2014

CINEPLEX
INC.

FIRST QUARTER 2014 REPORT

Dear fellow shareholders,

The first quarter of 2014 featured numerous accomplishments in many areas of the business. Total revenue increased 12.9%, or $31.9 million compared to the prior year and concession revenue, which we now refer to as our Food Service revenue, increased 14.8% to $87.1 million. This was largely due to contributions from our 2013 acquisition of 24 Empire theatres in Atlantic Canada and the acquisition of EK3, since renamed Cineplex Digital Networks ("CDN").

First quarter box office revenues of $156.2 million increased $11.1 million, or 7.6%, over the prior year period and outperformed the Canadian Industry box office which was down by approximately 3.1%. Weaker film product during the quarter, combined with extreme weather conditions in several areas of the country, and our continued investment in new initiatives and increased promotional activity were the primary factors behind adjusted EBITDA decreasing 2.6% to $30.9 million in the first quarter. While we don't control the quality of film product or the weather, in areas within our control, we set new first quarter records for BPP of $9.04 and CPP of $5.05 – the latter setting a new all-time record.

During the quarter, we opened our newest VIP Cinemas at our flagship *Cineplex Cinemas Queensway* location and we are very pleased with its performance. VIP Cinemas are a popular, premium, adults-only, entertainment experience available exclusively at Cineplex. We plan to open more VIP Cinemas within the next few years, including our latest location at *Cineplex Cinemas Yonge-Dundas and VIP*, which opened in May, subsequent to quarter end. Later this year, we will open VIP Cinemas at Shops at Don Mills, in Toronto, and in Saskatoon, Markham, and Ottawa.

We were pleased to announce an expanded agreement with Scotiabank, who will be the presenting sponsor of our Cineplex VIP Cinemas as well as additional naming rights for Scotiabank Theatres in three locations. From naming rights of our flagship theatres to SCENE—the #1 entertainment loyalty program in Canada—and now with VIP Cinemas sponsorship, our continued partnership has resulted in great benefits for both organizations.

Also during the quarter, Cineplex Digital Networks announced a national partnership with Tim Hortons to install and program TimsTV – an in-restaurant television channel, showcasing Tim Hortons content in a creative, informative and entertaining manner. It will be broadcast to more than 2,200 existing Tim Hortons locations across Canada, and Cineplex Media will provide advertising sales for the network. Installations have begun and we will see revenue from the networks beginning in the latter half of 2014.

In other areas of the business, our SCENE loyalty program added 300,000 members to reach 5.6 million during the quarter, the Cineplex Mobile app has now been downloaded more than 9 million times, and our website, Cineplex.com, registered a 16% increase in unique visitors.

Cineplex's strong balance sheet, continued investment in the enhancement of the exhibition experience and the diversification of our business model positions us well for the future. We were also pleased to announce a 4.2% dividend increase to $1.50 per share on an annual basis from the current $1.44 per share. This increase will be effective with the May 2014 dividend which will be paid in June 2014.

On behalf of the board of directors and everyone at Cineplex, I'd like to thank you for your continued support of Cineplex.

Sincerely,

Ellis Jacob,
President and CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 7, 2014

Cineplex Inc. ("Cineplex") owns 100% of Cineplex Entertainment Limited Partnership (the "Partnership"). The following management's discussion and analysis ("MD&A") of Cineplex's 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, 2014.

MANAGEMENT'S DISCUSSION AND ANALYSIS CONTENTS

Non-GAAP Measures

Cineplex reports on certain non-GAAP measures that are used by management to evaluate performance of the Partnership and Cineplex. In addition, non-GAAP measures are used in measuring compliance with debt covenants. Because non-GAAP measures do not have standardized meanings, securities regulations require that non-GAAP measures be clearly defined and qualified, and reconciled to their nearest GAAP measure. The definition, calculation and reconciliation of non-GAAP measures are provided in Section 18, Non-GAAP measures.

Forward-Looking Statements

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

By their very nature, forward-looking statements involve inherent risks and uncertainties, including those described in Cineplex's Annual Information Form ("AIF") and in this MD&A. Those risks and uncertainties, both general and specific, give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements. Cineplex cautions readers not to place undue reliance on these statements, as a number of important factors, many of which are beyond Cineplex's control, could cause actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to, risks generally encountered in the relevant industry, competition, customer, legal, taxation and accounting matters.

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

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

1. OVERVIEW OF CINEPLEX

Cineplex Galaxy Income Fund (the "Fund") was formed on November 26, 2003. On January 1, 2011, the Fund effected a reorganization, converting to an Ontario corporation, Cineplex, for tax efficiency and business purposes. Cineplex is Canada's largest film exhibition operator with theatres in ten provinces.

Cineplex's theatre circuit is concentrated in major metropolitan and mid-sized markets. As of March 31, 2014, Cineplex owned, leased or had a joint venture interest in 1,632 screens in 161 theatres.

Cineplex Locations and screens at March 31, 2014 Province	Locations	Screens	Digtal 3D Screens	UltraAVX	IMAX Screens	VIP Auditoriums	DBOX Locations
Ontario	65	704	316	25	10	15	8
Quebec	22	260	96	9	2	4	6
British Columbia	23	215	107	11	3	8	3
Alberta	16	183	89	10	2	3	3
Nova Scotia	13	92	41	1	1	—	—
Saskatchewan	6	51	26	2	—	—	—
Manitoba	5	49	26	1	1	3	1
New Brunswick	6	45	22	1	—	—	—
Newfoundland & Labrador	3	20	9	—	1	—	—
Prince Edward Island	2	13	6	—	—	—	—
TOTALS	**161**	**1,632**	**738**	**60**	**20**	**33**	**21**
Percentage of screens			45%	4%	1%	2%	1%

Cineplex - Theatres, screens, and premium offerings in the last eight quarters	2014	2013				2012		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Theatres	161	161	136	136	136	134	133	130
Screens	1,632	1,630	1,454	1,454	1,455	1,449	1,438	1,359
3D Digital Screens	738	723	633	632	551	545	524	492
UltraAVX Screens	60	55	50	50	44	39	36	36
IMAX Screens	20	20	18	18	17	17	17	14
VIP Auditoriums	33	28	25	25	25	25	18	18
DBOX Locations	21	21	21	21	21	20	20	20
Percentage of 3D Screens	45%	44%	44%	43%	38%	38%	36%	36%

1.1 FINANCIAL HIGHLIGHTS

Financial highlights (in thousands of Canadian dollars, except attendance in thousands of patrons and per Share and per patron amounts)	First Quarter 2014	2013	Change (i)
Total revenues	$ 280,019	$ 248,070	12.9%
Attendance	17,272	16,191	6.7%
Net income	$ 5,071	$ 8,816	-42.5%
Box office revenues per patron ("BPP") (ii)	$ 9.04	$ 8.97	0.8%
Concession revenues per patron ("CPP") (ii)	$ 5.05	$ 4.69	7.7%
Adjusted EBITDA (ii)	$ 30,881	$ 31,690	-2.6%
Adjusted EBITDA margin (ii)	11.0%	12.8%	-1.8%
Adjusted free cash flow per common share of Cineplex ("Share") (ii)	$ 0.2921	$ 0.3838	-23.9%
Earnings per Share ("EPS") - basic	$ 0.08	$ 0.14	-42.9%
EPS - diluted	$ 0.08	$ 0.14	-42.9%

(i) Throughout this MD&A, changes in percentage amounts are calculated as 2014 value less 2013 value.
(ii) See Section 18, Non-GAAP measures.

Total revenues for the first quarter of 2014 increased 12.9%, or $31.9 million compared to the prior year period. This is largely as a result of the 24 theatres acquired from Empire Theatres Limited located in Atlantic Canada (the "Atlantic Theatres"), which contributed $19.2 million to revenues during the period. An additional $6.3 million in revenue arose from the acquisition of EK3 Technologies Inc., subsequently renamed Cineplex Digital

Networks ("CDN"), which was acquired by Cineplex in the third quarter of 2013. Both BPP and CPP were first quarter records for Cineplex, with the BPP of $9.04 and CPP of $5.05 exceeding the records of $8.97 and $4.69 set in the prior year period. The CPP of $5.05 is an all-time quarterly record for Cineplex, exceeding the $4.94 reported in the fourth quarter of 2013. Media revenues increased 49.3%, with the majority of the increase due to CDN. Despite the acquisition of the Atlantic Theatres, adjusted EBITDA decreased $0.8 million or 2.6% to $30.9 million, due to the impact of extreme weather conditions across certain parts of the country in the current period negatively impacting theatre attendance and the impact of certain films in the current period slate which did not find broad market appeal in Canada. Higher costs related to certain developing business initiatives also contributed to the adjusted EBITDA decrease. Adjusted free cash flow per Share was $0.2921, a $0.0917 decrease from $0.3838 in the prior year period.

1.2 KEY DEVELOPMENTS IN THE THREE MONTHS ENDED MARCH 31, 2014

The following describes certain key business initiatives undertaken and results achieved during the first quarter of 2014 in each of Cineplex's core business areas:

THEATRE EXHIBITION

- Reported first quarter box office revenues of $156.2 million, an increase of $11.1 million over the $145.2 million reported in the prior year period, primarily due to the impact of the Atlantic Theatres.
- BPP was $9.04 for the period, a first quarter record for Cineplex, $0.07 higher than the previous record set in the prior year period.
- Opened Cineplex's popular VIP Cinema concept at *Cineplex Cinemas Queensway and VIP*, which includes a licensed lounge and valet parking.

MERCHANDISING

- Reported first quarter food service revenues of $87.1 million, an increase of $11.3 million over the $75.9 million reported in the prior year period, primarily due to the impact of the Atlantic Theatres.
- CPP was $5.05 for the period, the first time Cineplex's CPP has exceeded $5.00 in a quarter, and $0.36 higher than the previous first quarter record of $4.69 set in 2013.
- Cineplex announced the acquisition of a 50% stake in YoYo's Yogurt Cafe ("YoYo's"), a London, Ontario-based self-serve frozen yogurt chain with stores throughout the province. Cineplex plans to open new YoYo's franchises in a number of new and existing theatres and standalone locations in the future.

MEDIA

- Reported first quarter Cineplex Media revenues of $16.0 million, which exceeded the prior year media revenues by $1.8 million (13.0%), with showtime and pre-show revenues accounting for the increase.
- Cineplex Digital Media revenues were $8.4 million, $6.2 million higher than the prior year period due to the acquisition of CDN in the third quarter of 2013, which contributed revenues of $6.3 million in the current period.
- CDN and Tim Hortons announced national launch plans for TimsTV, one of the largest digital programming networks in the Canadian restaurant and retail sectors: an in-restaurant television channel showcasing Tim Hortons content in a creative, informative and entertaining manner, broadcast to 2,200 existing Tim Hortons restaurants in Canada and most new Tim Hortons restaurants currently in development. Cineplex Media will be selling the advertising to be shown on the TimsTV circuit when the circuit is launched in the latter half of 2014.
- Cineplex and the Bank of Nova Scotia ("Scotiabank") announced an expanded sponsorship agreement, pursuant to which Scotiabank will be the presenting sponsor for Cineplex VIP Cinemas, as well as expanding naming rights for Scotiabank Theatres to three additional locations.
- Announced an expansion of Cineplex TimePlay as part of the pre-show to include 725 auditoriums across all ten provinces in Canada.

ALTERNATIVE PROGRAMMING

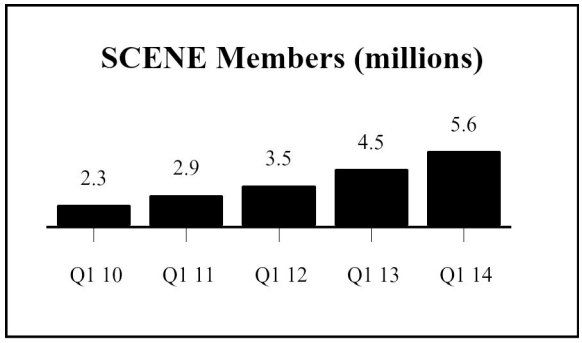
- Alternative programming in the first quarter of 2014 included strong performances from the Metropolitan Opera: Live in HD series, ethnic film programming, performances from the National Theatre in London, sports programming as well as the performance of *Moulin Rouge* performed by the Royal Winnipeg Ballet and broadcast at select Cineplex theatres across the country.

INTERACTIVE

- Cineplex.com registered a 7% increase in page views, a 16% increase in unique visitors and a 12% increase in visits during the first quarter of 2014 compared to the prior year period.
- At March 31, 2014, the Cineplex app had been downloaded 9 million times and recorded 274 million app sessions, ranking it as the 9th most popular mobile brand with a 14.8% penetration of the Canadian mobile market.

LOYALTY

- Membership in the SCENE loyalty program increased 0.3 million members in the period, reaching a membership of 5.6 million at March 31, 2014.



CORPORATE

- Cineplex teamed up with the Canadian Olympic Committee to support its #WeAreWinter Campaign to showcase and tell the stories of Canadian Olympians on Cineplex's screens across Canada. This new collaboration made Cineplex the Official Movie Partner of the Canadian Olympic Team.

1.3 BUSINESS ACQUISITIONS

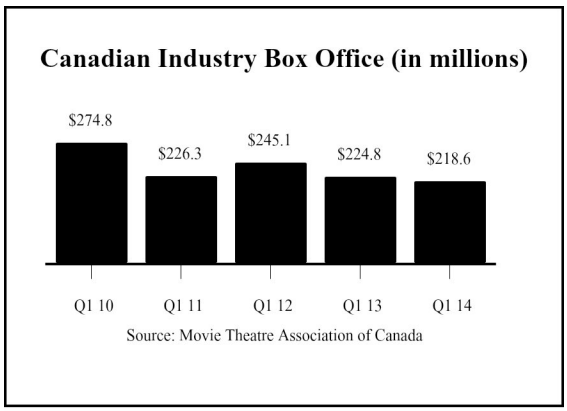
YoYo's Yogurt Cafe

On January 1, 2014, Cineplex completed the acquisition of a 50% stake in YoYo's. The purchase price for the 50% stake in YoYo's was $1.0 million. Cineplex's investment in YoYo's is classified as a joint venture under IFRS 11, with Cineplex's share of the results of operations of YoYo's reported in 'Share of income of joint ventures' in the consolidated statements of operations.

Cineplex recently opened a YoYo's at *Cineplex Cinemas Queensway and VIP* in Toronto, Ontario and the Pergola Commons development in Guelph, Ontario in 2013. Cineplex plans to open new YoYo's franchises in a number of new and existing theatres and standalone locations in the future.

2. THEATRE EXHIBITION INDUSTRY

The motion picture industry consists of three principal activities: production, distribution and exhibition. Production involves the development, financing and creation of feature-length motion pictures. Distribution involves the promotion and exploitation of motion pictures in a variety of different channels. Theatrical exhibition is the primary channel for new motion picture releases and is the core business function of Cineplex. A detailed discussion of the motion picture exhibition industry in Canada can be found in Cineplex's MD&A for the year ended December 31, 2013.



3. BUSINESS STRATEGY

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

- Continue to enhance and expand existing exhibition infrastructure and service offerings to attract new customers, increase the frequency of visits by existing customers and maximize revenue per patron;
- Capitalize on core media strengths to provide continued growth of Cineplex's media business, with its own assets and with external clients;
- Continue to expand Cineplex's brand presence as an entertainment destination for Canadians, providing in-theatre, at home and on-the-go experiences - Cineplex Anywhere; and
- Pursue selective acquisitions that are strategic, accretive and capitalize on Cineplex's core strengths.

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

While box office revenues (which include alternative programming) continue to account for the largest portion of Cineplex's revenues, expanded food service offerings, in-theatre and out-of-home advertising, gaming options provided through family entertainment centres ("FEC") and other stand-alone gaming options, promotions and other revenue streams have increased as a share of total revenues. The margins on these other revenue streams, particularly advertising, are much higher than on admission sales and have enhanced Cineplex's profitability. Cineplex is committed to diversifying its revenue streams outside of the traditional theatre exhibition model through pre-show, show time and digital out-of-home advertising sales through Cineplex Media, as well as further expansion of digital signage installations, network support and advertising sales through Cineplex Digital Media which includes the Cineplex digital lobby network as well as Cineplex Digital Solutions ("CDS") and CDN. Additionally, at home and on-the-go entertainment options are available through the Cineplex Store, Cineplex's online digital commerce platform, which sells DVDs, Blu-ray discs, download-to-own ("DTO") and video-on-demand ("VoD") movies online.

A detailed discussion of Cineplex's business strategy can be found in Cineplex's MD&A for the year ended December 31, 2013. That strategy has not changed materially during the first quarter of 2014.

4. OVERVIEW OF OPERATIONS

Revenues

Cineplex generates revenues primarily from box office and concession sales. These revenues are affected primarily by attendance levels and by changes in BPP and CPP. Box office revenue represented 55.8% of revenue in the first quarter of 2014 and continues to represent Cineplex's largest revenue component.

Revenue mix % by period	Q1 2014	Q1 2013	Q1 2012	Q1 2011	Q1 2010
Box office	**55.8%**	58.5%	60.0%	58.7%	62.2%
Food service	**31.1%**	30.6%	30.9%	29.4%	29.1%
Media	**8.7%**	6.6%	5.1%	8.1%	5.6%
Other	**4.4%**	4.3%	4.0%	3.8%	3.1%
Total	**100.0%**	100.0%	100.0%	100.0%	100.0%

A key component of Cineplex's business strategy is to position itself as the leading exhibitor in the Canadian market by focusing on providing customers with an exceptional entertainment experience. Cineplex's current share of the Canadian theatre exhibition market is approximately 77% based on Canadian industry box office revenues. As a result of Cineplex's focus on diversifying the business beyond the traditional movie exhibition model, the revenue mix has shifted from box office revenue to other revenue sources. This revenue source typically provides a higher incremental contribution margin than traditional exhibition revenues.

The commercial appeal of the films and alternative content released during a given period, and the success of marketing as well as promotion for those films by film studios, distributors and content providers all drive attendance. BPP is affected by the mix of film and alternative content product that appeals to certain audiences (such as children or seniors who pay lower ticket prices), the surcharge related to 3D film and other enhanced product offerings, ticket prices during a given period and the appeal of premium priced product available. While BPP is negatively impacted by the SCENE loyalty program and the Cineplex Tuesdays program, these programs are designed to increase attendance frequency at Cineplex's theatres. Cineplex's main focus is to drive incremental visits to theatres, to employ a ticket price strategy which takes into account the local demographics at each individual theatre, and to maximize BPP through premium offerings.

Food service revenues are comprised primarily of concession revenues, arising from food sales at theatre locations. CPP represents concession revenues divided by theatre attendance, and is impacted by concession product mix, concession prices, film genre, promotions, the 10% SCENE discount and the issuance of SCENE points on the purchase of certain concession combos. Film product targeted to families and teenagers tends to result in a higher CPP and more adult-oriented product tends to result in a lower CPP. As a result, CPP can fluctuate from quarter to quarter depending on the genre of film product playing. The 10% SCENE discount offer and SCENE points issued on concession purchases both decrease concession revenue on individual purchases. However, Cineplex believes the program drives incremental attendance and purchase incidence, increasing overall revenues. Although pricing has an impact on CPP, Cineplex focuses on growing CPP by optimizing the product offerings and improving operational excellence to increase purchase incidence and transaction value.

Cineplex's media revenues are generated through Cineplex Media and Cineplex Digital Media. Cineplex Media sells pre-show and showtime advertising in Cineplex's theatres as well as other circuits through representation sales agreements, magazine advertising for *Cineplex Magazine* and *Le Magazine Cineplex,* digital advertising for cineplex.com and the Cineplex mobile app and special media placements throughout Cineplex's circuit. Cineplex Digital Media designs, installs, maintains and operates digital signage networks through both CDS

and CDN, as well as selling digital out-of-home advertising on certain of these networks as well as on Cineplex's digital lobby network.

Games revenues include Cineplex's XSCAPE entertainment centres and game rooms in theatres. Cineplex also generates adjusted EBITDA from its 50% share of Cineplex Starburst Inc. ("CSI"). CSI supplies and services all of the games in Cineplex's circuit while also supplying equipment to third party arcades, amusement parks and centres, bowling alleys and theatre circuits, in addition to owning and operating *Playdium*, a family entertainment centre located in Mississauga, Ontario.

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

Cost of Sales and Expenses

Film cost represents the film rental fees paid to distributors on films exhibited in Cineplex theatres. Film costs are calculated as a percentage of box office revenue and are dependent on various factors including the performance of the film. Film costs are accrued on the related box office receipts at either mutually agreed-upon terms established prior to the opening of the film, or estimated terms where a mutually agreed settlement is reached upon conclusion of the film's run, depending upon the film licensing arrangement. Although the film cost percentage is relatively stable when reviewed on an annual basis, there can be significant variances throughout the quarters based on the actual results versus the expected results for specific films playing during each quarter.

Food service cost represents the cost of concession items and other food service items sold and varies with changes in concession and other food service revenues as well as the quantity and mix of concession and other food service offerings sold. Generally, during periods where the food service sales mix shifts more to core concession products (soft drinks, popcorn and candy), the concession cost percentage tends to be lower than during periods with higher proportional sales through Cineplex's retail branded outlets. The 10% discount offered to members of the SCENE loyalty program affects the concession cost percentage, as food service revenues relating to these sales are reduced by 10% while the corresponding cost remains constant.

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

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

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

Theatre occupancy expenses include lease related expenses, property and business related taxes and insurance. Lease expenses are primarily a fixed cost at the theatre level because Cineplex's theatre leases generally require a fixed monthly minimum rent payment. However, a number of Cineplex's theatre leases also include a percentage rent clause whereby the landlord is paid an additional amount of rent based either in part or wholly upon box office revenues.

Other operating expenses consist of fixed and variable expenses, with the largest component being theatre salaries and wages. Although theatre salaries and wages include a fixed cost component, these expenses vary in relation to revenues as theatre staffing levels are adjusted to handle fluctuations in attendance. Other components of this category include marketing and advertising, media, loyalty including SCENE, interactive, gaming, supplies and services, utilities and maintenance.

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

Accounting for Joint Arrangements

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

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

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

5. RESULTS OF OPERATIONS

5.1 SELECTED FINANCIAL DATA

The following table presents summarized financial data for Cineplex for the three months ended March 31, 2014 and 2013 (expressed in thousands of Canadian dollars except Shares outstanding, per Share data, and per patron data, unless otherwise noted):

	Three months ended March 31, 2014	Three months ended March 31, 2013	Variance
Box office revenues	$ 156,225	$ 145,165	7.6%
Food service revenues	87,143	75,879	14.8%
Media revenues	24,355	16,310	49.3%
Other revenues	12,296	10,716	14.7%
Total revenues	280,019	248,070	12.9%
Film cost	80,458	73,389	9.6%
Cost of food service	18,881	16,274	16.0%
Depreciation and amortization	18,668	17,298	7.9%
(Gain) loss on disposal of assets	(56)	1,062	NM
Other costs (a)	150,446	127,533	18.0%
Costs of operations	268,397	235,556	13.9%
Net income	$ 5,071	$ 8,816	-42.5%
Adjusted EBITDA (i)	$ 30,881	$ 31,690	-2.6%
(a) Other costs include:			
Theatre occupancy expenses	51,024	46,558	9.6%
Other operating expenses	84,211	64,468	30.6%
General and administrative expenses	15,211	16,507	-7.9%
Total other costs	$ 150,446	$ 127,533	18.0%
Basic EPS	$ 0.08	$ 0.14	-42.9%
Diluted EPS	$ 0.08	$ 0.14	-42.9%
Total assets	$ 1,517,163	$ 1,264,915	19.9%
Total long-term financial liabilities (ii)	$ 367,500	$ 165,000	122.7%
Shares outstanding at period end	62,963,905	62,844,158	0.2%
Cash dividends declared per Share	$ 0.3600	$ 0.3375	6.7%
Adjusted free cash flow per Share (i)	$ 0.2921	$ 0.3838	-23.9%
Box office revenue per patron (i)	$ 9.04	$ 8.97	0.8%
Concession revenue per patron (i)	$ 5.05	$ 4.69	7.7%
Film cost as a percentage of box office revenue	51.5%	50.6%	0.9%
Attendance (in thousands of patrons) (i)	17,272	16,191	6.7%
Theatre locations (at period end)	161	136	18.4%
Theatre screens (at period end)	1,632	1,455	12.2%

(i) See Section 18, Non-GAAP measures, for the definitions of non-GAAP measures reported by Cineplex.
(ii) Comprised of the principal components of long-term debt and convertible debentures. Excludes Share-based compensation, fair value of interest rate swap agreements, financing lease obligations, post-employment benefit obligations, other liabilities and deferred financing fees net against long-term debt and convertible debentures.

5.2 OPERATING RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2014

Total revenues

Total revenues for the three months ended March 31, 2014 increased $31.9 million (12.9%) to $280.0 million as compared to the prior year period. A discussion of the factors affecting the changes in box office, food service, media and other revenues for the period is provided below.

Non-GAAP measures discussed throughout this MD&A, including adjusted EBITDA, adjusted free cash flow, attendance, BPP, premium priced product, same store metrics, CPP, film cost percentage, food service cost percentage and concession margin per patron are defined and discussed in Section 18, Non-GAAP measures.

Box office revenues

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

Box office revenues	First Quarter		
	2014	2013	Change
Box office revenues	$ 156,225	$ 145,165	7.6%
Attendance (i)	17,272	16,191	6.7%
Box office revenue per patron (i)	$ 9.04	$ 8.97	0.8%
BPP excluding premium priced product (i)	$ 8.20	$ 8.19	0.1%
Canadian industry revenues (ii)			-3.1%
Same store box office revenues (i)	$ 142,248	$ 143,398	-0.8%
Same store attendance (i)	15,567	15,996	-2.7%
% Total box from premium priced product (i)	38.3%	35.5%	2.8%

(i) See Section 18, Non-GAAP measures.

(ii) The Movie Theatre Association of Canada reported that the Canadian exhibition industry reported a box office revenue decrease of 2.7% for the period from January 3, 2014 to April 3, 2014 as compared to the period from January 4, 2013 to April 4, 2013. On a basis consistent with Cineplex's calendar reporting period (January 1 to March 31), the Canadian industry box office revenue change is estimated to be a decrease of 3.1%.

Box office continuity	First Quarter	
	Box Office	Attendance
2013 as reported	$ 145,165	16,191
Same store attendance change	(3,849)	(429)
Impact of same store BPP change	2,699	—
New and acquired theatres (i)	13,785	1,686
Disposed and closed theatres (i)	(1,575)	(176)
2014 as reported	$ 156,225	17,272

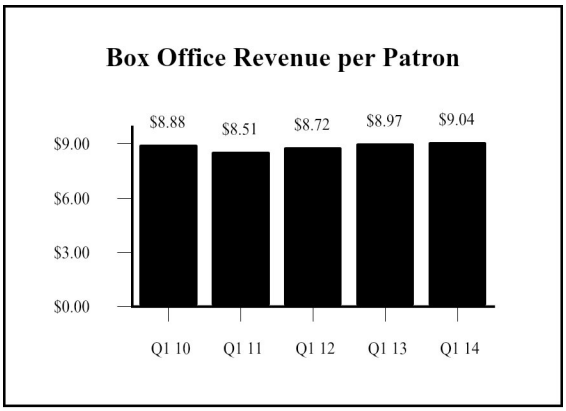
(i) See Section 18, Non-GAAP measures. Represents theatres opened, acquired, disposed or closed subsequent to the start of the prior year comparative period.

First Quarter

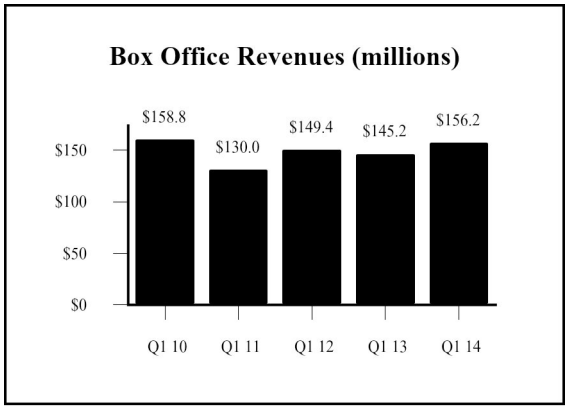
	First Quarter 2014 Top Cineplex Films	3D	% Box		First Quarter 2013 Top Cineplex Films	3D	% Box
1	The Lego Movie	✓	12.8%	1	Oz: The Great and Powerful	✓	6.8%
2	Frozen	✓	5.8%	2	The Hobbit: An Unexpected Journey	✓	6.0%
3	300: Rise of an Empire	✓	5.1%	3	Identity Thief		5.9%
4	The Wolf of Wall Street		5.0%	4	Django Unchained		5.1%
5	The Hobbit: The Desolation of Smaug	✓	4.7%	5	Jack the Giant Slayer	✓	4.0%

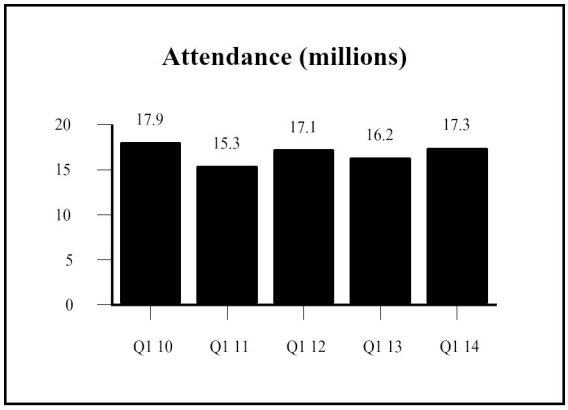
Box office revenues increased $11.1 million, or 7.6%, to $156.2 million during the first quarter of 2014, compared to $145.2 million recorded in the same period in 2013. The increase was due to the impact of the Atlantic

Theatres, which contributed $10.8 million to box office revenues during the period, net of a 0.8% decrease in same store box office revenues due to a 2.7% decrease in same store attendance as compared to the prior year period. The Canadian industry under performed as compared to the US industry in the period, as certain films in the current period slate performed stronger in certain regions of the US market than they did in Canada. Also impacting Cineplex's box office revenues was the impact of extreme weather conditions in certain areas of the country in the period, particularly in the Atlantic provinces, where theatre closures, power outages and poor driving conditions deterred guests from visiting the theatres.



BPP for the three months ended March 31, 2014 was $9.04, a $0.07 increase from the prior year period. The increase in BPP was due to the impact of premium priced product, which accounted for 38.3% of box office revenues in the current period, compared to 35.5% in the prior year period. The increase in the percentage of box office revenues from premium priced product was positively impacted by additional installations of UltraAVX, 3D, IMAX and VIP screens since March 31, 2013. The film slate in the current period had four of the top five films screened in 3D, as compared to three in 3D in the prior year period. Cineplex continues to invest in premium priced formats including 3D, UltraAVX, IMAX and VIP thereby positioning itself to benefit from the premiums charged for these offerings. The strong performance of Cineplex's premium-priced product resulted in Cineplex's same-store results declining less than the Canadian industry in the period, with the industry estimated to be down 3.1% in the period compared to Cineplex's same-store decline of 0.8%.





Food service revenues

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

Food service revenues	First Quarter		
	2014	2013	Change
Food service revenues	$ 87,143	$ 75,879	14.8%
Attendance (i)	17,272	16,191	6.7%
CPP (i)	$ 5.05	$ 4.69	7.7%
Same store food service revenues (i)	$ 78,214	$ 75,248	3.9%
Same store attendance (i)	15,567	15,996	-2.7%

(i) See Section 18, Non-GAAP Measures.

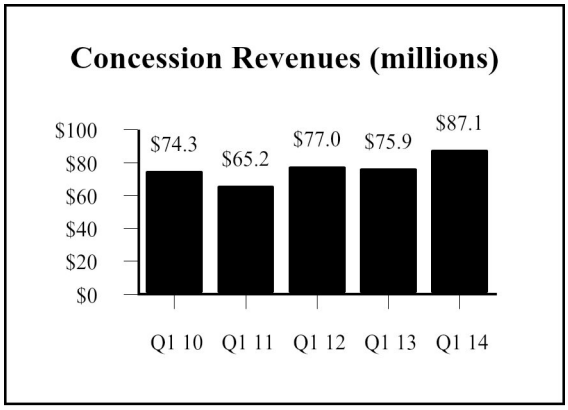
Food service revenue continuity	First Quarter	
	Food Service	Attendance
2013 as reported	$ 75,879	16,191
Same store attendance change	(2,020)	(429)
Impact of same store CPP change	4,986	—
New and acquired theatres (i)	8,877	1,686
Disposed and closed theatres (i)	(579)	(176)
2014 as reported	$ 87,143	17,272

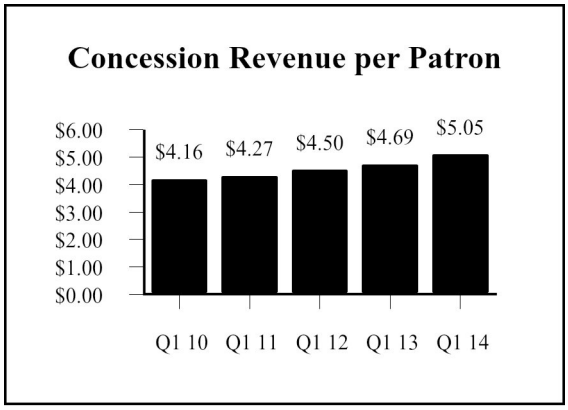
(i) See Section 18, Non-GAAP measures. Represents theatres opened, acquired, disposed or closed subsequent to the start of the prior year comparative period.

First Quarter

Food service revenues are comprised primarily of concession revenues, which includes food sales at theatre locations as well as non-theatre locations. Food service revenues increased $11.3 million, or 14.8% as compared to the prior year period primarily due to the acquisition of the Atlantic Theatres, which contributed $7.5 million to food service revenues in the period, and the CPP increase from $4.69 in the first quarter of 2013 to $5.05 in the same period in 2014, a 7.7% increase and a quarterly record for Cineplex. Higher average transaction values led to the higher revenues in the period, as expanded offerings outside of core food service products are driving a higher average order value. Despite a decline in same-store attendance of 2.7% in the period compared to the prior year period, same store food service revenues increased 3.9% due to the record CPP.

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





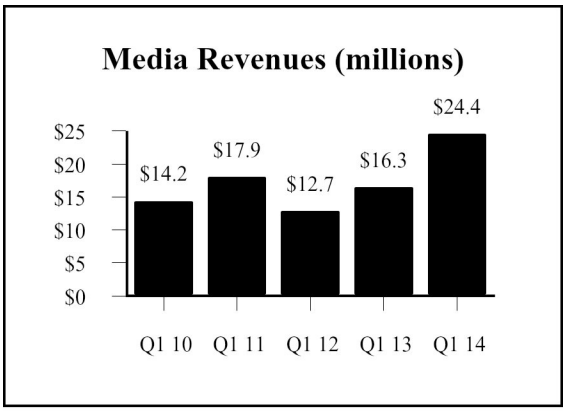
Media revenues

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

Media revenues	First Quarter		
	2014	2013	Change
Cineplex Media	$ 15,951	$ 14,112	13.0%
Cineplex Digital Media	8,404	2,198	282.3%
Total	$ 24,355	$ 16,310	49.3%

Media revenues increased 49.3% to $24.4 million in the first quarter of 2014 compared to the prior year period. This increase was primarily due to higher Cineplex Digital Media revenues, up $6.2 million as compared to the prior year period due to the inclusion of CDN's revenues of $6.3 million. During the period, CDN and Tim Hortons announced national launch plans for TimsTV, which is expected to be deployed in the latter half of 2014.

Cineplex Media revenues exceeded the prior year period by $1.8 million primarily due to higher showtime and pre-show revenues. While Cineplex sold pre-show and showtime advertising for the Atlantic Theatres prior to their acquisition, the acquisition benefited the current period results as Cineplex now retains 100% of the media revenue where previously only a share was retained.



Other revenues

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

Other revenues	First Quarter		
	2014	2013	Change
Games	$ 1,878	$ 2,103	-10.7%
Other	10,418	8,613	21.0%
Total other revenues	$ 12,296	$ 10,716	14.7%

First Quarter

Other revenues include gaming revenues as well as revenues from the Cineplex Store, promotional activities, screenings, private parties, corporate events, breakage on gift card and voucher sales, revenues from in-theatre guest service initiatives and management fees. Games revenues do not include Cineplex's 50% share of results of CSI, which are included in "Share of income of joint ventures".

Other revenues increased 14.7% to $12.3 million in the first quarter of 2014 compared to the prior year period. This increase was primarily due to additional revenues arising from enhanced guest service initiatives and new business initiatives, partially offset by a decrease of $0.2 million in games revenues. The net games revenue decrease is due to a life-to-date one-time increase to games revenues in the 2013 period of $0.5 million arising from a change in accounting policy regarding the recognition of revenue on the sale of XSCAPE gaming cards. Excluding this one-time amount, games revenues increased $0.3 million in the 2014 period compared to the same period in 2013.

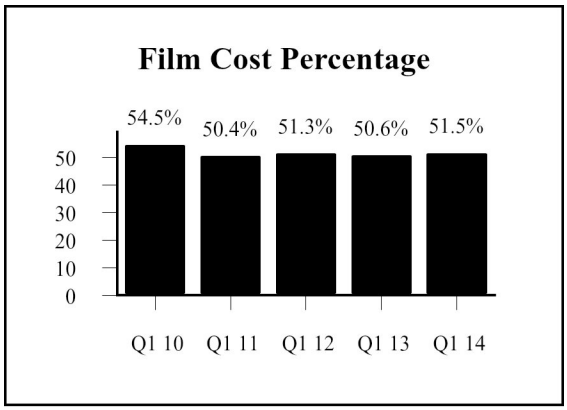
Film cost

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

Film cost	First Quarter		
	2014	2013	Change
Film cost	$ 80,458	$ 73,389	9.6 %
Film cost percentage (i)	51.5 %	50.6 %	0.9 %
(i) See Section 18, Non-GAAP Measures.			

First Quarter

Film cost varies primarily with box office revenue, and can vary from quarter to quarter based on the relative strength of the titles exhibited during the period. The increase in the first quarter of 2014 compared to the prior year period was due to the increase in box office revenue and the impact of the 0.9% increase in film cost percentage. The increase in film cost percentage is primarily due to the settlement rate on the top films during the first quarter of 2014 being higher than the average film settlement rate in the 2013 period.



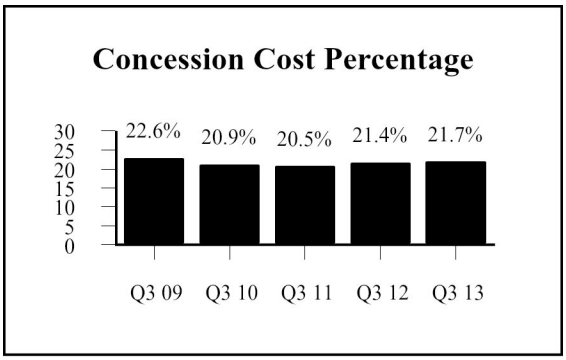
Cost of food service

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

Cost of food service	First Quarter		
	2014	2013	Change
Cost of food service	$ 18,881	$ 16,274	16.0%
Concession cost percentage (i)	21.7%	21.4%	0.3%
Concession margin per patron (i)	$ 3.95	$ 3.68	7.3%
(i) See Section 18, Non-GAAP Measures			

First Quarter

Cost of food service varies primarily with theatre attendance as well as the quantity and mix of offerings sold. The increase in the cost of food service as compared to the prior year period was due to the higher food service revenues and the 0.3% increase in the concession cost percentage during the period. The concession margin per patron increased from $3.68 in the first quarter of 2013 to $3.95 in the same period in 2014, reflecting the impact of the higher CPP during the period.



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

Depreciation and amortization

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

Depreciation and amortization expenses	First Quarter		
	2014	2013	Change
Depreciation of property, equipment and leaseholds	$ 16,830	$ 13,779	22.1%
Amortization of intangible assets and other	1,838	3,519	-47.8%
Depreciation and amortization expenses as reported	$ 18,668	$ 17,298	7.9%

The quarterly increase in depreciation of property, equipment and leaseholds of $3.1 million is primarily due to the impact of equipment and leasehold improvements relating to assets acquired through acquisitions and new theatre construction.

The decrease in amortization of intangible assets and other in the first quarter of 2014 compared to the prior year periods is due to the amortization of certain trade name assets included in the prior year period that were phased out by Cineplex at the end of 2013. These assets were previously classified as indefinite life assets however during the fourth quarter of 2012 their classification was changed to finite life with amortization recorded through December 31, 2013. The 2014 period includes intangible amortization relating to customer relationships and internally developed software acquired as part of the acquisition of CDN which closed during the third quarter of 2013.

(Gain) loss on disposal of assets

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

(Gain) loss on disposal of assets	First Quarter		
	2014	2013	Change
(Gain) loss on disposal of assets	$ (56)	$ 1,062	NM

During the first quarter of 2014, Cineplex recorded a gain of $0.1 million on the disposal of assets that were sold or otherwise disposed (2012 - loss of $1.1 million on certain assets that were sold or otherwise disposed of). The current period gain is due to the sale of land that was previously a drive-in theatre which resulted in a gain of $0.6 million, partially offset by losses on certain assets that were sold or otherwise disposed of.

Other costs

Other costs include three main sub-categories of expenses, including theatre occupancy expenses, which capture the rent and associated occupancy costs for Cineplex's various operations; other operating expenses, which include the costs related to running Cineplex's theatres and ancillary businesses; and general and administrative expenses, which includes costs related to managing Cineplex's operations, including the 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 Canadian dollars):

Other costs	First Quarter		
	2014	2013	Change
Theatre occupancy expenses	$ 51,024	$ 46,558	9.6%
Other operating expenses	84,211	64,468	30.6%
General and administrative expenses	15,211	16,507	-7.9%
Total other costs	$ 150,446	$ 127,533	18.0%

Theatre occupancy expenses

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

Theatre occupancy expenses	First Quarter		
	2014	2013	Change
Rent	$ 33,508	$ 31,099	7.7%
Other occupancy	17,793	16,447	8.2%
One-time items (i)	(277)	(988)	-72.0%
Total	$ 51,024	$ 46,558	9.6%

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

Theatre occupancy continuity	First Quarter Occupancy
2013 as reported	$ 46,558
Impact of new and acquired theatres	3,939
Impact of disposed theatres	(479)
Same store rent change (i)	518
One-time items	711
Other	(223)
2014 as reported	$ 51,024
(i) See Section 18, Non-GAAP Measures	

First Quarter

Theatre occupancy expenses increased $4.5 million during the first quarter of 2014 compared to the prior year period. This increase was primarily due to the impact of new and acquired theatres net of disposed theatres ($3.5 million, of which $3.1 million relates to the Atlantic Theatres). The remaining increase was due to higher same store rent expenses due to rent increases as certain theatre properties and the impact of one-time items.

Other operating expenses

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

Other operating expenses	First Quarter		
	2014	2013	Change
Theatre payroll	$ 32,353	$ 28,016	15.5%
Media	12,410	5,660	119.3%
Other	39,448	30,792	28.1%
Other operating expenses	$ 84,211	$ 64,468	30.6%

Other operating continuity	First Quarter Other Operating
2013 as reported	$ 64,468
Impact of new and acquired theatres	6,863
Impact of disposed theatres	(509)
Same store payroll change (i)	1,385
Marketing change	1,179
Media acquisitions	6,645
Media change, excluding media acquisitions	105
New business initiatives change	2,752
Other	1,323
2014 as reported	$ 84,211
(i) See Section 18, Non-GAAP Measures	

First Quarter

Other operating expenses during the first quarter of 2014 increased $19.7 million or 30.6% compared to the prior year period. The major components of the increase were the impact of CDN which was acquired in the third quarter of 2013 ($6.6 million), the impact of new and acquired theatres net of disposed theatres ($6.4 million), developing business initiatives including the Cineplex Store ($2.8 million), higher same-store payroll costs ($1.4 million) due to in part to minimum wage increases, higher marketing costs ($1.2 million) due to advertising initiatives undertaken as part of Cineplex's partnership with the Canadian Olympic Committee, and other expenses ($1.4 million, discussed below).

The major movements in the Other category include the following:

- Higher same-store utility costs ($0.7 million) due in part to the cold temperatures across parts of the country during the period;
- The increase in 3D attendance due to stronger 3D product and the additional 187 3D screens added since March 31, 2013 resulted in higher 3D royalty costs ($0.2 million) as well as contributing to the higher cost of projector bulbs ($0.3 million) as 3D features require bulbs with higher output which significantly reduces the life of the bulbs; and
- Higher credit card service fees due to higher sales volumes ($0.3 million).

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 Canadian dollars):

G&A expenses	First Quarter		
	2014	2013	Change
G&A excluding LTIP and option plan expense	$ 13,729	$ 12,739	7.8%
LTIP (i)	1,079	3,360	-67.9%
Option plan	403	408	-1.2%
G&A expenses as reported	$ 15,211	$ 16,507	-7.9%

(i) LTIP includes the expense for the LTIP program as well as the expense for the executive and Board deferred share unit plans.

First Quarter

G&A expenses decreased $1.3 million during the first quarter of 2014 compared to the prior year period due to a $2.3 million decrease in LTIP expense partially offset by higher head office payroll and higher professional fees. The LTIP decrease is due in part to Cineplex's Share price decreasing from $44.06 at December 31, 2013 to $42.07 at March 31, 2014 compared to an increase from $31.83 at December 31, 2013 to $34.48 at March 31, 2013. G&A excluding LTIP and option plan expense increased $1.0 million, primarily due to a $0.6 million increase in head office payroll due to developing business initiatives and a $0.2 million increase in professional fees relating to certain business initiatives.

Share of income of joint ventures

Cineplex's joint ventures in the 2014 period include its 78.2% interest in CDCP, 50% interest in CSI, 50% interest in one theatre in Quebec, 50% interest in one IMAX screen in Ontario and 50% interest in YoYo's. For the 2013 period, Cineplex's joint ventures included its 78.2% interest in CDCP, 50% interest in CSI, 50% interest in one theatre in Quebec and 50% interest in one IMAX screen in Ontario. The following table highlights the components of share of income of joint ventures during the quarter (in thousands of Canadian dollars):

Share of income of joint ventures	**First Quarter**		
	2014	**2013**	**Change**
Share of loss (income) of CDCP	$ 55	$ (333)	NM
Share of (income) of CSI	(163)	(251)	-35.1%
Share of loss of other joint ventures	53	43	23.3%
Total (income) of joint ventures	$ (55)	$ (541)	-89.8%

First Quarter

The decrease from income of $0.5 million in the first quarter of 2013 to income of $0.1 million in the current period is due to a $0.4 million movement in CDCP from income of $0.3 million to a loss of $0.1 million, with the decrease due in part to certain films during the period staying on screens for extended periods which decreases the virtual print fee revenues earned by CDCP.

Interest expense

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

Interest expense	**First Quarter**		
	2014	**2013**	**Change**
Long-term debt interest expense	$ 2,011	$ 1,498	34.2%
Convertible debenture interest expense	1,193	—	NM
Finance lease interest expense	362	412	-12.1%
Sub-total - cash interest expense	$ 3,566	$ 1,910	86.7%
Deferred financing fee accretion and other non-cash interest	1,164	141	725.5%
Convertible debenture accretion	471	—	NM
Interest rate swap - non-cash	16	(335)	NM
Sub-total - non-cash interest expense	1,651	(194)	NM
Total interest expense	$ 5,217	$ 1,716	204.0%

Interest expense increased $3.5 million for the quarter compared to the prior year, as cash interest increased $1.7 million due to increased borrowings and the issuance of convertible debentures in the fourth quarter of 2013 to fund the acquisition of CDN and the Atlantic Theatres. Non-cash interest increased primarily due to the accretion of the earn-out payment for the CDN acquisition and the accretion of the convertible debentures.

Interest income

Interest income during the first quarter of 2014 was comparable to the prior year period (in thousands of Canadian dollars):

Interest income	First Quarter		
	2014	2013	Change
Interest income	$ 70	$ 78	-10.3%

Income taxes

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

Income taxes	First Quarter		
	2014	2013	Change
Current income tax expense	$ 370	$ (727)	NM
Deferred income tax expense	$ 1,089	$ 3,328	(67.3)%

Taxable income earned by Cineplex during 2013 was offset by the use of loss carryforwards acquired through Cineplex's acquisition of AMC Ventures Inc. in 2012. As a result of the $147.0 million of non-capital losses acquired in this transaction, Cineplex's cash income taxes in 2013 were substantially reduced. Based on estimated 2013 taxable income for the year ended December 31, 2013, approximately $43.2 million of non-capital losses remain and are expected to be used to reduce taxable income in 2014. As a result of reducing taxable income through losses, Cineplex is subject to minimum tax in certain jurisdictions which may be credited against income taxes payable on taxable income earned in periods after the losses have been fully used. Those credits, totalling $1.9 million through December 31, 2013, have been recorded as deferred income tax assets and a reduction of deferred income tax expense.

Cineplex's blended federal and provincial statutory tax rate at March 31, 2014 was 26.3% (March 31, 2013 - 26.2%).

Net income

For the three months ended March 31, 2014, Cineplex reported net income of $5.1 million (2013 – $8.8 million) (in thousands of Canadian dollars):

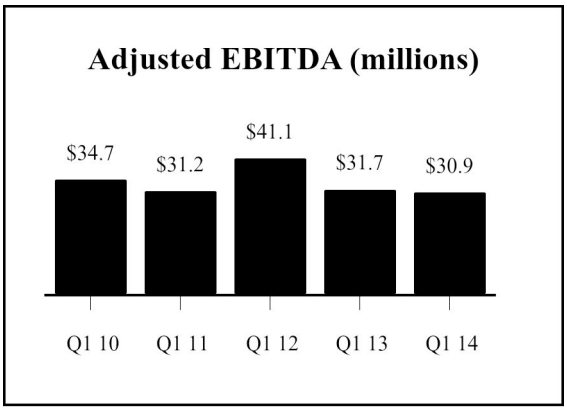
Net income	First Quarter		
	2014	2013	Change
Net income	$ 5,071	$ 8,816	-42.5%

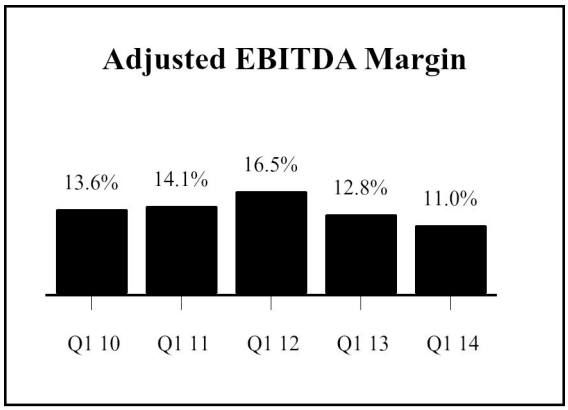
5.3 EARNINGS BEFORE INTEREST, INCOME TAXES, DEPRECIATION AND AMORTIZATION ("EBITDA") (see Section 18, Non-GAAP measures)

The following table presents EBITDA and adjusted EBITDA for the three months ended March 31, 2014 as compared to the three months ended March 31, 2013 (expressed in thousands of Canadian dollars, except adjusted EBITDA margin):

EBITDA	First Quarter		
	2014	2013	Change
EBITDA	$ 30,345	$ 30,353	—%
Adjusted EBITDA	$ 30,881	$ 31,690	-2.6%
Adjusted EBITDA margin	11.0%	12.8%	-1.8%

Adjusted EBITDA for the first quarter of 2014 decreased $0.8 million, or 2.6%, as compared to the prior year period. The decrease as compared to the prior year period was primarily due higher costs relating to acquisitions and Cineplex's new business initiatives, including CDN and the Cineplex Store. Adjusted EBITDA margin, calculated as adjusted EBITDA divided by total revenues, was 11.0% in the current period, down from 12.8% in the prior year period.





6. BALANCE SHEETS

The following sets out significant changes to Cineplex's consolidated balance sheets during the three months ended March 31, 2014 (in thousands of Canadian dollars):

	March 31, 2014	December 31, 2013	Change ($)	Change (%)
Assets				
Current assets				
Cash and cash equivalents	$ 10,359	$ 44,140	$ (33,781)	-76.5%
Trade and other receivables	45,471	100,891	(55,420)	-54.9%
Inventories	6,237	7,234	(997)	-13.8%
Prepaid expenses and other current assets	10,482	6,838	3,644	53.3%
	72,549	159,103	(86,554)	-54.4%
Non-current assets				
Property, equipment and leaseholds	472,698	459,112	13,586	3.0%
Deferred income taxes	16,697	17,635	(938)	-5.3%
Fair value of interest rate swap agreements	291	92	199	216.3%
Interests in joint ventures	45,689	44,359	1,330	3.0%
Intangible assets	111,763	113,601	(1,838)	-1.6%
Goodwill	797,476	797,476	—	—%
	$ 1,517,163	$ 1,591,378	$ (74,215)	-4.7%
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	$ 96,534	$ 157,333	$ (60,799)	-38.6%
Share-based compensation	6,100	12,151	(6,051)	-49.8%
Dividends payable	7,556	7,552	4	0.1%
Income taxes payable	1,808	2,656	(848)	-31.9%
Deferred revenue	109,866	136,373	(26,507)	-19.4%
Finance lease obligations	2,459	2,394	65	2.7%
Fair value of interest rate swap agreements	1,075	635	440	69.3%
	225,398	319,094	(93,696)	-29.4%
Non-current liabilities				
Share-based compensation	10,971	15,622	(4,651)	-29.8%
Long-term debt	257,297	217,151	40,146	18.5%
Fair value of interest rate swap agreements	328	—	328	NM
Finance lease obligations	17,066	17,722	(656)	-3.7%
Post-employment benefit obligations	6,461	6,522	(61)	-0.9%
Other liabilities	171,640	170,125	1,515	0.9%
Convertible debentures	97,341	96,870	471	0.5%
	786,502	843,106	(56,604)	-6.7%
Equity	730,661	748,272	(17,611)	-2.4%
	$ 1,517,163	$ 1,591,378	$ (74,215)	-4.7%

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 2013 holiday period. December represents the highest volume month for gift card and voucher sales and is one of the strongest months for media sales during the year.

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

Property, equipment and leaseholds. The increase in property, equipment and leaseholds is due to new build and other capital expenditures ($24.7 million) and maintenance capital expenditures ($7.0 million), offset by amortization expenses ($16.8 million) and asset dispositions ($1.3 million).

Accounts payable and accrued expenses. The decrease in accounts payable and accrued expenses primarily relates to the settlement of year-end liabilities relating to higher business volumes during the 2013 holiday period as compared to the first quarter of 2014.

Share-based compensation. The decrease in share-based compensation is due in part to the payment of the 2011 LTIP, which vested in the first quarter of 2014.

Deferred revenue. Deferred revenue decreased primarily due to the redemption of gift cards and vouchers sold during the 2013 holiday season being higher than the sale of gift cards and vouchers in the first quarter of 2014.

Long-term debt. The increase in long-term debt primarily relates to borrowings under the Revolving Facility (defined and discussed in Section 7.4, Credit Facilities) and the deferred financing fee amortization recognized in the period.

7. LIQUIDITY AND CAPITAL RESOURCES

7.1 OPERATING ACTIVITIES

Cash flow is generated primarily from the sale of admission tickets, concession sales, media sales and services and other revenues. Generally, this provides Cineplex with positive working capital, since cash revenues are normally collected in advance of the payment of certain expenses. Box office revenues are directly related to the success and appeal of the film product produced and distributed by the studios. The following table highlights the movements in cash from operating activities for the three months ended March 31, 2014 and 2013 (in thousands of Canadian dollars):

Cash flows used in operating activities	**First Quarter**		
	2014	**2013**	**Change**
Net income	$ 5,071	$ 8,816	$ (3,745)
Adjustments to reconcile net income to net cash used in operating activities:			
Non-cash amortization amounts (i)	18,432	15,870	2,562
(Gain) loss on disposal of assets	(56)	1,062	(1,118)
Deferred income taxes	1,089	3,328	(2,239)
Interest rate swap agreements - non-cash interest	16	(335)	351
Non-cash Share-based compensation	403	656	(253)
Accretion of convertible debentures	471	—	471
Net change in interests in joint ventures	(380)	(708)	328
Tenant inducements	2,842	2,957	(115)
Changes in operating assets and liabilities	(46,405)	(38,443)	(7,962)
Net cash used in operating activities	**$(18,517)**	**$ (6,797)**	**$(11,720)**

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

First Quarter

Cash used in operating activities increased $11.7 million in the first quarter of 2014 compared to the prior year period primarily due to the $3.7 million decrease in net income and the movement in operating assets and liabilities, which included a payment on the vesting of the 2011 LTIP.

7.2 INVESTING ACTIVITIES

The following table highlights the movements in cash used in investing activities for the three months ended March 31, 2014 and 2013 (in thousands of Canadian dollars):

Cash flows used in investing activities	First Quarter		
	2014	2013	Change
Proceeds from sale of assets	$ 404	$ —	$ 404
Purchases of property, equipment and leaseholds	(31,470)	(16,897)	(14,573)
Acquisition of businesses, net of cash acquired	(950)	(3,822)	2,872
Net cash invested in joint ventures	—	(146)	146
Net cash used in investing activities	**$ (32,016)**	**$ (20,865)**	**$ (11,151)**

Cash used in investing activities during the first quarter of 2014 increased by $11.2 million compared to the prior year period. The increase was primarily due to increased purchases of property, equipment and leaseholds, partially offset by lower spending on acquisitions. The 2014 period included $1.0 million spent on the acquisition of YoYo's, whereas the prior year period included $3.8 million spent on acquiring two theatres.

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

Capital expenditures	First Quarter		
	2014	2013	Change
Gross capital expenditures	$ 31,470	$ 16,897	$ 14,573
Less: tenant inducements	(2,842)	(2,957)	115
Net capital expenditures	$ 28,628	$ 13,940	$ 14,688
Net capital expenditures consists of:			
Growth and acquisition capital expenditures (i)	$ 21,791	$ 2,305	$ 19,486
Tenant inducements	(2,842)	(2,957)	115
Premium formats (ii)	3,363	2,299	1,064
Maintenance capital expenditures	7,019	4,863	2,156
Other (iii)	(703)	7,430	(8,133)
	$ 28,628	$ 13,940	$ 14,688

(i) Growth and acquisition capital expenditures include expenditures on the construction of new theatre buildings (including VIP auditoriums) and other Board approved growth projects with the exception of premium formats discussed below, as well as improvements to the two theatres acquired from Festival in the first quarter of 2013 and the Atlantic Theatres acquired in the fourth quarter of 2013.
(ii) Premium formats include capital expenditures for IMAX, UltraAVX and 3D.
(iii) Primary component of Other is the impact of the timing of cash payments relating to the purchases of property, equipment and leaseholds.

Cineplex funds maintenance capital expenditures through internally generated cash flow and cash on hand. Cineplex's Revolving Facility (defined and discussed in Section 7.4, Credit Facilities) is available to fund new theatre capital expenditures.

7.3 FINANCING ACTIVITIES

The following table highlights the movements in cash from financing activities for the three months ended March 31, 2014 and 2013 (in thousands of Canadian dollars):

Cash flows provided by (used in) financing activities	First Quarter		
	2014	2013	Change
Dividends paid	$ (22,657)	$ (21,191)	$ (1,466)
Borrowings under credit facility, net	40,000	15,000	25,000
Payments under finance leases	(591)	(540)	(51)
Net cash provided by (used in) financing activities	**$ 16,752**	**$ (6,731)**	**$ 23,483**

Financing activities provided cash of $16.8 million in the current period compared to using $6.7 million in the prior year period. This movement of $23.5 million was primarily due to the $25.0 million increase in net borrowings, offset by higher dividend payments.

Cineplex believes that it will be able to meet its future cash obligations with its cash and cash equivalents, cash flows from operations and funds available under the Credit Facilities as described in Section 7.4, Credit Facilities.

7.4 CREDIT FACILITIES

Cineplex and the Partnership entered into certain credit facilities effective October 24, 2013 (the "Credit Facilities"). At March 31, 2014, the Credit Facilities consisted of the following (in millions of Canadian dollars):

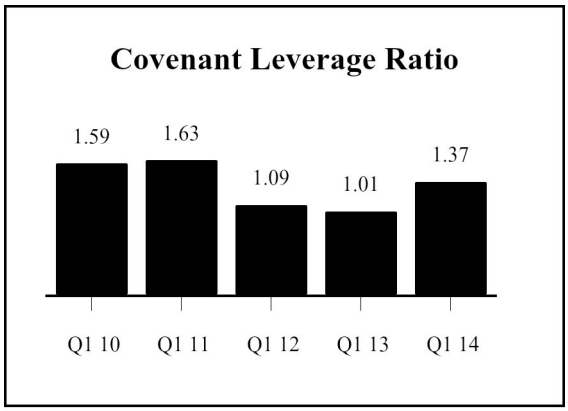
		Available	Drawn	Reserved	Remaining
(i)	a five-year senior secured revolving credit facility ("Revolving Facility")	$ 250.0	$ 110.0	$ 5.4	$ 134.6
(ii)	a five-year senior secured non-revolving term facility ("Term Facility")	$ 150.0	$ 150.0	$ —	$ —
Letters of credit outstanding at March 31, 2014 of $5.4 million are reserved against the Revolving Facility.					

There are provisions to increase the Revolving Facility commitment amount by an additional $150.0 million with the consent of the lenders.

The Credit Facilities bear interest at a floating rate based on the Canadian dollar prime rate, or bankers' acceptances rates plus, in each case, an applicable margin to those rates. The facilities mature in October 2018 and are payable in full at maturity, with no scheduled repayment of principal required prior to maturity.

Cineplex's Credit Facilities contain restrictive covenants that limit the discretion of Cineplex's management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of Cineplex to create liens or other encumbrances, to pay dividends or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. The Credit Facilities are secured by all of Cineplex's assets.

One of the key financial covenants in the Credit Facilities is the leverage covenant. As at March 31, 2014, Cineplex's leverage ratio as calculated in accordance with the Credit Facilities definition was 1.37x, as compared to a covenant of 3.50x. The definition of debt in the Credit Facility includes long-term debt (excluding any convertible debentures), financing leases and letters of credit but does not include a reduction for cash on hand. For the purposes of the Credit Facility definition, EBITDA is adjusted for certain non-cash, non-recurring items and the annualized impact of new theatres or acquisitions.



The increase in the leverage covenant from the prior year period is due in part to the increased borrowings in the fourth quarter of 2013 to finance the acquisitions of CDN and the Atlantic Theatres.

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

Interest rate swap agreements. Effective August 24, 2011, Cineplex entered into three interest rate swap agreements. Under these agreements, Cineplex pays a fixed rate of 1.715% per annum, plus an applicable margin, and receives a floating rate of interest equal to the three-month Canadian deposit offering rate set quarterly in advance, with gross settlements quarterly. These interest rate swap agreements have a term of five years that commenced in August 2011 and have an aggregate notional principal amount of $150.0 million. Based on the

leverage ratio covenant at March 31, 2014, Cineplex's effective cost of borrowing on the $150.0 million Term Facility was 3.265% (March 31, 2013 - 3.215%).

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

The purpose of the interest rate swap agreements is to act as a cash flow hedge of the floating interest rate payable under the Term Facility. Cineplex considered its hedging relationships and determined that the interest rate swap agreements on its Term Facility qualify for hedge accounting in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*. Under the provisions of IAS 39, the interest rate swap agreements are recorded on the balance sheet at their fair values, with subsequent changes in fair value recorded in either net income or other comprehensive income.

7.5 FUTURE OBLIGATIONS

Cineplex has aggregate gross capital commitments of $111.1 million ($93.3 million net of tenant inducements) related to the completion of construction of eleven theatre properties to include an aggregate of 109 screens (including 29 VIP auditoriums) over the next three years. In addition, Cineplex has gross commitments over the next two years of $48.4 million for other projects, including the conversion of regular auditoriums to VIP at certain theatres and certain digital media projects both in the theatre and for clients of CDS and CDN.

At March 31, 2014, Cineplex had $107.5 million principal amount of convertible debentures outstanding that have a maturity date of December 31, 2018. At March 31, 2014, the convertible debentures were recorded on Cineplex's balance sheet at $97.3 million. The convertible debentures are being accreted to their maturity value using the effective interest method as prescribed by IAS 39, *Financial Instruments: Recognition and Measurement*. On and after December 31, 2016 and prior to December 31, 2017, Cineplex may, at its option, redeem the debentures in whole or in part from time to time, subject to specified market conditions. On or after December 31, 2017, the convertible debentures may be redeemed in whole or in part from time to time at the option of Cineplex at a price equal to their principal amount plus accrued and unpaid interest. Redemptions may be in cash or in the form of Shares, at the option of Cineplex. See Section 9, Share activity, for more information regarding the convertible debentures.

Cineplex's acquisition of CDN during the third quarter of 2013 includes an earn-out payment subject to an aggregate maximum purchase price of $78.0 million for both the initial payment and the earn-out payment. The earn-out payment will be based on 2015 operating results and will be paid in early 2016. Cineplex estimates that the maximum earn-out will be achieved, and at March 31, 2014, the deferred contingent consideration is recognized in Cineplex's balance sheet at an estimated fair value of $31.5 million, with an undiscounted value of $39.6 million. The deferred contingent consideration is being accreted to its maximum cap using the effective interest method as prescribed by IAS 39, *Financial Instruments: Recognition and Measurement.*

Cineplex conducts a significant part of its operations in leased premises. Cineplex's leases generally provide for minimum rent and a number of the leases also include percentage rent based primarily upon sales volume. Cineplex's leases may also include escalation clauses, guarantees and certain other restrictions, and generally require it to pay a portion of the real estate taxes and other property operating expenses. Initial lease terms generally range from 15 to 20 years and contain various renewal options, generally in intervals of five to ten years.

Cineplex is a guarantor under the leases for the remainder of the lease term for certain theatres that it has sold, in the event that the purchaser of each theatre does not fulfill its obligations under the respective lease. Should the purchasers of the theatres fail to fulfill their lease commitment obligations, Cineplex could face a substantial

financial burden. Cineplex guarantees certain advertising revenues based on attendance levels for a majority of the theatres disposed to third parties. No amounts have been provided in the consolidated financial statements for guarantees for which Cineplex has not been notified of triggering events.

8. ADJUSTED FREE CASH FLOW AND DIVIDENDS (see Section 18, Non-GAAP measures)

Cineplex's dividend policy is subject to the discretion of the Board and may vary depending on, among other things, Cineplex's results of operations, cash requirements, financial condition, contractual restrictions, business opportunities, provisions of applicable law and other factors that the Board may deem relevant. It is anticipated that Cineplex will pay a monthly dividend, subject to the discretion of the Board, at an annualized rate in the range between 60% and 85% of adjusted free cash flow per Share. Cineplex hereby currently designates all dividends paid or deemed to be paid as "eligible dividends" for purposes of subsection 89(14) of the *Income Tax Act* (Canada), and similar provincial and territorial legislation, unless indicated otherwise.

8.1 ADJUSTED FREE CASH FLOW

Cineplex distributes cash to its shareholders on a monthly basis. The following table illustrates adjusted free cash flow per Share, dividends paid per Share, and the payout ratio of dividends relative to adjusted free cash flow for the three months ended March 31, 2014 and 2013:

Adjusted free cash flow	**First Quarter**		
	2014	**2013**	**Change**
Adjusted free cash flow per Share	$ 0.2921	$ 0.3838	-23.9%
Dividends declared per Share	$ 0.3600	$ 0.3375	6.7%
Payout ratio - twelve months ended March 31	60.6%	68.0%	-7.4%

Adjusted free cash flow per Share and the payout ratios for the 2014 and 2013 periods are positively impacted by Cineplex's use of loss carryforwards acquired through Cineplex's acquisition of AMC Ventures Inc. in 2012, resulting in Cineplex's cash income taxes in 2013 and 2014 being substantially reduced.

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

	First Quarter		
	2014	**2013**	**Change**
Cash flows used in operations	$ (18,517)	$ (6,797)	172.4%
Net income	$ 5,071	$ 8,816	-42.5%
Standardized free cash flow	$ (49,583)	$ (23,694)	109.3%
Adjusted free cash flow	$ 18,384	$ 24,107	-23.7%
Cash dividends declared	22,661	$ 21,198	6.9%
Average number of Shares outstanding	62,941,405	62,803,716	0.2%

8.2 DIVIDENDS

Subject to the discretion of the Board, dividends are typically declared on a monthly basis to common shareholders of record on the last business day of each month. For the three months ended March 31, 2014, Cineplex declared dividends totaling $0.3600 per Share. For the three months ended March 31, 2013, Cineplex declared dividends totaling $0.3375 per Share.

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

Distribution and dividend history	
Effective Date	**Monthly Distribution/ Dividend per Unit/ Share**
January 2004 (i)	$ 0.0958
May 2007	$ 0.1000
May 2008 (ii)	$ 0.1050
May 2011	$ 0.1075
May 2012	$ 0.1125
May 2013	$ 0.1200

(i) For the 36 day period from November 26, 2003 (the inception of the Fund) to December 31, 2003, the Fund declared a distribution of $0.1118.
(ii) The Fund declared and paid distributions at a rate of $0.1050 per month from May 2008 until December 2010. The Fund converted to a corporation on January 1, 2011, at which time distributions ceased and dividends began at the same rate of $0.1050 per month.

9. SHARE ACTIVITY

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

The initial grants of Share equivalents were as follows:

	Base Share equivalents
2014 LTIP award	135,602
2013 LTIP award	124,936
2012 LTIP award	137,302
2011 LTIP award (vested)	227,649

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

Cineplex has an incentive Share option plan for certain employees. The aggregate number of Shares that may be issued under the option plan is limited to 5,250,000 Shares. All of the options must be exercised over specified periods not to exceed ten years from the date granted (five years for options granted on or before December 31, 2010). As of March 31, 2014, 1.9 million Share options are outstanding under the Share option plan. Upon cashless exercise, the Share options exercised in excess of Shares issued are canceled and returned to the pool available for future grants. At March 31, 2014, 2.9 million Share options are available for grant under the plan.

A summary of option activities for the three months ended March 31, 2014 and 2013 is as follows:

	2014			2013	
	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	7.96	1,459,772	$ 27.23	1,460,546	$ 24.38
Granted		540,519	40.45	385,834	33.49
Canceled		(8,492)	35.88	—	—
Exercised		(79,705)	25.63	(196,576)	23.20
Options outstanding – end of period	8.34	1,912,094	$ 30.99	1,649,804	$ 26.65

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

On and after December 31, 2016 and prior to December 31, 2017, Cineplex may, at its option, redeem the convertible debentures in whole or in part from time to time, subject to the market price of the Shares. On or after December 31, 2017, the convertible debentures may be redeemed in whole or in part from time to time at the option of Cineplex at a price equal to their principal amount plus accrued and unpaid interest. Redemptions may be in cash or in the form of Shares, at the option of Cineplex.

10. SEASONALITY AND QUARTERLY RESULTS

Historically, Cineplex's revenues have been seasonal, coinciding with the timing of major film releases by the major distributors. The most marketable motion pictures have traditionally been released during the summer and the late-November through December holiday season. This may cause changes, from quarter to quarter, in attendance levels, theatre staffing levels and reported results. The seasonality of motion picture exhibition 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. To meet working capital requirements during the traditionally lower-revenue quarters, Cineplex can draw upon the Revolving Facility. As of March 31, 2014, there was $110.0 million drawn on the Revolving Facility.

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

	2014	2013			2012 (i)			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues								
Box office revenues	$ 156,225	$ 177,692	$ 168,066	$174,383	$ 145,165	$ 170,524	$ 162,133	$ 156,226
Food service revenues	87,143	93,294	91,487	89,693	75,879	86,409	85,924	79,962
Media revenues	24,355	39,196	27,725	26,350	16,310	30,801	22,590	18,208
Other revenues	12,296	13,025	11,080	11,206	10,716	10,967	10,501	9,278
	280,019	323,207	298,358	301,632	248,070	298,701	281,148	263,674
Expenses								
Film cost	80,458	91,867	88,144	92,973	73,389	87,477	83,632	83,465
Cost of food service	18,881	19,835	19,411	19,173	16,274	18,077	17,831	16,720
Depreciation and amortization	18,668	19,748	17,317	16,527	17,298	16,968	14,044	14,678
(Gain) loss on disposal of assets	(56)	432	1,564	1,314	1,062	(3,138)	114	727
Other costs	150,446	158,025	134,386	131,875	127,533	136,319	126,253	116,996
	268,397	289,907	260,822	261,862	235,556	255,703	241,874	232,586
Income from operations	11,622	33,300	37,536	39,770	12,514	42,998	39,274	31,088
Adjusted EBITDA (ii)	30,881	54,144	57,896	58,711	31,690	57,507	54,575	47,263
Net income	$ 5,071	$ 20,168	$ 26,030	$ 28,543	$ 8,816	$ 32,704	$ 51,712	$ 20,960
Basic earnings per Share	$ 0.08	$ 0.32	$ 0.41	$ 0.45	$ 0.14	$ 0.53	$ 0.84	$ 0.34
Diluted earnings per Share (iii)	$ 0.08	$ 0.32	$ 0.41	$ 0.45	$ 0.14	$ 0.52	$ 0.83	$ 0.34
Cash (used in) provided by operating activities	(18,517)	134,455	22,546	74,444	(6,797)	109,445	38,955	25,969
Cash used in investing activities	(32,016)	(204,563)	(49,102)	(22,695)	(20,865)	(20,097)	(11,482)	(19,693)
Cash provided by (used in) financing activities	16,752	102,087	9,929	(37,233)	(6,731)	(42,609)	(41,428)	(576)
Net change in cash	$ (33,781)	$ 31,979	$ (16,627)	$ 14,516	$ (34,393)	$ 46,739	$ (13,955)	$ 5,700
Box office revenue per patron (ii)	$ 9.04	$ 9.42	$ 8.84	$ 9.36	$ 8.97	$ 9.18	$ 8.84	$ 9.11
Concession revenue per patron (ii)	$ 5.05	$ 4.94	$ 4.81	$ 4.81	$ 4.69	$ 4.65	$ 4.68	$ 4.66
Attendance (in thousands of patrons) (ii)	17,272	18,872	19,011	18,629	16,191	18,577	18,348	17,146
Theatre locations (at period end)	161	161	136	136	136	134	133	130
Theatre screens (at period end)	1,632	1,630	1,454	1,454	1,455	1,449	1,438	1,359

(i) Effective January 1, 2013, Cineplex implemented IFRS 11 retrospectively. As a result, certain comparative items presented in this MD&A for 2012 have been revised.
(ii) See Section 18, Non-GAAP measures.
(iii) Excludes the conversion of convertible debentures as such conversion would be anti-dilutive.

Summary of adjusted free cash flow by quarter

Management calculates adjusted free cash flow per Share as follows (see Section 18, Non-GAAP measures, for a discussion of adjusted free cash flow) (expressed in thousands of Canadian dollars except per Share data and number of Shares outstanding):

	2014	2013				2012 (i)		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Cash (used in) provided by operating activities	$(18,517)	$134,455	$ 22,546	$ 74,444	$ (6,797)	$109,586	$ 38,955	$ 25,969
Less: Total capital expenditures net of proceeds on sale of assets	(31,066)	(14,394)	(10,254)	(17,292)	(16,897)	(19,907)	(16,066)	(19,693)
Standardized free cash flow	(49,583)	120,061	12,292	57,152	(23,694)	89,679	22,889	6,276
Add/(Less):								
Changes in operating assets and liabilities	46,405	(85,812)	30,609	(20,542)	38,443	(62,706)	3,052	12,154
Changes in operating assets and liabilities of joint ventures	325	(549)	317	(1,099)	167	(363)	(160)	(816)
Tenant inducements	(2,842)	(500)	(1,612)	(348)	(2,957)	(1,643)	(727)	(1,948)
Principal component of financing lease obligations	(591)	(615)	(571)	(551)	(540)	(531)	(520)	(512)
Growth capital expenditures and other	24,047	2,561	5,526	10,890	12,034	8,665	9,925	13,595
Share of income of joint ventures, net of non-cash depreciation	623	593	1,391	1,071	800	661	1,114	770
Net cash received from (invested in) CDCP	—	535	(36)	(403)	(146)	(190)	(4)	—
Adjusted free cash flow	$ 18,384	$ 36,274	$ 47,916	$ 46,170	$ 24,107	$ 33,572	$ 35,569	$ 29,519
Average number of Shares outstanding	62,941,405	62,875,151	62,848,551	62,844,730	62,803,716	62,137,513	61,996,063	61,289,181
Adjusted free cash flow per Share	$ 0.2921	$ 0.5769	$ 0.7624	$ 0.7347	$ 0.3838	$ 0.5403	$ 0.5737	$ 0.4816

(i) Effective January 1, 2013, Cineplex implemented IFRS 11 retrospectively. As a result, certain comparative items presented in this MD&A for 2012 have been revised.

11. RELATED PARTY TRANSACTIONS

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

A member of the Board is the Chief Executive Officer of Riocan Real Estate Investment Trust ("Riocan"). During the three months ended March 31, 2014, Cineplex incurred theatre occupancy expenses for theatres under lease commitments with Riocan in the amounts of $11.8 million (2013 - $11.7 million).

12. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTIES

Cineplex makes estimates and assumptions concerning the future that may not equal actual results. These estimates and assumptions are outlined in Section 12 of Cineplex's annual MD&A. These estimates and assumptions have not changed materially since December 31, 2013.

13. ACCOUNTING POLICIES

13.1 ACCOUNTING STANDARDS ADOPTED IN 2013

The following standards and amendments to standards were adopted in the three months ended March 31, 2014:

IFRIC 21, Levies

International Financial Reporting Interpretations Committee ("IFRIC") 21, *Levies*, provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. IFRIC 21 does not have a significant impact on Cineplex's financial statements.

IAS 32, Financial Instruments

International Accounting Standards ("IAS") 32, *Financial Instruments - Presentation*, has been amended effective January 1, 2014 to clarify certain aspects of the existing guidance on offsetting financial assets and financial liabilities. IFRS 7, Financial Instruments - Disclosure, to require information about all recognized financial instruments that are set off in accordance with IAS 32. The amendments also require disclosure of information about recognized financial instruments subject to enforceable netting arrangements and similar agreements even if they are not set off under IAS 32. The amendments did not have a significant impact on Cineplex's financial statements.

13.2 FUTURE CHANGES IN ACCOUNTING POLICIES

Management of Cineplex reviews all changes to the IFRS when issued. The International Accounting Standards Board ("IASB") has issued the following standard, which has not yet been adopted by Cineplex. The new standard is effective for annual periods beginning on or after January 1, 2015 with early adoption permitted. Cineplex is in the process of assessing the impact that the new standard will have on its consolidated financial statements or whether to early adopt the new standard. The following is a description of the new standard:

IFRS 9, Financial Instruments

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

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk in liabilities designed at fair value through profit and loss would generally be recorded in OCI or OCL. In January 2012, the effective date was revised to January 1, 2015 with earlier application permitted. Cineplex has not yet assessed the impact of this standard and amendments or determined whether it will early adopt them.

IFRS 9 was amended in November 2013 to: (i) include guidance on hedge accounting; (ii) allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity's own credit risk, from financial liabilities designated under the fair value option, in OCI (without having to adopt the remainder of IFRS 9); and (iii) remove the previous mandatory effective date of January 1, 2015, although the standard is available for early adoption.

14. RISK MANAGEMENT

Cineplex is exposed to a number of risks 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. 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. In addition Cineplex monitors risks and changing economic conditions on an ongoing basis and adapts its operating strategies as required.

Industry Risk

Cineplex's ability to operate successfully depends upon the availability, diversity and appeal of films, the availability, diversity and appeal of 3D product, the ability of Cineplex to license films and the performance of these films in Cineplex's markets. Cineplex primarily licenses first-run films, the success of which is dependent upon their quality, as well as on the marketing efforts of film studios and distributors. Cineplex continues to diversify its entertainment offerings to include alternative programming and to move into other sources of revenue such as digital commerce and expanded media offerings. Nonetheless, Cineplex is highly dependent on film product and film performance, including the number and success of blockbuster films. A reduction in quality or quantity of both 2D and 3D film product or any disruption in the production or release of films, including a strike or threat of a strike, a reduction in the marketing efforts of film studios and distributors or a significant change in film release patterns, would have a negative effect on film attendance and adversely affect Cineplex's business and results of operations.

In 2013, seven major film distributors accounted for approximately 94.1% of Cineplex's box office revenues, which is consistent with industry standards. Deterioration in Cineplex's relationships with any of the major film distributors could affect its ability to negotiate film licenses on favourable terms or its ability to obtain commercially successful films. Cineplex actively works on maintaining good relations with these distributors, as this affects its ability to negotiate commercially favourable licensing terms for first-run films or to obtain licenses at all.

Cineplex competes with other film delivery methods, including cable, satellite television, DVDs and Blu-Rays, as well as DTO and VoD via the Internet. The release date of a film in other channels of distribution such as pay television or DVD is at the discretion of each distributor and earlier release windows for these or new alternative channels could have a negative impact on Cineplex's business.

Exhibition Competition Risk

Cineplex competes in each of its local markets with other national and regional circuits and independent film exhibitors, particularly 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, show times available and the theatre's amenities. As a result, the building of new theatres or the addition of screens to existing theatres by competitors in areas in which Cineplex operates theatres may result in reduced attendance levels at Cineplex's theatres.

In response to this risk, management fosters strong ties with the real estate and development community and monitors potential development sites closely. Most prime locations in larger markets have been developed such that further development would be generally uneconomical. In addition the exhibition industry is capital intensive with high operating costs and long-term contractual commitments. Significant construction and real estate costs

make it increasingly difficult to develop new sites profitably, reducing the risk of competition through development.

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 monitors customer satisfaction with advertising through customer satisfaction surveys. Cineplex has numerous large media customers, the loss of which could impact Cineplex's results. There is no guarantee that Cineplex could replace the revenues generated by these large customers if their business was lost.

Technology Risk

Technological advances and the conversion of films into digital formats have made it easier to create, transmit and "share" via downloading over the Internet or unauthorized copying, high quality copies of films in theatrical release. Some consumers may choose to obtain unauthorized copies of films rather than attending a theatre which may have an adverse effect on Cineplex's business. In addition, as home theatre technology becomes more sophisticated and additional technologies become available to consume content, consumers may choose other technology options rather than attending a theatre.

To mitigate these risks, Cineplex continues to enhance the out-of-home experience through the addition of new technologies and experiences including 3D, VIP, UltraAVX and digital projection in order to further differentiate the theatrical product from the home product. Approximately 45% of Cineplex's auditoriums are currently equipped to screen 3D content. Cineplex has also diversified its offerings to customers by operating the Cineplex Store which sells DVDs, Blu-ray discs, as well as VoD and DTO movies online in order to participate in the in-home and on-the-go entertainment markets.

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

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

Customer Risk

Cineplex competes for the public's leisure time and disposable income with other forms of entertainment including home and online consumption of content, sporting events, live music concerts, live theatre and restaurants. If Cineplex is too aggressive in raising ticket prices or concession prices, there may be an adverse effect on attendance and concession revenues. Cineplex aims to deliver an affordable out-of-home entertainment experience. Cineplex monitors pricing in all markets to ensure that it offers a reasonably priced out-of-home experience compared to other entertainment alternatives. In addition, historical data shows that movie attendance has not been negatively affected by economic downturns over the past 25 years.

Cineplex monitors customer needs to ensure that the in-theatre experience meets the anticipated needs of key demographic groups. Cineplex is differentiating the movie-going experience by providing UltraAVX auditoriums, D-BOX MFX seating, VIP auditoriums and XSCAPE entertainment centres in select theatres and by providing alternative programming which appeals to specific demographic groups. In addition, the advent of digital technology has allowed for more niche programming. In the event that consumer preferences change, Cineplex may need to incur further capital expenditures to redevelop existing locations. In consideration of this risk, Cineplex continues to improve the quality of its theatre assets through ongoing theatre upgrades and retrofits.

Cineplex is dependent on its theatre locations to provide a satisfactory entertainment experience. If Cineplex's execution of processes does not consistently meet or exceed customer expectations due to poor customer service or poor quality of assets, movie attendance may be adversely affected. Cineplex monitors customer satisfaction through surveys, mystery shops and focus groups, and maintains a guest services department to address customer concerns. Guest satisfaction is tied to performance measures for theatre management ensuring alignment between corporate and operational objectives. There is the potential for misinformation to be spread virally through social media relating to Cineplex's theatre assets as well as the quality of its customer service. Cineplex monitors commentary on social media in order to respond quickly to potential social media misinformation.

Cineplex continues to pursue other revenue opportunities such as in-theatre and out-of-home advertising, gaming options provided through FEC's and other stand-alone gaming options, promotions and alternative uses of its theatres during non-peak hours. Cineplex's ability to achieve its business objectives may depend in part on its ability to successfully increase these revenue streams.

Cineplex's offerings through the Cineplex Store of DVD's and Blu-Ray discs relies on third party shipping to deliver the hard goods purchased by the consumer. The VoD and DTO movies are delivered online via third parties. Delays in shipping hard goods or delays or other technological issues relating to online delivery could negatively impact customer satisfaction. Cineplex monitors delivery times for both hard goods and electronic delivery in order to proactively manage any potential customer satisfaction issues.

Human Resources Risk

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

Cineplex employs approximately 11,000 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. Any increase in these minimum wages will increase employee related costs. 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 risk of labour disruption is low.

Real Estate Risk

The acquisition and development of new theatre sites to be operated by Cineplex is dependent on the ability of Cineplex to identify, acquire and develop suitable sites for potential theatre locations in both new and existing markets. The cost to develop a new theatre is substantial, but its success is not assured. While Cineplex is careful in selecting sites for new theatres, the significant time lag from identifying a new site to theatre opening can result in a change in local market circumstances and could negatively impact the theatre's chance of success. In addition, the building of new theatres may draw audiences away from less appealing older theatres owned by Cineplex. Cineplex considers the overall return for the theatres in a geographic area when making the decision to build a new theatre.

The majority of Cineplex's theatres are subject to long-term leases. In accordance with the terms of these leases, Cineplex is responsible for costs associated with utilities consumed at the theatre and property taxes associated with the theatre. Cineplex has no control over these costs and these costs have been increasing over the last number of years.

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

Integration Risk

While Cineplex has successfully integrated businesses acquired in the past, there can be no assurance that all acquisitions, including those completed in 2013, will be successfully integrated or that Cineplex will be able to realize expected operating and economic efficiencies from the acquisitions.

Financial Markets Risk

Cineplex requires efficient access to capital in order to fuel growth, execute strategies, and generate future financial returns. For this reason Cineplex has the Revolving Facility available.

Cineplex hedges interest rates on the Term Facility, thereby minimizing the impact of significant fluctuations in the market rates. Cineplex's exposure to currency and commodity risk is minimal as the majority of its transactions are in Canadian dollars and commodity costs are not a significant component of the overall cost structure.

Sourcing Risk

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

Cineplex relies on a single company for the distribution of a substantial portion of its concession supplies. If this distribution relationship 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 arrangement.

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

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

Health and Safety Risk

Cineplex is subject to risks associated with food safety, product handling and the operation of machinery. Cineplex is in compliance with health and safety legislation and conducts employee awareness and training programs on a regular basis. Health and safety issues related to our guests such as pandemics and bedbug concerns are risks that may deter people from attending theatres. For those risks that it can control, Cineplex has programs in place to mitigate its exposure.

Business Continuity Risk

Cineplex's primary source of revenue is derived from providing an out-of-home entertainment experience. A terrorist threat or the outbreak of a pandemic may cause people to stay away from public places including movie theatres which would significantly impact business results. Cineplex operates in ten provinces which somewhat mitigates the risk to a specific location. Cineplex also has communications and public relations plans to deal with crises of this nature. Cineplex has updated its procedures to manage such events should they occur. These procedures identify risks, prioritize key services, plan for large staff absences and clarify communication processes. However, should there be a national threat, it is uncertain to what extent Cineplex could mitigate this risk and the costs that may be associated with any such crises. Further, Cineplex purchases insurance coverage from third-party insurance companies to cover certain operational risks, and is self-insured for other matters.

Legal, Taxation and Accounting Risk

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

To mitigate these risks, Cineplex uses third party tax and legal experts to assist in structuring significant transactions and contracts. Cineplex also has systems and controls that ensure the timely production of financial information in order to meet regulatory requirements and has implemented disclosure controls and internal controls over financial reporting which are tested for effectiveness on an ongoing basis. In addition Cineplex promotes a strong ethical culture through its values and code of conduct.

Environment/Sustainability Risk

Cineplex's business is primarily a service and retail business which delivers guest experiences rather than physical commercial products. Cineplex operates multiple locations in major urban markets and does not anticipate any dramatic changes to operations due to climate change. Because of these factors, should legislation change to require more stringent management of carbon emissions or more stringent reporting of environmental impacts, Cineplex anticipates this will result in minimal cost increases or changes to operating procedures.

Information Management Risk

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

15. CONTROLS AND PROCEDURES

15.1 DISCLOSURE CONTROLS AND PROCEDURES

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

15.2 INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management of Cineplex is responsible for designing and evaluating the effectiveness of internal controls over financial reporting for Cineplex as defined under National Instrument 52-109 issued by the Canadian Securities Administrators. Management has designed such internal controls over financial reporting using the Integrated Control - Integrated Framework developed by the Committee of Sponsoring Organizations of the Treadway Commissions in 1992, or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with GAAP.

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

16. SUBSEQUENT EVENT

On April 10, 2014, Cineplex committed to acquire the 50% of the issued and outstanding equity of CSI that Cineplex does not already own, for a minimum of $17.5 million in cash. After the transaction closes in the third quarter of 2015, Cineplex will own 100% of the issued and outstanding equity of CSI.

17. OUTLOOK

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

THEATRE EXHIBITION

Film product during the first quarter of 2014 was not as strong as the prior year period, resulting in an industry box office decline of 3.1% and Cineplex's same-store box office revenue decline of 0.8%. Overall box office revenues increased 7.6% due to the inclusion in the current period of the Atlantic Theatres. The Canadian industry under performed as compared to the US industry in the period, as certain films in the current period slate performed stronger in certain regions of the US market than they did in Canada. Also impacting Cineplex's box office revenues was the impact of extreme weather conditions in certain areas of the country in the period, particularly in the Atlantic provinces, where theatre closures, power outages and poor driving conditions deterred guests from visiting the theatres.

Cineplex believes its operating and programming expertise, combined with its merchandising, media, marketing, interactive and SCENE loyalty programs will positively and significantly impact the business of the Atlantic Theatres in the balance of 2014 and beyond. Cineplex will continue to invest in each of the locations, rebranding them to *Cineplex Cinemas*, and may add UltraAVX auditoriums, VIP Cinemas, DBOX seating, expanded food offerings or XSCAPE entertainment centres to one or more of the locations.

Cineplex continues to focus on providing guests with a variety of premium viewing options through which to enjoy the theatre experience. These premium-priced offerings, which include UltraAVX, VIP Cinemas, IMAX and 3D, generate higher revenues per patron and expand the customer base. The increasing popularity of premium-priced product, which accounted for 38.3% of Cineplex's box office revenues in 2014 compared to 35.5% in 2013, contributed to the BPP increase of 0.8% in the current period.

Highly anticipated 3D films to be released in 2014 include *The Amazing Spider-Man 2, Transformers: Age of Extinction, X-Men: Days of Futures Past, How to Train Your Dragon 2* and *The Hobbit: There and Back Again*. Other highly anticipated films to be released in 2014 include *Dawn of the Planet of the Apes, Interstellar* and *The Hunger Games: Mockingjay, Part 1.* Cineplex believes that 3D, UltraAVX, IMAX and VIP formats provide an enhanced guest experience and will continue to charge a ticket price premium for films and events presented in these formats.

Cineplex plans to open an average of two to three new theatres per year. Cineplex is also focused on providing guests with a variety of premium viewing options through which to enjoy the theatre experience, and will continue to expand premium viewing options throughout its circuit in 2014 and beyond. VIP auditoriums and other premium viewing options are a key component to Cineplex's theatre exhibition strategy, and have been well received by audiences.

Box office revenues are highly dependent on the marketability, quality and appeal of the film product released by major motion picture studios. Cineplex's future box office revenues will be dependent on the quality and availability of the film product released in the balance of 2014 and beyond.

MERCHANDISING

Cineplex reported higher same-store food service revenues in the first quarter of 2014 despite the 2.7% decrease in same-store attendance as CPP increased 7.7% to a quarterly record of $5.05. Although pricing does impact CPP, Cineplex's core focus is on operational execution, promotions and providing the optimal product mix to provide further growth in this area. As part of this strategy, Cineplex continues to expand its in-house brands *Outtakes* and *Poptopia* across the circuit. Cineplex also continues to roll-out new digital menu boards in its theatres which provide guests with more interactive messaging during visits to the concession stands.

During the period, Cineplex completed its acquisition of a 50% ownership in YoYo's, a London, Ontario-based self-serve frozen yogurt chain with stores throughout the province. Cineplex currently operates *YoYo's Yogurt Café* at the Pergola Commons complex in Guelph, Ontario, Cineplex's first stand-alone food service business as well as at the *Cineplex Cinemas Queensway and VIP* theatre in Toronto, Ontario. In the balance of 2014 and beyond, Cineplex will look at opportunities to incorporate YoYo's offerings into Cineplex's existing theatres and other non-theatre stores.

MEDIA

Cineplex believes that no other medium engages viewers like the cinema experience: engaged moviegoers, sitting in a darkened theatre, ready to be entertained and fully focused on the screen. Research has shown that cinema media advertising reaches the most sought-after demographics, as well as Canada's high-income households and educated populations. Cineplex Media revenues increased $1.8 million in the period as compared to the prior year period.

Cineplex Digital Media revenues increased $6.2 million during the period due to the inclusion of CDN, acquired in the third quarter of 2013. CDN will allow Cineplex to combine its brand, resources and media sales along with CDN's proprietary technology platform, network management, award-winning creative services and digital merchandise expertise to deliver additional value to current customers as well as provide enticing offerings for prospective new clients. During the period, CDN and Tim Hortons announced national launch plans for TimsTV, which is expected to be deployed in the latter part of 2014.

At March 31, 2014, Cineplex Digital Media operates digital players in 8,903 locations through CDS and CDN. Cineplex believes that the strengths of Cineplex Digital Media will make Cineplex a leader in the indoor digital signage industry and provide a platform for significant growth throughout North America.

ALTERNATIVE PROGRAMMING

During the first quarter of 2014, Cineplex offered a wide variety of alternative programming, including the popular Metropolitan Opera Live in HD series, ethnic film programming, performances by the National Theatre in London and various concert performances by popular recording artists. The completion of Cineplex's conversion to digital projection provides increased flexibility to screen alternative programming across the circuit. The acquisition of the Atlantic Theatres has allowed Cineplex to expand its *Front Row Centre* programming to audiences in Atlantic Canada.

INTERACTIVE

Cineplex believes that at home and on-the-go content distribution and consumption is an emerging and transforming market. Cineplex believes it is well positioned to take advantage of this exciting market with the launch of UltraViolet in Canada, the introduction of SuperTicket and continued expansion of other offerings.

Cineplex was the first retailer in Canada and is the only motion picture exhibitor in the world to offer the UltraViolet service as part of an exciting new ecosystem that will change the way people watch movies outside of the theatre. UltraViolet enables consumers to access their digital movies both at home and on-the-go, across a variety of apps and services, including PCs, mobile devices, smartphones, connected TVs, Blu-ray disc players and more. Customers can add UltraViolet-enabled DVDs and Blu-ray discs as well as digital downloads purchased at the Cineplex Store to their free UltraViolet locker. SuperTicket, a first-ever bundled offering from multiple studios that allows movie-goers to purchase a movie admission and pre-order the UltraViolet digital download at the same time, allows for integration of the theatre experience with the UltraViolet digital experience.

Cineplex will continue to offer promotions to grow Cineplex Store revenues including tie-ins with the SCENE loyalty program, and during the balance of 2014, will launch a new digital delivery platform with an expanded device ecosystem for DTO and VoD sales through the Cineplex Store.

LOYALTY

The SCENE loyalty program continues to grow its membership base, with approximately 5.6 million members at March 31, 2014. As part of the Cineplex Tuesdays program, SCENE members get 10% off all ticket prices on Tuesdays across the circuit, which are already generally discounted.

Cineplex continues to integrate SCENE elements into various film and other promotion campaigns, applying the data accumulated in the SCENE database to provide members targeted offers. Cineplex expects these programs to encourage increased frequency of visitation by SCENE members and additional revenue opportunities through the use of the database and additional partnership agreements.

The acquisition of the Atlantic Theatres has allowed Cineplex to provide SCENE earning and redemption opportunities in this area, providing a national theatre presence across Canada for the program and providing the potential for a significant increase in SCENE membership from this area of the country.

In 2014 and beyond, SCENE is focused on growing the member base and continuing to enhance member engagement with the program through various avenues including the addition of partner reward options and promotional programs.

FINANCIAL OUTLOOK

During the twelve months ended March 31, 2014, Cineplex generated adjusted free cash flow per Share of $2.3656, compared to $1.9784 in the prior year period. Cineplex declared dividends per Share of $1.4325 and $1.3450, respectively, in each period. The payout ratios for these periods were approximately 60.6% and 68.0%, respectively. The acquisition of AMC Ventures Inc. and its subsequent wind-up into Cineplex resulted in non-capital losses of $147.0 million being made available to offset taxable income earned by Cineplex beginning in 2013, positively impacting adjusted free cash flow per Share and the payout ratios for the 2013 and 2014 periods.

Subsequent to the period end, Cineplex announced a dividend increase to $1.50 per Share on an annual basis from the current $1.44 per Share. This increase will be effective with the May 2014 dividend which will be paid in June 2014. This increase represents Cineplex's fourth dividend increase since converting to a corporation on January 1, 2011.

During 2013, Cineplex announced it had entered into the Credit Facilities which mature in October 2018. Under the Credit Facilities, Cineplex has a $150.0 million Term Facility and a $250.0 million Revolving Facility which is available to finance acquisitions, new theatre construction, working capital and dividends. As defined under

the Credit Facilities, as at March 31, 2014, Cineplex reported a leverage ratio of 1.37x as compared to a covenant of 3.50x.

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

18. NON-GAAP MEASURES

The following measures included in this MD&A do not have a standardized meaning under GAAP and may not be comparable to similar measures provided by other issuers. Cineplex includes these measures because its management believes that they assist investors in assessing financial performance.

18.1 EBITDA AND ADJUSTED EBITDA

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

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

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

	Three months ended March 31,	
	2014	**2013**
Net income	**$ 5,071**	**$ 8,816**
Depreciation and amortization	18,668	17,298
Interest expense	5,217	1,716
Interest income	(70)	(78)
Current income tax expense (recovery)	370	(727)
Deferred income tax expense	1,089	3,328
EBITDA	**$ 30,345**	**$ 30,353**
(Gain) loss on disposal of assets	(56)	1,062
CDCP equity loss (income) (i)	55	(333)
Depreciation and amortization - joint ventures (ii)	520	519
Joint venture taxes and interest (ii)	17	89
Adjusted EBITDA	**$ 30,881**	**$ 31,690**

(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).

18.2 ADJUSTED FREE CASH FLOW

Free cash flow measures the amount of cash from operating activities net of capital expenditures available for activities such as repayment of debt, dividends to owners, and investments in future growth through acquisitions. Free cash flow is a non-GAAP measure generally used by Canadian corporations as an indicator of financial performance, and it should not be viewed as a measure of liquidity or a substitute for comparable metrics prepared in accordance with GAAP. Standardized free cash flow is a non-GAAP measure recommended by the CICA in its 2008 interpretive release, *Improved Communication with Non-GAAP Financial Measures: General Principles and Guidance for Reporting EBITDA and Free Cash Flow,* and is designed to enhance comparability.

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

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

	Three months ended March 31,	
	2014	**2013**
Cash used in operating activities	$ (18,517)	$ (6,797)
Less: Total capital expenditures net of proceeds on sale of assets	(31,066)	(16,897)
Standardized free cash flow	(49,583)	(23,694)
Add/(Less):		
Changes in operating assets and liabilities (i)	46,405	38,443
Changes in operating assets and liabilities of joint ventures (i)	325	167
Tenant inducements (ii)	(2,842)	(2,957)
Principal component of finance lease obligations	(591)	(540)
Growth capital expenditures and other (iii)	24,047	12,034
Share of income of joint ventures, net of non-cash depreciation (iv)	623	800
Net cash invested in CDCP (iv)	—	(146)
Adjusted free cash flow	**$ 18,384**	**$ 24,107**
Average number of Shares outstanding	62,941,405	62,803,716
Adjusted free cash flow per Share	**$ 0.2921**	**$ 0.3838**
Dividends declared	**$ 0.3600**	**$ 0.3375**

(i) Changes in operating assets and liabilities are not considered a source or use of adjusted free cash flow.
(ii) Tenant inducements received are for the purpose of funding new theatre capital expenditures and are not considered a source of adjusted free cash flow.
(iii) Growth capital expenditures and other represent expenditures on Board approved projects as well as any expenditures for digital equipment that was contributed to CDCP, exclude maintenance capital expenditures, and are net of proceeds on asset sales. The Revolving Facility (discussed above in Section 7.4, Credit Facilities) is available to Cineplex to fund Board approved projects.
(iv) Excludes the share of (loss) income of CDCP, as CDCP is a limited-life financing vehicle funded by virtual print fees collected from distributors. Cash invested into CDCP, as well as cash distributions received from CDCP, are considered to be uses and sources of adjusted free cash flow.

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

	Three months ended March 31,	
	2014	**2013**
Net income	$ 5,071	$ 8,816
Adjust for:		
Depreciation and amortization	18,668	17,298
(Gain) loss on disposal of assets	(56)	1,062
Non-cash interest (i)	1,651	(194)
Share of loss (income) of CDCP (ii)	55	(333)
Non-cash depreciation of joint ventures	520	519
Deferred income tax expense	1,089	3,328
Joint venture deferred income tax (recovery) expense	(7)	73
Maintenance capital expenditures	(7,019)	(4,863)
Principal component of finance lease obligations	(591)	(540)
Net cash invested in CDCP (ii)	—	(146)
Non-cash items:		
Amortization of tenant inducements, rent averaging liabilities and fair value lease contract assets	(1,400)	(1,569)
Non-cash Share-based compensation	403	656
Adjusted free cash flow	**$ 18,384**	**$ 24,107**

(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 (loss) 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.

18.3 OTHER NON-GAAP MEASURES MONITORED BY MANAGEMENT

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

Per Patron Revenue Metrics

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

Attendance: Attendance is calculated as the total number of paying patrons that frequent Cineplex's theatres during the period.
BPP: Calculated as total box office revenues divided by total paid attendance for the period.
BPP excluding premium priced product: Calculated as total box office revenues for the period, less box office revenues from 3D, UltraAVX, VIP and IMAX product; divided by total paid attendance for the period, less paid attendance for 3D, UltraAVX, VIP and IMAX product.
CPP: Calculated as total food service revenues divided by total paid attendance for the period.
Premium priced product: Defined as 3D, UltraAVX, IMAX and VIP film product.
Concession margin per patron: Calculated as total concession revenues less total concession cost, divided by attendance for the period.

Same Store Analysis

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

Same store metrics are calculated by removing the results for all theatres that have been opened, acquired, closed or otherwise disposed of subsequent to the start of the prior year comparative period. For the three months ended March 31, 2014, the impact of the 29 locations that have been opened or acquired and the two locations that have been closed or otherwise disposed of have been excluded, resulting in 130 theatres being included in the same store metrics.

Cost of sales percentages

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

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

Cineplex Inc.

Interim Condensed Consolidated Balance Sheets
(Unaudited)

(expressed in thousands of Canadian dollars)

	March 31, 2014	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents	$ 10,359	$ 44,140
Trade and other receivables	45,471	100,891
Inventories	6,237	7,234
Prepaid expenses and other current assets	10,482	6,838
	72,549	159,103
Non-current assets		
Property, equipment and leaseholds	472,698	459,112
Deferred income taxes	16,697	17,635
Fair value of interest rate swap agreements (note 4)	291	92
Interests in joint ventures (note 3)	45,689	44,359
Intangible assets	111,763	113,601
Goodwill	797,476	797,476
	$ 1,517,163	$ 1,591,378

Business acquisitions (note 3)

Subsequent event (note 12)

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

(expressed in thousands of Canadian dollars)

	March 31, 2014	December 31, 2013
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	$ 96,534	$ 157,333
Share-based compensation (note 6)	6,100	12,151
Dividends payable	7,556	7,552
Income taxes payable	1,808	2,656
Deferred revenue	109,866	136,373
Finance lease obligations	2,459	2,394
Fair value of interest rate swap agreements (note 4)	1,075	635
	225,398	319,094
Non-current liabilities		
Share-based compensation (note 6)	10,971	15,622
Long-term debt (note 4)	257,297	217,151
Fair value of interest rate swap agreements (note 4)	328	—
Finance lease obligations	17,066	17,722
Post-employment benefit obligations	6,461	6,522
Other liabilities	171,640	170,125
Convertible debentures (note 4)	97,341	96,870
	561,104	524,012
Total liabilities	786,502	843,106
Equity		
Share capital (note 5)	853,668	853,411
Deficit	(124,913)	(107,323)
Accumulated other comprehensive loss	(2,139)	(1,715)
Contributed surplus	4,045	3,899
	730,661	748,272
	$ 1,517,163	$ 1,591,378

Approved by the Board of Directors

"Phyllis Yaffe"
Director

"Robert Steacy"
Director

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Operations
(Unaudited)
For the three months ended March 31, 2014 and 2013

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

	2014	2013
Revenues		
Box office	$ 156,225	$ 145,165
Food service	87,143	75,879
Media	24,355	16,310
Other	12,296	10,716
	280,019	248,070
Expenses		
Film cost	80,458	73,389
Cost of food service	18,881	16,274
Depreciation and amortization	18,668	17,298
(Gain) loss on disposal of assets	(56)	1,062
Other costs (note 7)	150,446	127,533
Share of income of joint ventures	(55)	(541)
Interest expense	5,217	1,716
Interest income	(70)	(78)
	273,489	236,653
Income before income taxes	6,530	11,417
Provision for (recovery of) income taxes		
Current (note 11)	370	(727)
Deferred (note 11)	1,089	3,328
	1,459	2,601
Net income	$ 5,071	$ 8,816
Basic net income per share (note 8)	$ 0.08	$ 0.14
Diluted net income per share (note 8)	$ 0.08	$ 0.14

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Comprehensive Income
(Unaudited)
For the three months ended March 31, 2014 and 2013

(expressed in thousands of Canadian dollars)

	2014	2013
Net income	$ 5,071	$ 8,816
Other comprehensive loss		
Items that will be reclassified subsequently to net income:		
Loss on hedging instruments (note 4)	(575)	(766)
Associated deferred income taxes recovery	151	111
Other comprehensive loss	(424)	(655)
Comprehensive income	$ 4,647	$ 8,161

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Changes in Equity
(Unaudited)
For the three months ended March 31, 2014 and 2013

(expressed in thousands of Canadian dollars)

	Share capital (note 5)	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total
Balance - January 1, 2014	$ 853,411	$ 3,899	$ (1,715)	$ (107,323)	$ 748,272
Net income	—	—	—	5,071	5,071
Other comprehensive loss	—	—	(424)	—	(424)
Total comprehensive income			**(424)**	**5,071**	**4,647**
Dividends declared	—	—	—	(22,661)	(22,661)
Share option expense	—	403	—	—	403
Issuance of shares on exercise of options	257	(257)	—	—	—
Balance - March 31, 2014	$ 853,668	$ 4,045	$ (2,139)	$ (124,913)	$ 730,661
Balance - January 1, 2013	$ 847,235	$ 3,768	$ (1,142)	$ (102,547)	$ 747,314
Net income	—	—	—	8,816	8,816
Other comprehensive loss	—	—	(655)	—	(655)
Total comprehensive income			**(655)**	**8,816**	**8,161**
Dividends declared	—	—	—	(21,198)	(21,198)
Long-term incentive plan obligation	248	—	—	—	248
Share option expense	—	409	—	—	409
Issuance of shares on exercise of options	739	(739)	—	—	—
Balance - March 31, 2013	$ 848,222	$ 3,438	$ (1,797)	$ (114,929)	$ 734,934

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Cash Flows
(Unaudited)
For the three months ended March 31, 2014 and 2013

(expressed in thousands of Canadian dollars)

	2014	2013
Cash provided by (used in)		
Operating activities		
Net income	$ 5,071	$ 8,816
Adjustments to reconcile net income to net cash used in operating activities		
Depreciation and amortization of property, equipment and leaseholds, and intangible assets	18,668	17,298
Amortization of tenant inducements, rent averaging liabilities and fair value lease contract liabilities	(1,400)	(1,569)
Accretion of debt issuance costs and other non-cash interest	1,164	141
(Gain) loss on disposal of assets	(56)	1,062
Deferred income taxes	1,089	3,328
Interest rate swap agreements - non-cash interest	16	(335)
Non-cash share-based compensation	403	656
Accretion of convertible debentures	471	—
Net change in interests in joint ventures	(380)	(708)
Tenant inducements	2,842	2,957
Changes in operating assets and liabilities (note 9)	(46,405)	(38,443)
Net cash used in operating activities	(18,517)	(6,797)
Investing activities		
Proceeds from sale of assets	404	—
Purchases of property, equipment and leaseholds	(31,470)	(16,897)
Acquisition of business, net of cash acquired (note 3)	(950)	(3,822)
Net cash invested in CDCP	—	(146)
Net cash used in investing activities	(32,016)	(20,865)
Financing activities		
Dividends paid	(22,657)	(21,191)
Borrowings under credit facility, net	40,000	15,000
Payments under finance leases	(591)	(540)
Net cash provided by (used in) financing activities	16,752	(6,731)
Decrease in cash and cash equivalents	(33,781)	(34,393)
Cash and cash equivalents - Beginning of period	44,140	48,665
Cash and cash equivalents - End of period	$ 10,359	$ 14,272
Supplemental information		
Cash paid for interest	$ 2,403	$ 1,858
Cash paid for income taxes	$ 1,218	$ 12,199

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

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

1 General information

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

The Board of Directors approved these consolidated financial statements on May 7, 2014.

2 Basis of presentation and accounting standards changes

Basis of preparation and measurement

Cineplex prepares its unaudited interim condensed consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), defined as International Financial Reporting Standards ("IFRS") as set out in the Handbook of The Canadian Institute of Chartered Accountants. The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying Cineplex's accounting policies. These unaudited interim condensed consolidated financial statements are presented in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The disclosures contained in these unaudited interim condensed consolidated financial statements do not contain all requirements of Canadian GAAP for annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2013. 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, 2013, except as described for the following, which were adopted in the first quarter of 2014.

IFRIC 21, *Levies* provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain. IFRIC 21 does not have a significant impact on Cineplex's financial statements.

IAS 32, *Financial Instruments - Presentation*, has been amended effective January 1, 2014 to clarify certain aspects of the existing guidance on offsetting financial assets and financial liabilities. IFRS 7, *Financial Instruments - Disclosure*, to require information about all recognized financial instruments that are set off in accordance with IAS 32. The amendments also require disclosure of information about recognized financial instruments subject to enforceable netting arrangements and similar agreements even if they are not set off under IAS 32. The amendments did not have a significant impact on Cineplex's financial statements.

3 Business acquisitions

a) Empire Theatres

On October 24, 2013, Cineplex acquired 24 theatres located in Atlantic Canada from Empire Theatres Limited. The theatres will be rebranded as Cineplex Cinemas. The acquisition provided Cineplex with a national coast-to-coast presence, with theatres in ten provinces.

The total cash consideration paid was $196,583. All transaction costs associated with the transaction were expensed as incurred. In the first quarter of 2014, Cineplex revised the amount of equipment recognized by $961 to $43,131, and recognized a liability for licensing obligation of $961. Cash consideration and goodwill were not affected.

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

Revised recognized amounts of identifiable assets acquired and liabilities assumed are as follows:

Assets acquired and liabilities assumed		
Net working capital, including cash of $173	$	2,547
Property and equipment, including leaseholds		43,131
Intangible assets - fair value of leases		17,344
Goodwill		139,562
Deferred income taxes		(4,516)
Other liabilities - licensing obligations		(961)
Other liabilities - asset retirement obligation		(356)
Other liabilities - fair value of leases		(168)
Net assets		196,583
Less: Cash from acquisition		(173)
	$	196,410
Consideration given - cash paid	$	196,583
Less: Cash from acquisition		(173)
	$	196,410

Cineplex recognized goodwill of $139,562, reflecting the cash flows that management expects to generate through the growth of sales and improved operations resulting from its operating and programming expertise, combined with its merchandising, media, marketing, interactive and SCENE loyalty programs, all now available on a national platform. Approximately $104,672 of the goodwill is deductible for tax purposes.

b) YoYo's Yogurt Cafe

In January, 2014, Cineplex acquired 50% of the common shares of the YYC Franchise Corporation and YYC Wholesale Inc. ("YoYo's") for $950 cash. YoYo's is a frozen yogurt franchisor with operations in Ontario. Cineplex has opened and will continue to open YoYo's franchises within and outside existing and new theatre operations. Cineplex accounts for its investment in YoYo's as equity-accounted, and includes revenues from Cineplex YoYo's franchises in food service revenues.

4 Fair value of financial instruments

Effective August 24, 2011, Cineplex entered into three interest rate swap agreements. Under these interest rate swap agreements, Cineplex pays a fixed rate of 1.715% per annum, plus an applicable margin, and receives a floating rate of interest equal to the three-month Canadian deposit offering rate set quarterly in advance, with gross settlements quarterly. Those interest rate swap agreements have a term of five years that commenced in August, 2011, and an aggregate notional principal amount of $150,000, the principal balance of the Term Facility.

In the first quarter of 2014, Cineplex entered into three interest rate swap agreements which commence at the maturity of the 2011 interest rate swap agreements, and mature on October 24, 2018. Under these interest rate swap agreements, Cineplex pays a fixed rate of 2.62% per annum, plus an applicable margin, and receives a floating rate of interest equal to the three-month Canadian deposit offering rate set quarterly in advance, with gross settlements quarterly. The interest rate swap agreements have an aggregate notional principal amount of $150,000, the principal balance of the Term Facility.

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

The purpose of the interest rate swap agreements is to act as a cash flow hedge of the floating interest rate payable under the Term Facility. Cineplex considered its hedging relationships and determined that the interest rate swap agreements on its Term Facility qualify for hedge accounting in accordance IAS 39. Under the provisions of IAS 39, the interest rate swap agreements are recorded on the consolidated balance sheets at their fair values, with subsequent changes in fair value recorded either in net income or OCI.

The deferred consideration for AMC and EK3 are recorded at fair value and included in other liabilities. The change in fair value during the three months ended March 31, 2014 is as follows:

				2014
		AMC		**EK3**
Fair value at beginning of year	$	2,929	$	30,577
Accretion		32		952
Fair value at end of period	$	2,961	$	31,529

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical financial assets or financial liabilities that Cineplex has the ability to access.

Fair values determined by Level 2 inputs use inputs other than the quoted prices included in Level 1 that are observable for the financial asset or financial liability, either directly or indirectly. Level 2 inputs include quoted prices for similar financial assets and financial liabilities in active markets, and inputs other than quoted prices that are observable for the financial assets or financial liabilities. Cineplex uses market interest rates and yield curves that are observable at commonly quoted intervals in the valuation of its interest rate swap agreements. The derivative positions are valued using models developed internally by the respective counterparty that uses as its basis readily observable market parameters (such as forward yield curves) and are classified within Level 2 of the valuation hierarchy. Cineplex considers its own credit risk as well as the credit risk of its counterparties when evaluating the fair value of its derivatives. Any adjustments resulting from credit risk are recorded as a change in fair value of the derivatives and reflected in OCI.

Level 3 inputs are unobservable inputs for the financial asset or financial liability, and include situations where there is little, if any, market activity for the financial asset or financial liability. Cineplex's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the financial asset or financial liability.

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

5 Share capital

Cineplex is authorized to issue an unlimited number of common shares, and 10,000,000 preferred shares of which none are outstanding. Share capital at March 31, 2014 and 2013 and transactions during the years are as follows:

2014

	Shares			Amount				
	Number of common shares issued and outstanding	Number of common shares held by LTIP trust	Common shares, net	Common shares	Equity component of convertible debentures	LTIP common shares	LTIP obligation	Total
Balance - December 31, 2013	62,934,028	—	62,934,028	$ 848,940	$ 4,471	$ —	$ —	$ 853,411
Issuance of shares on exercise of options	29,877	—	29,877	257	—	—	—	257
Balance - March 31, 2014	62,963,905	—	62,963,905	$ 849,197	$ 4,471	$ —	$ —	$ 853,668

2013

	Shares			Amount				
	Number of common shares issued and outstanding	Number of common shares held by LTIP trust	Common shares, net	Common shares	Equity component of convertible debentures	LTIP common shares	LTIP obligation	Total
Balance - December 31, 2012	62,783,002	(139,727)	62,643,275	$ 847,483	$ —	$ (3,264)	$ 3,016	$ 847,235
Transfers and costs of LTIP obligation	—	—	—	—	—	—	248	248
Issuance of shares on exercise of options	61,156	—	61,156	739	—	—	—	739
Transfer of common shares to LTIP participants	—	139,727	139,727	—	—	3,264	(3,264)	—
Balance - March 31, 2013	62,844,158	—	62,844,158	$ 848,222	$ —	$ —	$ —	$ 848,222

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

6 Share-based compensation

Option plan

Cineplex recorded $403 of employee benefits expense with respect to share options during the three months ended March 31, 2014 (2013 - $409).

Cineplex granted options in 2014 and 2013 as follows:

	2014	2013
Number of options granted	540,519	385,834
Share price	$ 40.45	$ 33.49
Exercise price	$ 40.45	$ 33.49
Expected option life (years)	3.0	3.0
Volatility	18%	23%
Dividend yield	3.54%	4.03%
Annual risk-free rate	1.42%	1.22%
Fair value of options granted	$ 3.56	$ 3.29

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, 2014, 2,855,666 options are available for grant. A summary of option activities in 2014 and 2013 is as follows:

		2014		2013	
	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	7.96	1,459,772	$ 27.23	1,460,546	$ 24.38
Granted		540,519	40.45	385,834	33.49
Cancelled		(8,492)	35.88	—	—
Exercised		(79,705)	25.63	(196,576)	23.20
Options outstanding, March 31	8.34	1,912,094	$ 30.99	1,649,804	$ 26.65

Long-term incentive plan ("LTIP")

For the three-year service period beginning on January 1, 2014, the LTIP award consists of a "phantom" stock plan, awarding 135,602 share equivalents (2013 - 124,936), which, subject to certain performance and market conditions, may decrease approximately 67% or increase by 100% subject to certain performance and market conditions. The base share equivalents attract compounding notional dividends at the same rate as outstanding common shares, which are notionally reinvested as additional base share equivalents. The awards will be settled in cash at the end of service periods, within 30 days of the approval of the consolidated financial statements by the Board of Directors.

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

LTIP costs are estimated at the grant date based on expected performance results then accrued and recognized on a graded basis over the vesting period. The effects of changes in estimates of performance results are recognized in the year of change. Forfeitures are estimated at $nil. For the three months ended March 31, 2014, Cineplex recognized $1,283 (2013 - $2,984) of compensation costs under the LTIP.

7 Other costs

	Three months ended March 31,	
	2014	**2013**
Employee salaries and benefits	$ 51,696	$ 44,216
Rent	33,906	31,413
Realty and occupancy taxes and maintenance fees	17,224	15,044
Utilities	8,157	6,192
Purchased services	11,727	8,550
Other inventories consumed	2,682	1,973
Repairs and maintenance	5,507	4,306
Office and operating supplies	3,531	2,711
Licences and franchise fees	3,489	2,546
Insurance	573	659
Advertising and promotion	6,189	4,911
Professional and consulting fees	1,311	1,127
Telecommunications and data	1,333	1,024
Bad debts	123	81
Equipment rental	723	631
Other costs	2,275	2,149
	$ 150,446	$ 127,533

8 Net income per share

Basic

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

	2014	**2013**
Net income	$ 5,071	$ 8,816
Weighted average number of shares outstanding	62,941,405	62,695,039
Basic EPS	$ 0.08	$ 0.14

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

Diluted

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

	2014	2013
Net income	$ 5,071	$ 8,816
Weighted average number of shares outstanding	62,941,405	62,695,039
Adjustments for stock options	486,212	325,022
Weighted average number of shares for diluted EPS	63,427,617	63,020,061
Diluted EPS	$ 0.08	$ 0.14

9 Changes in operating assets and liabilities

The following summarizes the changes in operating assets and liabilities:

	2014	2013
Trade and other receivables	$ 55,453	$ 32,424
Inventories	996	553
Prepaid expenses and other current assets	(2,456)	(5,182)
Accounts payable and accrued expenses	(60,557)	(37,964)
Income taxes payable	(848)	(12,926)
Deferred revenue	(26,507)	(17,864)
Post-employment benefit obligations	(61)	127
Share-based compensation	(11,927)	3,112
Other liabilities	(498)	(723)
	$ (46,405)	$ (38,443)
Non-cash investing activities:		
Property, equipment and leasehold purchases financed through accounts payable and accrued expenses	$ 11,426	$ 6,795

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

10 Segment information

Cineplex has two reportable segments, Exhibition and Media. The reportable segments are business units offering differing products and services. Prior to 2014, Cineplex had determined that its operations comprised a single business segment. With the acquisition of digital media businesses in the past several years, and the increasing and ongoing integration of those media businesses with Cineplex's media and magazine sales which were historically associated primarily with theatres, these segments are now managed separately due to their distinct natures. These two reportable segments have been determined by Cineplex's chief operating decision makers effective January 1, 2014. Segment information for 2013 has been reclassified to reflect the current presentation.

Exhibition
The Exhibition reporting segment includes all direct and ancillary revenues from theatre attendance, including box office, food service and gaming revenues, and the associated costs to provide those products and services, including substantially all head office costs.

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

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

	Three months ended March 31, 2014			Three months ended March 31, 2013		
	Exhibition	Media	Consolidated	Exhibition	Media	Consolidated
Revenues	$ 255,664	$ 24,355	$ 280,019	$ 231,760	$ 16,310	$ 248,070
EBITDA (i)	18,400	11,945	30,345	19,703	10,650	30,353
Depreciation and amortization	17,253	1,415	18,668	17,230	68	17,298
Interest expense			5,217			1,716
Interest income			(70)			(78)
Income taxes expense			1,459			2,601
Net income			$ 5,071			$ 8,816

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

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

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

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

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

11 Provision for (recovery of) income taxes

Taxable income earned by Cineplex during 2013 was offset by the use of loss carryforwards acquired through Cineplex's acquisition of AMC Ventures Inc. in 2012. As a result of the $147,034 non-capital losses acquired in this transaction, Cineplex's cash income taxes in 2013 were substantially reduced. Based on estimated taxable income for the year ended December 31, 2013, approximately $43,249 non-capital losses remain and are expected to be used to reduce taxable income in 2014. As a result of reducing taxable income through losses, Cineplex is subject to minimum tax in certain jurisdictions which may be credited against income taxes payable on taxable income earned in periods after the losses have been fully used. Those credits, totalling $1,897 through December 31, 2013 have been recorded as deferred income tax assets and a reduction of deferred income tax expense.

12 Subsequent event

On April 10, 2014, Cineplex committed to acquire the 50% of the issued and outstanding equity of Cineplex Starburst Inc. ("CSI") that Cineplex does not already own, for a minimum of $17,500 cash. After the transaction closes in the third quarter of 2015, Cineplex will own 100% of the issued and outstanding equity of CSI.