by theatre attendance levels which drive impressions and ultimately impact media revenue generated by Cineplex. Accordingly, the increase in cinema media revenue is consistent with the increase in attendance levels when compared to the prior period. The release of the highly anticipated films *Spider-Man: No Way Home* and *The Matrix Resurrections* during the fourth quarter of 2021 contributed to the increase in both pre-show and show-time advertising revenue compared to the prior year period which had limited first run product releases. The increase in Cinema media revenues was partially offset by a $0.3 million decrease in digital place-based media revenues.

Total media revenues from continuing operations remained flat at $65.3 million for the year ended December 31, 2021. Cineplex recognized a $9.4 million increase in Cinema media revenue primarily due to the reopening of theatres resulting in an increase in pre-show and show time advertising revenue. This was offset by a decrease in digital place-based media revenue of $9.4 million due to lower project revenue (hardware sales), creative and digital advertising revenue.

The following table shows a breakdown of the nature of digital place-based media revenues for the quarter and the full year (in thousands of dollars):

Digital place-based media revenues	**Fourth Quarter**			**Full Year**		
	2021	**2020**	**Change**	**2021**	**2020**	**Change**
Project revenues (i)	$ 3,502	$ 1,972	77.6%	$ 10,516	$ 11,066	-5.0%
Other revenues (ii)	7,286	9,156	-20.4%	21,856	30,724	-28.9%
Total digital place-based media revenues	$ 10,788	$ 11,128	-3.1%	$ 32,372	$ 41,790	-22.5%
(i) Project revenues include hardware sales and professional services.						
(ii) Other revenues include sales of software and its support as well as media advertising.						

Amusement revenues

The following table highlights the movement in amusement revenues for the quarter and the full year (in thousands of dollars):

Amusement revenues	Fourth Quarter			Full Year		
	2021	2020	Change	2021	2020	Change
Amusement - P1AG excluding Cineplex exhibition and LBE (i)	$ 31,804	$ 11,815	169.2%	$ 100,282	$ 60,027	67.1%
Amusement - Cineplex exhibition (i)	1,963	130	NM	4,943	2,457	101.2%
Amusement - LBE	11,329	1,652	585.7%	29,248	15,417	89.7%
Total amusement revenues	$ 45,096	$ 13,597	231.7%	$ 134,473	$ 77,901	72.6%

(i) Cineplex receives a venue revenue share on games revenues earned at in-theatre game rooms and XSCAPE Entertainment Centres. Amusement - Cineplex exhibition reports the total of this venue revenue share which is consistent with the historical presentation of Cineplex's amusement revenues. Amusement - P1AG excluding Cineplex exhibition and LBE reflects P1AG's gross amusement revenues, net of the venue revenue share paid to Cineplex reflected in Amusement - Cineplex exhibition above.

Fourth Quarter and Full Year

Amusement revenues increased $31.5 million or 231.7% to $45.1 million during the quarter compared to the prior year period. The quarterly increase in revenues was primarily due to the reopening of P1AG US and Canada route locations at FECs and theatres. Additionally, the reopening of LBE businesses also resulted in increased amusement revenues when compared to the prior year period. However, government imposed restrictions reinstated during December in several key provinces in which Cineplex operates, reduced operations to below normal capacity levels negatively impacting Cineplex's revenue generating potential.

For the annual period, amusement revenues increased by $56.6 million or 72.6% compared to the prior year period to $134.5 million. The increase was due to strong reopening of P1AG US route locations at FECs, theatres and increased equipment sales when compared to the prior year where government mandated closures resulted in prolonged closures of P1AG route locations, Cineplex theatres and LBE venues. The opening of an additional *Playdium* location in Dartmouth, Nova Scotia and two additional *The Rec Room* locations in Burnaby, British Columbia and Barrie, Ontario during year also contributed to the increase in LBE amusement revenues.

The following table presents the adjusted EBITDAaL for the quarter and the full year for P1AG (in thousands of dollars):

P1AG Summary	Fourth Quarter			Full Year		
	2021	2020	Change	2021	2020	Change
Amusement revenues	$ 31,804	$ 11,815	169.2%	$ 100,282	$ 60,027	67.1%
Operating Expenses	26,940	14,900	80.8%	87,579	69,216	26.5%
Cash rent related to lease obligations (i)	913	594	53.7%	3,994	2,422	64.9%
Total adjusted operating expenses	$ 27,853	$ 15,494	79.8%	$ 91,573	$ 71,638	27.8%
P1AG adjusted EBITDAaL (ii)	$ 3,951	$ (3,679)	NM	$ 8,709	$ (11,611)	NM
P1AG adjusted EBITDAaL Margin (iii)	12.4 %	(31.1)%	43.5%	8.7 %	(19.3)%	28.0%

(i) Cash rent that has been reallocated to offset the lease obligations.

(ii) Represents a non-GAAP financial measure. See Section 17, Non-GAAP and other financial measures.

(iii) Represents a non-GAAP ratio. See Section 17, Non-GAAP and other financial measures.

When compared to the prior year period, P1AG's adjusted EBITDAaL margins have improved for both the three month and annual periods due to the increased revenues from the strong reopening of P1AG US route locations through 2021, and the Canadian route locations that began to reopen during the third quarter. However, when compared to the third quarter of 2021, P1AG's adjusted EBITDAaL margins decreased from 19.8% to 12.4%, primarily due to reinstated capacity restrictions as a result of the rise in COVID-19 cases an a reduction in route revenue due to seasonality changes. Continued cost management of operating expenses, including realizing the benefits of subsidy programs where available, allowed for the growth in margins when compared to the prior year period. Payroll costs were reduced by the CEWS or THRP wage subsidy programs for the quarter and the year to date period by $0.3 million (2020 - $0.7) and $3.1 million (2020 - $4.6 million), respectively. Certain operating expenses which are fixed in nature, such as salaries, rent and utilities, created a downward pressure on margins during the periods when locations were closed or subject to operating restrictions.

The following table presents the adjusted store level EBITDAaL for the quarter and the full year for LBE (in thousands of dollars):

LBE Summary	Fourth Quarter			Full Year		
	2021	2020	Change	2021	2020	Change
Food service revenues	$ 7,550	$ 761	892.1 %	$ 14,745	$ 9,073	62.5 %
Amusement revenues	11,329	1,652	585.8 %	29,248	15,417	89.7 %
Media and other revenues	522	78	569.2 %	769	1,040	-26.1 %
Total revenues	$ 19,401	$ 2,491	678.8 %	$ 44,762	$ 25,530	75.3 %
Cost of food service	1,976	285	593.3 %	3,986	2,822	41.2 %
Operating expenses before adjustments (i)	10,357	3,057	238.8 %	23,482	21,258	10.5 %
Cash rent related to lease obligations (ii)	2,335	1,979	18.0 %	7,849	5,473	43.4 %
Total adjusted costs	$ 14,668	$ 5,321	175.7 %	$ 35,317	$ 29,553	19.5 %
Adjusted store level EBITDAaL (iii)	$ 4,733	$ (2,830)	NM	$ 9,445	$ (4,023)	NM
Adjusted store level EBITDAaL Margin (iv)	24.4 %	(113.6)%	138.0 %	21.1 %	(15.8)%	36.9 %

(i) Includes operating costs of LBE. Pre-opening costs relating to LBE and overhead relating to management of LBE portfolio are not included.
(ii) Cash rent that has been reallocated to offset the lease obligations.
(iii) Represents a non-GAAP financial measure. See Section 17, Non-GAAP and other financial measures.
(iv) Represents a non-GAAP ratio. See Section 17, Non-GAAP and other financial measures.

During the fourth quarter of 2021, revenues increased by $16.9 million or 678.7% when compared to the prior year period to $19.4 million. Revenues for the annual period increased by $19.2 million or 75.3% when compared to the prior period to $44.8 million. The increase in revenues during both periods is due to the strong reopening of LBE businesses across Canada as mandated operating restrictions were gradually lifted. The opening of an additional *Playdium* location in Dartmouth, Nova Scotia and two additional *The Rec Room* locations in Burnaby, British Columbia and Barrie, Ontario during the year also contributed to the increase in revenues.

Adjusted EBITDAaL for the fourth quarter and annual period was $4.7 million and $9.4 million, respectively. The increase in adjusted EBITDAaL is primarily due to increased amusement revenues which have historically contributed the highest margin to LBE locations. Cineplex's LBE venues were closed or operating at significantly reduced capacities in the prior period leading to negative Adjusted EBITDAaL. Management was able to reduce costs where applicable including the receipt of funds under the CEWS and THRP wage subsidy programs, CERS rent subsidy program, utility and realty tax subsidy programs for total costs reductions during the quarter and annual period of $1.2 million (2020 - $1.2 million) and $7.6 million (2020 - $6.0 million), respectively.

Other revenues

The following table highlights the other revenues which includes revenues from the Cineplex Store, promotional activities, screenings, private parties, corporate events, breakage on gift card sales and revenues from management fees for the quarter and the full year (in thousands of dollars):

Other revenues	Fourth Quarter			Full Year		
	2021	2020	Change	2021	2020	Change
Other revenues from continuing operations	$ 8,926	$ 8,556	4.3%	$ 33,548	$ 33,552	—%
Other revenues from discontinued operations	—	—	—	—	199	-100.0%
Total other revenues	$ 8,926	$ 8,556	4.3%	$ 33,548	$ 33,751	-0.6%

Fourth Quarter and Full Year

The quarterly increase in other revenues from continuing operations is primarily due to the resumption of the recognition of breakage revenues relating to gift card sales, net of lower digital commerce sales.

The annual increase in other revenues from continuing operations was primarily due to the resumption of the recognition of breakage revenues relating to gift card sales compared to the prior year where the recognition of breakage revenue was suspended during the shutdown of theatres and LBE venues.

Film cost

The following table highlights the movement in film cost and the film cost percentage for the quarter and the full year (in thousands of dollars, except film cost percentage):

Film cost	Fourth Quarter			Full Year		
	2021	2020	Change	2021	2020	Change
Film cost	$ 61,990	$ 3,151	NM	$ 114,674	$ 66,922	71.4%
Film cost percentage (i)	49.2%	43.4%	5.8%	48.5%	50.4%	-1.9%

(i) Represents a supplementary financial measure. See Section 17, Non-GAAP and other financial measures.

Fourth Quarter and Full Year

Film cost varies primarily with box office revenues and can vary from quarter to quarter usually based on the relative strength of the titles exhibited during the period, impacted by film cost terms which vary by title and distributor.

The increase in film cost and film cost percentage in the fourth quarter over the prior year period is due to the release of first run film product including *Spider-Man: No Way Home, Dune, Ghostbusters: Afterlife and No Time to Die,* compared to limited releases in the comparative period.

The increase in film cost for the annual period is due to the release of first run film product in the current period compared to limited releases and older and classic film product with lower settlement rates in the prior year. In the prior year period, there were a limited number of theatres open operating at significantly reduced capacities, resulting in a less meaningful comparison of film cost percentages.

Cost of food service

The following table highlights the movement in cost of food service and food service cost as a percentage of food service revenues (“concession cost percentage”) for both theatres and LBE for the quarter and the full year (in thousands of dollars, except percentages and margins per patron):

Cost of food service	Fourth Quarter			Full Year		
	2021	2020	Change	2021	2020	Change
Cost of food service - theatre	$ 19,066	$ 3,704	414.8%	$ 37,697	$ 27,845	35.4%
Cost of food service - LBE	1,976	285	593.2%	3,986	2,822	41.2%
Total cost of food service	$ 21,042	$ 3,989	427.5%	$ 41,683	$ 30,667	35.9%
Theatre concession cost percentage (i)	23.9%	37.9%	-14.0%	21.9%	28.0%	-6.1%
LBE food cost percentage (i)	26.2%	37.4%	-11.2%	27.0%	31.1%	-4.1%
Theatre concession margin per patron (i)	$ 5.70	$ 5.63	1.2%	$ 6.19	$ 5.04	22.8%
(i) Represents a supplementary financial measure. See Section 17, Non-GAAP and other financial measures.						

Fourth Quarter and Full Year

Cost of food service at the theatres varies primarily with theatre attendance as well as the quantity and mix of offerings sold. Cost of food service at LBE venues varies primarily with the volume of guests who visit the location as well as the quantity and mix between food and beverage items sold.

The quarterly and annual increase in cost of food service is positively correlated to the increase in food service revenues recognized during the quarter and annual period as a result of the reopening of Cineplex theatres and LBE businesses, compared to closures that remained in effect for a majority of the prior year period. The quarterly and annual decrease in theatre concession cost percentage and LBE food cost percentage when compared to the prior year is due to higher costs resulting from extended closure periods of theatres and LBE businesses in 2020 resulting in lower volume of food sales and increased reserves on perishable inventory as a result of mandated closures with limited notice in 2020.

Depreciation and amortization

The following table highlights the movement in depreciation and amortization expenses during the quarter and the full year (in thousands of dollars):

Depreciation and amortization expenses	Fourth Quarter			Full Year		
	2021	2020	Change	2021	2020	Change
Depreciation of property, equipment and leaseholds	$ 24,754	$ 27,043	-8.5%	$ 102,277	$ 113,346	-9.8%
Amortization of intangible assets and other	2,747	1,707	60.9%	10,765	11,500	-6.4%
Sub-total - depreciation and amortization - other assets	$ 27,501	$ 28,750	-4.3%	$ 113,042	$ 124,846	-9.5%
Depreciation - right-of-use assets	25,041	28,136	-11.0%	102,247	128,393	-20.4%
Total depreciation and amortization	$ 52,542	$ 56,886	-7.6%	$ 215,289	$ 253,239	-15.0%

Fourth Quarter and Full Year

Depreciation of property, equipment and leaseholds decreased by $2.3 million, or 8.5% during the quarter compared to the prior year period, and by $11.1 million or 9.8% for the year compared to the prior year period. The decrease was due primarily to fully depreciated property, equipment and leaseholds.

The quarterly increase in amortization of intangible assets and other relates to software developments and additions in the current period. The decrease in amortization of intangible assets and other assets as compared to the prior full year period is due to fully amortized intangible assets.

The quarterly and annual decrease of $3.1 million and $26.1 million, respectively, in depreciation of right-of-use assets is primarily due to modifications to lease agreements as a result of COVID-19 which reduced the corresponding right-of-use asset and related depreciation recognized.

Impairment of long-lived assets, goodwill and investments

The following table highlights the movement in impairment of long-lived assets, goodwill and investments during the quarter and the full year (in thousands of dollars):

Impairment of long-lived assets, goodwill and investments	Fourth Quarter			Full Year		
	2021	2020	Change	2021	2020	Change
Impairment of property, equipment and leaseholds	$ 943	$ 5,243	-82.0%	$ 943	$ 39,192	-97.6%
Impairment of right-of-use assets	2,774	21,236	-86.9%	2,774	71,846	-96.1%
Impairment of goodwill	—	26,906	NM	—	181,035	NM
Impairment of investments	—	2,790	NM	—	2,790	NM
Impairment of long-lived assets, goodwill and investments	$ 3,717	$ 56,175	-93.4%	$ 3,717	$ 294,863	-98.7%

Fourth Quarter and Full Year

Cineplex generally performs its annual test for impairment of goodwill and indefinite-lived intangible assets in the fourth quarter, in accordance with the policy described in its annual consolidated financial statements. Assessment of impairment for long-lived assets, including property, equipment, leaseholds, right-of-use assets, intangible assets and goodwill is performed more frequently as specific events or circumstances dictate triggering events and changes in circumstances indicate that the carrying amount of the asset group may not be fully recoverable.

In early 2020, in response to the outbreak of the COVID-19 pandemic as declared by the WHO, the government of Canada announced mandated closure of schools, public facilities and non-essential businesses. Consequently, effective March 16, 2020 and continuing throughout the remainder of the year, Cineplex had to either temporarily close its theatres and location-based entertainment venues or operate with strict capacity restrictions across its operations, resulting in material decreases in revenues, results of operations and cash flows and a material decrease in Cineplex's market value due to a sharp decline in its share price. These represented triggering events at each balance sheet date in 2020.

The following discussion is qualified in its entirety by the caution regarding forward-looking statements at the beginning of this MD&A and Section 14, Risks and uncertainties.

Increasing concerns over the new highly transmissible Omicron COVID-19 variant and increased daily COVID-19 case counts led to shutdowns and restrictions in several provinces that materially affected operations representing a triggering event requiring impairment testing for long-lived assets, indefinite-lived intangible assets and goodwill at December 31, 2021. During the fourth quarter of 2021, government imposed restrictions were reinstituted in Ontario, British Columbia, New Brunswick, Nova Scotia and Prince Edward Island, reducing capacity limits to 50% and requiring temporary theatre closures in Quebec. Further government-imposed restrictions were reinstated or modified subsequent to December 31, 2021 resulting in temporary theatre closures in Ontario, Newfoundland and New Brunswick. Based on the results of the impairment tests, Cineplex recognized non-cash impairment charges of $0.9 million to property, equipment and leaseholds and $2.8 million to right-of-use assets for the year ended December 31, 2021. If the discount rates were to increase by 2.0%, assuming a constant cash flow margin, or discounted cash flows were 13% less than estimated, there would not be any further material impairments to property, equipment and leaseholds, and right-of-use assets.

Fair value less cost to sell is determined using Level 3 inputs such as attendance and the related revenue growth rates, variable and fixed cash flows, operating margins, and discount rates based on Cineplex's internal budget. Cineplex projects revenue, operating margins and cash flows for a period of five years, and applies a perpetual long-term growth rate thereafter. In arriving at its forecasts, Cineplex considers past experience, economic trends such as inflation, as well as industry and market trends. Cineplex has considered the significant impact of COVID-19 on the business with the capacity restrictions and/or temporary theatre closures reinstated during and subsequent to

December 2021. Estimates have been applied for the impact of temporary closures and for operations with capacity restrictions, for both Cineplex and customer locations for the first quarter of 2022. Subsequent to 2022, a range of estimates for growth in adjusted EBITDAaL (Section 17, Non-GAAP and other financial measures) from 1% to 6% has been applied across locations for the period 2023-2026 to reflect a staged reopening and other scenarios. Cineplex's estimated adjusted EBITDAaL for 2022 contemplates the latest information provided by government, at the measurement date, related to the timing of the lifting of restrictions on locations and available information related to the release of film content, as well as observable evidence from other territories of consumer behaviour upon the reopening of theatres.

Cineplex's projected revenue and cash flows for 2022 assume business will be negatively impacted by the further government-imposed restrictions reinstituted or modified in Ontario, Quebec, British Columbia, Newfoundland and New Brunswick subsequent to December 31, 2021 For every quarter Cineplex stays closed, additional impairment charges could be required.

Discount rates applied to the groups of goodwill cash-generating units ("CGUs") represent Cineplex's assessment of the risks specific to each group of CGUs regarding the time value of money and individual risks of the underlying assets. Cineplex used discount rates between 8.0% and 13.6% (2020 - between 11.0% and 16.7%), and no change to the perpetual growth rates between 0.5% and 1.0% (2020 - between 0.5% and 1.0%), which are consistent with the observed long-term average growth rates in the exhibition, amusement and leisure, and digital media industries.

The determination of fair value less costs of disposal is sensitive to the growth rates, discount rates, and long-term growth rates used. The risk premiums expected by market participants related to uncertainties about the industry and assumptions relating to future cash flows may differ, depending on economic conditions and other events. Accordingly, it is reasonably possible that future changes in assumptions may negatively impact future assessments of the recoverable amount for groups of CGUs.

If the return to business continues to be delayed as a result of actions outside of the control of management, including but not limited to additional changes to the film slate release schedule, ongoing government restrictions impacting the re-opening of entertainment venues and delays in the vaccine roll out, management's estimates of operating results and further cash flows for the forecasted period may be negatively impacted. As a result, they may be insufficient to support the recoverability of goodwill and long lived assets in certain CGUs, thus requiring further impairment charges. Cineplex will continue to evaluate the recoverability of goodwill at the cash generating unit level on an annual basis during its fourth quarter and whenever events or changes in circumstances indicate there may be a potential impairment.

For goodwill, Cineplex concluded there were no non-cash impairment losses in the exhibition business within the Film Entertainment and Content segment. For one group of CGUs in the Film Entertainment and Content segment, if the discount rates were to increase by 2.0%, assuming a constant cash flow margin, or discounted cash flows were 13% less than estimated, the carrying amount of the group of CGUs would exceed the reasonable range for the recoverable amounts by $5.2 million. The goodwill for this group of CGUs represents 8% of the total carrying amount of goodwill. For all other CGUs, no reasonably possible change in assumption would cause the recoverable amount to fall below the carrying value.

At the end of each future reporting period Cineplex will assess whether there are indications that the impairment loss recognised for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Company will estimate the recoverable amount of that asset and may reverse previously recorded impairment losses.

Impairment of intangible assets - discontinued operations

The following table highlights the movement in impairment of intangible assets - discontinued operations during the quarter and the full year (in thousands of dollars):

Impairment of intangible assets - discontinued operations	Fourth Quarter			Full Year		
	2021	2020	Change	2021	2020	Change
Impairment of intangible assets - discontinued operations	$ —	$ —	NM	$ —	$ 5,156	NM

Intangible assets included in assets held for sale were written down in 2020 prior to disposition to reflect their expected net realizable value. On June 29, 2020, Cineplex sold all of its interest in WorldGaming Network LP for a nominal amount. No other operations were classified as a discontinued operation in the current period.

Loss (gain) on disposal of assets

The following table shows the movement in the loss on disposal of assets during the quarter and the full year (in thousands of dollars):

Loss (gain) on disposal of assets	Fourth Quarter			Full Year		
	2021	2020	Change	2021	2020	Change
Loss (gain) on disposal from continuing operations	$ 1,576	$ (283)	NM	$ (28,283)	$ (13,101)	115.9%
Loss on disposal from discontinued operations	—	—	—	—	129	-100.0%
Loss (gain) on disposal of assets	$ 1,576	$ (283)	NM	$ (28,283)	$ (12,972)	118.0%

The annual gain on disposal of assets was primarily from the sale of the head office buildings completed in the first quarter of 2021, for gross proceeds of $57.0 million. Cineplex continues to occupy its head office buildings as a tenant. The prior full year gain includes the sale of certain restrictive lease rights in the third quarter.

Other costs

Other costs include three main sub-categories of expenses: theatre occupancy expenses, which capture associated occupancy costs for Cineplex's theatre operations; other operating expenses, which include the costs related to running Cineplex's film entertainment and content, media, as well as amusement and leisure; and general and administrative expenses, which includes costs related to managing Cineplex's operations, including head office expenses. Please see the discussions below for more details on these categories.

The following table highlights the movement in other costs for the quarter and the full year (in thousands of dollars):

Other costs	Fourth Quarter			Full Year		
	2021	2020	Change	2021	2020	Change
Theatre occupancy expenses	$ 13,176	$ 9,891	33.2%	$ 40,945	$ 60,514	-32.3%
Other operating expenses	129,023	55,567	132.2%	339,313	276,092	22.9%
General and administrative expenses	15,771	11,755	34.2%	59,296	39,084	51.7%
Total other costs from continuing operations	$ 157,970	$ 77,213	104.6%	$ 439,554	$ 375,690	17.0%
Other costs from discontinued operations	—	—	—%	—	2,212	-100.0%
Total other costs	$ 157,970	$ 77,213	104.6%	$ 439,554	$ 377,902	16.3%

Theatre occupancy expenses

The following table highlights the movement in theatre occupancy expenses for the quarter and the full year (in thousands of dollars):

Theatre occupancy expenses	Fourth Quarter			Full Year		
	2021	2020	Change	2021	2020	Change
Cash rent paid/payable (i)	$ 32,415	$ 23,727	36.6%	$ 113,080	$ 109,161	3.6%
Other occupancy	14,786	12,820	15.3%	57,852	65,545	-11.7%
One-time items (ii)	(863)	(169)	410.7%	(4,690)	(2,108)	122.5%
Total theatre occupancy including cash lease payments	$ 46,338	$ 36,378	27.4%	$ 166,242	$ 172,598	-3.7%
Cash rent paid/payable related to lease obligations (iii)	(33,162)	(26,487)	25.2%	(125,297)	(112,084)	11.8%
Theatre occupancy as reported	$ 13,176	$ 9,891	33.2%	$ 40,945	$ 60,514	-32.3%

(i) Represents the cash payments for theatre rent paid or payable during the quarter.

(ii) One-time items include amounts related to both theatre rent and other theatre occupancy costs including real estate taxes, business taxes and common area maintenance. They are isolated here to illustrate Cineplex's theatre rent and other theatre occupancy costs excluding these one-time, non-recurring items.

(iii) Cash rent paid/payable that has been reallocated to offset the lease obligations.

Theatre occupancy continuity	Fourth Quarter Occupancy	Full Year Occupancy
2020 as reported	$ 9,891	$ 60,514
Impact of new and acquired theatres	218	363
Impact of disposed theatres	(179)	(1,410)
Same store rent change (i)	7,100	14,566
One-time items	(694)	(2,582)
Other	3,515	(17,293)
Impact of IFRS 16 adoption:		
Cash rent related to lease obligations	(6,675)	(13,213)
2021 as reported	$ 13,176	$ 40,945

(i) Represents a supplementary financial measure. See Section 17, Non-GAAP and other financial measures.

Fourth Quarter

Theatre occupancy expenses increased $3.3 million or 33.2% during the fourth quarter of 2021 compared to the prior year period. This increase was primarily due to the reduction in subsidies received as a result of the reopening of Cineplex's businesses. The increase was also attributable to the increase theatre rent related expenses including common area maintenance and taxes incurred as Cineplex's theatres were open during the period. During the prior year period, Cineplex recognized lower theatre occupancy expenses as a majority of theatres were closed or operating at far below normal capacity levels. As a result, rent relief measures negotiated with landlord partners were higher in the prior year period as compared to the current period. Cineplex was able to reduce theatre occupancy expenses through the receipt of realty tax and rent subsidies of $0.5 million (2020 - $2.9 million) and $1.0 million ($2.7 million), respectively.

Full Year

The decrease in theatre occupancy expenses of $19.6 million or 32.3% for the 2021 year compared the prior year was due to lower theatre rent related expenses including common area maintenance and taxes as compared to the prior year period. Cineplex recognized realty tax subsidies of $11.0 million (2020 - $2.9 million) and rent subsidies of $12.9 million (2020 - $2.7 million), contributing to the decrease in theatre occupancy expenses.

Other operating expenses

The following table highlights the movement in other operating expenses during the quarter and the full year (in thousands of dollars):

Other operating expenses	Fourth Quarter			Full Year		
	2021	2020	Change	2021	2020	Change
Theatre payroll	$ 30,766	$ 5,157	496.6%	$ 63,818	$ 40,689	56.8%
Theatre operating expenses	27,146	12,717	113.5%	66,188	61,359	7.9%
Media	13,146	8,513	54.4%	37,263	42,913	-13.2%
P1AG	27,853	15,494	79.8%	91,573	71,638	27.8%
LBE (i)	12,692	5,037	152.0%	31,331	26,731	17.2%
LBE pre-opening (ii)	—	785	NM	1,354	1,907	-29.0%
SCENE	8,641	4,890	76.7%	29,019	13,423	116.2%
Marketing	5,211	2,136	144.0%	10,710	7,223	48.3%
Other (iii)	7,605	5,093	49.3%	24,676	24,389	1.2%
Other operating expenses including cash lease payments	$ 133,060	$ 59,822	122.4%	$ 355,933	$ 290,272	22.6%
Cash rent paid/payable related to lease obligations (iv)	(4,037)	(4,255)	-5.1%	(16,620)	(14,180)	17.2%
Other operating expenses from continuing operations	$ 129,023	$ 55,567	132.2%	$ 339,313	$ 276,092	22.9%
Other operating expenses from discontinued operations	—	—	—	—	2,212	-100.0%
Total other operating expenses	$ 129,023	$ 55,567	132.2%	$ 339,313	$ 278,304	21.9%

(i) Includes operating costs of LBE locations. Overhead relating to management of LBE portfolio are included in the 'Other' line.
(ii) Includes pre-opening costs of LBE.
(iii) Other category includes overhead costs related to LBE and other Cineplex internal departments.
(iv) Cash rent paid/payable that has been reallocated to offset the lease obligations.

Other operating continuity from continuing operations	Fourth Quarter	Full Year
2020 as reported	$ 55,567	$ 276,092
Impact of new and acquired theatres	788	1,238
Impact of disposed theatres	21	(1,071)
Same theatre payroll change (i)	24,834	22,542
Same theatre operating expenses change (i)	14,451	5,276
Media operating expenses change	4,633	(5,650)
P1AG operating expenses change	12,359	19,935
LBE operating expenses change	7,655	4,600
LBE pre-opening change	(785)	(553)
SCENE change	3,751	15,596
Marketing change	3,075	3,487
Other	2,456	261
Impact of IFRS 16 adoption:		
Cash rent related to lease obligations	$ 218	$ (2,440)
2021 as reported	$ 129,023	$ 339,313

(i) See Section 17, Non-GAAP and other financial measures. These are measures included as part of Cineplex's supplementary financial measure calculations.

Fourth Quarter

Other operating expenses increased $73.5 million or 132.2% during the fourth quarter of 2021 compared to the prior year period. The increase was primarily driven by increases in same store theatre payroll and theatre operating expenses of $25.6 million and $14.4 million, respectively, as Cineplex's theatres were operating at a greater capacity in the current period as compared to extended closures in effect during the prior year. Cineplex also recognized P1AG other operating expenses of $27.9 million, an increase of $12.4 million when compared to the prior year due to the reopening of P1AG US and Canadian route locations. With the lifting of government-imposed restrictions, Cineplex's LBE locations were also open for the majority of the fourth quarter resulting in LBE other operating expenses of $12.7 million an increase of $7.7 million when compared to the prior year. Cineplex also recognized a $3.8 million increase in SCENE operating costs prior to the launch of Scene+, and a $3.1 million increase in marketing expenses primarily related to the launch of Cineplex's national brand campaign, *Where Escape Begins* which launched on September 27, 2021. Cineplex received $8.9 million of subsidies in the current period, comprised of $8.8 million (2020 -$14.3 million) of payroll subsidies of which $6.5 million (2020 - $6.9 million) was offset against theatre payroll, and $0.1 million (2020 - $1.8 million) of non-theatre rent, realty tax and utilities subsidies.

Full Year

The overall increase in other operating expenses was a result of the reopening of Cineplex's theatres, LBE businesses and P1AG US and Canada route locations at FEC's and theatres. The increase is also attributable to the increase in SCENE operating costs prior the launch of Scene+. In the prior year period, Cineplex experienced extended closure periods of its theatres, LBE locations and P1AG route locations resulting in a significant decrease in business volumes. For the annual period, Cineplex received $54.8 million (2020 - $49.8 million) of subsidies in the current period, comprised of $48.4 million (2020 - $47.6 million) of payroll subsidies of which $30.6 million (2020 - $25.3 million) was offset against theatre payroll, and $6.4 million (2020 - $2.2 million) non-theatre rent, realty tax and utility subsidies.

General and administrative expenses

The following table highlights the movement in general and administrative ("G&A") expenses during the quarter and the full year, including share-based compensation costs, and G&A net of these costs (in thousands of dollars):

G&A expenses	Fourth Quarter			Full Year		
	2021	2020	Change	2021	2020	Change
G&A excluding the following items	$ 12,730	$ 7,261	75.3%	$ 44,239	$ 43,717	1.2%
Restructuring	—	2,396	-100.0%	—	8,258	-100.0%
Transaction / Litigation costs	2,275	1,279	77.9%	11,395	4,101	177.9%
LTIP (i)	800	248	222.6%	4,065	(15,104)	-126.9%
Option plan	523	718	-27.2%	1,903	(1,203)	-258.2%
G&A expenses including cash lease payments	$ 16,328	$ 11,902	37.2%	$ 61,602	$ 39,769	54.9%
Cash rent paid/payable included as part of lease obligations (ii)	(557)	(147)	278.9%	(2,306)	(685)	236.6%
G&A expenses as reported	$ 15,771	$ 11,755	34.2%	$ 59,296	$ 39,084	51.7%

(i) LTIP includes the expense for RSUs and PSUs, as well as the expense for the executive and Board deferred share unit plans.
(ii) Cash rent paid/payable that has been reallocated to offset the lease obligations.

Fourth Quarter and Full Year

G&A expenses increased $4.0 million during the fourth quarter of 2021 compared to the prior year period. The change is attributable to higher head office payroll expenses and professional fees incurred related to the litigation against Cineworld. Cineplex incurred $2.3 million (2020 - $1.3 million) of expenses related to litigation arising from the Cineworld Transaction during the quarter (Section 1.1, Cineworld Transaction). Variable wage subsidies declined as business volumes increased, resulting in lower wage benefits received in the current period, contributing to the higher G&A expenses compared to the prior year. Employee payroll was reduced by $0.8 million (2020 - $2.3 million) under the THRP.

G&A expenses for the annual period increased $20.2 million as compared to the prior year. The change was primarily due to a significant decrease in LTIP expense in the prior period due to the sharp decline in Cineplex's Share price as a result of the impact of the COVID-19 pandemic on Cineplex's business, which fell from $33.90 at the beginning of 2020 to $9.27 per Share at December 31, 2020. Cineplex also recognized total costs relating to litigation arising from the Cineworld Transaction of $11.4 million, an increase of $7.3 million when compared to the prior year. (Section 1.1, Cineworld Transaction). Employee payroll was reduced by $7.8 million (2020 - $9.4 million) received under the CEWS and THRP program in 2021.

Share of (income) loss of joint ventures and associates

Cineplex's joint ventures and associates include its 78.2% interest in CDCP (2020 - 78.2%), 50% economic interest in Scene+, 50% interest in one IMAX screen in Ontario (2020 - 50%) and a 50% interest in YoYo's (2020 - 50%).

The following table highlights the components of share of (income) loss of joint ventures and associates during the quarter and the full year (in thousands of dollars):

Share of (income) loss of joint ventures and associates	**Fourth Quarter**			**Full Year**		
	2021	**2020**	**Change**	**2021**	**2020**	**Change**
Share of (income) loss of CDCP	$ (2,439)	$ 2,085	-217.0%	$ (146)	$ 7,279	-102.0%
Share of loss of Scene+	794	—	NM	794	—	NM
Share of income (loss) of other joint ventures and associates	(136)	260	-152.3%	107	1,130	-90.5%
Total (income) loss of joint ventures and associates	$ (1,781)	$ 2,345	-175.9%	$ 755	$ 8,409	-91.0%

CDCP revenues were positively impacted by the reopening of theatres that commenced during the third quarter and from the release of first-run movies, resulting in a $4.5 million increase in share of income from CDCP for the quarter and $7.4 million increase for the annual period. This was partially offset by losses of $0.8 million recognized from Cineplex's investment in Scene+.

Interest expense

The following table highlights the movement in interest expense during the quarter and full year (in thousands of dollars):

Interest expense	Fourth Quarter			Full Year		
	2021	2020	Change	2021	2020	Change
Interest expense on long-term debt	$ 16,127	$ 12,712	26.9%	$ 60,918	$ 38,485	58.3%
Lease interest expense	14,533	13,858	4.9%	57,744	47,794	20.8%
Financing fees	542	700	-22.6%	863	1,500	-42.5%
Sub-total - cash interest expense	$ 31,202	$ 27,270	14.4%	$ 119,525	$ 87,779	36.2%
Deferred financing fee accretion and other non-cash interest, net	148	368	-59.8%	960	1,396	-31.2%
Accretion expense on Debentures and Notes Payable	4,164	3,428	21.5%	15,973	7,471	113.8%
Interest rate swap - non-cash	(5,282)	2,509	-310.5%	(12,730)	13,922	-191.4%
Sub-total - non-cash interest expense	(970)	6,305	-115.4%	4,203	22,789	-81.6%
Total interest expense	$ 30,232	$ 33,575	-10.0%	$ 123,728	$ 110,568	11.9%
Total cash interest paid	$ 42,379	$ 40,450	4.8%	$ 108,851	$ 80,230	35.7%

Total interest expense decreased $3.3 million for the quarter when compared to the prior year period. The decrease was caused by changes in the fair value of the interest rate swap resulting in a $7.8 million decrease in non-cash interest expense. This was partially offset by a $3.9 million increase in cash interest expense primarily relating to the issuance of Notes Payable (Section 7.4, Long-term debt) completed in the first quarter of 2021 and Debentures (as described in Section 7.4, Long-term debt) during the third quarter of 2020, resulting in Notes Payable cash interest expense of $4.7 million (2020 - $nil) and Debentures cash interest of $4.6 million (2020 - $4.6 million). Lower Credit Facilities balances in 2021 as compared to the prior year quarter resulted in a decrease of $1.4 million of interest on Cineplex's outstanding Credit Facilities. Lease interest expense increased by $0.7 million as a result of lease modifications negotiated with landlord partners resulting in higher incremental borrowing rates (and lower principal balances), contributing to the increase in cash interest expense . Cineplex recognized accretion expense relating to the issuance of Notes Payable and Debentures of $0.2 million (2020 - $nil) and $3.9 million (2020 - $3.4 million), respectively.

For the full year, interest expense increased $13.2 million when compared to the prior year period. The increase was due to increases in cash interest expense as a result of the issuance of Notes Payable (Section 7.4, Long-term debt) completed in the first quarter of 2021 and Debentures (Section 7.4, Long-term debt) during the third quarter of 2020, resulting in Notes Payable cash interest expense of $15.8 million (2020 - $nil) and Debentures cash interest of $18.2 million (2020 - $8.5 million). Lower Credit Facilities balances in 2021 as compared to the prior year quarter resulted in a decrease of $2.9 million of interest on Cineplex's outstanding Credit Facilities. Cash interest relating to lease obligations increased by $10.0 million when compared to the prior period as a result of higher incremental borrowing rates due to lease modifications negotiated with landlord partners. Non-cash interest expense decreased by $18.6 million when compared to the prior year. The decrease in non-cash interest is due to changes in the fair value of the interest rate swap resulting in a $26.7 million decrease in non-cash interest expense. This was partially offset by an increase in accretion expense relating to the issuance of Notes Payable and Debentures of $0.8 million (2020 - $nil) and $15.2 million (2020 - $7.5 million), respectively.

Interest income

Interest income during the fourth quarter and the full year was as follows (in thousands of dollars):

Interest income	Fourth Quarter			Full Year		
	2021	2020	Change	2021	2020	Change
Interest income	$ 30	$ 33	-9.1%	$ 232	$ 182	27.5%

Foreign exchange

The following table highlights the movement in foreign exchange during the quarter and the full year (in thousands of dollars):

Foreign exchange	Fourth Quarter			Full Year		
	2021	2020	Change	2021	2020	Change
Foreign exchange (gain) loss from continuing operations	$ (109)	$ 759	NM	$ (43)	$ 57	NM
Foreign exchange gain from discontinued operations	—	—	NM	—	(117)	NM
Total foreign exchange (gain) loss	$ (109)	$ 759	NM	$ (43)	$ (60)	-28.3%

The movement in the quarterly and full year foreign exchange was due to the change in the CAD/USD foreign exchange month end rate from 1.2741 at September 30, 2021 and 1.2732 at December 31, 2020 to 1.2678 at December 31, 2021.

Change in fair value of financial instruments

The following table highlights the movement in change in fair value of financial instruments during the quarter and the year to date (in thousands of dollars):

Change in fair value of financial instruments	Fourth Quarter			Year to Date		
	2021	2020	Change	2021	2020	Change
Change in fair value of financial instruments	$ (5,420)	$ —	NM	$ (8,790)	$ —	NM

The gain on change in fair value of financial instruments in the current period was due to the revaluation of Cineplex's call option relating to the Notes Payable that were issued in the first quarter of 2021 (Section 7.4, Long-term debt).

Income taxes

The following table highlights the movement in current and deferred income tax expense during the quarter and the full year (in thousands of dollars):

Income taxes	Fourth Quarter			Full Year		
	2021	2020	Change	2021	2020	Change
Current income tax (recovery) expense	$ —	$ (65,776)	NM	$ 3,339	$ (73,495)	NM
Deferred income tax expense (recovery)	—	114,854	-100.0%	—	(11,373)	-100.0%
Provision for income taxes from continuing operations	$ —	$ 49,078	-100.0%	$ 3,339	$ (84,868)	NM
Provision for income taxes from discontinued operations	—	—	—	—	(1,627)	-100.0%
Provision for income taxes	$ —	$ 49,078	-100.0%	$ 3,339	$ (86,495)	NM

At December 31, 2020 the recoverability of the net deferred income tax assets in the normal course of business was uncertain and accordingly the net deferred tax assets were derecognized. Cineplex will evaluate the likelihood of recoverability in the ordinary course of business at each balance sheet date, and will recognize net deferred tax assets when and if appropriate.

The 2021 current tax expense represents Ontario corporate minimum tax paid on the filing of 2020 tax returns as a result of losses carried back to offset taxable income. The minimum tax paid is creditable against future Ontario corporate income tax payable.

In 2021, Cineplex recovered income taxes paid in prior periods of $62.6 million as a result of its tax returns filed for the 2020 taxation year.

By Notice of Reassessment ("NOR") dated January 22, 2019, the Canada Revenue Agency ("CRA"), disallowed the deduction of $26.6 million of losses of AMC Ventures Inc. ("AMC") that Cineplex had obtained on the acquisition of AMC in 2012. The disallowance of the losses, which offset taxable income generated in 2014, increased taxes and interest payable by approximately $8.6 million, 50% of which was required to be paid immediately (interest continues to accrue on the unpaid amount). Cineplex disagrees with the CRA's position, and has commenced an appeal to the Tax Court of Canada in respect of the NOR. On June 28, 2021, Cineplex received a response from the Attorney General of Canada representing the CRA confirming its position with respect to the disallowance of the losses. The appeals process is continuing and Cineplex believes that it should prevail in defending its original filing position, although no assurance can be given in this regard as the appeal process proceeds.

Cineplex's combined statutory income tax rate at December 31, 2021 was 26.3% (2020 - 26.8%).

Non-capital losses available for carry-forward expire as follows:

2027	$2,502
2028	8,822
2029	5,122
2030	2,184
2032	254
2034	1,947
2035	2,770
2036	2,749
2037	18,546
2038	3,110
2040	16,977
2041	221,169
Indefinite	28,423
	$ 314,575

Losses denominated in US dollars are presented at the Canadian dollar equivalent using the December 31, 2021 exchange rate.

5.3 NET LOSS AND EARNINGS BEFORE INTEREST, INCOME TAXES, DEPRECIATION AND AMORTIZATION ("EBITDA") (see Section 17, Non-GAAP and other financial measures)

The following table presents net loss, EBITDA, adjusted EBITDA and adjusted EBITDAaL for the three months and year ended December 31, 2021 as compared to the prior year periods (expressed in thousands of dollars, except adjusted EBITDAaL margin):

NET LOSS AND EBITDA	Fourth Quarter			Full Year		
	2021	2020	Change	2021	2020	Change
Net loss	$ (21,778)	$(230,403)	-90.5%	$(248,722)	$(624,001)	-60.1%
Net loss as a percentage of sales	(7.3)%	(439.3)%	432.0%	(37.9)%	(149.2)%	111.3%
EBITDA	$ 60,966	$ (90,897)	NM	$ 93,402	$(345,244)	NM
Adjusted EBITDA	$ 58,328	$ (32,097)	NM	$ 59,927	$ (55,866)	NM
Adjusted EBITDAaL	$ 20,198	$ (65,948)	NM	$ (84,295)	$(182,815)	-53.9%
Adjusted EBITDAaL margin	6.7 %	(125.7)%	132.4%	(12.8)%	(43.7)%	30.9%

Net loss and adjusted EBITDAaL for the fourth quarter of 2021 were $(21.8) million and $20.2 million, respectively, as compared to the net loss of $(230.4) million and adjusted EBITDAaL of $(65.9) million, respectively, in the prior year period. The movement in both net loss and adjusted EBITDAaL was primarily due to the reopening of Cineplex's entire circuit of theatres and LBE venues during the majority of the fourth quarter, despite capacity restrictions reinstated in Ontario, New Brunswick, Nova Scotia, Prince Edward Island, and British Columbia on December 18, 2021 and theatres in Quebec mandated to close effective December 20, 2021 in response to a surge in COVID-19 cases. Cinema media revenues and amusement revenues from route operations in both Canada and the United States also increased in the periods of reopening. In the prior year period, the second wave of COVID-19 in the winter resulted in another round of closures of Cineplex's theatres and LBE venues in several provinces during the latter half of the fourth quarter of 2020.

Net loss for the year ended December 31, 2021 was $(248.7) million, as compared to the net loss of $(624.0) million in the prior year period. Adjusted EBITDAaL for the year ended December 31, 2021 was a loss of $(84.3) million as compared to a loss of $(182.8) million for the same period in 2020. The movements in both net loss and adjusted EBITDAaL were primarily due to the lifting of some restrictions on the theatre and LBE businesses commencing near the end of the second quarter of 2021, and reopening of Cineplex's entire circuit of theatres and LBE venues as of July 17, 2021, continuing into the third and fourth quarters. In response to a surge in COVID-19 cases, capacity restrictions were reinstated in Ontario, New Brunswick, Nova Scotia, Prince Edward Island and British Columbia effective December 18, 2021 and theatres in Quebec were mandated to close effective December 20, 2021. In the prior year period, Cineplex operated at full capacity until restrictions and closures began in March 2020 which continued until the latter half of August subsequent to which limited reopenings were allowed. The second wave of COVID-19 in the winter resulted in another round of closures in Cineplex's theatres and LBE venues in several provinces during the latter half of the fourth quarter of 2020.

6. BALANCE SHEETS

The following sets out significant changes to Cineplex's consolidated balance sheets during the year ended December 31, 2021 as compared to December 31, 2020 (in thousands of dollars):

	December 31, 2021	December 31, 2020	Change ($)	Change (%)
Assets				
Current assets				
Cash and cash equivalents	$ 26,938	$ 16,254	$ 10,684	65.7%
Trade and other receivables	80,679	51,834	28,845	55.6%
Income taxes receivable	1,984	66,551	(64,567)	-97.0%
Inventories	24,899	21,712	3,187	14.7%
Prepaid expenses and other current assets	13,365	11,613	1,752	15.1%
	147,865	167,964	(20,099)	-12.0%
Non-current assets				
Property, equipment and leaseholds	464,439	555,340	(90,901)	-16.4%
Right-of-use assets	768,675	881,418	(112,743)	-12.8%
Interests in joint ventures	7,423	8,644	(1,221)	-14.1%
Intangible assets	81,651	84,922	(3,271)	-3.9%
Goodwill	635,545	635,582	(37)	—%
Derivative financial instrument	9,240	—	9,240	NM
	$ 2,114,838	$ 2,333,870	$ (219,032)	-9.4%
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	$ 157,950	$ 82,992	$ 74,958	90.3%
Share-based compensation	—	482	(482)	-100.0%
Income taxes payable	1,945	802	1,143	142.5%
Deferred revenue and other	293,206	219,983	73,223	33.3%
Lease obligations	101,058	97,259	3,799	3.9%
Fair value of interest rate swap agreements	8,063	7,202	861	12.0%
	562,222	408,720	153,502	37.6%
Non-current liabilities				
Share-based compensation	4,940	2,670	2,270	85.0%
Long-term debt	739,211	725,271	13,940	1.9%
Fair value of interest rate swap agreements	6,160	19,157	(12,997)	-67.8%
Lease obligations	1,004,465	1,073,666	(69,201)	-6.4%
Post-employment benefit obligations	9,973	11,503	(1,530)	-13.3%
Other liabilities	7,590	68,649	(61,059)	-88.9%
	2,334,561	2,309,636	24,925	1.1%
Shareholders' (deficit) equity				
Total shareholders' (deficit) equity	(219,723)	24,234	(243,957)	-1,006.7%
	$ 2,114,838	$ 2,333,870	$ (219,032)	-9.4%

Cash and cash equivalents. The increase in cash and cash equivalents is due to the higher cash in transit in resulting from reopening of entire circuit of theatres and LBE venues since July 17, 2021.

Trade and other receivables. The increase in trade and other receivables is primarily due to timing of billing and collection based on higher business volumes including the sale of gift cards and coupons in the current year. With restrictions being reinstated in several provinces as a result of rising case counts of COVID-19 in the latter half of December 2021, accounts receivables also included $9.9 million of labour, utilities and other occupancy subsidies at December 31, 2021 (2020 - $15.8 million).

Income taxes receivable. The decrease in income taxes receivable is primarily due to the receipt of tax refunds of $62.6 million, resulting from loss carrybacks realized in 2020 used to offset taxable income in prior years.

Inventories. The increase in inventories is primarily due to increased inventory with anticipated higher business volumes resulting from reopening of the entire circuit of theatres and LBE venues since July 17, 2021.

Prepaid expenses and other current assets. The increase in prepaid expenses and other current assets is primarily due to technology service contracts extending into the next period and an increase in annual insurance premiums during the fourth quarter of 2021.

Property, equipment and leaseholds. The decrease in property, equipment and leaseholds is due to amortization expense ($102.3 million), asset dispositions ($13.9 million), foreign exchange impact ($0.3 million), and an impairment charge ($0.9 million). This is offset by additions to new build and other capital expenditures ($19.6 million) and maintenance capital expenditures ($6.9 million).

Right-of-use assets. The decrease in right-of-use assets is due to amortization expense ($102.2 million), lease modifications ($7.6 million), and an impairment charge ($2.8 million) recorded during the fourth quarter. During the second quarter of 2021, Cineplex derecognized right-of-use assets in accordance with an amended lease agreement entered with the landlord ($6.3 million).

Interests in joint ventures. The decrease in interest in joint ventures is primarily due to the $2.0 million cash received from CDCP in 2021, as well as the equity loss realized by Scene+ which adopted equity accounting as of December 13, 2021, with the launch of Scene+.

Intangible assets. The decrease in intangible assets is due to amortization expense ($10.8 million), and asset dispositions ($1.4 million), partially offset by the capitalization of software development costs ($9.5 million).

Derivative financial instrument. The increase in derivative financial instrument is due to the change in fair value of Notes Payable prepayment option.

Accounts payable and accrued expenses. The increase in accounts payable and accrued liabilities is primarily due to increased business volumes arising from the reopening of the entire circuit of theatres and LBE venues since July 17, 2021.

Share-based compensation. The increase in share-based compensation is due to the increase in Share price, which was $13.49 per Share at December 31, 2021 as compared to $9.27 at December 31, 2020, increasing the fair value of the compensation liability (see Section 8, Share activity)

Income taxes payable. The increase in income taxes payable represents minimum tax payable by certain entities as a result of losses used to offset taxable income in prior years.

Deferred revenue and other. The deferred revenue increase is primarily due to higher sales volume of gift cards and vouchers with the reopening of theatres and LBE venues in the fourth quarter of 2021, in excess of redemption. In addition, deferred revenue includes $60.0 million from the SCENE reorganisation that was reclassified from other liability and will be recognized when the economic substance of the transaction is realized in 2022.

Lease obligations. The decrease in lease obligations is primarily due to the payment of lease obligations and lease modifications recognized from leases renegotiated due to the impact of COVID-19 on the business.

Fair value of interest rate swap agreements. Represents the fair values of Cineplex's outstanding interest rate swap agreements (see Section 7.4 Long-term debt).

Long-term debt. Long-term debt consists of the Credit Facilities, Debentures and Notes Payable. The increase in long-term debt is primarily due to the accretion of the Debentures and Notes Payable. The Credit Facilities were reduced by the application of proceeds from the issuance of the Notes Payable and the sale of the head office buildings (Section 7.4 Long-term debt).

7. LIQUIDITY AND CAPITAL RESOURCES

7.1 OPERATING ACTIVITIES

Cash flow is generated primarily from film entertainment (the sale of admission tickets and food service sales), media sales and services, amusement and leisure (amusement and food service sales) and other revenues. Generally, this provides Cineplex with positive working capital, since certain cash revenues are normally collected in advance of the payment of certain expenses. Box office revenues are directly related to the success and appeal of the film product produced and distributed by the studios. The following table highlights the movements in cash from operating activities for the three months and year ended December 31, 2021 and 2020 (in thousands of dollars):

Cash flows provided by operating activities	**Fourth Quarter**			**Full Year**		
	2021	**2020**	**Change**	**2021**	**2020**	**Change**
Net loss from continuing operations	$ (21,778)	$ (230,403)	$ 208,625	$ (248,722)	$ (624,001)	$ 375,279
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation and amortization of other assets (i)	27,501	28,750	(1,249)	113,042	124,846	(11,804)
Depreciation of right-of-use assets	25,041	28,136	(3,095)	102,247	128,393	(26,146)
Unrealized foreign exchange	78	787	(709)	55	342	(287)
Interest rate swap agreements - non-cash interest	(5,282)	2,509	(7,791)	(12,730)	13,922	(26,652)
Accretion of convertible debentures	4,164	3,428	736	15,973	7,471	8,502
Other non-cash interest (ii)	148	368	(220)	960	1,396	(436)
Loss (gain) on disposal of assets	1,576	(283)	1,859	(28,283)	(13,101)	(15,182)
Deferred income taxes (recovery)	—	114,854	(114,854)	—	(11,373)	11,373
Non-cash Share-based compensation	1,228	(3,149)	4,377	4,292	1,228	3,064
Impairment of long-lived assets and goodwill	3,717	56,175	(52,458)	3,717	294,863	(291,146)
Change in fair value of financial instrument	(5,420)	—	(5,420)	(8,790)	—	(8,790)
Net change in interests in joint ventures and associates	(2,088)	5,044	(7,132)	1,805	12,878	(11,073)
Changes in operating assets and liabilities	(1,405)	(67,257)	65,852	117,438	(43,178)	160,616
Net cash provided by (used in) operating activities	**$ 27,480**	**$ (61,041)**	**$ 88,521**	**$ 61,004**	**$ (106,314)**	**$ 167,318**

(i) Includes depreciation of property, equipment and leaseholds and amortization of intangible assets.
(ii) Includes accretion of asset retirement obligations and non-cash interest costs on lease obligations.

Fourth Quarter

Cash provided by operating activities was $27.5 million as compared to cash flows of $61.0 million used in operating activities in the prior year period. The movement was primarily due to Cineplex's improved operating results arising from the reopened theatres and LBE venues for the majority of the fourth quarter. The timing of the settlement of accounts receivables and payables balances also positively contributed to the movement.

Full Year

For the year ended December 31, 2021, cash provided by operating activities was $61.0 million compared to cash flows of $106.3 million used in the prior year period. The movement was primarily due to the reopening of Cineplex's entire circuit of theatres and LBE venues as of July 17, 2021 leading to improved operating results in the third and fourth quarters of 2021, despite the negative impact from capacity restrictions reinstated in Ontario, New Brunswick, Nova Scotia, Prince Edward Island and British Columbia effective December 18, 2021 and from temporary theatre closures in Quebec in response to a surge in COVID-19 cases. The timing of settlement of operating assets and liabilities in 2021 including the receipt of the $62.6 million tax refunds, also positively contributed to the movement. During the prior year period, Cineplex operated at full capacity until restrictions and closures began in March 2020 which continued until the latter half of August at which time limited reopenings were allowed. The second wave of COVID-19 emerging during the winter of 2020 resulted in another round of closures in Cineplex's theatres and LBE venues in several provinces during the latter half of the fourth quarter of 2020.

7.2 INVESTING ACTIVITIES

The following table highlights the movements in cash used in investing activities for the three months and year ended December 31, 2021 and 2020 (in thousands of dollars):

Cash flows provided by (used in) investing activities	Fourth Quarter 2021	Fourth Quarter 2020	Fourth Quarter Change	Full Year 2021	Full Year 2020	Full Year Change
Proceeds from disposal of assets, net	$ 68	$ 59,870	$ (59,802)	$ 63,215	$ 80,920	$ (17,705)
Purchases of property, equipment and leaseholds	(5,052)	(9,969)	4,917	(23,627)	(73,411)	49,784
Intangible assets additions	(1,992)	(2,106)	114	(9,200)	(9,005)	(195)
Tenant inducements	1,044	2,697	(1,653)	8,068	24,296	(16,228)
Net cash received from joint ventures and associates	1,995	—	1,995	1,995	3,910	(1,915)
Net cash (used in) provided by investing activities	**$ (3,937)**	**$ 50,492**	**$ (54,429)**	**$ 40,451**	**$ 26,710**	**$ 13,741**

Fourth Quarter

Cash used in investing activities during the fourth quarter of 2021 was $3.9 million, as compared to cash provided by investing activities of $50.5 million in the prior year period. The movement was primarily due to cash proceeds of $60.0 million that were received in the prior year period as a result of Cineplex's reorganization of its joint operation with SCENE.

Full Year

For the full year, cash provided by investing activities was $13.7 million higher than the prior year. The increase was primarily due to a reduction of capital expenditures net of tenant inducement received in response to the pandemic. The increase was partially offset by the movement in cash proceeds. During 2021 cash proceeds received were for the sale of Cineplex's head office buildings and the sale of certain restrictive lease rights, while cash proceeds received in the prior year period were with respect to Cineplex's reorganization of its joint operation with SCENE.

The COVID-19 pandemic continues to have a material negative effect on Cineplex's business. Management continues to focus on reducing capital expenditures and believes that it has adequate liquidity to fund operations for the currently anticipated duration of the pandemic in the regions in which Cineplex operates. Components of capital expenditures include (in thousands of dollars):

Capital expenditures	Fourth Quarter 2021	Fourth Quarter 2020	Fourth Quarter Change	Full Year 2021	Full Year 2020	Full Year Change
Gross capital expenditures	$ 5,052	$ 9,969	$ (4,917)	$ 23,627	$ 73,411	$ (49,784)
Less: tenant inducements	(1,044)	(2,697)	1,653	(8,068)	(24,296)	16,228
Net capital expenditures	$ 4,008	$ 7,272	$ (3,264)	$ 15,559	$ 49,115	$ (33,556)
Net capital expenditures consists of:						
Growth and acquisition capital expenditures (i)	$ 2,525	$ 8,823	$ (6,298)	$ 13,110	$ 37,104	$ (23,994)
Tenant inducements	(1,044)	(2,697)	1,653	(8,068)	(24,296)	16,228
Media growth capital expenditures	2,647	—	2,647	4,238	198	4,040
Premium formats (ii)	399	541	(142)	258	2,884	(2,626)
Amusement and leisure growth capital expenditures (excluding LBE build expenditures)	445	372	73	1,133	877	256
Maintenance capital expenditures	5,335	1,171	4,164	6,937	5,379	1,558
Other (iii)	(6,299)	(938)	(5,361)	(2,049)	26,969	(29,018)
	$ 4,008	$ 7,272	$ (3,264)	$ 15,559	$ 49,115	$ (33,556)

(i) Growth and acquisition capital expenditures include expenditures on the construction of new locations (including VIP cinemas) and other Board approved growth projects with the exception of premium formats, media growth, and amusement gaming and leisure growth capital expenditures.

(ii) Premium formats include capital expenditures for recliner seating, IMAX, UltraAVX, 3D, 4DX and ScreenX.

(iii) Primary component of Other is the impact of the timing of cash payments relating to the purchases of property, equipment and leaseholds.

7.3 FINANCING ACTIVITIES

The following table highlights the movements in cash from financing activities for the three months and year ended December 31, 2021 and 2020 (in thousands of dollars):

Cash flows provided by (used in) financing activities	Fourth Quarter			Full Year		
	2021	2020	Change	2021	2020	Change
Dividends paid	$ —	$ —	$ —	$ —	$ (19,000)	$ 19,000
Borrowings (repayments) under credit facility, net	1,000	46,000	(45,000)	(246,000)	(119,000)	(127,000)
Repayments of lease obligations - principal	(25,525)	(32,323)	6,798	(88,259)	(91,946)	3,687
Issuance of convertible debentures, net	—	—	—	—	303,063	(303,063)
Insurance of notes payable, net	—	—	—	243,996	—	243,996
Financing fees	(542)	(700)	158	(863)	(1,500)	637
Net cash (used in) provided by financing activities	**$ (25,067)**	**$ 12,977**	**$ (38,044)**	**$ (91,126)**	**$ 71,617**	**$ (162,743)**

Fourth Quarter

Cash flows used in financing activities were $25.1 million in the fourth quarter of 2021, as compared to cash provided in the prior year comparative period of flows of $13.0 million. The movement was mainly due to borrowings under the Credit Facilities to fund operations during the COVID-19 driven closures in the prior year period.

Full Year

Cash flows used in financing activities were $91.1 million for the year ended December 31, 2021, as compared to cash provided financing activities in the prior year in the amount of $71.6 million. The movement was mainly due to the net proceeds arising from the debt financing and repayment of amounts borrowed under the Credit Facilities in both 2020 and 2021. During the first quarter of 2021, the net proceeds of the Notes Payables and sale of head office buildings were used to repay the Credit Facilities ($100.0 million of which was a permanent repayment). During the third quarter of 2020, the net proceeds of the issuance of the Debentures was used to repay the Credit Facilities, of which $100.0 million was permanent. Dividends were suspended under the terms of the Arrangement Agreement subsequent to the dividend paid on February 28, 2020 and remained suspended after the termination of the Arrangement Agreement as a result of the terms of the Credit Agreement Amendments (see Section 7.4, Credit Facilities).

In response to the impact of the COVID-19 pandemic, Cineplex is closely monitoring its liquidity. Details with respect to its ongoing measures to maximize liquidity are detailed in Section 1.1 Response to COVID-19.

7.4 LONG-TERM DEBT

Credit facilities

Cineplex has bank facilities with a syndicate of lenders which includes a revolving facility (the "Revolving Facility") and non-revolving credit facility (the "Term Facility", and together with the Revolving Facility, the "Credit Facilities") pursuant to a seventh amended and restated credit agreement between Cineplex, Cineplex Entertainment Limited Partnership, the guarantors from time to time party thereto, and a syndicate of lenders dated November 13, 2018 (as further amended from time to time, the "Credit Agreement"). The Term Facility was repaid in full in the first quarter of 2021 and is no longer available for future borrowing.

At December 31, 2021, the Credit Facilities consisted of the following (in millions of dollars), subject to amendments described below pursuant to the Credit Agreement Amendments:

	Available	Drawn	Reserved	Remaining
Revolving Facility	$ 541.7	$ 260.0	$ 11.0	$ 270.7
Letters of credit outstanding at December 31, 2021 of $11.0 million are reserved against the Revolving Facility.				

The Credit Facilities bear interest at a floating rate based on the Canadian dollar prime rate, U.S. Base Rate, LIBOR or bankers' acceptances rates plus, in each case, an applicable margin to those rates. The Revolving Facility matures in November 2023. Borrowings on the Revolving Facility can be made in either Canadian or US dollars.

Cineplex's Credit Facilities contain restrictive covenants that limit the discretion of Cineplex's management with respect to certain business matters. These covenants place limits and restrictions on, among other things, the ability of Cineplex to create liens or other encumbrances, to pay dividends or make certain other payments, minimum liquidity covenants, anti-hoarding provisions, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. The Credit Facilities are secured by all of Cineplex's assets. The Revolving Facility is drawn upon and repaid on a regular basis and as such is presented on a net basis in the Statement of Cash flows.

On June 29, 2020, Cineplex entered into the First Credit Agreement Amendment, following which, on November 12, 2020 Cineplex entered into the Second Credit Agreement Amendment, on February 8, 2021 Cineplex entered into the Third Credit Agreement Amendment and on December 30, 2021 Cineplex entered into the Fourth Credit Agreement Amendment. The amendments provided certain financial covenant relief in light of the COVID-19 pandemic and its effects on Cineplex's businesses, while applying additional restrictive covenants and required repayments in certain circumstances.

The following is a summary of the key terms of the Third Credit Agreement Amendment entered into on February 8, 2021 that are updated from the First and Second Credit Agreement Amendments (certain of which have been modified further by the Fourth Credit Agreement Amendment described below):

- The following amendments to the Credit Facilities became effective upon the completion of the issuance of $250,000 Notes Payable during the first quarter of 2021:
    - The suspension of financial covenant testing was extended until the fourth quarter of 2021. On resumption of financial covenant testing in the fourth quarter of 2021:
        - for the fourth quarter of 2021, testing will be based on an annualized calculation of Adjusted EBITDA (as further adjusted in accordance with the Credit Agreement definitions) based on the actual results for such quarter;
        - for the quarter ending on March 31, 2022, testing will be based on an annualized calculation of Adjusted EBITDA based on actual results for the fourth quarter of 2021 and the first quarter of 2022 multiplied by 2; and
        - for the quarter ending on June 30, 2022, testing will be based on an annualized calculation of Adjusted EBITDA for the fourth quarter of 2021, the first quarter of 2022 and the second of 2022 multiplied by 4/3.

- Thereafter, testing will be based on an annualized calculation of the cumulative Adjusted EBITDA on a trailing four fiscal quarter basis;
- The Total Leverage Ratio of 3.75x will apply when financial covenants are reinstated, and will be reduced until the third quarter of 2022 at which point it will reach a level of 3.00x;
- The liquidity covenant will continue and be amended and extended beginning in February 2021, through to and including December 2021, requiring available liquidity as defined on a monthly basis (November 1, 2020 through January 31, 2021 - $100.0 million; February 2021 - $75.0 million; March 2021 - $60.0 million; April 1, 2021 through December 31, 2021 - $100.0 million;
- The addition of a Senior Leverage Ratio to be based on annualized Adjusted EBITDA and set at 1.0x lower than the Total Leverage Ratio. Senior Leverage Ratio to be defined as (i) Total Debt (as defined in the Credit Agreement) less any Notes Payable to (ii) Adjusted EBITDA;
- Effective with the fourth quarter of 2021, additional growth capital expenditures will be subject to pro-forma Total Leverage covenant of 2.75x (both prior to and immediately after giving effect to any such growth capital expenditure) based on actual last 12 months' EBITDA; and
- Distributions continue to be blocked during the extended financial covenant suspension period and only permitted when the Total Leverage ratio is less than 2.75x (both prior to and immediately after giving effect to any such distribution).

On December 30, 2021, Cineplex entered into the Fourth Credit Agreement Amendment, which, among other things, extended the suspension of financial covenant testing until the second quarter of 2022 and liquidity covenant requirement until June 30, 2022. The following is a summary of the key terms of the Fourth Credit Agreement Amendment:

- The suspension of financial covenant testing was extended until the second quarter of 2022. On resumption of financial covenant testing in the second quarter of 2022:
    - for the second quarter of 2022, testing will be based on an annualized calculation of Adjusted EBITDA (as further adjusted in accordance with the Credit Agreement definitions) based on the actual results for such quarter multiplied by 4;
    - for the quarter ending on September 30, 2022, testing will be based on an annualized calculation of Adjusted EBITDA based on actual results for the second quarter of 2022 and the third quarter of 2022 multiplied by 2; and
    - for the quarter ending on December 31, 2022, testing will be based on an annualized calculation of Adjusted EBITDA based on the actual results of the second quarter of 2022, the third quarter of 2022 and the fourth quarter of 2022 multiplied by 4/3.
- Thereafter, testing will be based on an annualized calculation of the cumulative Adjusted EBITDA on a trailing four fiscal quarter basis;
- The Total Leverage Ratio of 3.75x will apply when financial covenants are reinstated, and will be reduced quarterly by 0.25x until the first quarter of 2023 at which point it will reach a level of 3.00x;
- The liquidity covenant will continue and be amended requiring available liquidity (as defined) to be maintained at all times at no less than $100.0 million;
- The Senior Leverage Ratio to be based on annualized Adjusted EBITDA and set at 1.0x lower than the Total Leverage Ratio. Senior Leverage Ratio is defined as (i) Total Debt (as defined in the Credit Agreement) less any Notes Payable to (ii) Adjusted EBITDA; and
- From and after April 1, 2022, a fixed charge coverage ratio of greater than 1.25x will apply.

During the first quarter of 2021, Cineplex completed a sale-leaseback transaction for its head office buildings located at 1303 Yonge Street and 1257 Yonge Street, Toronto, Ontario for gross proceeds of $57.0 million, recognizing a gain of $30.1 million. Net proceeds from the sale, in addition to the net proceeds from the issuance of the Notes Payable (discussed below) were used to repay the Credit Facilities, a portion of which was permanent. As a result, Cineplex permanently repaid the remaining $50.0 million balance of its outstanding Term Facility.

This summary of the Credit Agreement is qualified in its entirety by reference to the provisions of the Credit Agreement which contains a complete statement of those terms and conditions. The Credit Agreement and each of the First, Second, Third and Fourth Credit Agreement Amendment were filed on SEDAR on June 30, 2020, November 13, 2020, February 8, 2021 and January 4, 2022, respectively, for each of Credit Agreement Amendments..

One of the key financial covenants in the Credit Facilities is the Total Leverage Ratio which is calculated in accordance with IFRS in effect at November 13, 2018, which excludes the impact of the adoption of IFRS 16 on Cineplex's financial reporting. The definition of debt in the Credit Facilities for the purposes of the Total Leverage Ratio includes the Credit Facilities, financing leases and letters of credit but does not include Debentures, Notes Payable, the lease obligations arising on the adoption of IFRS 16 or a reduction for cash on hand. For the purposes of the Credit Facilities definition, EBITDA is adjusted for certain non-cash, non-recurring items, excluded subsidiaries and the annualized impact of new operating locations or acquisitions.

Additional transactions focused on enhancing Cineplex's liquidity included amendments to the Credit Facilities that have provided Cineplex with financial covenant relief in light of the COVID-19 pandemic and its effects on Cineplex's businesses, and the issuance of Notes Payable for gross proceeds of $250.0 million. Cineplex used the net proceeds from the issuance of the Notes Payable to permanently repay $50.0 million of its Revolving Facility and $50.0 million of its Term Facility. Cineplex remains focused on exploring other measures to maintain adequate liquidity for the duration of the pandemic and beyond.

Interest rate swap agreements. Cineplex entered into interest rate swap agreements where Cineplex agreed to pay fixed rates per annum, plus an applicable margin and receive a floating rate of interest equal to the three-month Canadian deposit offering rate set quarterly in advance, with net settlements quarterly.

The following table outlines Cineplex's current interest rate swap agreements as of December 31, 2021:

Interest rate swap agreements					
	Notional amount	**Inception date**	**Effective date**	**Maturity date**	**Fixed rate payable**
Swap - 1	$200.0 million	November 13, 2018	April 26, 2021	November 14, 2023	2.945 %
Swap - 2	$100.0 million	November 13, 2018	November 13, 2018	November 14, 2023	2.830 %
Swap - 3	$150.0 million	November 13, 2018	November 13, 2018	November 14, 2025	2.898 %

Cineplex ceased the use of hedge accounting for the interest rate swaps during the fourth quarter of 2019 as a result of the terms of the Arrangement Agreement. The interest rate swaps are measured at fair market value at each reporting period with changes in fair market value recorded in interest expense - other, in the consolidated statement of operations.

Despite the termination of the Arrangement Agreement, the swaps can only be re-designated on a prospective basis for hedge accounting treatment.

Based on the Credit Agreement in effect at December 31, 2021 Cineplex's effective cost of borrowing on the $450.0 million hedged borrowings was 6.904% (December 31, 2020 - $450.0 million hedged borrowings - 5.754%).

Convertible debentures

On July 17, 2020, Cineplex issued $316.3 million aggregate principal amount of convertible unsecured subordinated debentures, which mature on September 30, 2025 (the "Maturity Date") and bear interest at a rate of 5.75% per annum, payable semi-annually in arrears on September 30 and March 31 in each year.

The Debentures are not redeemable by Cineplex prior to September 30, 2023. On or after September 30, 2023 and prior to September 30, 2024, Cineplex may, at its option, redeem the Debentures in whole or in part from time to time provided that the volume weighted average trading price of the Share on the Toronto Stock Exchange during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. On or after September 30, 2024, the Debentures may be redeemed in whole or in part from time to time at the option of Cineplex at a price equal to their principal amount plus accrued and unpaid interest. Redemption may be in the form of cash or in the form of Shares, at the option of Cineplex.

At the holder's option, the Debentures may be converted into Shares at a conversion price of $10.94 per Share at any time prior to the close of business on the earlier of: (i) five business days prior to the Maturity Date, and (ii) if called for redemption, five business days immediately preceding the dated fixed for redemption of the Debentures, at a conversion price to be determined at the time of pricing. Holders who convert their Debentures into Shares will receive accrued and unpaid interest for the period from the date of the latest Interest Payment Date to the date of conversion. Conversion of outstanding Debentures will result in the issuance of Shares from treasury.

The fair value of the liability component of the Debentures was assessed at inception based on an estimated market discount rate of 14.1% less the pro-rata portion of transaction costs, and will be accreted to the full face value over the term of the Debentures. Cineplex recorded cash interest expense on the Debentures during the quarter and year to date of $4.6 million (2020 - $4.6 million) and $18.2 million (2020 - $8.5 million), respectively. Furthermore, Cineplex recorded accretion expense during the quarter and year to date of $3.9 million (2020 - $3.4 million) and $15.2 million (2020 - $7.5 million), respectively, both of which are included as part of the interest expense in the consolidated statement of operations. The residual value was allocated to the equity component less the pro-rata portion of transaction costs as prescribed by IFRS 9, *Financial Instruments*.

The foregoing is a summary of the key terms of the Debentures. This summary is qualified in its entirety by reference to the provisions of the Debentures trust indenture which contains a complete statement of those terms and conditions. The Debenture trust indenture was filed on SEDAR on July 15, 2020.

Notes Payable

On February 26, 2021, Cineplex completed the $250.0 million Notes Payable offering. The Notes Payable mature on February 26, 2026 and bear interest at a rate of 7.50% per annum, payable semi-annually in arrears on January 31 and July 31 of each year, commencing July 31, 2021. The Notes Payable are subordinate to the security granted for the obligations under the Credit Facilities, and are subject to the terms of an intercreditor agreement with the agent under the Credit Facilities.

Cineplex recorded cash interest expense on the Notes Payable during the quarter and year to date of $4.7 million (2020 - $nil) and $15.8 million (2020 - $nil), respectively. Furthermore, Cineplex recorded accretion expense during the quarter and year to date of $0.2 million (2020 - $nil) and $0.8 million (2020 - $nil), respectively, both of which are included as part of interest expense in the consolidated statement of operations. As at December 31, 2021, Cineplex has $250.0 million principal amount of Notes Payable outstanding. Cineplex's derivative financial instrument relates to the early prepayment option that fluctuates in value based on market interest rates. The fair value of the embedded derivative was determined using an option pricing model with observable market inputs and are consistent with accepted methods for valuing financial instruments. Cineplex has estimated the fair value of this embedded derivative at $9.2 million as at December 31, 2021 which is presented on the consolidated balance sheets.

The foregoing is a summary of the key terms of the Notes Payable. This summary is qualified in its entirety by reference to the provisions of the Notes Payable trust indenture which contain a complete statement of those terms and conditions. The Notes Payable trust indenture was filed on SEDAR on February 26, 2021.

7.5 FUTURE OBLIGATIONS

At December 31, 2021, Cineplex had the following contractual or other commitments authorized by the Board (expressed in thousands of dollars):

	Payments due by period				
Contractual obligations	**Total**	**Within 1 year**	**2-3 years**	**4-5 years**	**After 5 years**
Accounts payable and accrued liabilities	$ 157,950	157,950	—	—	—
Interest rate swap agreements	14,223	8,063	5,081	1,079	—
Long-term debt	260,000	—	260,000	—	—
Interest on long-term debt	33,539	17,950	15,589	—	—
Equipment obligations	3,045	1,963	829	160	93
Deferred consideration - AMC	3,134	—	3,134	—	—
Convertible debentures	316,250	—	—	316,250	—
Convertible debentures interest	68,154	18,184	36,369	13,601	—
Notes payable	250,000	—	—	250,000	—
Notes payable interest	78,083	18,750	37,552	21,781	—
Total contractual obligations	**$ 1,184,378**	**$ 222,860**	**$ 358,554**	**$ 602,871**	**$ 93**

The following table discloses the undiscounted cash flow for lease obligations as of December 31, 2021:

Less than one year	$ 173,086
One to five years	637,415
More than five years	610,456
Total undiscounted lease obligations	$ 1,420,957

Cineplex has aggregate gross capital commitments of $71.2 million ($53.1 million net of tenant inducements) related to the completion of construction of 5 operating locations including both theatres and location-based entertainment locations, in addition to the ongoing rollout of expanded entertainment offerings at select theatres and location-based entertainment locations, over the next four years.

As a result of the negative impact of COVID-19 on its business, Cineplex continues to focus on reducing capital expenditures and believes that it has adequate liquidity to fund operations for the currently anticipated duration of the pandemic in the regions in which Cineplex operates. With the uncertainty surrounding the timing and impact of the theatre and LBE venue closures, management will continue to assess its future capital spending taking into consideration its legal commitments, restrictions imposed by the Credit Facilities (as amended) and requirements of the business on a short and long-term basis.

Cineplex conducts a significant part of its operations in leased premises. Cineplex's leases generally provide for minimum rent and a number of the leases also include percentage rent based primarily upon sales volume. Cineplex's leases may also include escalation clauses, guarantees and certain other restrictions, and generally require it to pay a portion of the real estate taxes and other property operating expenses. Initial lease terms generally range from 15 to 20 years and contain various renewal options, generally in intervals of five to ten years. In response to the COVID-19 pandemic and resulting government mandated closures, Cineplex temporarily closed all of its theatres and LBE locations on March 16, 2020, then reopened all theatres and LBE venues on July 17, 2021, but operated the theatres under capacity restrictions reinstated on December 18, 2021 in Ontario, New Brunswick, Nova Scotia, Prince Edward Island, and British Columbia on December 18, 2021, and further temporarily closed theatres in Quebec on December 20, 2021.

Cineplex is guarantor under the leases for the remainder of the lease terms for certain theatres that it has sold in the event that the purchaser of the theatres does not fulfill its obligations under the respective lease; nine or fewer of those theatres are still operated by a third-party lease under which Cineplex arguably could be responsible as a guarantor. Cineplex has assessed the fair value of the lease guarantees and determined that the fair value of these guarantees at December 31, 2021 is nominal. As such, no additional amounts have been provided in the consolidated financial statements for these guarantees. Should the purchasers of the theatres fail to fulfill their lease commitment obligations, Cineplex could face a substantial financial burden, which could be mitigated by Cineplex operating any theatres under default.

8. ADJUSTED FREE CASH FLOW AND DIVIDENDS (see Section 17, Non-GAAP and other financial measures)

Cineplex's dividend policy is subject to the discretion of the Board and may vary depending on, among other things, Cineplex's results of operations, cash requirements, financial condition, contractual restrictions, business opportunities, provisions of applicable law and other factors that the Board may deem relevant. As a result of the Arrangement Agreement, Cineplex stopped paying dividends after the monthly dividend that was paid on February 28, 2020. Cineplex does not expect to return to paying dividends until the negative impact of the COVID-19 crisis has been addressed, the contractual restrictions imposed by the terms of its long-term debt agreements permit, and liquidity has improved. Cineplex hereby currently designates all dividends paid or deemed to be paid as "eligible dividends" for purposes of subsection 89(14) of the *Income Tax Act* (Canada), and similar provincial and territorial legislation, unless indicated otherwise.

8.1 ADJUSTED FREE CASH FLOW

Prior to the monthly dividend that was paid on February 28, 2020, Cineplex distributed cash to its shareholders on a monthly basis. The following table illustrates adjusted free cash flow per Share, dividends paid per Share, and the payout ratio of dividends relative to adjusted free cash flow for the three months and year ended December 31, 2021 and 2020:

Adjusted free cash flow	Fourth Quarter			Full Year		
	2021	2020	Change	2021	2020	Change
Adjusted free cash flow per Share (i)	$ (0.016)	$ (0.482)	-96.7%	$ (2.392)	$ (2.556)	-6.4%
Dividends declared per Share	$ —	$ —	NM	$ —	$ 0.150	-100.0%
Payout ratio - year ended December 31	—	—	—	— %	(5.9)%	5.9%
(i) Represents a non-GAAP ratio. See Section 17, Non-GAAP and other financial measures.						

Adjusted free cash flow per Share for the fourth quarter and full year were negative for both 2020 and 2021. The year-over-year movement was mainly due to improved operating results as a result of reopening of Cineplex's entire circuit of theatres and LBE venues as of July 17, 2021, continuing to the third quarter and the majority of the fourth quarter of 2021.

Measures relevant to the discussion of adjusted free cash flow per Share are as follows (expressed in thousands of dollars except Shares outstanding):

	Fourth Quarter			Full Year		
	2021	2020	Change	2021	2020	Change
Cash flows provided by (used in) continuing operations	$ 27,480	$ (61,041)	NM	$ 61,004	$ (106,314)	NM
Net loss from continuing operations	$ (21,778)	$ (230,403)	-90.5%	$ (248,722)	$ (624,001)	-60.1%
Standardized free cash flow (i)	$ 22,495	$ (71,140)	NM	$ 40,709	$ (179,725)	NM
Adjusted free cash flow (i)	$ (1,032)	$ (30,530)	-96.6%	$ (151,517)	$ (161,870)	-6.4%
Cash dividends declared	$ —	$ —	NM	$ —	$ 9,500	-100.0%
Average number of Shares outstanding	63,343,223	63,333,238	—%	63,339,239	63,333,238	—%
(i) Represents a non-GAAP financial measure. See Section 17, Non-GAAP and other financial measures.						

8.2 DIVIDENDS

Cineplex has not paid any dividends after the monthly dividend that was paid on February 28, 2020 and is currently restricted from paying any dividends under the Credit Facilities.

The following table outlines Cineplex’s distribution and dividend history:

Distribution and dividend history	
Effective Date	**Monthly Distribution/Dividend per Unit/Share**
January 2004 (i)	$0.0958
May 2007	$0.1000
May 2008	$0.1050
May 2011	$0.1075
May 2012	$0.1125
May 2013	$0.1200
May 2014	$0.1250
May 2015	$0.1300
May 2016	$0.1350
May 2017	$0.1400
May 2018	$0.1450
May 2019 - January 2020	$0.1500

(i) Cineplex Galaxy Income Fund, the predecessor to Cineplex (“The Fund”) declared and paid distributions at a rate of $0.1050 per month from May 2008 until December 2010. The Fund converted to a corporation on January 1, 2011, at which time distributions ceased and dividends began at the same rate of $0.1050 per month.

9. SHARE ACTIVITY

Share capital at December 31, 2021 and the transactions during the year are as follows (expressed in thousands of dollars except Share amounts):

	Shares	Amount	
	Number of common shares issued and outstanding	Common shares	Total
Balance - December 31, 2020	63,333,238	$ 852,379	$ 852,379
Issuance of shares on exercise of options	11,060	86	86
Balance - December 31, 2021	63,344,298	$ 852,465	$ 852,465

	Shares	Amount	
	Number of common shares issued and outstanding	Common shares	Total
Balance - December 31, 2020	63,333,238	$ 852,379	$ 852,379

Omnibus Incentive Plan

On November 12, 2020, the Board of Directors approved a new Omnibus Incentive Plan (the “Incentive Plan”). This plan supersedes the former incentive plans (collectively, the “Legacy Plan”) that included Options, Performance Share Units (“PSUs”) and Restricted Share Units (“RSUs”). All employees and consultants are eligible to participate in the Incentive Plan. The Incentive Plan consists of stock options, RSUs and PSUs. Awards of RSUs and PSUs granted during a service year will be subject to a service period as determined by management at the time of issuance. The aggregate number of Shares that may be issued under the Incentive Plan is 3,487,960 provided that no more than 1,904,538 Shares may be issued in aggregate pursuant to the settlement of RSUs and PSUs. Options that were issued under the Legacy Plan and are subsequently cancelled will be available to be issued under the Incentive Plan. The base Share equivalents granted as RSU and PSU awards attract compounding notional dividends at the same rate as outstanding Shares, which are notionally re-invested as additional base Share equivalents. PSU and

RSU awards may be settled in Shares issued from treasury, cash, or a mix of Shares and cash, at Cineplex's option at the time of settlement. Awards outstanding under prior plans shall remain in full force and effect under the prior plans according to their respective terms. Under the prior plans, the effects of changes in estimates of performance results are recognized in the year of change. As at December 31, 2021, 1,489,143 Shares are available to be issued under the Incentive Plan (2020 - 2,111,140).

Stock Options

Stock options issued under the Incentive Plan will be administered by the Board of Directors which will establish the exercise price at the time each option is granted, which in all cases will not be less than the market price on the grant date. All of the options must be exercised over specified periods not to exceed ten years from the date granted. Options issued under the Incentive Plan may be exercised for cash or on a cashless basis, both of which result in the issuance of Shares from treasury. Options granted will be accounted for as equity-settled.

A summary of option activities for the year ended December 31, 2021 and 2020 is as follows:

	2021			2020	
	Weighted average remaining contractual life (years)	**Number of underlying Shares**	**Weighted average exercise price**	**Number of underlying Shares**	**Weighted average exercise price**
Options outstanding - January 1	7.64	2,042,019	$ 25.37	3,123,521	38.62
Granted		459,501	12.69	725,758	8.25
Cancelled		(188,303)	43.90	(1,408,439)	44.70
Forfeited		(87,049)	21.89	(398,821)	29.64
Exercised		(27,363)	8.25	—	—
Options outstanding – end of period	7.44	2,198,805	$ 21.48	2,042,019	$ 25.37

Effective December 15, 2019, as a result of the terms of the Arrangement Agreement, options were considered cash-settled, and the fair value of the options outstanding in excess of their respective exercise price was recognized as a current share-based compensation liability, and changes in value were reflected in the statement of operations. Stock options impacted by the termination of the Arrangement Agreement were revalued and accounted for as equity-settled and any previously recognized share based compensation liability was reclassified to contributed surplus. The accelerated recognition of unvested options was reversed and is being recognized over their remaining vesting periods at the value determined at March 31, 2020. Forfeitures are estimated to be nominal, based on historical forfeiture rates.

Cineplex recorded $1.9 million of employee benefits cost with respect to the options during the year ended December 31, 2021 (2020 recovery - $1.2 million). The intrinsic value of vested share options at December 31, 2021 is $0.7 million (2020 - $nil), based on the closing Share price of $13.49 per share (2020 - $9.27). In 2021, 165,146 (2020 - 1,307,301) stock options issued under the Legacy Plan were cancelled for total consideration of $60 (2020 - $0.5 million) as part of a voluntary stock option cancellation program that was initiated in the fourth quarter of 2020.

Upon cashless exercises, the options exercised in excess of Shares issued are cancelled and returned to the pool available for future grants. At December 31, 2021, 532,760 options are available for grant (2020 - 1,900,606, of which a maximum of 1,200,000 were allocated to PSU/RSU availability in 2021).

RSU and PSU awards

	PSU Share equivalents granted	RSU Share equivalents granted	PSU Share equivalents minimum payout	PSU Share equivalents maximum payout
2021 LTIP awards granted in Q2 2021	167,546	315,619	—	335,092
2020 LTIP award granted in Q3 2020	284,214	277,105	—	568,428
2019 LTIP award granted in Q1 2019	105,777	54,940	7,788	211,553

RSU

Valuation of restricted stock units is based on Cineplex's closing Share price on the grant date. On April 12, 2021, Cineplex issued 262,487 equity settled RSUs with a fair value of $12.87 per unit (total fair value of $3.4 million on issuance), that will fully vest in November 2023, at the completion of the three year performance period. On May 10, 2021, Cineplex issued 53,132 cash settled RSUs with a fair value of $14.95 (total fair value of $0.8 million on issuance) and will fully vest on the second anniversary of the grant date. The valuation was based on Cineplex's Share price on the grant date and will fluctuate in value based on Cineplex's Share price.

A summary of RSU activities during the year ended December 31, 2021 is as follows:

	2021	2020
RSUs outstanding, January 1	295,189	93,835
Granted	315,619	277,105
Notional dividends	—	415
Settled	(44,041)	(37,572)
Cancelled	(30,420)	(38,594)
RSUs outstanding, December 31	536,347	295,189

The RSUs associated with the 2019 LTIP were settled in 2021 for $0.6 million cash.

PSU

On April 12, 2021, Cineplex issued 167,546 PSUs which will be equity-settled in November 2023, representing the completion of the three year performance period. Compensation expense is recorded based on the number of units expected to vest, the current market price of Cineplex's Shares, and the application of a performance multiplier that ranges from a minimum of zero to a maximum of two. Performance multipliers are developed based on Total Shareholder Return percentile rank relative to a select peer group and composite group. Participants will receive one fully paid Share issued from treasury that can vary depending on the achievement of established performance targets.

A summary of PSU activities during the year ended December 31, 2021 is as follows:

	2021	2020
PSUs outstanding, January 1	333,908	183,323
Granted	167,546	284,214
Notional dividends	—	1,624
Settled	(88,422)	(18,455)
Cancelled	(1,774)	(116,798)
PSUs outstanding, December 31	411,258	333,908

Incentive Plan costs are estimated at the grant date based on expected performance results then accrued and recognized on a graded basis over the vesting period. Forfeitures are estimated to be nominal. For the year ended December 31, 2021, Cineplex recognized compensation cost of $2.9 million (2020 recovery - $6.9 million) under the Incentive Plan relating to RSU and PSU. At December 31, 2021, $0.2 million (2020 - $0.4 million) was included in current share-based compensation liability and $2.8 million in contributed surplus (2020 - $nil).

The PSUs associated with the 2019 LTIP were settled in 2021 for $0.1 million cash.

Deferred equity units

Members of the Board of Directors and certain officers of Cineplex may elect to defer a portion of their compensation in the form of deferred equity units. For the year ended December 31, 2021, Cineplex recognized compensation cost of $1.2 million (2020 recovery - $8.2 million) associated with the deferred equity units. At December 31, 2021, $4.7 million (2020 - $2.8 million) was included in share-based compensation liability.

10. SEASONALITY AND QUARTERLY RESULTS

Historically, Cineplex's revenues have been seasonal, coinciding with the timing of major film releases. The most marketable motion pictures were traditionally released during the summer and the late-November through December holiday season. This caused changes from quarter to quarter in theatre attendance, affecting theatre exhibition reported results. The seasonality of theatre attendance has become less pronounced as film studios have expanded the historical summer and holiday release windows and increased the number of heavily marketed films released during traditionally weaker periods. The impact COVID-19 has also impacted the timing of major film releases as distributors has been moving their films out to future dates in response to government restrictions for theatres in different countries. Cineplex's diversification into other businesses such as digital media and amusement and leisure, which are not dependent on motion picture content, has contributed to reduce the impact of this seasonality on Cineplex's consolidated results. To meet working capital requirements during lower revenue quarters, Cineplex can draw upon the Revolving Facility, which had $260.0 million drawn and $270.7 million available as of December 31, 2021, subject to restrictions under the Credit Facilities including the liquidity covenant described above (Section 7.4, Long-term debt). In response to the impact of the COVID-19 pandemic, Cineplex is closely monitoring its liquidity. Details with respect to its ongoing measures are detailed in Section 1.1, COVID-19 business impacts, risks and liquidity.

Summary of Quarterly Results (in thousands of dollars except per Share, per patron, theatre attendance and theatre location and screen data, unless otherwise noted):

	2021				2020			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues								
Box office revenues	**$125,890**	$ 94,114	$ 12,498	$ 3,818	$ 7,260	$ 14,531	$ 27	$111,002
Food service revenues	**87,244**	79,971	13,258	6,525	10,543	15,468	3,256	79,365
Media revenues	**32,795**	14,060	9,401	9,074	12,496	12,825	7,880	32,157
Amusement revenues	**45,096**	53,319	22,184	13,874	13,597	13,236	3,731	47,337
Other revenues	**8,926**	8,916	7,585	8,121	8,556	4,962	7,094	12,940
	299,951	250,380	64,926	41,412	52,452	61,022	21,988	282,801
Expenses								
Film cost	**61,990**	45,838	5,611	1,235	3,151	7,261	10	56,500
Cost of food service	**21,042**	16,362	2,867	1,412	3,989	3,680	789	22,209
Depreciation - right-of-use assets	**25,041**	25,151	25,737	26,318	28,136	30,539	34,185	35,533
Depreciation and amortization - other	**27,501**	28,297	27,735	29,509	28,750	30,375	31,759	33,962
Loss (gain) on disposal of assets	**1,576**	22	179	(30,060)	(283)	(14,113)	478	817
Other costs	**157,970**	139,527	73,352	68,705	77,213	78,754	62,175	157,548
Impairment of long-lived assets and goodwill	**3,717**	—	—	—	56,175	65,634	—	173,054
	298,837	255,197	135,481	97,119	197,131	202,130	129,396	479,623
Income (loss) from continuing operations	**$ 1,114**	$ (4,817)	$(70,555)	$(55,707)	$(144,679)	$(141,108)	$(107,408)	$(196,822)
Adjusted EBITDA (i)	**$ 58,328**	$ 48,606	$(16,902)	$(30,105)	$(32,097)	$(28,928)	$(41,313)	$ 46,472
Adjusted EBITDAaL (i)	**$ 20,198**	$ 10,762	$(53,165)	$(62,090)	$(65,948)	$(46,725)	$(72,532)	$ 2,390
Net loss from continuing operations	$(21,778)	$(33,552)	$(103,704)	$(89,688)	$(230,403)	$(121,209)	$(98,234)	$(174,155)
Net loss from discontinued operations	—	—	—	—	—	—	(693)	(4,259)
Net loss	$(21,778)	$(33,552)	$(103,704)	$(89,688)	$(230,403)	$(121,209)	$(98,927)	$(178,414)
EPS - basic and diluted from continuing operations	**$ (0.34)**	$ (0.53)	$ (1.64)	$ (1.42)	$ (3.64)	$ (1.91)	$ (1.55)	$ (2.75)
EPS - basic and diluted from discontinued operations	**—**	—	—	—	—	—	(0.01)	(0.07)
EPS - basic and diluted	**$ (0.34)**	$ (0.53)	$ (1.64)	$ (1.42)	$ (3.64)	$ (1.91)	$ (1.56)	$ (2.82)
Cash provided by (used in) operating activities	**$ 27,480**	$ 52,023	$ 17,133	$(35,632)	$(61,041)	$(86,558)	$ 18,095	$ 23,190
Cash (used in) provided by investing activities	**(3,937)**	(2,374)	(1,761)	48,523	50,492	11,384	(8,947)	(26,219)
Cash (used in) provided by financing activities	**(25,067)**	(50,191)	(6,086)	(9,782)	12,977	74,252	(2,793)	(12,819)
Effect of exchange rate differences on cash	**(9)**	(189)	413	140	650	292	560	(950)
Net change in cash	**$ (1,533)**	$ (731)	$ 9,699	$ 3,249	$ 3,078	$ (630)	$ 6,915	$(16,798)
Cash flows used in discontinued operations	**$ —**	$ —	$ —	$ —	$ —	$ —	$ (253)	$ (2,138)
BPP (ii)	**$ 12.29**	$ 11.38	$ 10.89	$ 9.20	$ 9.23	$ 9.30	$ 4.50	$ 10.36
CPP (ii)	**$ 7.49**	$ 8.58	$ 7.86	$ 6.12	$ 9.06	$ 7.37	$ 10.33	$ 6.79
Film cost percentage (ii)	**49.2 %**	48.7 %	44.9 %	32.3 %	43.4 %	50.0 %	37.0 %	50.9 %
Theatre attendance (in thousands of patrons) (ii)	**10,245**	8,272	1,148	415	786	1,563	6	10,710
Theatre locations (at period end)	**160**	161	160	161	162	164	164	164
Theatre screens (at period end)	**1,652**	1,656	1,651	1,657	1,667	1,687	1,687	1,687

(i) Represents a non-GAAP financial measure. See section 17, Non-GAAP and other financial measures.

(ii) Represents a supplementary financial measure. See section 17, Non-GAAP and other financial measures.

Summary of adjusted free cash flow by quarter

Management calculates adjusted free cash flow per Share as follows (see Section 17, Non-GAAP and other financial measures, for a discussion of adjusted free cash flow) (in thousands of dollars except per Share data and number of Shares outstanding):

	2021				2020			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Cash (used in) provided by operating activities (i)	**$ 27,480**	**$ 52,023**	$ 17,133	$ (35,632)	$ (61,041)	$ (86,558)	$ 18,095	$ 23,190
Less: Total capital expenditures net of proceeds on sale of assets	**(4,985)**	**(1,603)**	(4,992)	(8,715)	(10,099)	(11,418)	(14,391)	(37,503)
Standardized free cash flow	**22,495**	**50,420**	12,141	(44,347)	(71,140)	(97,976)	3,704	(14,313)
Add/(Less):								
Changes in operating assets and liabilities	**1,405**	**(32,640)**	(62,622)	(23,581)	67,257	34,894	(69,401)	10,428
Changes in operating assets and liabilities of joint ventures	**307**	**(31)**	(524)	(802)	(2,699)	372	(986)	(1,156)
Principal component of lease obligations	**(25,525)**	**(24,191)**	(19,086)	(19,457)	(32,323)	(24,811)	(993)	(33,819)
Principal portion of cash rent paid not pertaining to current period	**(737)**	**—**	(369)	1,106	(357)	(357)	(357)	1,071
Growth capital expenditures and other	**(350)**	**736**	4,511	8,461	8,928	10,801	13,777	34,526
Share of income of joint ventures, net of non-cash depreciation	**(622)**	**(47)**	2	(165)	(196)	(255)	(331)	(73)
Non-controlling interests	**—**	**—**	—	—	—	—	4	1
Net cash received from CDCP	**1,995**	**—**	—	—	—	—	782	3,128
Adjusted free cash flow	**$ (1,032)**	**(5,753)**	$ (65,947)	$ (78,785)	$ (30,530)	$ (77,332)	$ (53,801)	$ (207)
Average number of Shares outstanding	**63,343,223**	**63,342,557**	63,339,618	63,334,317	63,333,238	63,333,238	63,333,238	63,333,238
Adjusted free cash flow per Share	**$ (0.016)**	**$ (0.091)**	$ (1.041)	$ (1.244)	$ (0.482)	$ (1.221)	$ (0.849)	$ (0.003)

11. RELATED PARTY TRANSACTIONS

Cineplex may have transactions in the normal course of business with entities whose management, directors or trustees are also directors of Cineplex. Any such transactions are in the normal course of operations and are measured at market-based exchange amounts. Unless otherwise noted, these transactions are not considered related party transactions for financial statement purposes.

The Chair of Riocan Real Estate Investment Trust ("Riocan") served as a Board member until May 5, 2020. Prior to his departure, Cineplex incurred theatre expenditures for theatres under lease commitments with Riocan in the amount of $20.2 million during the prior year period. No material related party transactions were recorded during the year ended December 31, 2021.

12. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTIES

Cineplex makes estimates and assumptions concerning the future that may not equal actual results. The following are the estimates and judgments applied by management that most significantly impact Cineplex's consolidated financial statements. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Goodwill and long lived assets- recoverable amount

Cineplex tests at least annually whether goodwill suffered any impairment. Assessment of impairment for long-lived assets, including property, equipment, leaseholds, right-of-use assets, intangible assets and goodwill is performed more frequently as specific events or circumstances dictate triggering events and changes in circumstances indicate that the carrying amount of the asset group may not be fully recoverable. Management makes key assumptions and estimates in determining the recoverable amount of its long lived assets and groups of CGUs' goodwill, including attendance and the related revenue growth rates, variable and fixed cash flows, operating margins and discount rates.

Financial instruments - fair value of over-the-counter derivatives

Cineplex's over-the-counter derivatives include interest rate swaps used to economically hedge exposure to variable cash flows associated with interest payments on Cineplex's borrowings. Management estimates the fair values of these derivatives as the present value of expected future cash flows to be received or paid, based on available market data, which includes market yields and counterparty credit spreads. Cineplex also has a prepayment option on the Notes Payable. The fair market value of prepayment option on Notes Payable was determined using an option pricing model with observable market inputs consistent with accepted methods for valuing financial instruments.

Revenue recognition - gift cards

Management estimates the value of gift cards that are not expected to be redeemed by customers, based on the terms of the gift cards and historical redemption patterns, including industry data. The estimates are reviewed annually, or when evidence indicates the existing estimate is not valid.

Revenue recognition - SCENE

The timing and number of points redeemed by Scene+ members affects the timing and amount of both revenue and cost of redemptions recognized by Cineplex. If the number of points actually redeemed by members is lower than Cineplex's estimate of points expected to be redeemed, the estimate of average revenue per point will be prospectively revised, and net income would be higher over time.

Income taxes

The timing of reversal of timing differences and the expected income allocation to various tax jurisdictions within Canada affect the effective income tax rate used to compute the deferred income tax asset. Management will assess the recoverability of deferred tax assets as economic conditions improve. There are material uncertainties relating to the recoverability of losses incurred in the current year. Accordingly, no deferred tax assets were recognized in the current period. Management estimates the reversals and income allocation based on historical and budgeted operating results and income tax laws existing at the consolidated balance sheet dates. In addition, management occasionally estimates the current or future deductibility of certain expenditures, affecting current or deferred income tax balances and expenses.

Fair value of identifiable assets acquired and liabilities assumed in business combinations

Significant judgment is required in the identifying tangible and intangible assets and liabilities of the acquired businesses, as well as determining their fair values.

Share-based compensation

Management is required to make certain assumptions and to estimate future financial performance to estimate the fair value of share-based awards at each consolidated balance sheet date. The LTIP and Incentive Plan requires management to estimate future non-GAAP earnings measures, future revenue growth relative to specified industry peers, and total shareholder return, both absolutely and relative to specified industry peers. Future non-GAAP earnings are estimated based on current projections, updated at least annually, taking into account actual performance since the grant of the award. Future revenue growth relative to peers is based on historical performance and current projections, updated at least annually for actual performance since the grant of the award by Cineplex and its peers. Total shareholder return for Cineplex and its peers is updated at each consolidated balance sheet date based on financial models, taking into account financial market observable inputs.

Lease terms

Some leases of property contain extension options exercisable by Cineplex up to one year before the end of the non-cancellable contract period. Where practicable, Cineplex seeks to include extension options in new leases to provide operational flexibility. In determining the lease term, Cineplex considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed upon a trigger by a significant event or a significant change in circumstances.

13. ACCOUNTING POLICIES

ACCOUNTING STANDARDS APPLIED OR ADOPTED IN THE CURRENT YEAR

Management of Cineplex reviews all changes to the IFRS when issued. The International Accounting Standards Board (“IASB”) has issued the following standards, which have not yet been adopted by Cineplex. The following is a description of the new standards:

Cloud Computing Arrangements

In April 2021, the International Financial Reporting Interpretations Committee (IFRIC) finalized their decision with respect to configuration and customization costs in a cloud computing arrangement, particularly surrounding the recognition of an expense or an intangible asset. Cineplex has evaluated the impact regarding the changes surrounding the configuration or customization costs in a cloud computing arrangement and has determined that there is no material effect on its consolidated financial statements.

In January 2020, the International Accounting Standards Board issued Classification of Liabilities as Current or Non-current, which amended IAS 1 Presentation of Financial statements. The amendments clarified how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. Cineplex has not applied the accounting pronouncement issued.

In May 2021, the International Accounting Standards Board (Board) issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction, which amended IAS 12 Income Taxes. The amendments require companies to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. Cineplex has not applied the accounting pronouncement issued.

14. RISKS AND UNCERTAINTIES

Cineplex is exposed to a number of risks and uncertainties in the normal course of business that have the potential to affect operating performance. Cineplex has operating and risk management strategies and insurance programs to help minimize these operating risks and uncertainties. In addition, Cineplex has entity level controls and governance procedures including a corporate code of business conduct and ethics, whistle blowing procedures, clearly articulated corporate values and detailed policies outlining the delegation of authority within Cineplex.

Cineplex typically conducts an annual enterprise risk management assessment which is overseen by Cineplex’s executive management team and the audit committee of the Board and is reported to the full Board. The enterprise risk management framework sets out principles and tools for identifying, evaluating, prioritizing and managing risk effectively and consistently across Cineplex. Senior management participate in a detailed review of enterprise risk in four major categories: environment risks, process risks, information risks and business unit risks. In addition, Cineplex monitors risks and changing economic conditions on an ongoing basis and adapts its operating strategies as required.

This section describes the principal risks and uncertainties that could have a material adverse effect on Cineplex's business and financial results. The risks and uncertainties described below are not the only risks that may impact Cineplex's business. Additional risks not currently known to Cineplex or that management currently believes are immaterial may also have a material adverse effect on future business and operations. Any discussion about risks should be read in conjunction with "Forward-Looking Statements".

Impact of COVID-19 on the Business, Financial Condition and Results of Operations of Cineplex

The outbreak of the COVID-19 pandemic has had an unprecedented impact on all of Cineplex's business segments. As an entertainment company that operates in spaces where guests gather in close proximity, including theatres and LBE venues, Cineplex has been significantly impacted by the actions taken to control the spread of COVID-19. On March 16, 2020, Cineplex announced the temporary closure of all of its theatres and LBE venues across Canada, as well as substantially all route locations operated by P1AG. On April 1, 2020, in response to applicable government directives and guidance from Canadian public health authorities, Cineplex announced that the closure of its theatres and LBE venues across Canada would remain in effect and that the reopening of such locations would be reassessed as further guidance is provided by Canadian public health authorities and applicable government authorities. Although restrictions on social gatherings were temporarily lifted in many of the markets in which Cineplex operated over the summer and into the fall of 2020, social gathering restrictions were reinstituted in the late fall and winter with the increased number of COVID-19 cases and the onset of a third wave in the latter half of the first quarter of 2021, involving more transmissible variants. As of July 17, 2021, Cineplex had reopened its entire circuit of theatres after months of extended closure periods, subject to capacity limitations. The reopening included Cineplex's then 161 theatre locations, encompassing 1,656 screens across Canada including 18 VIP Cinemas locations. However, during the fourth quarter of 2021, capacity restrictions were reinstated in Ontario, Cineplex's largest market, limiting indoor capacity to 50% along with prohibiting the consumption of concessions in theatres effective December 18, 2021. Theatres in Quebec were also mandated to temporarily close effective December 20, 2021. Subsequent to December 31, 2021, social gathering restrictions were further modified or reinstituted in several key markets that Cineplex operates, resulting in theatre closures and prohibiting indoor dining in Ontario, Newfoundland and New Brunswick. The uncertainty of when such lockdown measures will be lifted or the introduction of further lockdown measures will delay Cineplex's return to profitability.

The impact of the COVID-19 pandemic cannot be quantified at this time because of the significant uncertainty around the timing of the reductions of government imposed restrictions and the potential long-term effects that COVID-19 may have on Cineplex's exhibition and amusement and leisure businesses. Cineplex cannot predict how quickly guests will return to its locations, which may be a function of (i) continued health and safety concerns, (ii) additional regulatory requirements, and/or (iii) depressed consumer sentiment, among other things. If Cineplex does not continue to respond appropriately to the pandemic, or if guests do not perceive its response to be adequate, Cineplex could suffer damage to its reputation, which could adversely affect its business.

Additional significant impacts on Cineplex's business caused by the COVID-19 pandemic include, and are likely to continue to include, among others:

- lack of availability of films in the short or long-term, including as a result of (i) potential delays in film releases; (ii) release of scheduled films on alternative channels, (iii) disruptions or suspensions of film production, or (iv) the reduction or elimination of the theatrical exclusive release window including the introduction of a PVOD window and direct to streaming services releases;
- increased operating costs resulting from additional regulatory requirements enacted in response to the COVID-19 pandemic and from precautionary measures it voluntarily takes at Cineplex's locations for the health and well being of its guests and employees;
- unavailability of employees and/or their inability or unwillingness to conduct work under revised work environment protocols;
- reductions and delays associated with planned operating and capital expenditures;
- Cineplex's inability to generate significant cash flow from operations if Cineplex's theatres continue to operate at significantly lower than historical levels, which could, in the long-term, lead to a substantial increase in indebtedness and may negatively impact Cineplex's ability to comply with the financial covenants in the Credit Facilities;

- Cineplex's inability to further access lending, capital markets and other sources of liquidity, if needed, on reasonable terms, or at all, or obtain amendments, extensions and waivers of financial maintenance or other material terms;
- Cineplex's inability to effectively meet short-term and long-term obligations which it does not have the ability to eliminate or reduce (including interest payments, critical maintenance capital expenditures and compensation and benefits payments);
- Cineplex's inability to service its existing and future indebtedness; and
- decreased attendance at Cineplex's theatres and LBE locations after they reopen, including due to (i) continued health and safety concerns or (ii) a change in consumer behaviour in favour of alternative forms of entertainment.

The longer and more severe the COVID-19 pandemic is, including new outbreaks in the future, the more significant the negative effects will be on Cineplex's business, financial conditions and results of operations. Even when the COVID-19 pandemic subsides, Cineplex cannot guarantee that it will recover as rapidly as other industries, or as other operators within the movie exhibition industry, due to its strong footprint in densely populated areas. Further, if Canada experiences additional outbreaks of COVID-19, governmental officials may order additional closures, impose further restrictions on travel or introduce social distancing measures such as limiting the number of people allowed in a theatre or other venue at any given time.

While Cineplex has eliminated certain variable costs and reduced fixed costs to the extent possible, Cineplex continues to incur significant expenses, including interest payments, critical maintenance capital expenditures, occupancy costs, and compensation and benefits payments. If there are further shutdowns, Cineplex cannot be certain that it will have access to sufficient liquidity to meet its obligations for the time required to allow its operations to resume or normalize. If further lockdown measures and mandatory closure requirements are reinstituted in the future, Cineplex's net cash burn may worsen and may not be sustainable. Further, the extent of Cineplex's net cash burn in the future will also be dependent on attendance, which will drive admissions, food and beverage and other revenues. Cineplex may not be able to obtain additional liquidity and any relief provided by lenders, governmental agencies, and business partners may not be adequate or may include onerous terms.

Cineplex continues to actively monitor all aspects of its business and operations in order to minimize the impact of COVID-19 on its operations wherever possible. However, the outbreak of COVID-19 has caused significant disruptions to Cineplex's ability to generate profitability and cash flows. Cineplex will continue to monitor the ongoing COVID-19 pandemic. The events and circumstances resulting from the COVID-19 and any future pandemics could have a material negative impact on its business, financial condition and results for the remainder of 2022 and potentially longer.

Litigation Arising Out of the Cineworld Transaction

Cineplex commenced an action against Cineworld as a result of Cineworld's repudiation of the Arrangement Agreement. Cineworld filed a counterclaim against Cineplex for an unspecified amount of costs that it incurred as a result of Cineplex's alleged breaches of the Arrangement Agreement (Section 1.1, Cineworld Transaction).

On December 14, 2021, the Court released its Decision. The Court held that Cineplex did not breach any of its covenants in the Arrangement Agreement, and that Cineworld had no basis for terminating the Arrangement Agreement. The Court held that Cineworld breached the Arrangement Agreement and repudiated the transaction to acquire Cineplex, which actions precluded Cineplex from seeking specific performance and entitled Cineplex to monetary damages. The Court awarded damages for breach of contract to Cineplex in the amount of $1.24 billion on account of lost synergies, and $5.5 million for transaction costs, exclusive of pre-judgment interest. The Court also held that Cineplex's shareholders did not have any rights under the Arrangement Agreement to enforce the agreement or sue Cineworld for any breach. The Court also denied Cineworld's counterclaim against Cineplex.

On January 12, 2022, Cineworld filed a Notice of Appeal with the Court of Appeal for Ontario.

Due to uncertainties inherent in appeals, it is not possible for Cineplex to predict the timing or final outcome of the appeal of the Decision announced by Cineworld. Further, even if Cineworld's appeal is not successful, Cineworld may not have the ability to pay the full amount of any damages or costs awarded by the Court.

General Economic Conditions

Entertainment companies compete for guests' entertainment time and spending, and as such can be sensitive to global, national or regional economic conditions and any changes in the economy may either adversely influence these revenues in times of an economic downturn or positively influence these revenue streams should economic conditions improve. Historical data shows that movie theatre attendance has not been negatively affected by economic downturns over the past 25 years. Cineplex has never previously experienced a sustained complete halt of its operations across Canada, and as a result, its ability to predict the impact of such a halt on its operations and future prospects is uncertain.

Negative Cash Flow from Operations

The COVID-19 pandemic continues to have a negative impact on Cineplex's operating margins and cash flows. There can be no assurance that Cineplex will generate sufficient revenues to achieve or maintain profitability or positive cash flow from operations in the future. If Cineplex does not achieve or maintain profitability or positive cash flow from operating activities, then there could be a material adverse effect on Cineplex's business, financial condition and results of operation.

Business Continuity Risk

Cineplex's primary sources of revenues are derived from providing an out of home entertainment experience. Our business results could be significantly impacted by a terrorist threat, severe weather incidents, and have been by the outbreak of a pandemic or general fear of community gatherings that may cause people to stay away from public places including movie theatres, malls and amusement and leisure locations. Cineplex operates in locations spread throughout North America which mitigates the risk to a specific location or locations. Cineplex has procedures to manage such events should they occur. These procedures identify risks, prioritize key services, plan for large staff absences and clarify communication and public relations processes. However, should there be a large-scale threat or occurrence, it is uncertain to what extent Cineplex could mitigate this risk and the costs that may be associated with any such crises. Further, Cineplex purchases insurance coverage from third-party insurance companies to cover certain operational risks, and is self-insured for other matters.

During the reopening period of its theatres and location-based entertainment venues following the closures resulting from COVID-19, there is a risk that locations operate at significantly lower levels than prior to the COVID-19 pandemic and as a result this may negatively impact the ability of Cineplex to meet its financial covenants, access debt or equity capital markets for sources of additional liquidity on reasonable terms, and meet its short and long-term obligations.

Customer Risk

In its consumer-facing entertainment businesses, Cineplex competes for the leisure time and disposable income of all potential customers. All other forms of entertainment are substantial competitors to the movie-going experience including home and online consumption of content, sporting events, streaming services, gaming, live music concerts, live theatre, other entertainment venues and restaurants. Cineplex aims to deliver value to its guests through a wide variety of entertainment experiences and price points. However, the COVID-19 pandemic has created supply shortages and imbalances in the supply and demand of products causing commodity prices to increase, escalating the risk of inflation that consumers will be exposed to. Significant price increases may deter consumer spending on entertainment options to other alternatives, which will negatively impact Cineplex's business operations. Cineplex monitors pricing in all markets to ensure that it offers a reasonably priced out of home experience compared to other entertainment alternatives. If Cineplex is too aggressive in raising ticket prices or concession prices, there may be an adverse effect on theatre attendance and food service revenues.

To mitigate this risk, Cineplex offers CineClub membership providing members with benefits accessible across Cineplex’s businesses nationwide including Cineplex theatres, the Cineplex Store and LBE venues. Cineplex also offers the Scene+ loyalty program, which rewards guests for their patronage with special offers as well as the ability to earn and redeem points. However, loyalty programs also carry a risk in that customers may not be satisfied with the offering or any change in offerings. As a result, there is a risk of customer migration to other subscription or loyalty programs. There also exists a risk of saturation of loyalty programs in a market or the inability to further grow membership such that the program may generate costs in excess of the benefits. Cineplex monitors customer needs to try and ensure that its entertainment experiences meet the anticipated needs of key demographic groups. Cineplex is differentiating the movie-going experience by providing premium alternatives such as UltraAVX, VIP, 4DX, ScreenX, Cineplex Clubhouse and D-BOX seating. Cineplex also includes XSCAPE Entertainment Centres in select theatres and provides alternative programming which appeals to specific demographic groups. Cineplex continues to evolve the movie-going experience by launching Canada’s first of its kind movie subscription program, CineClub, providing members with benefits accessible at Cineplex theatres, the Cineplex Store and LBE venues. In addition, digital technology has allowed for more niche programming.

In the event that consumer preferences change, Cineplex may need to incur further capital expenditures to redevelop or upgrade existing locations. Cineplex continues to improve the quality of its theatre assets through ongoing renovations and theatre recliner retrofits. If Cineplex’s execution of processes does not consistently meet or exceed customer expectations due to poor customer service or poor quality of assets, movie theatre attendance may be adversely affected. Cineplex monitors customer satisfaction through surveys and focus groups and maintains a guest services department to address customer concerns. Guest satisfaction is tied to performance measures for theatre management ensuring alignment between corporate and operational objectives.

Even when government restrictions are fully lifted as the number of COVID-19 cases subside, it is unclear how quickly customers will return to Cineplex’s theatres and location-based entertainment venues, which may be a function of continued concerns over safety and social distancing and/or depressed consumer sentiment due to adverse economic conditions. Even once theatres resume operations at unrestricted capacity levels, increasing COVID-19 case counts could result in additional costs and further closures. If Cineplex does not respond appropriately to the COVID-19 pandemic, or if customers do not perceive its response to be adequate, Cineplex could suffer damage to its reputation, which could significantly adversely affect its business, financial condition and results of operations.

There is the potential for misinformation to be spread virally through social media relating to Cineplex’s assets as well as the quality of its customer service. In response to this risk, Cineplex monitors commentary on social media in order to respond quickly to potential social media misinformation or service issues.

Cineplex developed its Cineplex Store in response to the risk created by new in-home and on-the-go entertainment offerings. Cineplex’s offerings through the Cineplex Store of TVOD movies are delivered online via third-party technology platforms. Technological issues relating to online delivery of content could negatively impact customer satisfaction. Cineplex monitors performance metrics for electronic delivery in order to proactively manage any potential customer satisfaction issues.

Regarding its media sales businesses, certain of Cineplex’s media customers have signed contracts of finite lengths or that allow for early termination. There is a risk that these customers could choose not to renew these contracts at their maturity, or take steps to terminate them prior to maturity, which would have adverse effects on Cineplex’s media revenues.

In its digital place-based media and amusement solutions businesses, Cineplex engages with multiple businesses where it provides products and services. These arrangements include the risk that businesses could decide to source the same products or similar services from a competitor, delay the timing of contract fulfillment or curtail spending due to economic conditions, which would have a negative impact on Cineplex’s results.

Film Entertainment and Content Risk

Cineplex’s ability to operate successfully depends upon the availability, diversity and appeal of filmed content, the ability of Cineplex to license films and the performance of these films in Cineplex’s markets. Cineplex primarily licenses first-run films, the success of which is dependent upon their quality, as well as on the marketing efforts of film studios and distributors. To mitigate this risk, Cineplex continues to diversify its entertainment offerings. Nonetheless, Cineplex is highly dependent on film product and film performance, including the number and success of blockbuster films. A reduction in quality or quantity of both 2D and 3D film product, any disruption or delay in the production or release of films, the introduction of new delivery platforms for first run product, a strike or threat of a strike in film production, a reduction in the marketing efforts of film studios and distributors or a significant change in film release patterns, would have a negative effect on movie theatre attendance and adversely affect Cineplex's business and results of operations.

The impact of COVID-19 has led to less film productions by studios, delayed film releases, reductions to the exclusive theatrical release window and redirection of a limited number of theatrical releases to streaming services. Certain film studios have also launched their own streaming services resulting in a change in release strategies.

Cineplex box office revenues depend upon movie production and its relationships with film distributors, including a number of major Hollywood and Canadian distributors. In 2019, the last full year of unrestricted operations, seven major film distributors accounted for approximately 86% of Cineplex's box office revenues, which is consistent with industry standards. Deterioration in Cineplex's relationships with any of the major film distributors or an increase in studio concentration or consolidation could affect its ability to negotiate film licenses on favourable terms or its ability to obtain commercially successful films. Cineplex actively works on maintaining good relations with these distributors, as this affects its ability to negotiate commercially favourable licensing terms for first-run films or to obtain licenses at all. In addition, a change in the type and breadth of movies offered by studios may adversely affect the demographic base of moviegoers.

Cineplex competes with other consumption platforms, including cable, satellite, internet television, and Blu-rays, as well as TVOD, SVOD and other over the top operators via the Internet. The release date of a film in other channels of distribution such as over the top internet streaming, pay television and SVOD is at the discretion of each distributor and day and date release or earlier release windows for these or new alternative channels including the recent pilots by certain studios with PVOD models could have a negative impact on Cineplex's business.

Exhibition Industry Risk

Cineplex operates in each of its local markets with other forms of entertainment, as well as in some of its markets with national and regional film exhibition circuits and independent film exhibitors. In respect of other film exhibitors, Cineplex primarily competes with respect to film licensing, attracting guests and acquiring and developing new theatre sites and acquiring existing theatres. Movie-goers are generally not brand conscious and usually choose a theatre based on its location, the films showing, showtimes available and the theatre's amenities. As a result, the building of new theatres, renovations or upgrades to existing theatres, or the addition of screens to existing theatres by competitors in areas in which Cineplex operates theatres may result in reduced theatre attendance levels at Cineplex's theatres.

In response to this risk, management continually reviews and upgrades its existing locations. Cineplex also fosters strong ties with the real estate and development communities and monitors potential development sites. Most prime locations in larger markets have been developed such that significant further development would be generally uneconomical. In addition, the exhibition industry is capital intensive with high operating costs and long-term contractual commitments. Significant increases in construction and real estate costs could make it increasingly difficult to develop new sites profitably.

In response to risks to theatre attendance, Cineplex continues to pursue other revenue opportunities including media in the form of in-theatre and out of home advertising, amusement and leisure, promotions and alternative uses of its theatres during non-peak hours. Amusement and leisure includes amusement solutions offered by P1AG, in-theatre gaming locations, XSCAPE Entertainment Centres and in-theatre at select Cineplex locations and location-based entertainment including *The Rec Room* and *Playdium*. Cineplex's ability to achieve its business objectives may depend in part on its ability to successfully increase these revenue streams.

Media Risk

Media revenue has been shown to be particularly sensitive to economic conditions and any changes in the economy may either adversely influence this revenue stream in times of a downturn or positively influence this revenue stream should economic conditions improve. Cineplex has numerous large media and digital place-based media customers, the loss of which could impact Cineplex's results. There is no guarantee that Cineplex could replace the revenues generated by these large customers if their business was lost.

The majority of Cineplex's advertising revenue is earned at Cineplex theatres. There is a risk of decreased attendance at theatres during the reopening phase and beyond as a result of continued health and safety concerns and depressed consumer sentiment due to adverse economic conditions, arising from the impact of COVID-19 pandemic. This could result in media customers electing to reduce their spending in cinemas and advertise through alternative channels. Cineplex's media advertising arrangements are impacted by theatre attendance levels which drive impressions and ultimately impact media revenue generated by Cineplex.

Amusement and Leisure Risk

Cineplex's amusement and leisure operations compete against other offerings for guests' entertainment spending. In each of the local markets in which Cineplex operates and will operate, it faces competition from local, national or international brands that also offer a wide variety of restaurant and/or amusement and gaming experiences, including sporting events, bowling alleys, entertainment centres, nightclubs and restaurants. Competition for guests' entertainment time and spending also extends to in-home entertainment such as internet or video gaming and other in-home leisure activities. Cineplex's inability to compete favourably in these markets could have a material adverse effect on Cineplex's business, results of operations and financial condition.

Cineplex's new location-based entertainment locations may not meet or exceed the performance of its existing locations or its performance targets. New locations may even operate at a loss, which could have a significant adverse effect on the overall operating results.

Cineplex's results of operations are subject to fluctuations due to the timing of location-based entertainment openings which may result in significant fluctuations in our quarterly performance. Cineplex typically incurs most cash pre-opening costs for a new location within the two months immediately preceding, and the month of, the location's opening. In addition, the labor and operating costs for a newly opened store during the first three to six months of operation are materially greater than what can be expected after that time, both in aggregate dollars and as a percentage of revenues. Additionally, a portion of a current fiscal year new location capital expenditures is related to locations that are not expected to open until the following fiscal year.

To mitigate these risks, Cineplex leverages its core competencies in food service execution, its partnership in Scene+ and its knowledge of the trends in amusement and gaming via its P1AG operations to continuously update its amusement and leisure offerings in order to provide guests with the most compelling offerings available in Canada.

Due to the outbreak of the COVID-19 pandemic, there is a risk of a permanent decrease in guests and corporate events frequenting LBE locations. Cineplex's LBE venues have a larger guest-facing footprint and higher levels of customer traffic than other concepts in the dining and entertainment industry. The effects of the COVID-19 pandemic as a result of continued concerns over safety and social distancing and/or depressed consumer sentiment due to adverse economic conditions could have an adverse effect on Cineplex's business, financial conditional and results of operations.

P1AG's procurement of games and amusement offerings is dependent upon a few suppliers, the ability to continue to procure new games, amusement offerings and other entertainment-related equipment. To the extent that the number of suppliers declines, P1AG could be subject to the risk of distribution delays, pricing pressure, lack of innovation and other associated risks. In addition, any increase in cost or decrease in availability of new amusement offerings that appeal to customers could have a negative impact on Cineplex's revenues from its amusement and leisure businesses.

P1AG competes with other providers of amusement and gaming services across North America. P1AG manages the risk of customers switching gaming providers by continually monitoring the performance of its amusement solutions and reacting quickly to replace underperforming solutions with newer or more relevant equipment. P1AG's expertise and experience in the industry and proven success maximizing revenue for its customers helps mitigate this switching risk. A material amount of P1AG's revenue is dependent on the customer traffic in venues in which they operate. The COVID-19 pandemic in North America resulted in extended closure periods of venues in which P1AG operates gaming equipment which materially impacted its results of operations. There is a risk that these venues will have long term decreased customer traffic. Any reduction in traffic or permanent shutdown of venues could have a material impact on their business.

Technology Risk

Technological advances have made it easier to create, transmit and electronically share unauthorized high-quality copies of films during theatrical release. Some consumers may choose to obtain unauthorized copies of films rather than attending the theatre which may have an adverse effect on Cineplex's business. In addition, as home entertainment technology becomes more sophisticated and additional technologies become available to consume content, consumers may choose other technology options rather than attending a theatre.

To mitigate these risks, Cineplex continues to enhance the out of home experience through the addition of new technologies and experiences including 3D, VIP, UltraAVX, D-BOX, 4DX, ScreenX and digital projection in order to further differentiate the theatrical product from the home product. Cineplex has also diversified its offerings to customers by operating the Cineplex Store which sells TVOD movies in order to participate in the in-home and on-the-go entertainment markets.

Changing platform technologies and new emerging technologies in the digital commerce industry, and specifically relating to the delivery of TVOD and SVOD services, present a risk to the Cineplex Store's operations. Should Cineplex's supplier cease operations or have its technology platform rendered obsolete, Cineplex's sales of TVOD products could be jeopardized.

Cineplex relies on various information technology solutions to provide its services to guests and customers, as well in running its operations from its various office locations. Cineplex may be subject to information technology malfunctions, outages, thefts or other unlawful acts that could result in loss of communication, unauthorized access to data, change in data, or loss of data which could compromise Cineplex's operations and/or the privacy of Cineplex's guests, customers and suppliers.

Information Management Risk

Cineplex needs an effective information technology infrastructure including hardware, networks, software, people and processes to effectively support the current and future needs of the business in an efficient, cost-effective and well-controlled fashion. To mitigate this risk, Cineplex is continually upgrading systems and infrastructure to meet business needs.

Cineplex requires relevant and reliable information to support the execution of its business model and reporting on performance. The integrity, reliability and security of information are critical to Cineplex's daily and strategic operations. Inaccurate, incomplete or unavailable information or inappropriate access to information could lead to incorrect financial or operational reporting, poor decisions, privacy breaches or inappropriate disclosure of sensitive information. To mitigate this risk, Cineplex continues to strengthen general information technology controls by developing operating policies and procedures in the areas of change management, computer operations and security access.

At select times during the normal course of business, Cineplex and its subsidiary and joint venture partners store sensitive data, including intellectual property, proprietary business information including data with respect to suppliers, employees and business partners, as well as some personally identifiable information on their customers and employees. Further, Cineplex regularly works with third party suppliers in the delivery of services to their customers and employees where such data is provided in the normal course of the commercial relationship. The secure processing, maintenance and transmission of this information is critical to Cineplex's operations and business strategies. As such Cineplex adheres to industry standards for the payment card industry ("PCI") data security standard ("DSS") compliance, as well as undertaking commercially reasonable efforts for non-financial data.

Cineplex recognizes that security breaches of the information systems of Cineplex or any one of its third-party suppliers could compromise this information and expose Cineplex to liability, which could cause their businesses or reputations to suffer. Despite security measures, information technology and infrastructure may be vulnerable to unforeseen attacks by hackers or breached due to employee error, malfeasance, computer viruses, malware, phishing, denial of service attacks, unauthorized access to confidential, proprietary or sensitive information, industrial espionage or other disruptions. Any such breach could compromise networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disrupt operations and the services provided to customers, damage reputation and cause a loss of confidence in products and services, which could adversely affect business, financial condition, results of operations and cash flows. In response to this risk, Cineplex has employees whose role is to monitor information technology and processes to ensure risk is minimized. Currently, as the majority of Cineplex's corporate employees have moved to a work-from-home platform, there is an increased risk to Cineplex's technology systems. In response, Cineplex has implemented additional security measures, including training, monitoring and testing and contingency plans, to protect systems.

Real Estate Risk

The acquisition and development of potential operating locations by Cineplex is dependent on the ability of Cineplex to identify, acquire and develop suitable sites for these locations with favourable economic terms in both new and existing markets, while competing with other entertainment and non-entertainment companies for site locations. The cost to develop a new building is substantial and its success is not assured. The negative economic impact of the COVID-19 pandemic magnifies inflationary risks and consequently impacts Cineplex's capital expenditures to generate future economic benefits. The inflationary risks increases the costs to execute planned capital investments and the timing of investments which will delay Cineplex's return to profitability. While Cineplex is diligent in selecting sites, the significant time lag from identifying a new site to opening can result in a change in local market circumstances and could negatively impact the location's chance of success. In addition, building new operating locations may draw audiences away from existing sites operated by Cineplex. Cineplex considers the overall return for the theatres in a geographic area when making the decision to build new locations. The majority of Cineplex's operating sites are subject to long-term leases. In accordance with the terms of these leases, Cineplex is responsible for costs associated with utilities consumed at the location and property taxes associated with the location. Cineplex has no control over these costs and these costs have been increasing over the last number of years. Furthermore, due to the outbreak of the COVID-19 pandemic, Cineplex continued its negotiations with landlord partners with respect to reductions in rent payments for current and future periods. While Cineplex works hard to maintain positive relationships with its landlords, we cannot guarantee continued reductions in future rent payments and there exists a potential for a default on existing lease obligations should the pandemic continue.

Cineplex continues to be liable for obligations under theatre leases in respect of certain divested theatres. If the transferee of any such theatres fails to satisfy the obligations under such leases, Cineplex may be required to assume the lease obligations.

Sourcing Risk

Cineplex relies on a small number of companies for the distribution of a substantial portion of its concession supplies. If these distribution relationships were disrupted, Cineplex could be forced to negotiate a number of substitute arrangements with alternative distributors that could, in the aggregate, be less favourable to Cineplex than the current arrangements.

Substantially all of Cineplex's non-alcohol beverage concessions are products of one major beverage company. If this relationship was disrupted, Cineplex may be forced to negotiate a substitute arrangement that could be less favourable to Cineplex than the current arrangement. Any such disruptions could therefore increase the cost of concessions and harm Cineplex's operating margins, which would adversely affect its business and results of operations.

Cineplex relies on one major supplier to source popcorn seed, and has entered contracts with this supplier to guarantee a fixed supply. As crop yields can be affected by drought or other environmental factors, the supplier may be unable to fulfill the whole of its contractual commitments, such that Cineplex would need to source the remaining needed corn product from other suppliers at a potentially higher cost.

In order to minimize these operating risks, Cineplex actively monitors and manages its relationships with its key suppliers.

The economic impacts of COVID-19 may have a negative impact on Cineplex's suppliers and as a result its suppliers may not be able to sustain operations after the pandemic or be forced to increase costs to combat inflationary risks associated with input materials. The COVID-19 pandemic has caused supply chain disruptions across the globe substantially increasing production and transportation costs as well as delaying and curtailing the production of products potentially effecting the procurement of services that are impacted by the delays. A reduction in the number of suppliers, the loss of critical suppliers, or delays in supplier production may result in increased costs or the inability to find satisfactory replacement goods and services in the short or long-term which will negatively impact Cineplex's operating margins and cash flows.

Human Resources Risk

The success of Cineplex depends upon the retention of senior executive management, including its Chief Executive Officer, Ellis Jacob. The loss of services of one or more members of the management team could adversely affect Cineplex's business, results of operations and Cineplex's ability to effectively pursue its business strategy. Cineplex does not maintain key-man life insurance for any of its employees but does provide long-term incentive programs to retain key personnel and undertakes a comprehensive succession planning program.

Cineplex typically employs approximately over 10,000 people, of whom approximately 90% are hourly workers whose compensation is based on the prevailing provincial minimum wages with incremental adjustments as required to match market conditions. Wage inflation and any increase in minimum wages will have an adverse effect on employee related costs. In order to mitigate the impact of the proposed increases, Cineplex works to expand automation, take advantage of technological efficiencies and continually reviews pricing. Approximately 6% of Cineplex's employees are represented by unions, located primarily in the province of Quebec. Because of the small percentage of employees represented by unions, the impact of labour disruption nationally is low.

As a result of previous and ongoing government mandated closures and continuous capacity restrictions due to the impact of the COVID-19 pandemic, Cineplex has had to temporarily lay off some or all of its part-time staff members. There is a risk that Cineplex may not be able to rehire enough staff to sustain operations due to their unavailability, inability, unwillingness to rejoin the workforce. There is also increased risk that Cineplex will have a shortage of staff in the short-term due to employee illnesses as a result of rising COVID-19 cases.

Health and Safety Risk

Cineplex is subject to risks associated with food safety, alcohol consumption by guests, product handling and the operation of machinery. Cineplex is in compliance with health and safety legislation and conducts employee awareness and training programs on a regular basis. Health and safety issues related to our guests such as pandemics and bedbug concerns are risks that may deter people from attending places of public gathering, potentially including movie theatres, gaming centres, malls and dining locations. For those risks that it can control, Cineplex has programs in place to mitigate its exposure. Cineplex will investigate further methods in order to keep guests and employees safe at both locations and corporate offices.

There is a significant risk that concerns over health and safety as a result of COVID-19 will be long lasting and will have an adverse impact on the business of Cineplex. In order to help mitigate these risks, Cineplex has made changes to its operations to enable social distancing, as well as increasing safety measures by reducing capacity where applicable, promoting cashless transactions where possible and by cleaning and disinfecting surfaces on a regular basis.

Environment/Sustainability Risk

Cineplex's business is primarily a service and retail business which delivers guest experiences rather than physical commercial products and thus does not have substantial environmental risk. Cineplex operates multiple locations in major urban markets and does not anticipate any significant changes to operations due to climate change. Should legislation change to require more stringent management of carbon emissions or more stringent reporting of environmental impacts, Cineplex anticipates this will result in minimal cost increases or changes to operating procedures. Severe weather incidents (as a result of environmental changes or otherwise) have potential to negatively impact Cineplex's operation. See "Business Continuity Risk" above.

Integration Risk

While Cineplex has successfully integrated businesses acquired in the past, there can be no assurance that all acquisitions, including recent acquisitions, will be successfully integrated or that Cineplex will be able to realize expected operating and economic efficiencies from the acquisitions.

Financial and Markets Risk

Cineplex requires efficient access to capital in order to fuel growth, execute strategies and generate future financial returns. For this reason Cineplex entered into the Revolving Facility. Cineplex hedges interest rates up to $450 million of the Revolving Facility, thereby minimizing the impact of significant fluctuations in the market rates. Cineplex's exposure to currency and commodity risk is minimal as the majority of its transactions are in Canadian dollars and commodity costs are not a significant component of the overall cost structure. Counter party risk on the interest rate swap agreements is minimized through entering into these transactions with Cineplex's lenders. Upon the maturity of the Credit Facilities, there is a risk that Cineplex may not be able to renegotiate under favourable terms in the then current economic environment.

If there is an unexpected prolonged impact of COVID-19, Cineplex may not have sufficient funds available under its current financing sources to fund operations on a short and/or long-term basis. The effects of COVID-19 on the financial markets could significantly impact the ability of Cineplex to raise capital and could increase the cost of borrowing. There is a risk that Cineplex may not be able to find timely sources of financing, which could have an adverse effect on its business, financial condition and results of operations.

Foreign Currency Risk

Cineplex is exposed to foreign currency risk related to transactions in its normal course of business that are denominated in currencies other than the Canadian dollar. Cineplex's largest foreign currency exposure is to the US dollar, as its amusement solutions and digital place-based media all operate in the United States and represented 10.3% of Cineplex's revenues in 2019 (the last full year not impacted by the COVID-19 pandemic). These revenues are naturally hedged by Cineplex's US-based operating costs.

Interest Rate Risk

Cineplex is exposed to risk on the interest rates applicable on its Credit Facilities. To mitigate this risk, Cineplex has entered into interest rate swap agreements as outlined in Section 7.4, Long-term debt.

Inflation Risk

Cineplex is exposed to inflation risk, limiting customer purchasing power on forms of entertainment. To mitigate this risk, Cineplex actively monitors the prices of its products and services to provide competitive pricing to its customers.

Legal, Regulatory, Taxation and Accounting Risk

Changes to any of the various international, federal, provincial and municipal laws, tariffs, treaties, rules and regulations related to Cineplex's business could have a material impact on its financial results. Compliance with any changes could also result in significant cost to Cineplex. Failure to fully comply with various laws, rules and regulations may expose Cineplex to proceedings which may materially affect its performance.

On an ongoing basis, Cineplex may be involved in various judicial, administrative, regulatory and litigation proceedings concerning matters arising in the ordinary course of business operations, including but not limited to, personal injury claims, landlord-tenant disputes, alcohol-related incidents, commercial disputes, tax disputes, employment disputes and other contractual disputes. Many of these proceedings seek an indeterminate amount of damages.

To mitigate these risks, Cineplex promotes a strong ethical culture through its values and code of conduct. Cineplex employs in-house counsel and uses third party tax and legal experts to assist in structuring significant transactions and contracts. Cineplex also has systems and controls that ensure efficient and orderly operations. Cineplex also has systems and controls that ensure the timely production of financial information in order to meet contractual and regulatory requirements and has implemented disclosure controls and internal controls over financial reporting which are tested for effectiveness on an ongoing basis. In situations where management believes that a loss arising from a proceeding is probable and can be reasonably estimated, Cineplex records the amount of the probable loss. As additional information becomes available, any potential liability related to these proceedings is assessed and the estimates are revised, if necessary.

15. CONTROLS AND PROCEDURES

15.1 DISCLOSURE CONTROLS AND PROCEDURES

Management of Cineplex is responsible for establishing and maintaining disclosure controls and procedures for Cineplex as defined under National Instrument 52-109 issued by the Canadian Securities Administrators. Management has designed such disclosure controls and procedures, or caused them to be designed under its supervision, to provide reasonable assurance that material information relating to Cineplex, including its consolidated subsidiaries, is made known to the Chief Executive Officer and the Chief Financial Officer by others within those entities, particularly during the period in which the annual filings are being prepared.

Management has evaluated the design and operation of Cineplex's disclosure controls and procedures as of December 31, 2021 and has concluded that such disclosure controls and procedures are effective.

15.2 INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management of Cineplex is responsible for designing and evaluating the effectiveness of internal controls over financial reporting for Cineplex as defined under National Instrument 52-109 issued by the Canadian Securities Administrators. Management has designed such internal controls over financial reporting using the Integrated Control - Integrated Framework: 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission, or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with GAAP.

Management has used the Internal Control - Integrated Framework: 2013 to evaluate the effectiveness of internal controls over financial reporting, which is a recognized and suitable framework developed by COSO.

Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Management has evaluated the design and operation of Cineplex's internal controls over financial reporting as of December 31, 2021, and has concluded that such controls over financial reporting are effective. There are no material weaknesses that have been identified by management in this regard.

There has been no change in Cineplex's internal controls over financial reporting that occurred during the most recently completed interim period that has materially affected, or is reasonably likely to materially affect, Cineplex's internal control over financial reporting.

16. OUTLOOK

The following discussion is qualified in its entirety by the caution regarding forward-looking statements at the beginning of this MD&A and Section 14, Risks and uncertainties.

The outlook for Cineplex's businesses is contingent on its ability to navigate the current and future impact of COVID-19 on its businesses. Canada's vaccination rate has made tremendous progress during the year with a high percentage of the eligible population receiving at least one dose of a COVID-19 vaccine and an increasing number having received two or three doses. With increasing concerns over more transmissible variants, including the highly transmissible new Omicron variant, the Canadian government has accelerated the rollout of COVID-19 vaccine booster doses providing extra protection against COVID-19 and its variants. In order to control the spread of COVID-19, the majority of provinces across Canada require proof of vaccination as part of the reopening plans in select settings including those that operate indoors with close proximity of patrons. However, growing concerns over the highly transmissible new Omicron variant coupled with the significant rise in COVID-19 cases during the winter months resulted in the reinstatement of government imposed lockdown measures during the fourth quarter of 2021 continuing into 2022 which continue to negatively impact Cineplex's operations and return to profitability. Subsequent to December 31, 2021, social gathering restrictions were further modified or reinstituted in several key markets that Cineplex operates, resulting in temporary theatre closures in Ontario, Newfoundland and New Brunswick. On January 20, 2022, the Ontario government announced plans to gradually ease government-imposed restrictions that were put in place to reduce the spread of the highly transmissible Omicron variant. Effective January 29, 2022, January 31, 2022 and February 7, 2022 theatres in New Brunswick, Ontario and Quebec were permitted to reopen at reduced capacity levels, respectively

The release of *Shang-Chi and the Legend of the Ten Rings* generated strong results in North America and globally, setting the all-time box-office record for a Labour Day release generating $94.0 million, as reported, during its opening weekend, grossing total box office revenues since its release of $224.5 million and $432.0 million, as reported, respectively. On September 10, 2021 Disney announced plans for exclusive theatrical release windows for the remainder of their 2021 slate of films. The release of Marvel's highly anticipated *Spider-Man: No Way Home* generated the second biggest North American opening weekend of all time grossing $260.1 million, $735.9 million in North America since its release and $1.7 billion globally since its release, as reported.

Based on how the exhibition industry has historically performed during depressed economic environments, Cineplex believes, but cannot guarantee, that the industry will continue to recover as consumer demand for the theatrical experience combined with a build-up of anticipated content will help drive visitation as people look to return to normalcy. However, the significance of the COVID-19 pandemic, including the adverse impact on Cineplex's business, financial condition and results of operations will be dictated by the duration of the pandemic and the effect on the economy and of responsive governmental directives, all of which are currently unknown. Cineplex's business could also be significantly negatively impacted by changes in consumer behaviors as a result of COVID-19 (such as social distancing) or further revisions to the theatrical release window. Further, the effect of COVID-19 on financial markets could significantly impact the ability to raise capital and increase the cost of borrowing. There are limitations on the ability of Cineplex to mitigate the adverse financial impact of the foregoing. The COVID-19 pandemic also creates challenges for Cineplex in predicting future performance of its businesses or its liquidity needs in the near term.

FINANCIAL OUTLOOK

Cineplex continues to be negatively impacted by the ongoing COVID-19 pandemic and management focus continues to be on minimizing net cash burn and optimizing liquidity. During the fourth quarter of 2021, Cineplex and Cineplex Entertainment Limited Partnership entered into a fourth amendment to its Credit Facilities, providing Cineplex with certain financial covenant relief in light of the COVID-19 pandemic and its effects on Cineplex's businesses (Section 7.4, Long-term debt). Cineplex continued to evaluate eligibility under relief programs and was able to materially reduce operating expenses through the receipt of assistance under Canada's THRP as a result of reinstated government-imposed restrictions that continue to impact Cineplex's operations.

On January 11, 2021, Cineplex completed the sale of its head office buildings located at 1303 Yonge Street and 1257 Yonge Street, Toronto, Ontario for total gross cash proceeds of $57.0 million. Cineplex will continue to use the office building in accordance with the terms of the sale-leaseback transaction. Cineplex used a portion of the proceeds to permanently repay the Credit Facilities and the remaining proceeds are available to be drawn under the Credit Facilities to fund continuing operations.

On February 26, 2021, Cineplex completed the offering of $250.0 million of Notes Payable that mature on February 26, 2026, allowing it to meet the conditions of the Third Credit Agreement Amendment and provide additional liquidity for the recovery period. Cineplex used the net proceeds to permanently repay the remaining $50.0 million balance of its outstanding Term Facility and $50.0 million of its Revolving Facility, with the remaining proceeds available to be drawn under the Revolving Facility to fund continuing operations, subject to certain liquidity covenants in the Credit Facilities.

Cineplex filed tax returns for the 2020 taxation year claiming a $62.6 million recovery of income taxes paid in prior periods, all of which had been received as at December 31, 2021.

Management continues to focus on reducing costs including the minimization of future capital expenditures and reducing net cash burn with a significant reduction to an approximately net neutral position compared to the prior six quarters. With the issuance of the Notes Payable, amendments to the Credit Facilities, the execution of planned asset sales and income tax recoveries received, management believes that it has adequate liquidity to fund operations for the currently anticipated duration of the pandemic.

On December 14, 2021, the Court made a decision with respect to Cineplex's trial of its action against Cineworld. The Court held that Cineplex did not breach any of its covenants in the Arrangement Agreement, and that Cineworld had no basis for terminating the Arrangement Agreement. The Court held that Cineworld breached the Arrangement Agreement. The Court awarded damages for breach of contract to Cineplex in the amount of $1,240,000 on account of lost synergies, and $5,500 for transaction costs, however, no assurance can be given on the collection of damages awarded (Section 1.1, Cineworld Transaction).

17. NON-GAAP AND OTHER FINANCIAL MEASURES

National Instrument 52-112, *Non-GAAP and Other Financial Measures Disclosure* ("NI 52-112") is effective for documents filed by reporting issuers for years ending on or after October 15, 2021. The Instrument imposes obligations regarding disclosure of non-GAAP financial measures, non-GAAP ratios, and other financial measures. Cineplex reports on certain non-GAAP measures, non-GAAP ratios, supplementary financial measures and total segment measures that are used by management to evaluate the performance of Cineplex. The following measures included in this MD&A do not have a standardized meaning under GAAP and may not be comparable to similar measures provided by other issuers. Cineplex includes these measures because its management believes that they assist investors in assessing financial performance. These non-GAAP and other financial measures are used throughout this report and are defined below.

NON-GAAP FINANCIAL MEASURES

Non-GAAP financial measures are defined in 52-112 as a financial measure disclosed that (a) depicts the historical or expected future financial performance, financial position or cash flow of an entity, (b) with respect to its composition, excludes an amount that is included in, or includes an amount that is excluded from, the composition of the most directly comparable financial measure disclosed in the primary financial statements of the entity, (c) is not disclosed in the financial statements of the entity, and (d) is not a ratio, fraction, percentage or similar representation.

NON-GAAP RATIO

A non-GAAP ratio is defined by 52-112 as a financial measure disclosed that (a) is in the form of a ratio, fraction, percentage or similar representation, (b) has a non-GAAP financial measure as one or more of its components, and (c) is not disclosed in the financial statements.

The below are non-GAAP financial measures or non-GAAP ratios that are reported by Cineplex.

17.1 EBITDA, ADJUSTED EBITDA AND ADJUSTED EBITDAaL

Management defines EBITDA as earnings before interest income and expense, income taxes and depreciation and amortization expense. Adjusted EBITDA excludes the change in fair value of financial instrument, gain on disposal of assets, foreign exchange, the equity income (loss) of CDCP, the non-controlling interests' share of adjusted EBITDA of TG-CPX Limited Partnership, and impairment, depreciation, amortization, interest and taxes of Cineplex's other joint ventures and associates. Adjusted EBITDAaL modifies adjusted EBITDA to deduct current period cash rent paid or payable related to lease obligations. During the year, Cineplex agreed to a variety of arrangements with landlords to reduce or defer cash rent paid or payable as a result of the impact of COVID-19.

Subsequent to the adoption of IFRS 16, *Leases*, by Cineplex effective January 1, 2019, the calculation of EBITDA no longer includes a charge for amounts paid or payable with respect to leased property and equipment. Given the majority of Cineplex's businesses are carried on in leased premises, Cineplex introduced the measure of adjusted EBITDAaL which includes a deduction for cash rent paid/payable related to lease obligations. Cineplex's management believes that adjusted EBITDAaL is an important supplemental measure of Cineplex's profitability at an operational level and provides analysts and investors with comparability in evaluating and valuing Cineplex's performance period over period. EBITDA, adjusted for various unusual items, is also used to define certain financial covenants in Cineplex's Credit Facilities. Management calculates adjusted EBITDAaL margin by dividing adjusted EBITDAaL by total revenues.

EBITDA, adjusted EBITDA and adjusted EBITDAaL are non-GAAP measures generally used as an indicator of financial performance and they should not be seen as a measure of liquidity or a substitute for comparable metrics prepared in accordance with GAAP. Cineplex's EBITDA, adjusted EBITDA and adjusted EBITDAaL may differ from similar calculations as reported by other entities and accordingly may not be comparable to EBITDA, adjusted EBITDA or adjusted EBITDAaL as reported by other entities.

P1AG Adjusted EBITDAaL

Calculated as amusement revenues of P1AG less the total operating expenses of P1AG, which excludes foreign exchange.

P1AG Adjusted EBITDAaL Margin

Calculated as P1AG Adjusted EBITDAaL divided by total amusement revenues for P1AG for the period.

Adjusted Store Level EBITDAaL Metrics

Cineplex reviews and reports adjusted EBITDAaL at the location level for the LBE which is calculated as total LBE revenues from all locations less the total of operating expenses of LBE, which excludes pre-opening costs and overhead relating to the management of LBE.

Adjusted Store Level EBITDAaL Margin

Calculated as adjusted store level EBITDAaL divided by total revenues for LBE for the period.
The following represents management's calculation of EBITDA, adjusted EBITDA, and adjusted EBITDAaL (expressed in thousands of dollars):

Reconciliation of reported net (loss) income to adjusted EBITDAaL	Year ended December 31,		
	2021	2020	2019
Net (loss) income from continuing operations	**$ (248,722)**	**$ (624,001)**	**$ 36,516**
Depreciation and amortization - other	113,042	124,846	128,883
Depreciation - right-of-use assets	102,247	128,393	145,946
Interest expense - lease obligations	58,590	61,483	48,659
Interest expense - other	65,138	49,085	36,063
Interest income	(232)	(182)	(252)
Current income tax expense (recovery)	3,339	(73,495)	21,759
Deferred income tax recovery	—	(11,373)	(9,990)
EBITDA from continuing operations	**$ 93,402**	**$ (345,244)**	**$ 407,584**
(Gain) loss on disposal of assets	(28,283)	(13,101)	1,764
Change in fair value of financial instruments	(8,790)	—	—
CDCP equity (income) loss (i)	(146)	7,279	(4,827)
Foreign exchange (gain) loss	(43)	57	1,065
Impairment of long-lived assets, goodwill and investments	3,717	294,863	—
Non-controlling interest adjusted EBITDA	—	5	24
Depreciation and amortization - joint ventures and associates (ii)	25	73	99
Taxes and interest of joint ventures and associates (ii)	45	202	77
Adjusted EBITDA from continuing operations	**$ 59,927**	**$ (55,866)**	**$ 405,786**
Cash rent paid/payable related to lease obligations (iii)	(144,222)	(126,949)	(175,240)
Adjusted EBITDAaL (iv)	**$ (84,295)**	**$ (182,815)**	**$ 230,546**

(i) CDCP equity loss (income) not included in adjusted EBITDA as CDCP is a limited-life financing vehicle that is funded by virtual print fees collected from distributors.

(ii) Includes the joint ventures with the exception of CDCP (see (i) above).

(iii) The cash rent paid or payable includes negotiated lease obligation savings of $29.7 million (2020 - $42.5 million) through December 31, 2021. The negotiated lease obligation savings represent forgiveness of lease payments.

(iv) See Section 17, Non-GAAP and other financial measures.

17.2 ADJUSTED FREE CASH FLOW

Free cash flow is a non-GAAP measure generally used by Canadian corporations as an indicator of financial performance and it should not be viewed as a measure of liquidity or a substitute for comparable metrics prepared in accordance with GAAP. Standardized free cash flow adjusts the amount of cash from operating activities to deduct capital expenditures net of proceeds on sale of assets in ordinary business operations. Standardized free cash flow is a non-GAAP measure recommended by the CICA in its 2008 interpretive release, *Improved Communication with Non-GAAP Financial Measures: General Principles and Guidance for Reporting EBITDA and Free Cash Flow*, and is designed to enhance comparability. Adjusted free cash flow is also a non-GAAP measure used by Cineplex to modify standardized free cash flow to exclude certain cash flow activities and to measure the amount available for activities such as repayment of debt, dividends to owners and investments in future growth through acquisitions. Beginning with the MD&A for the three months ending March 31, 20219, Adjusted free cash flow included repayments of lease obligations that represented the principal portion of rent expenses that were included in net income calculation prior to the adoption of accounting standard IFRS 16, *Leases,* by Cineplex effective January 1, 2019. Given that the materiality of the principal portion of the rent expenses and comparability of adjusted free cash flow disclosure for comparative periods, adjusted free cash flow also adjusts standard free cash flow to deduct principal amount of repayment of lease obligation.

Cineplex presents standardized free cash flow and adjusted free cash flow per Share because they are key measures used by investors to value and assess Cineplex. Management of Cineplex defines adjusted free cash flow as standardized free cash flow adjusted for certain items, and considers adjusted free cash flow the amount available for distribution to Shareholders. Standardized free cash flow is defined by the CICA as cash from operating activities as reported in the GAAP financial statements, less total capital expenditures minus proceeds from the disposition of capital assets other than those of discontinued operations, as reported in the GAAP financial statements; and dividends, when stipulated, unless deducted in arriving at cash flows from operating activities. The standardized free cash flow calculation excludes common dividends and others that are declared at the Board's discretion.

Management calculates adjusted free cash flow per Share as follows (expressed in thousands of dollars except Shares outstanding and per Share data):

Reconciliation of reported cash (used in) provided by operating activities to adjusted free cash flow per share	**Year ended December 31**		
	2021	**2020**	**2019**
Cash (used in) provided by operating activities	$ 61,004	$ (106,314)	$ 321,665
Less: Total capital expenditures net of proceeds on sale of assets	(20,295)	(73,411)	(146,367)
Standardized free cash flow	40,709	(179,725)	175,298
Add/(Less):			
Changes in operating assets and liabilities (i)	(117,438)	43,178	(8,727)
Changes in operating assets and liabilities of joint ventures and associates (i)	(1,050)	(4,469)	535
Repayments of lease obligations - principal	(88,259)	(91,946)	(128,252)
Growth capital expenditures and other (ii)	13,358	68,032	114,665
Share of income of joint ventures and associates, net of non-cash depreciation	(832)	(855)	(482)
Non-controlling interests	—	5	24
Net cash received from CDCP (iii)	1,995	3,910	15,394
Adjusted free cash flow	**$ (151,517)**	**$ (161,870)**	**$ 168,455**
Average number of Shares outstanding	63,339,239	63,333,238	63,333,238
Adjusted free cash flow per Share	**$ (2.392)**	**$ (2.556)**	**$ 2.660**
Dividends declared	**$ —**	**$ 0.150**	**$ 1.780**

(i) Changes in operating assets and liabilities are not considered a source or use of adjusted free cash flow. Refer to Note 26 of Cineplex's 2021 Consolidated Financial Statements for further details.

(ii) Growth capital expenditures and other represent expenditures on Board approved projects, exclude maintenance capital expenditures and are net of proceeds on asset sales. The Revolving Facility (discussed above in Section 7.4 Credit Facilities) is available to Cineplex to fund Board approved projects.

(iii) Excludes the share of income of CDCP, as CDCP is a limited-life financing vehicle funded by virtual print fees collected from distributors. Cash invested into CDCP, as well as distributions received from CDCP, are considered to be uses and sources of adjusted free cash flow.

Alternatively, the calculation of adjusted free cash flow using the income statement as a reference point would be as follows (expressed in thousands of dollars):

Reconciliation of reported net (loss) income to adjusted free cash flow	**Year ended December 31,**		
	2021	**2020**	**2019**
Net (loss) income from continuing operations	$ (248,722)	$ (624,001)	$ 36,516
Adjust for:			
Depreciation and amortization - other	113,042	124,846	128,883
Depreciation - right-of-use assets	102,247	128,393	145,946
Change in fair value of financial instrument	(8,790)	—	—
(Gain) loss on disposal of assets	(28,283)	(13,101)	1,764
Non-cash interest (i)	4,203	22,789	12,217
Non-cash foreign exchange	55	342	698
Impairment of long-lived assets, goodwill and investments	3,717	294,863	—
Share of loss (income) of CDCP (ii)	(146)	7,279	(4,827)
Non-controlling interests	—	5	24
Non-cash depreciation of joint ventures and associates	24	73	99
Deferred income tax recovery	—	(11,373)	(9,990)
Taxes and interest of joint ventures and associates	45	202	77
Maintenance capital expenditures	(6,937)	(5,379)	(31,702)
Repayments of lease obligations - principal	(88,259)	(91,946)	(128,252)
Net cash received from CDCP (ii)	1,995	3,910	15,394
Non-cash items:			
Non-cash Share-based compensation	4,292	1,228	1,608
Adjusted free cash flow	**$ (151,517)**	**$ (161,870)**	**$ 168,455**

(i) Non-cash interest includes amortization of deferred financing costs on the long-term debt, accretion expense on the convertible debentures, and other non-cash interest expense items.

(ii) Excludes the share of income of CDCP, as CDCP is a limited-life financing vehicle funded by virtual print fees collected from distributors. Cash invested into CDCP, as well as cash distributions received from CDCP, are considered to be uses and sources of adjusted free cash flow.

17.3 NET CASH BURN

Management believes that net cash burn is an important non-GAAP measure that is used to analyze Cineplex's cash used to maintain operating activities, make growth capital expenditures and principal repayments on its lease obligations. Net Cash Burn is calculated as net cash provided by (used in) operating activities adjusted for the timing differences of changes in operating assets and liabilities, less repayments of lease obligations - principal and net capital expenditures, adjusted for the the timing of lease payments and tax recoveries.

Net cash burn	**2021**				**2020**		
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Net cash provided by (used in) operating activities	$ 27,480	$ 52,023	$ 17,133	$ (35,632)	$ (61,041)	$ (86,558)	$ 18,095
Changes in operating assets and liabilities	1,405	(32,640)	(62,622)	(23,581)	67,257	34,894	(69,401)
Repayments of lease obligations - principal	(25,525)	(24,191)	(19,086)	(19,457)	(32,323)	(24,811)	(933)
Net capital expenditures	(4,008)	(3,475)	(3,021)	(5,055)	(7,272)	(8,198)	(8,019)
Timing difference of lease abatements recognized as compared to cash payments	1,965	1,153	(2,435)	1,830	12,672	18,868	(18,933)
Timing difference of cash tax recoveries as compared to current tax provision	—	—	—	3,309	(53,946)	16,643	26,808
Total net cash burn	$ 1,317	$ (7,130)	$ (70,031)	$ (78,586)	$ (74,653)	$ (49,162)	$ (52,383)
Average monthly net cash burn	$ 439	$ (2,377)	$ (23,344)	$ (26,195)	$ (24,884)	$ (16,387)	$ (17,461)

To comply with NI 52-112, effective this quarter, Cineplex revised its presentation of Net Cash Burn to reconcile from its closest GAAP figure, net cash provided by (used in) operating activities. Under the previous presentation beginning with Adjusted EBITDAaL, Net Cash Burn would be presented as follows:

Net cash burn	2021				2020		
	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Adjusted EBITDAaL	$ 20,198	$ 10,762	$ (53,165)	$ (62,090)	$ (65,948)	$ (46,725)	$ (72,532)
Cash interest expense excluding lease obligations	(16,669)	(15,983)	(15,701)	(13,429)	(13,412)	(11,317)	(7,782)
Provision for income taxes	—	—	—	—	12,355	16,497	34,440
Net capital expenditures	(4,008)	(3,475)	(3,021)	(5,055)	(7,272)	(8,198)	(8,019)
Other adjustments to conform to current presentation	1,796	1,566	1,856	1,988	(376)	581	1,510
Total net cash burn	$ 1,317	$ (7,130)	$ (70,031)	$ (78,586)	$ (74,653)	$ (49,162)	$ (52,383)
Average monthly net cash burn	$ 439	$ (2,377)	$ (23,344)	$ (26,195)	$ (24,884)	$ (16,387)	$ (17,461)

SUPPLEMENTARY FINANCIAL MEASURES

Supplementary financial measures are financial measures that are not (a) presented in the financial statements and (b) is, or is intended to be, disclosed periodically to depict the historical or expected future financial performance, financial position or cash flow, that is not a non-GAAP financial measure or a non-GAAP ratio as defined in the instrument. The below are supplementary financial measures that Cineplex uses to depict its financial performance, financial position or cash flows.

Earnings per Share Metrics

Cineplex has presented basic and diluted earnings per share net of this item to provide a more comparable earnings per share metric between the current periods and prior year periods. In the non-GAAP and other financial measure, earnings is defined as net income or net loss attributable to Cineplex excluding the change in fair value of financial instruments.

Per Patron Revenue Metrics

Cineplex reviews per patron metrics as they relate to box office revenue and theatre food service revenue such as BPP, CPP, BPP excluding premium priced product, and concession margin per patron, as these are key measures used by investors to value and assess Cineplex's performance, and are widely used in the theatre exhibition industry. Management of Cineplex defines these metrics as follows:

Theatre attendance: Theatre attendance is calculated as the total number of paying patrons that frequent Cineplex's theatres during the period.

BPP: Calculated as total box office revenues divided by total paid theatre attendance for the period.

BPP excluding premium priced product: Calculated as total box office revenues for the period, less box office revenues from 3D, 4DX, UltraAVX, VIP, ScreenX and IMAX product; divided by total paid theatre attendance for the period, less paid theatre attendance for 3D, 4DX, UltraAVX, VIP, ScreenX and IMAX product.

CPP: Calculated as total theatre food service revenues divided by total paid theatre attendance for the period.
Premium priced product: Defined as 3D, 4DX, UltraAVX, IMAX, ScreenX and VIP film product.

Theatre concession margin per patron: Calculated as total theatre food service revenues less total theatre food service cost, divided by theatre attendance for the period.

Same Theatre Analysis
Cineplex reviews and reports same theatre metrics relating to box office revenues, theatre food service revenues, theatre rent expense and theatre payroll expense, as these measures are widely used in the theatre exhibition industry as well as other retail industries.

Same theatre metrics are calculated by removing the results for all theatres that have been opened, acquired, closed or otherwise disposed of subsequent to the start of the prior year comparative period. For the three months ended December 31, 2021 the impact of 2 locations that have been opened or acquired and 6 locations that have been closed have been excluded, resulting in 152 theatres being included in the same theatre metrics. For the year ended December 31, 2021 the impact of the 2 locations that have been opened or acquired and the 7 locations that have been closed have been excluded, resulting in 151 theatres being included in the same theatre metrics.

Cost of sales percentages
Cineplex reviews and reports cost of sales percentages for its two largest revenue sources, box office revenues and food service revenues as these measures are widely used in the theatre exhibition industry. These measures are reported as film cost percentage and concession cost percentage, respectively, and are calculated as follows:

Film cost percentage: Calculated as total film cost expense divided by total box office revenues for the period.

Theatre concession cost percentage: Calculated as total theatre food service costs divided by total theatre food service revenues for the period.

LBE food cost percentage: Calculated as total LBE food costs divided by total LBE food service revenues for the period.

Lease-related cash saving
Quantified savings negotiated with landlords as a result of the COVID-19 disclosures.