CINEPLEX®

2016

FIRST QUARTER

March 31, 2016

Dear fellow shareholders,

I am pleased to report that Cineplex achieved record first quarter results for 2016. Total revenue of $378.9 million increased 30.8% and adjusted EBITDA of $57.1 million increased 42.0%, both setting new first quarter records.

The first quarter film slate was very strong with *Deadpool* leading our top five films in the quarter, followed by *Star Wars: The Force Awakens,* which carried over from the fourth quarter of 2015*. Zootopia*, *The Revenant* and *Batman v Superman: Dawn of Justice* completed the list. Record first quarter box office revenue of $192.6 million increased 23.5% as we set a record all-time quarterly attendance of 20.6 million guests. Additional first quarter records were established for food service revenue, box office per patron ("BPP") and concession per patron ("CPP"). Also contributing to the quarter's success was the additional revenue derived from the consolidation of Cineplex Starburst Inc. following our acquisition last year and Media revenue which increased 13.7% to $33.1 million.

Key accomplishments during the quarter included the opening of *Cineplex Cinemas Marine Gateway and VIP* in south Vancouver. This two-storey, 11-screen theatre features seven traditional auditoriums, an UltraAVX auditorium with D-BOX Motion Seats, and Vancouver's first VIP Cinemas with three licensed auditoriums and a licensed lounge. We continued to enhance and expand our premium offerings and recently announced plans to significantly grow our existing D-BOX footprint of 44 auditoriums by an additional 23 auditoriums during the year.

During the quarter, Cineplex Digital Media ("CDM") was named as American Dairy Queen's endorsed provider of in-store digital merchandising solutions for their stores within the United States and Canada. CDM also continued its roll-out of digital menu boards for A&W Food Services of Canada Inc.'s restaurants across Canada. Extending our business in the Quick Service Restaurant ("QSR"), Retail and Financial sectors will remain a top priority for Cineplex as we pursue our North American growth strategy. Other opportunities within this business include securing additional clients on the "path to purchase" which includes shopping malls and office complexes.

Moving to Amusement Gaming and Leisure, we continued to progress with the launch of The Rec Room – Canada's premier social entertainment destination – and during the quarter, announced plans to open our first Toronto location at the historic John Street Roundhouse, across the street from the CN Tower. Our first location is in South Edmonton and will open this summer. In eSports, we announced a comprehensive deal with Sony Computer Entertainment Canada and held our first national tournament featuring *Call of Duty: Black Ops III.*

Our SCENE loyalty program continued to grow, surpassing 7.5 million members as of March 31, 2016. We remain committed to continuing to provide even better value to our SCENE members and may add more strategic marketing partnerships throughout the year.

Subsequent to quarter end, we announced our plans to add the 4DX immersive theatre technology to *Cineplex Cinemas Yonge-Dundas and VIP* in Toronto this summer. A first for Canada, 4DX auditoriums feature specially-designed motion seats enhanced by environmental effects like wind, mist, and scent – all working together with the action on the big screen. This is just another example of how Cineplex remains committed to offering our guests the very best entertainment experiences.

Finally, we entered into an amended and extended credit facility including an extended five year term with increased borrowing capacity and announced a dividend increase of 3.8%, to $1.62 per share on an annual basis. This increase is effective with the May 2016 dividend, which will be paid in June 2016. We have announced a dividend increase each year since our conversion to a corporation.

On behalf of the Board of Directors and everyone at Cineplex, I'd like to wish you all a safe and enjoyable summer.

Sincerely,

Ellis Jacob, President and CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 2, 2016

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 March 31, 2016 and all amounts are in Canadian dollars.

MANAGEMENT'S DISCUSSION AND ANALYSIS CONTENTS

Non-GAAP Measures

Cineplex reports on certain non-GAAP measures that are used by management to evaluate performance of Cineplex. In addition, non-GAAP measures are used in measuring compliance with debt covenants. Because non-GAAP measures do not have standardized meanings, securities regulations require that non-GAAP measures be clearly defined and qualified, and reconciled to their nearest GAAP measure. The definition, calculation and reconciliation of non-GAAP measures are provided in Section 17, Non-GAAP 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.

By their very nature, forward-looking statements involve inherent risks and uncertainties, including those described in Cineplex's Annual Information Form ("AIF"), its MD&A for the year ended December 31, 2015 ("Annual MD&A") 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, risks generally encountered in the relevant industry, competition, customer, legal, taxation and accounting matters.

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, we undertake no obligation to comment on analyses, expectations or statements made by third parties in respect of Cineplex or the Partnership, their financial or operating results or their 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 and Annual MD&A, can be found on SEDAR at www.sedar.com.

1. OVERVIEW OF CINEPLEX

Cineplex is one of Canada's leading entertainment companies and operates one of the most modern and fully digitized motion picture theatre circuits in the world. A top-tier Canadian brand, Cineplex operates numerous businesses. These include film entertainment and content (including theatrical exhibition, food services, in-theatre gaming, alternative programming and the online sale of entertainment content), media (including Cineplex Media and Cineplex Digital Media), and amusement gaming and leisure (including Cineplex Starburst Inc. ("CSI"), *The Rec Room* and World Gaming Network Limited Partnership ("WGN")). These businesses are supported by Cineplex's joint venture partnership in SCENE, Canada's largest entertainment loyalty program.

Cineplex's theatre circuit is concentrated in major metropolitan and mid-sized markets. As of March 31, 2016, Cineplex owned, leased or had a joint venture interest in 1,666 screens in 163 theatres from coast to coast.

Cineplex Locations and screens at March 31, 2016							
Province	**Locations**	**Screens**	**Digtal 3D Screens**	**Ultra AVX Screens**	**IMAX Screens (i)**	**VIP Auditoriums**	**D-BOX Locations**
Ontario	67	721	344	36	12	35	23
Quebec	21	257	100	10	3	4	6
British Columbia	24	226	116	14	3	11	6
Alberta	17	193	97	16	2	3	6
Nova Scotia	13	92	44	1	1	—	—
Saskatchewan	6	54	28	2	—	3	2
Manitoba	5	49	26	1	1	3	1
New Brunswick	5	41	20	1	—	—	—
Newfoundland & Labrador	3	20	9	1	1	—	—
Prince Edward Island	2	13	6	—	—	—	—
TOTALS	**163**	**1,666**	**790**	**82**	**23**	**59**	**44**
Percentage of screens			47%	5%	1%	4%	3%

(i) All IMAX screens are 3D enabled. Total 3D screens including IMAX screens are 813 screens or 49% of the circuit.

Cineplex - Theatres, screens, and premium offerings in the last eight quarters								
	2016	**2015**				**2014**		
	Q1	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Theatres	163	162	162	162	161	161	161	162
Screens	1,666	1,655	1,652	1,652	1,648	1,639	1,639	1,638
3D Digital Screens	790	783	781	781	778	767	767	764
UltraAVX Screens	82	80	77	77	70	66	66	66
IMAX Screens	23	23	23	22	20	20	20	20
VIP Auditoriums	59	56	53	53	50	43	43	38
D-BOX Locations	44	43	38	33	28	25	21	21

1.1 FINANCIAL HIGHLIGHTS

Financial highlights (in thousands of dollars, except attendance in thousands of patrons and per Share and per patron amounts)	**First Quarter**		
	2016	**2015**	**Change (i)**
Total revenues	$ 378,913	$ 289,785	30.8%
Attendance	20,583	17,538	17.4%
Net income	$ 21,455	$ 10,527	103.8%
Box office revenues per patron ("BPP") (ii)	$ 9.36	$ 8.90	5.2%
Concession revenues per patron ("CPP") (ii)	$ 5.44	$ 5.18	5.0%
Adjusted EBITDA (ii)	$ 57,140	$ 40,248	42.0%
Adjusted EBITDA margin (ii)	15.1%	13.9%	1.2%
Adjusted free cash flow (ii)	$ 43,978	$ 27,477	60.1%
Adjusted free cash flow per common share of Cineplex ("Share") (ii)	$ 0.696	$ 0.436	59.6%
Earnings per Share ("EPS") - basic	$ 0.35	$ 0.17	105.9%
EPS - diluted	$ 0.34	$ 0.17	100.0%

(i) Throughout this MD&A, changes in percentage amounts are calculated as 2016 value less 2015 value.

(ii) See Section 17, Non-GAAP measures.

Total revenues for the first quarter of 2016 increased 30.8%, or $89.1 million, compared to the prior year period, primarily due to record first quarter film entertainment revenues as well as an additional $23.3 million in revenues resulting from the consolidation of CSI following Cineplex's acquisition on October 1, 2015 of the 50% of CSI

it did not already own. The strong performance of the film slate resulted in first quarter records for box office and food service revenues, BPP and CPP, as well as an all-time quarterly attendance record. Media revenues increased 13.7% to a first quarter record of $33.1 million with the increase mainly due to strong Cineplex Digital Media revenues. As a result of these increases, Cineplex achieved a first quarter record for both adjusted EBITDA (which increased $16.9 million or 42.0% to $57.1 million) and adjusted free cash flow per Share ($0.696, a 59.6% increase from $0.436 in the prior year period).

1.2 KEY DEVELOPMENTS IN THE FIRST QUARTER OF 2016

The following describes certain key business initiatives undertaken and results achieved during the first quarter of 2016 in each of Cineplex's core business areas:

FILM ENTERTAINMENT AND CONTENT

Theatre Exhibition

- Reported record first quarter box office revenues of $192.6 million, an increase of $36.6 million (23.5%) from the $156.0 million reported in the prior year period due to an all-time quarterly attendance record of 20.6 million patrons and record first quarter BPP of $9.36.
- During the quarter, *Star Wars: The Force Awakens* became the highest grossing film of all-time in North America, and 2016 releases *Deadpool* and *Batman v Superman: Dawn of Justice* recorded the highest grossing February and March opening weekends of all-time.
- Opened *Cineplex Cinemas Marine Gateway & VIP* in Vancouver, British Columbia, an 11 screen theatre featuring three VIP auditoriums and one UltraAVX auditorium.
- Announced a significant expansion of Cineplex's agreement with D-BOX Technologies Inc., which will see the installation of D-BOX motion systems into 23 additional auditoriums across Canada.

Food Service

- Reported record first quarter food service revenues of $112.0 million, an increase of $21.2 million (23.4%) over the $90.8 million reported in the prior year period.
- CPP was $5.44 for the period, a first quarter record for Cineplex, and $0.26 (5.0%) higher than the $5.18 reported during the prior year period.

Alternative Programming

- Alternative programming in the first quarter of 2016 included strong performances from international film programming, encore performances of the Metropolitan Opera: Live in HD series, an *In the Gallery* presentation, and performances of the Bolshoi Ballet from Moscow and the National Theatre from London.
- Partnered with BBC Canada to present the television program *Sherlock: The Abominable Bride* on the big screen at select theatres across the country.

Digital Commerce

- Cineplex.com registered a 48% increase in unique visitors and a 30% increase in visits during the first quarter of 2016 as compared to the prior year period.
- As of March 31, 2016 the Cineplex app had been downloaded 14.3 million times and recorded over 780 million app sessions.

MEDIA

- Reported record first quarter total media revenues of $33.1 million, which increased $4.0 million, or 13.7% compared to the prior year period.

Cineplex Media

- Reported record first quarter Cineplex Media revenues of $21.1 million, compared to $20.0 million in the prior year period, with the increase primarily due to new media initiatives.

Cineplex Digital Media

- Cineplex Digital Media revenues increased $2.9 million (32.0%) compared to the prior year as an expanded client base contributed to increased project installation revenues and advertising revenue growth.
- Announced that Cineplex Digital Media had been selected by American Dairy Queen Corporation ("DQ") as the endorsed provider of in-store digital merchandising solutions for the Dairy Queen system in the US and Canada.

AMUSEMENT GAMING AND LEISURE

Cineplex Starburst Inc.

- CSI reported first quarter revenues of $26.1 million ($2.8 million due to Cineplex theatre gaming and $23.3 million from all other sources of revenues). In the prior year period, Cineplex equity accounted for its 50% interest in CSI acquiring the remaining 50% of issued and outstanding equity that it did not already own in the fourth quarter of 2015.
- During the period, CSI acquired the 20% of Brady Starburst Limited ("BSL") that it did not previously own for $0.4 million.

The Rec Room

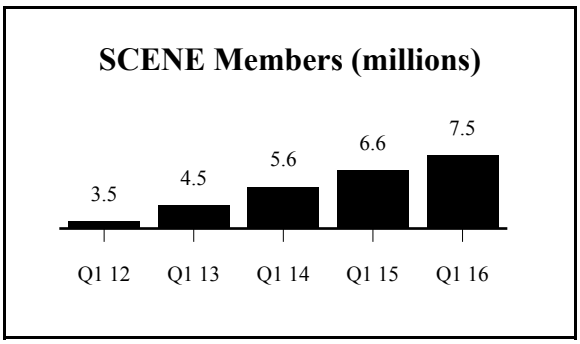
- Announced plans for Cineplex's third *The Rec Room* location which will be located in Toronto, Ontario at the historic John Street Roundhouse across from the CN Tower, and is scheduled to open in 2017.

eSports

- During the period, Cineplex and WGN announced the signing of a comprehensive deal with Sony Computer Entertainment Canada ("Sony") making Sony the presenting sponsor of select national video game tournaments.
- The first of these national tournaments occurred during the period and featured the game *Call of Duty: Black Ops III*, and included online qualifiers produced by WGN and regional and national final events hosted at Cineplex theatres.

LOYALTY

- Membership in the SCENE loyalty program increased by 0.2 million members in the period, reaching 7.5 million members at March 31, 2016.



CORPORATE

- As of March 31, 2016 Cineplex's short film "*Lily and the Snowman*" had received over 23 million views on Facebook and 11 million views on YouTube.
- Gord Nelson, Chief Financial Officer of Cineplex, was named Canada's CFO of the Year for 2016 by Financial Executives International Canada, PwC Canada and Robert Half. The award is presented annually to honour senior financial leaders who have made significant contributions to business in Canada with demonstrated quality, insight and integrity.

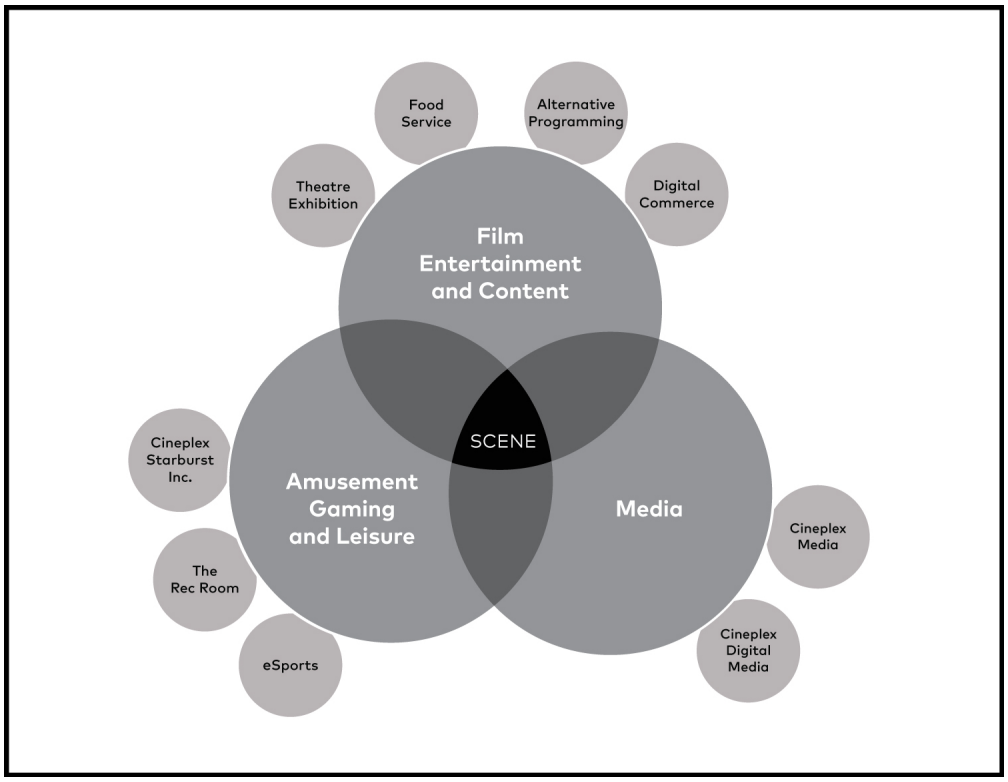
2. CINEPLEX'S BUSINESSES AND STRATEGY

Cineplex's mission statement is "Passionately delivering an exceptional entertainment experience." All of its efforts are focused towards this mission and it is Cineplex's goal to consistently provide guests with an exceptional entertainment experience at a fair value.

Cineplex's operations are primarily conducted in three main areas: film entertainment and content, media and amusement gaming and leisure, all supported by the SCENE loyalty program. Cineplex's key strategic areas of focus include the following:

- Continue to enhance and expand existing exhibition infrastructure and service offerings to attract new customers, increase the frequency of existing customers and maximize revenue per guest;
- Capitalize on core media strengths and infrastructure to provide continued growth of Cineplex's media businesses;
- Develop and scale amusement gaming and leisure concepts, including *The Rec Room*, by extending existing capabilities and infrastructure;
- Continue to expand Cineplex's presence as an entertainment destination for Canadians, providing in-theatre, at home and on-the-go experiences - Cineplex Anywhere; and
- Pursue selective acquisitions and opportunities that are strategic, accretive and capitalize on Cineplex's core strengths.

Cineplex uses the SCENE program and database as a strategic asset to link these areas of focus and drive customer acquisition and ancillary businesses.



Key elements of this strategy include going beyond movies to reach customers in new ways and maximizing revenue per patron. With this in mind, 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 merchandising such as optimizing 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) continue to account for the largest portion of Cineplex's revenues, expanded food service offerings, in-theatre and out-of-home advertising, amusement gaming and leisure, the Cineplex Store, promotions and other revenue streams have increased as a share of total revenues. Cineplex is committed to diversifying its revenue streams outside of the traditional theatre exhibition model through its media and amusement gaming and leisure businesses. The margins on many of these other revenue streams, particularly media, are much higher than on exhibition admission sales and have enhanced Cineplex's profitability.

Although Cineplex focuses on growth initiatives, management remains vigilant in controlling costs without compromising the guest experience. Cineplex will continue to invest in new revenue generating activities, as it has in prior years.

A detailed discussion of Cineplex's businesses and business strategy can be found in Cineplex's Annual MD&A. These have not changed materially during the first quarter of 2016.

3. OVERVIEW OF OPERATIONS

Revenues

Cineplex generates revenues primarily from box office and concession sales. These revenues are affected primarily by attendance levels and by changes in BPP and CPP. Box office revenue represented 50.8% of revenue in the first quarter of 2016 and continues to represent Cineplex's largest revenue component.

Revenue mix % by period	Q1 2016	Q1 2015	Q1 2014	Q1 2013	Q1 2012
Box office	**50.8%**	53.8%	55.8%	58.5%	60.0%
Food service	**29.6%**	31.3%	31.1%	30.6%	30.9%
Media	**8.7%**	10.0%	8.7%	6.6%	5.1%
Other	**10.9%**	4.9%	4.4%	4.3%	4.0%
Total	**100.0%**	100.0%	100.0%	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's share of the Canadian theatre exhibition market was approximately 78% based on Canadian industry box office revenues for the year ended December 31, 2015. As a result of Cineplex's focus on diversifying its business beyond the traditional movie exhibition model, its revenue mix has shifted from box office revenue to other revenue sources. These revenue sources typically provide higher incremental contribution margins than traditional exhibition revenues.

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 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), the surcharge related to 3D film and other enhanced product offerings, ticket prices during a given period and the appeal of premium priced product available. While BPP is negatively impacted by the SCENE loyalty program and the Cineplex Tuesdays program, these programs are designed to increase 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 sales at theatre locations. CPP represents food service revenues divided by theatre attendance, and is impacted by food service product mix, food service prices, film genre, promotions, the 10% SCENE discount and the issuance of SCENE points on the purchase of certain food service combos. Films targeted to families and teenagers tends 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. The 10% SCENE discount offer and

SCENE points issued on food service purchases both decrease food service revenues on individual purchases. However, Cineplex believes the program drives incremental attendance and purchase incidence, increasing overall revenues. Although pricing has an impact on CPP, Cineplex focuses on growing CPP by optimizing the product offerings and improving operational excellence to increase purchase incidence and transaction value.

Media revenues include both Cineplex Media and Cineplex Digital Media revenues. Cineplex Media generates revenues primarily from selling pre-show and showtime advertising in Cineplex's theatres as well as other circuits through representation sales agreements and magazine advertising for *Cineplex Magazine* and *Le Magazine Cineplex*. Additionally Cineplex Media sells sponsorship and advertising for eSports events both in-theatre and online, digital advertising for cineplex.com, the Cineplex mobile app and on third party networks; also offering special media placements throughout Cineplex's circuit including digital poster cases and IMZ's in select Cineplex theatre lobbies. Cineplex Digital Media designs, installs, maintains and operates digital signage networks on both the path to purchase (with digital place-based media offerings in public spaces such as shopping malls and office towers) as well as the point of purchase (with a focus on quick service restaurants, financial institutions and retailers).

Games revenues include revenues generated by CSI, which supplies and services all of the games in Cineplex's circuit while also supplying equipment to third party arcades, amusement parks and centres, bowling alleys and theatre circuits, in addition to owning and operating *Playdium*, a family entertainment centre located in Mississauga, Ontario. CSI revenues also include revenues from US based operations through BSL and Premier. Amusements. Games revenues also include revenues generated by Cineplex's XSCAPE Entertainment Centres and game rooms in theatres. Cineplex equity accounted for its 50% share of CSI prior to October 1, 2015.

Cineplex generates other revenues from the Cineplex Store, promotional activities, screenings, private parties, corporate events, breakage on gift card sales, revenues from enhanced in-theatre initiatives and management fees.

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. Although the film cost percentage is relatively stable when reviewed on an annual basis, there can be significant variances throughout the quarters.

Cost of food service represents the cost of concession items and other food service items sold and varies with changes in concession and other food service revenues as well as the quantity and mix of concession and other food service offerings sold. The 10% discount offered to members of the SCENE loyalty program affects the concession cost percentage, as concession revenues relating to these sales are reduced by 10% while the corresponding cost remains constant.

Depreciation and amortization 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.

Loss on disposal of assets represents the loss 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, property and business related taxes and insurance. Lease expenses are primarily a fixed cost at the theatre level because Cineplex's theatre leases generally require

a fixed monthly minimum rent payment. However, a number of Cineplex's theatre leases also include a percentage rent clause whereby the landlord is paid an additional amount of rent based either in part or wholly upon box office revenues.

Other operating expenses consist of fixed and variable expenses, with the largest component being theatre salaries and wages. Although theatre salaries and wages include a fixed cost component, these expenses vary in relation to revenues as theatre staffing levels are adjusted to handle fluctuations in attendance. Other components of this category include marketing and advertising, media, amusement gaming and leisure (including CSI, *The Rec Room* and WGN), loyalty including SCENE, digital commerce, supplies and services, utilities and maintenance.

General and administrative expenses are primarily costs associated with managing Cineplex's business, including film buying, marketing and promotions, operations and 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 the long-term incentive plan ("LTIP") and Share option plan costs) and 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) or recognizing Cineplex's share of the assets, liabilities, revenues and expenses in Cineplex's consolidated results (for joint operations), as required by GAAP.

Under IFRS 11, Cineplex's 50% share of one IMAX auditorium in Ontario, its 78.2% interest in the Canadian Digital Cinema Partnership ("CDCP") and 50% interest in YoYo's Yogurt Cafe ("YoYo's") are classified as joint ventures. Through equity accounting, Cineplex's share of the results of operations for these joint ventures are reported as a single item in the statements of operations, 'Share of income of joint ventures'. Theatre attendance for the IMAX auditorium held in a joint venture is not reported in Cineplex's consolidated attendance as the line-by-line results of the joint venture are not included in the relevant lines in the statement of operations. Cineplex's 50% interest in CSI was recognized as a joint venture prior to October 1, 2015.

Under IFRS 11, Cineplex's 50% interest in SCENE LP is classified as a joint operation and Cineplex recognizes its share of the assets, liabilities, revenues and expenses of SCENE in its consolidated financial statements.

4. RESULTS OF OPERATIONS

4.1 SELECTED FINANCIAL DATA

The following table presents summarized financial data for Cineplex for the three months ended March 31, 2016 and 2015 (expressed in thousands of dollars except Shares outstanding, per Share data and per patron data, unless otherwise noted):

	Three months ended March 31, 2016	Three months ended March 31, 2015	Variance (%)
Box office revenues	$ 192,639	$ 156,041	23.5%
Food service revenues	112,006	90,785	23.4%
Media revenues	33,058	29,072	13.7%
Other revenues	41,210	13,887	196.8%
Total revenues	378,913	289,785	30.8%
Film cost	107,386	80,171	33.9%
Cost of food service	25,314	19,448	30.2%
Depreciation and amortization	25,005	20,900	19.6%
Loss on disposal of assets	506	317	59.6%
Other costs (a)	189,404	150,934	25.5%
Costs of operations	347,615	271,770	27.9%
Net income	$ 21,455	$ 10,527	103.8%
Adjusted EBITDA (i)	$ 57,140	$ 40,248	42.0%
(a) Other costs include:			
Theatre occupancy expenses	52,733	51,109	3.2%
Other operating expenses	117,611	80,914	45.4%
General and administrative expenses	19,060	18,911	0.8%
Total other costs	$ 189,404	$ 150,934	25.5%
EPS - basic	$ 0.35	$ 0.17	105.9%
EPS - diluted	$ 0.34	$ 0.17	100.0%
Total assets	$ 1,653,486	$ 1,551,050	6.6%
Total long-term financial liabilities (ii)	$ 412,500	$ 389,500	5.9%
Shares outstanding at period end	63,410,690	63,067,264	0.5%
Cash dividends declared per Share	$ 0.390	$ 0.375	4.0%
Adjusted free cash flow per Share (i)	$ 0.696	$ 0.436	59.6%
Box office revenue per patron (i)	$ 9.36	$ 8.90	5.2%
Concession revenue per patron (i)	$ 5.44	$ 5.18	5.0%
Film cost as a percentage of box office revenues	55.7%	51.4%	4.3%
Attendance (in thousands of patrons) (i)	20,583	17,538	17.4%
Theatre locations (at period end)	163	161	1.2%
Theatre screens (at period end)	1,666	1,648	1.1%

(i) See Section 17, Non-GAAP measures, for the definition of non-GAAP measures reported by Cineplex.

(ii) Comprised of the principal components of long-term debt and convertible debentures. Excludes share-based compensation, fair value of interest rate swap agreements, financing lease obligations, post-employment benefit obligations, other liabilities and deferred financing fees net against long-term debt and convertible debentures.

4.2 OPERATING RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2016

Total revenues

Total revenues for the three months ended March 31, 2016 increased $89.1 million (30.8%) to a first quarter record $378.9 million as compared to the prior year period. A discussion of the factors affecting the changes in box office, food service, media and other revenues for the period is provided below.

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

Box office revenues

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

Box office revenues	First Quarter		
	2016	2015	Change
Box office revenues	$ 192,639	$ 156,041	23.5%
Attendance (i)	20,583	17,538	17.4%
Box office revenue per patron (i)	$ 9.36	$ 8.90	5.2%
BPP excluding premium priced product (i)	$ 8.32	$ 8.33	-0.1%
Canadian industry revenues (ii)			21.8%
Same store box office revenues (i)	$ 188,366	$ 155,180	21.4%
Same store attendance (i)	20,184	17,436	15.8%
% Total box from premium priced product (i)	40.4%	25.3%	15.1%

(i) See Section 17, Non-GAAP measures.
(ii) Source: The Movie Theatre Association of Canada industry data adjusted for calendar quarter dates.

Box office continuity	First Quarter	
	Box Office	Attendance
2015 as reported	$ 156,041	17,538
Same store attendance change	24,468	2,749
Impact of same store BPP change	8,724	—
New and acquired theatres (i)	4,239	395
Disposed and closed theatres (i)	(833)	(99)
2016 as reported	$ 192,639	20,583

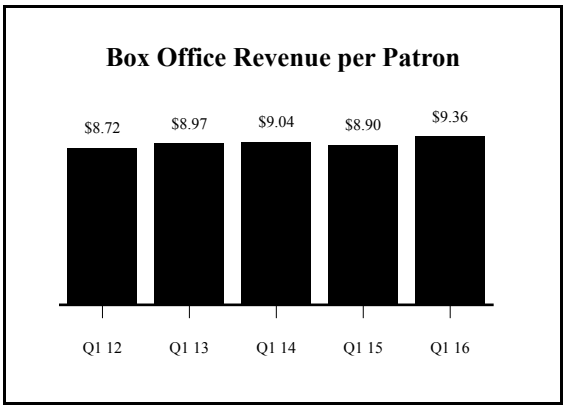
(i) See Section 17, Non-GAAP measures. Represents theatres opened, acquired, disposed or closed subsequent to the start of the prior year comparative period.

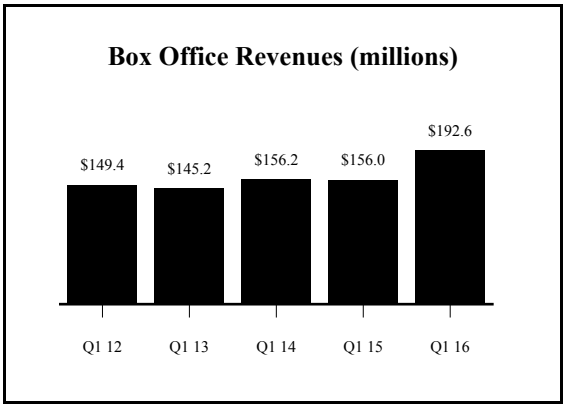
	First Quarter 2016 Top Cineplex Films	3D	% Box		First Quarter 2015 Top Cineplex Films	3D	% Box
1	Deadpool		14.2%	1	American Sniper		8.3%
2	Star Wars: The Force Awakens	✔	13.0%	2	Kingsman: The Secret Service		7.0%
3	Zootopia	✔	9.0%	3	Fifty Shades of Grey		6.8%
4	The Revenant		6.8%	4	Cinderella		6.5%
5	Batman v Superman: Dawn of Justice	✔	6.3%	5	The Imitation Game		5.6%

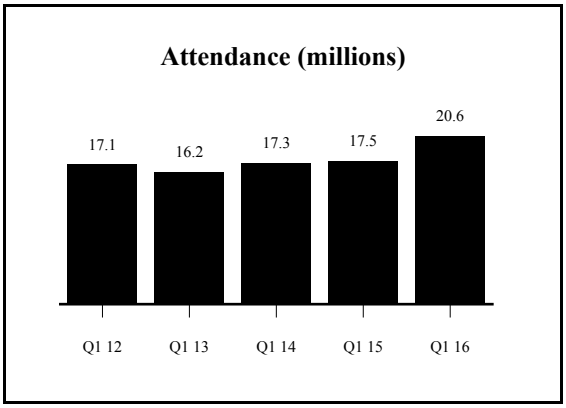
Box office revenues increased $36.6 million, or 23.5%, to $192.6 million during the first quarter of 2016, compared to $156.0 million recorded in the same period in 2015. The increase was due to the 17.4% increase in attendance to 20.6 million patrons, which is an all-time quarterly record for Cineplex. This increase was due to the strength of the film slate, including *Deadpool*, which had the all-time highest grossing February opening weekend. The current period also benefited from the continued strong performance of the fourth quarter release *Star Wars: The Force Awakens* which became the highest box office grossing film of all time in North America

during the period. There were strong performing family-focused animated releases including *Zootopia* and *Kung Fu Panda* and one week of *Batman v Superman: Dawn of Justice* which was the highest grossing March opening weekend of all-time. The attendance increase over the prior year period was also partially due to less weather-related theatre closures, as extreme weather in the prior year period negatively impacted theatre attendance at certain locations, primarily in the Atlantic provinces.

BPP for the three months ended March 31, 2016 was $9.36, a $0.46 increase (5.2%) from the prior year period and a first quarter record for Cineplex. The increase in BPP was due to the film mix featuring more 3D films than in the prior year period, with three of the top five available in 3D compared to none of the top five films in the prior period. Box office revenues from premium product accounted for 40.4% of box office revenues in the current period, up from 25.3% in the prior year period.







Food service revenues

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

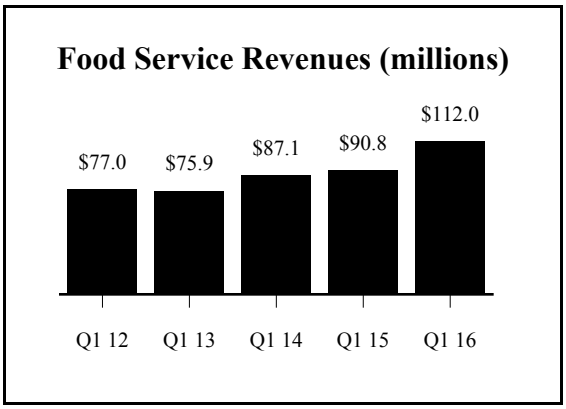
Food service revenues	First Quarter		
	2016	2015	Change
Food service revenues	$ 112,006	$ 90,785	23.4%
Attendance (i)	20,583	17,538	17.4%
CPP (i)	$ 5.44	$ 5.18	5.0%
Same store food service revenues (i)	$ 109,598	$ 90,426	21.2%
Same store attendance (i)	20,184	17,436	15.8%

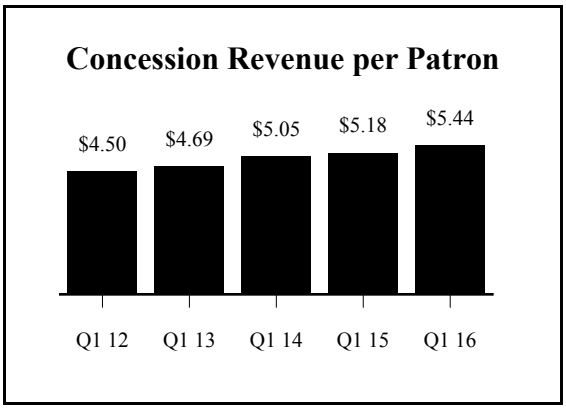
(i) See Section 17, Non-GAAP Measures.

Food service revenue continuity	First Quarter	
	Food Service	Attendance
2015 as reported	$ 90,785	17,538
Same store attendance change	14,254	2,749
Impact of same store CPP change	4,917	—
New and acquired theatres (i)	2,373	395
Disposed and closed theatres (i)	(323)	(99)
2016 as reported	$ 112,006	20,583
(i) See Section 17, Non-GAAP measures. Represents theatres opened, acquired, disposed or closed subsequent to the start of the prior year comparative period.		

Food service revenues increased $21.2 million, or 23.4% as a result of the 17.4% increase in attendance as compared to the prior year period and the CPP increase from $5.18 in the first quarter of 2015 to $5.44 in the same period in 2016 (a 5.0% increase). CPP of $5.44 is a first quarter record for Cineplex. Expanded offerings outside of core food service products, including offerings at Cineplex's VIP Cinemas, have resulted in higher average transaction values, resulting in the higher CPP in the period.

While the 10% SCENE discount and SCENE points issued on food service purchases reduce individual transaction values which impacts CPP, Cineplex believes that this loyalty program drives incremental visits and food service purchases, resulting in higher overall food service revenues.





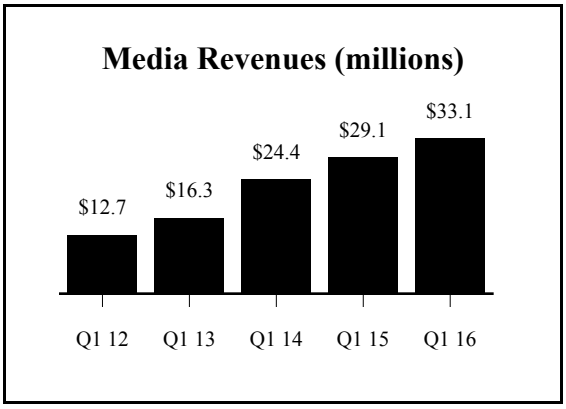
Media revenues

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

Media revenues	First Quarter		
	2016	2015	Change
Cineplex Media	$ 21,097	$ 20,011	5.4%
Cineplex Digital Media	11,961	9,061	32.0%
Total media revenues	$ 33,058	$ 29,072	13.7%

Total media revenues increased 13.7% to $33.1 million in the first quarter of 2016 compared to the prior year period, representing record first quarter media revenues record for Cineplex. This increase was primarily due to higher Cineplex Digital Media revenues, which increased $2.9 million (32.0%) as expansion of the client base resulted in increased project installation revenues and advertising revenue growth.

Cineplex Media revenues increased 5.4% to $21.1 million, a first quarter record for Cineplex Media, with the increase primarily due to new media initiatives.



Other revenues

The following table highlights the movement in games and other revenues for the quarter (in thousands of dollars):

Other revenues	First Quarter		
	2016	2015	Change
Games - Cineplex exhibition (i)	$ 2,791	$ 2,020	38.2%
Games - CSI excluding Cineplex exhibition (i)	23,260	—	NM
Other	15,159	11,867	27.7%
Total other revenues	$ 41,210	$ 13,887	196.8%

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

Other revenues increased 196.8%, or $27.3 million, to $41.2 million in the first quarter of 2016 compared to the prior year period primarily due to the consolidation of CSI following Cineplex's acquisition on October 1, 2015 of the 50% of CSI it did not already own ($23.3 million). Prior to October 1, 2015, Cineplex equity accounted for its 50% interest in CSI, with the results included in "Share of income of joint ventures".

Games revenues from Cineplex exhibition locations increased $0.8 million (38.2%) due to the higher attendance in the theatres and the addition of five XSCAPE Entertainment Centres since the prior year period.

The increase of $3.3 million (27.7%) in Other in the period was primarily due to additional revenues arising from enhanced guest service initiatives.

Film cost

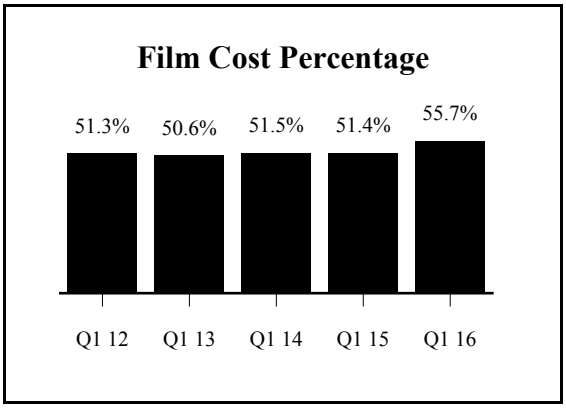
The following table highlights the movement in film cost and the film cost percentage for the quarter (in thousands of dollars, except film cost percentage):

Film cost	First Quarter		
	2016	2015	Change
Film cost	$107,386	$ 80,171	33.9%
Film cost percentage (i)	55.7%	51.4%	4.3%

(i) See Section 17, Non-GAAP measures.

Film cost varies primarily with box office revenues, and can vary from quarter to quarter based on the relative strength of the titles exhibited during the period. The increase in film cost percentage is attributable to the the concentration of box office revenues from a few titles, with the top five films in the current period accounting for 49.3% of box office revenues in the period (2015 period - 34.2%). These top films tend to have higher settlement rates than the other films in the slate due to their strong performance, and include the ongoing success

of *Star Wars: The Force Awakens* which is the highest grossing film of all time in North America, as well as the strong performance of both *Deadpool* and *Zootopia* in the period.

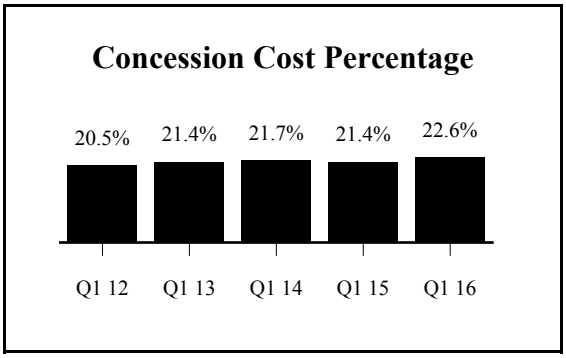


Cost of food service

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 the quarter (in thousands of dollars, except percentages and margins per patron):

Cost of food service	First Quarter		
	2016	2015	Change
Cost of food service	$ 25,314	$ 19,448	30.2%
Concession cost percentage (i)	22.6%	21.4%	1.2%
Concession margin per patron (i)	$ 4.21	$ 4.07	3.4%
(i) See Section 17, Non-GAAP measures			

Cost of food service varies primarily with theatre attendance as well as the quantity and mix of offerings sold. The increase in the cost of food service as compared to the prior year period was due to the higher food service revenues and the 1.2% increase in the concession cost percentage during the period. The increase in the concession cost percentage is due in part to the mix of food offerings, with the addition of VIP theatres at four locations since the prior year period has contributed to the mix including more items outside of the core concession offerings, which tend to have higher costs. The concession margin per patron increased 3.4% from $4.07 in the first quarter of 2015 to $4.21 in the same period in 2016, reflecting the impact of the higher CPP during the period, partially offset by the impact of the higher concession cost percentage.



Despite the 10% discount offered to SCENE members and SCENE points offered on select offerings, which contributes to a higher concession cost percentage, Cineplex believes the SCENE program drives incremental attendance and purchase incidence which increases food service revenues and CPP.

Depreciation and amortization

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

Depreciation and amortization expenses	First Quarter		
	2016	2015	Change
Depreciation of property, equipment and leaseholds	$ 21,601	$ 18,994	13.7%
Amortization of intangible assets and other	3,404	1,906	78.6%
Depreciation and amortization expenses as reported	$ 25,005	$ 20,900	19.6%

The quarterly increase in depreciation of property, equipment and leaseholds of $2.6 million (13.7%) is primarily due to the impact of equipment and leasehold improvements relating to assets acquired through acquisitions, new theatre construction and digital media asset acquisitions. The increase in amortization of intangible assets and other is primarily due to intangible assets acquired in the WGN and CSI transactions.

Loss on disposal of assets

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

Loss on disposal of assets	First Quarter		
	2016	2015	Change
Loss on disposal of assets	$ 506	$ 317	59.6%

Other costs

Other costs include three main sub-categories of expenses, including theatre occupancy expenses, which capture the rent and associated occupancy costs for Cineplex's various operations; other operating expenses, which include the costs related to running Cineplex's film entertainment and content, media, amusement gaming and leisure as well as Cineplex's ancillary businesses; and general and administrative expenses, which include 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 (in thousands of dollars):

Other costs	First Quarter		
	2016	2015	Change
Theatre occupancy expenses	$ 52,733	$ 51,109	3.2%
Other operating expenses	117,611	80,914	45.4%
General and administrative expenses	19,060	18,911	0.8%
Total other costs	$ 189,404	$ 150,934	25.5%

Theatre occupancy expenses

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

Theatre occupancy expenses	First Quarter		
	2016	2015	Change
Rent	$ 34,250	$ 33,828	1.2%
Other occupancy	18,569	18,074	2.7%
One-time items (i)	(86)	(793)	-89.2%
Total	$ 52,733	$ 51,109	3.2%

(i) One-time items include amounts related to both theatre rent and other theatre occupancy costs. They are isolated here to illustrate Cineplex's theatre rent and other theatre occupancy costs excluding these one-time, non-recurring items.

Theatre occupancy continuity	First Quarter Occupancy
2015 as reported	$ 51,109
Impact of new and acquired theatres	598
Impact of disposed theatres	(183)
Same store rent change (i)	257
One-time items	707
Other	245
2016 as reported	$ 52,733
(i) See Section 17, Non-GAAP measures	

Theatre occupancy expenses increased $1.6 million (3.2%) during the first quarter of 2016 compared to the prior year period. This increase was primarily due to the impact of new and acquired theatres net of disposed theatres ($0.4 million) and a reduction in one-time credits of $0.7 million as compared to the prior year period.

Other operating expenses

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

Other operating expenses	First Quarter		
	2016	2015	Change
Theatre payroll	$ 38,068	$ 32,553	16.9%
Media	15,873	13,010	22.0%
CSI	20,096	—	NM
Other	43,574	35,351	23.3%
Other operating expenses	$ 117,611	$ 80,914	45.4%

Other operating continuity	First Quarter Other Operating
2015 as reported	$ 80,914
Impact of new and acquired theatres	2,014
Impact of disposed theatres	(265)
Same store payroll change (i)	4,419
Marketing change	1,538
Media change	2,863
CSI change	20,096
Amusement gaming and leisure, excluding CSI	3,031
Other	3,001
2016 as reported	$ 117,611
(i) See Section 17, Non-GAAP measures	

Other operating expenses during the first quarter of 2016 increased $36.7 million or 45.4% compared to the prior year period. The major component of the increase is the inclusion of CSI which is not included in the prior year comparative ($20.1 million). Additional increases include higher same-store payroll costs and media costs due to higher business volumes and higher amusement, gaming and leisure costs (excluding CSI) due to the addition of WGN which was acquired in the third quarter of 2015 and not included in the prior year comparative.

The major movements in the Other category include higher 3D royalty costs due to higher 3D attendance in the period ($0.7 million), higher credit card service fees primarily due to increased online ticket sales in the period ($0.5 million) and higher same-store theatre operating costs due to the higher business volumes in the period compared to the prior year period.

General and administrative expenses

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

G&A expenses	First Quarter		
	2016	2015	Change
G&A excluding LTIP and option plan expense	$ 14,988	$ 14,116	6.2%
LTIP (i)	3,653	4,383	-16.7%
Option plan	419	412	1.7%
G&A expenses as reported	$ 19,060	$ 18,911	0.8%
(i) LTIP includes the expense for the LTIP program as well as the expense for the executive and Board deferred share unit plans.			

G&A expenses increased $0.1 million (0.8%) during the first quarter of 2016 compared to the prior year period primarily due to higher head office payroll and professional fees, partially offset by a $0.7 million decrease in LTIP expense. The LTIP decrease was mainly due to Cineplex's Share price increasing less in the current period compared to the prior period (a 5.2% increase in the current period compared to an 11.3% increase in the prior year period).

Share of income of joint ventures

Cineplex's joint ventures in the 2016 period include its 78.2% interest in CDCP, 50% interest in one IMAX auditorium in Ontario and 50% interest in YoYo's. For the 2015 period, Cineplex's joint ventures also included its 50% interest in CSI.

The following table highlights the components of share of income of joint ventures during the quarter (in thousands of dollars):

Share of income of joint ventures	First Quarter		
	2016	2015	Change
Share of (income) of CDCP	$ (375)	$ (129)	190.7%
Share of (income) of CSI	—	(438)	-100.0%
Share of (income) of other joint ventures	(25)	(7)	257.1%
Total (income) of joint ventures	$ (400)	$ (574)	-30.3%

Cineplex acquired the 50% interest in CSI that it did not already own on October 1, 2015. Effective that date, Cineplex ceased equity accounting for CSI and began consolidating its results.

Interest expense

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

Interest expense	First Quarter		
	2016	2015	Change
Long-term debt interest expense	$ 2,479	$ 2,361	5.0%
Convertible debenture interest expense	1,206	1,193	1.1%
Finance lease interest expense	270	319	-15.4%
Sub-total - cash interest expense	$ 3,955	$ 3,873	2.1%
Deferred financing fee accretion and other non-cash interest	83	1,273	-93.5%
Convertible debenture accretion	526	493	6.7%
Interest rate swap - non-cash	262	71	269.0%
Sub-total - non-cash interest expense	871	1,837	-52.6%
Total interest expense	$ 4,826	$ 5,710	-15.5%

Interest expense decreased $0.9 million (15.5%) for the quarter compared to the prior year period, with the cash interest increasing $0.1 million (2.1%) due to higher average borrowings during the period. Non-cash interest decreased primarily due to the prior year period including accretion of the earn-out payment for the acquisition of EK3 Technologies Inc. ("EK3"), which was fully accreted as of December 31, 2015.

Interest income

Interest income during the first quarter of 2016 was higher than the 2015 period due to higher average cash balances (in thousands of dollars):

Interest income	First Quarter		
	2016	2015	Change
Interest income	$ 67	$ 47	42.6%

Income taxes

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

Income taxes	First Quarter		
	2016	2015	Change
Current income tax expense	$ 4,136	$ 2,421	70.8%
Deferred income tax expense (recovery)	$ 1,348	$ (22)	NM
Provision for income taxes	$ 5,484	$ 2,399	128.6%

The increase in current tax expense is due to the higher net income as a result of the stronger operating results in the current period as compared to the prior year period.

Cineplex's blended federal and provincial statutory tax rate at March 31, 2016 was 26.8% (2015 - 26.3%).

Net income

For the three months ended March 31, 2016, Cineplex reported net income of $21.5 million (2015 – $10.5 million) (in thousands of dollars):

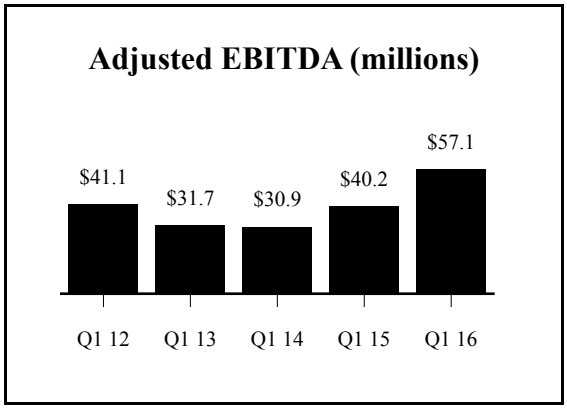
Net income	First Quarter		
	2016	2015	Change
Net income	$ 21,455	$ 10,527	103.8%

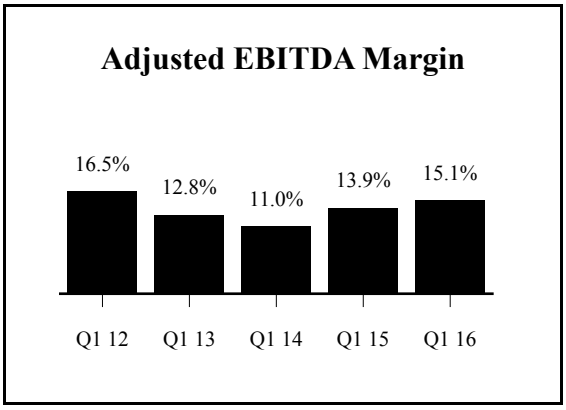
4.3 EARNINGS BEFORE INTEREST, INCOME TAXES, DEPRECIATION AND AMORTIZATION ("EBITDA") (see Section 17, Non-GAAP measures)

The following table presents EBITDA and adjusted EBITDA for the three months ended March 31, 2016 as compared to the prior year period (expressed in thousands of dollars, except adjusted EBITDA margin):

EBITDA	First Quarter		
	2016	2015	Change
EBITDA	$ 56,703	$ 39,489	43.6%
Adjusted EBITDA	$ 57,140	$ 40,248	42.0%
Adjusted EBITDA margin	15.1%	13.9%	1.2%

Adjusted EBITDA for the first quarter of 2016 increased $16.9 million, or 42.0%, as compared to the prior year period, and represents a first quarter record for Cineplex. The increase compared to the prior year period was primarily due to the all-time quarterly attendance record resulting in record first quarter film entertainment revenues, higher media contribution primarily due to Cineplex Digital Media, and higher contribution from CSI due to 100% ownership in the current period compared to 50% in the prior period. Adjusted EBITDA margin, calculated as adjusted EBITDA divided by total revenues, was 15.1% in the current period, an increase of 1.2% from 13.9% in the prior year period.





5. BALANCE SHEETS

The following sets out significant changes to Cineplex's consolidated balance sheets during the three months ended March 31, 2016 as compared to December 31, 2015 (in thousands of dollars):

	March 31, 2016	December 31, 2015	Change ($)	Change (%)
Assets				
Current assets				
Cash and cash equivalents	$ 39,105	$ 35,713	$ 3,392	9.5%
Trade and other receivables	69,030	121,398	(52,368)	-43.1%
Income taxes receivable	3,360	—	3,360	NM
Inventories	20,597	19,691	906	4.6%
Prepaid expenses and other current assets	13,926	10,025	3,901	38.9%
	146,018	186,827	(40,809)	-21.8%
Non-current assets				
Property, equipment and leaseholds	530,399	533,192	(2,793)	-0.5%
Deferred income taxes	5,400	6,517	(1,117)	-17.1%
Interests in joint ventures	36,132	35,288	844	2.4%
Intangible assets	127,584	132,140	(4,556)	-3.4%
Goodwill	807,953	807,953	—	—%
	$ 1,653,486	$ 1,701,917	$ (48,431)	-2.8%
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	$ 150,282	$ 209,657	$ (59,375)	-28.3%
Share-based compensation	7,644	9,742	(2,098)	-21.5%
Dividends payable	8,243	8,238	5	0.1%
Income taxes payable	2,211	30,464	(28,253)	-92.7%
Deferred revenue	128,440	159,568	(31,128)	-19.5%
Current debt	3,701	3,737	(36)	-1.0%
Finance lease obligations	3,011	2,957	54	1.8%
Fair value of interest rate swap agreements	1,621	1,414	207	14.6%
	305,153	425,777	(120,624)	-28.3%
Non-current liabilities				
Share-based compensation	15,548	18,907	(3,359)	-17.8%
Long-term debt	303,487	222,340	81,147	36.5%
Fair value of interest rate swap agreements	4,023	4,188	(165)	-3.9%
Finance lease obligations	11,278	12,052	(774)	-6.4%
Post-employment benefit obligations	7,225	7,296	(71)	-1.0%
Other liabilities	130,924	131,874	(950)	-0.7%
Deferred income taxes	6,579	6,283	296	4.7%
Convertible debentures	101,230	100,703	527	0.5%
	885,447	929,420	(43,973)	-4.7%
Equity attributable to owners of Cineplex	764,064	767,473	(3,409)	-0.4%
Non-controlling interests	3,975	5,024	(1,049)	-20.9%
	$ 1,653,486	$ 1,701,917	$ (48,431)	-2.8%

Trade and other receivables. The decrease in trade and other receivables is primarily due to the collection of receivables from the sales of gift cards, vouchers and media sales from the 2015 holiday period. December represents the highest volume month for gift card and voucher sales and is one of the strongest months for media sales during the year.

Income taxes receivable. The balance represents the excess of income tax installments paid by several taxable entities in Cineplex's consolidated group to various tax authorities in excess of their current period income tax provisions.

Prepaid expenses and other current assets. The increase in prepaid expenses and other current assets relates primarily to certain prepaid real estate tax installments which are paid in the first quarter.

Property, equipment and leaseholds. The decrease in property, equipment and leaseholds is due to new build and other capital expenditures ($15.6 million) and maintenance capital expenditures ($3.5 million), offset by amortization expenses ($21.6 million) and asset dispositions ($0.4 million).

Intangible assets. The decrease in intangible assets is primarily due to amortization of intangible assets with finite lives during the period.

Accounts payable and accrued expenses. The decrease in accounts payable and accrued expenses primarily relates to the settlement of year end liabilities.

Share-based compensation. The decrease in Share-based compensation is due to the payment of the 2013 LTIP, which vested in the first quarter of 2016.

Income taxes payable. The decrease in income taxes payable represents the amount paid by Cineplex during the first quarter of 2016 for taxes due based on its 2015 operations, offset by liabilities for current income tax expense relating to the first quarter of 2016 in excess of tax installments paid for certain taxable entities in the consolidated group.

Deferred revenue. Deferred revenue decreased primarily due to the redemption of gift cards and vouchers sold during the 2015 holiday season.

Long-term debt. The increase in long-term debt relates to borrowings under the Revolving Facility (defined and discussed in Section 6.4, Credit Facilities) and the deferred financing fee amortization recognized in the year.

6. LIQUIDITY AND CAPITAL RESOURCES

6.1 OPERATING ACTIVITIES

Cash flow is generated primarily from film entertainment (the sale of admission tickets and food service sales), media sales and services, amusement gaming and leisure (gaming and food service sales) and other revenues. Generally, this provides Cineplex with positive working capital, since 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 ended March 31, 2016 and 2015 (in thousands of dollars):

Cash flows used in operating activities	**First Quarter**		
	2016	**2015**	**Change**
Net income	$ 21,455	$ 10,527	$ 10,928
Adjustments to reconcile net income to net cash used in operating activities:			
Non-cash amortization amounts (i)	23,110	20,472	2,638
Loss on disposal of assets	506	317	189
Deferred income taxes	1,348	(22)	1,370
Interest rate swap agreements - non-cash interest	262	71	191
Non-cash Share-based compensation	419	412	7
Accretion of convertible debentures	526	493	33
Net change in interests in joint ventures	(1,526)	(908)	(618)
Tenant inducements	231	757	(526)
Changes in operating assets and liabilities	(69,632)	(48,577)	(21,055)
Net cash used in operating activities	**$ (23,301)**	**$ (16,458)**	**$ (6,843)**

(i) Includes amortization of property, equipment and leaseholds and intangible assets, amortization of tenant inducements and rent averaging liabilities, and accretion of debt issuance and other non-cash interest costs.

First Quarter

Cash used in operating activities increased $6.8 million in the first quarter of 2016 compared to the prior year period primarily due to the impact of the timing of the settlement of liabilities more than offsetting the impact of the $10.9 million increase in net income in the period.

6.2 INVESTING ACTIVITIES

The following table highlights the movements in cash used in investing activities for the three months ended March 31, 2016 and 2015 (in thousands of dollars):

Cash flows used in investing activities	**First Quarter**		
	2016	**2015**	**Change**
Proceeds from sale of assets	$ 108	$ 108	$ —
Purchases of property, equipment and leaseholds	(28,957)	(26,919)	(2,038)
Acquisition of businesses, net of cash acquired	(407)	(484)	77
Intangible assets additions	—	(114)	114
Net cash provided by joint ventures	682	427	255
Net cash used in investing activities	**$ (28,574)**	**$ (26,982)**	**$ (1,592)**

First Quarter

Cash used in investing activities during the first quarter of 2016 increased by $1.6 million compared to the prior year period, with the increase primarily due to increased purchases of property, equipment and leaseholds. Components of capital expenditures include (in thousands of dollars):

Capital expenditures	**First Quarter**		
	2016	**2015**	**Change**
Gross capital expenditures	$ 28,957	$ 26,919	$ 2,038
Less: tenant inducements	(231)	(757)	526
Net capital expenditures	$ 28,726	$ 26,162	$ 2,564
Net capital expenditures consists of:			
Growth and acquisition capital expenditures (i)	$ 12,608	$ 10,044	$ 2,564
Tenant inducements	(231)	(757)	526
Media growth capital expenditures	170	4,359	(4,189)
Amusement gaming and leisure growth capital expenditures	2,454	—	2,454
Premium formats (ii)	558	3,335	(2,777)
Maintenance capital expenditures (iii)	3,542	5,012	(1,470)
Other (iv)	9,625	4,169	5,456
	$ 28,726	$ 26,162	$ 2,564

(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 IMAX, UltraAVX and 3D.

(iii) Maintenance capital expenditures include amounts for CSI from October 1, 2015 onwards.

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

Cineplex funds maintenance capital expenditures through internally generated cash flow and cash on hand. Cineplex's Revolving Facility (defined and discussed in Section 6.4, Credit Facilities) is available to fund new theatre capital expenditures.

6.3 FINANCING ACTIVITIES

The following table highlights the movements in cash from financing activities for the three months ended March 31, 2016 and 2015 (in thousands of dollars):

Cash flows provided by financing activities	First Quarter		
	2016	2015	Change
Dividends paid	$ (24,715)	$ (23,635)	$ (1,080)
Borrowings, net	81,210	50,000	31,210
Payments under finance leases	(719)	(650)	(69)
Net cash provided by financing activities	**$ 55,776**	**$ 25,715**	**$ 30,061**

First Quarter

Cash flows provided by financing activities were $55.8 million in the first quarter of 2016, a $30.1 million increase from the the prior year period, with the movement due to increased net borrowings in the current period, partially offset by higher dividend payments.

6.4 CREDIT FACILITIES

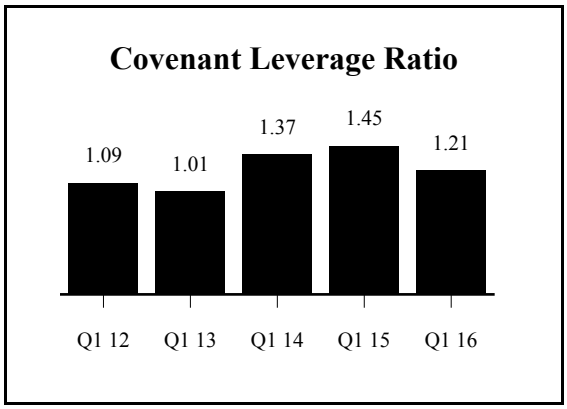
Cineplex and the Partnership entered into certain credit facilities effective October 24, 2013 (the "Credit Facilities"). At March 31, 2016, the Credit Facilities consisted of the following (see Section 15, Subsequent events) (in millions of Canadian dollars):

		Available	Drawn	Reserved	Remaining
(i)	a five-year senior secured revolving credit facility ("Revolving Facility")	$ 250.0	$ 155.0	$ 6.2	$ 88.8
(ii)	a five-year senior secured non-revolving term facility ("Term Facility")	$ 150.0	$ 150.0	$ —	$ —
Letters of credit outstanding at March 31, 2016 of $6.2 million are reserved against the Revolving Facility.					

There are provisions to increase the Revolving Facility commitment amount by an additional $150.0 million with the consent of the lenders. The Credit Facilities bear interest at a floating rate based on the Canadian dollar prime rate, or bankers' acceptances rates plus, in each case, an applicable margin to those rates. The facilities mature in October 2018 and are payable in full at maturity, with no scheduled repayment of principal required prior to maturity.

Cineplex's Credit Facilities contain restrictive covenants that limit the discretion of Cineplex's management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of Cineplex to create liens or other encumbrances, to pay dividends or make certain other payments, 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.

One of the key financial covenants in the Credit Facilities is the leverage covenant. As at March 31, 2016, Cineplex's leverage ratio as calculated in accordance with the Credit Facilities definition was 1.21x, as compared to a covenant of 3.50x. The definition of debt in the Credit Facility includes long-term debt (excluding any convertible debentures), financing leases and letters of credit but does not include a reduction for cash on hand. For the purposes of the Credit Facility definition, EBITDA is adjusted for certain non-cash, non-recurring items and the annualized impact of new theatres or acquisitions.



Cineplex believes that the Credit Facilities, and ongoing cash flow from operations, will be sufficient to allow it to meet ongoing requirements for capital expenditures, investments in working capital and dividend payments. However, Cineplex's needs may change and in such event Cineplex's ability to satisfy its obligations will be dependent upon future financial performance, which in turn will be subject to financial, tax, business and other factors, including elements beyond Cineplex's control.

Interest rate swap agreements. Effective August 24, 2011, Cineplex entered into three interest rate swap agreements. Under these agreements, Cineplex pays a fixed rate of 1.715% per annum, plus an applicable margin, and receives a floating rate of interest equal to the three-month Canadian deposit offering rate set quarterly in advance, with net settlements quarterly. These interest rate swap agreements have a term of five years that commenced in August 2011 and have an aggregate notional principal amount of $150.0 million. Based on the leverage ratio covenant at March 31, 2016, Cineplex's effective cost of borrowing on the $150.0 million Term Facility was 3.115% (March 31, 2015 - 3.265%).

During the first quarter of 2014, Cineplex entered into three new interest rate swap agreements which commence at the maturity of the existing interest rate swap agreements for an aggregate notional principal amount of $150.0 million, and mature on October 24, 2018, the same date as the maturity of the Credit Facilities. Under these new agreements, Cineplex pays a fixed rate of 2.62% per annum, plus an applicable margin, and receives a floating rate of interest equal to the three-month Canadian deposit offering rate set quarterly in advance, with net settlements quarterly.

The purpose of the interest rate swap agreements is to act as a cash flow hedge of the floating interest rate payable under the Term Facility. Cineplex considered its hedging relationships and determined that the interest rate swap agreements on its Term Facility qualify for hedge accounting in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*. Under the provisions of IAS 39, the interest rate swap agreements are recorded on the balance sheet at their fair values, with subsequent changes in fair value recorded in either net income or other comprehensive income. Subsequent to the period end, Cineplex entered into an amended and restated credit facility as well as additional interest rate swap agreements - see Section 15, Subsequent events.

6.5 FUTURE OBLIGATIONS

Cineplex has aggregate gross capital commitments of $129.2 million ($104.7 million net of tenant inducements) related to the completion of construction of 13 operating locations, including both theatres and *The Rec Room* locations, over the next four years.

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.

Cineplex is a guarantor under the leases for the remainder of the lease term for certain theatres that it has sold, in the event that the purchaser of each theatre does not fulfill its obligations under the respective lease. 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. Cineplex guarantees certain advertising revenues based on attendance levels for a majority of the theatres disposed to third parties. No amounts have been provided in the consolidated financial statements for guarantees for which Cineplex has not been notified of triggering events.

Cineplex recognized the fair value of contingent consideration relating to its acquisition of EK3 at the date the transaction closed, August 30, 2013. The sale and purchase agreement sets out a process by which the final consideration will be determined and is anticipated to be settled in 2016. Cineplex has measured the liability as at March 31, 2016 based on a weighted average probability of reasonably possible outcomes. Cineplex's best

estimate of the expected value of the deferred consideration is $10.0 million, unchanged from December 31, 2015. The amount is included in accounts payable and accrued liabilities. The sale and purchase agreement includes a maximum contingent consideration payment of $39.5 million. Final settlement of the consideration payable to the vendors may be materially different from the amount accrued.

At March 31, 2016, Cineplex had $107.5 million principal amount of convertible debentures outstanding that have a maturity date of December 31, 2018. At March 31, 2016, the convertible debentures were recorded on Cineplex's balance sheet at $101.2 million. The convertible debentures are being accreted to their maturity value using the effective interest method as prescribed by IAS 39, *Financial Instruments: Recognition and Measurement*. On and after December 31, 2016 and prior to December 31, 2017, Cineplex may, at its option, redeem the debentures in whole or in part from time to time, subject to specified market conditions. On or after December 31, 2017, the convertible 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. Redemptions may be in cash or in the form of Shares, at the option of Cineplex. See Section 8, Share activity, for more information regarding the convertible debentures.

7. ADJUSTED FREE CASH FLOW AND DIVIDENDS (see Section 17, Non-GAAP 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. It is anticipated that Cineplex will pay a monthly dividend, subject to the discretion of the Board, at an annualized rate in the range between 60% and 85% of adjusted free cash flow per Share. 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.

7.1 ADJUSTED FREE CASH FLOW

Cineplex distributes 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 ended March 31, 2016 and 2015:

Adjusted free cash flow	**First Quarter**		
	2016	**2015**	**Change**
Adjusted free cash flow per Share	$ 0.696	$ 0.436	59.6%
Dividends declared per Share	$ 0.390	$ 0.375	4.0%
Payout ratio - twelve months ended March 31	56.5%	60.9%	-4.4%

Adjusted free cash flow per Share for the 2016 period represent a first quarter record, due to the strong exhibition and digital media results in the period as well as the inclusion of 100% of CSI beginning October 1, 2015. Subsequent to the period end, Cineplex announced a monthly dividend increase of 3.8% to $0.135 per Share ($1.62 on an annual basis), effective with the May 2016 dividend which will be paid in June 2016.

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

	First Quarter		
	2016	**2015**	**Change**
Cash flows used in operations	$ (23,301)	$ (16,458)	41.6%
Net income	$ 21,455	$ 10,527	103.8%
Standardized free cash flow	$ (52,150)	$ (43,269)	20.5%
Adjusted free cash flow	$ 43,978	$ 27,477	60.1%
Cash dividends declared	24,721	$ 23,641	4.6%
Average number of Shares outstanding	63,220,133	63,034,270	0.3%

7.2 DIVIDENDS

Subject to the discretion of the Board, dividends are typically declared on a monthly basis to common shareholders of record on the last business day of each month. For the three months ended March 31, 2016 and 2015, Cineplex declared dividends totaling $0.390 per Share and $0.375 per Share, respectively.

The following table outlines the 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 (ii)	$ 0.1050
May 2011	$ 0.1075
May 2012	$ 0.1125
May 2013	$ 0.1200
May 2014	$ 0.1250
May 2015	$ 0.1300
(i) Cineplex Galaxy Income Fund (the "Fund") was formed on November 26, 2003. For the 36 day period from November 26, 2003 to December 31, 2003, the Fund declared a distribution of $0.1118.	
(ii) 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.	

Subsequent to the period end, the Board approved an increase in the monthly dividend to $0.135 per Share ($1.62 on an annual basis), effective with the May 2016 dividend which will be paid in June 2016.

8. SHARE ACTIVITY

Share capital at March 31, 2016 and the transactions during the period is as follows (expressed in thousands of dollars except Share amounts):

	Shares	Amount		
	Number of common shares issued and outstanding	**Common shares**	**Equity component of convertible debentures**	**Total**
Balance - December 31, 2015	63,370,059	$ 853,834	$ 4,471	$ 858,305
Issuance of shares on exercise of options	40,631	326		326
Balance - March 31, 2016	63,410,690	$ 854,160	$ 4,471	$ 858,631

Officers and key employees are eligible to participate in the LTIP. For the three-year service period beginning January 1, 2011, the LTIP awards consist of a "phantom" stock plan awarding base Share equivalents which may decrease by approximately 67% or increase by 100% subject to certain performance and market conditions. The base Share equivalents attract compounding notional dividends at the same rate as outstanding Shares, which are notionally re-invested as additional base Share equivalents. The awards will be settled in cash at the end of the service period, within 30 days of the approval of the annual consolidated financial statements by the Board.

The initial grants of Share equivalents were as follows:

	Base Share equivalents
2016 LTIP award	112,804
2015 LTIP award	114,335
2014 LTIP award	135,602

LTIP costs are estimated at the grant date based on expected performance results, and recognized on a graded basis over the vesting period. The effects of changes in estimates of performance results are recognized in the period of change. Forfeitures are estimated at nil.

Cineplex has an incentive Share option plan for certain employees. The aggregate number of Shares that may be issued under the option plan is limited to 5.3 million Shares. All of the options must be exercised over specified periods not to exceed ten years from the date granted. As of March 31, 2016, 2.0 million Share options were outstanding under the Share option plan. Upon cashless exercise, the Share options exercised in excess of Shares issued are canceled and returned to the pool available for future grants. At March 31, 2016, 2.4 million Share options were available for grant under the plan.

A summary of option activities for the three months ended March 31, 2016 and 2015 is as follows:

	2016			2015		
	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	7.73	1,550,521	$ 38.60	1,776,173	$ 31.37
Granted		501,270	47.86	446,004	49.14
Cancelled		(3,944)	46.74	—	—
Exercised		(96,245)	28.90	(126,991)	29.12
Options outstanding – end of period	8.17	1,951,602	$ 41.44	2,095,186	$ 35.29

During the fourth quarter of 2013, Cineplex issued $107.5 million principal amount of convertible unsecured subordinated debentures, maturing on December 31, 2018 (the "Maturity Date") and bearing interest at a rate of 4.5% per annum, payable semi-annually in arrears on June 30 and December 31 in each year, commencing on December 31, 2013. At the holder's option, the debentures may be converted into Shares at a conversion price of $56 per Share at any time prior to the close of business five days before the earlier of the Maturity Date, the date fixed for redemption by Cineplex, or if called for repurchase in the event of a change in control, the payment date. The debentures are not redeemable by Cineplex prior to December 31, 2016. On and after December 31, 2016 and prior to December 31, 2017, Cineplex may, at its option, redeem the convertible debentures in whole or in part from time to time, subject to the market price of the Shares. On or after December 31, 2017, the convertible 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. Redemptions may be in cash or in the form of Shares, at the option of Cineplex.

9. 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 attendance, affecting theatre exhibition reported results. The seasonality of 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. Cineplex's diversification into other businesses such as digital media and amusement gaming 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 $155.0 million drawn as of March 31, 2016.

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

	2016	2015				2014			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues								
Box office revenues	$ 192,639	$ 196,293	$ 172,571	$ 186,202	$ 156,041	$ 172,460	$ 162,574	$ 181,419
Food service revenues	112,006	113,799	105,464	108,397	90,785	97,778	92,094	98,024
Media revenues	33,058	55,258	34,296	35,020	29,072	46,852	31,992	30,990
Other revenues	41,210	42,022	15,915	15,921	13,887	15,121	12,330	13,063
	378,913	407,372	328,246	345,540	289,785	332,211	298,990	323,496
Expenses								
Film cost	107,386	105,210	91,567	102,155	80,171	88,657	85,499	94,950
Cost of food service	25,314	24,836	22,325	23,921	19,448	21,579	19,848	21,147
Depreciation and amortization	25,005	24,526	22,111	21,802	20,900	19,922	19,665	19,195
Loss on disposal of assets	506	899	987	1,033	317	626	834	1,989
Other costs	189,404	192,378	156,743	155,334	150,934	160,280	146,974	148,977
	347,615	347,849	293,733	304,245	271,770	291,064	272,820	286,258
Income from operations	31,298	59,523	34,513	41,295	18,015	41,147	26,170	37,238
Adjusted EBITDA (i)	57,140	85,163	59,081	65,310	40,248	62,649	48,042	59,430
Net income	$ 21,455	$ 76,805	$ 21,439	$ 25,478	$ 10,527	$ 32,081	$ 15,914	$ 23,205
EPS - basic	$ 0.35	$ 1.22	$ 0.34	$ 0.40	$ 0.17	$ 0.51	$ 0.25	$ 0.37
EPS - diluted (ii)	$ 0.34	$ 1.20	$ 0.34	$ 0.40	$ 0.17	$ 0.51	$ 0.25	$ 0.37
Cash (used in) provided by operating activities	(23,301)	156,346	36,272	54,434	(16,458)	135,425	22,910	40,440
Cash used in investing activities	(28,574)	(37,352)	(37,980)	(22,751)	(26,982)	(18,649)	(33,325)	(22,722)
Cash provided by (used in) financing activities	55,776	(108,227)	2,726	(24,625)	25,715	(91,281)	4,788	(13,578)
Effect of exchange rate differences on cash	(509)	151	77	—	—	—	—	—
Net change in cash	$ 3,392	$ 10,918	$ 1,095	$ 7,058	$ (17,725)	$ 25,495	$ (5,627)	$ 4,140
Box office revenue per patron (i)	$ 9.36	$ 9.63	$ 8.89	$ 9.45	$ 8.90	$ 9.06	$ 9.01	$ 9.40
Concession revenue per patron (i)	$ 5.44	$ 5.58	$ 5.43	$ 5.50	$ 5.18	$ 5.14	$ 5.11	$ 5.08
Attendance (in thousands of patrons) (i)	20,583	20,383	19,407	19,695	17,538	19,037	18,038	19,301
Theatre locations (at period end)	163	162	162	162	161	161	161	162
Theatre screens (at period end)	1,666	1,655	1,652	1,652	1,648	1,639	1,639	1,638

(i) See Section 17, Non-GAAP measures

(ii) Excludes the conversion of convertible debentures as such conversion would be anti-dilutive for all quarters with the exception of the fourth quarter of 2015 where conversion was dilutive.

Summary of adjusted free cash flow by quarter

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

	2016	2015				2014		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Cash (used in) provided by operating activities	$(23,301)	$156,346	$ 36,272	$ 54,434	$(16,458)	$135,425	$ 22,910	$ 40,440
Less: Total capital expenditures net of proceeds on sale of assets	(28,849)	(23,094)	(25,560)	(20,406)	(26,811)	(18,107)	(33,465)	(19,225)
Standardized free cash flow	(52,150)	133,252	10,712	34,028	(43,269)	117,318	(10,555)	21,215
Add/(Less):								
Changes in operating assets and liabilities	69,632	(92,482)	9,280	(7,920)	48,577	(87,666)	20,746	12,106
Changes in operating assets and liabilities of joint ventures	1,126	1,666	(2,135)	1,439	334	1,941	(2,400)	(118)
Tenant inducements	(231)	(811)	—	—	(757)	(818)	(555)	—
Principal component of financing lease obligations	(719)	(690)	(671)	(659)	(650)	(660)	(592)	(595)
Growth capital expenditures and other	25,307	11,041	16,797	12,615	21,799	10,893	27,668	14,281
Share of income of joint ventures, net of non-cash depreciation	48	84	1,436	1,180	1,016	985	1,431	1,041
Non-controlling interests of WGN and BSL	283	131	34	—	—		—	—
Net cash received from CDCP	682	680	407	329	427	547	140	769
Adjusted free cash flow	$ 43,978	$ 52,871	$ 35,860	$ 41,012	$ 27,477	$ 42,540	$ 35,883	$ 48,699
Average number of Shares outstanding	63,220,133	63,204,838	63,086,232	63,073,248	63,034,270	62,995,236	62,987,992	62,966,909
Adjusted free cash flow per Share	$ 0.696	$ 0.837	$ 0.568	$ 0.650	$ 0.436	$ 0.675	$ 0.570	$ 0.773

10. 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 Chief Executive Officer of Riocan Real Estate Investment Trust ("Riocan") serves as a member of the Board. During the three months ended March 31, 2016, Cineplex incurred theatre occupancy expenses for theatres under lease commitments with Riocan in the amount of $11.7 million (2015 - $11.3 million).

11. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTIES

Cineplex makes estimates and assumptions concerning the future that may not equal actual results. These estimates and assumptions are outlined in Section 12 of the Annual MD&A. These estimates and assumptions have not changed materially since December 31, 2015.

12. ACCOUNTING POLICIES

ACCOUNTING STANDARDS ADOPTED IN THE CURRENT PERIOD

International Accounting Standard ("IAS") 1, Presentation of Financial Statements

IAS 1, *Presentation of Financial Statements*, was amended in December 2014 to clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The Amendment was adopted on January 1, 2016, without significant impact on Cineplex's balance sheet and statement of operations.

ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

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:

IFRS 9, Financial Instruments

IFRS 9, *Financial Instruments* ("IFRS 9") was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39") for debt instruments, with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income ("OCI"). Where equity instruments are measured at fair value through OCI, dividends are recognized in profit or loss to the extent not clearly representing a return on investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk in liabilities designed at fair value through profit and loss would generally be recorded in OCI.

The final version of IFRS 9 was issued in July 2014, and includes a third measurement category for financial assets, "fair value through other comprehensive income"; a single, forward-looking "expected loss impairment model"; and a mandatorily effective date for annual periods beginning on or after January 2018. Cineplex is analyzing the new standard to determine its impact on Cineplex's balance sheet and statement of operations.

IFRS 15, Revenue from Contracts with Customers

On May 28, 2014, the IASB issued the final revenue standard, IFRS 15 *Revenue from Contracts with Customers,* which will replace IAS 11 *Construction Contracts,* IAS 18 *Revenue,* IFRIC 13 *Customer Loyalty Programmes,* IFRIC 15 *Agreements for the Construction of Real Estate,* IFRIC 18 *Transfer of Assets from Customers,* and SIC 31 *Revenue - Barter Transactions Involving Advertising Services.* The new standard will be mandatorily effective for fiscal years beginning on or after January 1, 2017, and interim periods within that year. Earlier application is permitted. Cineplex is analyzing the new standard to determine its impact on Cineplex's balance sheet and statement of operations.

IFRS 16, Leases

On January 13, 2016, the IASB issued IFRS 16, *Leases*, which will replace IAS 17, *Leases*. The new standard will be mandatorily effective for fiscal years beginning on or after January 1, 2019. Early application is permitted. Under the new standard, all leases will be on the balance sheet of the lessees, except those that meet limited exception criteria. As Cineplex has significant contractual obligations classified as operating leases under the existing standard there will be a material increase to both assets and liabilities upon adoption of the new standard,

and material changes to the timing of recognition of expenses associated with the lease arrangements. Cineplex is analyzing the new standard to determine its impact on Cineplex's balance sheet and statements of operations.

IAS 12, Income Taxes

IAS 12 was amended to clarify the requirements for recognizing deferred income tax assets on unrealized losses, deferred income taxes where an asset is measured at fair value below the asset's tax base, and certain other aspects of accounting for deferred income tax assets. The amendments are effective on or after January 1, 2017. Cineplex is analyzing the amendments to determine their impact on Cineplex's balance sheet and statement of operations.

13. 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 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. 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".

Customer Risk

Cineplex competes for the leisure time and disposable income of all potential customers. All other forms of entertainment including home and online consumption of content, sporting events, live music concerts, live theatre and restaurants are substantial competitors to the movie-going experience. Cineplex aims to deliver an affordable out of home entertainment experience. 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 attendance and food service revenues.

In response to this risk, Cineplex offers the SCENE loyalty program, which rewards guests for their patronage with the ability to earn and redeem points, receive discounts on food service purchases and with special offers. Additionally, Cineplex monitors customer needs to ensure that the in-theatre experience meets the anticipated needs of key demographic groups. Cineplex is differentiating the movie-going experience by providing UltraAVX auditoriums, D-BOX seating, VIP auditoriums and XSCAPE Entertainment Centres in select theatres and by providing alternative programming which appeals to specific demographic groups. In addition, the advent of 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 theatre upgrades and retrofits, including seating upgrades. 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 attendance may be adversely affected. Cineplex monitors customer satisfaction through surveys, mystery shops 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.

There is the potential for misinformation to be spread virally through social media relating to Cineplex's theatre 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.

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 video on demand ("VoD") and download to own ("DTO") 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.

Film Entertainment and Content Risk

Cineplex's ability to operate successfully depends upon the availability, diversity and appeal of filmed content, the availability, diversity and appeal of 3D product, 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. Cineplex continues to diversify its entertainment offerings to include alternative programming and to move into other sources of revenue such as digital commerce and expanded media 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 or any disruption in the production or release of films, including a strike or threat of a strike, 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 film attendance and adversely affect Cineplex's business and results of operations.

Cineplex box office revenues depend upon movie production and our relationships with film distributors, including a number of major Hollywood and Canadian distributors. In 2015, seven major film distributors accounted for approximately 90% of Cineplex's box office revenues, which is consistent with industry standards. Deterioration in Cineplex's relationships with any of the major film distributors 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. To that end, Cineplex continues to work on diversification of its revenue sources to mitigate the risk of declining quality or volume of content.

Cineplex competes with other consumption platforms, including cable, satellite television, DVDs and Blu-rays, as well as DTO, VoD, subscription video on demand ("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 or DVD is at the discretion of each distributor and day and date release or earlier release windows for these or new alternative channels 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 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 community and monitors potential development sites. Most prime locations in larger markets have been developed such that further development would be generally uneconomical. In addition, the exhibition industry is capital intensive with high operating costs and long-term contractual commitments. Significant construction and real estate costs make it increasingly difficult to develop new sites profitably.

In response to risks to exhibition attendance, Cineplex continues to pursue other revenue opportunities including media in the form of in-theatre and out of home advertising, amusement gaming and leisure, promotions and alternative uses of its theatres during non-peak hours. Amusement gaming and leisure includes the operations of CSI, in-theatre gaming locations, XSCAPE Entertainment Centres, eSports gaming online through WGN and in-theatre at select Cineplex locations, and *The Rec Room*, Cineplex's planned social entertainment destination launching in 2016. Cineplex's ability to achieve its business objectives may depend in part on its ability to successfully increase these revenue streams.

Technology Risk

Technological advances have made it easier to create, transmit and "share" via downloading over the Internet or unauthorized copying, high quality copies of films in 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 theatre 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 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 VoD and DTO 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 VoD, DTO 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 VoD and DTO products could be jeopardized.

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 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.

General Economic Conditions

Entertainment operations compete for guests' entertainment dollars, and as such can be sensitive to 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 attendance has not been negatively affected by economic downturns over the past 25 years. Further, Cineplex continues to innovate and pursue cost savings in order to deliver an affordable out of home entertainment experience.

Amusement Gaming and Leisure Risk

Cineplex's ability to procure new amusement offerings and games can have an impact on revenues from its amusement gaming and leisure businesses. Cineplex's *The Rec Room* is a new and unproven concept in the Canadian marketplace, and as such there is a risk that consumers may not react as favourably to the concept as Cineplex's projections indicate. As part of Cineplex's vertical integration, CSI is the sole supplier of games and amusement offerings for Cineplex's theatres, *The Rec Room* and *Playdium* locations, mitigating supplier risk.

Human Resources Risk

The success of Cineplex depends upon the retention of senior executive management, including the Chief Executive Offer, Ellis Jacob. The loss of services of one or more members of the executive 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.

Cineplex employs approximately 13,000 people, of whom approximately 89% are hourly workers whose compensation is based on the prevailing provincial minimum wages with incremental adjustments as required to match market conditions. Any increase in these minimum wages will increase employee related costs. Approximately 7% 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.

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 in both new and existing markets. The cost to develop a new building is substantial and its success is not assured. While Cineplex is careful 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 locations' chance of success. In addition, the building of 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.

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.

Integration Risk

While Cineplex has successfully integrated businesses acquired in the past, there can be no assurances that all acquisitions, including those completed in 2015, will be successfully integrated or that Cineplex will be able to realize expected operating and economic efficiencies from the acquisitions.

Financial 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 on the Term 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.

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 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 operating risks, Cineplex actively monitors and manages its relationships with its key suppliers.

Health and Safety Risk

Cineplex is subject to risks associated with food safety, 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 theatres. For those risks that it can control, Cineplex has programs in place to mitigate its exposure.

Business Continuity Risk

Cineplex's primary sources of revenues are derived from providing an out of home entertainment experience. A terrorist threat or the outbreak of a pandemic may cause people to stay away from public places including movie theatres and amusement gaming and leisure locations which would significantly impact business results. Cineplex operates in ten provinces 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 national threat, 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.

Legal, Taxation and Accounting Risk

Changes to any of the various federal, provincial and municipal laws, rules and regulations related to Cineplex's business could have a material impact on its financial results. Compliance with any proposed 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.

Cineplex is presently 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, commercial disputes, tax disputes, employment disputes and other contractual matters. Many of these proceedings seek an indeterminate amount of damages. In situations where

management believes that a loss arising from a proceeding is probable and can reasonably be 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.

To mitigate these risks, 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 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. Cineplex also promotes a strong ethical culture through its values and code of conduct.

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 dramatic 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.

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. 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. 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 collects and stores 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 of Cineplex's customers. The secure processing, maintenance and transmission of this information is critical to Cineplex's operations and business strategy. 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 and other disruptions could compromise this information and expose Cineplex to liability, which would cause its business and reputation to suffer. Despite security measures, Cineplex's information technology and infrastructure may be vulnerable to unforeseen attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise Cineplex's 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 Cineplex's operations and the services provided to customers, damage Cineplex's reputation and cause a loss of confidence in Cineplex's products and services, which could adversely affect Cineplex's business, financial condition, results of operations and cash flows. In response to this risk, Cineplex has employees whose role it is to monitor information technology and processes to ensure risk is minimized.

14. CONTROLS AND PROCEDURES

14.1 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.

14.2 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.

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.

15. SUBSEQUENT EVENTS

Subsequent to March 31, 2016, Cineplex increased and extended its Credit Facilities, primarily with the same lenders, to April 26, 2021.

The Credit Facilities consist of the following:

a) a five-year, $400.0 million, senior, secured, revolving, credit facility (the "Revolving Facility"); and
b) a five-year, $150.0 million, senior, secured, non-revolving, credit facility (the "Term Facility").

The Revolving Facility increased $150.0 million, and the Term Facility was unchanged. The financial covenants and nominal variable interest rates of the Credit Facilities are substantially similar to the prior Credit Facilities.

In conjunction with the Credit Facilities, Cineplex entered into interest rate swap agreements with an aggregate principal amount of $200.0 million. Under these interest rate swap agreements, Cineplex pays a fixed rate of interest, and receives a floating rate of interest equal to the three-month Canadian deposit offering rate set quarterly in advance, with net settlements quarterly. Those interest rate swap agreements have a term of five years co-terminus with the Credit Facilities.

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 13, Risks and uncertainties.

FILM ENTERTAINMENT AND CONTENT

Theatre Exhibition

Cineplex reported an all-time quarterly record for attendance in the first quarter of 2016, as well as first quarter records for box office revenues and BPP due to the success of several blockbuster releases during the period as well as the continued strong performance of *Star Wars: The Force Awakens* which opened in the fourth quarter of 2015. Box office revenues are and will remain highly dependent on the marketability, quality and appeal of the film product released by major motion picture studios. Looking forward to the balance of 2016, there is a strong slate of films scheduled for release including *The Jungle Book, Captain America: Civil War, Alice Through the Looking Glass, Finding Dory, Star Trek: Beyond, Suicide Squad, Doctor Strange, Fantastic Beasts and Where to Find Them* and *Rogue One: A Star Wars Story*.

Cineplex continues to focus on providing guests with a variety of premium viewing options through which to enjoy the theatre experience. These premium-priced offerings, which include UltraAVX, VIP Cinemas, IMAX and 3D, generate higher revenues per patron and expand the customer base. Cineplex believes that 3D, UltraAVX, IMAX and VIP formats provide an enhanced guest experience and will continue to charge a ticket price premium for films and events presented in these formats.

In the next few years, Cineplex plans to open two to three new theatres per year while also expanding its premium offerings across the circuit. Cineplex is also focused on providing guests with a variety of premium viewing options through which to enjoy the theatre experience, and will continue to expand premium viewing options throughout its circuit in 2016 and beyond. VIP Cinemas and other premium viewing options are a key component to Cineplex's theatre exhibition strategy, and have been well received by audiences.

Food Service

Cineplex reported record first quarter food service revenues and CPP in the period. Although pricing does impact CPP, Cineplex's core focus is on operational execution, promotions and providing the optimal product mix to provide further growth in this area. As part of this strategy, Cineplex continues to expand its in-house brands *Outtakes, Poptopia* and *YoYo's* (in which Cineplex is a joint venture partner) across the circuit; as well as leveraging digital menu board technologies which provide guests with more interactive messaging during visits to the food service locations.

Alternative Programming

During the first quarter of 2016, Cineplex offered a wide variety of alternative programming, including strong results from international film programming in Cantonese, Punjabi and Hindi, encore performances of the Metropolitan Opera: Live in HD series, an *In the Gallery* presentation, and performances of the Bolshoi Ballet from Moscow and the National Theatre from London. Cineplex also partnered with BBC Canada to present the television program *Sherlock: The Abominable Bride* on the big screen at select theatres across the country. Cineplex continues to look for compelling content to offer as alternative content to attract a wider audience to its locations.

Digital Commerce

As at-home and on-the-go content distribution and consumption continues to grow and evolve, Cineplex believes it is well positioned to take advantage of this market with its digital commerce platform, the Cineplex Store, which offers enhanced device integration as well as download capabilities, supporting thousands of movies that can be rented, purchased or viewed on multiple devices. The Cineplex Store supports the widest range of devices in Canada on which to watch content, and when combined with the continued expansion of SuperTicket and other offerings, provides exciting opportunities for Cineplex in this emerging market.

Cineplex will continue to offer promotions to grow Cineplex Store revenues including tie-ins with the SCENE loyalty program through the new digital delivery platform with an expanded device ecosystem for DTO and VoD sales.

MEDIA

Cineplex Media

Cineplex believes that no other medium engages viewers like the cinema experience: engaged moviegoers, sitting in a darkened theatre, ready to be entertained and fully focused on the screen. Research has shown that cinema media advertising reaches the most sought-after demographics, as well as Canada's high-income households and educated populations. Cineplex Media will continue to leverage its new media opportunities within Cineplex's theatres, including digital poster cases, the IMZs in select theatres, and Timeplay, a third-party app that allows Cineplex to sell media integrated into real-time content with the big screen.

Cineplex Digital Media

Cineplex continues to enhance its media offerings outside of the theatre setting through its Cineplex Digital Media business, which is poised for growth in 2016 and beyond with new clients that will have hardware installations and recurring revenues including A&W and DQ. Cineplex Digital Media will continue to explore opportunities within the United States, in order to better service its current base of US customers and to expand its presence there. Cineplex believes that the strengths of Cineplex Digital Media will make Cineplex a leader in the indoor digital signage industry and provide a platform for significant growth throughout North America.

AMUSEMENT GAMING AND LEISURE

Cineplex Starburst Inc.

The acquisition of CSI in 2015 has allowed Cineplex to complete the vertical integration of its gaming business. CSI now supplies and services all of the games in Cineplex's circuit, while also supplying equipment to third-party arcades, amusement centers, bowling alleys, amusement parks and theatre circuits, in addition to owning and operating *Playdium*, a family entertainment centre located in Mississauga, Ontario. During the first quarter of 2016, CSI acquired the 20% of BSL that it did not already own, and now owns 100% of one of North America's largest distributors of amusement games and vending machines.

CSI will further leverage its vertical integration in 2016 as CSI sources and maintains the amusement gaming equipment for *The Rec Room* locations.

The Rec Room

During 2015, Cineplex announced its plans for *The Rec Room*, a social entertainment destination featuring a wide range of entertainment options including an attractions area featuring simulation, redemption and recreational gaming, an auditorium-style live entertainment venue and a theatre-sized high definition screen for watching a wide range of entertainment. This entertainment will be complemented by an upscale casual dining restaurant, featuring an open kitchen and contemporary menu, as well as a centre bar with a wide range of digital monitors and a large screen above the bar for watching the big game or other major events The first *The Rec*

Room location is scheduled to open in Edmonton, Alberta, in summer 2016, with subsequent locations announced in Calgary, Alberta and at the historic John Street Roundhouse across from the CN Tower in downtown Toronto, Ontario, both scheduled to open in 2017.

eSports

Cineplex and WGN have created a community that connects live online gaming with unique in-theatre tournament experiences held in Cineplex theatres across the country. The first National Championship final was held in the first quarter of 2016 at the Scotiabank Toronto theatre, featuring the game *Call of Duty: Black Ops III*. The next tournament features the game *Street Fighter V* and will have the National Championship final take place in the second quarter of 2016.

LOYALTY

The SCENE loyalty program continues to grow its membership base, with approximately 7.5 million members at March 31, 2016. Cineplex continues to integrate SCENE elements into various film and other promotion campaigns, applying the data accumulated in the SCENE database to provide members targeted offers. Cineplex expects these programs to encourage increased frequency of visitation by SCENE members and additional revenue opportunities through the use of the database.

As SCENE looks to continue to grow its membership and reach, it has entered into strategic marketing partnerships with sports and active lifestyle retailer SportChek and its exclusive restaurant partner CARA Operations Limited. These partnerships extend the benefits of SCENE by enabling members to earn and redeem points for products available at more than 180 SportChek locations across Canada and at more than 800 CARA restaurants across Canada.

FINANCIAL OUTLOOK

During the twelve months ended March 31, 2016, Cineplex generated adjusted free cash flow per Share of $2.751, compared to $2.454 in the prior 12 month period. Cineplex declared dividends per Share of $1.555 and $1.495, respectively, in each 12 month period. The payout ratios for these periods were approximately 56.5% and 60.9% , respectively.

Subsequent to the period end, Cineplex announced a dividend increase to $1.62 per Share on an annual basis from the current $1.56 per Share. This increase will be effective with the May 2016 dividend which will be paid in June 2016. This increase represents Cineplex's sixth dividend increase since converting to a corporation on January 1, 2011.

Also subsequent to the period end, Cineplex announced an increase and extension in its Credit Facilities. Under Cineplex's Credit Facilities, which now mature in April 2021, Cineplex has a $150.0 million Term Facility and a $400.0 million Revolving Facility which is available to finance acquisitions, new construction, media growth projects, working capital and dividends. As defined under the Credit Facilities, as at March 31, 2016, Cineplex reported a leverage ratio of 1.21x as compared to a covenant of 3.50x.

Between the free cash flow generated in excess of the dividends paid and amounts available under its Credit Facilities, Cineplex believes that it has sufficient financial resources to meet its ongoing requirements for capital expenditures, investments in working capital and dividends. However, Cineplex's needs may change and in such event Cineplex's ability to satisfy its obligations will be dependent upon future financial performance, which in turn will be subject to financial, tax, business and other factors, including elements beyond Cineplex's control.

17. NON-GAAP MEASURES

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.

17.1 EBITDA AND ADJUSTED EBITDA

Management defines EBITDA as earnings before interest income and expense, income taxes and amortization expense. Adjusted EBITDA excludes the loss on disposal of assets, the equity income of CDCP , the non-controlling interests' share of EBITDA of WGN and BSL, and depreciation, amortization, interest and taxes of Cineplex's other joint ventures. Cineplex's management uses adjusted EBITDA to evaluate performance primarily because of the significant effect certain unusual or non-recurring charges and other items have on EBITDA from period to period. EBITDA, adjusted for various unusual items, is also used to define certain financial covenants in Cineplex's Credit Facilities. Management calculates adjusted EBITDA margin by dividing adjusted EBITDA by total revenues.

EBITDA and adjusted EBITDA 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 and adjusted EBITDA may differ from similar calculations as reported by other entities and accordingly may not be comparable to EBITDA or adjusted EBITDA as reported by other entities.

The following represents management's calculation of EBITDA and adjusted EBITDA (expressed in thousands of dollars):

	Three months ended March 31,	
	2016	**2015**
Net income	**$ 21,455**	**$ 10,527**
Depreciation and amortization	25,005	20,900
Interest expense	4,826	5,710
Interest income	(67)	(47)
Current income tax expense	4,136	2,421
Deferred income tax expense (recovery)	1,348	(22)
EBITDA	**$ 56,703**	**$ 39,489**
Loss on disposal of assets	506	317
CDCP equity income (i)	(375)	(129)
Non-controlling interest EBITDA of WGN and BSL	283	—
Depreciation and amortization - joint ventures (ii)	10	498
Joint venture taxes and interest (ii)	13	73
Adjusted EBITDA	**$ 57,140**	**$ 40,248**

(i) CDCP equity 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).

17.2 ADJUSTED FREE CASH FLOW

Free cash flow measures the amount of cash from operating activities net of capital expenditures available for activities such as repayment of debt, dividends to owners, and investments in future growth through acquisitions. 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 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.

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):

	Three months ended March 31,	
	2016	**2015**
Cash used in operating activities	$ (23,301)	$ (16,458)
Less: Total capital expenditures net of proceeds on sale of assets	(28,849)	(26,811)
Standardized free cash flow	(52,150)	(43,269)
Add/(Less):		
Changes in operating assets and liabilities (i)	69,632	48,577
Changes in operating assets and liabilities of joint ventures (i)	1,126	334
Tenant inducements (ii)	(231)	(757)
Principal component of finance lease obligations	(719)	(650)
Growth capital expenditures and other (iii)	25,307	21,799
Share of income of joint ventures, net of non-cash depreciation (iv)	48	1,016
Non-controlling interests of WGN and BSL	283	—
Net cash received from CDCP (iv)	682	427
Adjusted free cash flow	**$ 43,978**	**$ 27,477**
Average number of Shares outstanding	63,220,133	63,034,270
Adjusted free cash flow per Share	**$ 0.696**	**$ 0.436**
Dividends declared	**$ 0.390**	**$ 0.375**

(i) Changes in operating assets and liabilities are not considered a source or use of adjusted free cash flow.

(ii) Tenant inducements received are for the purpose of funding new theatre capital expenditures and are not considered a source of adjusted free cash flow.

(iii) 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 in Section 6.4, Credit Facilities) is available to Cineplex to fund Board approved projects.

(iv) 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.

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):

	Three months ended March 31,	
	2016	**2015**
Net income	$ 21,455	$ 10,527
Adjust for:		
Depreciation and amortization	25,005	20,900
Loss on disposal of assets	506	317
Non-cash interest (i)	871	1,837
Share of income of CDCP (ii)	(375)	(129)
Non-controlling interests of WGN and BSL	283	—
Non-cash depreciation of joint ventures	10	498
Deferred income tax expense	1,348	(22)
Joint venture interest and taxes	13	73
Maintenance capital expenditures	(3,542)	(5,012)
Principal component of finance lease obligations	(719)	(650)
Net cash received from CDCP (ii)	682	427
Non-cash items:		
Amortization of tenant inducements, rent averaging liabilities and fair value lease contract assets	(1,978)	(1,701)
Non-cash Share-based compensation	419	412
Adjusted free cash flow	**$ 43,978**	**$ 27,477**

(i) Non-cash interest includes amortization of deferred financing costs on 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 OTHER NON-GAAP MEASURES MONITORED BY MANAGEMENT

Management uses the following non-GAAP measures as indicators of performance for Cineplex.

Per Patron Revenue Metrics

Cineplex reviews per patron metrics as they relate to box office revenue and concession 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:

Attendance: 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 attendance for the period.
BPP excluding premium priced product: Calculated as total box office revenues for the period, less box office revenues from 3D, UltraAVX, VIP and IMAX product; divided by total paid attendance for the period, less paid attendance for 3D, UltraAVX, VIP and IMAX product.
CPP: Calculated as total food service revenues divided by total paid attendance for the period.
Premium priced product: Defined as 3D, UltraAVX, IMAX and VIP film product.
Concession margin per patron: Calculated as total food service revenues less total food service cost, divided by attendance for the period.

Same Store Analysis

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

Same store metrics are calculated by removing the results for all theatres that have been opened, acquired, closed or otherwise disposed of during the periods. For the three months ended March 31, 2016, the impact of the four locations that have been opened or acquired and the two locations that have been closed or otherwise disposed of have been excluded, resulting in 159 theatres being included in the same store 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.
Concession cost percentage: Calculated as total food service costs divided by total food service revenues for the period.

Cineplex Inc.

Interim Condensed Consolidated Balance Sheets
(Unaudited)

(expressed in thousands of Canadian dollars)

	March 31, 2016	December 31, 2015
Assets		
Current assets		
Cash and cash equivalents	$ 39,105	$ 35,713
Trade and other receivables	69,030	121,398
Income taxes receivable	3,360	—
Inventories	20,597	19,691
Prepaid expenses and other current assets	13,926	10,025
	146,018	186,827
Non-current assets		
Property, equipment and leaseholds	530,399	533,192
Deferred income taxes	5,400	6,517
Interests in joint ventures	36,132	35,288
Intangible assets	127,584	132,140
Goodwill	807,953	807,953
	$ 1,653,486	$ 1,701,917

Business acquisitions (note 3)

Subsequent events (note 10)

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

(expressed in thousands of Canadian dollars)

	March 31, 2016	December 31, 2015
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 150,282	$ 209,657
Share-based compensation (note 4)	7,644	9,742
Dividends payable	8,243	8,238
Income taxes payable	2,211	30,464
Deferred revenue	128,440	159,568
Current debt	3,701	3,737
Finance lease obligations	3,011	2,957
Fair value of interest rate swap agreements	1,621	1,414
	305,153	425,777
Non-current liabilities		
Share-based compensation (note 4)	15,548	18,907
Long-term debt	303,487	222,340
Fair value of interest rate swap agreements	4,023	4,188
Finance lease obligations	11,278	12,052
Post-employment benefit obligations	7,225	7,296
Other liabilities	130,924	131,874
Deferred income taxes	6,579	6,283
Convertible debentures	101,230	100,703
	580,294	503,643
Total liabilities	885,447	929,420
Equity		
Share capital (note 5)	858,631	858,305
Deficit	(89,111)	(86,296)
Hedging reserves and other	(4,764)	(4,979)
Contributed surplus	(398)	(491)
Cumulative translation adjustment	(294)	934
Total equity attributable to owners of Cineplex	764,064	767,473
Non-controlling interests (note 3)	3,975	5,024
Total equity	768,039	772,497
	$ 1,653,486	$ 1,701,917

Approved by the Board of Directors

"Phyllis Yaffe" — Director

"Robert Steacy" — Director

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Operations
(Unaudited)
For the three months ended March 31, 2016 and 2015

(expressed in thousands of Canadian dollars, except per share amounts)

	2016	2015
Revenues		
Box office	$ 192,639	$ 156,041
Food service	112,006	90,785
Media	33,058	29,072
Other	41,210	13,887
	378,913	289,785
Expenses		
Film cost	107,386	80,171
Cost of food service	25,314	19,448
Depreciation and amortization	25,005	20,900
Loss on disposal of assets	506	317
Other costs (note 6)	189,404	150,934
Share of income of joint ventures	(400)	(574)
Interest expense	4,826	5,710
Interest income	(67)	(47)
	351,974	276,859
Income before income taxes	26,939	12,926
Provision for (recovery of) income taxes		
Current	4,136	2,421
Deferred	1,348	(22)
	5,484	2,399
Net income	$ 21,455	$ 10,527
Attributable to:		
Owners of Cineplex	$ 21,906	$ 10,527
Non-controlling interests	(451)	—
Net income	$ 21,455	$ 10,527
Basic net income per share attributable to owners of Cineplex (note 7)	$ 0.35	$ 0.17
Diluted net income per share attributable to owners of Cineplex (note 7)	$ 0.34	$ 0.17

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Comprehensive Income
(Unaudited)
For the three months ended March 31, 2016 and 2015

(expressed in thousands of Canadian dollars)

	2016	2015
Net income	$ 21,455	$ 10,527
Other comprehensive (loss)		
Items that will be reclassified subsequently to net income:		
Income (loss) on hedging instruments	280	(2,922)
Associated deferred income taxes (expense) recovery	(65)	768
Foreign currency translation adjustment	(1,490)	—
Other comprehensive (loss)	(1,275)	(2,154)
Comprehensive income	$ 20,180	$ 8,373
Attributable to:		
Owners of Cineplex	$ 20,893	$ 8,373
Non-controlling interests	(713)	—
Comprehensive income	$ 20,180	$ 8,373

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Changes in Equity
(Unaudited)
For the three months ended March 31, 2016 and 2015

(expressed in thousands of Canadian dollars)

	Share capital (note 5)	Contributed surplus	Hedging reserves and other	Cumulative translation adjustment	Deficit	Non-controlling interests	Total
Balance - January 1, 2016	$858,305	$ (491)	$ (4,979)	$ 934	$ (86,296)	$ 5,024	$ 772,497
Net income	—	—	—	—	21,906	(451)	21,455
Other comprehensive (loss) (page 4)	—	—	215	(1,228)	—	(262)	(1,275)
Total comprehensive income	**—**	**—**	**215**	**(1,228)**	**21,906**	**(713)**	**20,180**
Dividends declared	—	—	—	—	(24,721)	—	(24,721)
Share option expense	—	419	—	—	—	—	419
Issuance of shares on exercise of options	326	(326)	—	—	—	—	—
CSI non-controlling interests acquired (note 3 a)	—	—	—	—	—	(336)	(336)
Balance - March 31, 2016	$858,631	$ (398)	$ (4,764)	$ (294)	$ (89,111)	$ 3,975	$ 768,039
Balance - January 1, 2015	$854,073	$ 4,952	$ (3,405)	$ —	$(123,771)	$ —	$ 731,849
Net income	—	—	—	—	10,527	—	10,527
Other comprehensive (loss) (page 4)	—	—	(2,154)	—	—	—	(2,154)
Total comprehensive income	**—**	**—**	**(2,154)**	**—**	**10,527**	**—**	**8,373**
Dividends declared	—	—	—	—	(23,641)	—	(23,641)
Share option expense	—	412	—	—	—	—	412
Issuance of shares on exercise of options	386	(386)	—	—	—	—	—
Balance - March 31, 2015	$854,459	$ 4,978	$ (5,559)	$ —	$(136,885)	$ —	$ 716,993

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Cash Flows
(Unaudited)
For the three months ended March 31, 2016 and 2015

(expressed in thousands of Canadian dollars)	2016	2015
Cash provided by (used in)		
Operating activities		
Net income	$ 21,455	$ 10,527
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization of property, equipment and leaseholds, and intangible assets	25,005	20,900
Amortization of tenant inducements, rent averaging liabilities and fair value lease contract liabilities	(1,978)	(1,701)
Accretion of debt issuance costs and other non-cash interest	83	1,273
Loss on disposal of assets	506	317
Deferred income taxes	1,348	(22)
Interest rate swap agreements - non-cash interest	262	71
Non-cash share-based compensation	419	412
Accretion of convertible debentures	526	493
Net change in interests in joint ventures	(1,526)	(908)
Tenant inducements	231	757
Changes in operating assets and liabilities (note 8)	(69,632)	(48,577)
Net cash used in operating activities	(23,301)	(16,458)
Investing activities		
Proceeds from sale of assets	108	108
Purchases of property, equipment and leaseholds	(28,957)	(26,919)
Acquisition of businesses, net of cash acquired (note 3)	(407)	(484)
Intangible assets additions	—	(114)
Net cash received from CDCP	682	427
Net cash used in investing activities	(28,574)	(26,982)
Financing activities		
Dividends paid	(24,715)	(23,635)
Borrowings under credit facilities, net	81,210	50,000
Payments under finance leases	(719)	(650)
Net cash provided by financing activities	55,776	25,715
Effect of exchange rate differences on cash	(509)	—
Increase (decrease) in cash and cash equivalents	3,392	(17,725)
Cash and cash equivalents - Beginning of period	35,713	34,367
Cash and cash equivalents - End of period	$ 39,105	$ 16,642
Supplemental information		
Cash paid for interest	$ 2,568	$ 2,477
Cash paid for income taxes	$ 35,748	$ 9,110

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

(expressed in thousands of Canadian dollars, except per share amounts)

1. General information

Cineplex Inc. ("Cineplex") an Ontario, Canada corporation, is Canada's largest film exhibition organization, with theatres in ten provinces. Cineplex operates primarily through its wholly owned subsidiaries, Cineplex Entertainment Limited Partnership (the "Partnership"), Famous Players Limited Partnership ("Famous Players"), Galaxy Entertainment Inc. ("GEI"), Cineplex Digital Media Inc. ("CDM"), Cineplex Digital Networks Inc. ("CDN"), Cineplex Starburst Inc. ("CSI"), and its majority-owned subsidiary, WorldGaming Network LP ("WGN"). Cineplex is headquartered at 1303 Yonge Street, Toronto, Ontario, M4T 2Y9.

The Board of Directors approved these consolidated financial statements on May 2, 2016.

2. Basis of presentation and accounting standards changes

Basis of preparation and measurement

Cineplex prepares its unaudited interim condensed consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), defined as International Financial Reporting Standards ("IFRS") as set out in the CPA Canada Handbook. The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying Cineplex's accounting policies. These unaudited interim condensed consolidated financial statements are presented in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The disclosures contained in these unaudited interim condensed consolidated financial statements do not contain all requirements of Canadian GAAP for annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2015. These unaudited interim condensed consolidated financial statements follow the same accounting policies and methods of application as the audited financial statements for the year ended December 31, 2015.

Accounting standards adopted in the current year

IAS 1, Presentation of Financial Statements, was amended in December 2014 to clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The Amendment was adopted on January 1, 2016, without significant impact on Cineplex's balance sheet and statement of operations.

Accounting standards issued but not yet applied

IFRS 9, Financial Instruments ("IFRS 9"), was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in International Accounting Standard ("IAS") 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through OCI. Where equity instruments are measured at fair value through OCI, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in AOCI indefinitely.

(expressed in thousands of Canadian dollars, except per share amounts)

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instrument: Recognition and Measurement ("IAS 39"), except that fair value changes due to credit risk for liabilities designated at fair value through profit or loss are generally recorded in OCI.

The final version of IFRS 9 was issued in July 2014, and includes a third measurement category for financial assets, "fair value through other comprehensive income"; a single, forward-looking "expected loss impairment model"; and a mandatory effective date for annual periods beginning on or after January 1, 2018. Cineplex is analyzing the new standard to determine its impact on Cineplex's balance sheet and statement of operations.

On May 28, 2014, the IASB issued the final revenue standard, IFRS 15 Revenue from Contracts with Customers, which will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue - Barter Transactions Involving Advertising Services. The new standard will be mandatorily effective for fiscal years beginning on or after January 1, 2018, and interim periods within that year. Earlier application is permitted. Cineplex is analyzing the new standard to determine its impact on Cineplex's balance sheet and statement of operations.

On January 13, 2016, the IASB issued IFRS 16, Leases, which will replace IAS 17, Leases. The new standard will be mandatorily effective for fiscal years beginning on or after January 1, 2019. Earlier application is permitted. Under the new standard, all leases will be on the balance sheet of lessees, except those that meet limited exception criteria. As Cineplex has significant contractual obligations in the form of operating leases under the existing standard, there will be a material increase to both assets and liabilities upon adoption of the new standard, and material changes to the timing of recognition of expenses associated with the lease arrangements. Cineplex is analyzing the new standard to determine its impact on Cineplex's balance sheet and statement of operations.

IAS 12 was amended to clarify the requirements for recognizing deferred income tax assets on unrealized losses, deferred income taxes where an asset is measured at fair value below the asset's tax base, and certain other aspects of accounting for deferred income tax assets. The amendments are effective on or after January 1, 2017. Cineplex is analyzing the amendments to determine their impact on Cineplex's balance sheet and statement of operations.

3. Business acquisitions

a) Cineplex Starburst Inc. - acquisition of non-controlling interests

On October 1, 2015, Cineplex acquired the 50% of the issued and outstanding equity of Cineplex Starburst Inc. ("CSI") that Cineplex did not already own, for $21,422 cash, resulting in Cineplex owning 100% of the issued and outstanding equity of CSI. Cineplex began consolidating CSI's financial results from the acquisition date. Immaterial transaction costs were expensed as incurred.

Cineplex previously equity-accounted for its interest in CSI. At the acquisition date, Cineplex recognized 100% of identifiable net assets of CSI. Cineplex's existing interest was remeasured at fair value at the acquisition date, resulting in a gain on equity interest of $7,447 recognized in the statement of operations.

Cineplex recognized $6,618 of goodwill relating primarily to its pre-existing gaming arrangements with CSI. The goodwill is not deductible for tax purposes.

(expressed in thousands of Canadian dollars, except per share amounts)

On March 1, 2016, Cineplex acquired the equity held by non-controlling interests in a subsidiary of CSI for $407 cash, recognizing an immaterial loss included in loss on disposal of assets on the statements of operations.

b) EK3 Technologies Inc. ("EK3")

Cineplex recognized the fair value of contingent consideration relating to its acquisition of EK3 at the date the transaction closed, August 30, 2013. The sale and purchase agreement sets out a process by which the final consideration will be determined and is anticipated to be settled in 2016. Cineplex has measured the liability as at March 31, 2016 based on a weighted average probability of reasonably possible outcomes. Cineplex's best estimate of the expected value of the deferred consideration is $10,000, unchanged from December 31, 2015. The amount is included in accounts payable and accrued liabilities. The sale and purchase agreement includes a maximum contingent consideration payment of $39,500. Final settlement of the consideration payable to the vendors may be materially different from the amount accrued.

4. Share-based compensation

Option plan

Cineplex recorded $419 employee benefits expense with respect to share options during the three months ended March 31, 2016, respectively (2015 - $412).

Cineplex granted options in 2016 and 2015 as follows:

		2016		2015
Number of options granted		501,270		446,004
Share price	$	47.86	$	49.14
Exercise price	$	47.86	$	49.14
Expected option life (years)		4.0		4.0
Volatility		15%		16%
Dividend yield		3.26%		3.05%
Annual risk-free rate		0.82%		1.24%
Fair value of options granted	$	3.36	$	4.39

Upon cashless exercises, the options exercised in excess of shares issued are cancelled and returned to the pool available for future grants. At March 31, 2016, 2,369,373 options are available for grant.

(expressed in thousands of Canadian dollars, except per share amounts)

A summary of option activities in 2016 and 2015 is as follows:

		2016		2015	
	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	7.73	1,550,521	$ 38.60	1,776,173	$ 31.37
Granted		501,270	47.86	446,004	49.14
Cancelled		(3,944)	46.74	—	—
Exercised		(96,245)	28.90	(126,991)	29.12
Options outstanding, March 31	8.17	1,951,602	$ 41.44	2,095,186	$ 35.29

Long-term incentive plan ("LTIP")

For the three-year service period beginning on January 1, 2016, the LTIP award consists of a "phantom" stock plan, awarding 112,804 share equivalents (2015 - 114,335), which, subject to certain performance and market conditions, may decrease approximately 67% or increase by 100%. The base share equivalents attract compounding notional dividends at the same rate as outstanding common shares, which are notionally reinvested as additional base share equivalents. The awards will be settled in cash at the end of service periods, within 30 days of the approval of the annual consolidated financial statements by the Board of Directors.

LTIP costs are estimated at the grant date based on expected performance results then accrued and recognized on a graded basis over the vesting period. The effects of changes in estimates of performance results are recognized in the year of change. Forfeitures are estimated at $nil. Cineplex recognized compensation costs of $2,840 under the LTIP for the three months ended March 31, 2016, (2015 - $3,266). At March 31, 2016, $10,697 (2015 - $9,603) was included in share-based compensation liability.

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 three months ended March 31, 2016, Cineplex recognized $813 of compensation costs associated with the deferred equity units (2015 - $1,117). At March 31, 2016, $12,495 (2015 - $11,152) was included in share-based compensation liability.

(expressed in thousands of Canadian dollars, except per share amounts)

5. Share capital

Cineplex is authorized to issue an unlimited number of common shares, and 10,000,000 preferred shares of which none are outstanding. Share capital at March 31, 2016 and 2015 and transactions during the years are as follows:

2016				Amount
	Number of common shares issued and outstanding	Common shares	Equity component of convertible debentures	Total
Balance - December 31, 2015	63,370,059	$ 853,834	$ 4,471	$ 858,305
Issuance of shares on exercise of options	40,631	326	—	326
Balance - March 31, 2016	63,410,690	$ 854,160	$ 4,471	$ 858,631

2015				Amount
	Number of common shares issued and outstanding	Common shares	Equity component of convertible debentures	Total
Balance - December 31, 2014	63,015,023	$ 849,602	$ 4,471	$ 854,073
Issuance of shares on exercise of options	52,241	386	—	386
Balance - March 31, 2015	63,067,264	$ 849,988	$ 4,471	$ 854,459

(expressed in thousands of Canadian dollars, except per share amounts)

6. Other costs

	Three months ended March 31,	
	2016	**2015**
Employee salaries and benefits	$ 67,563	$ 55,495
Rent	35,733	34,320
Realty and occupancy taxes and maintenance fees	18,047	16,812
Utilities	7,962	7,717
Purchased services	14,272	11,535
Other inventories consumed	13,721	3,102
Venue revenue share	3,785	—
Repairs and maintenance	6,377	4,618
Office and operating supplies	3,703	3,359
Licences and franchise fees	2,997	2,241
Insurance	933	796
Advertising and promotion	6,981	4,918
Professional and consulting fees	1,981	1,240
Telecommunications and data	1,343	1,331
Bad debts	217	336
Equipment rental	761	789
Other costs	3,028	2,325
	$ 189,404	$ 150,934

7. Net income per share

Basic

Basic earnings per share ("EPS") is calculated by dividing the net income by the weighted average number of shares outstanding during the period.

	2016	**2015**
Net income attributable to owners of Cineplex	$ 21,906	$ 10,527
Weighted average number of shares outstanding	63,220,133	63,034,270
Basic EPS	$ 0.35	$ 0.17

Diluted

Diluted EPS is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. Cineplex has several categories of dilutive potential shares. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the outstanding shares for the period), based on the monetary value of the rights attached to the potentially dilutive shares. The number of shares calculated above is compared with the number of shares that would have been issued assuming exercise of conversions, exchanges or options.

(expressed in thousands of Canadian dollars, except per share amounts)

	2016	2015
Net income attributable to shareholders of Cineplex	$ 21,906	$ 10,527
Weighted average number of shares outstanding	63,220,133	63,034,270
Adjustments for stock options	292,810	550,395
Weighted average number of shares for diluted EPS	63,512,943	63,584,665
Diluted EPS	$ 0.34	$ 0.17

8. Changes in operating assets and liabilities

The following summarizes the changes in operating assets and liabilities:

	2016	2015
Trade and other receivables	$ 53,699	$ 47,608
Inventories	(825)	293
Prepaid expenses and other current assets	(4,009)	(3,984)
Accounts payable and accrued liabilities	(49,028)	(51,982)
Income taxes payable	(31,613)	(6,944)
Deferred revenue	(31,128)	(31,008)
Post-employment benefit obligations	(71)	(75)
Share-based compensation	(6,111)	(1,867)
Other liabilities	(546)	(618)
	$ (69,632)	$ (48,577)
Non-cash investing activities:		
Property, equipment and leasehold purchases financed through accounts payable and accrued liabilities	$ 10,727	$ 15,549

9. Segment information

Cineplex has two reportable segments, Exhibition and Media. The reportable segments are business units offering differing products and services, and managed separately due to their distinct natures. These two reportable segments have been determined by Cineplex's chief operating decision makers.

Exhibition
The Exhibition reporting segment includes all direct and ancillary revenues from theatre attendance, including box office and food service revenues, and the associated costs to provide those products and services, including substantially all head office costs. Also included in the Exhibition segment are amusement gaming, theatre rentals and digital commerce rental and sales, and associated costs.

(expressed in thousands of Canadian dollars, except per share amounts)

Media

The Media reporting segment is comprised of the aggregation of two operating segments, Cineplex Media and Cineplex Digital Media. Cineplex Media consists of all in-theatre advertising revenues and costs, including pre-show, showtime, magazine and lobby advertising. Cineplex Digital Media is comprised of revenues and costs associated with the design, installation and operations of digital signage networks, along with advertising on certain networks. Aggregation of these operating segments is based on the segments having similar economic characteristics. There are substantially no inter-segment transactions. The Exhibition reporting segment does not charge an access fee to the Media reporting segment, and no overhead is allocated to the Media reporting segment.

In accordance with IFRS 8, Operating Segments, Cineplex discloses information about its reportable segments based upon the measures used by management in assessing the performance of those reportable segments. Cineplex uses EBITDA to measure the performance of its reportable segments. Management defines EBITDA as earnings before interest income and expense, income taxes and amortization expense. EBITDA is a non-GAAP measure generally used as an indicator of financial performance and should not be seen as a measure of liquidity or a substitute for comparable metrics prepared in accordance with Canadian GAAP. Cineplex's EBITDA may differ from similar calculations as reported by other entities and accordingly may not be comparable to EBITDA as reported by other entities.

	Three months ended March 31, 2016			Three months ended March 31, 2015		
	Exhibition	Media	Consolidated	Exhibition	Media	Consolidated
Revenues	$ 345,855	$ 33,058	$ 378,913	$ 260,713	$ 29,072	$ 289,785
EBITDA (i)	39,383	17,320	56,703	23,427	16,062	39,489
Depreciation and amortization	22,765	2,240	25,005	18,687	2,213	20,900
Interest expense			4,826			5,710
Interest income			(67)			(47)
Income taxes expense			5,484			2,399
Net income			$ 21,455			$ 10,527

(i) The Exhibition reporting segment does not charge an access fee to the Media reporting segment for in-theatre advertising.

Cineplex's cash management and other treasury functions are centralized; interest expense and income are not allocated to segments.

Income taxes are accounted for by entity, and cannot be attributable to individual segments.

Cineplex does not report balance sheet information by segment because that information is not used to evaluate the performance or allocate resources between segments.

(expressed in thousands of Canadian dollars, except per share amounts)

10. Subsequent events

Subsequent to March 31, 2016, Cineplex increased and extended its bank credit facilities (the "Credit Facilities"), primarily with the same lenders, to April 26, 2021.

The Credit Facilities consist of the following:

a) a five-year, $400,000, senior, secured, revolving, (the "Revolving Facility"); and
b) a five-year, $150,000, senior, secured, non-revolving, credit facility, (the "Term Facility").

The Revolving Facility increased $150,000, and the Term Facility was unchanged. The financial covenants and nominal variable interest rates of the Credit Facilities are substantially similar to the prior Credit Facilities.

In conjunction with the Credit Facilities, Cineplex entered into interest rate swap agreements with an aggregate principal amount of $200,000. Under these interest rate swap agreements, Cineplex pays a fixed rate , and receives a floating rate of interest equal to the three-month Canadian deposit offering rate set quarterly in advance, with net settlements quarterly. Those interest rate swap agreements have a term of five years co-terminus with the Credit Facilities.