CINEPLEX

2021

FIRST QUARTER

March 31, 2021

LETTER TO SHAREHOLDERS

Dear fellow shareholders,

Cineplex is a resilient organization, and we remain confident in our financial position and business recovery plans, despite the pandemic lasting much longer than anyone originally estimated. Throughout this time, we focused on the measures within our control and laid the groundwork for our strong recovery and success over the long-term. We further solidified our financial position, continued to control costs and manage cash flow, and prepared the team to capitalize on the pent-up demand for social experiences as restrictions lift.

Building on our continued response to the pandemic, in the first quarter, we remained prudent in managing costs and reported an average monthly cash burn of $26.9 million and net CAPEX of $5.1 million for Q1 2021. This was a result of continued cost controls and wage subsidies, primarily under the Canada Emergency Wage Subsidy , as well as rent abatements and government occupancy subsidies. With the expanding impact of the third wave of COVID-19, we continue to work with our landlord partners to obtain further relief, including lease-related abatements and other opportunities to extract value under our existing lease agreements.

Key liquidity events during the quarter included the receipt of $57 million from the completed sale-leaseback of our Head Office in Toronto and $250 million from the issuance of Second Lien Secured Notes. The high-yield offering was significantly oversubscribed by interested investors and a testament to the market’s faith in our business and the strength of our recovery. In addition, tax refunds of $5 million were received and $58 million are anticipated over the coming months. Further, we obtained extended relief from certain financial covenants under our Credit Facilities, which will continue through the fourth quarter of 2021.

Cineplex will make it through this tough time. The team has done an outstanding job focusing on what we can control. We fortified the financial position of our company, secured the money we need to see us through, and developed the ‘gold standard’ in health and safety protocols to safely welcome back our guests. The key liquidity actions I mentioned above, combined with our ongoing focus on minimizing cash burn, provide the runway needed to see us through to the other side.

Everyone is craving those shared, social experiences that have been restricted for so long. We can’t wait to get back to doing what we do best – entertaining Canadians and providing our guests with a safe escape from the ‘every day.’ Encouraged by the progress of the nationwide vaccine roll-out and the anticipated recovery of our other businesses, we will continue to take all necessary actions to ensure Cineplex is well positioned for success coming out of this pandemic.

Sincerely,

Ellis Jacob
President and CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 5, 2021

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 (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, 2021 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 15, 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. Forward-looking statements also include, statements pertaining to:

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

The COVID-19 pandemic has had an unprecedented impact on Cineplex, along with the rest of the movie exhibition industry and other industries in which Cineplex operates, including material decreases in revenues, results of operations and cash flows. The situation continues to evolve and the social and economic effects are widespread. As an entertainment and media company that operates spaces where guests gather in close proximity, Cineplex's business has been significantly impacted by the actions taken to control the spread of COVID-19. These actions include, among other things, the temporary closure of theatres and LBE venues, the introduction of social distancing measures and restrictions including those on capacity. There is limited visibility on when these restrictions will be lifted in many of the markets in which Cineplex operates and how quickly guests will return to Cineplex's locations once its operations resume due to prolonged safety concerns and adverse economic conditions. Cineplex is actively monitoring the situation and is adapting its business strategies as the impact of the COVID-19 pandemic evolves.

By their very nature, forward-looking statements involve inherent risks and uncertainties, including those described in Cineplex's Annual Information Form ("AIF"), and MD&A for the year ended December 31, 2020 ("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, the duration and impact of the COVID-19 pandemic on Cineplex, the movie exhibition industry and the economy in general, as well as Cineplex's response to the COVID-19 pandemic as it relates to the closure of its theatres and LBE venues, employee reductions and other cost-cutting initiatives, and increased expenses relating to safety measures taken at its facilities to protect the health and well-being of customers and employees; Cineplex's expectations with respect to liquidity and capital expenditures, including its ability to meet its ongoing capital, operating and other obligations, and anticipated needs for, and sources of, funds; Cineplex's ability to execute cost-cutting and revenue enhancement *initiatives in response to the COVID-19 pandemic; risks generally encountered in the relevant industry, competition, customer, legal, taxation and accounting matters; the outcome of any litigation surrounding the termination of the Cineworld Transaction (described below); and diversion of management time on litigation related to the Cineworld Transaction.*

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

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

1. OVERVIEW OF CINEPLEX

Cineplex is a top-tier Canadian brand that operates in the film entertainment and content, amusement and leisure, and media sectors. As a leading entertainment and media company, Cineplex welcomes millions of guests annually through its circuit of theatres and LBE venues across the country. In addition to being Canada's largest and most innovative film exhibitor, Cineplex also operates businesses in digital commerce (Cineplex Store), food service, alternative programming (Cineplex Events), cinema media (Cineplex Media), digital place-based media (Cineplex Digital Media "CDM") and amusement solutions (Player One Amusement Group "P1AG"). Additionally, Cineplex operates an LBE business through Canada's destinations for 'Eats & Entertainment' (*The Rec Room*), and entertainment complexes specifically designed for teens and families (*Playdium*). Cineplex is a joint venture partner 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, 2021, Cineplex owned, leased or had a joint venture interest in 1,657 screens in 161 theatres from coast to coast as well as 11 LBE venues in five provinces.

Cineplex
Theatre locations and screens at March 31, 2021

Province	Locations	Screens	3D Digital Screens	UltraAVX	IMAX Screens (i)	VIP Auditoriums	D-BOX Auditoriums	Recliner Auditoriums	Other Screens (ii)
Ontario	68	730	358	41	13	48	48	108	10
Quebec	17	220	88	10	3	4	7	12	—
British Columbia	24	231	125	16	3	15	16	39	1
Alberta	19	208	112	20	2	11	16	78	6
Nova Scotia	12	91	44	1	1	—	2	—	1
Saskatchewan	6	54	28	3	1	3	3	16	1
Manitoba	5	49	26	1	1	3	2	—	—
New Brunswick	5	41	20	2	—	—	2	—	—
Newfoundland & Labrador	3	20	9	—	1	—	1	—	—
Prince Edward Island	2	13	6	—	—	—	1	—	—
TOTALS	**161**	**1,657**	**816**	**94**	**25**	**84**	**98**	**253**	**19**
Percentage of screens			49 %	6 %	2 %	5 %	6 %	15 %	1 %

(i) All IMAX screens are 3D enabled. Total 3D screens including IMAX screens are 841 screens or 51% of the circuit.

(ii) Other screens includes 4DX, *Cineplex Clubhouse* and ScreenX.

Cineplex - Theatres, screens, and premium offerings in the last eight quarters	2021	2020				2019		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Theatres	161	162	164	164	164	165	165	165
Screens	1,657	1,667	1,687	1,687	1,687	1,693	1,695	1,695
3D Digital Screens	816	819	826	826	826	826	827	826
UltraAVX Screens	94	94	94	94	94	94	93	93
IMAX Screens	25	25	25	25	25	25	25	25
VIP Auditoriums	84	84	84	84	84	84	79	79
D-BOX Auditoriums	98	98	99	99	99	97	92	92
Recliner Auditoriums	253	253	221	221	221	213	182	182
Other Screens	19	19	19	19	19	17	5	4

Cineplex - LBE at March 31, 2021

Province	*The Rec Room*	*Playdium*
Ontario	3	2
Alberta	3	—
Manitoba	1	—
Newfoundland & Labrador	1	—
Nova Scotia	—	1
TOTALS	**8**	**3**

1.1 RECENT DEVELOPMENTS

COVID-19 business impacts, risks and liquidity

In early 2020, the outbreak of COVID-19 was confirmed in multiple countries throughout the world and on March 11, 2020, it was declared a global pandemic by the World Health Organization ("WHO"). In response, Cineplex immediately introduced enhanced cleaning protocols and reduced theatre capacities to promote social distancing. By mid-March, each of Canada's provinces and territories had declared a state of emergency resulting in, among other things, the mandated closure of non-essential businesses, restrictions on public gatherings and quarantining of people who may have been exposed to the virus.

On March 16, 2020, Cineplex announced the temporary closure of all of its theatres and LBE venues across Canada, as well as substantially all route locations operated by P1AG. In response to the ongoing government directives and guidance from Canadian public health authorities, the majority of Cineplex's theatre circuit and LBE venues across Canada were closed or operating under stringent restrictions for the duration of 2020, continuing into 2021. The reopening of such locations will be reassessed as further guidance is provided by Canadian public health authorities and applicable government authorities. During the first quarter of 2021, Cineplex continued its negotiations with landlords, realizing material reductions in rent payments for both the current period and future periods.

In Canada, most provinces have adopted a phased approach to reopening businesses. The following table reflects the current status of reopening to the date of this MD&A. The reopening plans are subject to change from time to time.

Province	Theatres	Restaurants
British Columbia	All cinemas closed as of November 24, 2020.	Indoor dining closed as of March 29, 2021.
Alberta	All cinemas closed as of December 31, 2020.	All indoor dining closed as of December 13, 2020.
Saskatchewan	Cinemas open at 30 per auditorium.	Restaurants open.
Manitoba	All cinemas closed as of November 12, 2020.	Indoor seated dining is limited to individuals residing in the same residence. Outdoor dining restricted to four people.
Ontario	Cinemas closes in accordance with stay-at-home order as of April 6, 2021. Stay at home order extended to May 20, 2021.	Indoor dining closed in accordance with stay-at-home order as of April 6, 2021. Stay at home order extended to May 20, 2021.
Quebec	Cinemas open in select regions up to 250 persons per auditorium.	Indoor dining open, subject to regional restrictions, as of March 8, 2021.
New Brunswick	Most regions now open at 50% of maximum occupant load, with 50 per auditorium in regions bordering Quebec.	Restaurants open.
Nova Scotia	Theatre closures scheduled to expire on May 20, 2021.	Indoor dining and events prohibited.
Prince Edward Island	Cinemas open at 200 per building, no more than 50 per auditorium.	Indoor dining permitted with a limit of up to 50 patrons.
Newfoundland	Cinemas open up to 100 persons per auditorium.	Permitted since June 8, 2020. Indoor dining open at 50% capacity.

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

Liquidity measures:

- June 2020: entered into the First Credit Agreement Amendment with The Bank of Nova Scotia as administrative agent to Cineplex's seventh amended and restated credit agreement (Credit Facilities) providing certain financial covenant relief in light of the COVID-19 pandemic and its impact on Cineplex's business (Section 6.4, Long-term debt);

- July 2020: issued convertible unsecured subordinated debentures for net proceeds of $303.3 million, (Section 6.4, Long-term debt);
- November 2020: entered into the Second Credit Agreement Amendment providing further financial covenant relief (Section 6.4, Long-term debt);
- December 2020: entered into an agreement to enhance and expand the SCENE Scotiabank Loyalty program receiving $60.0 million with respect to the reorganization.
- January 2021: completed the sale and leaseback transaction of Cineplex's head office buildings located at 1303 Yonge Street and 1257 Yonge Street, Toronto, Ontario for gross proceeds of $57.0 million;
- January 2021: filed tax returns for the 2020 taxation year claiming a $62.6 million recovery of income taxes paid in prior periods ($4.7 million received by March 31, 2021);
- February 2021: entered into the Third Credit Agreement Amendment providing further financial covenant relief (Section 6.4, Long-term debt); and
- February 2021: issued 7.50% senior secured second lien notes due February 26, 2026 (the "Notes Payable") for net proceeds of $243.3 million (Section 6.4 Long-term debt).

Cost reduction and subsidy measures undertaken upon the declaration of the pandemic and on an ongoing basis:

- temporary layoffs of all part-time and full-time hourly employees as well as a number of full-time employees who chose a temporary layoff rather than a salary reduction during the second quarter of 2020;
- reduced full-time employee salaries by agreement with such employees during the second and third quarters of 2020;
- suspended or deferred current capital spending, reviewing all capital projects to consider either deferral or cancellation;
- reduced non-essential discretionary operational expenditures (such as spending on marketing, travel and entertainment);
- implemented a more stringent review and approval process for all outgoing procurement and payment requests;
- continued negotiations with landlords for rent relief, including abatements and converting fixed rent to variable rent depending on attendance, until attendance returns to previous levels;
- worked with major suppliers and other business partners to modify the timing and quantum of certain contractual payments;
- reviewed and applied for government subsidy programs where available, including municipal and provincial property tax and energy rebates or subsidies;
- applied for the ongoing Canada Emergency Wage Subsidy ("CEWS") made available by the Government of Canada since March 2020;
- applied for the ongoing Canada Emergency Rent Subsidy ("CERS"), which was launched by the Government of Canada as a result of government mandated lockdowns, providing a variable subsidy for rent and other occupancy-related costs incurred from September 27, 2020 through June 2021;
- continued evaluation of Cineplex's eligibility under other relief programs; and
- continued the suspension of dividends.

In addition to cost savings associated with the temporary layoffs of its employees, reductions in salaries and other mitigation efforts, Cineplex has suspended or deferred certain capital spending and plans to reduce purchases of property, plant and equipment (net of tenant inducements) to approximately $50.0 million for the next 12 months. Cineplex continues to focus on revenue-driving opportunities including the expansion of Cineplex Store offerings and food home delivery from theatres and LBE venues.

The COVID-19 pandemic has had a material negative effect on all aspects of Cineplex's businesses resulting in material decreases in revenues, results of operations and cash flows. In the last 12 months since the shutdown on March 15, 2020, Cineplex has experienced a total net cash burn of approximately $258.5 million or on average $21.5 million per month, as a result of having to close its theatres and LBE venues (Section 15, Non-GAAP measures). When used in this MD&A, net cash burn is calculated as adjusted EBITDAaL (Section 15, Non-GAAP measures) less cash interest (excluding amounts with respect to lease obligations), provision for income taxes and net capital expenditures.

As some of Cineplex's largest expenses, such as film cost and cost of food services, are fully variable, during the closure of its theatres and LBE venues Cineplex focused on reducing its largest fixed and semi-fixed expenses, including those attributed to theatre payroll and theatre occupancy. As a result of the measures described above and below, including receipt of assistance under the CEWS, Cineplex was able to materially reduce theatre payroll expenses from $31.4 million reported in the first quarter of 2020 to approximately $3.6 million in the first quarter of 2021. During the first quarter of 2021, Cineplex recorded approximately $14.8 million in wage subsidies, primarily under the CEWS program, of which $6.1 million was used to offset theatre payroll costs. In addition, Cineplex was able to further reduce operating expenses as a result of rent subsidies of $7.0 million, realty tax subsidies of $4.8 million and utilities subsidies of $1.6 million that were recognized during the period. With respect to theatre occupancy expenses, Cineplex has continued to work with its landlord partners subsequent to the lockdowns to obtain relief measures, which has resulted in significantly reduced cash rent being paid in 2020 and 2021. Including the sale of certain restrictive lease rights to landlords undertaken in the third quarter of 2020, Cineplex was able to materially reduce net cash lease outflows on an annual basis by $72.5 million in 2020. Ongoing discussions with landlords resulted in $11.5 million of additional savings in occupancy costs during the first quarter of 2021. With the expanding impact of the third wave of COVID-19 due to more transmissible variants, Cineplex continues to work with landlord partners to obtain further relief. This includes remaining focused on identifying opportunities for lease-related abatements during the closure period, converting fixed components of rent to variable rent during the reopening period and pursuing other opportunities to extract value under its existing lease agreements.

Since the closure of its theatres and LBE venues in March 2020, Cineplex diligently prepared for their safe reopening, with the health and well-being of its employees and guests being its top priority. Cineplex carefully re-examined all of its buildings and processes, so that when its theatres and LBE venues reopened, it had implemented an industry-leading program with end-to-end health and safety protocols.

Some of the measures implemented on reopening included:

- launching reserved seating in all auditoriums across Canada; seating options are automatically blocked off to ensure proper distance in every direction between guests;
- reducing capacity in all auditoriums to allow for physical distancing in accordance with government regulations;
- enhancing cleaning practices throughout our facilities, with particular focus on high-contact surfaces, restrooms and seats;
- accepting debit and credit payments only, with the exception of gift card purchases;
- limiting food offerings in theatres;
- ensuring employees have the personal protective equipment they need and as required by evolving provincial regulations; and
- making hand sanitizer readily available for guests and employees throughout the buildings.

Although restrictions on social gatherings were temporarily lifted in many of the markets in which Cineplex operated over the summer and into the fall of 2020, social gathering restrictions were reinstituted in the late fall and winter with the increased number of COVID-19 cases and the onset of the third wave in the latter half of the first quarter of 2021, involving more transmissible variants. This has resulted in ongoing mandatory lockdown measures which have resulted in prolonged mandatory closures and operating restrictions on the theatre and LBE businesses. Due to the uncertainty of the timing of the reductions of many government-imposed restrictions and the potential long-term effects that the COVID-19 pandemic may have on the exhibition and amusement and leisure businesses, COVID-19 may have a prolonged material negative impact on Cineplex's operations.

In addition to the ongoing closures, some previously expected theatrical releases have instead been redirected to streaming services or adjusted their release date. The impact of the reduction of new releases as a result of these postponements in combination with the ongoing restrictions on the reopening of Cineplex's businesses, has and continues to negatively impact the timing of Cineplex's return to profitability.

Canada has begun its inoculation process, starting with front line workers and high-risk individuals. However, the supply and roll-out of approved vaccines in Canada has been inconsistent to date and there can be no assurance that vaccines will be widely available or distributed as currently anticipated, which would delay a return to normalcy. When compared to other major markets such as the United States, Canada's vaccination process lags which will further prolong the reopening of theatres and LBE businesses resulting in negative implications on business operations.

With the unknown duration of the pandemic and yet to be determined timing of the phased complete reopening of Cineplex's businesses, as well as consumers' future risk tolerance regarding health matters, it is not possible to know the impact of the pandemic on future results. However, Cineplex is optimistic that the exhibition and amusement and leisure industries will recover over time. Cineplex believes consumer demand for the theatrical experience combined with a backlog of anticipated releases of strong film content will help drive visitation, and that LBE activities will increase as people seek out-of-home experiences they have been restricted from enjoying for the past year. The release of the highly anticipated *Godzilla vs. Kong* generated strong business in the United States, and globally since its release making it the most successful film to release since the pandemic started in March 2020. Despite simultaneously playing on streaming platforms, the success of *Godzilla vs. Kong* during the pandemic provides optimism for the movie exhibition industry. Japan had its biggest box office weekend in the country's history during the fourth quarter of 2020 with the exhibition of *Demon Slayer: Mugen Train.* China set box office records during the quarter with February marking an all-time record for the biggest month of movie ticket sales of US $1.7 billion while operating under capacity restrictions. Australian cinemas have also performed strongly during the quarter.

Management continues to pursue all viable options to maintain adequate liquidity to fund operations for the currently anticipated duration of the pandemic. This includes but is not limited to asset sales such as Cineplex's head office buildings in Toronto which was completed during the period, issuance of Notes Payable (Section 6.4, Long-term debt) and amendments to existing credit facilities (Section 6.4, Long-term debt). The proceeds received were primarily used to repay Cineplex's existing credit facilities and fund continuing operations.

As at March 31, 2021, Cineplex had a cash balance of $19.5 million and $258.7 million available under its Revolving Facility subject to the liquidity covenants set forth in the Credit Facilities as amended (Section 6.4, Long-term debt). Cineplex also expects to recover income taxes paid in prior periods of $62.6 million of which $4.7 million has been received as of March 31, 2021. Combined with the continued focus on reducing costs and capital expenditures, management believes that it has adequate liquidity to fund operations for the currently anticipated duration of the pandemic in the regions that Cineplex operates in.

Cineworld Transaction

On December 15, 2019, Cineplex entered into an arrangement agreement (the "Arrangement Agreement") with Cineworld Group, plc ("Cineworld"), pursuant to which an indirect wholly-owned subsidiary of Cineworld agreed to acquire all of the issued and outstanding common shares of Cineplex ("Shares") for $34 per share in cash (the "Cineworld Transaction"). The Cineworld Transaction was to be implemented by way of a statutory plan of arrangement under the *Business Corporation Act* (Ontario).

On June 12, 2020, Cineworld delivered a notice (the "Termination Notice") to Cineplex purporting to terminate the Arrangement Agreement. In the Termination Notice, Cineworld alleged that Cineplex took certain actions that constituted breaches of Cineplex's covenants under the Arrangement Agreement including failing to operate its business in the ordinary course. In addition, Cineworld alleged that a material adverse effect had occurred with respect to Cineplex. Cineworld's repudiation of the Arrangement Agreement has been acknowledged by Cineplex and the Cineworld Transaction will not proceed. Cineplex vigorously denies Cineworld's allegations. The Arrangement Agreement explicitly excludes any "outbreaks of illness or other acts of God" from the definition of material adverse effect and all of Cineworld's allegations stem from an outbreak of illness and act of God (COVID-19). Cineplex believes that Cineworld had no legal basis to terminate the Arrangement Agreement and that Cineworld breached the Arrangement Agreement and its other contractual obligations because, among other failures, it did not use reasonable best efforts to obtain approval under the *Investment Canada Act* as soon as reasonably practicable ("ICA Approval"). If Cineworld had complied with its obligation to obtain ICA Approval, Cineplex believes the ICA Approval would have been obtained and the Cineworld Transaction would have closed well before the outside date for completion in the Arrangement Agreement. No amounts are due to be paid by Cineplex as a result of the Termination Notice and no amounts have been accrued in the financial statements with respect to the Termination Notice.

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

Cineplex claims that Cineworld breached its contractual obligations and its duty of good faith and honesty in contractual performance. Cineworld purports to rely upon alleged adverse impacts of COVID-19 on Cineplex’s business to terminate the Arrangement Agreement, which it is not entitled to do. The contractual agreements between the parties expressly exclude outbreaks of illness, such as the COVID-19 pandemic, as a circumstance entitling Cineworld to terminate the Arrangement Agreement. Without any legal right to avoid its contractual obligations, Cineworld intentionally chose to breach its obligations, including its obligation to obtain ICA Approval.

On July 6, 2020, Cineworld announced that it would defend Cineplex’s claim, and on September 2, 2020, filed its Statement of Defence and Counterclaim in which it denied Cineplex’s claims and advanced a counterclaim seeking reimbursement of an unspecified amount for costs incurred with respect to the transaction and an unspecified amount for punitive damages. Cineplex responded to Cineworld’s defence and counterclaim on September 15, 2020, denying all claims levied by Cineworld. On February 23, 2021, Cineworld amended its Statement of Defence and Counterclaim to add additional allegations that Cineplex had breached the Arrangement Agreement. Cineplex delivered an Amended Reply and Defence to Counterclaim on March 9, 2021 denying all of Cineworld’s additional allegations. The parties are currently engaged in the discovery process.

While a trial date has been set for September 2021, due to uncertainties inherent in litigation, it is not possible for Cineplex to predict the timing or final outcome of the legal proceedings against Cineworld or to determine the amount of damages, if any, that may be awarded. Further, even if Cineplex’s action against Cineworld is successful, Cineworld may not have the ability to pay the full amount of any damages awarded.

1.2 FINANCIAL HIGHLIGHTS

Financial highlights (in thousands of dollars, except theatre attendance in thousands of patrons and per Share and per patron amounts)	First Quarter 2021	2020	Change (i)
Total revenues (ii)	$ 41,412	$ 282,801	-85.4%
Theatre attendance	415	10,710	-96.1%
Net loss from continuing operations (iii)	$ (89,688)	$ (174,155)	-48.5%
Net loss from discontinued operations	$ —	$ (4,259)	-100.0%
Net loss (iii)	$ (89,688)	$ (178,414)	-49.7%
Box office revenues per patron ("BPP") (iv)	$ 9.20	$ 10.36	-11.2%
Concession revenues per patron ("CPP") (iv)	$ 6.12	$ 6.79	-9.9%
Adjusted EBITDA (iv)	$ (30,105)	$ 46,472	NM
Adjusted EBITDAaL (iii) (iv)	$ (62,090)	$ 2,390	NM
Adjusted EBITDAaL margin (iii) (iv)	-149.9%	0.8%	-150.7%
Adjusted free cash flow (iv)	$ (78,785)	$ (207)	NM
Adjusted free cash flow per Share (iv)	$ (1.244)	$ (0.003)	NM
Earnings per Share ("EPS") from continuing operations - basic and diluted (iii)	$ (1.42)	$ (2.75)	-48.4%
EPS from discontinued operations - basic and diluted	$ —	$ (0.07)	NM
EPS - basic and diluted (iii)	$ (1.42)	$ (2.82)	-49.6%

(i) Throughout this MD&A, changes in percentage amounts are calculated as 2021 value less 2020 value.
(ii) All amounts are from continuing operations.
(iii) 2021 includes expenses related to the Cineworld Transaction in the amount of $2.4 million (2020 - $1.3 million).
(iv) See Section 15, Non-GAAP measures.

On March 16, 2020, Cineplex announced the temporary closure of all of its theatres and LBE venues across Canada, as well as substantially all route locations operated by P1AG. In response to the ongoing government directives and guidance from Canadian public health authorities, the majority of Cineplex's theatre circuit and LBE venues across Canada were closed or operating under stringent restrictions for the duration of 2020, continuing into 2021. The COVID-19 pandemic has had a material negative effect on all aspects of Cineplex's businesses resulting in material decreases in revenues, results of operations and cash flows. Total revenues for the first quarter of 2021 decreased 85.4%, or $241.4 million as compared to the prior year period during which Cineplex's operations were open until early March. Theatre closures led to a 10.3 million or 96.1% decrease in theatre attendance resulting in the significantly lower box office, and theatre food service and all ancillary theatre revenues. Food delivery revenues of $3.8 million provided the majority of food service revenues in the quarter. With most media revenue generating venues including theatres, retail and digital out of home locations closed, media revenues of $9.1 million were primarily from digital place-based media revenues specifically from network management, creative services and media hardware sales. The majority of amusement revenues of $13.9 million were from route operations and equipment sales primarily in the United States as states have begun removing restrictions and reopening venues. While efforts to reduce costs are ongoing, including negotiations with landlords and savings realized under government subsidy programs, the negative impact of the closures on the business resulting from COVID-19 resulted in adjusted EBITDAaL decreasing $64.5 million to a loss of $62.1 million as compared to the prior year and adjusted free cash flow per Share decreased $1.241 to $(1.244) per Share.

1.3 KEY DEVELOPMENTS IN THE FIRST QUARTER OF 2021

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

FILM ENTERTAINMENT AND CONTENT

Theatre Exhibition

- During the first quarter, a majority of Cineplex's theatres remained closed or under strict operating restrictions resulting in a 96.1% decrease in theatre attendance. As a result, Cineplex reported box office revenues of $3.8 million.
- BPP was $9.20, a decrease of $1.16 (11.2%) compared to the prior period BPP of $10.36.

Theatre Food Service

- Mandatory closures of theatres and strict operating restrictions on theatres negatively impacted theatre food service revenues in the quarter. Cineplex continued to focus on food home delivery services and reported $3.8 million of food delivery revenues in the quarter.
- CPP was $6.12, a decrease of $0.67 (9.9%) compared to the prior period CPP of $6.79, partially as a result of concession restrictions in select regions in Quebec.

Alternative Programming

- Alternative Programming continued with classic films and other repertory film programming during this period. With the limited reopening of Quebec theatres, Cineplex released *100% Wolf* in theatres across the province.

Digital Commerce

- Total registered users for Cineplex Store increased 33% from the prior year period, reaching 2.0 million registered users.

MEDIA

- Media revenues continued to be negatively impacted by the mandatory closures of theatres, retail and digital out of home locations, resulting in a decline in advertising revenue. During the quarter, media revenues were primarily driven by digital place-based media revenues specifically from network management, creative services and media hardware sales.
- A long-term arrangement with Torstar Corporation was announced whereby Torstar will acquire publishing and exclusive theatre distribution rights of *Cineplex Magazine.* Torstar will continue both print and digital publications of the magazine under the brand *Star Cineplex.*

AMUSEMENT AND LEISURE

Amusement Solutions

- P1AG's revenues for the period were primarily earned through route operations including Family Entertainment Centres ("FEC") locations and equipment sales, primarily in the United States which commenced limited reopenings during the quarter.

Location Based Entertainment

- During the quarter, a majority of Cineplex's LBE venues were closed due to government mandated lockdown measures and enforced operating restrictions resulting in a material negative impact on revenue during the quarter.
- Cineplex opened the third location of *Playdium* in Dartmouth, on February 26, 2021 to strong results.

LOYALTY

- Membership in the SCENE loyalty program remained flat during the period ended March 31, 2021.

CORPORATE

- During the quarter, Cineplex completed a sale and leaseback transaction for its head office buildings located at 1303 Yonge Street and 1257 Yonge Street, Toronto, Ontario for gross proceeds of $57.0 million. Fifty percent of the net proceeds were used to permanently reduce the amount outstanding under Cineplex's Credit Facilities.
- On February 8, 2021, Cineplex and Cineplex Entertainment Limited Partnership entered into the Third Credit Agreement Amendment with The Bank of Nova Scotia providing Cineplex with certain financial covenant relief in light of the COVID-19 pandemic and its effects on Cineplex's business (Section 6.4 Long-term debt).
- On February 26, 2021, Cineplex completed the $250.0 million Notes Payable offering. Cineplex used the net proceeds raised in part to permanently repay $100.0 million of its Credit Facilities. The Notes Payable bear interest at a rate of 7.50% per annum and mature on February 26, 2026 (Section 6.4 Long-term debt).

2. CINEPLEX'S BUSINESS AND STRATEGY

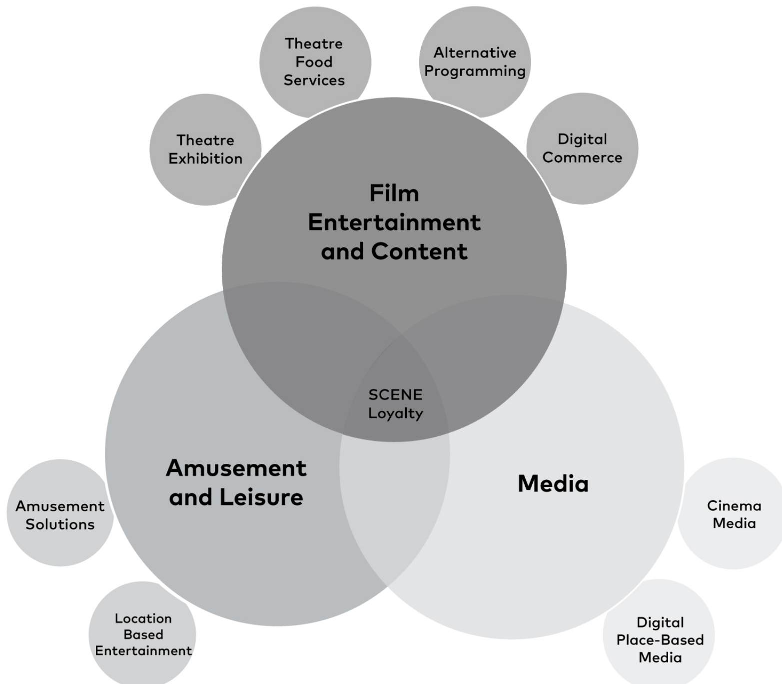
Cineplex's mission statement is "Passionately delivering exceptional experiences." All of its efforts are focused towards this mission and it is Cineplex's goal to consistently provide guests and customers with exceptional experiences.

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

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

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

Diversified Entertainment and Media Company



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

While box office revenues (which include alternative programming) typically account for the largest portion of Cineplex's revenues, expanded theatre food service offerings, cinema media, digital place-based media, amusement 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 and leisure businesses.

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

3. OVERVIEW OF OPERATIONS

Revenues

Cineplex generates revenues primarily from box office and food service sales. These revenues are affected primarily by theatre attendance levels and by changes in BPP and CPP. Due to the closures as a result of the COVID-19 pandemic, revenues were materially negatively impacted during 2021. The following table presents the revenue mix for the comparative year:

Revenue mix % by period	Q1 2021	Q1 2020	Q1 2019	Q1 2018	Q1 2017
Box office	**9.2 %**	39.3 %	42.9 %	46.6 %	49.7 %
Food service	**15.8 %**	28.1 %	28.3 %	30.0 %	29.0 %
Media	**21.9 %**	11.4 %	9.5 %	8.0 %	8.3 %
Amusement	**33.5 %**	16.7 %	16.0 %	12.8 %	10.5 %
Other	**19.6 %**	4.5 %	3.3 %	2.6 %	2.5 %
Total	**100.0 %**	100.0 %	100.0 %	100.0 %	100.0 %

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

Segment revenue mix % by period	First Quarter	
	2021	2020
Film Entertainment and Content	44.7 %	70.1 %
Media	21.4 %	11.2 %
Amusement and Leisure	30.3 %	12.4 %
Location-Based Entertainment	3.6 %	6.3 %
Total	100.0 %	100.0 %

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

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

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

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

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

Cineplex generates other revenues from the Cineplex Store, promotional activities, screenings, private parties, corporate events, breakage on gift card sales and revenues from 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. There can be significant variances in film cost percentage between quarters due to, among other things, the concentration of box office revenues amongst the top films in the period with stronger performing films having a higher film cost percentage.

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

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

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

(Gain) loss on disposal of assets represents the (gain) 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, percentage rent, property related taxes, business related taxes and insurance and exclude cash rent.

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

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

Accounting for Joint Arrangements

The financial statements incorporate the operating results of joint arrangements in which Cineplex has an interest using either the equity accounting method (for joint ventures and associates) or recognizing Cineplex's share of the assets, liabilities, revenues and expenses in Cineplex's consolidated results (for joint operations), 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"), 50% interest in *YoYo's Yogurt Cafe* ("YoYo's") are classified as joint ventures or associates. Through equity accounting, Cineplex's share of the results of operations for these joint ventures and associates are reported as a single item in the statements of operations, 'Share of income of joint ventures and associates'. Theatre attendance for the IMAX auditorium held in a joint venture is not reported in Cineplex's consolidated theatre attendance as the line-by-line results of the joint venture are not included in the relevant lines in the statement of operations.

In the fourth quarter of 2020, Cineplex announced that it had entered into an agreement with Scotiabank to enhance and expand the SCENE loyalty program. Cineplex received $60.0 million with respect to the agreement to reorganize the program and reposition it for future growth. In conjunction with the agreement, Cineplex's interest in the operations of SCENE was reduced to 33.3%. Cineplex continues to have joint control of the joint operation and is entitled to and responsible for 50% of the economic benefits and obligations until specific non-financial milestones are met, resulting in the deferral of recognition of the proceeds in other liabilities, and the continued consolidation of 50% of SCENE.

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, 2021 and 2020 (expressed in thousands of dollars except Shares outstanding, per Share data and per patron data, unless otherwise noted):

	Three months ended March 31, 2021	Three months ended March 31, 2020	Variance (%)
Box office revenues	$ 3,818	$ 111,002	-96.6 %
Food service revenues	6,525	79,365	-91.8 %
Media revenues	9,074	32,157	-71.8 %
Amusement revenues	13,874	47,337	-70.7 %
Other revenues	8,121	12,940	-37.2 %
Total revenues	41,412	282,801	-85.4 %
Film cost	1,235	56,500	-97.8 %
Cost of food service	1,412	22,209	-93.6 %
Depreciation - right-of-use assets	26,318	35,533	-25.9 %
Depreciation and amortization - other assets	29,509	33,962	-13.1 %
(Gain) loss on disposal of assets	(30,060)	817	NM
Other costs (a)	68,705	157,548	-56.4 %
Impairment of long-lived assets and goodwill	—	173,054	NM
Costs of operations	97,119	479,623	-79.8 %
Net loss from continuing operations	$ (89,688)	$ (174,155)	NM
Net loss from discontinued operations	—	(4,259)	(100.0)%
Net loss	$ (89,688)	$ (178,414)	NM
Adjusted EBITDA (i) (iii)	$ (30,105)	$ 46,472	NM
Adjusted EBITDAaL (i) (iii)	$ (62,090)	$ 2,390	NM
(a) Other costs include:			
Theatre occupancy expenses	6,782	17,971	-62.3 %
Other operating expenses	47,806	134,548	-64.5 %
General and administrative expenses (iii)	14,117	5,029	180.7 %
Total other costs	$ 68,705	$ 157,548	-56.4 %
EPS from continuing operations - basic and diluted (iii)	$ (1.42)	$ (2.75)	-48.4 %
EPS from discontinued operations - basic and diluted	$ —	$ (0.07)	100.0 %
EPS - basic and diluted (iii)	$ (1.42)	$ (2.82)	-49.6 %
Total assets	$ 2,246,653	$ 2,815,118	-20.2 %
Total long-term financial liabilities (ii)	$ 739,005	$ 665,000	11.1 %
Shares outstanding at period end	63,338,389	63,333,238	— %
Cash dividends declared per Share	$ —	$ 0.150	-100.0 %
Adjusted free cash flow per Share (i)	$ (1.244)	$ (0.003)	NM
Box office revenue per patron (i)	$ 9.20	$ 10.36	-11.2 %
Concession revenue per patron (i)	$ 6.12	$ 6.79	-9.9 %
Film cost as a percentage of box office revenues	32.3 %	50.9 %	-18.6 %
Theatre attendance (in thousands of patrons) (i)	415	10,710	-96.1 %
Theatre locations (at period end)	161	164	-1.8 %
Theatre screens (at period end)	1,657	1,687	-1.8 %

(i) See Section 15, Non-GAAP measures, for the definition of non-GAAP measures reported by Cineplex.

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

(iii) Includes expenses related to the Cineworld Transaction in the amount of $2.4 million in 2021. (2020 - $1.3 million).

4.2 OPERATING RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2021

Total revenues

Total revenues for the three months ended March 31, 2021 decreased $241.4 million (85.4%) to $41.4 million as compared to the prior year period. A discussion of the factors affecting the changes in box office, food service, media, amusement and other revenues for the period is provided below.

Non-GAAP measures discussed throughout this MD&A, including adjusted EBITDA, adjusted EBITDAaL, adjusted store level EBITDAaL, adjusted EBITDAaL margin, adjusted store level EBITDAaL margin, adjusted free cash flow, theatre attendance, BPP, premium priced product, same theatre metrics, CPP, film cost percentage, food service cost percentage and concession margin per patron are defined and discussed in Section 15, Non-GAAP measures.

Box office revenues

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

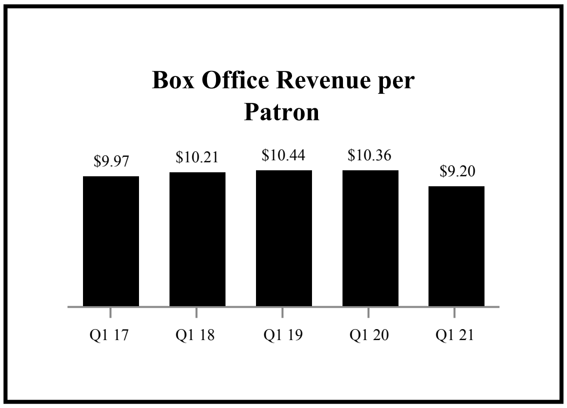
Box office revenues	**First Quarter**		
	2021	**2020**	**Change**
Box office revenues	$ 3,818	$ 111,002	-96.6%
Theatre attendance (i)	415	10,710	-96.1%
Box office revenue per patron (i)	$ 9.20	$ 10.36	-11.2%
BPP excluding premium priced product (i)	$ 8.84	$ 9.33	-5.3%
Same theatre box office revenues (i)	$ 3,818	$ 110,152	-96.5%
Same theatre attendance (i)	415	10,609	-96.1%
% Total box from premium priced product (i)	11.5%	28.7%	-17.2%
(i) See Section 15, Non-GAAP measures.			

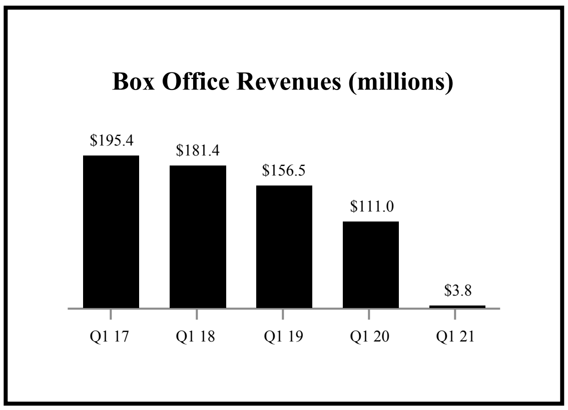
Box office continuity	**First Quarter**	
	Box Office	**Theatre Attendance**
2020 as reported	$ 111,002	10,710
Same theatre attendance change	(105,842)	(10,194)
Impact of same theatre BPP change	(492)	—
Disposed and closed theatres (i)	(850)	(101)
2021 as reported	$ 3,818	415
(i) See Section 15, Non-GAAP measures. Represents theatres opened, acquired, disposed or closed subsequent to the start of the prior year comparative period.		

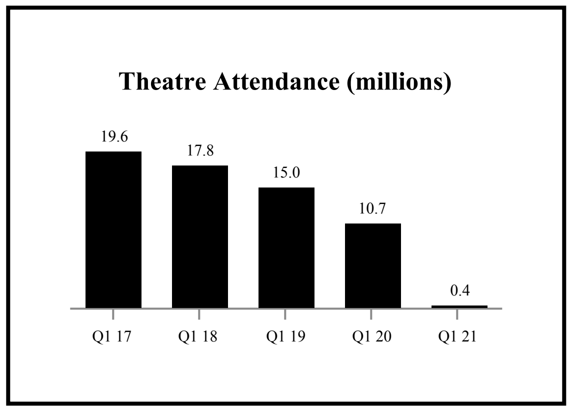
	First Quarter 2021 Top Cineplex Films	**3D**	**% Box**		**First Quarter 2020 Top Cineplex Films**	**3D**	**% Box**
1	Tom & Jerry		19.3 %	1	1917		9.7 %
2	The Croods: A New Age		16.1 %	2	Star Wars: The Rise Of Skywalker	✔	9.2 %
3	Wonder Woman 1984		15.5 %	3	Jumanji: The Next Level	✔	9.1 %
4	The Little Things		5.1 %	4	Bad Boys For Life		8.7 %
5	News Of The World		4.2 %	5	Sonic The Hedgehog		6.4 %

Box office revenues decreased $107.2 million, or 96.6%, to $3.8 million during the first quarter of 2021, compared to $111.0 million reported in the same period in 2020. The decrease was due to the 96.1% decrease in theatre attendance to 0.4 million as a result of continued mandatory lockdown measures, capacity and operating restrictions in venues that remained open and limited first run film product availability. As a result of the emergence of more transmissible variants of COVID-19, there has been the onset of a third wave of the pandemic across a majority of provinces resulting in expanded government mandated lockdown measures which continue to negatively impact Cineplex's box office revenues.

BPP for the three months ended March 31, 2021 was $9.20, a $1.16 decrease (11.2%) from the prior year period. The decrease in BPP was primarily due to a lower percentage of box office revenue from premium priced offerings, lower ticket pricing on previously released content, SCENE promotions and limited new film releases.







Food service revenues

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

Food service revenues	**First Quarter**		
	2021	**2020**	**Change**
Food service - theatres	$ 2,539	$ 72,681	-96.5%
Food delivery - theatres	3,778	—	NM
Food service - LBE	171	6,684	-97.4%
Food delivery - LBE	37	—	NM
	$ 6,525	$ 79,365	-91.8%
Theatre attendance (i)	415	10,710	-96.1%
CPP (i) (ii)	$ 6.12	$ 6.79	-9.9%
Same theatre food service revenues (i)	$ 2,538	$ 72,242	-96.5%
Same theatre attendance (i)	415	10,609	-96.1%

(i) See Section 15, Non-GAAP measures.
(ii) Only theatre food service revenue is included in the CPP calculation.

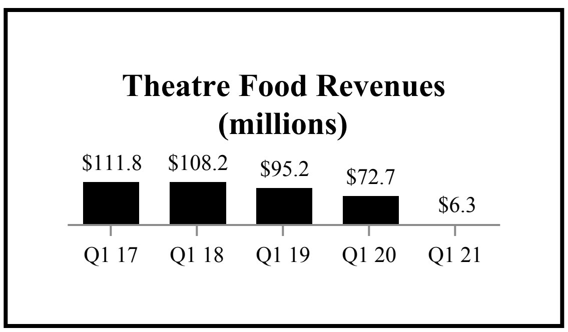
Theatre food service revenue continuity	First Quarter	
	Theatre Food Service	**Theatre Attendance**
2020 as reported	$ 72,681	10,710
Same theatre attendance change	(69,415)	(10,194)
Impact of same theatre CPP change	(289)	—
Disposed and closed theatres (i)	(439)	(101)
2021 as reported	$ 2,538	415

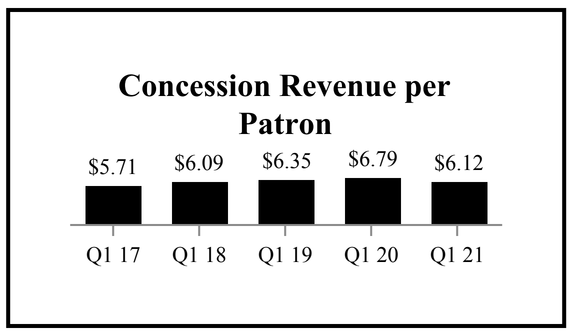
(i) See Section 15, Non-GAAP measures. Represents theatres opened, acquired, disposed or closed subsequent to the start of the prior year comparative period.

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

Food services revenues have continued to be materially impacted by the COVID-19 government mandated closures and capacity restrictions of theatres and LBE venues. For a majority of the current period, indoor dining was prohibited in most markets in which *The Rec Room* and *Playdium* operate also contributing to the material decrease in food service revenues. Food service revenues decreased $72.8 million, or 91.8% to $6.5 million due to the impact of the 96.1% decrease in theatre attendance, limited concession menu options and operating restrictions on Cineplex's theatre circuit and LBE venues. Food delivery sales continue to provide steady results with total food delivery sales of $3.8 million during the period.

CPP decreased 9.9% to $6.12 compared to $6.79 in the prior year period. The decrease in CPP compared to the prior year period is due to limited concession menu options and operating restrictions on Cineplex's theatre circuit and LBE venues. For example, Cineplex re-opened theatres in the Quebec region but was unable to offer concessions at a majority of re-opened locations due to government restrictions on concessions, contributing to the decrease in CPP when compared to the prior year period.



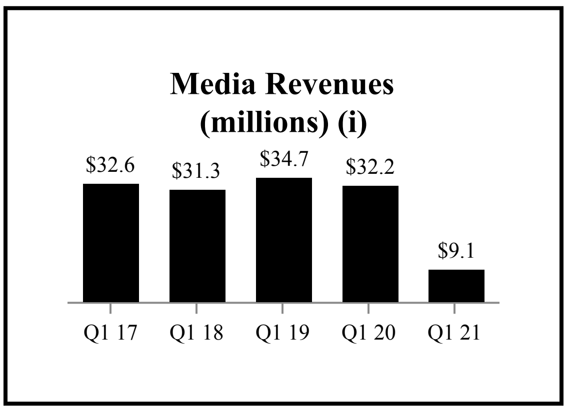


Media revenues

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

Media revenues	First Quarter		
	2021	2020	Change
Cinema media	$ 1,899	$ 17,262	-89.0%
Digital place-based media	7,175	14,895	-51.8%
Total media revenues from continuing operations	$ 9,074	$ 32,157	-71.8%
Media revenues from discontinued operations	—	382	-100.0%
Total media revenues	$ 9,074	$ 32,539	-72.1%

Total media revenues from continuing operations decreased $23.1 million or 71.8% compared to the prior year period to $9.1 million. During the period, media revenues were primarily driven by digital place-based media revenues specifically from network management, creative services and media hardware sales. The decrease in media revenues compared to the prior year period is due to a $15.4 million decrease in cinema media revenues with the decline in show-time and pre-show advertising revenues due to prolonged theatre closures, and $7.7 million decrease in digital place-based media revenues, due to continued mandatory lockdown measures which resulted in mall and retail closures, leading to a decline in installation and media advertising revenue.



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

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

Digital place-based media revenues	First Quarter		
	2021	2020	Change
Project revenues (i)	$ 2,315	$ 5,815	-60.2%
Other revenues (ii)	4,860	9,080	-46.5%
Total digital place-based media revenues	$ 7,175	$ 14,895	-51.8%
(i) Project revenues include hardware sales and professional services.			
(ii) Other revenues include sales of software and its support as well as mall and media advertising.			

Amusement revenues

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

Amusement revenues	First Quarter 2021	First Quarter 2020	Change
Amusement - P1AG excluding Cineplex exhibition and LBE (i)	$ 12,559	$ 34,961	-64.1%
Amusement - Cineplex exhibition (i)	72	2,196	-96.7%
Amusement - LBE	1,243	10,180	-87.8%
Total amusement revenues	$ 13,874	$ 47,337	-70.7%

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

Amusement revenues decreased 70.7%, or $33.5 million, to $13.9 million in the first quarter of 2021 compared to the prior year period. The decrease was primarily due to continued government mandated closures of P1AG route locations, Cineplex theatres and LBE venues, and mandated capacity restrictions in locations that were able to open.

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

P1AG Summary	First Quarter 2021	First Quarter 2020	Change
Amusement revenues	$ 12,559	$ 34,961	-64.1%
Operating Expenses	14,354	32,995	-56.5%
Cash rent related to lease obligations (i)	1,216	1,427	-14.8%
Total adjusted operating expenses	$ 15,570	$ 34,422	-54.8%
P1AG Adjusted EBITDAaL (ii)	$ (3,011)	$ 539	NM
P1AG Adjusted EBITDAaL Margin (ii)	-24.0%	1.5 %	-25.5%

(i) Cash rent that has been reallocated to offset the lease obligations.
(ii) See Section 15, Non-GAAP measures.

Margins for P1AG decreased in 2021 compared to 2020 as a result of the prolonged government mandated closures of P1AG route locations and capacity restrictions imposed as a result of COVID-19. Certain operating expenses such as salaries, occupancy and utilities are fixed in nature, which also contributed to the lower adjusted EBITDAaL margin during the period. Payroll costs were reduced by $1.1 million received under the COVID-19 CEWS wage subsidy program during the quarter. Cash rent related to lease obligations decreased as a result of rent abatements and deferrals negotiated with landlords.

With the wider rollout of vaccinations in the United States and additional guidance provided by health officials, P1AG US route locations have begun to re-open at limited capacities with strong results. However, there is no guarantee that restrictions will not be reinstated which would negatively impact route operations and future reopenings.

The following table presents the adjusted store level EBITDAaL for the quarter for LBE:

LBE Summary	**First Quarter**		
	2021	**2020**	**Change**
Food service revenues	$ 208	$ 6,684	-96.9%
Amusement revenues	1,243	10,180	-87.8%
Media and other revenues	35	826	-95.8%
Total revenues	$ 1,486	$ 17,690	-91.6%
Cost of food service	79	2,008	-96.1%
Operating expenses before adjustments (i)	2,121	11,312	-81.3%
Cash rent related to lease obligations (ii)	1,697	1,764	-3.8%
Total adjusted costs	$ 3,897	$ 15,084	-74.2%
Store level Adjusted EBITDAaL (iii)	$ (2,411)	$ 2,606	NM
Store level Adjusted EBITDAaL Margin (iii)	NM	14.7 %	NM
(i) Includes operating costs of LBE. Pre-opening costs relating to LBE and overhead relating to management of LBE portfolio are not included.			
(ii) Cash rent that has been reallocated to offset the lease obligations.			
(iii) See Section 15, Non-GAAP measures.			

Revenues from LBE decreased $16.2 million or 91.6% to $1.5 million as compared to the prior year period with the majority of the first quarter revenues coming from the newly opened *The Rec Room* location in Dartmouth, Nova Scotia. The decrease is due to temporary closures of LBE locations and operating restrictions as a result of the ongoing COVID-19 pandemic. Certain costs are also fixed in nature such as salaries and occupancy, further contributing to the decrease in margins. These costs were partially offset by $1.2 million received under the COVID-19 CEWS wage subsidy program, $0.4 million realty tax subsidy and $0.5 million rent subsidy received during the quarter.

Other revenues

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

Other revenues	**First Quarter**		
	2021	**2020**	**Change**
Other revenues from continuing operations	$ 8,121	$ 12,940	-37.2%
Other revenues from discontinued operations	—	199	NM
Total other revenues	$ 8,121	$ 13,139	-38.2%

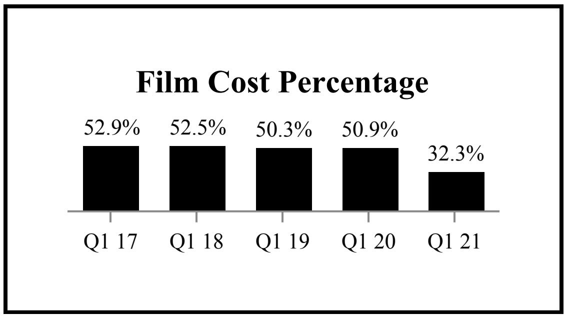
Other revenues from continuing operations decreased $4.8 million or 37.2% in the first quarter of 2021 compared to the prior year period due primarily due to the suspension of the recognition of deferred revenues on gift cards and other related products during the shutdown of theatre and LBE venues. In addition, the mandatory closures of theatres and LBE venues reduced other ancillary revenues generated from theatres such as venue rentals.

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**		
	2021	**2020**	**Change**
Film cost	$ 1,235	$ 56,500	-97.8%
Film cost percentage (i)	32.3%	50.9%	-18.6%
(i) See Section 15, 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, impacted by film cost terms varying by title and distributor. Film cost percentage during the first quarter of 2021 was 32.3%, a 18.6% decrease from the prior year period. Film costs decreased during the period compared to the prior year period due to limited releases of first run product and lower settlement rates on older and classic film product.



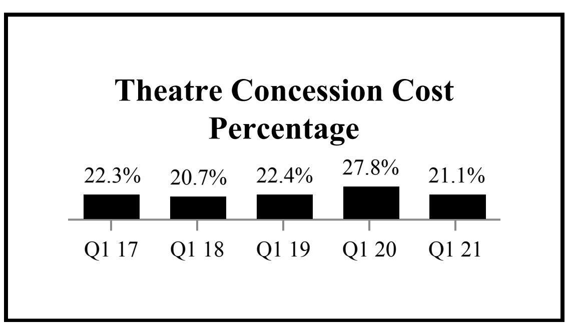
Cost of food service

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

Cost of food service	First Quarter 2021	First Quarter 2020	Change
Cost of food service - theatre	$ 1,333	$ 20,201	-93.4%
Cost of food service - LBE	79	2,008	-96.1%
Cost of food service	$ 1,412	$ 22,209	-93.6%
Theatre concession cost percentage (i)	21.1 %	27.8 %	-6.7%
LBE food cost percentage (i)	38.1 %	30.0 %	8.1%
Theatre concession margin per patron (i)	$ 4.83	$ 4.90	-1.4%
(i) See Section 15, Non-GAAP measures			

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

The lower food service revenues for both segments as a result of the government mandated temporary closures and operating restrictions placed on Cineplex's theatres and LBE locations in response to COVID-19 resulted in lower cost of food sales. The decrease in theatre concession cost percentage compared to the prior year is due to the higher costs arising on the sudden closure of the theatres in 2020 which required the reduction of inventory and included, donations of perishable food items to those in need, including to local food banks. The increase in LBE food cost percentage as compared to the prior period is primarily due to higher costs arising from prepackaged products associated with food delivery services and decreases in groups and events bookings which have historically reduced the average cost of food purchases.



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		
	2021	2020	Change
Depreciation of property, equipment and leaseholds	$ 26,783	$ 30,689	-12.7%
Amortization of intangible assets and other	2,726	3,273	-16.7%
Sub-total - depreciation and amortization - other assets	$ 29,509	$ 33,962	-13.1%
Depreciation - right-of-use assets	26,318	35,533	-25.9%
Total depreciation and amortization	$ 55,827	$ 69,495	-19.7%

The quarterly decrease in depreciation of property, equipment and leaseholds of $3.9 million or 12.7% as compared to the prior year period is primarily due to fully depreciated property, equipment and leaseholds.

The quarterly decrease in amortization of intangible assets compared to the prior period is due to fully amortized intangible assets.

The decrease in depreciation of right-of-use assets is primarily due to modifications to lease agreements as a result of COVID-19 which reduced the corresponding right-of-use asset and depreciation recognized.

Impairment of long-lived assets and goodwill

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

Impairment of long-lived assets and goodwill	First Quarter		
	2021	2020	Change
Impairment of property, equipment and leaseholds	$ —	$ 33,949	NM
Impairment of right-of-use assets	—	50,610	NM
Impairment of goodwill	—	88,495	NM
Impairment of long-lived assets and goodwill	$ —	$ 173,054	NM

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

On March 31, 2021, Cineplex reassessed the underlying key assumptions and inputs used during the impairment testing completed at December 31, 2020 and determined that there were no material changes in those key judgements and conclusions.

In early 2020, in response to the outbreak of the COVID-19 pandemic as declared by the WHO, governmental authorities announced mandated closure of schools, public facilities and non-essential businesses. Consequently, effective March 16, 2020 and continuing throughout the remainder of the year, Cineplex had to either temporarily close its theatres and location-based entertainment venues or operate with strict capacity restrictions across Canada, resulting in material decreases in revenues, results of operations and cash flows and a material decrease in Cineplex's market value due to a sharp decline in its share price. These represented triggering events at each balance sheet date in 2020. As a result of the triggering events, Cineplex performed impairment testing and recognized non-cash impairment charges in each of the three months ended March 31, September 30, and December 31, 2020 as follows:

Impairment of long-lived assets, goodwill and investments	2020			
	Q1	Q3	Q4	Total
Impairment of property, equipment and leaseholds	$ 33,949	$ —	$ 5,243	$ 39,192
Impairment of right-of-use assets	50,610	—	21,236	71,846
Impairment of goodwill	88,495	65,634	26,906	181,035
Impairment of investments	—	—	2,790	2,790
Impairment of long-lived assets, goodwill and investments	$ 173,054	$ 65,634	$ 56,175	$ 294,863

In assessing long-lived assets and goodwill for impairment, Cineplex compared the aggregate recoverable amount of the assets included in the relevant Cash Generating Units ("CGUs") to their respective carrying amounts. The recoverable amount was determined based on the fair value less costs of disposal of the groups CGUs.

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

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

Impairment of intangible assets - discontinued operations

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

Impairment of intangible assets - discontinued operations	First Quarter		
	2021	2020	Change
Impairment of intangible assets - discontinued operations	$ —	$ 5,135	NM

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

(Gain) 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):

(Gain) loss on disposal of assets	First Quarter		
	2021	2020	Change
(Gain) loss on disposal of assets	$ (30,060)	$ 817	NM

The change in the (gain) loss on disposal of assets as compared to the prior year period is due to the sale of the head office building for gross proceeds of $57.0 million completed during the quarter. Cineplex will continue to occupy its head office buildings as a tenant.

Other costs

Other costs include three main sub-categories of expenses; theatre occupancy expenses, which capture associated occupancy costs for Cineplex’s theatre operations; other operating expenses, which include the costs related to running Cineplex’s film entertainment and content, media, as well as amusement and leisure; and general and administrative expenses, which 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		
	2021	2020	Change
Theatre occupancy expenses	$ 6,782	$ 17,971	-62.3%
Other operating expenses	47,806	134,548	-64.5%
General and administrative expenses	14,117	5,029	NM
Total other costs from continuing operations	$ 68,705	$ 157,548	-56.4%
Other costs from discontinued operations	—	1,606	-100.0%
Total other costs	$ 68,705	$ 159,154	-56.8%

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		
	2021	2020	Change
Cash rent - theatre (i) (iv)	$ 22,222	$ 40,356	-44.9%
Other occupancy	14,307	18,437	-22.4%
One-time items (ii)	(982)	(580)	69.3%
Total theatre occupancy including cash lease payments	$ 35,547	$ 58,213	-38.9%
Cash rent related to lease obligations (iii)	(28,765)	(40,242)	-28.5%
Theatre occupancy as reported	$ 6,782	$ 17,971	-62.3%

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

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

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

(iv) The 2021 balance includes $1.1 million (2020 - $1.1 million) of cash rent paid not pertaining to the current period. See Section 15, Non-GAAP measures.

Theatre occupancy continuity	First Quarter Occupancy
2020 as reported	$ 17,971
Impact of disposed theatres	(517)
Same theatre rent change (i)	(11,322)
One-time items	(403)
Other	(10,424)
Impact of IFRS 16:	
Cash rent related to lease obligations	11,477
2021 as reported	$ 6,782

(i) See Section 15, Non-GAAP measures

Theatre occupancy expenses as reported decreased $11.2 million or 62.3% during the first quarter of 2021 compared to the prior year period. This decrease was primarily due to rent relief measures Cineplex has undertaken with landlord partners resulting in lower theatre rent related expenses. In addition, Cineplex recognized realty tax subsidies of $4.4 million and rent subsidies of $6.5 million during the quarter, both charged against and further contributing to the decrease in theatre occupancy expenses.

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 2021	First Quarter 2020	Change
Theatre payroll	$ 3,635	$ 31,430	-88.4%
Theatre operating expenses	9,353	26,489	-64.7%
Media	8,284	18,911	-56.2%
P1AG	15,570	34,422	-54.8%
LBE (i)	3,818	13,076	-70.8%
LBE pre-opening (ii)	228	745	-69.4%
SCENE	4,744	2,573	84.4%
Marketing	1,117	2,921	-61.8%
Other (iii)	5,520	8,735	-36.8%
Other operating expenses including cash lease payments	$ 52,269	$ 139,302	-62.5%
Cash rent related to lease obligations (iv)	(4,463)	(4,754)	-6.1%
Other operating expenses from continuing operations	$ 47,806	$ 134,548	-64.5%
Other operating expenses from discontinued operations	—	1,606	-100.0%
Total other operating expenses	$ 47,806	$ 136,154	-64.9%

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

Other operating continuity from continuing operations	First Quarter Other Operating
2020 as reported	$ 134,548
Impact of disposed theatres	(537)
Same theatre payroll change (i)	(27,521)
Same theatre operating expenses change (i)	(16,873)
Media operating expenses change	(10,627)
P1AG operating expenses change	(18,852)
LBE operating expenses change	(9,258)
LBE pre-opening change	(517)
SCENE change	2,171
Marketing change	(1,804)
Other	(3,215)
Impact of IFRS 16:	
Cash rent related to lease obligations	291
2021 as reported	$ 47,806

(i) See Section 15, Non-GAAP measures

Other operating expenses from continuing operations during the first quarter of 2021 decreased $86.7 million or 64.5% compared to the prior year period. The overall decrease was a result of the temporary closures and operating restrictions on theatres, P1AG route locations and LBE locations. Cineplex continued to benefit from government subsidy programs in Canada and the United States to partially offset other operating costs with $14.4 million of subsidies recognized in the quarter, comprised of $11.9 million of payroll subsidies of which $6.1 million was offset against theatre payroll, and $2.5 million of non-theatre rent, realty tax and utility subsidies.

General and administrative expenses

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

G&A expenses	First Quarter 2021	First Quarter 2020	Change
G&A excluding the following items	$ 10,618	$ 17,254	-38.5%
Restructuring	—	360	-100.0%
Transaction / Litigation costs	2,430	1,271	91.2%
LTIP (i)	1,304	(11,437)	NM
Option plan	399	(2,241)	NM
G&A expenses including cash lease payments	$ 14,751	$ 5,207	183.3%
Cash rent paid/payable included as part of lease obligations (ii)	(634)	(178)	NM
G&A expenses as reported	$ 14,117	$ 5,029	180.7%

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

G&A expenses increased $9.1 million during the first quarter of 2021 compared to the prior year period. The change was primarily due to a significant decrease in LTIP expense in the prior year period due to the sharp decline in Cineplex's Share price as a result of the impact of the COVID-19 pandemic on Cineplex's business. Share based compensation reflects the fair value of the share price, which fell from $33.90 at the beginning of the prior year period to $11.70 per Share at March 31, 2020. Employee benefit costs were reduced by $2.9 million under the CEWS program. Cineworld litigation-related costs of $2.4 million were incurred in the first quarter of 2021 (2020 - costs of $1.3 million were incurred with respect to the Cineworld Transaction, prior to its termination). Costs incurred in the current quarter are with respect to the ongoing litigation arising from the termination.

Share of loss of joint ventures and associates

Cineplex's share of loss of joint ventures and associates include its 78.2% interest in CDCP (2020 - 78.2%), 50% interest in one IMAX screen in Ontario (2020 - 50%), 50% interest in YoYo's (2020 - 50%) and in 2020 included a 34.7% interest in VRstudios.

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

Share of loss of joint ventures and associates	First Quarter 2021	First Quarter 2020	Change
Share of loss of CDCP	$ 2,238	$ 590	279.3%
Share of loss of other joint ventures and associates	176	145	21.4%
Total share of loss of joint ventures and associates	$ 2,414	$ 735	228.4%

Interest expense

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

Interest expense	First Quarter 2021	First Quarter 2020	Change
Interest expense on long-term debt	$ 13,107	$ 7,474	75.4%
Lease interest expense	13,939	11,355	22.8%
Financing fees	321	—	NM
Sub-total - cash interest expense	$ 27,367	$ 18,829	45.3%
Deferred financing fee accretion and other non-cash interest	$ 447	$ 349	28.1%
Accretion expense on Debentures and Notes Payable	3,738	—	NM
Interest rate swap - non-cash	(3,528)	9,386	NM
Sub-total - non-cash interest expense	$ 657	$ 9,735	-93.3%
Total interest expense	$ 28,024	$ 28,564	-1.9%

Interest expense decreased $0.5 million for the quarter compared to the prior year period. The decrease compared to the prior year period is due to changes in the fair value of the interest rate swap resulting in a decrease of $12.9

million of non-cash interest expense offset by an increase in cash interest of $8.6 million and non-cash interest of $3.8 million arising from the 2020 third quarter and 2021 first quarter financings.

Cash interest expense increased $8.6 million or 45.3% when compared to the prior year period. The increase in cash interest expense is due to the issuance of Debentures (Section 6.4, Long-term debt) during the third quarter of 2020 and Notes Payable (Section 6.4, Long-term debt) completed during the current period, resulting in cash interest expense of $4.5 million and $1.7 million, respectively. The Debentures bear interest at a rate of 5.75% per annum and the Notes Payable bear interest at a rate of 7.50% per annum. This was partially offset by a decrease in cash interest expense incurred on the Credit Facilities due to significantly lower outstanding balances in the current period compared to the prior year period. Proceeds from transactions undertaken to enhance liquidity in 2020 and 2021 were used to repay the Credit Facilities and fund ongoing operations. Cineplex's ongoing negotiations with landlord partners have resulted in lease modifications recorded at higher incremental borrowing rates, increasing lease interest expense by $2.6 million, further contributing to the increase in cash interest expense when compared to the prior year. Cineplex also incurred $0.3 million in financing fees during the period as a result of the amendments made to the Credit Facilities which have been included in interest expense in the consolidated statement of operations.

Non-cash interest expense, excluding the interest rate swap, increased by $3.8 million when compared to the prior year period. The increase in non-cash interest expense is due to the issuance of Debentures (Section 6.4, Long-term debt) during the third quarter of 2020 and Notes Payable (Section 6.4, Long-term debt) completed during the current period, resulting in non-cash interest expense of $3.7 million and $0.1 million, respectively.

Interest income

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

Interest income	First Quarter		
	2021	2020	Change
Interest income	$ 26	$ 72	-63.9%

Foreign exchange

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

Foreign exchange	First Quarter		
	2021	2020	Change
Foreign exchange loss (gain) from continuing operations	$ 230	$ (1,927)	NM
Foreign exchange gain from discontinued operations	—	(208)	NM
Total foreign exchange loss (gain)	$ 230	$ (2,135)	NM

The movement in the quarterly foreign exchange was due to a decrease in the CAD/USD foreign exchange month end rate from 1.2732 at December 31, 2020 to 1.2575 at March 31, 2021.

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		
	2021	2020	Change
Current income tax expense (recovery)	$ 3,339	$ (233)	NM
Deferred income tax recovery	—	(49,734)	NM
Provision for income taxes from continuing operations	$ 3,339	$ (49,967)	NM
Provision for income taxes from discontinued operations	—	(1,693)	NM
Total provision for income taxes	$ 3,339	$ (51,660)	NM

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

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

Current tax recognized in the first quarter of 2021 reflects adjustments from the provision to returns as actually filed. Cineplex's combined statutory income tax rate tax rate at March 31, 2021 was 26.4% (2020 - 26.8%).

Net loss

Net loss during the quarter was as follows (in thousands of dollars):

Net loss	First Quarter 2021	First Quarter 2020	Change
Net loss from continuing operations	$ (89,688)	$ (174,155)	-48.5%
Net loss from discontinued operations	—	(4,259)	NM
Net loss	$ (89,688)	$ (178,414)	-49.7%

4.3 EARNINGS BEFORE INTEREST, INCOME TAXES, DEPRECIATION AND AMORTIZATION ("EBITDA") (Section 15, Non-GAAP measures)

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

EBITDA	First Quarter 2021	First Quarter 2020	Change
EBITDA	$ (2,524)	$ (126,135)	-98.0
Adjusted EBITDA	$ (30,105)	$ 46,472	NM
Adjusted EBITDAaL (i)	$ (62,090)	$ 2,390	NM
Adjusted EBITDAaL margin (i)	-149.9%	0.8%	-150.7%

Adjusted EBITDAaL for the first quarter of 2021 decreased $64.5 million, as compared to the prior year period. The decrease was primarily due to the material negative effect that the COVID-19 pandemic had on all aspects of Cineplex's businesses. The third wave of COVID-19 due to increased number of cases involving more transmissible variants has led to prolonged mandatory lockdown measures and operating restrictions, resulting in the closure of Cineplex's theatres and LBE venues for the majority of the first quarter of 2021. In computing adjusted EBITDAaL, cash rents paid or payable have been partially offset by the quantified lease-related savings negotiated with landlords as a result of the COVID-19 closures. This includes agreements with landlords that are evidenced by way of written confirmation of the terms agreed upon up to the date of this MD&A, and are in the process of being formally documented. Adjusted EBITDAaL margin is calculated as adjusted EBITDAaL divided by total revenues.

5. BALANCE SHEETS

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

	March 31, 2021	December 31, 2020	Change ($)	Change (%)
Assets				
Current assets				
Cash and cash equivalents	$ 19,503	$ 16,254	$ 3,249	20.0%
Trade and other receivables	39,083	51,834	(12,751)	-24.6%
Income taxes receivable	58,725	66,551	(7,826)	-11.8%
Inventories	21,123	21,712	(589)	-2.7%
Prepaid expenses and other current assets	10,721	11,613	(892)	-7.7%
	149,155	167,964	(18,809)	-11.2%
Non-current assets				
Property, equipment and leaseholds	521,694	555,340	(33,646)	-6.1%
Right-of-use assets	849,907	881,418	(31,511)	-3.6%
Interests in joint ventures	5,428	8,644	(3,216)	-37.2%
Intangible assets	84,994	84,922	72	0.1%
Goodwill	635,475	635,582	(107)	—%
	$ 2,246,653	$ 2,333,870	$ (87,217)	-3.7%
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	$ 77,712	$ 82,992	$ (5,280)	-6.4%
Share-based compensation	691	482	209	43.4%
Income taxes payable	819	802	17	2.1%
Deferred revenue	222,113	219,983	2,130	1.0%
Lease obligations	108,649	97,259	11,390	11.7%
Fair value of interest rate swap agreements	8,375	7,202	1,173	16.3%
	418,359	408,720	9,639	2.4%
Non-current liabilities				
Share-based compensation	3,766	2,670	1,096	41.0%
Long-term debt	739,005	725,271	13,734	1.9%
Fair value of interest rate swap agreements	14,478	19,157	(4,679)	-24.4%
Lease obligations	1,057,761	1,073,666	(15,905)	-1.5%
Post-employment benefit obligations	10,614	11,503	(889)	-7.7%
Other liabilities	67,988	68,649	(661)	-1.0%
	2,311,971	2,309,636	2,335	0.1%
Shareholders' (deficit) equity				
Total shareholders' (deficit) equity	(65,318)	24,234	(89,552)	NM
	$ 2,246,653	$ 2,333,870	$ (87,217)	-3.7%

Cash and cash equivalents. Cash and cash equivalents includes operations petty cash and outstanding deposits and fluctuates with business activities.

Trade and other receivables. The decrease in trade and other receivables is primarily due to lower sales and the timing of occupancy and labour subsidies received during the first quarter of 2021.

Income taxes receivable. The decrease in income taxes receivable is primarily due to the receipt of $4.7 million resulting from loss carrybacks realized in 2020 to offset taxable income in prior years and $3.3 million adjustment from the income tax provision to the returns as filed.

Inventories. The decrease in inventories is primarily due to lower amusement solutions inventories sales along with a decrease in new equipment for resale purchased.

Prepaid expenses and other current assets. The decrease in prepaid expenses and other current assets is due to the deferral of some real estate tax payments and lower prepayments of service contracts.

Property, equipment and leaseholds. The decrease in property, equipment and leaseholds is due to amortization expense ($26.8 million), asset dispositions ($12.6 million), and foreign exchange impact ($0.4 million), partially offset by additions to new build and other capital expenditures ($5.8 million), and maintenance capital expenditures ($0.3 million).

Right-of-use assets. The decrease in right-of-use assets is due to amortization expense ($26.3 million), asset dispositions ($3.4 million), foreign exchange impact ($0.1 million), and lease modifications ($4.4 million) resulting from renegotiated lease terms due to the impact of COVID-19 on the business.

Interest in joint ventures. The decrease in interest in joint ventures is primarily due to the equity loss realized by CDCP which has been negatively impacted by the theatre closures.

Intangible assets. The increase in intangible assets is due to the amortization expense ($2.7 million), partially offset by the capitalization of software development costs ($2.8 million).

Goodwill. The decrease in goodwill is due to the impact of foreign exchange ($0.1 million).

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 increase in share-based compensation is due to the increase in Share price, which was $11.91 per Share at March 31, 2021 increasing the fair value of the compensation liability (Section 8, Share Activity).

Deferred revenue. The small increase in deferred revenue is the result of lower sales and redemptions of gift cards and coupons, and lower redemptions for Scene during the first quarter as a result of ongoing pandemic.

Lease obligations. The decrease in lease obligations is due to leases payments during the quarter, and the lease modifications recognized from renegotiated leases due to the impact of COVID-19 on the business and settlement of lease obligation.

Fair value of interest rate swap agreements. The interest rate swaps provide for fixed interest rates on $450 million of debt. The decrease in the net liability for swap agreements is due to the expectation of future interest rate increases. (see discussion in Section 6.4 Long-term debt)

Long-term debt. Long-term debt consists of the Credit Facilities, Debentures and Notes Payable. The increase in long-term debt is due to the issuance of the Notes Payable during the quarter and an increase in borrowings under the Credit Facilities, net of its repayment with the proceeds from the issuance of Notes Payable and the proceeds from the head office buildings sale. The accretion of the Debentures and Notes Payable also increased long-term debt (Section 6.4 Long-term debt).

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

Cash flows (used in) provided by operating activities	**First Quarter**		
	2021	**2020**	**Change**
Net loss from continuing operations	$ (89,688)	$ (174,155)	$ 84,467
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of other assets (i)	29,509	33,962	(4,453)
Depreciation of right-of-use assets	26,318	35,533	(9,215)
Unrealized foreign exchange	211	(1,429)	1,640
Interest rate swap agreements - non-cash interest	(3,528)	9,386	(12,914)
Accretion of Debentures and Notes Payable	3,738	—	3,738
Other non-cash interest (ii)	447	349	98
(Gain) loss on disposal of assets	(30,060)	817	(30,877)
Deferred income taxes	—	(49,734)	49,734
Non-cash Share-based compensation	624	3,944	(3,320)
Impairment of long-lived assets and goodwill	—	173,054	(173,054)
Net change in interests in joint ventures and associates	3,216	1,891	1,325
Changes in operating assets and liabilities	23,581	(10,428)	34,009
Net cash (used in) provided by operating activities	**$ (35,632)**	**$ 23,190**	**$ (58,822)**
(i) Includes depreciation of property, equipment and leaseholds and amortization of intangible assets.			
(ii) Includes accretion of assets retirement obligations and non-cash interest costs on lease obligations.			

Cash used in operating activities was $35.6 million in the first quarter of 2021, as compared to cash provided by operating activities of $23.2 million in the prior year period. The movement was primarily due to prolonged mandatory lockdown measures in response to the COVID-19 pandemic resulting in closures of a majority of theatres and LBE venues during the first quarter of 2021.

6.2 INVESTING ACTIVITIES

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

Cash flows provided by (used in) investing activities	**First Quarter**		
	2021	**2020**	**Change**
Proceeds from sale of assets, net	$ 56,664	$ —	$ 56,664
Purchases of property, equipment and leaseholds	(8,715)	(37,503)	28,788
Intangible assets additions	(3,086)	(3,721)	635
Tenant inducements	3,660	11,877	(8,217)
Net cash received from joint ventures and associates	—	3,128	(3,128)
Net cash provided by (used in) investing activities	**$ 48,523**	**$ (26,219)**	**$ 74,742**

Cash provided by investing activities during the first quarter of 2021 was $48.5 million, as compared to cash used in investing activities of $26.2 million in the prior year period. The movement was primarily due to proceeds from the sale of Cineplex's head office buildings, in addition to a reduction of capital expenditures net of tenant inducement received during the period, as a result of ongoing pandemic.

Components of capital expenditures include (in thousands of dollars):

Capital expenditures	**First Quarter**		
	2021	**2020**	**Change**
Gross capital expenditures	$ 8,715	$ 37,503	$ (28,788)
Less: tenant inducements	(3,660)	(11,877)	8,217
Net capital expenditures	$ 5,055	$ 25,626	$ (20,571)
Net capital expenditures consists of:			
Growth and acquisition capital expenditures (i)	$ 5,696	$ 20,056	$ (14,360)
Tenant inducements	(3,660)	(11,877)	8,217
Media growth capital expenditures	38	58	(20)
Amusement and leisure growth capital expenditures (excluding LBE build expenditures)	247	400	(153)
Premium formats (ii)	(141)	1,994	(2,135)
Maintenance capital expenditures	254	2,977	(2,723)
Other (iii)	2,621	12,018	(9,397)
	$ 5,055	$ 25,626	$ (20,571)

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

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

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

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, Long-term debt) 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, 2021 and 2020 (in thousands of dollars):

Cash flows used in financing activities	**First Quarter**		
	2021	**2020**	**Change**
Dividends paid	$ —	$ (19,000)	$ 19,000
(Repayment) Borrowings under Credit Facilities, net	(234,000)	40,000	(274,000)
Repayments of lease obligations - principal	(19,457)	(33,819)	14,362
Issuance of Notes Payable, net	243,996	—	243,996
Financing fees	(321)	—	(321)
Net cash used in financing activities	**$ (9,782)**	**$ (12,819)**	**$ 3,037**

Cash flows used in financing activities during the first quarter decreased $3.0 million, as compared to the prior year period, primarily due to the suspension of dividend payments and lower rent payments as a result of abatements received from landlords during the first quarter of 2021. The proceeds of the Notes Payables were used to repay the Credit Facilities ($100.0 million of which was a permanent repayment).

In response to the impact of the COVID-19 pandemic, Cineplex is closely monitoring its liquidity. Details with respect to its ongoing undertakings are detailed in Section 1.1 COVID-19 business impacts, risks and liquidity.

6.4 LONG-TERM DEBT

Credit facilities

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

As at March 31, 2021, the Credit Facilities consisted of the following (in millions of Canadian dollars), subject to the liquidity covenant described below:

	Available	Drawn	Reserved	Remaining
"Revolving Facility"	$ 541.7	$ 272.0	$ 11.0	$ 258.7
Letters of credit outstanding at March 31, 2021 of $11.0 million are reserved against the Revolving Facility.				

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

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

On June 29, 2020, Cineplex entered into the First Credit Agreement Amendment, following which, on November 12, 2020 Cineplex entered into the Second Credit Agreement Amendment, as described in further detail in the AIF. Both amendments provided certain financial covenant relief in light of the COVID-19 pandemic and its effects on Cineplex's businesses, while applying additional restrictive covenants and required repayments in certain circumstances.

On February 8, 2021, Cineplex entered into the Third Credit Agreement Amendment, which, among other things, extended the suspension of financial covenant testing for two additional fiscal quarters and extended the liquidity covenant requirement until December 2021. The following is a summary of the key terms of the Third Credit Agreement Amendment:

- Allow the issuance by Cineplex of the Notes Payable with the following terms:
    - a minimum of $200.0 million and a maximum of $250.0 million of notes may be issued on or prior to March 31, 2021;
    - term of at least five years;
    - secured second lien ranking, subordinate to the security granted for the obligations under the Credit Facilities, and shall be subject to the terms of an intercreditor agreement that incorporates certain agreed intercreditor principles and otherwise in form and substance satisfactory to the agent under to the Credit Facilities; and
    - mandatory repayment of the Credit Facilities from the issuance of Notes Payable, $100.0 million of which would constitute a permanent reduction.

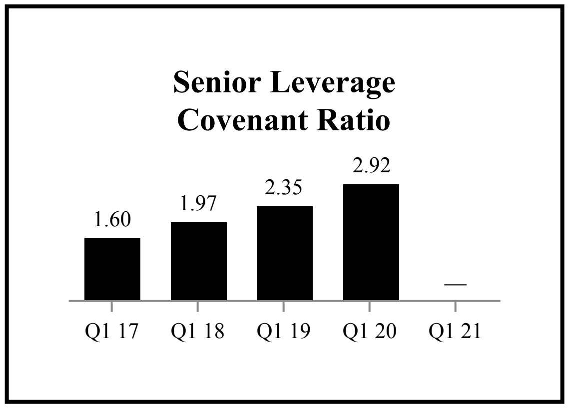
- The following amendments to the Credit Facilities became effective upon the completion of the issuance of $250.0 million Notes Payable during the period ended March 31, 2021:

- The suspension of financial covenant testing has been extended until the fourth quarter of 2021. On resumption of financial covenant testing in the fourth quarter of 2021:
  - for the fourth quarter of 2021, testing will be based on an annualized calculation of Adjusted EBITDA (as further adjusted in accordance with the Credit Agreement definitions) based on the actual results for such quarter;
  - for the quarter ending on March 31, 2022, testing will be based on an annualized calculation of Adjusted EBITDA based on actual results for the fourth quarter of 2021 and the first quarter of 2022 multiplied by 2; and
  - for the quarter ending on June 30, 2022, testing will be based on an annualized calculation of Adjusted EBITDA for the fourth quarter of 2021, the first quarter of 2022 and the second of 2022 multiplied by 4/3;
- Thereafter, testing will be based on an annualized calculation of the cumulative Adjusted EBITDA on a trailing four fiscal quarter basis;
- The Total Leverage Ratio of 3.75x will apply when financial covenants are reinstated, and will be reduced until the third quarter of 2022 at which point it will reach a level of 3.00x;
- The liquidity covenant will continue and has been amended and extended beginning February 2021, through to and including December 2021, requiring available liquidity as defined on a monthly basis (November 1, 2020 through January 31, 2021 - $100.0 million; February 2021 - $75.0 million; March 2021 - $60.0 million; April 1, 2021 through December 31, 2021 - $100.0 million;
- The addition of a Senior Leverage Ratio will be based on annualized Adjusted EBITDA and set at 1.0x lower than the Total Leverage Ratio. Senior Leverage Ratio to be defined as (i) Total Debt (as defined in the Credit Agreement) less any Notes Payable to (ii) Adjusted EBITDA;
- Effective with the fourth quarter of 2021, additional growth capital expenditures will be subject to pro-forma leverage covenant of 2.75x (both prior to and immediately after giving effect to any such growth capital expenditure) based on actual last 12 months' EBITDA; and
- Distributions continue to be blocked during the extended financial covenant suspension period and only permitted when the leverage ratio is less than 2.75x (both prior to and immediately after giving effect to any such distribution).

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

This summary of the Credit Agreement is qualified in its entirety by reference to the provisions of the Credit Agreement which contains a complete statement of those terms and conditions. The Credit Agreement and each of the First Credit Agreement Amendment, Second Credit Agreement Amendment and Third Credit Agreement Amendment are available on SEDAR at www.sedar.com.

One of the key financial covenants in the Credit Facilities is the Senior Leverage Covenant which is calculated in accordance with IFRS in effect at November 13, 2018 which excludes the impact of the adoption of IFRS 16 on Cineplex's financial reporting. The definition of debt in the Credit Facilities for the purposes of the Senior Leverage Covenant includes the Credit Facilities, financing leases and letters of credit but does not include Debentures, Notes Payable, the lease obligations arising on the adoption of IFRS 16 or a reduction for cash on hand. For the purposes of the Credit Facilities definition, EBITDA is adjusted for certain non-cash, non-recurring items and the annualized impact of new operating locations or acquisitions. Under the term of the Third Credit Agreement Amendment, financial covenant testing has been suspended until the fourth quarter of 2021.



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

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

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

Interest rate swap agreements					
	Notional amount	**Inception date**	**Effective date**	**Maturity date**	**Fixed rate payable**
Swap - 1	$200.0 million	April 25, 2016	October 24, 2018	April 26, 2021	1.484 %
Swap - 2	$200.0 million	November 13, 2018	April 26, 2021	November 14, 2023	2.945 %
Swap - 3	$100.0 million	November 13, 2018	November 13, 2018	November 14, 2023	2.830 %
Swap - 4	$150.0 million	November 13, 2018	November 13, 2018	November 14, 2025	2.898 %

Cineplex ceased the use of hedge accounting for the interest rate swaps during the fourth quarter of 2019 as a result of the terms of the Arrangement Agreement. The interest rate swap will be measured at fair market value at each reporting period with changes in fair market value recognized in the consolidated statement of operations.

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

Based on the leverage ratio covenant in effect at March 31, 2021, Cineplex's effective cost of borrowing on up to $450.0 million of hedged borrowings under the Credit Facilities was 6.254% (March 31, 2020 - 3.509%).

Convertible debentures

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

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

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

The fair value of the liability component of the Debentures was assessed at inception based on an estimated market discount rate of 14.1% less the pro-rata portion of transaction costs, and will be accreted to the full face value over the term of the Debentures. Cineplex recorded interest expense on Debentures of $8.1 million for the three months ended March 31, 2020 (2020 - $nil) which comprises of cash interest expense of $4.4 million and accretion expense of $3.7 million, both of which are included as part of the interest expense in the consolidated statement of operations. The residual value was allocated to the equity component less the pro-rata portion of transaction costs as prescribed by IFRS 9, *Financial Instruments*.

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

Notes payable

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

Cineplex recorded interest expense on the Notes Payable of $1.8 million for the three months ended March 31, 2021 (2020 - $nil) which comprises of cash interest expense of $1.7 million and accretion expense of $0.1 million, both of which are included as part of interest expense in the consolidated statement of operations. As at March 31, 2021, Cineplex has $250.0 million principal amount of Notes Payable outstanding.

At any time from and after January 31, 2023, the Notes Payable may be redeemed in whole or in part from time to time at the option of the Corporation at a price equal to their principal amount plus accrued and unpaid interest. Prior to January 31, 2023, the Corporation may redeem all or a part of the Notes Payable at a price equal to 100% of the aggregate principal amount of the Notes Payable redeemed plus an applicable premium and accrued and unpaid interest. The Corporation may also, at any time prior to January 31, 2023, redeem up to 40% of the aggregate principal amount of the Notes Payable at a price equal to 107.50% of their principal amount thereof plus accrued and unpaid interest, with the net cash proceeds of one or more equity offerings. In addition, the Corporation may redeem up to 10% of the outstanding aggregate principal amount of Notes Payable at any time prior to January 31, 2022 at a price equal to 103.75% of their principal amount plus accrued and unpaid interest, provided that at least $150.0 million aggregate principal amount of Notes Payable originally issued under the Notes Payable Indenture (and any additional Notes Payable issued under the Notes Payable Indenture) remains outstanding immediately after the occurrence of each such redemption unless all such Notes Payable are redeemed substantially concurrently. Cineplex has estimated the fair value of this embedded derivative at $0.5 million as at March 31, 2021, which is presented on the consolidated balance sheets in prepaid expenses and other current assets.

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

6.5 FUTURE OBLIGATIONS

Cineplex has aggregate gross capital commitments of $75.3 million ($51.7 million net of tenant inducements) related to the completion of construction of 10 operating locations including both theatres and location-based entertainment locations, in addition to the ongoing rollout of expanded entertainment offerings at select theatres and location-based entertainment locations, over the next four years.

As a result of the impact of COVID-19 on its business, Cineplex has minimized all capital expenditures by deferring or canceling project spending during the crisis. With the uncertainty surrounding the timing and impact of the theatre and LBE venue closures, management will continue to assess its future capital spending taking into consideration its legal commitments, restrictions imposed by the Credit Facilities (as amended) and requirements of the business on a short and long-term basis.

Cineplex conducts a significant part of its operations in leased premises. Cineplex's leases generally provide for minimum rent and a number of the leases also include percentage rent based primarily upon sales volume. Cineplex's leases may also include escalation clauses, guarantees and certain other restrictions, and generally require it to pay a portion of the real estate taxes and other property operating expenses. Initial lease terms generally range from 15 to 20 years and contain various renewal options, generally in intervals of five to ten years. In response to the COVID-19 pandemic and resulting government mandated closures, Cineplex temporarily closed all of its theatres and LBE locations on March 16, 2020. Government mandates remain in effect in multiple markets which have resulted in theatre closures and restrictions on the LBE business.

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

At March 31, 2021, Cineplex had $316.3 million principal amount of Debentures outstanding that bear interest at 5.75% per annum and have a maturity date of September 30, 2025. At March 31, 2021, the Debentures were recorded on Cineplex's balance sheet at $222.9 million (Section 6.4, Long-term debt). The Debentures are being accreted to their maturity value using the effective interest method as prescribed by IFRS 9, *Financial Instruments.* The Debentures are not redeemable by Cineplex prior to September 30, 2023. On or after September 30, 2023 and prior to September 30, 2024, Cineplex may, at its option, redeem the Debentures in whole or in part from time to time, subject to specific market conditions. On or after September 30, 2024, the Debentures may be redeemed in whole or in part from time to time at the option of Cineplex at a price equal to their principal amount plus accrued and unpaid interest. Redemption may be in cash or in the form of Shares, at the option of Cineplex. See Section 8, Share activity, for more information regarding the Debentures.

At March 31, 2021, Cineplex had $250.0 million Notes Payable principal amount outstanding that bear interest at 7.50% per annum and have a maturity date of February 26, 2026. Cineplex, may at its option, redeem the Notes Payable at specified redemption prices prior to maturity. See Section 6.4 Long-term debt, for more information regarding the Notes Payable.

7. ADJUSTED FREE CASH FLOW AND DIVIDENDS (Section 15, 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. As a result of the Arrangement Agreement, Cineplex did not pay any further dividends after the monthly dividend that was paid on February 28, 2020. Cineplex does not expect to return to paying dividends until the negative impact of the COVID-19 crisis has been addressed and the contractual restrictions imposed by the terms of its long-term debt agreements permit, and liquidity has improved. Cineplex hereby currently designates all dividends paid or deemed to be paid as "eligible dividends" for purposes of subsection 89(14) of the *Income Tax Act* (Canada), and similar provincial and territorial legislation, unless indicated otherwise.

7.1 ADJUSTED FREE CASH FLOW

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

Adjusted free cash flow	First Quarter		
	2021	2020	Change
Adjusted free cash flow per Share	$ (1.244)	$ (0.003)	NM
Dividends declared per Share	$ —	$ 0.150	-100.0%
Payout ratio - 12 months ended March 31	— %	68.7%	-68.7%

Adjusted free cash flow per Share for the first quarter of 2021 decreased mainly due to the weaker operation results arising from the closure of Cineplex's theatres and LBE venues for the majority of the first quarter of 2021, in response to prolonged mandatory lockdown measures and operating restrictions.

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		
	2021	2020	Change
Cash flows (used in) provided by continuing operations	$ (35,632)	$ 23,190	NM
Net loss from continuing operations	$ (89,688)	$ (174,155)	-48.5%
Standardized free cash flow	$ (44,347)	$ (14,313)	NM
Adjusted free cash flow	$ (78,785)	$ (207)	NM
Cash dividends declared	$ —	$ 9,500	-100.0%
Average number of Shares outstanding	63,334,317	63,333,238	—

7.2 DIVIDENDS

Cineplex has not paid any dividends since the monthly dividend was that paid on February 28, 2020 and is restricted from paying any dividends under the Credit Facilities (as amended) and other long-term debt arrangements.

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

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

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

8. SHARE ACTIVITY

Share capital balances at March 31, 2021 and 2020 is as follows (expressed in thousands of dollars except Share amounts):

	Shares	Amount	
	Number of common shares issued and outstanding	**Common shares**	**Total**
Balance - December 31, 2020	63,333,238	$ 852,379	$ 852,379
Issuance of shares on exercise of options	5,151	43	43
Balance - March 31, 2021	63,338,389	$ 852,422	$ 852,422

	Shares	Amount	
	Number of common shares issued and outstanding	**Common shares**	**Total**
Balance - December 31, 2019 and March 2020	63,333,238	$ 852,379	$ 852,379

On November 12, 2020, the Board of Directors approved the new Omnibus Incentive Plan (the "Incentive Plan"). This plan supersedes the former incentive plans ("Legacy Plan") that included Options, Performance Share Units ("PSU") and Restricted Share Units ("RSU"). All employees and consultants are eligible to participate in the Incentive Plan. The Incentive Plan consists of stock options, RSU and PSU. Awards of RSU and PSU granted during a service year will be subject to a three year service period. The aggregate number of Shares that may be issued under the Incentive Plan is 1.8 million provided that no more than 1.2 million Shares may be issued in aggregate pursuant to the settlement of RSUs and PSUs. Options that were issued under the Legacy Plan and are subsequently cancelled will be available to be issued under the Incentive Plan. The base Share equivalents granted as RSU and PSU awards attract compounding notional dividends at the same rate as outstanding Shares, which are notionally re-invested as additional base Share equivalents. PSU and RSU awards may be settled in Shares issued from treasury, cash, or a mix of Shares and cash, at Cineplex's option at the time of settlement. Cineplex has determined that the 2020 awards will be settled in Shares, and as a result those awards are accounted for as equity-settled. Awards outstanding under prior plans shall remain in full force and effect under the prior plans according to their respective terms. Under the prior plans, the effects of changes in estimates of performance results are recognized in the year of change.

Incentive Plan costs are estimated at the grant date based on expected performance results then accrued and recognized on a graded basis over the vesting period. Forfeitures are estimated at $nil.

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

No options were granted in the first quarter of 2021 or 2020.

A summary of option activities in 2021 and 2020 is as follows:

		2021		2020	
	Weighted average remaining contractual life (years)	Number of underlying Shares	Weighted average exercise price	Number of underlying Shares	Weighted average exercise price
Options outstanding - January 1	7.64	2,042,019	$ 25.37	3,123,521	$ 38.62
Cancelled		(165,146)	44.90	—	—
Exercised		(13,637)	8.25	—	—
Forfeited		(38,620)	21.87	(28,784)	36.77
Options outstanding	7.70	1,824,616	$ 23.80	3,094,737	$ 38.64

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

Cineplex recorded $0.4 million of employee benefits expense with respect to the options during the period ended March 31, 2021 (2020 - $(2.4) million recovery). During the period, 165,146 stock options issued under the Legacy Plan were cancelled as part of a voluntary stock option cancellation program that was initiated in the fourth quarter of 2020.

The grants of Share equivalents were as follows:

	PSU Share equivalents granted	RSU Share equivalents granted	PSU Share equivalents minimum payout	PSU Share equivalents maximum payout
2020 LTIP award	284,214	277,105	—	568,428
2019 LTIP award	105,777	54,940	7,788	211,553

No RSUs or PSUs were granted in in the three months ended March 31, 2021 or 2020.

Incentive Plan costs are estimated at the grant date based on expected performance results then accrued and recognized on a graded basis over the vesting period. Forfeitures are estimated at nil. For the period ended March 31, 2021, Cineplex recognized compensation expense of $0.4 million (2020 - $(4.3) million recovery) under the Incentive Plan relating to RSU and PSU. At March 31, 2021, $0.6 million (2020 - $3.8 million) was included in current share-based compensation liability, and $0.6 million in contributed surplus (2020 - $nil).

Subsequent to March 31, 2021, as part of the 2021 compensation program, Cineplex issued 281,486 stock options to employees at an exercise price of $12.87 that will vest over four years, and 430,031 PSU and RSU that will vest in the fourth quarter of 2023.

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 theatre attendance, affecting theatre exhibition reported results. The seasonality of theatre attendance has become less pronounced as film studios have expanded the historical summer and holiday release windows and increased the number of heavily marketed films released during traditionally weaker periods. Cineplex's diversification into other businesses such as digital media and amusement and leisure, which are not dependent on Hollywood 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 $272.0 million drawn and $258.7 million available as of March 31, 2021, subject to restrictions under the Credit Facilities including liquidity covenants described above (as amended, Section 6.4, Long-term debt). In response to the impact of the COVID-19 pandemic, Cineplex is closely monitoring its liquidity. Details with respect to its ongoing undertakings are detailed in Section 1.1 COVID-19 business impacts, risks and liquidity.

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

	2021	2020				2019		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2 Restated
Revenues								
Box office revenues	**$ 3,818**	$ 7,260	$ 14,531	$ 27	$111,002	$181,789	$177,865	$189,371
Food service revenues	**6,525**	10,543	15,468	3,256	79,365	125,159	125,550	129,563
Media revenues	**9,074**	12,496	12,825	7,880	32,157	69,545	43,308	49,196
Amusement revenues	**13,874**	13,597	13,236	3,731	47,337	53,471	58,143	58,117
Other revenues	**8,121**	8,556	4,962	7,094	12,940	13,256	13,582	12,608
	41,412	52,452	61,022	21,988	282,801	443,220	418,448	438,855
Expenses								
Film cost	**1,235**	3,151	7,261	10	56,500	93,925	93,735	103,005
Cost of food service	**1,412**	3,989	3,680	789	22,209	27,701	27,439	28,247
Depreciation - right-of-use assets	**26,318**	28,136	30,539	34,185	35,533	36,471	36,456	36,557
Depreciation and amortization - other	**29,509**	28,750	30,375	31,759	33,962	33,135	31,712	32,403
(Gain) loss on disposal of assets	**(30,060)**	(283)	(14,113)	478	817	868	303	116
Other costs	**68,705**	77,213	78,754	62,175	157,548	214,922	190,955	192,988
Impairment of long-lived assets and goodwill	**—**	56,175	65,634	—	173,054	—	—	—
	97,119	197,131	202,130	129,396	479,623	407,022	380,600	393,316
(Loss) Income from operations	**(55,707)**	$(144,679)	$(141,108)	$(107,408)	$(196,822)	$ 36,198	$ 37,848	$ 45,539
Adjusted EBITDA (i)	**$(30,105)**	$(32,097)	$(28,928)	$(41,313)	$ 46,472	$106,529	$106,132	$114,383
Adjusted EBITDAaL (i) (ii)	**$(62,090)**	$(65,948)	$(46,725)	$(72,532)	$ 2,390	$ 62,327	$ 62,312	$ 70,255
Net (loss) income from continuing operations	**$(89,688)**	$(230,403)	$(121,209)	$(98,234)	$(174,155)	$ 4,668	$ 15,100	$ 22,077
Net loss from discontinued operations	**—**	—	—	(693)	(4,259)	(1,196)	(1,718)	(2,680)
Net (loss) income	**$(89,688)**	$(230,403)	$(121,209)	$(98,927)	$(178,414)	$ 3,472	$ 13,382	$ 19,397
EPS - basic and diluted from continuing operations	**$ (1.42)**	$ (3.64)	$ (1.91)	$ (1.55)	$ (2.75)	$ 0.08	$ 0.24	$ 0.35
EPS - basic and diluted from discontinued operations	**—**	—	—	(0.01)	(0.07)	(0.02)	(0.03)	(0.04)
EPS - basic and diluted	**$ (1.42)**	$ (3.64)	$ (1.91)	$ (1.56)	$ (2.82)	$ 0.06	$ 0.21	$ 0.31
Cash (used in) provided by operating activities (ii)	**(35,632)**	$(61,041)	(86,558)	18,095	23,190	$124,133	77,760	58,346
Cash provided by (used in) investing activities (ii)	**48,523**	50,492	11,384	(8,947)	(26,219)	(46,443)	(25,791)	(24,851)
Cash (used in) provided by financing activities	**(9,782)**	12,977	74,252	(2,793)	(12,819)	(84,850)	(52,336)	(24,447)
Effect of exchange rate differences on cash	**140**	650	292	560	(950)	345	(158)	235
Net change in cash	**$ 3,249**	$ 3,078	$ (630)	$ 6,915	$(16,798)	$ (6,815)	$ (525)	$ 9,283
Cash flows (used in) provided by discontinued operations	**$ —**	$ —	$ —	$ (253)	$ (2.138)	$ 2,821	$ (1,441)	$ (1,120)
BPP (i)	**$ 9.20**	$ 9.23	$ 9.30	$ 4.50	$ 10.36	$ 10.79	$ 10.16	$ 11.13
CPP (i)	**$ 6.12**	$ 9.06	$ 7.37	$ 10.33	$ 6.79	$ 6.81	$ 6.68	$ 7.04
Film cost percentage (i)	**32.3 %**	43.4 %	50.0 %	37.0 %	50.9 %	51.7 %	52.7 %	54.4 %
Theatre attendance (in thousands of patrons) (i)	**415**	786	1,563	6	10,710	16,849	17,512	17,011
Theatre locations (at period end)	**161**	162	164	164	164	165	165	165
Theatre screens (at period end)	**1,657**	1,667	1,687	1,687	1,687	1,693	1,696	1,695

(i) See Section 15, Non-GAAP measures.

(ii) Prior period figures have been revised to conform to current period presentation. See Section 16, Reconciliation for further details.

Summary of adjusted free cash flow by quarter

Management calculates adjusted free cash flow per Share as follows (see Section 15, 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):

	2021	2020				2019		
	Q1	Q4	Q3	Q2	Q1	Q4	Q1	Q2 Restated
Cash (used in) provided by operating activities (i)	**$ (35,632)**	$ (61,041)	$ (86,558)	$ 18,095	$ 23,190	$ 124,133	$ 77,760	$ 58,346
Less: Total capital expenditures	**(8,715)**	(10,099)	(11,418)	(14,391)	(37,503)	(51,448)	(34,905)	(27,653)
Standardized free cash flow	**(44,347)**	(71,140)	(97,976)	3,704	(14,313)	72,685	42,855	30,693
Add/(Less):								
Changes in operating assets and liabilities	**(23,581)**	67,257	34,894	(69,401)	10,428	(40,670)	3,666	30,432
Changes in operating assets and liabilities of joint ventures	**(802)**	(2,699)	372	(986)	(1,156)	(131)	(411)	(240)
Principal component of lease obligations	**(19,457)**	(32,323)	(24,811)	(993)	(33,819)	(32,352)	(31,836)	(31,580)
Principal portion of cash rent paid not pertaining to current period	**1,106**	(357)	(357)	(357)	1,071	(346)	(345)	(346)
Growth capital expenditures and other	**8,461**	8,928	10,801	13,777	34,526	37,202	30,580	19,190
Share of income of joint ventures, net of non-cash depreciation	**(165)**	(196)	(255)	(331)	(73)	(147)	(189)	(238)
Non-controlling interests	**—**	—	—	4	1	4	2	7
Net cash received from CDCP	**—**	—	—	782	3,128	2,882	3,910	3,128
Adjusted free cash flow	**$ (78,785)**	$ (30,530)	$ (77,332)	$ (53,801)	$ (207)	$ 39,127	$ 48,232	$ 51,046
Average number of Shares outstanding	**63,334,317**	63,333,238	63,333,238	63,333,238	63,333,238	63,333,238	63,333,238	63,333,238
Adjusted free cash flow per Share	**$ (1.244)**	$ (0.482)	$ (1.221)	$ (0.849)	$ (0.003)	$ 0.618	$ 0.762	$ 0.806

(i) Prior period figures have been revised to conform to current period presentation. See Section 16, Reconciliation for further details.

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.

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, 2020.

12. 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. Senior management participate in a detailed review of enterprise risk in four major categories: environment risks, process risks, information risks and business unit risks. In addition, Cineplex monitors risks and changing economic conditions on an ongoing basis and adapts its operating strategies as required.

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

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

The outbreak of the COVID-19 pandemic has had an unprecedented impact on all of Cineplex's business segments. As an entertainment company that operates in spaces where guests gather in close proximity, including theatres and LBE venues, Cineplex has been significantly impacted by the actions taken to control the spread of COVID-19. On March 16, 2020, Cineplex announced the temporary closure of all of its theatres and LBE venues across Canada, as well as substantially all route locations operated by P1AG. On April 1, 2020, in response to applicable government directives and guidance from Canadian public health authorities, Cineplex announced that the closure of its theatres and LBE venues across Canada would remain in effect and that the reopening of such locations would be reassessed as further guidance is provided by Canadian public health authorities and applicable government authorities. Although restrictions on social gatherings were temporarily lifted in many of the markets in which Cineplex operated over the summer and into the fall of 2020, social gathering restrictions were reinstituted in the late fall and winter with the increased number of COVID-19 cases and the onset of the third wave in the latter half of the first quarter of 2021, involving more transmissible variants. This has resulted in ongoing mandatory lockdown measures which have resulted in prolonged mandatory theatre closures and operating restrictions on the LBE businesses, with no clear date for reopening at the date of this MD&A.

The impact of the COVID-19 pandemic cannot be quantified at this time because of the significant uncertainty around the timing of the reductions of government imposed restrictions and mandated closures of non-essential businesses, and the potential long-term effects that COVID-19 may have on Cineplex's exhibition and amusement and leisure businesses. Cineplex cannot predict when restrictions will be lifted or how quickly (a) its businesses will be permitted to resume operations and (b) guests will return to its locations once operations have resumed, which may be a function of (i) continued safety and health concerns, (ii) additional regulatory requirements limiting Cineplex's seating capacity, and/or (iii) depressed consumer sentiment due to adverse economic conditions, including job losses, among other things. If Cineplex does not respond appropriately to the pandemic, or if guests do not perceive its response to be adequate, Cineplex could suffer damage to its reputation, which could adversely affect its business.

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

- lack of availability of films in the short or long-term, including as a result of (i) continued delay in film releases; (ii) release of scheduled films on alternative channels, (iii) disruptions or suspensions of film

production, or (iv) the reduction or elimination of the theatrical exclusive release window including the introduction of a Premium Video On Demand ("PVOD") window and direct to streaming services releases;
- increased operating costs resulting from additional regulatory requirements enacted in response to the COVID-19 pandemic and from precautionary measures it voluntarily takes at Cineplex's locations for the health and well being of its guests and employees;
- challenges maintaining relationships with its business partners, including its landlords, suppliers and motion picture distributors as a result of its business closures during the COVID-19 pandemic;
- unavailability of employees and/or their inability or unwillingness to conduct work under revised work environment protocols;
- increased risks related to employee matters, including increased employment litigation and claims relating to terminations or leaves of absence caused by the suspension of operations;
- reductions and delays associated with planned operating and capital expenditures;
- Cineplex's inability to generate significant cash flow from operations if Cineplex's theatres continue to operate at significantly lower than historical levels, which could, in the long-term, lead to a substantial increase in indebtedness and may negatively impact Cineplex's ability to comply with the financial covenants in the Credit Facilities;
- Cineplex's inability to further access lending, capital markets and other sources of liquidity, if needed, on reasonable terms, or at all, or obtain amendments, extensions and waivers of financial maintenance or other material terms;
- Cineplex's inability to effectively meet short-term and long-term obligations which it does not have the ability to eliminate or reduce (including interest payments, critical maintenance capital expenditures and compensation and benefits payments);
- Cineplex's inability to service its existing and future indebtedness; and
- decreased attendance at Cineplex's theatres after they reopen, including due to (i) continued health and safety concerns or (ii) a change in consumer behaviour in favour of alternative forms of entertainment.

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

While Cineplex has eliminated certain variable costs and reduced fixed costs to the extent possible, Cineplex continues to incur significant expenses, including interest payments, critical maintenance capital expenditures, occupancy costs, and compensation and benefits payments. Cineplex cannot be certain that it will have access to sufficient liquidity to meet its obligations for the time required to allow its operations to resume or normalize. The net cash burn experienced by the Company since the shutdowns in 2020 may not be sustainable at its current levels and may worsen in the future. Further, the extent of Cineplex's cash burn in the future will also be dependent on attendance, which will drive admissions, food and beverage and other revenue once Cineplex begins to reopen theatres. Cineplex may not be able to obtain additional liquidity and any relief provided by lenders, governmental agencies, and business partners may not be adequate or may include onerous terms.

Cineplex continues to actively monitor all aspects of its business and operations in order to minimize the impact of COVID-19 on its operations wherever possible. However, the outbreak of COVID-19 has caused significant disruptions to Cineplex's ability to generate profitability and cash flows. Cineplex expects the ongoing COVID-19 pandemic and the events and circumstances resulting from the COVID-19 pandemic to have a material negative impact on its business, financial condition and results for at least the first half of 2021 and potentially longer.

Litigation Arising Out of the Cineworld Transaction

Cineplex has commenced an action against Cineworld as a result of Cineworld's repudiation of the Arrangement Agreement. Cineworld has filed a counterclaim against Cineplex for an unspecified amount of costs that it incurred as a result of Cineplex's alleged breaches of the Arrangement Agreement (Section 1.1, COVID-19 business impacts, risks and liquidity). While Cineplex denies Cineworld’s allegations and believes that Cineworld (a) had no legal basis to terminate the Arrangement Agreement, and (b) breached the Arrangement Agreement and its other contractual obligations, the outcome of such litigation cannot be predicted with certainty. Cineplex will incur additional expenses in connection with these matters, and there can be no assurance that it will be successful in obtaining any financial remedy. Even if Cineplex’s action against Cineworld is successful, Cineworld may not have the ability to pay the full amount of any damages awarded. As well, the litigation proceedings could take away from management’s time and effort, which could be otherwise spent on running Cineplex’s business. There can be no assurance that the proceedings, and associated costs, will not have a material adverse impact on Cineplex’s financial performance, cash flow and results of operations.

General Economic Conditions

Entertainment companies compete for guests’ entertainment time and spending, and as such can be sensitive to global, national or regional economic conditions and any changes in the economy may either adversely influence these revenues in times of an economic downturn or positively influence these revenue streams should economic conditions improve. Historical data shows that movie theatre attendance has not been negatively affected by economic downturns over the past 25 years. However, COVID-19 has significantly increased economic uncertainty, which could lead to a long lasting recession in Canada, which will further adversely affect Cineplex’s business, and such adverse effects may be material. Cineplex has never previously experienced a sustained complete halt of its operations across Canada, and as a result, its ability to predict the impact of such a halt on its operations and future prospects is uncertain.

Negative Cash Flow from Operations

Cineplex reported negative cash flow from operations for the period ended March 31, 2021 due to the impact of the COVID-19 pandemic. There can be no assurance that Cineplex will generate sufficient revenues to achieve or maintain profitability or positive cash flow from operations in the future. If Cineplex does not achieve or maintain profitability or positive cash flow from operating activities, then there could be a material adverse effect on Cineplex’s business, financial condition and results of operation.

Business Continuity Risk

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

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

Customer Risk

In its consumer-facing entertainment businesses, Cineplex competes for the leisure time and disposable income of all potential customers. All other forms of entertainment are substantial competitors to the movie-going experience including home and online consumption of content, sporting events, streaming services, gaming, live music concerts, live theatre, other entertainment venues and restaurants. Cineplex aims to deliver value to its guests through a wide variety of entertainment experiences and price points. Cineplex monitors pricing in all markets to ensure that it offers a reasonably priced out of home experience compared to other entertainment alternatives. If Cineplex is too aggressive in raising ticket prices or concession prices, there may be an adverse effect on theatre attendance and food service revenues.

To mitigate this risk, Cineplex offers the SCENE loyalty program, which rewards guests for their patronage with special offers as well as the ability to earn and redeem points. However, loyalty programs also carry a risk in that customers may not be satisfied with the offering or any change in offerings. There also exists a risk of saturation of loyalty programs in a market or the inability to further grow membership such that the program may generate costs in excess of the benefits. Cineplex monitors customer needs to try and ensure that its entertainment experiences meet the anticipated needs of key demographic groups. Cineplex is differentiating the movie-going experience by providing premium alternatives such as UltraAVX, VIP, 4DX, ScreenX, Cineplex Clubhouse and D-BOX seating. Cineplex also includes XSCAPE Entertainment Centres in select theatres and provides alternative programming which appeals to specific demographic groups. In addition, digital technology has allowed for more niche programming.

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

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

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

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

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

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

Film Entertainment and Content Risk

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

The impact of COVID-19 has led to less film productions by studios, delayed film releases, reductions to the exclusive theatrical release window and redirection of a limited number of theatrical releases to streaming services.

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

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

Exhibition Industry Risk

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

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

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

Media Risk

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

The majority of Cineplex's advertising revenue is earned at Cineplex theatres. There is a risk of decreased attendance at theatres once they reopen as a result of continued safety and health concerns and depressed consumer sentiment due to adverse economic conditions, arising from the impact of COVID-19 pandemic. This could result in media customers electing to reduce their spending in cinemas and advertise through alternative channels.

Amusement and Leisure Risk

Cineplex's location-based entertainment concepts are new concepts in the Canadian marketplace, and as such there is a risk that consumers may not react as favourably to the concepts, entertainment options or food service options as Cineplex's projections indicate. As part of Cineplex's vertical integration, P1AG is the primary supplier of games and amusement offerings for Cineplex's theatres, *The Rec Room* and *Playdium* locations, mitigating supplier risk.

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

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

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

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

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

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

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

Technology/Cyber Risk

Technological advances have made it easier to create, transmit and electronically share unauthorized high-quality copies of films during theatrical release. Some consumers may choose to obtain unauthorized copies of films rather than attending the theatre which may have an adverse effect on Cineplex's business. In addition, as home 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, D-BOX, 4DX, ScreenX and digital projection in order to further differentiate the theatrical product from the home product. Cineplex has also diversified its offerings to customers by operating the Cineplex Store which sells TVOD movies in order to participate in the in-home and on-the-go entertainment markets.

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

Cineplex relies on various information technology solutions to provide its services to guests and customers, as well in running its operations from its various office locations. Cineplex may be subject to information technology malfunctions, outages, thefts or other unlawful acts that could result in loss of communication, unauthorized access to data, change in data, or loss of data which could compromise Cineplex's operations and/or the privacy of Cineplex's guests, customers and suppliers. Currently, as the majority of Cineplex's corporate employees have moved to a work-from-home platform, there is an increased risk to Cineplex's technology systems, In response, Cineplex has implemented additional security measures, including training, monitoring and testing and contingency plans, to protect systems.

Information Management Risk

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

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

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

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

Real Estate Risk

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

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

Sourcing Risk

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

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

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

The economic impacts of COVID-19 may have negative impact on Cineplex's suppliers and as a result its suppliers may not be able to sustain operations after the pandemic. A reduction in the number of suppliers or the loss of critical suppliers may result in increased costs, or the inability to find satisfactory replacement goods and services in the short or long-term.

Human Resources Risk

The success of Cineplex depends upon the retention of senior executive management, including its Chief Executive Officer, Ellis Jacob. The loss of services of one or more members of the 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 and undertakes a comprehensive succession planning program.

Cineplex typically employs approximately 10,000 people, of whom approximately 80% 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. Any increase in minimum wages will impact employee-related costs. In order to mitigate the impact of the proposed increases, Cineplex works to expand automation, take advantage of technological efficiencies and continually reviews pricing. Approximately 6% of Cineplex's employees are represented by unions, located primarily in the province of Quebec. Because of the small percentage of employees represented by unions, the impact of labour disruption nationally is low.

As a result of the government mandated closures, due to the impact of the COVID-19 pandemic, Cineplex temporarily laid off all part-time staff members. There is a risk upon reopening, Cineplex may not be able to rehire enough staff to sustain operations due to their unavailability, inability or unwillingness to rejoin the workforce.

Health and Safety Risk

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

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

Environment/Sustainability Risk

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

Integration Risk

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

Financial and Markets Risk

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

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

Foreign Currency Risk

Cineplex is exposed to foreign currency risk related to transactions in its normal course of business that are denominated in currencies other than the Canadian dollar. Cineplex's largest foreign currency exposure is to the US dollar, as its amusement solutions and digital place-based media all operate in the United States and which represented 10.3% of Cineplex's revenues in 2019. These revenues are naturally hedged by Cineplex's US-based operating costs.

Interest Rate Risk

Cineplex is exposed to risk on the interest rates applicable on its Credit Facilities. To mitigate this risk, Cineplex has entered into interest rate swap agreements as outlined in Section 6.4, Long-term debt.

Legal, Regulatory, Taxation and Accounting Risk

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

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

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

13. CONTROLS AND PROCEDURES

13.1 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.

13.2 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.

14. 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 12, Risks and uncertainties.

The outlook for Cineplex's businesses is contingent on its ability to navigate the current and future impact of COVID-19 on its businesses.

On March 16, 2020, Cineplex temporarily closed all of its theatres and LBE locations and substantially all of its route locations throughout North America in response to the COVID-19 pandemic. Cineplex's related businesses, including its media business, continue to experience the fallout of the closure of significant portions of the global economy. Although restrictions on social gatherings were temporarily lifted in many of the markets in which Cineplex operated over the summer and into the fall of 2020, social gathering restrictions were reinstituted in the late fall and winter with the increased number of COVID-19 cases and the onset of the third wave in the latter half of the first quarter of 2021, involving more transmissible variants of the virus. This has resulted in ongoing mandatory lockdown measures which have resulted in prolonged theatre closures and operating restrictions on the LBE businesses.

Since the closure of its theatres and LBE venues in March 2020, Cineplex diligently prepared for their safe reopening, with the health and well being of its employees and guests being its top priority. Cineplex has carefully re-examined all of its buildings and processes, so that when its theatres and LBE venues reopened, it has implemented an industry-leading program with end-to-end health and safety protocols. At Cineplex's theatres specifically, it has also launched reserved seating in all auditoriums across the country to ensure proper physical distancing between its guests.

Cineplex has been able to maintain connections with its guests during the period of theatre and LBE venue closures through its online Cineplex Store and home delivery of food offerings via Uber Eats and Skip the Dishes, as well as through the SCENE loyalty program and social media channels. Cineplex will use these communication channels to ensure that its guests are made aware of when its theatres and LBE venues will reopen, and the various measures put in place to ensure their safety while enjoying a long-deserved outing.

Canada has begun the inoculation process, starting with front line workers and high-risk individuals. However, the supply and roll-out of approved vaccines in Canada has been inconsistent to date and there can be no assurance that vaccines will be widely available or distributed as currently anticipated, which would delay a return to normalcy. When compared to other major markets such as the United States, Canada's vaccination process lags which will further prolong the reopening of theatres and LBE businesses resulting in negative implications on business operations.

The release of the highly anticipated *Godzilla vs. Kong* generated US$32.0 million during the opening weekend in the United States, US$48.5 million during the first five days of its release in the United States and US$391.0 million globally during the first month of its release making it the most successful film to release since the pandemic started in March 2020. Despite simultaneously playing on streaming platforms, the success of *Godzilla vs. Kong* during the pandemic provides optimism for the movie exhibition industry. Japan had its biggest box office weekend in the country's history during the fourth quarter of 2020 with the exhibition of *Demon Slayer: Mugen Train.* The film exceeded expectations and welcomed over 3.4 million guests and resulting in a record opening box office weekend topping the country's previous record. China set box office records during the quarter with February marking an all-time record for the biggest month of movie ticket sales of US $1.7 billion while operating under capacity restrictions. Australian cinemas have also performed strongly during the quarter marking the first time in the country's history that the top three grossing films were all Australian films. Robert Connolly's *The Dry,* has grossed more than US $17.0 million since it released in January making it the number one grossing film in 2021 outperforming, DreamWorks *The Croods: A New Age* and the Hollywood blockbuster, *Wonder Woman 1984*. Upcoming film releases for the year include the following: *Mortal Kombat, A Quiet Place Part II, Cruella, Peter Rabbit 2, Fast & Furious 9, Black Widow, Space Jam: A New Legacy, Hotel Transylvania 4, Jungle Cruise, The Suicide Squad, Shang-Chi and the Legend of the Ten Rings, Venom: Let There Be Carnage, Dune, No Time To Die, Eternals, Ghostbusters: Afterlife, Top Gun: Maverick, West Side Story, Spider-Man: No Way Home and The Matrix 4.* With the strong slate of upcoming film products, Cineplex remains confident that moviegoers will return to theatres to enjoy the full theatrical experience that they have become accustomed to.

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

FINANCIAL OUTLOOK

With the ongoing negative impact of the ongoing COVID-19 pandemic, management focus continues to be on minimizing net cash burn and optimizing liquidity. Since the onset of the COVID-19 pandemic, Cineplex and Cineplex Entertainment Limited Partnership have entered into three amendments to the Credit Facilities, providing Cineplex with certain financial covenant relief in light of the COVID-19 pandemic and its effects on Cineplex's businesses (Section 6.4 Long-term debt).

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

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

Cineplex received a recovery for income taxes paid in prior periods of $4.7 million during the quarter and expects to receive the remaining $57.9 million during the second quarter of 2021.

Management continues to focus on reducing costs including the elimination of future capital expenditures. With the issuance of the Notes Payable, amendments to the Credit Facilities, planned asset sales and income tax recoveries, management believes that it has adequate liquidity to fund operations for the currently anticipated duration of the pandemic.

15. 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 management believes that they assist investors in assessing financial performance.

15.1 EBITDA, ADJUSTED EBITDA AND ADJUSTED EBITDAaL

Management defines EBITDA as earnings before interest income and expense, income taxes and depreciation and amortization expense. Adjusted EBITDA excludes the change in fair value of financial instrument, (gain) loss on disposal of assets, foreign exchange, impairment of long-lived assets, goodwill and investments, the equity loss (income) of CDCP, the non-controlling interests' share of adjusted EBITDA of TG-CPX Limited Partnership, and depreciation, amortization, interest and taxes of Cineplex's other joint ventures and associates. Adjusted EBITDAaL modifies adjusted EBITDA to deduct current period cash rent paid or payable related to lease obligations net of quantified savings negotiated with landlords as a result of the COVID-19 closures, including savings negotiated after the period end. This includes agreements with landlords that are evidenced by way of written confirmation of the terms agreed upon to the date of approval of the MD&A, and are in the process of being formally documented.

Cineplex's management believes that adjusted EBITDAaL is an important supplemental measure of Cineplex's profitability at an operational level and provides analysts and investors with comparability in evaluating and valuing Cineplex's performance period over period. EBITDA, adjusted for various unusual items, is also used to define certain financial covenants in Cineplex's Credit Facilities. Management calculates adjusted EBITDAaL margin by dividing adjusted EBITDAaL by total revenues.

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

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

	Three months ended March 31, 2021	Three months ended March 31, 2020
Net loss from continuing operations	**$ (89,688)**	**$ (174,155)**
Depreciation and amortization - other	29,509	33,962
Depreciation - right-of-use assets	26,318	35,533
Interest expense - lease obligations	14,359	11,678
Interest expense - other	13,665	16,886
Interest income	(26)	(72)
Current income tax expense (recovery)	3,339	(233)
Deferred income tax recovery	—	(49,734)
EBITDA from continuing operations	**$ (2,524)**	**$ (126,135)**
(Gain) loss on disposal of assets	(30,060)	817
CDCP equity loss (i)	2,238	590
Foreign exchange loss (gain)	230	(1,927)
Impairment of long-lived assets and goodwill	—	173,054
Non-controlling interest adjusted EBITDA	—	1
Depreciation and amortization - joint ventures and associates (ii)	—	24
Taxes and interest of joint ventures and associates (ii)	11	48
Adjusted EBITDA from continuing operations	**$ (30,105)**	**$ 46,472**
Cash rent paid/payable related to lease obligations (iii)	(33,861)	(45,174)
Negotiated lease-related cash savings for the period (iii) (iv)	751	—
Cash rent paid not pertaining to current period	1,125	1,092
Adjusted EBITDAaL (iv)	**$ (62,090)**	**$ 2,390**

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

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

(iii) The cash rent paid or payable includes negotiated lease obligations savings of $0.8 million through March 31, 2021

(iv) See Section 15, Non-GAAP measures.

15.2 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,	
	2021	**2020**
Cash (used in) provided by operating activities	**$ (35,632)**	**$ 23,190**
Less: Total capital expenditures net of proceeds on sale of assets	(8,715)	(37,503)
Standardized free cash flow	(44,347)	(14,313)
Add/(Less):		
Changes in operating assets and liabilities (i)	(23,581)	10,428
Changes in operating assets and liabilities of joint ventures and associates (i)	(802)	(1,156)
Principal component of lease obligations	(19,457)	(33,819)
Principal portion of cash rent paid not pertaining to current period	1,106	1,071
Growth capital expenditures and other (ii)	8,461	34,526
Share of income of joint ventures and associates, net of non-cash depreciation	(165)	(73)
Non-controlling interests	—	1
Net cash received from CDCP (iii)	—	3,128
Adjusted free cash flow	**$ (78,785)**	**$ (207)**
Average number of Shares outstanding	63,334.317	63,333.238
Adjusted free cash flow per Share	**$ (1.244)**	**$ (0.003)**
Dividends declared	**$ —**	**$ 0.150**

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

(ii) Growth capital expenditures and other represent expenditures on Board approved projects, exclude maintenance capital expenditures, and are net of proceeds on asset sales. The Revolving Facility (discussed in Section 6.4, Long-term debt) is available to Cineplex to fund Board approved projects.

(iii) Excludes the share of loss 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,	
	2021	**2020**
Net loss	**$ (89,688)**	**$ (174,155)**
Adjust for:		
Depreciation and amortization - other	29,509	33,962
Depreciation - right-of-use assets	26,318	35,533
Loss on disposal of assets	(30,060)	817
Non-cash interest (i)	657	9,735
Foreign exchange on non-cash interest	211	(1,429)
Impairment of long-lived assets and goodwill	—	173,054
Share of income of CDCP (ii)	2,238	590
Non-controlling interests	—	1
Non-cash depreciation of joint ventures and associates	—	24
Deferred income tax recovery	—	(49,734)
Taxes and interest of joint ventures and associates	11	48
Maintenance capital expenditures	(254)	(2,977)
Principal component of finance lease obligations	(19,457)	(33,819)
Principal portion of cash rent paid not pertaining to current period	1,106	1,071
Net cash received from CDCP (ii)	—	3,128
Non-cash items:		
Non-cash Share-based compensation	624	3,944
Adjusted free cash flow	**$ (78,785)**	**$ (207)**

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

(ii) Excludes the share of loss 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.

15.3 OTHER NON-GAAP MEASURES MONITORED BY MANAGEMENT

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

Earnings per Share Metrics

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

Per Patron Revenue Metrics

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

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

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

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

CPP: Calculated as total theatre food service revenues divided by total paid theatre attendance for the period.

Premium priced product: Defined as 3D, 4DX, UltraAVX, IMAX, ScreenX and VIP film product.

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

Same Theatre Analysis

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

Same theatre metrics are calculated by removing the results for all theatres that have been opened, acquired, closed or otherwise disposed of subsequent to the start of the prior year comparative period. For the three months ended March 31, 2021 the impact of the four locations that have been closed or otherwise disposed of have been excluded, resulting in 157 theatres being included in the same theatre metrics.

Cost of sales percentages

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

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

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

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

P1AG Adjusted EBITDAaL

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

P1AG Adjusted EBITDAaL Margin

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

Adjusted Store Level EBITDAaL Metrics

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

Adjusted Store Level EBITDAaL Margin

Calculated as adjusted store level EBITDAaL divided by total revenues for LBE for the period.

Lease-related cash saving

Quantified savings negotiated with landlords as a result of the COVID-19 disclosures. This includes agreements that are evidenced by way of written confirmation of the terms agreed upon to the date of this MD&A, and are in the process of formally documented.

Net cash burn

Calculated as adjusted EBITDAaL less cash interest expense (excluding amounts with respect to lease obligations), provision for income taxes and net capital expenditures.

Net cash burn	Last Twelve Months	2021	2020		
		Q1	Q4	Q3	Q2
Adjusted EBITDAaL	$ (247,295)	$ (62,090)	$ (65,948)	$ (46,725)	$ (72,532)
Cash interest expense excluding lease obligations	(45,940)	(13,429)	(13,412)	(11,317)	(7,782)
Provision for incomes taxes	63,292	—	12,355	16,497	34,440
Net capital expenditures	(28,544)	(5,055)	(7,272)	(8,198)	(8,019)
Total net cash burn	$ (258,487)	$ (80,574)	$ (74,277)	$ (49,743)	$ (53,893)
Average monthly net cash burn	$ (21,541)	$ (26,858)	$ (24,759)	$ (16,581)	$ (17,964)

16. RECONCILIATION

During the quarter ended September 30, 2019, Cineplex initiated a review process of WGN's online e-sports business, engaging a third-party adviser to identify a strategic equity partner. Cineplex has measured, presented and disclosed the financial information of WGN as a discontinued operation in accordance with IFRS 5, *Non-current assets held for sale and discontinued operations.* As a result, prior period figures have been retroactively restated to exclude the results related to discontinued operations in order to provide comparability to the current year period.

The following table discloses the changes to the other operating expenses for the second quarter in 2019:

Other operating expenses	Restated 2019
	Q2
Theatre payroll	$ 41,072
Theatre operating expenses	30,225
Media	21,185
P1AG	40,529
LBE (i)	13,957
LBE pre-opening (ii)	673
SCENE	4,060
Marketing	4,192
Other (iii)	7,892
Other operating expenses including cash lease payments	$ 163,785
Cash rent related to lease obligations (iv)	(4,652)
Other operating expenses from continuing operations as reported	$ 159,133
Other operating expenses from discontinued operations as reported	2,525
Total other operating expenses	$ 161,658

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

The following tables show the changes to the previously disclosed balances for other expenses for the second quarter in 2019:

Other	Restated 2019
	Q2
Other expenses included in other operating expense as previously reported	$ 10,427
Other expenses included in other operating expense from discontinued operations	(2,535)
Other expenses included in other operating expense as restated	$ 7,892

The following tables show the changes to the previously disclosed balances for cash rent related to lease obligation in 2019:

Other	Restated 2019	
		Q2
Cash rent related to lease obligations as reported	$	(4,662)
Cash rent related to lease obligations from discontinued operations		10
Cash rent related to lease obligations as restated	$	(4,652)

The following table shows the calculation of adjusted EBITDAaL from adjusted EBITDA as previously disclosed for the second quarter in 2019.

Adjusted EBITDAaL	Restated 2019	
		Q2
Adjusted EBITDA as previously reported	$	112,249
Net loss from discontinued operations		2,680
Depreciation and amortization from discontinued operations		(1,186)
Income tax recovery from discontinued operations		658
Foreign exchange gain from discontinued operations		(18)
Adjusted EBITDA from continuing operations	$	114,383
Cash rent related to lease obligations		(43,775)
Cash rent paid not pertaining to current period		(353)
Adjusted EBITDAaL as restated	$	70,255

The following tables show the changes to the previously disclosed balances in cash provided by operating activities and in cash used in investing activities, for the second quarter in 2019.

Cash provided by operating activities	Restated 2019	
		Q2
Cash provided by operating activities as previously reported	$	57,494
Less:		
Operating cash flows in discontinued operations		(852)
Cash provided by operating activities as restated	$	58,346

Cash used in investing activities	Restated 2019	
		Q2
Cash used in investing activities as previously reported	$	(25,110)
Less:		
Investing cash flows in discontinued operations		(259)
Cash used in investing activities as restated	$	(24,851)

Cineplex Inc.

Interim Condensed Consolidated Balance Sheets
(Unaudited)

(expressed in thousands of Canadian dollars)

	March 31, 2021	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	$ 19,503	$ 16,254
Trade and other receivables	39,083	51,834
Income taxes receivable	58,725	66,551
Inventories	21,123	21,712
Prepaid expenses and other current assets	10,721	11,613
	149,155	167,964
Non-current assets		
Property, equipment and leaseholds (note 3)	521,694	555,340
Right-of-use assets (note 3 and 4)	849,907	881,418
Interests in joint ventures and associates	5,428	8,644
Intangible assets	84,994	84,922
Goodwill (note 3)	635,475	635,582
	$ 2,246,653	$ 2,333,870

COVID-19 business impacts, risks and liquidity (note 2)

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

Cineplex Inc.

Interim Condensed Consolidated Balance Sheets...*continued*
(Unaudited)

(expressed in thousands of Canadian dollars)

	March 31, 2021	December 31, 2020
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 77,712	$ 82,992
Share-based compensation (note 6)	691	482
Income taxes payable	819	802
Deferred revenue (note 8)	222,113	219,983
Lease obligations (note 9)	108,649	97,259
Fair value of interest rate swap agreements	8,375	7,202
	418,359	408,720
Non-current liabilities		
Share-based compensation (note 6)	3,766	2,670
Long-term debt (note 7)	739,005	725,271
Fair value of interest rate swap agreements	14,478	19,157
Lease obligations (note 9)	1,057,761	1,073,666
Post-employment benefit obligations	10,614	11,503
Other liabilities	67,988	68,649
	1,893,612	1,900,916
Total liabilities	2,311,971	2,309,636
Shareholders' (deficit) equity		
Share capital (note 10)	852,422	852,379
Deficit	(993,082)	(903,394)
Hedging reserves and other	(131)	(131)
Contributed surplus	76,403	75,882
Cumulative translation adjustment	(930)	(502)
Total shareholders' (deficit) equity	(65,318)	24,234
	$ 2,246,653	$ 2,333,870

Approved by the Board of Directors

"Phyllis Yaffe"
Director

"Janice Fukakusa"
Director

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Operations
For the three months ended March 31, 2021 and 2020
(Unaudited)

(expressed in thousands of Canadian dollars, except per share amounts)		2021		2020
Revenues (note 8)				
Box office	$	3,818	$	111,002
Food service		6,525		79,365
Media		9,074		32,157
Amusement		13,874		47,337
Other		8,121		12,940
		41,412		282,801
Expenses				
Film cost		1,235		56,500
Cost of food service		1,412		22,209
Depreciation - right-of-use assets		26,318		35,533
Depreciation and amortization - other assets		29,509		33,962
(Gain) loss on disposal of assets (note 7)		(30,060)		817
Other costs (note 11)		68,705		157,548
Share of loss of joint ventures and associates		2,414		735
Interest expense - lease obligations		14,359		11,678
Interest expense - other		13,665		16,886
Interest income		(26)		(72)
Foreign exchange		230		(1,927)
Impairment of long-lived assets and goodwill (notes 3)		—		173,054
		127,761		506,923
Loss from continuing operations before income taxes		(86,349)		(224,122)
Provision for income taxes (note 5)				
Current		3,339		(233)
Deferred		—		(49,734)
		3,339		(49,967)
Net loss from continuing operations	$	(89,688)	$	(174,155)
Net loss from discontinued operations, net of taxes (note 16)		—		(4,259)
Net loss	$	(89,688)	$	(178,414)
Net loss from continuing operations attributable to:				
Owners of Cineplex	$	(89,688)	$	(174,154)
Non-controlling interests		—		(1)
Net loss from continuing operations	$	(89,688)	$	(174,155)
Net loss attributable to:				
Owners of Cineplex	$	(89,688)	$	(178,413)
Non-controlling interests		—		(1)
Net loss	$	(89,688)	$	(178,414)
Net loss per share attributable to owners of Cineplex - basic and diluted:				
Continuing operations (note 12)	$	(1.42)	$	(2.75)
Discontinued operations (notes 12 and 16)		—		(0.07)
Total operations	$	(1.42)	$	(2.82)

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Comprehensive Loss
For the three months ended March 31, 2021 and 2020
(Unaudited)

(expressed in thousands of Canadian dollars)

	2021	2020
Net loss from continuing operations	$ (89,688)	$ (174,155)
Other comprehensive (loss) income from continuing operations		
Items that will be reclassified subsequently to net income:		
Foreign currency translation adjustment	(428)	5,644
Other comprehensive (loss) income	(428)	5,644
Comprehensive loss from continuing operations	(90,116)	(168,511)
Net loss from discontinued operations, net of taxes (note 16)	—	(4,259)
Foreign currency translation adjustment from discontinued operations	—	(538)
Comprehensive loss	$ (90,116)	$ (173,308)
Comprehensive loss from continuing operations attributable to:		
Owners of Cineplex	$ (90,116)	$ (168,510)
Non-controlling interests	—	(1)
	$ (90,116)	$ (168,511)
Comprehensive loss attributable to:		
Owners of Cineplex	$ (90,116)	$ (173,307)
Non-controlling interests	—	(1)
	$ (90,116)	$ (173,308)

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Changes in Equity
For the three months ended March 31, 2021 and 2020
(Unaudited)

(expressed in thousands of Canadian dollars)

	Share capital	Contributed surplus	Hedging reserves and other	Cumulative translation adjustment	Deficit	Non-controlling interests	Total
January 1, 2021	$ 852,379	$ 75,882	$ (131)	$ (502)	$ (903,394)	$ —	$ 24,234
Net loss	—	—	—	—	(89,688)	—	(89,688)
Other comprehensive loss (page 4)	—	—	—	(428)	—	—	(428)
Total comprehensive loss	**—**	**—**	**—**	**(428)**	**(89,688)**	**—**	**(90,116)**
Share option expense	—	399	—	—	—	—	399
PSU/RSU expense	—	225	—	—	—	—	225
Settlement for cancelled options	—	(60)	—	—	—	—	(60)
Issuance of shares on exercise of options	43	(43)	—	—	—	—	—
March 31, 2021	$ 852,422	$ 76,403	$ (131)	$ (930)	$ (993,082)	$ —	$ (65,318)
January 1, 2020	$ 852,379	$ 4,052	$ (131)	$ (887)	$ (264,310)	$ (109)	$ 590,994
Net loss	—	—	—	—	(178,413)	(1)	(178,414)
Other comprehensive income (page 4)	—	—	—	5,106	—	—	5,106
Total comprehensive loss	**—**	**—**	**—**	**5,106**	**(178,413)**	**(1)**	**(173,308)**
Dividends declared	—	—	—	—	(9,500)	—	(9,500)
Conversion to equity-settled option plan	—	3,944	—	—	—	—	3,944
March 31, 2020	$ 852,379	$ 7,996	$ (131)	$ 4,219	$ (452,223)	$ (110)	$ 412,130

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Cash Flows
For the three months ended March 31, 2021 and 2020
(Unaudited)

(expressed in thousands of Canadian dollars)

	2021	2020
Cash provided by (used in)		
Operating activities		
Net loss from continuing operations	$ (89,688)	$ (174,155)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization of property, equipment and leaseholds, and intangible assets	29,509	33,962
Depreciation of right-of-use assets	26,318	35,533
Unrealized foreign exchange	211	(1,429)
Interest rate swap agreements - non-cash interest	(3,528)	9,386
Accretion of Debentures and Notes Payable	3,738	—
Other non-cash interest	447	349
(Gain) loss on disposal of assets (note 7)	(30,060)	817
Deferred income taxes (note 5)	—	(49,734)
Non-cash share-based compensation	624	3,944
Impairment of long-lived assets, goodwill and investments (note 3)	—	173,054
Net change in interests in joint ventures and associates	3,216	1,891
Changes in operating assets and liabilities (note 13)	23,581	(10,428)
Net cash (used in) provided by operating activities	(35,632)	23,190
Investing activities		
Proceeds from disposal of assets, net	56,664	—
Purchases of property, equipment and leaseholds	(8,715)	(37,503)
Intangible assets additions	(3,086)	(3,721)
Tenant inducements	3,660	11,877
Net cash received from CDCP	—	3,128
Net cash provided by (used in) investing activities	48,523	(26,219)
Financing activities		
Dividends paid	—	(19,000)
(Repayments) borrowings under credit facilities, net (note 7)	(234,000)	40,000
Repayments of lease obligations - principal	(19,457)	(33,819)
Issuance of notes payable, net (note 7)	243,996	—
Financing fees	(321)	—
Net cash used in financing activities	(9,782)	(12,819)
Effect of exchange rate differences on cash	140	(950)
Increase (decrease) in cash and cash equivalents from continuing operations	3,249	(16,798)
Cash flows used in discontinued operations (note 16)	—	(2,138)
Cash and cash equivalents - Beginning of period	16,254	26,080
Cash and cash equivalents - End of period	$ 19,503	$ 7,144
Supplemental information		
Cash paid for interest - lease obligation	$ 12,605	$ 11,355
Cash paid for interest - other	$ 15,594	$ 5,479
Cash (received) paid for income taxes, net	$ (4,487)	$ 1,482

The accompanying notes are an integral part of these 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 one of Canada's largest entertainment organizations, with theatres and location-based entertainment venues in ten provinces. Cineplex also operates businesses in digital commerce, cinema media, digital place-based media and amusement solutions 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"), and Player One Amusement Group Inc. ("P1AG"). Cineplex is headquartered at 1303 Yonge Street, Toronto, Ontario, M4T 2Y9.

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

On June 12, 2020, Cineworld delivered a notice (the "Termination Notice") to Cineplex purporting to terminate the Arrangement Agreement. In the Termination Notice, Cineworld alleged that Cineplex took certain actions that constituted breaches of Cineplex's covenants under the Arrangement Agreement including failing to operate its business in the ordinary course. In addition, Cineworld alleged that a material adverse effect had occurred with respect to Cineplex. Cineworld's repudiation of the Arrangement Agreement has been acknowledged by Cineplex and the Cineworld Transaction will not proceed. Cineplex vigorously denies Cineworld's allegations. The Arrangement Agreement explicitly excludes any "outbreaks of illness or other acts of God" from the definition of material adverse effect and all of Cineworld's allegations stem from an outbreak of illness and act of God (COVID-19). Cineplex believes that Cineworld had no legal basis to terminate the Arrangement Agreement and that Cineworld breached the Arrangement Agreement and its other contractual obligations because, among other failures, it did not use reasonable best efforts to obtain approval under the *Investment Canada Act* as soon as reasonably practicable ("ICA Approval"). If Cineworld had complied with its obligation to obtain ICA Approval, Cineplex believes the ICA Approval would have been obtained and the Cineworld Transaction would have closed well before the outside date for completion in the Arrangement Agreement. No amounts are due to be paid by Cineplex as a result of the Termination Notice and no amounts have been accrued in the financial statements with respect to the Termination Notice.

On July 3, 2020, Cineplex announced that it had commenced an action in the Ontario Superior Court of Justice against Cineworld and 1232743 B.C. Ltd. seeking damages arising from what Cineplex claims was a wrongful repudiation of the Arrangement Agreement. The claim seeks damages, including the approximately $2,180,000 that Cineworld would have paid upon the closing of the Cineworld Transaction for Cineplex's securities, reduced by the value of the Cineplex securities retained by its security holders, as well as compensation for other losses including the failure of Cineworld to repay or refinance Cineplex's approximately $664,000 in debt and transaction expenses. Cineplex has also advanced alternative claims for damages for the loss of benefits to its security holders, and to require Cineworld to disgorge the benefits it improperly received by wrongfully repudiating the Cineworld Transaction.

Cineplex claims that Cineworld breached its contractual obligations and its duty of good faith and honesty in contractual performance. Cineworld purports to rely upon alleged adverse impacts of COVID-19 on Cineplex's business to terminate the Arrangement Agreement, which it is not entitled to do. The contractual agreements between the parties expressly exclude outbreaks of illness, such as the COVID-19 pandemic, as a circumstance entitling Cineworld to terminate the Arrangement Agreement.

On July 6, 2020, Cineworld announced that it would defend Cineplex's claim, and on September 2, 2020, filed its Statement of Defence and Counterclaim in which it denied Cineplex's claims and advanced a counterclaim seeking

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

reimbursement of an unspecified amount for costs incurred with respect to the transaction and an unspecified amount for punitive damages. Cineplex responded to Cineworld's defence and counterclaim on September 15, 2020, denying all claims levied by Cineworld.

While a trial date has been set for September 2021, due to uncertainties inherent in litigation, it is not possible for Cineplex to predict the timing or final outcome of the legal proceedings against Cineworld or to determine the amount of damages, if any, that may be awarded. Further, even if Cineplex's action against Cineworld is successful, Cineworld may not have the ability to pay the full amount of any damages awarded.

The Board of Directors approved these consolidated financial statements on May 5, 2021.

2. COVID-19 business impacts, risks and liquidity

In early 2020, the outbreak of COVID-19 was confirmed in multiple countries throughout the world and on March 11, 2020, it was declared a global pandemic by the World Health Organization ("WHO"). In response, Cineplex immediately introduced enhanced cleaning protocols and reduced theatre capacities to promote social distancing. By mid-March, each of Canada's provinces and territories had declared a state of emergency resulting in, among other things, the mandated closure of non-essential businesses, restrictions on public gatherings and quarantining of people who may have been exposed to the virus.

On March 16, 2020, Cineplex announced the temporary closure of all of its theatres and LBE venues across Canada, as well as substantially all route locations operated by P1AG. In response to the ongoing government directives and guidance from Canadian public health authorities, the majority of Cineplex's theatre circuit and LBE venues across Canada were closed or operating under stringent restrictions for the duration of 2020, continuing into 2021. The reopening of such locations will be reassessed as further guidance is provided by Canadian public health authorities and applicable government authorities. During the first quarter of 2021, Cineplex continued its negotiations with landlords, realizing material reductions in rent payments for both the current period and future periods.

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

Liquidity measures:

- June 2020: entered into the First Credit Agreement Amendment with The Bank of Nova Scotia as administrative agent to Cineplex's seventh amended and restated credit agreement (Credit Facilities) providing certain financial covenant relief in light of the COVID-19 pandemic and its impact on Cineplex's business (note 7, Long-term debt);
- July 2020: issued convertible unsecured subordinated debentures for net proceeds of $303,000, (note 7, Long-term debt);
- November 2020: entered into the Second Credit Agreement Amendment providing further financial covenant relief (note 7, Long-term debt);
- December 2020: entered into an agreement to enhance and expand the SCENE Scotiabank Loyalty program receiving $60,000 with respect to the reorganization;
- January 2021: completed the sale and leaseback transaction of Cineplex's head office buildings located at 1303 Yonge Street and 1257 Yonge Street, Toronto, Ontario for gross proceeds of $57,000, (note 7, Long-term debt);
- January 2021: filed tax returns for the 2020 taxation year claiming a $62,624 recovery of income taxes paid in prior periods ($4,713 received by March 31, 2021);
- February 2021: entered into the Third Credit Agreement Amendment providing further financial covenant relief (note 7, Long-term debt); and

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

- February 2021: issued 7.50% senior secured second lien notes due February 26, 2026 (the “Notes Payable”) for net proceeds of $243,266, (note 7, Long-term debt).

Cost reduction and subsidy measures undertaken upon the declaration of the pandemic and on an ongoing basis:

- temporary layoffs of all part-time and full-time hourly employees as well as a number of full-time employees who chose a temporary layoff rather than a salary reduction during the second quarter of 2020;
- reduced full-time employee salaries by agreement with such employees during the second and third quarters of 2020;
- suspended or deferred current capital spending, reviewing all capital projects to consider either deferral or cancellation;
- reduced non-essential discretionary operational expenditures (such as spending on marketing, travel and entertainment);
- implemented a more stringent review and approval process for all outgoing procurement and payment requests;
- continued negotiations with landlords for rent relief, including abatements and converting fixed rent to variable rent depending on attendance, until attendance returns to previous levels;
- worked with major suppliers and other business partners to modify the timing and quantum of certain contractual payments;
- reviewed and applied for government subsidy programs where available, including municipal and provincial property tax and energy rebates or subsidies;
- applied for the ongoing Canada Emergency Wage Subsidy (“CEWS”) made available by the Government of Canada since March 2020;
- applied for the ongoing Canada Emergency Rent Subsidy (“CERS”), which was launched by the Government of Canada as a result of government mandated lockdowns, providing a variable subsidy for rent and other occupancy-related costs incurred from September 27, 2020 through June, 2021;
- continued evaluation of Cineplex’s eligibility under other relief programs; and
- continued the suspension of dividends.

In addition to cost savings associated with the temporary layoffs of its employees, reductions in salaries and other mitigation efforts, Cineplex has suspended or deferred certain capital spending and has reduced purchases of property, plant and equipment. Cineplex continues to focus on revenue driving opportunities including the expansion of Cineplex Store offerings and food home delivery from theatres and LBE venues.

Since the closure of its theatres and LBE venues in March 2020, Cineplex diligently prepared for their safe reopening, with the health and well-being of its employees and guests being its top priority. Cineplex carefully re-examined all of its buildings and processes, so that when its theatres and LBE venues reopened, it had implemented an industry-leading program with end-to-end health and safety protocols.

Some of the measures implemented on reopening included:

- launching reserved seating in all auditoriums across Canada; seating options are automatically blocked off to ensure proper distance in every direction between guests;
- reducing capacity in all auditoriums to allow for physical distancing in accordance with government regulations;
- enhancing cleaning practices throughout our facilities, with particular focus on high-contact surfaces, restrooms and seats;
- accepting debit and credit payments only, with the exception of gift card purchases;
- limiting food offerings in theatres;
- ensuring employees have the personal protective equipment they need and as required by evolving provincial regulations; and
- making hand sanitizer readily available for guests and employees throughout the buildings.

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Although restrictions on social gatherings were temporarily lifted in many of the markets in which Cineplex operated over the summer and into the fall of 2020, social gathering restrictions were reinstituted in the late fall and winter with the increased number of COVID-19 cases and the onset of the third wave in the latter half of the first quarter of 2021, involving more transmissible variants. This has resulted in ongoing mandatory lockdown measures which have resulted in prolonged mandatory closures and operating restrictions on the theatre and LBE businesses. Due to the uncertainty of the timing of the reductions of many government-imposed restrictions and the potential long-term effects that the COVID-19 pandemic may have on the exhibition and amusement and leisure businesses, COVID-19 may have a prolonged material negative impact on Cineplex's operations.

In addition to the ongoing closures, some previously expected theatrical releases have instead been redirected to streaming services. The impact of the reduction of new releases as a result of these postponements in combination with the ongoing restrictions on the reopening of Cineplex's businesses, has and continues to negatively impact the timing of Cineplex's return to profitability.

Canada has begun its inoculation process, starting with front line workers and high-risk individuals. However, the supply and roll-out of approved vaccines in Canada has been inconsistent to date and there can be no assurance that vaccines will be widely available or distributed as currently anticipated, which would delay a return to normalcy. When compared to other major markets such as the United States, Canada's vaccination process lags which will further prolong the reopening of theatres and LBE businesses resulting in negative implications on business operations.

With the unknown duration of the pandemic and yet to be determined timing of the phased complete reopening of Cineplex's businesses, as well as consumers' future risk tolerance regarding health matters, it is not possible to know the impact of the pandemic on future results. However, Cineplex is optimistic that the exhibition and amusement and leisure industries will recover over time. Cineplex believes consumer demand for the theatrical experience combined with a backlog of anticipated releases of strong film content will help drive visitation, and that LBE activities will increase as people seek out-of-home experiences they have been restricted from enjoying for the past year.

Management continues to pursue viable options to maintain adequate liquidity to fund operations for the currently anticipated duration of the pandemic. This includes but is not limited to asset sales such as Cineplex's head office buildings in Toronto which was completed during the period (note 4, Right-of-use assets), issuance of Notes Payable (note 7, Long-term debt) and amendments to existing credit facilities (note 7, Long-term debt). The proceeds received were primarily used to repay Cineplex's existing credit facilities and fund continuing operations.

As at March 31, 2021, Cineplex had a cash balance of $19,503 and $258,700 available under its Revolving Facility subject to the liquidity covenants set forth in the Credit Facilities as amended (Section 6.4, Long-term debt). Cineplex also expects to recover income taxes paid in prior periods of $62,624 of which $4,713 has been received as of March 31, 2021. Combined with the continued focus on reducing costs and capital expenditures, management believes that it has adequate liquidity to fund operations for the currently anticipated duration of the pandemic in the regions that Cineplex operates in.

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

3. Impairment of long-lived assets and goodwill

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

On March 31, 2021, Cineplex reassessed the underlying key assumptions and inputs used during the impairment testing completed at December 31, 2020 and determined that there were no material changes in those key judgements and conclusions.

In early 2020, in response to the outbreak of the COVID-19 pandemic as declared by the WHO, the government of Canada announced mandated closure of schools, public facilities and non-essential businesses. Consequently, effective March 16, 2020 and continuing throughout the remainder of the year, Cineplex had to either temporarily close its theatres and location-based entertainment venues or operate with strict capacity restrictions across Canada, resulting in material decreases in revenues, results of operations and cash flows and a material decrease in Cineplex's market value due to a sharp decline in its share price. These represented triggering events at each balance sheet date in 2020. As a result of the triggering events, Cineplex performed impairment testing and recognized non-cash impairment charges in each of the three months ended March 31, September 30, and December 31, 2020 as follows:

	2020			
	Q1	Q3	Q4	Total
Impairment of property, equipment and leaseholds	$ 33,949	$ —	$ 5,243	$ 39,192
Impairment of right-of-use assets	50,610	—	21,236	71,846
Impairment of goodwill	88,495	65,634	26,906	181,035
Impairment of investments	—	—	2,790	2,790
Impairment of long-lived assets, goodwill and investments	$ 173,054	$ 65,634	$ 56,175	$ 294,863

In assessing long-lived assets and goodwill for impairment, Cineplex compared the aggregate recoverable amount of the assets included in the relevant Cash Generating Units ("CGUs") to their respective carrying amounts. The recoverable amount was determined based on the fair value less costs of disposal of the groups CGUs.

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

Impairment of long-lived assets and goodwill for the three months ended March 31, 2021 and 2020 were as follows:

	2021	2020
Impairment of property, equipment and leaseholds	$ —	$ 33,949
Impairment of right-of-use assets	—	50,610
Impairment of goodwill	—	88,495
Impairment of long-lived assets and goodwill	$ —	$ 173,054

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

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

4. Right-of-use assets

The following table presents right-of-use assets for Cineplex for the three months ended March 31, 2021 and 2020:

Right-of-use assets consists of:

	Property	Equipment	Total
At March 31, 2021			
Cost	$ 1,125,750	$ 18,879	$ 1,144,629
Accumulated depreciation	(284,368)	(10,354)	(294,722)
Net book value	$ 841,382	$ 8,525	$ 849,907
Three months ended March 31, 2021			
Balance - December 31, 2020	$ 871,741	$ 9,677	$ 881,418
Modifications, net of additions	(5,133)	5	(5,128)
Disposals	—	—	—
Foreign exchange rate changes	(65)	—	(65)
Depreciation for the period	(25,161)	(1,157)	(26,318)
Closing net book value	$ 841,382	$ 8,525	$ 849,907

	Property	Equipment	Total
At March 31, 2020			
Cost	$ 1,304,281	$ 19,856	$ 1,324,137
Accumulated depreciation	(174,734)	(6,341)	(181,075)
Net book value	$ 1,129,547	$ 13,515	$ 1,143,062
Three months ended March 31, 2020			
Balance - December 31, 2019	$ 1,218,054	$ 14,795	$ 1,232,849
Additions, net of modifications	(4,700)	(4)	(4,704)
Foreign exchange rate changes	1,053	7	1,060
Depreciation for the period	(34,250)	(1,283)	(35,533)
Impairment (note 3)	(50,610)	—	(50,610)
Closing net book value	$ 1,129,547	$ 13,515	$ 1,143,062

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

During the first quarter of 2021, Cineplex agreed to a variety of arrangements with landlords to reduce or defer payments. The effect of those reductions or deferrals reduced both lease obligations and right-of-use assets by approximately $8,622. No such amounts were recognized in the three months ended March 31, 2020.

5. Deferred income taxes

Based on substantively enacted corporate tax rates, expected timing of reversals and expected taxable income allocation to various tax jurisdictions, deferred income taxes are as follows:

	March 31, 2021	December 31, 2020
Deferred income tax assets		
Property, equipment and leaseholds and deferred tenant inducements - difference between net carrying value and undepreciated capital cost	$ 14,537	$ 12,494
Accounting provisions not currently deductible	86,835	83,900
Deferred revenue	15,985	16,243
Interest rate swap agreements	5,912	6,943
Income tax credits available	3,736	397
Operating losses available for carry-forward	48,321	24,656
Total gross deferred income tax assets	175,326	144,633
Future deferred tax liabilities		
Intangible assets	(10,110)	(10,151)
Goodwill	(28,101)	(27,841)
Other	5,102	4,892
Convertible debentures	(24,094)	(24,464)
Total gross deferred income tax liabilities	(57,203)	(57,564)
Net deferred income tax recognized	$ —	$ —

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

Cineplex expects to recover income taxes paid in prior periods of $62,624 a result of its tax returns filed for the 2020 taxation year ($4,713 has been received as of March 31, 2021). The net amount is included in income taxes receivable on the consolidated balance sheet.

By Notice of Reassessment ("NOR") dated January 22, 2019, the Canada Revenue Agency ("CRA"), disallowed the deduction of $26,600 of losses of AMC Ventures Inc ("AMC") that Cineplex had obtained on the acquisition of AMC in 2012. The disallowance of the losses, which offset taxable income generated in 2014, increased taxes and interest payable by approximately $8,600, 50% of which was required to be paid immediately (interest continues to accrue on the unpaid amount). Cineplex disagrees with the CRA's position. It has filed an appeal to the Tax Court of Canada in respect of the NOR. Cineplex believes that it should prevail in defending its original filing position, although no assurance can be given in this regard.

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

6. Share-based compensation

Omnibus Incentive Plan ("Incentive Plan")

On November 12, 2020, the Board of Directors approved the new Omnibus Incentive Plan (the "Incentive Plan"). This plan supersedes the former incentive plans ("Legacy Plan") that included Options, Performance Share Units ("PSUs") and Restricted Share Units ("RSUs"). All employees and consultants are eligible to participate in the Incentive Plan. The Incentive Plan consists of stock options, RSUs and PSUs. Awards of RSUs and PSUs granted during a service year will be subject to a three year service period. The aggregate number of Shares that may be issued under the Incentive Plan is 1,756,834 provided that no more than 1,200,000 Shares may be issued in aggregate pursuant to the settlement of RSUs and PSUs. Options that were issued under the Legacy Plan and are subsequently cancelled will be available to be issued under the Incentive Plan. The base Share equivalents granted as RSU and PSU awards attract compounding notional dividends at the same rate as outstanding Shares, which are notionally re-invested as additional base Share equivalents. PSU and RSU awards may be settled in Shares issued from treasury, cash, or a mix of Shares and cash, at Cineplex's option at the time of settlement. Cineplex has determined that the 2020 awards will be settled in Shares, and as a result those awards are accounted for as equity-settled. Awards outstanding under prior plans shall remain in full force and effect under the prior plans according to their respective terms. Under the prior plans, the effects of changes in estimates of performance results are recognized in the year of change.

Stock Options

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

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

Cineplex recorded $399 of employee benefits expense with respect to the options during the period ended March 31, 2021 (2020 - $(2,354) recovery). At March 31, 2021, $nil associated with options is reflected in current share-based compensation liability on the consolidated balance sheets (2020 - $113). During the period, 165,146 stock options issued under the Legacy Plan were cancelled as part of a voluntary stock option cancellation program that was initiated in the fourth quarter of 2020 for total consideration of $60.

A summary of option activities in 2021 and 2020 is as follows:

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

		2021		2020	
	Weighted average remaining contractual life (years)	Number of underlying shares	Weighted average exercise price	Number of underlying shares	Weighted average exercise price
Options outstanding, January 1	7.64	2,042,019	$ 25.37	3,123,521	$ 38.62
Cancelled		(165,146)	44.90	—	—
Exercised		(13,637)	8.25	—	—
Forfeited		(38,620)	21.87	(28,784)	36.77
Options outstanding, March 31	7.70	1,824,616	$ 23.80	3,094,737	$ 38.64
Options vested and exercisable		974,675		2,197,217	

The exercise price was equal to the market price of Cineplex shares or units at the grant date.

No options were granted in in the first quarter of 2021 or 2020.

RSU and PSU awards

The grants of Share equivalents were as follows:

	PSU Share equivalents granted	RSU Share equivalents granted	PSU Share equivalents minimum payout	PSU Share equivalents maximum payout
2020 LTIP award granted in Q3 2020	284,214	277,105	—	568,428
2019 LTIP award granted in Q1 2019	105,777	54,940	7,788	211,553

No RSUs or PSUs were granted in in the three months ended March 31, 2021 or 2020.

Valuation of restricted share units is based on Cineplex's closing share price on the grant date.

Compensation expense is recorded based on the number of units expected to vest, the current market price of Cineplex's common shares, and the application of a performance multiplier that ranges from a minimum of zero to a maximum of two. Performance multipliers are developed based on Total Shareholder Return percentile rank relative to a select peer group and composite group. Participants will receive one fully paid share issued from treasury that can vary depending on the achievement of established performance targets.

Incentive Plan costs are estimated at the grant date based on expected performance results then accrued and recognized on a graded basis over the vesting period. Forfeitures are estimated at $nil. For the period ended March 31, 2021, Cineplex recognized compensation expense of $402 (2020 - $(4,299) recovery) under the Incentive Plan relating to RSU and PSU. At March 31, 2021, $560 (2020 - $3,805) was included in current share-based compensation liability, and $612 in contributed surplus (2020 - $nil).

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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 period ended March 31, 2021, Cineplex recognized compensation expense of $902 (2020 - $(7,025) recovery) associated with the deferred equity units. At March 31, 2021, $3,898 (2020 - $4,253) was included in share-based compensation liability.

During the period, the compensation committee along with the Board of Directors approved and authorized the issuance of deferred equity units to independent Directors that elected to receive all or a portion of their compensation in the form of deferred equity units. Director participants are credited with a number of deferred equity units equal to the amount of the elected portion divided by Cineplex's share price, calculated as the preceding five-day average closing share price from the date that compensation would have been paid.

Subsequent to March 31, 2021, as part of the 2021 compensation program, Cineplex issued 281,486 stock options to employees at an exercise price of $12.87 that will vest over four years, and 430,031 PSU and RSU that will vest in the fourth quarter of 2023.

7. Long-term debt

Long-term debt consists of the following as at March 31, 2021:

	March 31, 2021	December 31, 2020
Credit Facilities	$ 272,000	$ 506,000
Convertible Debentures	222,928	219,271
Notes Payable	244,077	—
Total	$ 739,005	$ 725,271

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

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

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

On June 29, 2020, Cineplex entered into the First Credit Agreement Amendment, following which, on November 12, 2020 Cineplex entered into the Second Credit Agreement Amendment, as described in further detail in the AIF. Both amendments provided certain financial covenant relief in light of the COVID-19 pandemic and its effects on Cineplex's businesses, while applying additional restrictive covenants and required repayments in certain circumstances.

On February 8, 2021, Cineplex entered into the Third Credit Agreement Amendment, which, among other things, extended the suspension of financial covenant testing for two additional fiscal quarters beyond prior relief and extended the liquidity covenant requirement until December 2021. The following is a summary of the key terms of the Third Credit Agreement Amendment:

- Allowed the issuance by Cineplex of the Notes Payable with the following terms:
  - a minimum of $200,000 and a maximum of $250,000 of Notes Payable may be issued on or prior to March 31, 2021;
  - term of at least five years;
  - secured second lien ranking, subordinate to the security granted for the obligations under the Credit Facilities, and shall be subject to the terms of an intercreditor agreement that incorporates certain agreed intercreditor principles and otherwise in form and substance satisfactory to the agent under to the Credit Facilities; and
  - mandatory repayment of the Credit Facilities from the issuance of Notes Payable, $100,000 of which would constitute a permanent reduction.

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

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

- The Total Leverage Ratio of 3.75x will apply when financial covenants are reinstated, and will be reduced until the third quarter of 2022 at which point it will reach a level of 3.00x;
- The liquidity covenant will continue and be amended and extended beginning in February 2021, through to and including December 2021, requiring available liquidity as defined on a monthly basis (November 1, 2020 through January 31, 2021 - $100,000; February 2021 - $75,000; March 2021 - $60,000; April 1, 2021 through December 31, 2021 - $100,000;
- The addition of a Senior Leverage Ratio to be based on annualized Adjusted EBITDA and set at 1.0x lower than the Total Leverage Ratio. Senior Leverage Ratio to be defined as (i) Total Debt (as defined in the Credit Agreement) less any Notes Payable to (ii) Adjusted EBITDA;
- Effective with the fourth quarter of 2021, additional growth capital expenditures will be subject to pro-forma leverage covenant of 2.75x (both prior to and immediately after giving effect to any such growth capital expenditure) based on actual last 12 months' EBITDA; and
- Distributions continue to be blocked during the extended financial covenant suspension period and only permitted when the leverage ratio is less than 2.75x (both prior to and immediately after giving effect to any such distribution).

During the quarter, Cineplex completed a sale-leaseback transaction for its head office buildings located at 1303 Yonge Street and 1257 Yonge Street, Toronto Ontario for gross proceeds of $57,000, recognizing a gain $30,061. Net proceeds from the sale, in addition to net proceeds from the issuance of the Notes Payable (discussed below) were used to repay the Credit Facilities, a portion of which was permanent. As a result, Cineplex permanently repaid the remaining $50,000 balance of its outstanding Term Facility.

This summary of the Credit Agreement is qualified in its entirety by reference to the provisions of the Credit Agreement which contains a complete statement of those terms and conditions. The Credit Agreement and each of the First Credit Agreement Amendment, Second Credit Agreement Amendment and Third Credit Agreement Amendment are available on SEDAR at www.sedar.com.

Following the Third Credit Agreement Amendment, including mandatory repayments, the Credit Facilities consist of the following:

a) a five-year, $542,000 senior secured Revolving Facility; $272,000 that has been drawn; $11,000 reserved and $258,700 remaining available balance.

Convertible debentures

Convertible debentures consist of the following:

	March 31, 2021	December 31, 2020
Face value of convertible debentures outstanding	$ 316,250	$ 316,250
Unaccreted deferred financing fees and discount	(93,322)	(96,979)
Convertible debentures	$ 222,928	$ 219,271

On July 17, 2020, Cineplex issued $316,260 aggregate principal amount of convertible unsecured subordinated debentures (the "Debentures"), which mature on September 30, 2025 (the "Maturity Date") and bear interest at a rate of 5.75% per annum, payable semi-annually in arrears on September 30 and March 31 in each year.

The Debentures will not be redeemable by Cineplex prior to September 30, 2023. On or after September 30, 2023 and prior to September 30, 2024, Cineplex may, at its option, redeem the Debentures in whole or in part from time to time provided that the volume weighted average trading price of the Shares on the Toronto Stock Exchange

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

during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. On or after September 30, 2024, the Debentures may be redeemed in whole or in part from time to time at the option of Cineplex at a price equal to their principal amount plus accrued and unpaid interest. Redemption may in the form of cash or in the form of Shares, at the option of Cineplex.

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

The fair value of the liability component of the Debentures was assessed at inception based on an estimated market discount rate of 14.1% less the pro-rata portion of transaction costs, and will be accreted to the full face value over the term of the Debentures. Cineplex recorded interest expense on the Debentures of $8,117 for the three months ended March 31, 2021 (2020 - $nil) which comprises of cash interest expense of $4,459 and accretion expense of $3,658, both of which are included as part of the interest expense in the consolidated statement of operations. The residual value was allocated to the equity component less the pro-rata portion of transaction costs as prescribed by IFRS 9, *Financial instruments*.

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

Notes payable

Notes Payable outstanding as of March 31, 2021 are as follows:

		2021
Face value of Notes Payable	$	250,000
Call option embedded derivative		450
Unaccreted deferred financing fees and discount		(6,373)
Notes Payable	$	244,077

On February 26, 2021, Cineplex completed the $250,000 Notes Payable offering. The Notes Payable mature on February 26, 2026 and bear interest at a rate of 7.50% per annum, payable semi-annually in arrears on January 31 and July 31 of each year, commencing July 31, 2021. The Notes Payable are subordinate to the security granted for the obligations under the Credit Facilities, and are subject to the terms of an intercreditor agreement with the agent under the Credit Facilities.

Cineplex recorded interest expense on the Notes Payable of $1,775 for the three months ended March 31, 2021 (2020 - $nil) which comprises of cash interest expense of $1,695 and accretion expense of $80, both of which are included as part of interest expense in the consolidated statement of operations. As at March 31, 2021, Cineplex has $250,000 principal amount of Notes Payable outstanding.

At any time from and after January 31, 2023, the Notes Payable may be redeemed in whole or in part from time to time at the option of the Corporation at a price equal to their principal amount plus accrued and unpaid interest. Prior

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

to January 31, 2023, the Corporation may redeem all or a part of the Notes Payable at a price equal to 100% of the aggregate principal amount of the Notes Payable redeemed plus an applicable premium and accrued and unpaid interest. The Corporation may also, at any time prior to January 31, 2023, redeem up to 40% of the aggregate principal amount of the Notes Payable at a price equal to 107.50% of their principal amount thereof plus accrued and unpaid interest, with the net cash proceeds of one or more equity offerings. In addition, the Corporation may redeem up to 10% of the outstanding aggregate principal amount of Notes Payable at any time prior to January 31, 2022 at a price equal to 103.75% of their principal amount plus accrued and unpaid interest, provided that at least $150,000 aggregate principal amount of Notes Payable originally issued under the Notes Payable Indenture (and any additional Notes Payable issued under the Notes Payable Indenture) remains outstanding immediately after the occurrence of each such redemption unless all such Notes Payable are redeemed substantially concurrently. Cineplex has estimated the fair value of this embedded derivative at $450 as at March 31, 2021, which is presented on the consolidated balance sheets in prepaid expenses and other current assets.

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

8. Revenue

The following tables disclose the changes in deferred revenue for the three months ended March 31, 2021 and 2020:

	December 31, 2020	Additions	Revenue Recognized	March 31, 2021
Gift cards	$ 164,025	$ 1,097	$ 1,406	$ 163,716
SCENE loyalty program	36,109	6,902	4,132	38,879
Advances and deposits	19,849	2,609	2,940	19,518
	$ 219,983	$ 10,608	$ 8,478	$ 222,113

	December 31, 2019	Additions	Revenue Recognized	March 31, 2020
Gift cards	$ 184,755	$ 16,551	$ 38,739	$ 162,567
SCENE loyalty program	21,277	9,193	9,044	21,426
Advances and deposits	16,966	10,966	16,266	11,666
	$ 222,998	$ 36,710	$ 64,049	$ 195,659

The following tables provide the disaggregation of revenue into categories by nature for the three months ended March 31, 2021 and 2020:

Box revenues

	2021	2020
Box office revenues	$ 3,818	$ 111,002

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

Food service revenues

	2021	2020
Food service - theatres	$ 2,539	$ 72,681
Food delivery - theatres	3,778	—
Food service - location-based entertainment	171	6,684
Food delivery - location-based entertainment	37	—
Total food service revenues	$ 6,525	$ 79,365

Media revenues

	2021	2020
Cinema media	$ 1,899	$ 17,262
Digital place-based media	7,175	14,895
Total media revenues	$ 9,074	$ 32,157

Amusement revenues

	2021	2020
Amusement solutions excluding exhibition	$ 12,559	$ 34,961
Amusement solutions - exhibition	72	2,196
Amusement solutions - location based entertainment	1,243	10,180
Total amusement revenues	$ 13,874	$ 47,337

Other revenues

	2021	2020
Other revenues	$ 8,121	$ 12,940

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

9. Lease obligations

The following table presents lease obligations for Cineplex for the three months ended March 31, 2021 and 2020:

	Property	Equipment	Total
Three months ended March 31, 2021			
Opening balance	$ 1,160,849	$ 10,076	$ 1,170,925
Modifications, net of additions	9,582	6	9,588
Tenant inducement	3,692	—	3,692
Lease payment	(32,052)	(10)	(32,062)
Interest expense	14,279	79	14,358
Foreign exchange rate changes	(91)	—	(91)
Closing lease obligations	$ 1,156,259	$ 10,151	$ 1,166,410
Less: current portion	103,582	5,067	108,649
Non-current portion of lease obligations	$ 1,052,677	$ 5,084	$ 1,057,761

	Property	Equipment	Total
Three months ended March 31, 2020			
Opening balance	$ 1,352,541	$ 15,054	$ 1,367,595
Modifications, net of additions	(4,673)	(4)	(4,677)
Tenant inducement	16,373	—	16,373
Lease payment	(43,826)	(1,348)	(45,174)
Interest expense	11,557	121	11,678
Foreign exchange rate changes	1,094	7	1,101
Closing lease obligations	$ 1,333,066	$ 13,830	$ 1,346,896
Less: current portion	110,046	4,986	115,032
Non-current portion of lease obligations	$ 1,223,020	$ 8,844	$ 1,231,864

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

10. 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 balances at March 31, 2021 and 2020 and transactions during the periods are as follows:

2021		Amount	
	Number of common shares issued and outstanding	Common shares	Total
Balance - December 31, 2020	63,333,238	$ 852,379	$ 852,379
Issuance of shares on exercise of options	5,151	43	43
Balance - March 31, 2021	63,338,389	$ 852,422	$ 852,422

2020		Amount	
	Number of common shares issued and outstanding	Common shares	Total
Balance - December 31, 2019 and March 31, 2020	63,333,238	$ 852,379	$ 852,379

11. Other costs

	Three months ended March 31, 2021	2020
Employee salaries and benefits	$ 21,339	$ 53,169
Rent	(7,047)	572
Realty and occupancy taxes and maintenance fees	14,312	19,122
Utilities	4,733	7,443
Purchased services	6,161	15,941
Other inventories consumed, including amusement and digital place-based media	9,938	18,161
Venue revenue share	2,986	9,456
Repairs and maintenance	3,606	10,002
Advertising and promotion	1,279	4,007
Office and operating supplies	519	3,587
Licenses and franchise fees	3,238	4,643
Insurance	1,668	1,314
Professional and consulting fees	3,865	3,435
Telecommunications and data	1,181	1,785
Bad debts	(192)	905
Equipment rental	210	349
Other costs	909	3,657
	$ 68,705	$ 157,548

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

Management continued to focus on cost cutting measures to mitigate the negative impact of COVID-19 on Cineplex's business, in addition to applying for government subsidy programs where available. During the three months ended March 31, 2021, Cineplex recorded wage subsidies of $14,835, rent subsidies of $7,003, realty tax subsidies of $4,785, and utilities subsidies of $1,581 which have all been offset against their related costs. No subsidies were recognized in the three months ended March 31, 2020.

12. Net loss per share

Basic

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

	2021	2020
Net loss attributable to owners of Cineplex - continuing operations	$ (89,688)	$ (174,154)
Net loss attributable to owners of Cineplex	$ (89,688)	$ (178,413)
Weighted average number of shares outstanding	63,334,317	63,333,238
Basic EPS from continuing operations	$ (1.42)	$ (2.75)
Basic EPS from discontinued operations	—	(0.07)
Basic EPS	$ (1.42)	$ (2.82)

Diluted

Diluted EPS is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all 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. The options and convertible debentures are anti-dilutive in 2021.

	2021	2020
Net loss attributable to owners of Cineplex - continuing operations	$ (89,688)	$ (174,154)
Net loss attributable to owners of Cineplex	$ (89,688)	$ (178,413)
Weighted average number of shares outstanding	63,334,317	63,333,238
Weighted average number of shares for diluted EPS	63,334,317	63,333,238
Diluted EPS from continuing operations	$ (1.42)	$ (2.75)
Diluted EPS from discontinued operations	—	(0.07)
Diluted EPS	$ (1.42)	$ (2.82)

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

13. Changes in operating assets and liabilities

The following summarizes the changes in operating assets and liabilities:

	2021	2020
Trade and other receivables	$ 12,541	$ 93,707
Inventories	1,157	1,054
Prepaid expenses and other current assets	839	505
Accounts payable and accrued liabilities	(437)	(66,080)
Income taxes receivable	7,825	4,233
Deferred revenue	2,153	(27,520)
Post-employment benefit obligations	(889)	(209)
Share-based compensation	1,078	(15,341)
Other liabilities	(686)	(777)
	$ 23,581	$ (10,428)

Property, equipment and leasehold purchases are included in accounts payable and accrued liabilities as at March 31, 2021, in the amount of $2,165 (2020 - $21,141).

14. Operating segments

Cineplex has four reportable segments; Film Entertainment and Content, Media, Amusement and Leisure and Location-Based Entertainment. The reportable segments are business units offering differing products and services and managed separately due to their distinct natures. These four reportable segments have been determined by Cineplex's chief operating decision makers. The Film Entertainment and Content reporting segment does not charge an access fee to the Media reporting segment. All other inter-segment transactions are eliminated in the Corporate and other category, which includes all corporate general and administrative costs not directly associated with a segment.

Film Entertainment and Content
The Film Entertainment and Content 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. Also included in the Film Entertainment and Content segment are in-theatre amusement, theatre rentals and digital commerce rental and sales and associated costs.

Media
The Media reporting segment is comprised of the aggregation of two operating segments, cinema media and digital place-based media. Cinema media consists of all in-theatre advertising revenues and costs, including pre-show, showtime and lobby advertising. Digital place-based 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.

Amusement and Leisure
The Amusement and Leisure reporting segment includes the amusement solutions operating segment. Amusement solutions is comprised of revenues and costs associated with operating and distributing amusement, gaming and vending equipment. Previously reported periods included results for eSports in the Amusement and Leisure segment.

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

Location-Based Entertainment

Location-based entertainment is comprised of the social entertainment destinations featuring gaming, entertainment and dining. These entertainment options are complemented with an upscale casual dining environment, featuring an open kitchen and contemporary menu, as well as a larger bar with a wide range of digital monitors and a large screen for watching sporting and other major events.

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 adjusted EBITDAaL to measure the performance of its reportable segments.

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

Cineplex's management believes that adjusted EBITDAaL is an important supplemental measure of Cineplex's profitability at an operational level and provides analysts and investors with comparability in evaluating and valuing Cineplex's performance period over period. EBITDA, adjusted for various unusual items, is also used to define certain financial covenants in Cineplex's Credit Facilities.

The following tables disclose the results of the Film Entertainment and Content, Media, Amusement and Leisure and Location-Based Entertainment segments for the period ended March 31, 2021 and 2020:

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

Three months ended March 31, 2021	Film Entertainment and Content (i)	Media (i)	Amusement and Leisure	Location-Based Entertainment	Corporate and other (iii)	Consolidated
Major product and service lines						
Box office	$ 3,818	$ —	$ —	$ —	$ —	$ 3,818
Food service	6,317	—	—	208	—	6,525
Media	—	9,074	—	—	—	9,074
Amusement	72	—	12,559	1,243	—	13,874
Other	8,086	—	—	35	—	8,121
Total revenues	$ 18,293	$ 9,074	$ 12,559	$ 1,486	$ —	$ 41,412
Primary geographical markets						
Canada	$ 18,293	$ 6,220	$ 2,768	$ 1,486	$ —	$ 28,767
United States and other countries	—	2,854	9,791	—	—	12,645
Total revenues	$ 18,293	$ 9,074	$ 12,559	$ 1,486	$ —	$ 41,412
Timing of revenue recognition						
Transferred at a point in time	$ 18,293	$ 2,855	$ 12,559	$ 1,486	$ —	$ 35,193
Transferred over time	—	6,219	—	—	—	6,219
Total revenues	$ 18,293	$ 9,074	$ 12,559	$ 1,486	$ —	$ 41,412
Adjusted EBITDAaL	(41,948)	790	(3,011)	(3,170)	(14,751)	(62,090)
Difference between the sum of depreciation of right-of-use assets and interest expense related to the lease obligations as compared to the cash rent paid or payable related to lease obligations with respect to the current period.						8,692
Other adjustments (ii)						(27,581)
Depreciation and amortization - other assets						29,509
Interest expense - other						13,665
Interest income						(26)
Provision for income taxes						3,339
Net loss						$ (89,688)
Other operating segment disclosures						
Depreciation - right-of-use assets	$ 23,508	$ 798	$ 742	$ 988	$ 282	$ 26,318
Depreciation and amortization - other assets	$ 17,716	$ 2,036	$ 6,005	$ 3,752	$ —	$ 29,509
Interest expense - lease obligations	$ 12,795	$ 106	$ 140	$ 1,268	$ 50	$ 14,359
Goodwill balance	$ 413,915	$ 206,385	$ 15,175	$ —	$ —	$ 635,475

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

Three months ended March 31, 2020	Film Entertainment and Content (i)	Media (i)	Amusement and Leisure	Location-Based Entertainment	Corporate and other (iii)	Consolidated
Major product and service lines						
Box office	$ 111,002	$ —	$ —	$ —	$ —	$ 111,002
Food service	72,681	—	—	6,684	—	79,365
Media	—	31,638	—	519	—	32,157
Amusement	2,196	—	34,961	10,180	—	47,337
Other	12,632	—	—	308	—	12,940
Total revenues	$ 198,511	$ 31,638	$ 34,961	$ 17,691	$ —	$ 282,801
Primary geographical markets						
Canada	$ 198,511	$ 25,475	$ 9,099	$ 17,691	$ —	$ 250,776
United States and other countries	—	6,163	25,862	—	—	32,025
Total revenues	$ 198,511	$ 31,638	$ 34,961	$ 17,691	$ —	$ 282,801
Timing of revenue recognition						
Transferred at a point in time	$ 198,511	$ 8,510	$ 34,961	$ 17,172	$ —	$ 259,154
Transferred over time	—	23,128	—	519	—	23,647
Total revenues	$ 198,511	$ 31,638	$ 34,961	$ 17,691	$ —	$ 282,801
Adjusted EBITDAaL	(5,419)	12,790	490	(264)	(5,207)	2,390
Difference between the sum of depreciation of right-of-use assets and interest expense related to the lease obligations as compared to the cash rent paid or payable related to lease obligations with respect to the current period.						3,128
Other adjustments (ii)						(446)
Depreciation and amortization - other assets						33,962
Interest expense - other						16,886
Interest income						(72)
Income taxes expense						(49,967)
Impairment of long-lived assets and goodwill						173,054
Net loss from continuing operations						$ (174,155)
Net loss from discontinued operations (note 18)						(4,259)
Net loss						$ (178,414)
Other operating segment disclosures						
Depreciation - right-of-use assets	$ 31,655	$ 824	$ 1,362	$ 1,517	$ 175	$ 35,533
Depreciation and amortization - other assets	$ 19,742	$ 3,066	$ 7,435	$ 3,719	$ —	$ 33,962
Interest expense - lease obligations	$ 10,536	$ 117	$ 163	$ 853	$ 9	$ 11,678
Impairment of long-lived assets and goodwill	$ 140,836	$ —	$ —	$ 32,218	$ —	$ 173,054
Goodwill balance	$ 506,455	$ 206,385	$ 16,271	$ —	$ —	$ 729,111

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

(ii) Other adjustments include gain/loss on disposal of assets, CDCP equity (loss) income, foreign exchange, non-controlling interest adjusted EBITDA, depreciation and amortization for joint ventures and taxes and interest - joint ventures.

(iii) Corporate and other represents the cost of centralized corporate overhead that is not allocated to the other operating segments and includes the change in fair value of financial instruments.

Cineplex's cash management and other treasury functions are centralized; interest expense not related to the lease obligations and interest income are not allocated to segments. Income taxes are accounted for by entity, and cannot

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

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

15. Basis of presentation and accounting standards

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 that management 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, 2020. 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, 2020.

16. Assets held for sale and discontinued operations

During the quarter ended September 30, 2019, Cineplex initiated a review process of WorldGaming Network LP's ("WGN") online esports business, engaging a third party adviser to identify a strategic equity partner. On June 29, 2020, Cineplex sold all of its interest in WGN for a nominal amount. A nominal gain was recognized on the disposition and was included in net loss from discontinued operations. No further operations have been classified as a discontinued operation and all amounts presented in the current period interim consolidated financial statements are from continuing operations. Refer to the audited consolidated financial statements for the year ended December 31, 2020 for further details.

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