CINEPLEX®

2022

FIRST QUARTER

March 31, 2022

LETTER TO SHAREHOLDERS

Dear fellow shareholders,

I am pleased to report that Cineplex and the exhibition industry continue to make progress in recovering from the effects of the pandemic, and as of April 18, 2022, all our venues began operating at full capacity.

During the first quarter of 2022, leading film performances included the highly anticipated title, *The Batman*, and the continued success of *Spider Man: No Way Home*, which, despite a December release and closures in January, our guests waited to watch on the big screen when we resumed operations. We were also pleased with the performance of alternative content in the quarter as we continue our efforts to increase and diversify content with international titles, non-traditional studios, and other alternative programming.

While government mandated restrictions and closures due to the Omicron variant continued to pose significant challenges for our company in Q1, we continued to see momentum building in all our business lines. This resulted in first quarter year-over-year revenue growth of 452% and a reduction in net loss of 53% for our company. We also witnessed strong per patron spend, with first quarter box office revenue per patron of $12.00 and an all-time quarterly record concession revenue per patron of $8.82.

As we move forward in 2022, we will continue to effectively navigate the impact of the pandemic and drive long term value creation for our shareholders. We expect to achieve growth in our businesses by a focused implementation of our strategic priorities, which include reigniting theatrical exhibition, growing our diversified businesses, leveraging our ecosystem, and continuing to apply financial disciple and operational excellence.

The Cineworld litigation is also ongoing. As we announced in December 2021, the Ontario Superior Court of Justice issued a judgement for $1.24 billion in favour of Cineplex. While Cineworld has filed its appeal, we are of the position that it lacks merit, and we will take all steps to respond to the appeal and advance Cineplex's cross-appeal. We remain focused on the Ontario Court of Appeal hearing which is scheduled for October 12th and 13th of this year. We are continuing to evaluate and advance all options against Cineworld to maximize and monetize the value of the judgement and have engaged Moelis & Company, a leading global investment bank with significant expertise in these areas and Goodmans LLP, as our lead counsel. The judgement and next steps are a key focus for Cineplex and its advisors.

In closing, we are optimistic about the future. Our theatres and entertainment venues are open across the country and operating without restrictions. We are poised to capitalize on the impressive film slate for the remainder of the year and the positive momentum we are witnessing in our other businesses. Our studio partners are committed to an exclusive window and continue to acknowledge the important role theatrical exhibition plays in elevating content. Finally, we will continue to advance growth initiatives and drive long-term value for our shareholders to maintain Cineplex's position as an industry leader.

Sincerely,

Ellis Jacob
President and CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 12, 2022

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

Unless otherwise specified, all information in this MD&A is as of March 31, 2022 and all amounts are in Canadian dollars.

MANAGEMENT'S DISCUSSION AND ANALYSIS CONTENTS

Non-GAAP and Other Financial Measures

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

Forward-Looking Statements

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

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

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

By their very nature, forward-looking statements involve inherent risks and uncertainties, including those described in Cineplex's Annual Information Form ("AIF"), and MD&A for the year ended December 31, 2021 ("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 related to the closure or capacity restrictions of its theatres and LBE venues, employee reductions and other cost-cutting initiatives, and increased expenses relating to safety measures taken at its facilities to protect the health and well-being of customers and employees; Cineplex's expectations with respect to liquidity and capital expenditures, including its ability to meet its ongoing capital, operating and other obligations, and anticipated needs for, and sources of, funds; Cineplex's ability to execute cost-cutting and revenue enhancement initiatives in response to the COVID-19 pandemic; risks generally encountered in the relevant industry, competition, customer, legal, taxation and accounting matters; the outcome of the litigation surrounding the termination of the Cineworld transaction (described below); and diversion of management time on litigation related to the Cineworld transaction.

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

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

1. OVERVIEW OF CINEPLEX

Cineplex (TSX:CGX) is a top-tier Canadian brand that operates in the Film Entertainment and Content, Amusement and Leisure, and Media sectors. Cineplex offers a unique escape from the everyday to millions of guests through its circuit of 172 movie theatres and location-based entertainment venues. In addition to being Canada's largest and most innovative film exhibitor, the company operates Canada's favourite destination for 'Eats & Entertainment' (*The Rec Room*) and complexes specially designed for teens and families (*Playdium*). It also operates successful businesses in digital commerce (CineplexStore.com), alternative programming (Cineplex Events), cinema media (Cineplex Media), digital place-based media (Cineplex Digital Media "CDM") and amusement solutions (Player One Amusement Group "P1AG"). Providing even more value for its guests, Cineplex is a partner in Scene LP, the operator of the Scene+ loyalty program, Canada's largest entertainment and lifestyle loyalty program.

Cineplex's theatre circuit is concentrated in major metropolitan and mid-sized markets. As of March 31, 2022, Cineplex owned, leased or had a joint venture interest in 1,640 screens in 159 theatres from coast to coast as well as 13 LBE venues in six provinces.

Cineplex Theatre locations and screens at March 31, 2022									
Province	**Locations**	**Screens**	**3D Digital Screens**	**UltraAVX**	**IMAX Screens (i)**	**VIP Auditoriums**	**D-BOX Auditoriums**	**Recliner Auditoriums**	**Other Screens (ii)**
Ontario	66	710	351	41	12	48	48	108	11
Quebec	17	220	88	10	3	9	7	17	1
British Columbia	25	236	125	16	3	20	16	43	1
Alberta	20	213	114	20	2	16	16	83	6
Nova Scotia	11	90	43	1	1	—	2	—	1
Saskatchewan	6	54	28	3	1	3	3	16	1
Manitoba	5	49	26	1	1	3	2	—	1
New Brunswick	5	41	20	2	—	—	2	—	—
Newfoundland & Labrador	2	14	9	—	1	—	1	—	—
Prince Edward Island	2	13	6	—	—	—	1	—	—
TOTALS	**159**	**1,640**	**810**	**94**	**24**	**99**	**98**	**267**	**22**
Percentage of screens			49 %	6 %	1 %	6 %	6 %	16 %	1 %

(i) All IMAX screens are 3D enabled. Total 3D screens including IMAX screens are 834 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								
	2022	**2021**				**2020**		
	Q1	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Theatres	159	160	161	160	161	162	164	164
Screens	1,640	1,652	1,656	1,651	1,657	1,667	1,687	1,687
3D Digital Screens	810	815	816	816	816	819	826	826
UltraAVX Screens	94	94	94	94	94	94	94	94
IMAX Screens	24	25	25	25	25	25	25	25
VIP Auditoriums	99	99	94	89	84	84	84	84
D-BOX Locations	98	98	98	98	98	98	99	99
Recliner Screens	267	267	262	258	253	253	221	221
Other Screens	22	22	19	19	19	19	19	19

Cineplex - LBE - at March 31, 2022 and 2021	**2022**		**2021**	
Province	***The Rec Room***	***Playdium***	***The Rec Room***	***Playdium***
Ontario	4	2	3	2
Alberta	3	—	3	—
Manitoba	1	—	1	—
Newfoundland & Labrador	1	—	1	—
British Columbia	1	—	—	—
Nova Scotia	—	1	—	1
TOTALS	**10**	**3**	**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 2020, each of Canada's provinces and territories had declared a state of emergency resulting in, among other things, the mandated closure of non-essential businesses, restrictions on public gatherings and quarantining of people who may have been exposed to the virus. On March 16, 2020, Cineplex announced the temporary closure of all of its theatres and LBE venues across Canada, as well as substantially all route locations operated by P1AG. On August 21, 2020, Cineplex reopened its entire circuit of theatres and LBE venues, however, theatre operations and LBE venues were continuously impacted by additional government mandated restrictions and closures over the next several quarters.

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

Effective December 18, 2021, due to the rise of the Omicron variant, capacity restrictions were reinstated in Ontario, Cineplex's largest market, limiting indoor capacity to 50% along with prohibiting the consumption of concessions in theatres. Theatres in Quebec were also mandated to temporarily close effective December 20, 2021. During the beginning of the first quarter of 2022, social gathering restrictions were further modified or reinstituted in several key markets in which Cineplex operates, resulting in theatre closures in Ontario. Cineplex was also required to temporarily close or reduce capacity in other provinces. Effective January 29, 2022, January 31, 2022 and February 7, 2022 respectively, theatres in New Brunswick, Ontario and Quebec were permitted to reopen at reduced capacity levels, respectively. As restrictions have been eased in many markets in which Cineplex operates, theatres and LBE venues across Canada were permitted to operate at full capacity, with the exception of Prince Edward Island which were limited to operate at a 75% capacity maximum as at March 31, 2022. Subsequent to March 31, 2022, the remaining capacity restrictions in Prince Edward Island were lifted. As a result of increased vaccination rates and decreasing case counts, all provinces except British Columbia ceased proof of vaccination programs by March 31, 2022 with British Columbia ending its program on April 9, 2022. Mask mandates were lifted in all provinces with the exception of Quebec and Prince Edward Island. Cineplex is continuously monitoring operating restrictions and adjusting operating capacities in accordance with government directives.

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 of Cineplex's seventh amended and restated credit agreement (as amended, the "Credit Facilities") providing certain financial covenant relief in light of the COVID-19 pandemic and its impact on Cineplex's business (Section 6.4, Long-term debt);
- July 2020: issued convertible unsecured subordinated debentures (the "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 loyalty program receiving $60.0 million with respect to the reorganization;
- January 2021: completed the sale and leaseback transaction of Cineplex's head office buildings located at 1303 Yonge Street and 1257 Yonge Street, Toronto, Ontario for gross proceeds of $57.0 million;
- January 2021: filed tax returns for the 2020 taxation year claiming a $62.6 million recovery of income taxes paid in prior periods (all of which had been received by December 31, 2021);
- February 2021: entered into the Third Credit Agreement Amendment providing further financial covenant relief (Section 6.4, Long-term debt);
- February 2021: issued 7.50% senior secured second lien notes due February 26, 2026 (the "Notes Payable") for net proceeds of $243.3 million (Section 6.4, Long-term debt); and
- December 2021: entered into the Fourth Credit Agreement Amendment providing further financial covenant relief (Section 6.4, Long-term debt).

Cost reduction and subsidy measures:

- temporary layoffs of all part-time and full-time hourly employees as well as a number of full-time employees who chose a temporary layoff rather than a salary reduction during the second quarter of 2020, and additional temporary layoffs of part-time employees beginning in December 2021 further expanding in the first quarter of 2022;
- reduced full-time employee salaries by agreement with such employees during the second and third quarters of 2020;
- suspended or deferred current capital spending, reviewing all capital projects to consider either deferral or cancellation;
- reduced non-essential discretionary operational expenditures (such as spending on marketing, travel and entertainment);
- implemented a more stringent review and approval process for all outgoing procurement and payment requests;
- continued negotiations with landlords for cash payments in exchange for the sale of contractual rights or negotiating rent relief, including abatements, reductions and deferrals;
- worked with major suppliers and other business partners to modify the timing and quantum of certain contractual payments;
- reviewed and applied for government subsidy programs where available, including municipal and provincial property tax and energy rebates or subsidies;
- applied for the ongoing Canada Emergency Wage Subsidy ("CEWS"), which was launched by the Government of Canada, providing a variable subsidy for employee wages incurred from March 2020 to October 23, 2021;
- applied for the ongoing Canada Emergency Rent Subsidy ("CERS"), which was launched by the Government of Canada as a result of government mandated lockdowns, providing a variable subsidy for rent and other occupancy-related costs incurred from September 27, 2020 through October 23, 2021;
- applied for Canada's Tourism and Hospitality Recovery Program ("THRP") which began on October 24, 2021 and provides wage and rent subsidies for businesses that have faced revenue losses, with a subsidy rate of up to 75% until March 12, 2022 and 37.5% until May 7, 2022;
- continued evaluation of Cineplex's eligibility under other relief programs; and
- continued the suspension of dividends.

The COVID-19 pandemic continues to have a material negative effect on all aspects of Cineplex's businesses resulting in material decreases in revenues, results of operations and cash flows. As a result of the reopening of its theatres, Cineplex was able to significantly reduce its average monthly net cash burn compared to the prior seven quarters (defined as net cash (used in) provided by operating activities adjusted for changes in operating assets and liabilities, less repayments of lease obligations - principal and net capital expenditures, plus net cash received from CDCP). However, Cineplex continues to be materially impacted by the ongoing negative impact of the COVID-19 pandemic.

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 and LBE payroll and occupancy. Due to government mandated closure requirements and operating restrictions implemented during the fourth quarter of 2021 continuing into the first quarter of 2022, Cineplex received wage subsidies of $20.1 million, of which $13.3 million was used to offset theatre payroll costs. Cineplex was able to further reduce operating expenses as a result of rent subsidies of $3.0 million, realty tax and utility subsidies of $6.0 million. With respect to theatre occupancy expenses, Cineplex has continued to work with its landlord partners subsequent to the government-imposed lockdowns to obtain relief measures, resulting in significantly reduced cash rent being paid during the lockdown periods. As a result of ongoing discussions with landlords, Cineplex was able to reduce net cash lease outflows by $0.8 million during the first quarter of 2022. The negotiated lease obligation savings represent forgiveness of lease payments. Cineplex remains focused on identifying opportunities to extract value under its existing lease agreements.

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

While the specific protocols will evolve over time with the emergence from the pandemic, VenueSafe will remain consistent across all of Cineplex's venues as health and safety remain a top priority and top of mind for our guests. For further details refer to https://www.cineplex.com/Global/health-and-safety, https://www.therecroom.com/healthandsafety and www.playdium.com/healthandsafety.

Canada's vaccination rate has made tremendous progress with a high percentage of the eligible population receiving at least two doses of a COVID-19 vaccine. The Canadian government has also accelerated the rollout of COVID-19 vaccine booster doses providing extra protection against COVID-19 and its variants. As a result of the declining hospitalizations related to COVID-19, high vaccination rate and wide availability of COVID-19 vaccines, most provinces across Canada have lifted COVID-19 related measures with proof of vaccination requirements no longer being mandatory. With the exception of Quebec and Prince Edward Island, all other provinces have lifted the mask mandates. With the uncertainty of further government-imposed restrictions and the potential long-term effect that the pandemic may have on Cineplex's businesses, COVID-19 may continue to have a prolonged material negative impact on Cineplex's operations and return to profitability.

The release of Marvel's highly anticipated *Spider-Man: No Way Home* in December 2021 generated the second biggest North American opening weekend of all time and the biggest December opening weekend of all-time grossing $260.1 million and earning $801.3 million in North America (which includes $228.3 during the first quarter) and $1.9 billion globally since its release up to March 31, 2022, as reported. The box office momentum continued into the first quarter of 2022 with the release of *The Batman* in March 2022, grossing $134.0 million during its North American opening weekend and earning $338.2 million in North America and $742.0 million globally since its release up to March 31, 2022, as reported.

As at March 31, 2022, Cineplex had a cash balance of $24.1 million and $228.6 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). Combined with the continued focus on reducing costs and capital expenditures, management believes that it has adequate liquidity to fund operations for the currently anticipated duration of the pandemic in the regions in which Cineplex operates.

Cineworld Transaction

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

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

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

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

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

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

On January 12, 2022, Cineworld filed a Notice of Appeal with the Court of Appeal for Ontario and on January 27, 2022, Cineplex filed its Notice of Cross Appeal. The Ontario Court of Appeal will hear Cineworld's Appeal and Cineplex's Cross Appeal during the hearing scheduled for October 12-13, 2022.

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

1.2 FINANCIAL HIGHLIGHTS

Financial highlights	**First Quarter**		
(in thousands of dollars, except theatre attendance in thousands of patrons and per Share and per patron amounts)	**2022**	**2021**	**Change (i)**
Total revenues	$ 228,723	$ 41,412	452.3%
Theatre attendance	6,661	415	NM
Net loss (ii)	$ (42,225)	$ (89,688)	-52.9%
Net loss as a percentage of sales (ii)	(18.5)%	(216.6)%	198.1%
Cash used in operating activities	$ (5,437)	$ (35,632)	-84.7%
Box office revenues per patron ("BPP") (iii)	$ 12.00	$ 9.20	30.4%
Concession revenues per patron ("CPP") (iii)	$ 8.82	$ 6.12	44.1%
Adjusted EBITDA (iv)	$ 36,475	$ (30,105)	NM
Adjusted EBITDAaL (ii) (iv)	$ (5,719)	$ (62,090)	-90.8%
Adjusted EBITDAaL margin (ii) (v)	(2.5)%	(149.9)%	147.4%
Adjusted free cash flow (iv)	$ (21,745)	$ (78,785)	-72.4%
Adjusted free cash flow per Share (v)	$ (0.343)	$ (1.244)	-72.4%
Earnings per Share ("EPS") - basic and diluted (ii)	$ (0.67)	$ (1.42)	-52.8%

(i) Throughout this MD&A, changes in percentage amounts are calculated as 2022 value less 2021 value.

(ii) 2022 includes expenses related to the Cineworld Transaction and associated litigation and claims recovery in the amount of $0.3 million (2021 - $2.4 million).

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

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

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

Total revenues for the first quarter of 2022 increased by 452.3%, or $187.3 million to $228.7 million as compared to the prior year period. In the prior year, the majority of Cineplex's businesses were closed or operating under strict capacity restrictions as a result of significant increases in daily COVID-19 case counts. During the first quarter of 2022, Cineplex's entire circuit of theatres and LBE venues were open for the majority of the period, subject to capacity and operating restrictions in select provinces, resulting in increases in revenue across all of Cineplex's businesses as compared to the prior year period. The release of highly anticipated films during the first quarter of 2022 including *The Batman* and *Uncharted,* along with the continued success of *Spider-Man: No Way Home,* which was released in the fourth quarter of 2021 contributed to the significant theatre attendance increase of 6.2 million to 6.7 million as compared to 0.4 million in the prior year period which had limited first run films and was heavily impacted by government mandated closures and capacity restrictions. Cineplex reported box office revenues of $80.0 million in the first quarter of 2022 and a first quarter record BPP of $12.00, food service revenues of $68.4 million and a first quarter CPP of $8.82, an all-time quarterly record.

Food service revenues consist of theatre food service revenue of $58.8 million, home delivery revenues of $3.3 million and LBE food service revenues of $6.4 million. Media revenues of $15.5 million were mainly from cinema media and network management and services. Amusement revenues of $50.4 million generated in the first quarter were primarily from P1AG route operations including family entertainment centres ("FEC") locations and theatres in the United States and Canada.

The reorganization of SCENE resulted in a change in revenue recognition leading to an increase in both BPP and CPP of approximately $0.21 and $0.22, respectively. Cineplex recognized an increase in both box office and concession revenues of $1.4 million and a corresponding increase in marketing costs of $3.0 million including other sales transactions with respect to the Scene+ points issued, resulting in a net $nil impact on Cineplex's adjusted EBITDAaL and net loss for the period ended March 31, 2022.

Cineplex's adjusted EBITDAaL improved from prior a year period loss of $62.1 million to a loss of $5.7 million in the current period and adjusted free cash flow per Share was a loss in the prior year period of $(1.244) compared to a loss of $(0.343) in the current period. Cineplex's net loss decreased from a reported loss of $89.7 million in the prior year period to a loss of $42.2 million in the current period with a net loss per share decreasing from $(1.42) in the prior year period to $(0.67) in the current period.

1.3 KEY DEVELOPMENTS IN THE FIRST QUARTER OF 2022

The following describes certain key business initiatives undertaken and results achieved during 2022 in each of Cineplex's core business areas:

FILM ENTERTAINMENT AND CONTENT

Theatre Exhibition

- Reported first quarter box office revenues of $80.0 million, a $76.1 million increase from 2021 as a result of increased theatre attendance due to the lifting of government mandated restrictions compared to theatre closures that remained in effect for a majority of the prior year period.
- BPP was $12.00, a first quarter record, which increased by $2.80 or 30.4% when compared to the prior year due to new releases and premium offerings in the current period as compared to the prior period which focused on discounted pricing for older and more classic film product.

Theatre Food Service

- Reported first quarter theatre food service revenues of $58.8 million, an increase of $56.2 million compared to the prior year period primarily due to a significant increase in theatre attendance.
- CPP was $8.82, an all-time quarterly record, an increase of $2.70 or 44.1% when compared to the prior year, due to product mix, modest price increases and film product that appealed to first-run viewers who tend to have a higher concession spend.

Alternative Programming

- Anime titles led strong box office returns for Event Cinema with *Jujutsu Kaisen 0* and *Belle*. The K-pop sensation "BTS" returned to cinemas for a global one day event *Permission to Dance* becoming the single biggest one day event in the history of event cinema, generating $0.8 million in box office revenues. Met Opera audiences started to return with the live broadcast of Verdi's *Don Carlos*.
- Cineplex Distribution released the feature film *Ella and the Little Sorcerer* on March 4, 2022.

Digital Commerce

- Total registered users for Cineplex Store increased 13% from the prior year period, reaching over 2.2 million registered users.

MEDIA

- Reported first quarter media revenues of $15.5 million, an increase of $6.5 million or 71.3% as compared to the prior year period.

Cinema Media

- Reported first quarter cinema media revenues of $8.2 million, an increase of $6.3 million or 334.3% over the prior year, due to increases in cinema advertising as a result of reopened theatres and new film releases.

Digital Place-Based Media

- Reported first quarter revenues of $7.3 million which remained flat when compared to the prior year period.

AMUSEMENT AND LEISURE

Amusement Solutions

- Reported first quarter revenues of $50.4 million an increase of $36.6 million or 263.4% compared to the prior year period primarily due to increases in P1AG amusement revenues from US and Canada route locations at FEC's and theatres and the reopening of LBE businesses.

Location-based Entertainment

- Reported first quarter revenues of $20.0 million including food service revenues of $6.4 million, amusement revenues of $13.5 million and other revenues of $0.2 million, an increase of $18.6 million compared to the prior year period. The increase was due to the reopening of LBE businesses compared to closures that remained in effect for a majority of the prior year period.

LOYALTY

- Membership in the Scene+ loyalty program remained flat during the period ended March 31, 2022.

CORPORATE

- Exhibited special screenings of Ukrainian director Oles Sanin's 2014 feature film, *The Guide,* with proceeds raised by ticket sales going to Ukrainian relief efforts.
- Ellis Jacob, President & CEO, was awarded the 2022 National Association of Theatre Owners Marquee Award, recognizing his unparalleled dedication, commitment, and service to the motion picture theatre industry.

2. CINEPLEX'S BUSINESS AND STRATEGY

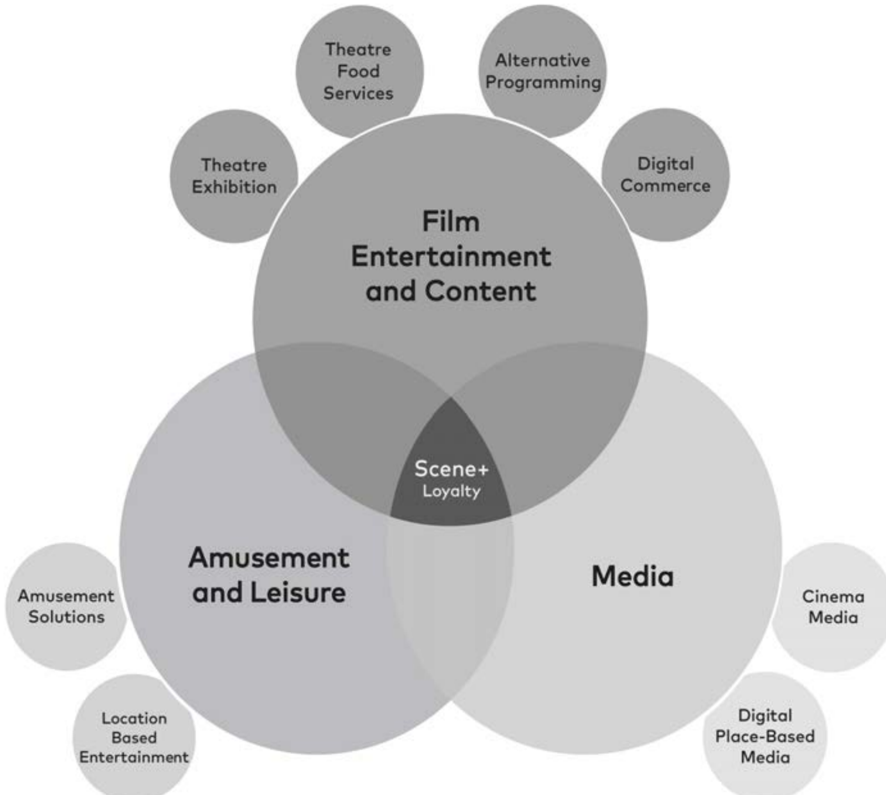
Cineplex's mission statement is "Passionately delivering exceptional experiences." All of its efforts are focused on this mission and it is Cineplex's goal to consistently provide guests and customers with exceptional experiences.

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

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

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

Diversified Entertainment and Media Company



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

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

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. Box office revenue represented 35.0% of revenue in the first quarter of 2022. Revenues continue to be materially impacted due to the ongoing negative impact of the COVID-19 pandemic.

The following table presents the revenue mix for comparative years:

Revenue mix % by period	Q1 2022	Q1 2021	Q1 2020	Q1 2019	Q1 2018
Box office	**35.0 %**	9.2 %	39.3 %	42.9 %	46.6 %
Food service	**29.9 %**	15.8 %	28.1 %	28.3 %	30.0 %
Media	**6.8 %**	21.9 %	11.4 %	9.5 %	8.0 %
Amusement	**22.0 %**	33.5 %	16.7 %	16.0 %	12.8 %
Other	**6.3 %**	19.6 %	4.5 %	3.3 %	2.6 %
Total	**100.0 %**	100.0 %	100.0 %	100.0 %	100.0 %

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

Revenue mix % by year	First Quarter	
	2022	2021
Film Entertainment and Content	69.2 %	44.7 %
Media	6.8 %	21.4 %
Amusement and Leisure	15.2 %	30.3 %
LBE	8.8 %	3.6 %
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. For periods in 2020 and 2021, Cineplex focused on optimizing revenues during the COVID-19 closures by offering a catalog of classic film products along with new releases and expanding product offerings through the Cineplex Store. In addition, prior to COVID-19, as a result of Cineplex's focus on diversifying the business beyond the traditional movie exhibition model, its revenue mix has shifted from box office revenue to other revenue sources.

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

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

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

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

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

Cost of Sales and Expenses

Film cost represents the film rental fees paid to distributors for films exhibited in Cineplex's 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 a film, or estimated terms where a mutually agreed settlement is reached upon conclusion of a 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 typically 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.

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

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

Theatre occupancy expenses include lease related expenses, percentage rent, property related taxes, business related taxes and insurance and exclude cash rent accounted for as obligations or interest under IFRS 16, *Leases*.

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

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

Accounting for Joint Arrangements

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

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

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

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

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

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, 2022 and 2021 (expressed in thousands of dollars except Shares outstanding, per Share data and per patron data, unless otherwise noted):

	Three months ended March 31, 2022	Three months ended March 31, 2021	Variance (%)
Box office revenues	$ 79,952	$ 3,818	NM
Food service revenues	68,388	6,525	948.1 %
Media revenues	15,545	9,074	71.3 %
Amusement revenues	50,424	13,874	263.4 %
Other revenues	14,414	8,121	77.5 %
Total revenues	**228,723**	**41,412**	**452.3 %**
Film cost	39,016	1,235	NM
Cost of food service	14,857	1,412	952.2 %
Depreciation - right-of-use assets	24,263	26,318	-7.8 %
Depreciation and amortization - other assets	26,892	29,509	-8.9 %
Loss (gain) on disposal of assets	157	(30,060)	NM
Other costs (a)	138,352	68,705	101.4 %
Costs of operations	**243,537**	**97,119**	**150.8 %**
Net loss	$ (42,225)	$ (89,688)	-52.9 %
Adjusted EBITDA (i) (v)	$ 36,475	$ (30,105)	NM
Adjusted EBITDAaL (i) (v)	$ (5,719)	$ (62,090)	-90.8 %
(a) Other costs include:			
Theatre occupancy expenses	11,762	6,782	73.4 %
Other operating expenses	110,506	47,806	131.2 %
General and administrative expenses (v)	16,084	14,117	13.9 %
Total other costs	**$ 138,352**	**$ 68,705**	**101.4 %**
Net loss per share - basic and diluted (v)	$ (0.67)	$ (1.42)	-52.8 %
Total assets	$ 2,062,367	$ 2,246,653	-8.2 %
Long-term debt (iv)	$ 786,811	$ 739,005	6.5 %
Shares outstanding at period end	63,352,364	63,338,389	— %
Adjusted free cash flow per Share (ii)	$ (0.343)	$ (1.244)	-72.4 %
Box office revenue per patron (iii)	$ 12.00	$ 9.20	30.4 %
Concession revenue per patron (iii)	$ 8.82	$ 6.12	44.1 %
Film cost as a percentage of box office revenues	48.8%	32.3%	16.5 %
Theatre attendance (in thousands of patrons) (iii)	6,661	415	NM
Theatre locations (at period end)	159	161	-1.2 %
Theatre screens (at period end)	1,640	1,657	-1.0 %

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

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

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

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

(v) 2022 includes expenses related to the Cineworld Transaction and associated litigation and claims recovery in the amount of $0.3 million (2021 - $2.4 million).

4.2. OPERATING RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2022

Total revenues

Total revenues for the three months ended March 31, 2022 increased $187.3 million (452.3%) to $228.7 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 and other financial measures discussed throughout this MD&A, including adjusted EBITDA, adjusted EBITDAaL, adjusted store level EBITDAaL, adjusted EBITDAaL margin, adjusted store level EBITDAaL margin, adjusted free cash flow, theatre attendance, BPP, premium priced product, same theatre metrics, CPP, film cost percentage, food service cost percentage, concession margin per patron and net cash burn are defined and discussed in Section 17, Non-GAAP and other financial measures.

Box office revenues

The following table highlights the movement in box office revenues, theatre attendance and BPP for the 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**		
	2022	**2021**	**Change**
Box office revenues	$ 79,952	$ 3,818	NM
Theatre attendance (i)	6,661	415	NM
Box office revenue per patron (i)	$ 12.00	$ 9.20	30.4%
BPP excluding premium priced product (i)	$ 10.49	$ 8.84	18.7%
Same theatre box office revenues (i)	$ 78,879	$ 3,812	NM
Same theatre attendance (i)	6,609	414	NM
% Total box from premium priced product (i)	36.5%	11.5%	25.0%

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

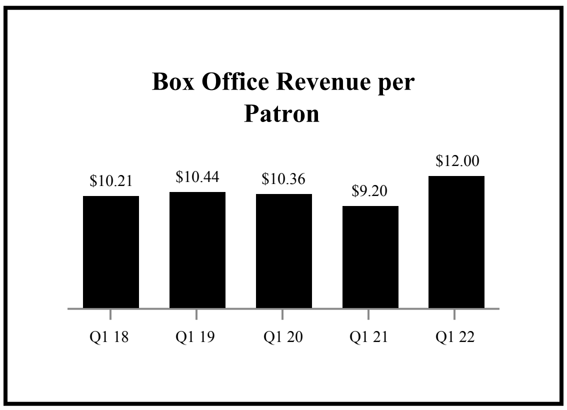
Box office continuity	**First Quarter**	
	Box Office	**Theatre Attendance**
2021 as reported	$ 3,818	415
Same theatre attendance change	57,013	6,195
Impact of same theatre BPP change	16,646	—
New and acquired theatres (i)	1,059	51
Disposed and closed theatres (i)	9	—
Scene+ points issued presented as marketing costs	1,407	—
2022 as reported	**$ 79,952**	**6,661**

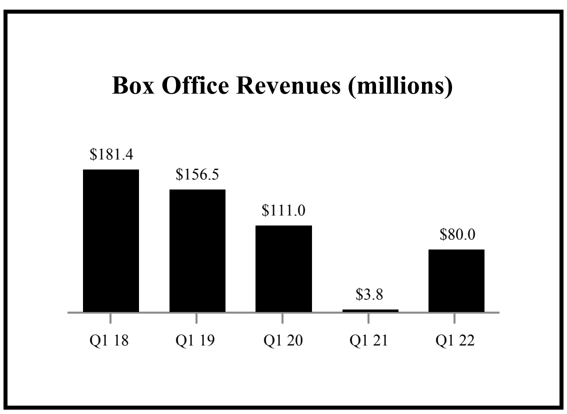
(i) See Section 17, Non-GAAP and other financial measures. Represents theatres opened, acquired, disposed or closed subsequent to the start of the prior year comparative period and is used to report on Cineplex's supplementary financial measures.

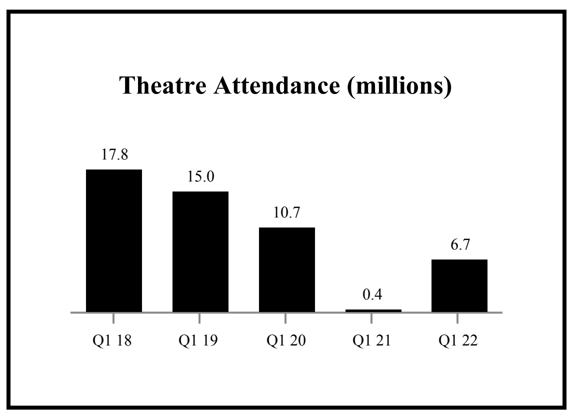
	First Quarter 2022 Top Cineplex Films	**3D**	**% Box**		**First Quarter 2021 Top Cineplex Films**	**3D**	**% Box**
1	The Batman		27.6 %	1	Tom & Jerry		19.3 %
2	Spider-Man: No Way Home	✔	20.4 %	2	The Croods: A New Age		16.1 %
3	Uncharted		13.1 %	3	Wonder Woman 1984		15.5 %
4	Sing 2	✔	5.6 %	4	The Little Things		5.1 %
5	Jackass Forever		3.4 %	5	News Of The World		4.2 %

Box office revenues increased $76.1 million to $80.0 million during the first quarter of 2022, compared to $3.8 million recorded in the same period in 2021. This increase was mainly due to a 6.2 million increase in theatre attendance as Cineplex's theatre circuit was open for a majority of the quarter subject to operating restrictions, compared to closures that remained in effect for a majority of the prior year period. As restrictions were gradually eased, Cineplex was permitted to operate at 100% capacity in several provinces across the country, contributing to the increase in box office revenues. The release of the highly anticipated film, *The Batman* and the continued strong performance of *Spider-Man: No Way Home* also contributed to the significant increase in box office revenues when compared to the prior year. *The Batman* grossed $134.0 million during its opening weekend in North America and $338.2 million since its release in North America up to March 31, 2022. *Spider-Man: No Way Home* grossed $801.3 million in North America since its release up to March 31, 2022.

BPP for the three months ended March 31, 2022 was a first quarter record of $12.00, an increase of $2.80 or 30.4% from $9.20 reported in the prior year period. Price increases in select key markets and additional VIP theatre locations which drive higher per patron spend attributed to the increase. The release of first run film product available in the current period drove guests to premium experiences compared to limited film product in the prior year, further contributing to the increase in BPP. The reorganization of SCENE resulted in a change in revenue recognition leading to higher box office revenues of $1.4 million and a BPP increase of approximately $0.21 with a corresponding increase in marketing costs of $1.4 million with respect to Scene+ points issued on box office transactions.







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**		
	2022	**2021**	**Change**
Food service - theatres	$ 58,759	$ 2,539	NM
Food delivery - theatres	3,249	3,778	-14.0 %
Food service - LBE	6,359	171	NM
Food delivery - LBE	21	37	-43.2 %
Total food service revenues	**$ 68,388**	**$ 6,525**	**948.1%**
Theatre attendance (i)	6,661	415	NM
CPP (i) (ii)	$ 8.82	$ 6.12	44.1 %
Same theatre food service revenues (i)	$ 57,667	$ 2,531	NM
Same theatre attendance (i)	6,609	414	NM

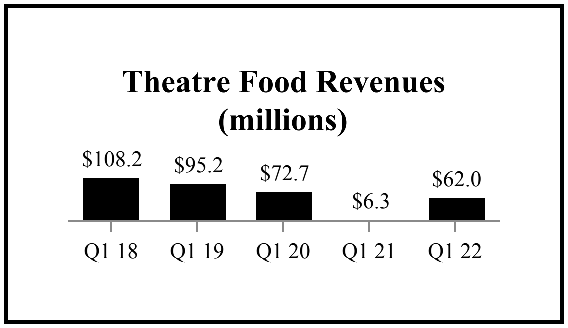
(i) Represents a supplementary financial measure. See Section 17, Non-GAAP and other financial measures.
(ii) Food service revenue from LBE and delivery is not included in the CPP calculation.

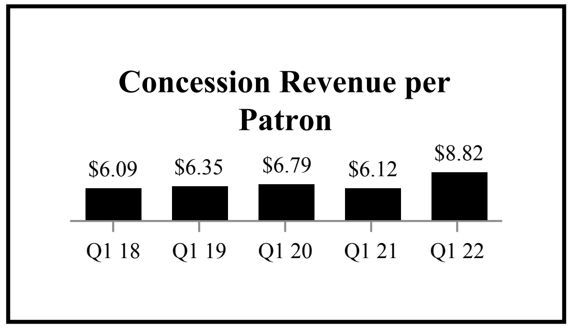
Theatre food service revenue continuity	**First Quarter**	
	Theatre Food Service	**Theatre Attendance**
2021 as reported	$ 2,539	415
Same theatre attendance change	37,851	6,195
Impact of same theatre CPP change	15,844	—
New and acquired theatres (i)	1,092	51
Disposed and closed theatres (i)	(8)	—
Scene+ points issued presented as marketing costs	1,441	—
2022 as reported	**$ 58,759**	**6,661**

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

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

Food service revenues increased by $61.9 million primarily due to the $56.2 million increase in theatre food service revenues to $58.8 million in the quarter. The increase in food service revenues is primarily due to an increase in theatre attendance due to the easing of government mandated restrictions, resulting in a 6.2 million increase in theatre attendance from 0.4 million reported in the prior year period to 6.7 million in the current period. During the current period, Cineplex's theatre circuit and LBE businesses were open for a majority of the period compared to extended periods of government mandated closure requirements and capacity restrictions on theatre and LBE businesses enforced in the prior year period. Food service revenues from LBE businesses increased by $6.2 million from $0.2 million recognized in the prior year period to $6.4 million in the current period, further contributing to the increase in total food service revenues. CPP increased by $2.70 or 44.1% to an all-time quarterly record of $8.82. Product mix, modest prices increases to Cineplex's core food service products, additional VIP theatre locations and film product targeted towards adult demographics all contributed to the increase in CPP. During the prior year period, government mandated closure requirements and restrictions limited consumer spend resulting in minimal premium purchases which historically generate higher CPP, contributing to a lower CPP recognized during the prior year period. The reorganization of SCENE resulted in a change in revenue recognition leading to an increase concession revenues of $1.4 million and a CPP increase of approximately $0.22 with a corresponding increase in marketing costs of $1.4 million with respect to Scene+ points issued on concession transactions.



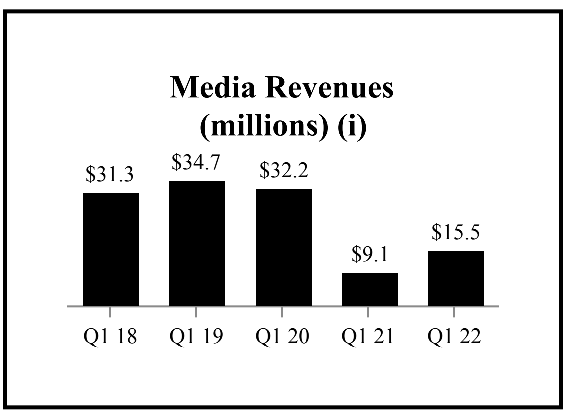


Media revenues

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

Media revenues	First Quarter		
	2022	2021	Change
Cinema media	$ 8,249	$ 1,899	334.4 %
Digital place-based media	7,296	7,175	1.7 %
Total media revenues	**$ 15,545**	**$ 9,074**	**71.3%**

Total media revenues increased $6.5 million or 71.3% to $15.5 million in the first quarter of 2022 compared to the prior year period. This increase was due to a $6.3 million increase in Cinema media due to significant increases in pre-show and show-time advertising revenues. During the first quarter of 2022, Cineplex's theatre circuit was open for a majority of the period compared to theatre closures that remained in effect for a majority of the prior year period as a result of government mandated closure requirements. The current period also featured the release of the highly anticipated films *The Batman* and *Uncharted* and continued strong performance of *Spider-Man: No Way Home* compared to limited first run product releases in the prior year period. Cineplex's cinema media arrangements are impacted by theatre attendance levels which drive impressions and ultimately impact media revenue generated by Cineplex. Accordingly, the increase in cinema media revenue reflects the increase in attendance levels when compared to the prior period. Digital placed-based media revenues remained flat when compared to the prior year.



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

Digital place-based media revenues	First Quarter		
	2022	2021	Change
Project revenues (i)	$ 2,979	$ 2,315	28.7 %
Other revenues (ii)	4,317	4,860	-11.2 %
Total digital place-based media revenues	**$ 7,296**	**$ 7,175**	**1.7%**

(i) Project revenues include hardware sales and professional services.
(ii) Other revenues include sales of software and its support as well as media advertising.

Amusement revenues

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

Amusement revenues	First Quarter		
	2022	2021	Change
Amusement - P1AG excluding Cineplex exhibition and LBE (i)	$ 34,839	$ 12,559	177.4 %
Amusement - Cineplex exhibition (i)	2,091	72	NM
Amusement - LBE	13,494	1,243	985.4 %
Total amusement revenues	**$ 50,424**	**$ 13,874**	**263.4%**

(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 increased $36.6 million or 263.4% to $50.4 million during the quarter compared to the prior year period. The increase was primarily due to a $22.3 million increase in P1AG amusement revenues from US and Canada route locations at FEC's and theatres. The increase was also attributable to a $12.3 million increase in LBE amusement revenues. The easing of government mandated closure requirements and capacity restrictions in the current period resulted in increased operating activities at P1AG US and Canada route locations at FEC's and theatres, as well as LBE businesses compared to government mandated closure requirements or capacity restrictions that remained in effect for a majority of the prior year period.

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

P1AG Summary	First Quarter		
	2022	2021	Change
Amusement revenues	**$ 34,839**	**$ 12,559**	**177.4%**
Operating Expenses	28,859	14,354	101.1 %
Cash rent related to lease obligations (i)	995	1,216	-18.2 %
Total adjusted operating expenses	**$ 29,854**	**$ 15,570**	**91.7%**
P1AG adjusted EBITDAaL (ii)	**$ 4,985**	**$ (3,011)**	**265.6%**
P1AG adjusted EBITDAaL Margin (iii)	**14.3 %**	**(24.0)%**	**38.3%**

(i) Cash rent that has been reallocated to offset the lease obligations.
(ii) Represents a non-GAAP financial measure. See Section 17, Non-GAAP and other financial measures.
(iii) Represents a non-GAAP ratio. See Section 17, Non-GAAP and other financial measures.

When compared to the prior year period, P1AG's adjusted EBITDAaL margins increased in 2022 compared to 2021 primarily due to the resumption of P1AG US and Canadian route locations at FEC's and theatres. P1AG adjusted EBITDAaL margin increased from (24.0)% recognized in the prior year period to 14.3% in the current period. During the first quarter of 2022, P1AG adjusted EBITDAaL was $5.0 million, an increase of $8.0 million from a loss of $(3.0) million recognized in the prior year period. During the prior year period, P1AG route locations were required to temporarily close or operate at reduced capacity levels in accordance with government authorities as a result of COVID-19. The easing of government mandated restrictions during the current period resulted in strong operating activity with amusement revenues increasing by $22.3 million or 177.4% to $34.8 million, contributing to the increase in margins and adjusted EBITDAaL. Continued cost management of operating expenses, including realizing the benefits of subsidy programs where available, allowed for the growth in margins when compared to the prior year period. Payroll costs were reduced by the CEWS or THRP wage subsidy programs for the quarter by $0.8 million (2021 - $1.1 million).

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

LBE Summary	**First Quarter**		
	2022	**2021**	**Change**
Food service revenues	$ 6,380	$ 208	NM
Amusement revenues	13,494	1,243	985.6 %
Media and other revenues	169	35	382.9 %
Total revenues	**$ 20,043**	**$ 1,486**	**NM**
Cost of food service	1,821	79	NM
Operating expenses before adjustments (i)	8,478	2,121	299.7 %
Cash rent related to lease obligations (ii)	2,658	1,697	56.6 %
Total adjusted costs	**$ 12,957**	**$ 3,897**	**232.5%**
Adjusted store level EBITDAaL (iii)	**$ 7,086**	**$ (2,411)**	**NM**
Adjusted store level EBITDAaL Margin (iv)	35.4 %	NM	NM

(i) Includes operating costs of LBE. Pre-opening costs relating to LBE and overhead relating to management of LBE portfolio are not included as they are non-recurring costs.

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

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

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

Revenues from LBE increased by $18.6 million when compared to the prior year period to $20.0 million. The easing of government mandated restrictions during the period resulted in increased operating activity, compared to extended closure periods or more stringent capacity restrictions imposed in the prior year period due to COVID-19. The opening of two additional *The Rec Room* locations in Burnaby, British Columbia and Barrie, Ontario subsequent to the first quarter of 2021 also contributed to the increase in revenues when compared to the prior year period.

Adjusted EBITDAaL and adjusted EBITDAaL margin for the first quarter of 2022 was $7.1 million and 35.4%, respectively. The increase in adjusted EBITDAaL and adjusted EBITDAaL margin is primarily due to increased amusement revenues which have historically contributed the highest margin to LBE locations. Cineplex's LBE venues were closed or operating at significantly reduced capacities in the prior period leading to negative adjusted EBITDAaL and margins. Management was able to reduce costs where applicable including the CEWS and THRP wage subsidy programs, CERS rent subsidy program, utility and realty tax subsidy programs for total costs reductions during the quarter of $2.8 million (2021 - $2.1 million).

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		
	2022	2021	Change
Total other revenues	$ 14,414	$ 8,121	77.5%

The increase in other revenues during the first quarter of 2022 is primarily due to breakage revenues relating to higher gift card redemptions compared to the prior year.

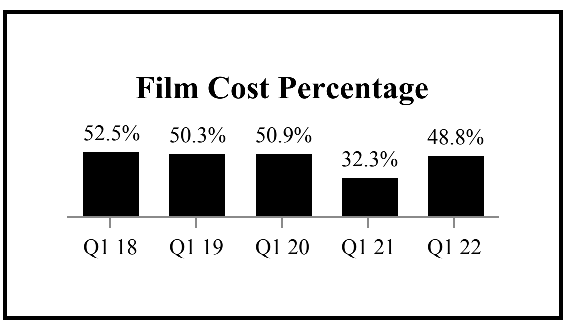
Film cost

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		
	2022	2021	Change
Film cost	$ 39,016	$ 1,235	NM
Film cost percentage (i)	48.8%	32.3%	16.5%
(i) Represents a supplementary financial measure. See Section 17, Non-GAAP and other financial measures.			

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

The increase in film cost and film cost percentage in the first quarter of 2022 over the prior year period is due to the performance of first run film product including *The Batman, Uncharted* and *Spider-Man: No Way Home* compared to limited releases in the comparative period.



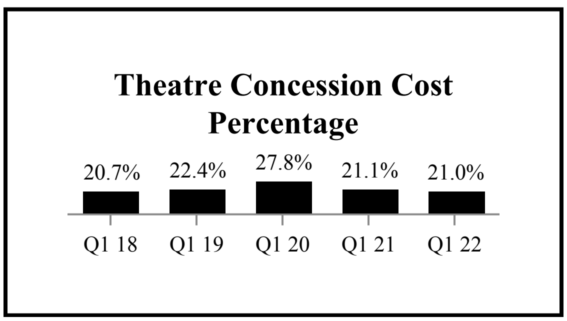
Cost of food service

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

Cost of food service	**First Quarter**				
		2022		**2021**	**Change**
Cost of food service - theatre	$	13,036	$	1,333	878.1 %
Cost of food service - LBE		1,821		79	NM
Total cost of food service	**$**	**14,857**	**$**	**1,412**	**952.2 %**
Theatre concession cost percentage (i)		21.0%		21.1%	-0.1 %
LBE food cost percentage (i)		28.5%		38.1%	-9.6 %
Theatre concession margin per patron (i)	$	6.97	$	4.83	44.3 %
(i) Represents a supplementary financial measure. See Section 17, Non-GAAP and other financial 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 venues varies primarily with the volume of guests who visit the location as well as the quantity and mix between food and beverage items sold.

The increase in cost of food service during the first quarter of 2022 compared to the prior year period is positively correlated to the increase in food service revenues recognized during the quarter as Cineplex's theatre circuit and LBE businesses were open for a majority of the current period, compared to closures or capacity restrictions that remained in effect for a majority of the prior year period. Theatre concession cost percentage remained flat when compared to the prior year period. LBE food cost percentage decreased when compared to the prior year period which had mainly food delivery service with lower margins.



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**				
		2022		**2021**	**Change**
Depreciation of property, equipment and leaseholds	$	24,267	$	26,783	-9.4 %
Amortization of intangible assets and other		2,625		2,726	-3.7 %
Sub-total - depreciation and amortization - other assets	**$**	**26,892**	**$**	**29,509**	**-8.9%**
Depreciation - right-of-use assets		24,263		26,318	-7.8 %
Total depreciation and amortization	**$**	**51,155**	**$**	**55,827**	**-8.4%**

Depreciation of property, equipment and leaseholds decreased by $2.5 million, or 9.4% during the quarter compared to the prior year period. The decrease was primarily due to fully depreciated property, equipment and leaseholds.

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

The quarterly decrease of $2.1 million in depreciation of right-of-use assets is primarily due to modifications to lease agreements as a result of COVID-19 which reduced the corresponding right-of-use asset and related depreciation recognized.

Loss (gain) on disposal of assets

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

Loss (gain) on disposal of assets	**First Quarter**		
	2022	**2021**	**Change**
Loss (gain) on disposal of assets	$ 157	$ (30,060)	NM

The change in the loss (gain) on disposal of assets as compared to the prior year period was due to the sale of Cineplex's head office buildings for gross proceeds of $57.0 million completed during the first quarter of 2021, compared to nominal activity in the current year period.

Other costs

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

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

Other costs	**First Quarter**		
	2022	**2021**	**Change**
Theatre occupancy expenses	$ 11,762	$ 6,782	73.4 %
Other operating expenses	110,506	47,806	131.2 %
General and administrative expenses	16,084	14,117	13.9 %
Total other costs	**$ 138,352**	**$ 68,705**	**101.4%**

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**		
	2022	**2021**	**Change**
Cash rent paid/payable (i)	$ 35,832	$ 22,222	61.2 %
Other occupancy	14,900	14,307	4.1 %
One-time items (ii)	(605)	(982)	-38.4 %
Total theatre occupancy including cash lease payments	**$ 50,127**	**$ 35,547**	**41.0%**
Cash rent paid/payable related to lease obligations (iii)	(38,365)	(28,765)	33.4 %
Theatre occupancy as reported	**$ 11,762**	**$ 6,782**	**73.4%**

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

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

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

Theatre occupancy continuity	First Quarter Occupancy
2021 as reported	$ 6,782
Impact of new and acquired theatres	320
Impact of disposed theatres	158
Same store rent change (i)	9,621
One-time items	406
Decrease in subsidies	4,308
Other	(232)
Impact of IFRS 16:	
Cash rent related to lease obligations	(9,601)
2022 as reported	**$ 11,762**
(i) Represents a supplementary financial measure. See Section 17, Non-GAAP and other financial measures.	

Theatre occupancy expenses increased $5.0 million or 73.4% during the first quarter of 2022 compared to the prior year period. This increase was primarily due to the reduction in subsidies received as a result of the reopening of Cineplex's businesses. The increase was also attributable to higher theatre rent related expenses including common area maintenance and taxes incurred as Cineplex's theatres were open during the period. During the prior year period, Cineplex recognized lower theatre occupancy expenses as a majority of theatres were closed or operating at far below normal capacity levels. Same-store rent increased $9.6 million primarily due to rent relief measures negotiated with landlord partners which were $10.7 million higher in the prior year period. Cineplex was able to reduce theatre occupancy expenses through the recognition of realty tax and rent subsidies of $6.4 million (2021 - $10.9 million).

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		
	2022	2021	Change
Theatre payroll	$ 16,297	$ 3,635	348.3 %
Theatre operating expenses	22,356	9,353	139.0 %
Media	10,180	8,284	22.9 %
P1AG	29,854	15,570	91.7 %
LBE (i)	11,136	3,818	191.7 %
LBE pre-opening (ii)	—	228	NM
SCENE	13,841	4,744	191.8 %
Marketing	1,362	1,117	21.9 %
Scene+ point issuance	2,996	—	100.0 %
Other (iii)	6,915	5,520	25.3 %
Other operating expenses including cash lease payments	**$ 114,937**	**$ 52,269**	**119.9%**
Cash rent paid/payable related to lease obligations (iv)	(4,431)	(4,463)	-0.7 %
Total other operating expenses	**$ 110,506**	**$ 47,806**	**131.2%**

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

Other operating expenses continuity	First Quarter
2021 as reported	$ 47,806
Impact of new and acquired theatres	558
Impact of disposed theatres	(46)
Same theatre payroll change (i)	12,364
Same theatre operating expenses change (i)	12,831
Media operating expenses change	1,896
P1AG operating expenses change	14,284
LBE operating expenses change	7,318
LBE pre-opening change	(228)
SCENE change	9,097
Marketing change	245
Scene+ point issuance change	2,996
Other	1,353
Impact of IFRS 16:	
Cash rent related to lease obligations	32
2022 as reported	**$ 110,506**
(i) See Section 17, Non-GAAP and other financial measures. These are measures included as part of Cineplex’s supplementary financial measure calculations.	

Other operating expenses increased $62.7 million or 131.2% during the first quarter of 2022 compared to the prior year period. The increase was primarily driven by increases in same store theatre payroll and theatre operating expenses of $12.4 million and $12.8 million, respectively, as Cineplex’s theatres were permitted to operate in the current period at a greater capacity as compared to extended closures in effect during the prior year. Cineplex also recognized P1AG other operating expenses of $29.9 million, an increase of $14.3 million when compared to the prior year. The easing of government mandated closure requirements and capacity restrictions in the current period resulted in increased operating activities at P1AG US and Canadian route locations at FEC’s and theatres. The lifting of government-imposed restrictions also resulted in increased operations at LBE businesses leading to a $7.3 million increase in LBE other operating expenses when compared to the prior year. Cineplex also recognized a $9.1 million increase in SCENE operating costs, and a $3.0 million increase in marketing expenses relating to the presentation of the cost of issuance of Scene+ points. Cineplex received $20.7 million (2021 - $14.4 million) of subsidies in the current period, comprised of $18.2 million (2021 - $11.9 million) of payroll subsidies of which $13.3 million (2021 - $6.1 million) was offset against theatre payroll, and $2.5 million (2021 - $2.5 million) of non-theatre rent, realty tax and utilities 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 net of these costs (in thousands of dollars):

G&A expenses	First Quarter		
	2022	2021	Change
G&A excluding the following items	$ 12,688	$ 10,158	24.9 %
Restructuring	1,441	460	213.3 %
Transaction / Litigation costs	254	2,430	-89.5 %
LTIP (i)	1,741	1,304	33.5 %
Option plan	517	399	29.6 %
G&A expenses including cash lease payments	**$ 16,641**	**$ 14,751**	**12.8%**
Cash rent paid/payable included as part of lease obligations (ii)	(557)	(634)	-12.1 %
G&A expenses as reported	**$ 16,084**	**$ 14,117**	**13.9%**
(i) LTIP includes the expense for RSUs and PSUs, as well as the expense for the executive and Board deferred share unit plans.			
(ii) Cash rent paid/payable that has been reallocated to offset the lease obligations.			

G&A expenses increased $2.0 million during the first quarter of 2022 compared to the prior year period. The change is attributable to $4.1 million higher head office payroll expenses. This was partially offset by lower professional fees related to the litigation against Cineworld. Cineplex incurred $0.3 million (2021 - $2.4 million) of expenses related to litigation and claims recovery arising from the Cineworld Transaction during the quarter (Section 1.1, Cineworld Transaction). Under the THRP, payroll related subsides was $2.0 million (2021 - $2.9 million).

Share of (income) loss of joint ventures and associates

Cineplex's joint ventures and associates include its 78.2% interest in CDCP (2021 - 78.2%), 50% economic interest in Scene+, 50% interest in one IMAX screen in Ontario (2021 - 50%) and a 50% interest in YoYo's (2021 - 50%).

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

Share of (income) loss of joint ventures and associates	First Quarter		
	2022	2021	Change
Share of (income) loss of CDCP	$ (854)	$ 2,238	-138.2 %
Share of loss of Scene LP	147	—	NM
Share of loss of other joint ventures and associates	21	176	-88.1 %
Total (income) loss of joint ventures and associates	**$ (686)**	**$ 2,414**	**-128.4%**

CDCP revenues were positively impacted by the operation of theatres as a result of the easing of government mandated closure requirements and from the release of first-run movies, resulting in a $3.1 million increase in share of income from CDCP for the quarter. This was partially offset by losses of $0.1 million recognized from Cineplex's investment in Scene LP.

Subsequent to March 31, 2022, CDCP stopped charging distributors virtual print fees as part of the planned end of the limited life financing entity. CDCP expects to distribute its assets to its partners in 2022, and Cineplex will recognize a return of capital under IAS 28*, Investments in Associates and Joint Ventures.* Any difference between the carrying value of Cineplex's equity interest in CDCP and the fair value of the assets received will be recognized in income.

Interest expense

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

Interest expense	First Quarter		
	2022	2021	Change
Interest expense on long-term debt	$ 15,805	$ 13,107	20.6 %
Lease interest expense	14,569	13,939	4.5 %
Financing fees	—	321	-100.0 %
Sub-total - cash interest expense	**$ 30,374**	**$ 27,367**	**11.0%**
Deferred financing fee accretion and other non-cash interest, net	170	447	-62.0 %
Accretion expense on Debentures and Notes Payable	4,600	3,738	23.1 %
Interest rate swap - non-cash	(10,357)	(3,528)	193.6 %
Sub-total - non-cash interest expense	**(5,587)**	**657**	**-950.4%**
Total interest expense	**$ 24,787**	**$ 28,024**	**-11.6%**
Total cash interest paid	**$ 40,086**	**$ 28,199**	**42.2%**

Total interest expense decreased $3.2 million for the quarter when compared to the prior year period. The decrease was caused by changes in the fair value of the interest rate swap resulting in a $6.8 million decrease in non-cash interest expense. This was partially offset by a $3.0 million increase in cash interest expense primarily relating to the issuance of Notes Payable (Section 6.4, Long-term debt) completed in the first quarter of 2021 and Debentures (Section 6.4, Long-term debt) during the third quarter of 2020, resulting in Notes Payable cash interest expense of $4.5 million (2021 - $1.7 million) and Debentures cash interest of $4.5 million (2021 - $4.5 million). Lease interest expense increased by $0.6 million as a result of lease modifications negotiated with landlord partners resulting in higher incremental borrowing rates (and lower principal balances), contributing to the increase in cash interest expense. Cineplex recognized accretion expense relating to the issuance of Notes Payable and Debentures of $0.4 million (2021 - $0.1) and $4.2 million (2021 - $3.7 million), respectively.

Interest income

Interest income during the quarter was as follows (in thousands of dollars):

Interest income	First Quarter		
	2022	2021	Change
Interest income	$ 30	$ 26	15.4%

Foreign exchange

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

Foreign exchange	First Quarter		
	2022	2021	Change
Total foreign exchange loss	$ 234	$ 230	1.7%

The movement in the quarterly and full year foreign exchange was due to the change in the CAD/USD foreign exchange month end rate from 1.2678 at December 31, 2021 to 1.2496 at March 31, 2022.

Change in fair value of financial instruments

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

Change in fair value of financial instruments	First Quarter		
	2022	2021	Change
Loss on financial instruments recorded at fair value	$ 3,830	$ —	NM

The loss on financial instruments recorded at fair value in the current period was due to the revaluation of Cineplex's call option relating to the Notes Payable that were issued in the first quarter of 2021 (Section 6.4, Long-term debt).

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		
	2022	2021	Change
Current income tax (recovery) expense	$ (724)	$ 3,339	NM
Deferred income tax expense	—	—	—%
Provision for income taxes	**$ (724)**	**$ 3,339**	**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. As Cineplex's businesses continue to recover and return to profitability, deferred income tax assets and liabilities may be recognized, and reversal of previously recognized impairments may be appropriate.

The 2022 current tax recovery represents losses reported on the 2021 tax returns that have been carried back to offset prior period taxable income, in excess of the 2021 tax provision.

Cineplex's combined statutory income tax rate at March 31, 2022 was 26.3% (2021 - 26.3%).

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

4.3. NET LOSS, EBITDA AND ADJUSTED EBITDAaL (see Section 17, Non-GAAP and other financial measures)

The following table presents net loss, EBITDA, adjusted EBITDA and adjusted EBITDAaL for the three months ended March 31, 2022 as compared to the prior year period (expressed in thousands of dollars, except adjusted EBITDAaL margin):

NET LOSS, EBITDA AND ADJUSTED EBITDAaL	First Quarter		
	2022	2021	Change
Net loss	$ (42,225)	$ (89,688)	-52.9%
Net loss as a percentage of sales	(18.5)%	(216.6)%	198.1%
EBITDA	$ 32,963	$ (2,524)	NM
Adjusted EBITDA	$ 36,475	$ (30,105)	NM
Adjusted EBITDAaL	$ (5,719)	$ (62,090)	-90.8%
Adjusted EBITDAaL margin	(2.5)%	(149.9)%	147.4%

Net loss and adjusted EBITDAaL for the first quarter of 2022 were $42.2 million and a loss of $5.7 million, respectively, as compared to the net loss of $89.7 million and adjusted EBITDAaL of a loss of $62.1 million, respectively, in the prior year period. The movement in both net loss and adjusted EBITDAaL was primarily due to the reopening and removal of operating restrictions Cineplex's theatres and LBE venues across Canada. In contrast, prolonged mandatory lockdown measures and operating restrictions resulted in the closure of Cineplex's theatres and LBE venues for the majority of the first quarter of 2021.

5. BALANCE SHEETS

The following sets out significant changes to Cineplex's consolidated balance sheets during the three months ended March 31, 2022 as compared to December 31, 2021 (in thousands of dollars):

	March 31, 2022	December 31, 2021	Change ($)	Change (%)
Assets				
Current assets				
Cash and cash equivalents	$ 24,094	$ 26,938	$ (2,844)	-10.6%
Trade and other receivables	59,409	80,679	(21,270)	-26.4%
Income taxes receivable	2,658	1,984	674	34.0%
Inventories	29,215	24,899	4,316	17.3%
Prepaid expenses and other current assets	13,865	13,365	500	3.7%
	129,241	147,865	(18,624)	-12.6%
Non-current assets				
Property, equipment and leaseholds	445,695	464,439	(18,744)	-4.0%
Right-of-use assets	757,526	768,675	(11,149)	-1.5%
Fair value of interest rate swap agreements	994	—	994	NM
Interests in joint ventures	7,401	7,423	(22)	-0.3%
Intangible assets	80,679	81,651	(972)	-1.2%
Goodwill	635,421	635,545	(124)	—%
Derivative financial instrument	5,410	9,240	(3,830)	-41.5%
	$ 2,062,367	$ 2,114,838	$ (52,471)	-2.5%
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	$ 141,796	$ 157,950	$ (16,154)	-10.2%
Income taxes payable	1,920	1,945	(25)	-1.3%
Deferred revenue and other	275,616	293,206	(17,590)	-6.0%
Lease obligations	98,343	101,058	(2,715)	-2.7%
Fair value of interest rate swap agreements	4,562	8,063	(3,501)	-43.4%
	522,237	562,222	(39,985)	-7.1%
Non-current liabilities				
Share-based compensation	5,289	4,940	349	7.1%
Long-term debt	786,811	739,211	47,600	6.4%
Fair value of interest rate swap agreements	—	6,160	(6,160)	-100.0%
Lease obligations	992,243	1,004,465	(12,222)	-1.2%
Post-employment benefit obligations	9,162	9,973	(811)	-8.1%
Other liabilities	6,819	7,590	(771)	-10.2%
	2,322,561	2,334,561	(12,000)	-0.5%
Shareholders' deficit				
Total shareholders' deficit	(260,194)	(219,723)	(40,471)	18.4%
	$ 2,062,367	$ 2,114,838	$ (52,471)	-2.5%

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 the collection of receivables from the sales of gift cards, vouchers and media sales from the 2021 holiday period. December represents the highest volume month for gift card and voucher sales is one of the strongest months for media during the year.

Income taxes receivable. The increase in income taxes receivable is primarily due to expected tax refunds resulting from loss carrybacks realized in 2021 to offset taxable income in prior years.

Inventories. The increase in inventories is primarily due to increased inventory with higher business volumes resulting from the entire circuit of theatres and LBE venues operating at full capacity without restrictions. Additionally, inventories are higher as a defense against supply chain challenges.

Prepaid expenses and other current assets. The increase in prepaid expenses and other current assets is primarily due to technology service contracts extending into the next period and real estate and business taxes that are paid in the first and second quarters and expensed over the applicable period.

Property, equipment and leaseholds. The decrease in property, equipment and leaseholds is due to amortization expense ($24.3 million), asset dispositions ($0.1 million), and foreign exchange impact ($0.3 million). This is offset by additions to new build and other capital expenditures ($3.3 million) and maintenance capital expenditures ($2.5 million). As Cineplex's businesses continue to recover and return to profitability, reversal of previously recognized impairments may be appropriate.

Right-of-use assets. The decrease in right-of-use assets is due to amortization expense ($24.3 million), asset dispositions ($0.1 million), and foreign exchange impact ($0.1 million), partially offset by lease additions ($3.8 million), and lease modifications ($9.5 million). As Cineplex's businesses continue to recover and return to profitability, reversal of previously recognized impairments may be appropriate.

Interests in joint ventures. The decrease in interest in joint ventures is primarily due to the equity loss realized by Cineplex, commencing equity accounting as of December 13, 2021 with the launch of Scene+. This is partially offset by the equity income realized and change in net receivable from CDCP.

Intangible assets. The decrease in intangible assets is due to amortization expense ($2.6 million), partially offset by the capitalization of software development costs ($1.7 million).

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

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

Share-based compensation. The increase in share-based compensation is primarily due to deferred equity grants to Cineplex directors in lieu of cash compensation, offset by the decrease in Share price, which was $13.41 per Share at March 31, 2022 as compared to $13.61 at December 31, 2021 (see Section 8, Share activity)

Income taxes payable. The decrease in income taxes payable reflects the effects of changes in exchange rates.

Deferred revenue and other. The deferred revenue decrease is primarily due to the redemption of gift cards and vouchers sold in excess of current period sales. In addition, as a result of the SCENE reorganization, Scene+ point issuances as deferred revenue are no longer proportionately consolidated as of December 2021.

Lease obligations. The decrease in lease obligations is primarily due to the payment of lease obligations, partially offset by the additions and lease modifications during the first quarter of 2022.

Fair value of interest rate swap agreements. Represents the fair values of Cineplex's outstanding interest rate swap agreements (see 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 primarily due to an increase in borrowings under the Credit Facilities and the accretion of the Debentures and Notes Payable (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, 2022 and 2021 (in thousands of dollars):

Cash flows provided by operating activities	**First Quarter**		
	2022	**2021**	**Change**
Net loss from operations	$ (42,225)	$ (89,688)	$ 47,463
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of other assets (i)	26,892	29,509	(2,617)
Depreciation of right-of-use assets	24,263	26,318	(2,055)
Unrealized foreign exchange	152	211	(59)
Interest rate swap agreements - non-cash interest	(10,357)	(3,528)	(6,829)
Accretion of convertible debentures	4,600	3,738	862
Other non-cash interest (ii)	170	447	(277)
Loss (gain) on disposal of assets	157	(30,060)	30,217
Non-cash Share-based compensation	2,137	624	1,513
Change in fair value of financial instrument	3,830	—	3,830
Net change in interests in joint ventures and associates	21	3,216	(3,195)
Changes in operating assets and liabilities	(15,077)	23,581	(38,658)
Net cash used in operating activities	**$ (5,437)**	**$ (35,632)**	**$ 30,195**

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

Cash used in operating activities was $5.4 million as compared to cash used of $35.6 million in the prior year period. The movement was primarily due to Cineplex's improved operating results arising from Cineplex's theatre and LBE venues being open for the majority of the first quarter and operating at full capacity in most provinces with no operating restrictions. In contrast, a majority of Cineplex's theatres and LBE venues were closed in the prior year comparative period.

6.2. INVESTING ACTIVITIES

The following table highlights the movements in cash used in investing activities for the three months ended March 31, 2022 and 2021 (in thousands of dollars):

Cash flows provided by (used in) investing activities	**First Quarter**		
	2022	**2021**	**Change**
Proceeds from disposal of assets, net	$ 17	$ 56,664	$ (56,647)
Purchases of property, equipment and leaseholds	(9,602)	(8,715)	(887)
Intangible assets additions	(2,173)	(3,086)	913
Tenant inducements	562	3,660	(3,098)
Net cash (used in) provided by investing activities	**$ (11,196)**	**$ 48,523**	**$ (59,719)**

Cash used in investing activities during the first quarter of 2022 was $11.2 million, as compared to cash provided by investing activities of $48.5 million in the prior year period. The movement was primarily due to cash proceeds received in the prior year period from the sale of Cineplex's head office building.

As COVID-19 restrictions are gradually eased in all provinces, Cineplex's management continues to focus on managing capital expenditures and believes that it has adequate liquidity to fund operations for the anticipated duration of the pandemic in the regions in which Cineplex operates. Components of capital expenditures include (in thousands of dollars):

Capital expenditures	**First Quarter**		
	2022	**2021**	**Change**
Gross capital expenditures	$ 9,602	$ 8,715	$ 887
Less: tenant inducements	(562)	(3,660)	3,098
Net capital expenditures	**$ 9,040**	**$ 5,055**	**$ 3,985**
Net capital expenditures consists of:			
Growth and acquisition capital expenditures (i)	$ 2,113	$ 5,696	$ (3,583)
Tenant inducements	(562)	(3,660)	3,098
Media growth capital expenditures	770	38	732
Premium formats (ii)	325	(141)	466
Amusement and leisure growth capital expenditures (excluding LBE build expenditures)	135	247	(112)
Maintenance capital expenditures	2,531	254	2,277
Other (iii)	3,728	2,621	1,107
	$ 9,040	**$ 5,055**	**$ 3,985**

(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.

6.3. FINANCING ACTIVITIES

The following table highlights the movements in cash from financing activities for the three months ended March 31, 2022 and 2021 (in thousands of dollars):

Cash flows provided by (used in) financing activities	**First Quarter**		
	2022	**2021**	**Change**
Borrowings (repayments) under credit facility, net	$ 43,000	$ (234,000)	$ 277,000
Repayments of lease obligations - principal	(29,267)	(19,457)	(9,810)
Exercise of cash option	34	—	34
Insurance of notes payable, net	—	243,996	(243,996)
Financing fees	—	(321)	321
Net cash provided by (used in) financing activities	**$ 13,767**	**$ (9,782)**	**$ 23,549**

Cash flows provided by financing activities were $13.8 million during the first quarter of 2022, as compared to cash used in financing activities of $9.8 million in the prior year period. The movement was mainly due to borrowings under the Credit Facilities to fund operations during the first quarter of 2022, partially offset by higher rent payments due to lower 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 measures to maximize liquidity 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 dated November 13, 2018 between Cineplex, Cineplex Entertainment Limited Partnership, the guarantors from time to time party thereto, and a syndicate of lenders (as further amended from time to time, the "Credit Agreement"). The Term Facility was repaid in full in the first quarter of 2021 and is no longer available for future borrowing.

At March 31, 2022, the Credit Facilities consisted of the following (in millions of dollars), subject to amendments described below pursuant to the Credit Agreement Amendments described below:

	Available	Drawn	Reserved	Remaining
Revolving Facility	$ 541.7	$ 303.0	$ 10.1	$ 228.6
Letters of credit outstanding at March 31, 2022 of $10.1 million are reserved against the Revolving Facility.				

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

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

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

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

- The following amendments to the Credit Facilities became effective upon the completion of the issuance of $250.0 million Notes Payable during the first quarter of 2021:

    - The suspension of financial covenant testing was extended until the fourth quarter of 2021. On resumption of financial covenant testing in the fourth quarter of 2021:
        - for the fourth quarter of 2021, testing was 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 was based on an annualized calculation of Adjusted EBITDA based on actual results for the fourth quarter of 2021 and the first quarter of 2022 multiplied by 2; and
        - for the quarter ending on June 30, 2022, testing will be based on an annualized calculation of Adjusted EBITDA for the fourth quarter of 2021, the first quarter of 2022 and the second of 2022 multiplied by 4/3.

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

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

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

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

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

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

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

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

The following table outlines Cineplex's current interest rate swap agreements as of March 31, 2022:

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

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

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

Based on the Credit Agreement in effect at March 31, 2022 Cineplex's effective cost of borrowing on the $450.0 million hedged borrowings was 6.904% (March 31, 2021 - $450.0 million hedged borrowings - 6.254%).

Convertible debentures

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

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

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

The fair value of the liability component of the Debentures was assessed at inception based on an estimated market discount rate of 14.1% less the pro-rata portion of transaction costs, and will be accreted to the full face value over the term of the Debentures. During the period ended March 31, 2022, Cineplex recorded accretion and cash interest expense on the Debentures of $4.2 million (2021 - $3.7 million) and $4.5 million (2021 - $4.5 million), respectively, both of which are included as part of the interest expense in the consolidated statement of operations. As at March 31, 2022, Cineplex has $316.3 million principal amount of Debentures outstanding. The residual value was allocated to the equity component less the pro-rata portion of transaction costs as prescribed by IFRS 9, *Financial instruments* and IAS 32, *Financial instruments: Presentation*.

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

Notes Payable

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

During the period ended March 31, 2022, Cineplex recorded accretion and cash interest expense on the Notes Payable of $0.4 million (2021 - $0.1 million) and $4.5 million (2021 - $1.7 million) , respectively, both of which are included as part of interest expense in the consolidated statement of operations. As at March 31, 2022, Cineplex has $250.0 million principal amount of Notes Payable outstanding. Cineplex's derivative financial instrument relates to the early prepayment option that fluctuates in value based on market interest rates. The fair value of the embedded derivative was determined using an option pricing model with observable market inputs and is consistent with accepted methods for valuing financial instruments. Cineplex has estimated the fair value of this embedded derivative at $5.4 million as at March 31, 2022, which is presented on the consolidated balance sheets.

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

6.5. FUTURE OBLIGATIONS

Cineplex has aggregate gross capital commitments of $66.4 million ($51.6 million net of tenant inducements) related to the completion of construction of five operating locations including both theatres and location-based entertainment locations. In addition, Cineplex has aggregate gross capital commitments of $2.6 million related to the ongoing rollout of expanded entertainment offerings, at select theatres and location-based entertainment locations, over the next four years.

As a result of the negative impact of COVID-19 on its business, Cineplex continues to focus on reducing capital expenditures and believes that it has adequate liquidity to fund operations for the currently anticipated duration of the pandemic and return to full operations in the regions in which Cineplex operates. With the uncertainty surrounding the timing and impact of future theatre and LBE venue closures and restrictions, 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. Effective December 18, 2021, due to the rise of the Omicron variant, capacity restrictions were reinstated in Ontario, Cineplex's largest market, limiting indoor capacity to 50% along with prohibiting the consumption of concessions in theatres. Theatres in Quebec were also mandated to temporarily close effective December 20, 2021. During the beginning of the first quarter of 2022, social gathering restrictions were further modified or reinstituted in several key markets in which Cineplex operates, resulting in theatre closures in Ontario, New Brunswick and Prince Edward Island. Cineplex was also required to temporarily close or reduce capacity in other provinces. Effective January 29, 2022, January 31, 2022 and February 7, 2022, theatres in New Brunswick, Ontario and Quebec were permitted to reopen at reduced capacity levels, respectively. As restrictions have been eased in many markets in which Cineplex operates, theatres and LBE venues across Canada were permitted to operate at full capacity with the exception of Prince Edward Island which were limited to operate at a 75% capacity maximum. Subsequent to March 31, 2022, the remaining capacity restrictions in Prince Edward Island were lifted.

Cineplex is guarantor under the leases for the remainder of the lease terms for certain theatres that it has sold in the event that the purchaser of the theatres does not fulfill its obligations under the respective lease; nine or fewer of those theatres are still operated by a third-party lease under which Cineplex arguably could be responsible as a guarantor. Cineplex has assessed the fair value of the lease guarantees and determined that the fair value of these guarantees at March 31, 2022 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.

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

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

7.1. ADJUSTED FREE CASH FLOW

Prior to the monthly dividend that was paid on February 28, 2020, Cineplex distributed cash to its shareholders on a monthly basis. The following table illustrates adjusted free cash flow per Share, dividends paid per Share, and the payout ratio of dividends relative to adjusted free cash flow for the three months ended March 31, 2022 and 2021:

Adjusted free cash flow	**First Quarter**		
	2022	**2021**	**Change**
Adjusted free cash flow per Share (i)	$ (0.343)	$ (1.244)	-72.4 %
(i) Represents a non-GAAP ratio. See Section 17, Non-GAAP and other financial measures.			

Adjusted free cash flow per Share for the first quarter of 2022 increased mainly due to significantly improved operating results with the easing of COVID-19 restrictions on Cineplex's theatres and LBE businesses. During the current period, Cineplex's businesses were permitted to operate at increased capacity levels compared to extended closure periods that remained in effect for a majority of the prior year resulting in significantly reduced operations.

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		
	2022	**2021**	**Change**
Cash flows used in operations	$ (5,437)	$ (35,632)	-84.7%
Net loss	$ (42,225)	$ (89,688)	-52.9%
Standardized free cash flow (i)	$ (15,022)	$ (44,347)	-66.1%
Adjusted free cash flow (i)	$ (21,745)	$ (78,785)	-72.4%
Average number of Shares outstanding	63,346,444	63,334,317	—%
(i) Represents a non-GAAP financial measure. See Section 17, Non-GAAP and other financial measures.			

7.2. DIVIDENDS

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

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

Distribution and dividend history	
Effective Date	**Monthly Distribution/Dividend per Unit/Share**
January 2004 (i)	$0.0958
May 2007	$0.1000
May 2008	$0.1050
May 2011	$0.1075
May 2012	$0.1125
May 2013	$0.1200
May 2014	$0.1250
May 2015	$0.1300
May 2016	$0.1350
May 2017	$0.1400
May 2018	$0.1450
May 2019 - January 2020	$0.1500
(i) Cineplex Galaxy Income Fund, the predecessor to Cineplex ("The Fund") declared and paid distributions at a rate of $0.1050 per month from May 2008 until December 2010. The Fund converted to a corporation on January 1, 2011, at which time distributions ceased and dividends began at the same rate of $0.1050 per month.	

8. SHARE ACTIVITY

Share capital at March 31, 2022 and the transactions during the first quarter of 2022 are as follows (expressed in thousands of dollars except Share amounts):

	Shares	Amount			
	Number of common shares issued and outstanding		Common shares		Total
Balance - December 31, 2021	63,344,298	$	852,465	$	852,465
Issuance of shares on exercise of options	8,066		110		110
Balance - March 31, 2022	**63,352,364**	**$**	**852,575**	**$**	**852,575**

	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 convertible debentures	5,151		43		43
Balance - March 31, 2021	**63,338,389**	**$**	**852,422**	**$**	**852,422**

Omnibus Incentive Plan

On November 12, 2020, the Board of Directors approved a new Omnibus Incentive Plan (the "Incentive Plan"). This plan supersedes the former incentive plans (collectively, the "Legacy Plan") that included Options, Performance Share Units ("PSUs") and Restricted Share Units ("RSUs"). All employees and consultants are eligible to participate in the Incentive Plan. The Incentive Plan consists of stock options, RSUs and PSUs. Awards of RSUs and PSUs granted during a service year will be subject to a service period as determined by management at the time of issuance. The aggregate number of Shares that may be issued under the Incentive Plan is 3,516,645 provided that no more than 1,904,538 Shares may be issued in aggregate pursuant to the settlement of RSUs and PSUs. Options that were issued under the Legacy Plan and are subsequently cancelled will be available to be issued under the Incentive Plan. The base Share equivalents granted as RSU and PSU awards attract compounding notional dividends at the same rate as outstanding Shares, which are notionally re-invested as additional base Share equivalents. PSU and RSU awards may be settled in Shares issued from treasury, cash, or a mix of Shares and cash, at Cineplex's option at the time of settlement. Awards outstanding under prior plans shall remain in full force and effect under the prior plans according to their respective terms. Under the prior plans, the effects of changes in estimates of performance results are recognized in the year of change. As at March 31, 2022, 875,889 Shares are available to be issued under the Incentive Plan (2021 - 2,327,035).

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.

Cineplex recognized employee benefits expense of $0.5 million with respect to the options during the period ended March 31, 2022 (2021 - $0.4 million). In the first quarter of 2021, 165,146 stock options issued under the Legacy Plan were cancelled for total consideration of $60 thousand as part of a voluntary stock option cancellation program that was initiated in the fourth quarter of 2020.

A summary of option activities for the three months ended March 31, 2022 and 2021 is as follows:

	2022			2021	
	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	7.44	2,198,805	$ 21.48	2,042,019	25.37
Granted		223,578	13.39	—	—
Cancelled		—	—	(165,146)	44.90
Forfeited		(61,752)	20.57	(38,620)	21.87
Exercised		(24,098)	8.25	(13,637)	8.25
Options outstanding – end of period	7.44	2,336,533	$ 20.87	1,824,616	$ 23.80

Upon cashless exercises, the options exercised in excess of Shares issued are cancelled and returned to the pool available for future grants. At March 31, 2022, 377,384 options are available for grant.

RSU and PSU awards

	PSU Share equivalents granted	RSU Share equivalents granted	PSU Share equivalents minimum payout	PSU Share equivalents maximum payout
2022 LTIP awards granted in Q1 2022	177,973	284,661	—	355,946
2021 LTIP awards granted in Q2 2021	167,546	315,619	—	335,092
2020 LTIP award granted in Q3 2020	284,214	277,105	—	568,428

During the period ended March 31, 2022, Cineplex issued 284,661 equity settled RSUs with a fair value $13.39 per unit (total fair value of $3.8 million on issuance) and 177,973 equity settled PSUs with a fair value of $13.39 per unit (total fair value of $2.4 million on issuance). The fair value was assessed based on Cineplex's closing Share price on the grant date. The RSU and PSU awards issued will vest in the fourth quarter of 2024.

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. Performance conditions are reflected in Cineplex's estimate of the grant-date fair value for equity instruments granted.

Incentive Plan costs are estimated at the grant date based on expected performance results then accrued and recognized on a graded basis over the vesting period. Forfeitures are estimated to be nominal, based on historical forfeiture rates. Cineplex recognized compensation expense of $1.7 million for the period ended March 31, 2022 (2021 - $0.4 million) under the Incentive Plan relating to RSU and PSU awards. At March 31, 2022, $0.3 million (2021 - $0.6 million) was included in share-based compensation liability, and $4.4 million in contributed surplus (2021 - $0.6 million).

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, 2022, Cineplex recognized compensation expense of $0.1 million (2021 - $0.9 million) associated with the deferred equity units. At March 31, 2022, $5.0 million (2021 - $3.9 million) was included in share-based compensation liability.

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. COVID-19 has also impacted the timing of major film releases as distributors have been moving their films out to future dates in response to government restrictions for theatres in different countries. Cineplex's diversification into other businesses such as digital media and amusement and leisure, which are not dependent on motion picture content, has contributed to reduce the impact of this seasonality on Cineplex's consolidated results. To meet working capital requirements during lower revenue quarters, Cineplex can draw upon the Revolving Facility, which had $303.0 million drawn and $228.6 million available as of March 31, 2022, subject to restrictions under the Credit Facilities including the liquidity covenant described above (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 measures are detailed in Section 1.1, COVID-19 business impacts, risks and liquidity.

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

	2022	2021				2020		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues								
Box office revenues	**$ 79,952**	$125,890	$ 94,114	$ 12,498	$ 3,818	$ 7,260	$ 14,531	$ 27
Food service revenues	**68,388**	87,244	79,971	13,258	6,525	10,543	15,468	3,256
Media revenues	**15,545**	32,795	14,060	9,401	9,074	12,496	12,825	7,880
Amusement revenues	**50,424**	45,096	53,319	22,184	13,874	13,597	13,236	3,731
Other revenues	**14,414**	8,926	8,916	7,585	8,121	8,556	4,962	7,094
	228,723	299,951	250,380	64,926	41,412	52,452	61,022	21,988
Expenses								
Film cost	**39,016**	61,990	45,838	5,611	1,235	3,151	7,261	10
Cost of food service	**14,857**	21,042	16,362	2,867	1,412	3,989	3,680	789
Depreciation - right-of-use assets	**24,263**	25,041	25,151	25,737	26,318	28,136	30,539	34,185
Depreciation and amortization - other	**26,892**	27,501	28,297	27,735	29,509	28,750	30,375	31,759
Loss (gain) on disposal of assets	**157**	1,576	22	179	(30,060)	(283)	(14,113)	478
Other costs	**138,352**	157,970	139,527	73,352	68,705	77,213	78,754	62,175
Impairment of long-lived assets and goodwill	**—**	3,717	—	—	—	56,175	65,634	—
	243,537	298,837	255,197	135,481	97,119	197,131	202,130	129,396
(Loss) income from continuing operations	**$(14,814)**	$ 1,114	$ (4,817)	$(70,555)	$(55,707)	$(144,679)	$(141,108)	$(107,408)
Adjusted EBITDA (i)	**$ 36,475**	$ 58,328	$ 48,606	$(16,902)	$(30,105)	$(32,097)	$(28,928)	$(41,313)
Adjusted EBITDAaL (i)	**$ (5,719)**	$ 20,198	$ 10,762	$(53,165)	$(62,090)	$(65,948)	$(46,725)	$(72,532)
Net loss from continuing operations	**$(42,225)**	$(21,778)	$(33,552)	$(103,704)	$(89,688)	$(230,403)	$(121,209)	$(98,234)
Net loss from discontinued operations	**—**	—	—	—	—	—	—	(693)
Net loss	**$(42,225)**	$(21,778)	$(33,552)	$(103,704)	$(89,688)	$(230,403)	$(121,209)	$(98,927)
EPS - basic and diluted from continuing operations	**$ (0.67)**	$ (0.34)	$ (0.53)	$ (1.64)	$ (1.42)	$ (3.64)	$ (1.91)	$ (1.55)
EPS - basic and diluted from discontinued operations	**—**	—	—	—	—	—	—	(0.01)
EPS - basic and diluted	**$ (0.67)**	$ (0.34)	$ (0.53)	$ (1.64)	$ (1.42)	$ (3.64)	$ (1.91)	$ (1.56)
Cash (used in) provided by operating activities	**$ (5,437)**	$ 27,480	$ 52,023	$ 17,133	$(35,632)	$(61,041)	$(86,558)	$ 18,095
Cash (used in) provided by investing activities	**(11,196)**	(3,937)	(2,374)	(1,761)	48,523	50,492	11,384	(8,947)
Cash provided by (used in) financing activities	**13,767**	(25,067)	(50,191)	(6,086)	(9,782)	12,977	74,252	(2,793)
Effect of exchange rate differences on cash	**22**	(9)	(189)	413	140	650	292	560
Net change in cash	**$ (2,844)**	$ (1,533)	$ (731)	$ 9,699	$ 3,249	$ 3,078	$ (630)	$ 6,915
Cash flows used in discontinued operations	**$ —**	$ —	$ —	$ —	$ —	$ —	$ —	$ (253)
BPP (ii)	**$ 12.00**	$ 12.29	$ 11.38	$ 10.89	$ 9.20	$ 9.23	$ 9.30	$ 4.50
CPP (ii)	**$ 8.82**	$ 7.49	$ 8.58	$ 7.86	$ 6.12	$ 9.06	$ 7.37	$ 10.33
Film cost percentage (ii)	**48.8 %**	49.2 %	48.7 %	44.9 %	32.3 %	43.4 %	50.0 %	37.0 %
Theatre attendance (in thousands of patrons) (ii)	**6,661**	10,245	8,272	1,148	415	786	1,563	6
Theatre locations (at period end)	**159**	160	161	160	161	162	164	164
Theatre screens (at period end)	**1,640**	1,652	1,656	1,651	1,657	1,667	1,687	1,687

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

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

Summary of adjusted free cash flow by quarter

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

	2022	2021				2020		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Cash (used in) provided by operating activities	**$ (5,437)**	$ 27,480	$ 52,023	$ 17,133	$ (35,632)	$ (61,041)	$ (86,558)	$ 18,095
Less: Total capital expenditures net of proceeds on sale of assets	**(9,585)**	(4,985)	(1,603)	(4,992)	(8,715)	(10,099)	(11,418)	(14,391)
Standardized free cash flow	**(15,022)**	22,495	50,420	12,141	(44,347)	(71,140)	(97,976)	3,704
Add/(Less):								
Changes in operating assets and liabilities	**15,077**	1,405	(32,640)	(62,622)	(23,581)	67,257	34,894	(69,401)
Changes in operating assets and liabilities of joint ventures	**(707)**	307	(31)	(524)	(802)	(2,699)	372	(986)
Principal component of lease obligations	**(29,267)**	(25,525)	(24,191)	(19,086)	(19,457)	(32,323)	(24,811)	(993)
Principal portion of cash rent paid not pertaining to current period	**1,143**	(737)	—	(369)	1,106	(357)	(357)	(357)
Growth capital expenditures and other	**7,054**	(350)	736	4,511	8,461	8,928	10,801	13,777
Share of income of joint ventures, net of non-cash depreciation	**(23)**	(622)	(47)	2	(165)	(196)	(255)	(331)
Non-controlling interests	**—**	—	—	—	—	—	—	4
Net cash received from CDCP	**—**	1,995	—	—	—	—	—	782
Adjusted free cash flow	**$ (21,745)**	(1,032)	$ (5,753)	$ (65,947)	$ (78,785)	$ (30,530)	$ (77,332)	$ (53,801)
Average number of Shares outstanding	**63,346,444**	63,343,223	63,342,557	63,339,618	63,334,317	63,333,238	63,333,238	63,333,238
Adjusted free cash flow per Share	**$ (0.343)**	$ (0.016)	$ (0.091)	$ (1.041)	$ (1.244)	$ (0.482)	$ (1.221)	$ (0.849)

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. The following are the estimates and judgments applied by management that most significantly impact Cineplex's consolidated financial statements. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Goodwill and long lived assets- recoverable amount

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

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

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

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

Revenue recognition - gift cards

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

Revenue recognition - Scene+

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

Income taxes

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

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

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

Share-based compensation

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

Lease terms

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

12. ACCOUNTING POLICIES

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, 2021. 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, 2021, with the exception of accounting standards issued in the current quarter.

Accounting standards issued

IFRS 16, Leases ("IFRS 16") - Amendment

The International Accounting Standards Board ("IASB") extended by one year, the application period of the practical expedient in IFRS 16, *Leases,* for COVID-19 related rent concessions. The IASB has extended the relief by one year to cover rent concessions that reduce only lease payments due on or before June 30, 2022. The amendment is effective for annual reporting periods beginning on or after April 1, 2021.

Cineplex will not apply the practical expedient to lease concessions.

13. RISKS AND UNCERTAINTIES

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

Cineplex conducts an annual enterprise risk management assessment which is overseen by Cineplex's executive management team and the Audit Committee, and is reported to the Board. The enterprise risk management framework sets out principles and tools for identifying, evaluating, prioritizing and managing risk effectively and consistently across Cineplex. On an annual basis, all members of senior management participate in a detailed review of enterprise risk in four major categories: environment risks, process risks, information risks and business unit risks. The results of such analysis are presented to the Audit Committee for their review and then reviewed with the whole of the Board. In addition, Cineplex monitors risks and changing economic conditions on an ongoing basis and adapts its operating strategies as required.

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

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

The outbreak of the COVID-19 pandemic has had an unprecedented impact on all of Cineplex's business segments. As an entertainment company that operates in spaces where guests gather in close proximity, including theatres and LBE venues, Cineplex has been significantly impacted by the actions taken to control the spread of COVID-19. On March 16, 2020, Cineplex announced the temporary closure of all of its theatres and LBE venues across Canada, as well as substantially all route locations operated by P1AG. On April 1, 2020, in response to applicable government directives and guidance from Canadian public health authorities, Cineplex announced that the closure of its theatres and LBE venues across Canada would remain in effect and that the reopening of such locations would be reassessed as further guidance was provided by Canadian public health authorities and applicable government authorities. Although restrictions on social gatherings were temporarily lifted in many of the markets in which Cineplex operated over the summer and into the fall of 2020, social gathering restrictions were reinstituted in the late fall and winter with the increased number of COVID-19 cases and the onset of a third wave in the latter half of the first quarter of 2021, involving more transmissible variants. As of July 17, 2021, Cineplex had reopened its entire circuit of theatres after months of extended closure periods, subject to capacity limitations. The reopening included Cineplex's then 161 theatre locations, encompassing 1,656 screens across Canada including 18 VIP Cinemas locations. However, during the fourth quarter of 2021, capacity restrictions were reinstated in Ontario, Cineplex's largest market, limiting indoor capacity to 50% along with prohibiting the consumption of concessions in theatres effective December 18, 2021. Theatres in Quebec were also mandated to temporarily close effective December 20, 2021. During the beginning of the first quarter of 2022, social gathering restrictions were further modified or reinstituted in several key markets that Cineplex operates, resulting in theatre closures and prohibiting indoor dining in Ontario, Newfoundland and New Brunswick. Effective January 29, 2022, January 31, 2022 and February 7, 2022 theatres in New Brunswick, Ontario and Quebec were permitted to reopen at reduced capacity levels, respectively. Cineplex's theatres across Canada are now operating at full capacity. The potential of future government imposed mandatory closure requirements or restrictions will negatively impact Cineplex's business operations and delay Cineplex's return to profitability.

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

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

- lack of availability of films in the short or long-term, including as a result of (i) potential delays in film releases; (ii) release of scheduled films on alternative channels, (iii) disruptions or suspensions of film production, or (iv) the reduction or elimination of the theatrical exclusive release window including the introduction of a 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;
- unavailability of employees and/or their inability or unwillingness to conduct work;
- 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;
- decreased attendance at Cineplex's theatres and LBE locations after they reopen, including due to (i) continued health and safety concerns or (ii) a change in consumer behaviour in favour of alternative forms of entertainment; and
- reduction of government support programs as the government phases out COVID-19 support measures.

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

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

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

Litigation Arising Out of the Cineworld Transaction

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

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

On January 12, 2022, Cineworld filed a Notice of Appeal with the Court of Appeal for Ontario and on January 27, 2022, Cineplex filed its Notice of Cross Appeal. The Ontario Court of Appeal will hear Cineworld's Appeal and Cineplex's Cross Appeal during the hearing scheduled for October 12-13, 2022.

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

General Economic Conditions

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

Negative Cash Flow from Operations

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

Business Continuity Risk

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

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

Customer Risk

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

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

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.

In spite of government restrictions being fully lifted, 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 and LBE venues resume operations at unrestricted capacity levels, increasing COVID-19 case counts could result in the reintroduction of safety protocols, including capacity restrictions, additional costs and temporary 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 in-home and on-the-go entertainment offerings. Certain components of 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, introduction of PVOD and redirection of a limited number of theatrical releases to streaming services. Certain film studios have also launched their own streaming services resulting in a change in release strategies.

Cineplex's 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 increases in construction and real estate costs could make it increasingly difficult to develop new sites profitably.

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

Media Risk

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

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

Amusement and Leisure Risk

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

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

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

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

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

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

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

Technology Risk

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

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

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

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

Cyber Security and Information Management Risk

Cineplex needs 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 joint venture partners including Scene+, store sensitive data, including intellectual property, point balances and gift card and certificate balances, proprietary business information including data with respect to suppliers, employees and business partners, as well as some personally identifiable information of their customers and employees. Further, Cineplex regularly works with third party suppliers in the delivery of services to its 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 to safeguard non-financial data.

Cineplex recognizes that security breaches of the information systems of Cineplex, its joint venture partners including Scene+, or any one of its third-party suppliers could compromise this information and expose Cineplex to liability, which could cause its businesses or reputation 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 these risks, Cineplex has a team of technology and cybersecurity professionals whose role is to monitor information technology and processes and collaborate with joint venture partners and third-party suppliers to ensure appropriate security and controls are in place. Cineplex continues to place an increased focus on its cybersecurity environment through analysis of internal and external threats and alerting of suspicious incidents to its technology environment. Currently, as the majority of Cineplex's corporate employees have moved to a work-from-home platform, there is an increased risk to Cineplex's technology systems. In response, Cineplex has implemented additional security measures, including training, monitoring and testing and contingency plans, to protect systems.

Real Estate Risk

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

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

Sourcing Risk

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

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

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

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

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

Human Resources Risk

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

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

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

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 risk that concerns over health and safety as a result of COVID-19 will be long lasting and will have an adverse impact on Cineplex's business. In order to help mitigate these risks, Cineplex has made changes to its operations including 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 such acquisitions.

Financial and Markets Risk

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

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

Foreign Currency Risk

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

Interest Rate Risk

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

Inflation Risk

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

Legal, Regulatory, Taxation and Accounting Risk

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

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

To mitigate these risks, Cineplex promotes a strong ethical culture through its values and code of conduct. Cineplex employs in-house counsel and uses third party tax and legal experts to assist in structuring significant transactions and contracts. Cineplex 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.

14. CONTROLS AND PROCEDURES

14.1. DISCLOSURE CONTROLS AND PROCEDURES

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

14.2. INTERNAL CONTROLS OVER FINANCIAL REPORTING

Cineplex's management 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 its supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with GAAP.

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

15. SUBSEQUENT EVENTS

Subsequent to March 31, 2022, CDCP stopped charging distributors virtual print fees as part of the planned end of the limited life financing entity. CDCP expects to distribute its assets to its partners in 2022, and Cineplex will recognize a return of capital under IAS 28, *Investments in Associates and Joint Ventures.* Any difference between the carrying value of Cineplex's equity interest in CDCP and the fair value of the assets received will be recognized in income. Cineplex's carrying value of its investment in CDCP is approximately $5.7 million at March 31, 2022. CDCP has net equity of approximately $9,700 at March 31, 2022 comprised of working capital of approximately $7.4 million and equipment carrying value of approximately $2.3 million. Cineplex has a 78.2% interest in CDCP at March 31, 2022.

16. OUTLOOK

The following discussion is qualified in its entirety by the caution regarding forward-looking statements at the beginning of this MD&A and Section 13, Risks and uncertainties.

The outlook for Cineplex's businesses is contingent on its ability to navigate any potential future impact of COVID-19 on its businesses. Canada's vaccination rate has made tremendous progress during the year with a high percentage of the eligible population receiving at least two doses of a COVID-19 vaccine. The Canadian government has also accelerated the rollout of COVID-19 vaccine booster doses providing extra protection against COVID-19 and its variants. As a result of the declining hospitalizations related to COVID-19, high vaccination rate and wide availability of COVID-19 vaccines, most provinces across Canada have lifted COVID-19 related measures. Capacity restrictions in most provinces across Canada have been lifted, with masks and proof of vaccination requirements no longer being mandatory.

The release of Marvel's highly anticipated *Spider-Man: No Way Home* in December 2021 generated the second biggest North American opening weekend of all time and the biggest December opening weekend of all-time grossing $260.1 million and earning $801.3 million in North America (which includes $228.3 during the first quarter) and $1.9 billion globally since its release up to March 31, 2022, as reported. The strong box office momentum continued into the first quarter of 2022 with the release of *The Batman*, grossing $134.0 million during its North American opening weekend and earning $338.2 million in North America and $742.0 million globally since its release up to March 31, 2022, as reported. Upcoming film releases for the year include the following: *Sonic the Hedgehog 2, The Bad Guys, Doctor Strange in the Multiverse of Madness, Downton Abbey: A New Era, Top Gun: Maverick, Jurassic World: Dominion, Lightyear, Elvis, Shotgun Wedding, Minions: The Rise Of Gru, Thor: Love and Thunder, Bed Rest, Bullet Train, Nope, Paws of Fury: The Legend of Hank, DC League of Super-Pets, Puss in Boots: The Last Wish, Halloween Ends, Black Adam, Ticket to Paradise, Black Panther: Wakanda Forever, Avatar: The Way of Water, Shazam! Fury of the Gods, A Man Called Otto* and *Babylon.*

Based on how the exhibition industry has historically performed during depressed economic environments, Cineplex believes, but cannot guarantee, that the industry will continue to recover as consumer demand for the theatrical experience combined with a build-up of anticipated content will help drive visitation as people look to return to normalcy. The reopening of theatres and easing of restrictions has resulted in increases in box office revenues. When comparing 2022 monthly box office revenues to 2019 levels, box office performance as a percentage of pre-pandemic levels has gradually increased as depicted in the below table. Cineplex remains confident that the strong slate of upcoming film releases for the year coupled with pent up consumer demand will result in strong box office performance as its business returns to pre-pandemic levels.

Month	2019 Box office (i)	2022 Box office (i)	2022 as a percentage of 2019
January	$52,034	$11,220	22%
February	$41,892	$25,054	60%
March	$62,571	$43,678	70%

(i) Balances are in thousands of dollars.

However, the significance of the COVID-19 pandemic, including the adverse impact on Cineplex's business, financial condition and results of operations will be dictated by the duration of the pandemic and the effect on the economy and of responsive governmental directives, all of which are currently unknown. Cineplex's business could also be significantly negatively impacted by changes in consumer behaviors as a result of COVID-19 (such as social distancing) or further revisions to the theatrical release window. Further, the effect of COVID-19 on financial markets could significantly impact the ability to raise capital and increase the cost of borrowing. There are limitations on Cineplex's ability to mitigate the adverse financial impact of the foregoing. The COVID-19 pandemic also creates challenges for Cineplex in predicting future performance of its businesses or its liquidity needs in the near term.

FINANCIAL OUTLOOK

Cineplex continues to be negatively impacted by the ongoing COVID-19 pandemic and management's focus continues to be on minimizing net cash burn and optimizing liquidity. During the fourth quarter of 2021, Cineplex and Cineplex Entertainment Limited Partnership entered into a fourth amendment to its Credit Facilities, providing Cineplex with certain financial covenant relief in light of the COVID-19 pandemic and its effects on Cineplex's businesses (Section 6.4, Long-term debt). Cineplex continued to evaluate eligibility under relief programs and was able to materially reduce operating expenses through the receipt of assistance under Canada's THRP as a result of government-imposed restrictions that negatively impacted Cineplex's operations.

Management continues to focus on reducing costs including the minimization of future capital expenditures and was able to reduce its average monthly net cash burn compared to the prior seven quarters that were significantly impacted by government mandated closure requirements. With the issuance of the Notes Payable, amendments to the Credit Facilities, the execution of planned asset sales and income tax recoveries received, management believes that it has adequate liquidity to fund operations for the currently anticipated duration of the pandemic.

On December 14, 2021, the Court made a decision with respect to Cineplex's trial of its action against Cineworld. The Court held that Cineplex did not breach any of its covenants in the Arrangement Agreement, and that Cineworld had no basis for terminating the Arrangement Agreement. The Court held that Cineworld breached the Arrangement Agreement. The Court awarded damages for breach of contract to Cineplex in the amount of $1.24 billion on account of lost synergies, and $5.5 million for transaction costs, however, no assurance can be given on the collection of damages awarded (Section 1.1, Cineworld Transaction).

As Cineplex continues to return to post-pandemic normalized operations, it is focused on maintaining a strong balance sheet with a target total leverage ratio of approximately 2.5x to 3.0x.

17. NON-GAAP AND OTHER FINANCIAL MEASURES

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

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

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

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

17.1 EBITDA, ADJUSTED EBITDA AND ADJUSTED EBITDAaL

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

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

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

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

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

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

Adjusted Store Level EBITDAaL Margin
Calculated as adjusted store level EBITDAaL divided by total revenues for LBE for the period.

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

Reconciliation of reported net loss to adjusted EBITDAaL	**Three months ended March 31,**	
	2022	**2021**
Net loss	**$ (42,225)**	**$ (89,688)**
Depreciation and amortization - other	26,892	29,509
Depreciation - right-of-use assets	24,263	26,318
Interest expense - lease obligations	14,704	13,665
Interest expense - other	10,083	14,359
Interest income	(30)	(26)
Current income tax (recovery) expense	(724)	3,339
EBITDA	**$ 32,963**	**$ (2,524)**
Loss (gain) on disposal of assets	157	(30,060)
Loss on financial instruments recorded at fair value	3,830	—
CDCP equity (income) loss (i)	(854)	2,238
Foreign exchange loss	234	230
Depreciation and amortization - joint ventures and associates (ii)	131	—
Taxes and interest of joint ventures and associates (ii)	14	11
Adjusted EBITDA	**$ 36,475**	**$ (30,105)**
Cash rent paid/payable related to lease obligations (iii)	(43,353)	(33,861)
Negotiated lease-related cash savings for the period (iii) (iv)	—	751
Cash rent paid not pertaining to current period	1,159	1,125
Adjusted EBITDAaL (iv)	**$ (5,719)**	**$ (62,090)**

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

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

(iii) The cash rent paid or payable includes negotiated lease obligation savings of $0.8 million (2021 - $29.7 million) through March 31, 2022. The negotiated lease obligation savings represent forgiveness of lease payments.

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

17.2 ADJUSTED FREE CASH FLOW

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

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

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

Reconciliation of reported cash used in operating activities to adjusted free cash flow per share	**Three months ended March 31,**	
	2022	**2021**
Cash used in operating activities	$ (5,437)	$ (35,632)
Less: Total capital expenditures net of proceeds on sale of assets	(9,585)	(8,715)
Standardized free cash flow	**(15,022)**	**(44,347)**
Add/(Less):		
Changes in operating assets and liabilities (i)	15,077	(23,581)
Changes in operating assets and liabilities of joint ventures and associates (i)	(707)	(802)
Repayments of lease obligations - principal	(29,267)	(19,457)
Principal portion of cash rent paid not pertaining to current period	1,143	1,106
Growth capital expenditures and other (ii)	7,054	8,461
Share of income of joint ventures and associates, net of non-cash depreciation	(23)	(165)
Adjusted free cash flow	**$ (21,745)**	**$ (78,785)**
Average number of Shares outstanding	63,316,444	63,334,317
Adjusted free cash flow per Share	**$ (0.343)**	**$ (1.244)**

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

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

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

Reconciliation of reported net loss to adjusted free cash flow	Three months ended March 31,	
	2022	2021
Net loss	$ (42,225)	$ (89,688)
Adjust for:		
Depreciation and amortization - other	26,892	29,509
Depreciation - right-of-use assets	24,263	26,318
Change in fair value of financial instrument	3,830	—
Loss (gain) on disposal of assets	157	(30,060)
Non-cash interest (i)	(5,587)	657
Non-cash foreign exchange	152	211
Share of (income) loss of CDCP (ii)	(854)	2,238
Non-cash depreciation of joint ventures and associates	131	—
Taxes and interest of joint ventures and associates	14	11
Maintenance capital expenditures	(2,531)	(254)
Repayments of lease obligations - principal	(29,267)	(19,457)
Principal portion of cash rent paid not pertaining to current period	1,143	1,106
Non-cash items:		
Non-cash Share-based compensation	2,137	624
Adjusted free cash flow	**$ (21,745)**	**$ (78,785)**

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

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

17.3 NET CASH BURN

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

Net cash burn	2022	2021				2020		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net cash (used in) provided by operating activities	$ (5,437)	$ 27,480	$ 52,023	$ 17,133	$ (35,632)	$ (61,041)	$ (86,558)	$ 18,095
Changes in operating assets and liabilities	15,077	1,405	(32,640)	(62,622)	(23,581)	67,257	34,894	(69,401)
Repayments of lease obligations - principal	(29,267)	(25,525)	(24,191)	(19,086)	(19,457)	(32,323)	(24,811)	(933)
Net capital expenditures	(9,040)	(4,008)	(3,475)	(3,021)	(5,055)	(7,272)	(8,198)	(8,019)
Timing difference of lease abatements recognized as compared to cash payments	1,777	1,965	1,153	(2,435)	1,830	12,672	18,868	(18,933)
Timing difference of cash tax recoveries as compared to current tax provision	—	—	—	—	3,309	(53,946)	16,643	26,808
Total net cash burn	**$ (26,890)**	**$ 1,317**	**$ (7,130)**	**$ (70,031)**	**$ (78,586)**	**$ (74,653)**	**$ (49,162)**	**$ (52,383)**
Average monthly net cash burn	**$ (8,963)**	**$ 439**	**$ (2,377)**	**$ (23,344)**	**$ (26,195)**	**$ (24,884)**	**$ (16,387)**	**$ (17,461)**

SUPPLEMENTARY FINANCIAL MEASURES

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

Earnings per Share Metrics

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

Per Patron Revenue Metrics

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

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

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

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

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

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

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

Same Theatre Analysis

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

Same theatre metrics are calculated by removing the results for all theatres that have been opened, acquired, closed or otherwise disposed of subsequent to the start of the prior year comparative period. For the three months ended March 31, 2022 the impact of 2 locations that have been opened or acquired and 5 locations that have been closed have been excluded, resulting in 152 theatres being included in the same theatre metrics.

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

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

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

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

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

Cineplex Inc.

Interim Condensed Consolidated Balance Sheets
(Unaudited)

(expressed in thousands of Canadian dollars)

	March 31, 2022	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	$ 24,094	$ 26,938
Trade and other receivables	59,409	80,679
Income taxes receivable	2,658	1,984
Inventories	29,215	24,899
Prepaid expenses and other current assets	13,865	13,365
	129,241	147,865
Non-current assets		
Property, equipment and leaseholds	445,695	464,439
Right-of-use assets (note 3)	757,526	768,675
Fair value of interest rate swap agreements	994	—
Interests in joint ventures and associates	7,401	7,423
Intangible assets	80,679	81,651
Goodwill	635,421	635,545
Derivative financial instrument (note 6)	5,410	9,240
	$ 2,062,367	$ 2,114,838

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

Subsequent events (note 15)

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, 2022	December 31, 2021
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 141,796	$ 157,950
Income taxes payable	1,920	1,945
Deferred revenue and other (note 7)	275,616	293,206
Lease obligations (note 8)	98,343	101,058
Fair value of interest rate swap agreements	4,562	8,063
	522,237	562,222
Non-current liabilities		
Share-based compensation (note 5)	5,289	4,940
Long-term debt (note 6)	786,811	739,211
Fair value of interest rate swap agreements	—	6,160
Lease obligations (note 8)	992,243	1,004,465
Post-employment benefit obligations	9,162	9,973
Other liabilities	6,819	7,590
	1,800,324	1,772,339
Total liabilities	2,322,561	2,334,561
Shareholders' deficit		
Share capital (note 9)	852,575	852,465
Deficit	(1,193,619)	(1,151,394)
Hedging reserves and other	(131)	(131)
Contributed surplus	82,088	80,027
Cumulative translation adjustment	(1,107)	(690)
Total shareholders' deficit	(260,194)	(219,723)
	$ 2,062,367	$ 2,114,838

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, 2022 and 2021
(Unaudited)

(expressed in thousands of Canadian dollars, except per share amounts)		2022		2021
Revenues (note 7)				
Box office	$	79,952	$	3,818
Food service		68,388		6,525
Media		15,545		9,074
Amusement		50,424		13,874
Other		14,414		8,121
		228,723		41,412
Expenses				
Film cost		39,016		1,235
Cost of food service		14,857		1,412
Depreciation - right-of-use assets		24,263		26,318
Depreciation and amortization - other assets		26,892		29,509
Loss (gain) on disposal of assets		157		(30,060)
Other costs (note 10)		138,352		68,705
Share of (income) loss of joint ventures and associates		(686)		2,414
Interest expense - lease obligations		14,704		14,359
Interest expense - other		10,083		13,665
Interest income		(30)		(26)
Foreign exchange		234		230
Loss on financial instruments recorded at fair value (note 6)		3,830		—
		271,672		127,761
Loss before income taxes		(42,949)		(86,349)
Income tax (recovery) expense (note 4)				
Current		(724)		3,339
Net loss	$	(42,225)	$	(89,688)
Net loss per share - basic and diluted (note 11):	$	(0.67)	$	(1.42)

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, 2022 and 2021
(Unaudited)

(expressed in thousands of Canadian dollars)

	2022	2021
Net loss	$ (42,225)	$ (89,688)
Other comprehensive loss		
Items that will be reclassified subsequently to net income:		
Foreign currency translation adjustment	(417)	(428)
Other comprehensive loss	(417)	(428)
Comprehensive loss	$ (42,642)	$ (90,116)

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, 2022 and 2021
(Unaudited)

(expressed in thousands of Canadian dollars)

	Share capital	Contributed surplus	Hedging reserves and other	Cumulative translation adjustment	Deficit	Total
January 1, 2022	$ 852,465	$ 80,027	$ (131)	$ (690)	$ (1,151,394)	$ (219,723)
Net loss	—	—	—	—	(42,225)	(42,225)
Other comprehensive loss (page 4)	—	—	—	(417)	—	(417)
Total comprehensive loss	**—**	**—**	**—**	**(417)**	**(42,225)**	**(42,642)**
Share option expense	—	517	—	—	—	517
PSU/RSU expense	—	1,620	—	—	—	1,620
Issuance of shares on exercise of options	110	(76)	—	—	—	34
March 31, 2022	$ 852,575	$ 82,088	$ (131)	$ (1,107)	$ (1,193,619)	$ (260,194)
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)

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, 2022 and 2021
(Unaudited)

(expressed in thousands of Canadian dollars)	2022	2021
Cash provided by (used in)		
Operating activities		
Net loss	$ (42,225)	$ (89,688)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization - other assets	26,892	29,509
Depreciation - right-of-use assets	24,263	26,318
Unrealized foreign exchange	152	211
Interest rate swap agreements - non-cash interest	(10,357)	(3,528)
Accretion of convertible debentures and notes payable	4,600	3,738
Other non-cash interest	170	447
Loss (gain) on disposal of assets	157	(30,060)
Non-cash share-based compensation	2,137	624
Change in fair value of financial instruments	3,830	—
Net change in interests in joint ventures and associates	21	3,216
Changes in operating assets and liabilities (note 12)	(15,077)	23,581
Net cash used in operating activities	(5,437)	(35,632)
Investing activities		
Proceeds from disposal of assets, net	17	56,664
Purchases of property, equipment and leaseholds	(9,602)	(8,715)
Intangible assets additions	(2,173)	(3,086)
Tenant inducements	562	3,660
Net cash (used in) provided by investing activities	(11,196)	48,523
Financing activities		
Borrowings (repayments) under credit facilities, net (note 6)	43,000	(234,000)
Repayments of lease obligations - principal	(29,267)	(19,457)
Exercise of cash option	34	—
Issuance of notes payable, net (note 6)	—	243,996
Financing fees	—	(321)
Net cash provided by (used in) financing activities	13,767	(9,782)
Effect of exchange rate differences on cash	22	140
(Decrease) increase in cash and cash equivalents	(2,844)	3,249
Cash and cash equivalents - Beginning of period	26,938	16,254
Cash and cash equivalents - End of period	$ 24,094	$ 19,503
Supplemental information		
Cash paid for interest - lease obligation	$ 14,367	$ 12,605
Cash paid for interest - other	$ 25,719	$ 15,594
Cash received for income taxes, net	$ —	$ (4,487)

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 was acknowledged by Cineplex and the Cineworld Transaction did not proceed. Cineplex vigorously denied Cineworld's allegations.

On July 3, 2020, Cineplex announced that it had commenced an action in the Ontario Superior Court of Justice (the "Court") against Cineworld and 1232743 B.C. Ltd. seeking damages arising from what Cineplex claimed was a wrongful repudiation of the Arrangement Agreement. The claim sought damages, including the approximately $2,180,000 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 loss to Cineplex of expected synergies, the failure of Cineworld to repay or refinance Cineplex's approximately $664,000 in debt, and transaction expenses. Cineplex also advanced alternative claims for damages for the loss of benefits to its security holders, and to require Cineworld to disgorge the benefits it improperly received by wrongfully repudiating the Cineworld Transaction.

On July 6, 2020, Cineworld announced that it would defend Cineplex's claim, and on September 2, 2020, filed its Statement of Defence and Counterclaim in which it denied Cineplex's claims and advanced a counterclaim seeking reimbursement of £32,000 for costs incurred with respect to the transaction and an unspecified amount for punitive damages. Cineplex responded to Cineworld's defence and counterclaim on September 15, 2020, denying all claims levied by Cineworld.

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

On December 14, 2021, the Court released its decision in the action (the "Decision"). The Court held that Cineplex did not breach any of its covenants in the Arrangement Agreement, and that Cineworld had no basis for terminating the Arrangement Agreement. The Court held that Cineworld breached the Arrangement Agreement and repudiated the transaction to acquire Cineplex, which actions precluded Cineplex from seeking specific performance and entitled Cineplex to monetary damages. The Court awarded damages for breach of contract to Cineplex in the amount of $1,240,000 on account of lost synergies, and $5,500 for transaction costs, exclusive of pre-judgment interest. The Court also held that Cineplex's shareholders did not have any rights under the Arrangement Agreement to enforce the agreement or sue Cineworld for any breach. The Court also denied Cineworld's counterclaim against Cineplex.

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

On January 12, 2022, Cineworld filed a Notice of Appeal with the Court of Appeal for Ontario and on January 27, 2022, Cineplex filed its Notice of Cross Appeal. The Ontario Court of Appeal will hear Cineworld's Appeal and Cineplex's Cross Appeal during the hearing scheduled for October 12-13, 2022.

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

The Board of Directors approved these consolidated financial statements on May 12, 2022.

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 2020, each of Canada's provinces and territories had declared a state of emergency resulting in, among other things, the mandated closure of non-essential businesses, restrictions on public gatherings and quarantining of people who may have been exposed to the virus. On March 16, 2020, Cineplex announced the temporary closure of all of its theatres and LBE venues across Canada, as well as substantially all route locations operated by P1AG. On August 21, 2020, Cineplex reopened its entire circuit of theatres and LBE venues, however, theatre operations and LBE venues were continuously impacted by additional government mandated restrictions and closures over the next several quarters.

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

Effective December 18, 2021, due to the rise of the Omicron variant, capacity restrictions were reinstated in Ontario, Cineplex's largest market, limiting indoor capacity to 50% along with prohibiting the consumption of concessions in theatres. Theatres in Quebec were also mandated to temporarily close effective December 20, 2021. During the beginning of the first quarter of 2022, social gathering restrictions were further modified or reinstituted in several key markets in which Cineplex operates, resulting in theatre closures in Ontario. Cineplex was also required to temporarily close or reduce capacity in other provinces. Effective January 29, 2022, January 31, 2022 and February 7, 2022 respectively, theatres in New Brunswick, Ontario and Quebec were permitted to reopen at reduced capacity levels, respectively. As restrictions have been eased in many markets in which Cineplex operates, theatres and LBE venues across Canada were permitted to operate at full capacity, with the exception of Prince Edward Island which were limited to operate at a 75% capacity maximum as at March 31, 2022. Subsequent to March 31, 2022, the remaining capacity restrictions in Prince Edward Island were lifted. As a result of increased vaccination rates and decreasing case counts, all provinces except British Columbia ceased proof of vaccination programs by March 31, 2022 with British Columbia ending its program on April 9, 2022. Mask mandates were lifted in all provinces with the exception of Quebec and Prince Edward Island. Cineplex is continuously monitoring operating restrictions and adjusting operating capacities in accordance with government directives.

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

Liquidity measures:

- June 2020: entered into the First Credit Agreement Amendment with The Bank of Nova Scotia as administrative agent of Cineplex's seventh amended and restated credit agreement (as amended, the "Credit Facilities") providing certain financial covenant relief in light of the COVID-19 pandemic and its impact on Cineplex's business (note 6, Long-term debt);
- July 2020: issued convertible unsecured subordinated debentures (the "Debentures") for net proceeds of $303,000, (note 6, Long-term debt)
- November 2020: entered into the Second Credit Agreement Amendment providing further financial covenant relief (note 6, Long-term debt);
- December 2020: entered into an agreement to enhance and expand the SCENE loyalty program receiving $60,000 with respect to the reorganization;
- January 2021: completed the sale and leaseback of Cineplex's head office buildings located at 1303 Yonge Street and 1257 Yonge Street, Toronto, Ontario for gross proceeds of $57,000, (note 6, 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 (all of which had been received by December 31, 2021);
- February 2021: entered into the Third Credit Agreement Amendment providing further financial covenant relief (note 6, Long-term debt);
- February 2021: issued 7.50% senior secured second lien notes due February 26, 2026 (the "Notes Payable") for net proceeds of $243,266, (note 6, Long-term debt); and
- December 2021: entered into the Fourth Credit Agreement Amendment providing further financial covenant relief (note 6, Long-term debt).

Cost reduction and subsidy measures:

- temporary layoffs of all part-time and full-time hourly employees as well as a number of full-time employees who chose a temporary layoff rather than a salary reduction during the second quarter of 2020, and additional temporary layoffs of part-time employees beginning in December 2021 further expanding in the first quarter of 2022;
- reduced full-time employee salaries by agreement with such employees during the second and third quarters of 2020;
- suspended or deferred current capital spending, reviewing all capital projects to consider either deferral or cancellation;
- reduced non-essential discretionary operational expenditures (such as spending on marketing, travel and entertainment);
- implemented a more stringent review and approval process for all outgoing procurement and payment requests;
- continued negotiations with landlords for cash payments in exchange for the sale of contractual rights or negotiating rent relief, including abatements, reductions and deferrals;
- worked with major suppliers and other business partners to modify the timing and quantum of certain contractual payments;
- reviewed and applied for government subsidy programs where available, including municipal and provincial property tax and energy rebates or subsidies;
- applied for the ongoing Canada Emergency Wage Subsidy ("CEWS"), which was launched by the Government of Canada, providing a variable subsidy for employee wages incurred from March 2020 to October 23, 2021;
- applied for the ongoing Canada Emergency Rent Subsidy ("CERS"), which was launched by the Government of Canada as a result of government mandated lockdowns, providing a variable subsidy for rent and other occupancy-related costs incurred from September 27, 2020 through October 23, 2021;
- applied for Canada's Tourism and Hospitality Recovery Program ("THRP") which began on October 24, 2021 and provides wage and rent subsidies for businesses that have faced revenue losses, with a subsidy rate of up to 75% until March 12, 2022 and 37.5% until May 7, 2022;
- continued evaluation of Cineplex's eligibility under other relief programs; and
- continued the suspension of dividends.

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

Since the closure of its theatres and LBE venues in March 2020, Cineplex diligently prepared for their safe reopening, carefully re-examining all of its buildings and processes and implementing an industry-leading program with end-to-end health and safety protocols. In June 2021, Cineplex introduced its VenueSafe program, which encompasses all of Cineplex's health and safety protocols, in accordance with Canada's public health guidelines.

Canada's vaccination rate has made tremendous progress with a high percentage of the eligible population receiving at least two doses of a COVID-19 vaccine. The Canadian government has also accelerated the rollout of COVID-19 vaccine booster doses providing extra protection against COVID-19 and its variants. As a result of the declining hospitalizations related to COVID-19, high vaccination rate and wide availability of COVID-19 vaccines, most provinces across Canada have lifted COVID-19 related measures with proof of vaccination requirements no longer being mandatory. With the exception of Quebec and Prince Edward Island, all other provinces have lifted the mask mandates. With the uncertainty of further government-imposed restrictions and the potential long-term effect that the pandemic may have on Cineplex's businesses, COVID-19 may continue to have a prolonged material negative impact on Cineplex's operations and return to profitability.

As at March 31, 2022, Cineplex had a cash balance of $24,094 and $228,614 available under its Revolving Facility subject to the liquidity covenants set forth in the Credit Facilities as amended (note 6, Long-term debt). Combined with the continued focus on reducing costs and capital expenditures, management believes that it has adequate liquidity to fund operations for the currently anticipated duration of the pandemic in the regions in which Cineplex operates.

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

3. Right-of-use-assets

Right-of-use assets consists of:

	Property	Equipment	Total
At March 31, 2022			
Cost	$ 1,124,188	$ 25,154	$ 1,149,342
Accumulated depreciation	(376,949)	(14,867)	(391,816)
Net book value	$ 747,239	$ 10,287	$ 757,526
Three months ended March 31, 2022			
Balance - December 31, 2021	$ 757,197	$ 11,478	$ 768,675
Additions	3,389	381	3,770
Modifications	9,803	(282)	9,521
Disposals	(119)	—	(119)
Foreign exchange rate changes	(58)	—	(58)
Depreciation for the period	(22,973)	(1,290)	(24,263)
Closing net book value	$ 747,239	$ 10,287	$ 757,526

	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
Additions	3,487	5	3,492
Modifications	(8,620)	—	(8,620)
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

COVID-19 resulted in closures of substantially all leased properties and the suspension of the use of most equipment for the first quarter of 2021. The rise of Omicron variant in December 2021 resulted in theatre closures in Ontario and capacity and food service restrictions reinstated in other provinces for a certain period of time during the first quarter of 2022. Beginning in the third quarter of 2020, 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 $2,276 and $8,622 for the three months ended March 31, 2022 and 2021, respectively.

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

4. 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, 2022	December 31, 2021
Deferred income tax assets		
Property, equipment and leaseholds and deferred tenant inducements - difference between net carrying value and undepreciated capital cost	$ 13,382	$ 11,653
Accounting provisions not currently deductible	91,862	93,663
Deferred revenue	15,915	15,929
Interest rate swap agreements	816	3,614
Income tax credits available	3,827	3,789
Operating losses available for carry-forward	95,164	81,844
Total gross deferred income tax assets	220,966	210,492
Future deferred tax liabilities		
Intangible assets	(9,770)	(9,854)
Goodwill	(30,491)	(29,909)
Other	5,537	5,614
Convertible debentures	(23,976)	(23,961)
Total gross deferred income tax liabilities	(58,700)	(58,110)
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. As Cineplex's businesses continue to recover and return to profitability, deferred income tax assets and liabilities may be recognized, and reversal of previously recognized impairments may be appropriate.

The 2022 current tax recovery represents losses reported on the 2021 tax returns that have been carried back to offset prior period taxable income, in excess of the 2021 tax provision.

Cineplex's combined statutory income tax rate at March 31, 2022 was 26.3% (2021 - 26.3%).

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, and has commenced an appeal to the Tax Court of Canada in respect of the NOR. On June 28, 2021, Cineplex received a response from the Attorney General of Canada representing the CRA confirming its position with respect to the disallowance of the losses. The appeals process is continuing and Cineplex believes that it should prevail in defending its original filing position, although no assurance can be given in this regard as the appeal process proceeds.

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

5. Share-based compensation

Omnibus Incentive Plan

On November 12, 2020, the Board of Directors approved a new Omnibus Incentive Plan (the "Incentive Plan"). This plan supersedes the former incentive plans (collectively, the "Legacy Plan") that included Options, Performance Share Units ("PSUs") and Restricted Share Units ("RSUs"). All employees and consultants are eligible to participate in the Incentive Plan. The Incentive Plan consists of stock options, RSUs and PSUs. Awards of RSUs and PSUs granted during a service year will be subject to a service period as determined by management at the time of issuance. The aggregate number of Shares that may be issued under the Incentive Plan is 3,516,645 provided that no more than 1,904,538 Shares may be issued in aggregate pursuant to the settlement of RSUs and PSUs. Options that were issued under the Legacy Plan and are subsequently cancelled will be available to be issued under the Incentive Plan. The base Share equivalents granted as RSU and PSU awards attract compounding notional dividends at the same rate as outstanding Shares, which are notionally re-invested as additional base Share equivalents. PSU and RSU awards may be settled in Shares issued from treasury, cash, or a mix of Shares and cash, at Cineplex's option at the time of settlement. Awards outstanding under prior plans shall remain in full force and effect under the prior plans according to their respective terms. Under the prior plans, the effects of changes in estimates of performance results are recognized in the year of change. As at March 31, 2022, 875,889 Shares are available to be issued under the Incentive Plan (2021 - 2,327,035).

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.

Cineplex recognized employee benefits expense of $517 with respect to the options during the period ended March 31, 2022 (2021 - $399). In the first quarter of 2021, 165,146 stock options issued under the Legacy Plan were cancelled for total consideration of $60 as part of a voluntary stock option cancellation program that was initiated in the fourth quarter of 2020.

The fair value of options granted in 2022 were determined using the Black-Scholes valuation model using the following significant inputs:

		2022
Number of options granted		223,578
Share price	$	13.39
Exercise price	$	13.39
Expected option life (years)		4.0
Volatility		49.39 %
Dividend yield		— %
Annual risk-free rate		1.58 %
Fair value of options granted	$	5.33

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

Upon cashless exercises, the options exercised in excess of Shares issued are cancelled and returned to the pool available for future grants. At March 31, 2022, 377,384 options are available for grant.

A summary of option activities in 2022 and 2021 is as follows:

		2022		2021	
	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	7.44	2,198,805	$ 21.48	2,042,019	$ 25.37
Granted		223,578	13.39	—	—
Cancelled		—	—	(165,146)	44.90
Exercised		(24,098)	8.25	(13,637)	8.25
Forfeited		(61,752)	20.57	(38,620)	21.87
Options outstanding, March 31	7.44	2,336,533	$ 20.87	1,824,616	$ 23.80
Options vested and exercisable		1,253,874		974,675	

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

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**
2022 LTIP awards granted in Q1 2022	177,973	284,661	—	355,946
2021 LTIP awards granted in Q2 2021	167,546	315,619	—	335,092
2020 LTIP awards granted in Q3 2020	284,214	277,105	—	568,428

During the period ended March 31, 2022, Cineplex issued 284,661 equity settled RSUs with a fair value $13.39 per unit (total fair value of $3,812 on issuance) and 177,973 equity settled PSUs with a fair value of $13.39 per unit (total fair value of $2,383 on issuance). The fair value was assessed based on Cineplex's closing Share price on the grant date. The RSU and PSU awards issued will vest in the fourth quarter of 2024.

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. Performance conditions are reflected in Cineplex's estimate of the grant-date fair value for equity instruments granted.

Incentive Plan costs are estimated at the grant date based on expected performance results then accrued and recognized on a graded basis over the vesting period. Forfeitures are estimated to be nominal, based on historical forfeiture rates. Cineplex recognized compensation expense of $1,703 for the period ended March 31, 2022 (2021 -

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

$402) under the Incentive Plan relating to RSU and PSU awards. At March 31, 2022, $291 (2021 - $560) was included in share-based compensation liability, and $4,396 in contributed surplus (2021 - $612).

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, 2022, Cineplex recognized compensation expense of $38 (2021 - $902) associated with the deferred equity units. At March 31, 2022, $4,999 (2021 - $3,898) was included in share-based compensation liability.

6. Long-term debt

Long-term debt consists of the following as at March 31, 2022:

	March 31, 2022	December 31, 2021
Credit Facilities	303,000	260,000
Convertible Debentures	238,671	234,472
Notes Payable	245,140	244,739
Total	$ 786,811	$ 739,211

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 dated November 13, 2018 between Cineplex, Cineplex Entertainment Limited Partnership, the guarantors from time to time party thereto, and a syndicate of lenders (as further amended from time to time, the “Credit Agreement”). The Term Facility was repaid in full in the first quarter of 2021 and is no longer available for future borrowing.

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

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

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

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

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

- The following amendments to the Credit Facilities became effective upon the completion of the issuance of $250,000 Notes Payable during the first quarter of 2021:
  - The suspension of financial covenant testing was extended until the fourth quarter of 2021. On resumption of financial covenant testing in the fourth quarter of 2021:
    - for the fourth quarter of 2021, testing was 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 was based on an annualized calculation of Adjusted EBITDA based on actual results for the fourth quarter of 2021 and the first quarter of 2022 multiplied by 2; and
    - for the quarter ending on June 30, 2022, testing will be based on an annualized calculation of Adjusted EBITDA for the fourth quarter of 2021, the first quarter of 2022 and the second of 2022 multiplied by 4/3.
  - Thereafter, testing will be based on an annualized calculation of the cumulative Adjusted EBITDA on a trailing four fiscal quarter basis;
  - The Total Leverage Ratio of 3.75x will apply when financial covenants are reinstated, and will be reduced until the third quarter of 2022 at which point it will reach a level of 3.00x;
  - The liquidity covenant will continue and be amended and extended beginning in February 2021, through to and including December 2021, requiring available liquidity as defined on a monthly basis (November 1, 2020 through January 31, 2021 - $100,000; 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 Total Leverage covenant of 2.75x (both prior to and immediately after giving effect to any such growth capital expenditure) based on actual last 12 months' EBITDA; and
  - Distributions continue to be blocked during the extended financial covenant suspension period and only permitted when the Total Leverage ratio is less than 2.75x (both prior to and immediately after giving effect to any such distribution).

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

- The suspension of financial covenant testing was extended until the second quarter of 2022. On resumption of financial covenant testing in the second quarter of 2022:
  - for the second quarter of 2022, testing will be based on an annualized calculation of Adjusted EBITDA (as further adjusted in accordance with the Credit Agreement definitions) based on the actual results for such quarter multiplied by 4;
  - for the quarter ending on September 30, 2022, testing will be based on an annualized calculation of Adjusted EBITDA based on actual results for the second quarter of 2022 and the third quarter of 2022 multiplied by 2; and

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

  - for the quarter ending on December 31, 2022, testing will be based on an annualized calculation of Adjusted EBITDA based on the actual results of the second quarter of 2022, the third quarter of 2022 and the fourth quarter of 2022 multiplied by 4/3.
- Thereafter, testing will be based on an annualized calculation of the cumulative Adjusted EBITDA on a trailing four fiscal quarter basis;
- The Total Leverage Ratio of 3.75x will apply when financial covenants are reinstated, and will be reduced quarterly by 0.25x until the first quarter of 2023 at which point it will reach a level of 3.00x;
- The liquidity covenant will continue and be amended requiring available liquidity (as defined) to be maintained at all times at no less than $100,000;
- The Senior Leverage Ratio to be based on annualized Adjusted EBITDA and set at 1.0x lower than the Total Leverage Ratio. Senior Leverage Ratio is defined as (i) Total Debt (as defined in the Credit Agreement) less any Notes Payable to (ii) Adjusted EBITDA; and
- From and after April 1, 2022, a fixed charge coverage ratio of greater than 1.25x will apply.

During the first quarter of 2021, Cineplex completed a sale-leaseback transaction for its head office buildings located at 1303 Yonge Street and 1257 Yonge Street, Toronto Ontario for gross proceeds of $57,000, recognizing a gain of $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, Second, Third and Fourth Credit Agreement Amendment were filed on SEDAR with the dates of filing on June 30, 2020, November 13, 2020, February 8, 2021 and January 4, 2022, respectively, for each of Credit Agreement Amendments.

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

a) a five-year, $541,668 senior secured Revolving Facility; $303,000 that has been drawn; $10,054 reserved and $228,614 remaining available balance.

Convertible debentures
Convertible debentures consist of the following:

	March 31, 2022	December 31, 2021
Face value of convertible debentures outstanding	$ 316,250	$ 316,250
Unaccreted deferred financing fees and discount	(77,579)	(81,778)
Convertible debentures	$ 238,671	$ 234,472

On July 17, 2020, Cineplex issued $316,250 aggregate principal amount of convertible unsecured subordinated debentures, which mature on September 30, 2025 (the “Maturity Date”) and bear interest at a rate of 5.75% per annum, payable semi-annually in arrears on September 30 and March 31 in each year.

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

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

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. During the period ended March 31, 2022, Cineplex recorded accretion and cash interest expense on the Debentures of $4,199 (2021 - $3,658) and $4,509 (2021 - $4,459), respectively, both of which are included as part of the interest expense in the consolidated statement of operations. As at March 31, 2022, Cineplex has $316,250 principal amount of Debentures outstanding. The residual value was allocated to the equity component less the pro-rata portion of transaction costs as prescribed by IFRS 9, *Financial instruments* and IAS 32, *Financial instruments: Presentation*.

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

Notes payable

Notes Payable outstanding as of March 31, 2022 are as follows:

	March 31, 2022	December 31, 2021
Face value of Notes Payable	$ 250,000	$ 250,000
Unaccreted deferred financing fees and discount	(4,860)	(5,261)
Notes Payable	$ 245,140	$ 244,739

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.

During the period ended March 31, 2022, Cineplex recorded accretion and cash interest expense on the Notes Payable of $401 (2021 - $80) and $4,546 (2021 - $1,695), respectively, both of which are included as part of interest expense in the consolidated statement of operations. As at March 31, 2022, Cineplex has $250,000 principal amount of Notes Payable outstanding. Cineplex's derivative financial instrument on the Notes Payable relates to the early prepayment option that fluctuates in value based on market interest rates. The fair value of the embedded derivative was determined using an option pricing model with observable market inputs and is consistent with accepted methods for valuing financial instruments. Cineplex has estimated the fair value of this embedded derivative at $5,410 as at March 31, 2022, which is presented on the consolidated balance sheets as a derivative financial instrument.

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

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

7. Revenue

The following tables disclose the changes in deferred revenue for the three months ended March 31, 2022 and 2021:

	December 31, 2021	Additions	Revenue Recognized	March 31, 2022
Gift cards	$ 169,380	$ 4,288	$ 14,668	$ 159,000
SCENE loyalty program	47,997	—	8,589	39,408
Advances and deposits	15,829	14,168	12,789	17,208
Other	60,000	—	—	60,000
	$ 293,206	$ 18,456	$ 36,046	$ 275,616

	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

In December 2020, Cineplex received $60,000 from its existing partner with respect to the agreement to reorganize the program and reposition it for future growth. Cineplex accounted for the $60,000 in other liabilities and reclassified it to deferred revenue as it is expected to be recognized within the next twelve months.

The following tables provide the disaggregation of revenue into categories by nature for the three months ended March 31, 2022 and 2021:

Box revenues

	2022	2021
Box office revenues	$ 79,952	$ 3,818

Food service revenues

	2022	2021
Food service - theatres	$ 58,759	$ 2,539
Food delivery - theatres	3,249	3,778
Food service - location-based entertainment	6,359	171
Food delivery - location-based entertainment	21	37
Total food service revenues	$ 68,388	$ 6,525

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

Media revenues

	2022	2021
Cinema media	$ 8,249	$ 1,899
Digital place-based media	7,296	7,175
Total media revenues	$ 15,545	$ 9,074

Amusement revenues

	2022	2021
Amusement solutions excluding exhibition and LBE	$ 34,839	$ 12,559
Amusement solutions - exhibition	2,091	72
Amusement solutions - location based entertainment	13,494	1,243
Total amusement revenues	$ 50,424	$ 13,874

Other revenues

	2022	2021
Other revenues	$ 14,414	$ 8,121

8. Lease obligation

The following table presents lease obligations for Cineplex for the three months ended March 31, 2022 and 2021:

	Property	Equipment	Total
Three months ended March 31, 2022			
Opening balance	$ 1,092,674	$ 12,849	$ 1,105,523
Additions	3,389	381	3,770
Modifications	9,985	(282)	9,703
Tenant inducements	602	—	602
Lease payments	(42,945)	(689)	(43,634)
Interest expense	14,568	136	14,704
Foreign exchange rate changes	(82)	—	(82)
Closing lease obligations	1,078,191	12,395	1,090,586
Less: current portion	94,165	4,178	98,343
Non-current portion of lease obligations	$ 984,026	$ 8,217	$ 992,243

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

	Property	Equipment	Total
Three months ended March 31, 2021			
Opening balance	$ 1,160,849	$ 10,076	$ 1,170,925
Additions	18,204	6	18,210
Modifications	(8,622)	—	(8,622)
Tenant inducements	3,692	—	3,692
Lease payments	(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

9. 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, 2022 and 2021 and transactions during the periods are as follows:

2022			Amount
	Number of common shares issued and outstanding	Common shares	Total
Balance - December 31, 2021	63,344,298	$ 852,465	$ 852,465
Issuance of shares on exercise of options	8,066	110	110
Balance - March 31, 2022	63,352,364	$ 852,575	$ 852,575

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

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

10. Other costs

	Three months ended March 31,	
	2022	2021
Employee wages, salaries and benefits	$ 43,921	$ 21,339
Rent	(2,339)	(7,047)
Realty and occupancy taxes and maintenance fees	14,882	14,312
Utilities	6,952	4,733
Purchased services	12,634	6,161
Other inventories consumed, including amusement and digital place-based media	25,701	9,938
Venue revenue share	10,900	2,986
Repairs and maintenance	8,498	3,606
Advertising and promotion	4,769	1,279
Office and operating supplies	2,170	519
Licenses and franchise fees	4,201	3,238
Insurance	1,924	1,668
Professional and consulting fees	1,270	3,865
Telecommunications and data	1,430	1,181
Bad debts	(517)	(192)
Equipment rental	470	210
Other costs	1,486	909
	$ 138,352	$ 68,705

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. Cineplex recorded the following subsidies which have all been offset against their related costs during the years ended March 31, 2022 and 2021:

Subsidies	Three months ended March 31,	
	2022	2021
Wage subsidy (CEWS and THRP)	$ 20,130	$ 14,835
Rent subsidy (CERS and THRP)	2,996	7,003
Realty tax subsidy	3,806	4,785
Utility subsidy	2,184	1,581
Total	$ 29,116	$ 28,204

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

11. 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.

	2022	2021
Net loss	$ (42,225)	$ (89,688)
Weighted average number of shares outstanding	63,346,444	63,334,317
Basic EPS	$ (0.67)	$ (1.42)

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. Anti-dilutive shares that have been excluded in the current period were 226,815 potential shares that would be issued under the treasury stock method and 4,816,881 potential shares that would have been issued under the if-converted method relating to Debenture units outstanding. The options and Debentures are anti-dilutive in 2022 and 2021, as applicable.

	2022	2021
Net loss	$ (42,225)	$ (89,688)
Weighted average number of shares for diluted EPS	63,346,444	63,334,317
Diluted EPS	$ (0.67)	$ (1.42)

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

12. Changes in operating assets and liabilities

The following summarizes the changes in operating assets and liabilities:

	2022	2021
Trade and other receivables	$ 21,203	$ 12,541
Inventories	(4,434)	1,157
Prepaid expenses and other current assets	(566)	839
Accounts payable and accrued liabilities	(11,692)	(437)
Income taxes receivable	(724)	7,825
Deferred revenue	(17,550)	2,153
Post-employment benefit obligations	(811)	(889)
Share-based compensation	121	1,078
Other liabilities	(624)	(686)
	$ (15,077)	$ 23,581

Property, equipment and leasehold purchases are included in accounts payable and accrued liabilities as at March 31, 2022, in the amount of $3,102 (2021 - $2,165).

13. 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. Cineplex reports the total of its segments which is considered an other financial measure in accordance with National Instrument 52-112 Non-GAAP and Other Financial Measures. The total segments measure includes a non-GAAP measure, adjusted EBITDAaL and is described below.

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 businesses. 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, loss (gain) on disposal of assets, foreign exchange, the equity (income) loss of CDCP, and impairment, depreciation, amortization, interest and taxes of Cineplex's other joint ventures and associates. Adjusted EBITDAaL modifies adjusted EBITDA to deduct current period cash rent paid or payable related to lease obligations. During the year, Cineplex agreed to a variety of arrangements with landlords to reduce or defer cash rent paid or payable as a result of the impact of COVID-19.

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.

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 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.

The following tables disclose the results of the Film Entertainment and Content, Media, Amusement and Leisure and Location-Based Entertainment segments for the three months ended March 31, 2022 and 2021:

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

Three months ended March 31, 2022	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	$ 79,952	$ —	$ —	$ —	$ —	$ 79,952
Food service	62,008	—	—	6,380	—	68,388
Media	—	15,440	—	105	—	15,545
Amusement	2,091	—	34,839	13,494	—	50,424
Other	14,350	—	—	64	—	14,414
Total revenues	$ 158,401	$ 15,440	$ 34,839	$ 20,043	$ —	$ 228,723
Primary geographical markets						
Canada	$ 158,401	$ 13,657	$ 10,507	$ 20,043	$ —	$ 202,608
United States and other countries	—	1,783	24,332	—	—	26,115
Total revenues	$ 158,401	$ 15,440	$ 34,839	$ 20,043	$ —	$ 228,723
Timing of revenue recognition						
Transferred at a point in time	$ 158,401	$ 2,990	$ 34,839	$ 20,043	$ —	$ 216,273
Transferred over time	—	12,450	—	—	—	12,450
Total revenues	$ 158,401	$ 15,440	$ 34,839	$ 20,043	$ —	$ 228,723
Adjusted EBITDAaL	$ (6,285)	$ 5,260	$ 4,985	$ 6,404	$ (16,083)	$ (5,719)
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:						(3,227)
Other adjustments (ii)						3,512
Depreciation and amortization - other assets						26,892
Interest expense - other						10,083
Interest income						(30)
Provision for income taxes						(724)
Net loss						$ (42,225)
Other operating segment disclosures						
Depreciation - right-of-use assets	$ 22,298	$ 832	$ 134	$ 907	$ 92	$ 24,263
Depreciation and amortization - other assets	$ 16,960	$ 1,148	$ 4,605	$ 4,179	$ —	$ 26,892
Interest expense - lease obligations	$ 12,928	$ 134	$ 119	$ 1,308	$ 215	$ 14,704
Goodwill balance	$ 413,915	$ 206,385	$ 15,121	$ —	$ —	$ 635,421

(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)
Income taxes recovery						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

(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 change in fair value of financial instruments, loss (gain) on disposal of assets, CDCP equity (income) loss, 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.

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

14. 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, 2021. 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, 2021.

Accounting standards issued

IFRS 16, Leases ("IFRS 16") - Amendment

The International Accounting Standards Board ("IASB") extended by one year, the application period of the practical expedient in IFRS 16, *Leases,* for COVID-19 related rent concessions. The IASB has extended the relief by one year to cover rent concessions that reduce only lease payments due on or before June 30, 2022. The amendment is effective for annual reporting periods beginning on or after April 1, 2021.

Cineplex will not apply the practical expedient to lease concessions.

15. Subsequent events

Subsequent to March 31, 2022, CDCP stopped charging distributors virtual print fees as part of the planned end of the limited life financing entity. CDCP expects to distribute its assets to its partners in 2022, and Cineplex will recognize a return of capital under IAS 28*, Investments in Associates and Joint Ventures.* Any difference between the carrying value of Cineplex's equity interest in CDCP and the fair value of the assets received will be recognized in income. Cineplex's carrying value of its investment in CDCP is approximately $5,700 at March 31, 2022. CDCP has net equity of approximately $9,700 at March 31, 2022 comprised of working capital of approximately $7,400 and equipment carrying value of approximately $2,300. Cineplex has a 78.2% interest in CDCP at March 31, 2022.

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