2020

SECOND QUARTER

June 30, 2020

LETTER TO SHAREHOLDERS

Dear fellow shareholders,

Cineplex has been entertaining Canadians for over 100 years, and this has certainly been a quarter unlike any our company, or the industry, has experienced. Like so many other businesses in Canada and around the world, our locations were closed for almost the entire second quarter as a direct result of the global pandemic. We only began to reopen in select markets during the last few weeks of June where it was deemed safe to do so. Although our physical doors were shut, the team worked harder than ever to mitigate the negative impact, prepare for reopening and support the long-term stability of the company.

During the quarter, we remained laser-focused on reducing operating costs and capital expenditures. We worked with our landlords and real estate partners to abate and defer rents, eliminated all variable spending and worked with our suppliers to renegotiate and revise contracts. We also benefited from government wage subsidy programs, and in addition to temporarily laying off our entire part-time field workforce during the closure period, our corporate employees took voluntary salary reductions to help alleviate the financial burden.

In addition, we took meaningful action to provide further financial stability throughout the recovery period and to ensure that our long-term liquidity needs were met. This included obtaining relief from certain financial covenants under our Credit Facilities and securing additional financing in the form of a Convertible Unsecured Subordinated Debenture issued subsequent to quarter end.

While we were able to dramatically reduce our cash burn, we also supported our diversified and online businesses, including Cineplex Digital Media, the Cineplex Store and our food home delivery services through Uber Eats and Skip the Dishes. We developed and implemented an industry-leading program with end-to-end health and safety protocols to ensure that our employees and guests return to a safe environment. We remain extremely strategic and agile in our reopening approach as we welcome our guests back and build consumer confidence.

These past five months have given us all a new appreciation for the importance of friends and family and the power of shared experiences with those we love. We know people have missed the wonder of the big screen and are craving that social interaction after being constrained in their homes for months. And we couldn’t be more delighted to safely welcome them back.

While so much of what is happening in the world right now is out of our control, our priority over the past several months has been on what we can control to ensure the financial health of the company and strengthen our position over the short and long term.

On behalf of all of us at Cineplex, I hope that you and your families are safe and healthy and look forward to seeing you soon at one of our theatres or entertainment venues.

Sincerely,

Ellis Jacob
President and CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

August 13, 2020

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

Unless otherwise specified, all information in this MD&A is as of June 30, 2020 and all amounts are in Canadian dollars.

MANAGEMENT'S DISCUSSION AND ANALYSIS CONTENTS

Non-GAAP Measures

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

Forward-Looking Statements

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

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

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

By their very nature, forward-looking statements involve inherent risks and uncertainties, including those described in Cineplex's Annual Information Form ("AIF"), its MD&A for the year ended December 31, 2019 ("Annual MD&A") and in this MD&A. Those risks and uncertainties, both general and specific, give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements. Cineplex cautions readers not to place undue reliance on these statements, as a number of important factors, many of which are beyond Cineplex's control, could cause actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to, the duration and impact of the COVID-19 pandemic on Cineplex, the movie exhibition industry and the economy in general, as well as Cineplex's response to the COVID-19 pandemic as it relates to the closure of its theatres and location-based entertainment venues, employee reductions and other cost-cutting initiatives, and increased expenses relating to safety measures taken at its facilities to protect the health and well-being of customers and employees; Cineplex's expectations with respect to liquidity and capital expenditures, including its ability to meet its ongoing capital, operating and other obligations, and anticipated needs for, and sources of, funds; Cineplex's ability to execute cost-cutting and revenue enhancement initiatives in response to the COVID-19 pandemic; risks generally encountered in the relevant industry, competition, customer, legal,

taxation and accounting matters; the outcome of any litigation surrounding the termination of the Cineworld transaction; and diversion of management time on litigation related to the Cineworld transaction.

The foregoing list of factors that may affect future results is not exhaustive. When reviewing Cineplex's forward-looking statements, readers should carefully consider the foregoing factors and other uncertainties and potential events. Additional information about factors that may cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements may be found in the "Risks and Uncertainties" section of 2019 Annual MD&A and 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, its financial or operating results or its securities. All forward-looking statements in this MD&A are made as of the date hereof and are qualified by these cautionary statements. Additional information, including Cineplex's AIF and Annual MD&A, can be found on SEDAR at www.sedar.com.

1. OVERVIEW OF CINEPLEX

Cineplex is a top-tier Canadian brand that operates in the film entertainment and content, amusement and leisure, and media sectors. As a leading entertainment and media company, Cineplex welcomes millions of guests annually through its circuit of theatres and LBE venues across the country. In addition to being Canada's largest and most innovative film exhibitor, Cineplex also operates businesses in digital commerce (CineplexStore.com), food service, alternative programming (Cineplex Events), cinema media (Cineplex Media), digital place-based media (Cineplex Digital Media "CDM") and amusement solutions (Player One Amusement Group "P1AG"). Additionally, Cineplex operates an LBE business through Canada's newest destinations for 'Eats & Entertainment' (*The Rec Room*), and entertainment complexes specifically designed for teens and families (*Playdium*). Cineplex is a joint venture partner in SCENE, Canada's largest entertainment loyalty program.

Cineplex's theatre circuit is concentrated in major metropolitan and mid-sized markets. As of June 30, 2020, Cineplex owned, leased or had a joint venture interest in 1,687 screens in 164 theatres from coast to coast.

Cineplex

Theatre locations and screens at June 30, 2020

Province	Locations	Screens	3D Digital Screens	UltraAVX	IMAX Screens (i)	VIP Auditoriums	D-BOX Auditoriums	Recliner Auditoriums	Other Screens (ii)
Ontario	68	730	358	41	13	48	48	108	10
Quebec	20	250	98	10	3	4	8	12	—
British Columbia	24	231	125	16	3	15	16	39	1
Alberta	19	208	112	20	2	11	16	46	6
Nova Scotia	12	91	44	1	1	—	2	—	1
Saskatchewan	6	54	28	3	1	3	3	16	1
Manitoba	5	49	26	1	1	3	2	—	—
New Brunswick	5	41	20	2	—	—	2	—	—
Newfoundland & Labrador	3	20	9	—	1	—	1	—	—
Prince Edward Island	2	13	6	—	—	—	1	—	—
TOTALS	**164**	**1,687**	**826**	**94**	**25**	**84**	**99**	**221**	**19**
Percentage of screens			49%	6%	1%	5%	6%	13%	1%

(i) All IMAX screens are 3D enabled. Total 3D screens including IMAX screens are 851 screens or 50% of the circuit.

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

Cineplex - Theatres, screens, and premium offerings in the last eight quarters	2020		2019				2018	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Theatres	164	164	165	165	165	165	164	165
Screens	1,687	1,687	1,693	1,695	1,695	1,692	1,686	1,696
3D Digital Screens	826	826	826	827	826	824	821	826
UltraAVX Screens	94	94	94	93	93	90	90	90
IMAX Screens	25	25	25	25	25	25	25	25
VIP Auditoriums	84	84	84	79	79	75	75	75
D-BOX Auditoriums	99	99	97	92	92	89	89	89
Recliner Auditoriums	221	221	213	182	182	173	173	173
Other Screens	19	19	17	5	4	4	4	3

Cineplex - LBE venues at June 30, 2020		
Province	***The Rec Room***	***Playdium***
Ontario	3	2
Alberta	3	—
Manitoba	1	—
Newfoundland & Labrador	1	—
TOTALS	**8**	**2**

1.1 RECENT DEVELOPMENTS

Cineworld Transaction

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

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

On July 3, 2020, Cineplex announced that it had commenced an action in the Ontario Superior Court of Justice against Cineworld and 1232743 B.C. Ltd. seeking damages arising from what Cineplex claims was a wrongful repudiation of the Arrangement Agreement (See Section 15, Subsequent Events). The claim seeks damages, including the approximately $2.18 billion that Cineworld would have paid upon the closing of the Cineworld Transaction for

Cineplex's securities, reduced by the value of the Cineplex securities retained by its security holders, as well as compensation for other losses including the failure of Cineworld to repay or refinance Cineplex's approximately $664 million in debt and transaction expenses. Cineplex has also advanced alternative claims for damages for the loss of benefits to its security holders, and to require Cineworld to disgorge the benefits it improperly received by wrongfully repudiating the Cineworld Transaction.

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

On July 6, 2020, Cineworld announced that it would defend Cineplex's claim, and that it intends to counterclaim against Cineplex for damages and losses that it claims it suffered as a result of Cineplex's alleged breaches of the Arrangement Agreement and the Cineworld Transaction not proceeding.

Due to uncertainties inherent in litigation, it is not possible for Cineplex to predict the timing or final outcome of the legal proceedings against Cineworld or to determine the amount of damages, if any, that may be awarded. Further, even if Cineplex's action against Cineworld is successful, Cineworld may not have the ability to pay the full amount of any damages awarded to Cineplex.

Response to COVID-19

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

On March 16, 2020, Cineplex announced the temporary closure of all of its theatres and LBE venues across Canada, as well as substantially all route locations operated by P1AG. On April 1, 2020, in response to applicable government directives and guidance from Canadian public health authorities, Cineplex announced that the closure of its theatres and LBE venues across Canada would remain in effect and that the reopening of such locations would be reassessed as further guidance is provided by Canadian public health authorities and applicable government authorities.

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

- temporary layoffs of all part-time and full-time hourly employees as well as a number of full-time employees who chose a temporary layoff rather than a salary reduction;
- reducing full-time employee salaries by agreement with such employees;
- suspending or deferring current capital spending and reviewing all capital projects to consider either deferral or cancellation;
- reducing non-essential discretionary operational expenditures (such as spending on marketing, travel and entertainment);
- implementing a more stringent review and approval process for all outgoing procurement and payment requests;
- proactively negotiating with landlords for rent relief, including abatements and converting fixed rent to variable rent depending on attendance, until attendance returns to previous levels;
- working with major suppliers and other business partners to modify the timing and quantum of certain contractual payments;
- reviewing and applying for government subsidy programs where available, including the Canada Emergency Wage Subsidy ("CEWS"). This program, which was launched by the Government of Canada, provides a subsidy of 75% of employee wages, up to a maximum benefit of $847.00, per week, for up to 24 weeks,

retroactive from March 15, 2020 to August 29, 2020. In mid-July, the federal government announced an extension to the program to December 19th, backdated to July 5th with threshold amounts and benefits amended, allowing for additional subsidies for those businesses who are on a slower recovery track. It is expected that most of Cineplex's businesses will be able to benefit from the higher 85% subsidy maximum threshold available to those businesses who have sustained a revenue decline greater than 50% during a specified claim period;

- continuing the suspension of dividends; and
- focusing on revenue driving opportunities including the expansion of Cineplex Store offerings and expansion of food home delivery from theatres and LBE venues.

In addition to cost savings associated with the temporary layoffs of its employees, reductions in salaries and other mitigation efforts, Cineplex has suspended or deferred certain capital spending and is reviewing all capital projects to consider further deferrals or cancellations and has plans to reduce purchases of property, plant and equipment (net of tenant inducements) to approximately $50.0 million over the next 12 months.

The COVID-19 pandemic has had a material negative effect on all aspects of Cineplex's businesses resulting in material decreases in revenues, results of operations and cash flows. Since March 15, 2020, Cineplex has experienced a net cash burn of approximately $15 to $20 million per month as a result of having to close its theatres and LBE venues (for Q2 2020 net cash burn was $53.9 million for the three months or approximately $18.0 million monthly) (see Section 17, Non-GAAP measures). When used in this MD&A, net cash burn is calculated as adjusted EBITDAaL less cash interest (excluding amounts with respect to lease obligations), provision for income taxes and net capital expenditures. Net cash burn assumes that all of Cineplex's theatres and LBE venues remain closed, current government wage subsidies continue in place, (originally in place only until August 29, 2020 subsequently extended to December 19, 2020) with respect to the CEWS and certain lease-related abatements and other lease-related savings currently being negotiated are implemented as expected by management.

As some of Cineplex's largest expenses, such as film cost and cost of food services, are fully variable, during the closure of its theatres and LBE venues Cineplex has focused on reducing its largest fixed and semi-fixed expenses, including those attributed to theatre payroll and theatre occupancy. As a result of the measures described below, including receipt of assistance under the CEWS, Cineplex has been able to materially reduce theatre payroll expenses from $41.1 million reported in the second quarter of 2019 to approximately $0.2 million in the second quarter of 2020. With respect to theatre occupancy expenses, Cineplex is continuing to work with its landlord partners to identify relief measures, which resulted in no material cash rent being paid in the second quarter of 2020. The focus has been on identifying opportunities for lease-related abatements during the closure period, converting fixed components of rent to variable rent during the reopening period and looking for other opportunities to extract value under its existing lease agreements. While Cineplex is still in the process of finalizing these measures, and the accounting for any amendments will be more complex under IFRS 16, Cineplex was able to materially reduce cash payments during the second quarter of 2020.

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

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

Cineplex will take a gradual approach to reopening its consumer-facing segments in phases. The phases will be driven by government regulations around public gathering sizes and safety guidelines, availability of first run film product, social norms around social distancing and attendance levels at theatres and other venues once reopened. Cineplex is also implementing a number of pricing and marketing strategies to entice its guests to return to theatres and LBE venues as the impact of the COVID-19 pandemic in the markets which it operates subsides. As a result of loosened

provincial government restrictions on social gatherings in certain markets in which it operates, Cineplex resumed measured operations at The Rec Room in Winnipeg, Calgary and Edmonton during the week of June 15, 2020. Cineplex also reopened six theatres in Alberta on June 26, 2020. Cineplex will continue to assess how long it should extend the closure of its other theatres and LBE venues across Canada as additional government directives and guidance from Canadian public health authorities are issued. In all markets where Cineplex is permitted by government and health authorities, and it is economically feasible under those limitations, it plans to reopen as many of its locations as it can throughout July and August.

Some of the new measures implemented on reopening include:

- launching reserved seating in all auditoriums across Canada; seating options will be automatically blocked off to ensure proper distance in every direction between guests;
- reducing capacity in all auditoriums to allow for physical distancing;
- enhancing cleaning practices throughout our facilities, with particular focus on high-contact surfaces, restrooms and seats;
- accepting debit and credit payments only, with the exception of gift card purchases;
- limiting food offerings in theatres to Cineplex's famous popcorn and other core concessions;
- ensuring employees have the personal protective equipment they need and as required by provincial regulations;
- making hand sanitizer readily available for guests and employees throughout the buildings; and
- keeping VIP Cinemas closed until first run product is available.

Although restrictions on social gatherings are being lifted in many of the markets in which Cineplex operates, there is the possibility that restrictions may be reinstituted in the future if there are additional outbreaks of COVID-19 in Canada, a vaccine has not been developed and other effective treatment options are not available. Any reinstitution of restrictions on social gatherings that would result in the closure of Cineplex's theatres and LBE venues would have a significant negative impact on the ability and timing of Cineplex's return to profitability.

Due to the uncertainty of the timing of the reductions of many government-imposed restrictions and the potential long-term effects that the COVID-19 pandemic may have on the exhibition and amusement and leisure businesses, COVID-19 may have a prolonged negative impact on Cineplex's operations. With the unknown duration of the pandemic and yet to be determined timing of the phased complete reopening of Cineplex's businesses, as well as consumers' future risk tolerance regarding health matters, it is not possible to know the impact on future results. However, Cineplex is optimistic that the exhibition and amusement and leisure industries will recover over time. Cineplex believes consumer demand for the theatrical experience combined with a backlog of anticipated releases of strong film content will help drive visitation, and that LBE activities will increase as people seek out-of-home experiences they have been restricted from enjoying since mid-March.

On June 29, 2020, Cineplex and Cineplex Entertainment Limited Partnership entered into the Credit Agreement Amendment with The Bank of Nova Scotia, as administrative agent, and the lenders from time to time named therein, to the seventh amended and restated credit agreement with a syndicate of lenders. The Credit Agreement Amendment provides Cineplex with certain financial covenant relief in light of the COVID-19 pandemic and its effects on Cineplex's businesses. On July 15, 2020, Cineplex completed the Offering of convertible unsecured subordinated debentures ("the Debentures"), allowing it to meet the conditions of the Credit Agreement Amendment and providing additional liquidity for the recovery period (see Section 15, Subsequent Events). In addition to satisfying the conditions of the waiver thereby removing the potential for default under the terms of the Credit Facility, based on management's forecasts, Cineplex has adequate liquidity to fund its operations and meet its obligations for the foreseeable future.

1.2 FINANCIAL HIGHLIGHTS

Financial highlights (in thousands of dollars, except theatre attendance in thousands of patrons and per Share and per patron	Second Quarter			Year to Date		
	2020	2019 Restated	Change (ii)	2020	2019 Restated	Change (ii)
Total revenues (iii)	$ 21,988	$ 438,854	-95.0%	$ 304,789	$ 803,478	-62.1%
Theatre attendance	6	17,011	-100.0%	10,716	31,999	-66.5%
Net (loss) income from continuing operations (iv)	$ (98,234)	$ 22,077	NM	$ (272,389)	$ 16,748	NM
Net loss from discontinued operations	$ (693)	$ (2,680)	NM	$ (4,952)	$ (4,711)	NM
Net (loss) income (iv)	$ (98,927)	$ 19,397	NM	$ (277,341)	$ 12,037	NM
Box office revenues per patron ("BPP") (v)	$ 4.50	$ 11.13	-59.6%	$ 10.36	$ 10.81	-4.2%
Concession revenues per patron ("CPP") (v)	$ 10.33	$ 7.04	46.7%	$ 6.79	$ 6.72	1.0%
Adjusted EBITDA (v)	$ (41,313)	$ 114,383	NM	$ 5,159	$ 193,125	-97.3%
Adjusted EBITDAaL (i) (iv) (v)	$ (72,532)	$ 70,255	NM	$ (70,142)	$ 105,907	NM
Adjusted EBITDAaL margin (i) (iv) (v)	(329.9)%	16.0%	-345.9%	(23.0)%	13.2%	-36.2%
Adjusted free cash flow (v)	$ (53,801)	$ 51,046	NM	$ (54,008)	$ 81,096	NM
Adjusted free cash flow per common share of Cineplex ("Share") (v)	$ (0.849)	$ 0.806	NM	$ (0.853)	$ 1.280	NM
Earnings per Share ("EPS") from continuing operations - basic and diluted (iv)	$ (1.55)	$ 0.35	NM	$ (4.30)	$ 0.26	NM
EPS from discontinued operations - basic and diluted	$ (0.01)	$ (0.04)	NM	$ (0.08)	$ (0.07)	NM
EPS - basic and diluted (iv)	$ (1.56)	$ 0.31	NM	$ (4.38)	$ 0.19	NM

(i) Certain prior period figures have been restated as applicable per IFRS 5 to conform to current period presentation. See Section 18, Reconciliation for further details.

(ii) Throughout this MD&A, changes in percentage amounts are calculated as 2020 value less 2019 value.

(iii) All amounts are from continuing operations.

(iv) 2020 includes expenses related to the Cineworld Transaction in the amount of $1.1 million for the second quarter and $2.4 million for year-to date.

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

Total revenues for the second quarter of 2020 decreased 95.0%, or $416.9 million, to $22.0 million as compared to the prior year period, due to the materially negative impact of the COVID-19 pandemic on Cineplex's businesses which continued through the second quarter of 2020. The mandated closure of all non-essential businesses across Canada resulted in all theatres and LBE venues as well as substantially all route locations operated by P1AG being closed for the majority of the second quarter. Despite the closures, Cineplex generated $3.1 million in food service revenues from delivery services sourced by theatres and LBE locations. With provincial governments continuing the process of reopening businesses and an easing of restrictions, Cineplex was able to open a limited number of theatres and LBE venues in several provinces across Canada during the latter half of June. Amusement revenues of $3.7 million in the second quarter were from distribution sales and route operations from family entertainment centres ("FEC") locations that re-opened in June in both Canada and the United States. Media revenues of $7.9 million were primarily from digital place-based media revenues from creative and support services, as well as, project installations. As a result of the continued impact of COVID-19, adjusted EBITDAaL decreased $142.8 million to a loss of $72.5 million and adjusted free cash flow per Share decreased to $(0.849) in the current period from $0.806 in 2019. See Section 4, Results of Operations, for further details on revenue components.

Reflecting the impact of the business closures in the second quarter, total revenues for the six months ended June 30, 2020 decreased 62.1% as compared to the prior year period. Adjusted EBITDAaL decreased to $(70.1) million compared to the prior year period and adjusted free cash flow per Share decreased to $(0.853) in the current period from $1.280 in 2019.

1.3 KEY DEVELOPMENTS IN THE SECOND QUARTER OF 2020

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

FILM ENTERTAINMENT AND CONTENT

Theatre Exhibition

- During the second quarter, all of Cineplex's circuit of theatres were closed. During June 2020, six theatres in Alberta re-opened with significant capacity restrictions.

Theatre Food Service

- Despite the closure of theatres and LBE venues, Cineplex reported food services revenues of $3.3 million primarily due to home delivery services from theatre and LBE locations with Uber Eats and Skip the Dishes.

Digital Commerce

- Total registered users for Cineplex Store increased by 47% in the second quarter of 2020 as compared to the prior year period.
- Cineplex Store registered a 120% increase in device activation over the prior year period.
- Quarterly active users of the Cineplex Store increased by 103% as compared to the prior year period.

MEDIA

- Media revenues were impacted by the closure of theatres, retail and digital out of home locations in the second quarter leading to a decline in advertising revenue. During the second quarter media revenues were primarily driven by Cineplex Digital Media revenues specifically from creative services, software revenue and support services.

AMUSEMENT AND LEISURE

Amusement Solutions

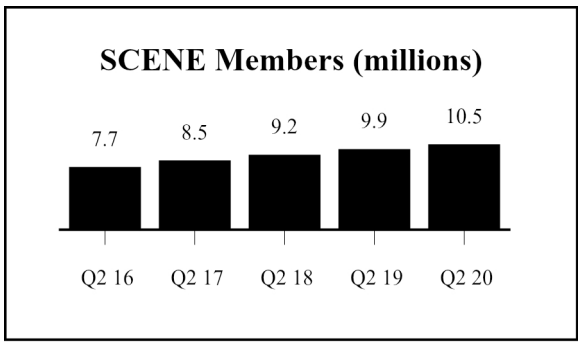
- P1AG's revenues were primarily earned through equipment sales during the second quarter, in addition to a small contribution from the opening of certain FEC locations in June 2020.

Location-based Entertainment

- During the second quarter, all of Cineplex's LBE venues were closed. During June 2020, four locations in western Canada re-opened and *The Roundhouse* in Ontario was partially reopened.

LOYALTY

- Membership in the SCENE loyalty program increased by 0.1 million members in the period, reaching 10.5 million at June 30, 2020.



CORPORATE

- On June 12, 2020, Cineworld delivered the Termination Notice to Cineplex purporting to terminate the Arrangement Agreement (See section 1.1, Recent Developments)
- On June 29, 2020, Cineplex and Cineplex Entertainment Limited Partnership entered into an amendment agreement (the "Credit Agreement Amendment") with The Bank of Nova Scotia, as administrative agent, and the lenders from time to time named therein, to the seventh amended and restated credit agreement with a syndicate of lenders (see section 6.4, Credit Facilities).

- On June 29, 2020, Cineplex sold all of its interest in World Gaming Network for a nominal amount.
- On June 8, 2020, Cineplex offered a collection of "Understanding Black Stories" films that were available free to rent or stream to support the Black Lives Matter movement.
- Beginning April 17 and running through the end of May, 2020, Cineplex donated $1 to Food Banks Canada for every home delivery order fulfilled at its theatre and LBE locations across Canada.

2. CINEPLEX'S BUSINESSES AND STRATEGY

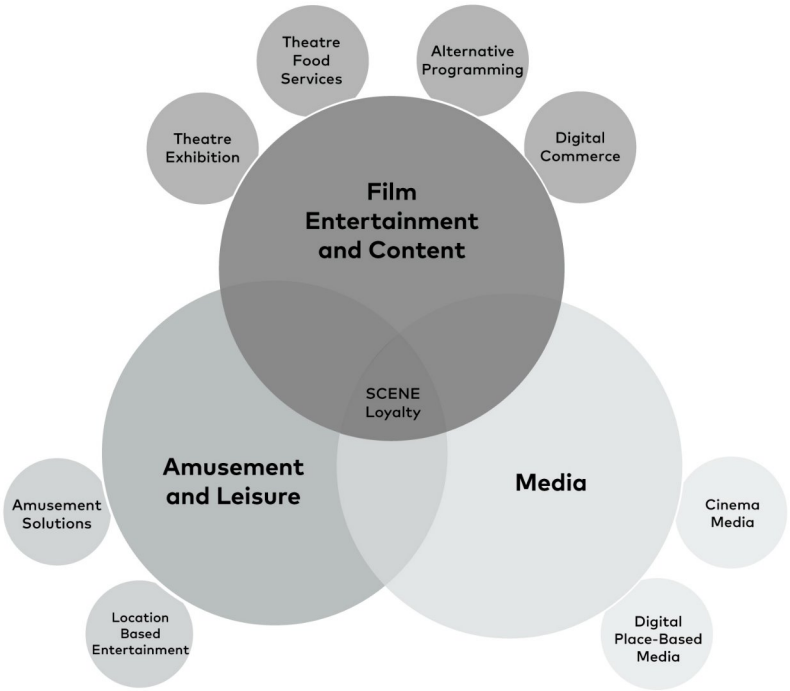
Cineplex's mission statement is "Passionately delivering exceptional experiences." All of its efforts are focused towards this mission and it is Cineplex's goal to consistently provide guests and customers with exceptional experiences.

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

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

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

Diversified Entertainment and Media Company



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

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

A detailed discussion of Cineplex's businesses and business strategy can be found in Cineplex's Annual MD&A. During the second quarter of 2020, attention has shifted to respond to the impact of COVID-19 on the business and plans for reopening (see Section 1.1, Response to COVID-19).

3. OVERVIEW OF OPERATIONS

Revenues

Cineplex generates revenues primarily from box office and food service sales. These revenues are affected primarily by theatre attendance levels and by changes in BPP and CPP. Due to the closures as a result of the COVID-19 pandemic, revenues were materially impacted during the second quarter of 2020. The following table presents the revenue mix for comparative years in the second quarter:

Revenue mix % by period	Q2 2020	Q2 2019 Restated	Q2 2018 Restated	Q2 2017 Restated	Q2 2016 Restated
Box office	**0.1%**	43.2%	45.8%	46.9%	49.5%
Food service	**14.8%**	29.5%	29.9%	27.9%	28.8%
Media	**35.8%**	11.2%	9.9%	10.0%	11.6%
Amusement	**17.0%**	13.2%	11.9%	12.6%	7.3%
Other	**32.3%**	2.9%	2.5%	2.6%	2.8%
Total	**100.0%**	100.0%	100.0%	100.0%	100.0%

Cineplex has four reportable segments, film entertainment and content, media and amusement and leisure and location-based entertainment. The reportable segments are business units offering differing products and services and managed separately due to their distinct natures. These four reportable segments have been determined by Cineplex's chief operating decision makers. The revenue mix percentages for four reportable segments during the second quarter of 2020 were materially impacted by the closures of theatres and LBE locations as a result of COVID-19.

Revenue mix % by period	Second Quarter		Year to date	
	2020	2019 Restated	2020	2019 Restated
Film Entertainment and Content	46.2%	73.7%	68.5%	73.3%
Media	35.6%	11.1%	12.9%	10.4%
Amusement and Leisure	16.8%	10.4%	12.7%	11.6%
LBE	1.4%	4.8%	5.9%	4.7%
Total	100.0%	100.0%	100.0%	100.0%

A key component of Cineplex's business strategy is to position itself as the leading exhibitor in the Canadian market by focusing on providing customers with an exceptional entertainment experience. Cineplex's share of the Canadian theatre exhibition market based on Canadian industry box office revenues was approximately 74% for the first quarter of 2020, the most recent quarter during which theatres were operating. As a result of Cineplex's focus on diversifying

the business beyond the traditional movie exhibition model, its revenue mix has shifted from box office revenue to other revenue sources.

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

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

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

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

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

Cost of Sales and Expenses

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

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

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

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

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

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

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

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

General and administrative expenses are primarily costs associated with managing Cineplex's business, including film buying, marketing and promotions, operations and theatre food service management, accounting and financial reporting, legal, treasury, design and construction, real estate development, communications and investor relations, information systems and administration. Included in these costs are payroll (including the long-term incentive plan ("LTIP") and Share option plan costs), occupancy costs related to Cineplex's corporate offices, professional fees (such as public accountant and legal fees) and travel and related costs. Cineplex maintains general and administrative staffing and associated costs at a level that it deems appropriate to manage and support the size and nature of its theatre portfolio and its business activities. Many of these costs have been and can be further reduced as required by changes in business volumes.

Accounting for Joint Arrangements

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

Under IFRS 11, Cineplex's 50% share of one IMAX auditorium in Ontario, its 78.2% interest in the Canadian Digital Cinema Partnership ("CDCP"), 50% interest in *YoYo's Yogurt Cafe* ("YoYo's") and a 34.7% interest in VRstudios are classified as joint ventures or associates. Through equity accounting, Cineplex's share of the results of operations for these joint ventures and associates are reported as a single item in the statements of operations, 'Share of income of joint ventures and associates'. Theatre attendance for the IMAX auditorium held in a joint venture is not reported in Cineplex's consolidated theatre attendance as the line-by-line results of the joint venture are not included in the relevant lines in the statement of operations.

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

4. RESULTS OF OPERATIONS

4.1 SELECTED FINANCIAL DATA

The following table presents summarized financial data for Cineplex for the three and six months ended June 30, 2020 and 2019 (in thousands of dollars except Shares outstanding, per Share data and per patron data, unless otherwise noted):

	Three months ended June 30, 2020	Three months ended June 30, 2019 Restated	Variance (%)	Six months ended June 30, 2020	Six months ended June 30, 2019 Restated	Variance (%)
Box office revenues	$ 27	$ 189,371	-100.0%	$ 111,029	$ 345,867	-67.9%
Food service revenues	3,256	129,563	-97.5%	82,621	232,621	-64.5%
Media revenues	7,880	49,196	-84.0%	40,037	83,902	-52.3%
Amusement revenues	3,731	58,117	-93.6%	51,068	116,617	-56.2%
Other revenues	7,094	12,607	-43.7%	20,034	24,471	-18.1%
Total revenues	21,988	438,854	-95.0%	304,789	803,478	-62.1%
Film cost	10	103,005	-100.0%	56,510	181,726	-68.9%
Cost of food service	789	28,247	-97.2%	22,998	51,683	-55.5%
Depreciation - right-of-use assets	34,185	36,557	-6.5%	69,718	73,019	-4.5%
Depreciation and amortization - other assets	31,759	32,403	-2.0%	65,721	64,036	2.6%
Loss on disposal of assets	478	116	312.1%	1,295	593	118.4%
Other costs (a) (ii)	62,175	192,988	-67.8%	219,723	376,816	-41.7%
Impairment of long-lived assets and goodwill	—	—	NM	173,054	—	NM
Costs of operations	129,396	393,316	-67.1%	609,019	747,873	-35.4%
Net (loss) income from continuing operations	$ (98,234)	$ 22,077	NM	$ (272,389)	$ 16,748	NM
Net loss from discontinued operations	(693)	(2,680)	-74.1%	(4,952)	(4,711)	5.1%
Net (loss) income	$ (98,927)	$ 19,397	NM	$ (277,341)	$ 12,037	NM
Adjusted EBITDA (i) (iv)	$ (41,313)	$ 114,383	NM	$ 5,159	$ 193,125	-97.3%
Adjusted EBITDAaL (i) (ii) (iv)	$ (72,532)	$ 70,255	NM	$ (70,142)	$ 105,907	NM
(a) Other costs include:						
Theatre occupancy expenses	17,735	16,748	5.9%	35,706	35,155	1.6%
Other operating expenses	35,038	159,133	-78.0%	169,586	305,702	-44.5%
General and administrative expenses (iv)	9,402	17,107	-45.0%	14,431	35,959	-59.9%
Total other costs	$ 62,175	$ 192,988	-67.8%	$ 219,723	$ 376,815	-41.7%
EPS from continuing operations - basic and diluted (iv)	$ (1.55)	$ 0.35	NM	$ (4.30)	$ 0.26	NM
EPS from discontinued operations - basic and diluted	(0.01)	(0.04)	-75.0%	(0.08)	(0.07)	14.3%
EPS - basic and diluted (iv)	$ (1.56)	$ 0.31	NM	$ (4.38)	$ 0.19	NM
Total assets	$ 2,732,186	$ 3,081,179	-11.3%	$ 2,732,186	$ 3,081,179	-11.3%
Total long-term financial liabilities (iii)	$ 664,000	$ 641,000	3.6%	$ 664,000	$ 641,000	3.6%
Shares outstanding at period end	63,333,238	63,333,238	—%	63,333,238	63,333,238	—%
Cash dividends declared per Share	$ —	$ 0.445	NM	$ 0.150	$ 0.880	-83.0%
Adjusted free cash flow per Share (i)	$ (0.849)	$ 0.806	NM	$ (0.853)	$ 1.280	NM
Box office revenue per patron (i)	$ 4.50	$ 11.13	-59.6%	$ 10.36	$ 10.81	-4.2%
Concession revenue per patron (i)	$ 10.33	$ 7.04	46.7%	$ 6.79	$ 6.72	1.0%
Film cost as a percentage of box office revenues	37.0%	54.4%	-17.4%	50.9%	52.5%	-1.6%
Theatre attendance (in thousands of patrons) (i)	6	17,011	-100.0%	10,716	31,999	-66.5%
Theatre locations (at period end)	164	165	-0.6%	164	165	-0.6%
Theatre screens (at period end)	1,687	1,695	-0.5%	1,687	1,695	-0.5%

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

(ii) Certain prior period figures have been restated as applicable per IFRS 5 to conform to current period presentation. See Section 18, Reconciliation for further details.

(iii) Represents the principal component of long-term debt. Excludes share-based compensation, lease obligations, fair value of interest rate swap agreements, post-employment benefit obligations and other liabilities.

(iv) 2020 includes expenses related to the Cineworld Transaction in the amount of $1.1 million for the second quarter and $2.4 million for year-to date.

4.2 OPERATING RESULTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020

Total revenues

Total revenues for the three months ended June 30, 2020, decreased $416.9 million (95.0%) to $22.0 million as compared to the prior year period. Total revenues for the six months ended June 30, 2020 decreased $498.7 million (62.1%) to $304.8 million as compared to the prior year period. A discussion of the factors affecting the changes in box office, food service, media, amusement and other revenues for the period is provided below.

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

Box office revenues

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

Box office revenues	Second Quarter			Year to Date		
	2020	2019	Change	2020	2019	Change
Box office revenues	$ 27	$ 189,371	-100.0%	$ 111,029	$ 345,867	-67.9%
Theatre attendance (i)	6	17,011	-100.0%	10,716	31,999	-66.5%
Box office revenue per patron (i)	$ 4.50	$ 11.13	-59.6%	$ 10.36	$ 10.81	-4.2%
BPP excluding premium priced product (i)	$ 4.50	$ 9.30	-51.6%	$ 9.33	$ 9.18	1.6%
Same theatre box office revenues (i)	$ 27	$ 186,904	-100.0%	$ 109,179	$ 342,346	-68.1%
Same theatre attendance (i)	6	16,811	-100.0%	10,566	31,685	-66.7%
% Total box from premium priced product (i)	—%	50.9%	-50.9%	28.7%	46.3%	-17.6%

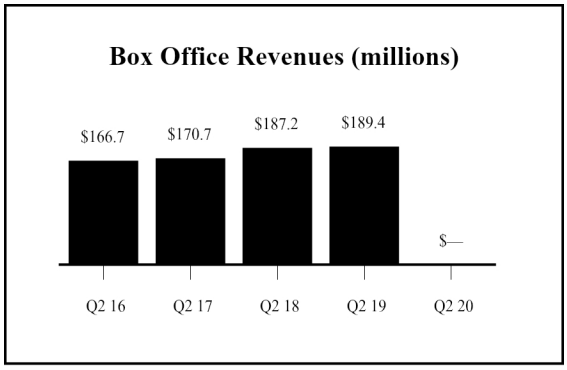
(i) See Section 17, Non-GAAP measures.

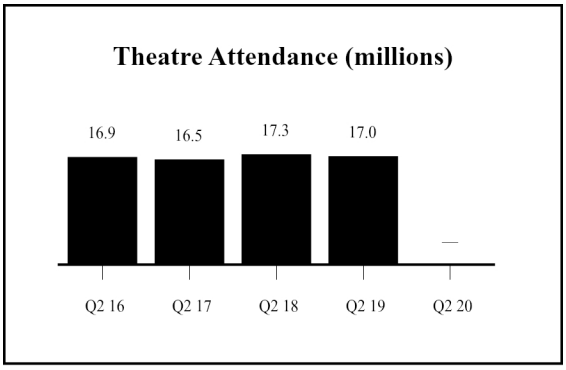
Box office continuity	Second Quarter		Year to Date	
	Box Office	Theatre Attendance	Box Office	Theatre Attendance
2019 as reported	$ 189,371	17,011	$ 345,867	31,999
Same theatre attendance change	(186,832)	(16,805)	(228,178)	(21,118)
Impact of same theatre BPP change	(45)	—	(4,989)	—
New and acquired theatres (i)	(1,857)	(130)	(202)	—
Disposed and closed theatres (i)	(610)	(70)	(1,469)	(165)
2020 as reported	$ 27	6	$ 111,029	10,716

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

Second Quarter and Year to Date

Box office revenues were materially impacted by the government mandated closure of theatres during the second quarter. On June 26, 2020, six theatres in Alberta were reopened with reduced seating occupancy to ensure physical distancing, enhanced cleaning protocols and staff equipped with personal protective equipment. BPP during the reopening period was $4.50 due to promotional pricing for all screenings including the older and classic film products with discounted prices.





Food service revenues

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

Food service revenues	Second Quarter			Year to Date		
	2020	2019	Change	2020	2019	Change
Food service - theatres	$ 62	$ 119,741	-99.9%	$ 72,743	$ 214,913	-66.2%
Food service - LBE	87	9,822	-99.1%	6,771	17,708	-61.8%
Food service - delivery	3,107	$ —	NM	3,107	$ —	NM
Total food service revenues	$ 3,256	$ 129,563	-97.5%	$ 82,621	$ 232,621	-64.5%
Theatre attendance (i)	6	17,011	-100.0%	10,716	31,999	-66.5%
CPP (i) (ii)	$ 10.33	$ 7.04	46.7%	$ 6.79	$ 6.72	1.0%
Same theatre food service revenues (i)	$ 62	$ 118,071	-99.9%	$ 71,394	$ 212,607	-66.4%
Same theatre attendance (i)	6	16,811	-100.0%	10,566	31,685	-66.7%

(i) See Section 17, Non-GAAP Measures.
(ii) Food service revenue from LBE and delivery is not included in the CPP calculation.

Theatre food service revenue continuity	Second Quarter		Year to Date	
	Theatre Food Service	Theatre Attendance	Theatre Food Service	Theatre Attendance
2019 as reported	$ 119,741	17,011	$ 214,913	31,999
Same theatre attendance change	(120,957)	(16,805)	(144,730)	(21,118)
Impact of same theatre CPP change	2,948	—	3,517	—
New and acquired theatres (i)	(1,137)	(130)	26	—
Disposed and closed theatres (i)	(533)	(70)	(983)	(165)
2020 as reported	$ 62	6	$ 72,743	10,716

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

Second Quarter and Year to Date

With the closures of Cineplex's theatres and LBE venues due to COVID-19, Cineplex has focused on its home delivery services for the second quarter. Revenues related to the delivery services in the second quarter are recognized in food service - delivery. In June 2020, six theatres were able to reopen with limited concession menu options and four LBE venues opened in western Canada which provided limited dining service, as well as *The Roundhouse* in Ontario which was limited to providing only patio food service. The reopening of LBE locations and expansion of food services will continue to roll out as provincial governments ease restrictions on businesses.

Media revenues

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

Media revenues	Second Quarter			Year to Date		
	2020	2019 Restated	Change	2020	2019 Restated	Change
Cinema media	$ 1,604	$ 29,596	-94.6%	$ 18,866	$ 50,672	-62.8%
Digital place-based media	6,276	19,600	-68.0%	21,171	33,230	-36.3%
Total media revenues from continuing operations	$ 7,880	$ 49,196	-84.0%	$ 40,037	$ 83,902	-52.3%
Media revenues from discontinued operations	220	382	-42.4%	602	689	-12.6%
Total media revenues	$ 8,100	$ 49,578	-83.7%	$ 40,639	$ 84,591	-52.0%

Second Quarter and Year to Date

Media revenues were materially negatively impacted by the closure of theatres in the second quarter leading to a sharp decline in advertising revenue. During the second quarter media revenues were primarily driven by Cineplex Digital Media revenues specifically from creative services, software revenue and support services. Cinema media revenues for the quarter included certain contractual commitments.

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

Digital place-based media revenues	Second Quarter			Year to Date		
	2020	2019	Change	2020	2019	Change
Project revenues (i)	$ 1,028	$ 9,294	-88.9%	$ 6,842	$ 14,515	-52.9%
Other revenues (ii)	5,248	10,306	-49.1%	14,329	18,715	-23.4%
Total digital place-based media revenues	$ 6,276	$ 19,600	-68.0%	$ 21,171	$ 33,230	-36.3%

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

Amusement revenues

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

Amusement revenues	Second Quarter			Year to Date		
	2020	2019	Change	2020	2019	Change
Amusement - P1AG excluding Cineplex exhibition and LBE (i)	$ 3,687	$ 45,817	-92.0%	$ 38,648	$ 93,490	-58.7%
Amusement - Cineplex exhibition (i)	12	2,608	-99.5%	2,208	5,392	-59.1%
Amusement - LBE	32	9,692	-99.7%	10,212	17,735	-42.4%
Total amusement revenues	$ 3,731	$ 58,117	-93.6%	$ 51,068	$ 116,617	-56.2%

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

Second Quarter and Year to Date

Amusement revenues during the second quarter were impacted by the temporary closures of P1AG route locations, Cineplex theatres and location-based entertainment venues. P1AG's revenues were primarily earned through equipment sales during the quarter, in addition to a minimal contribution from the reopening of select FEC locations in both Canada and the United States in June 2020.

Other revenues

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

Other revenues	Second Quarter			Year to Date		
	2020	2019 Restated	Change	2020	2019 Restated	Change
Other revenues from continuing operations	$ 7,094	$ 12,607	-43.7%	$ 20,034	$ 24,471	-18.1%
Other revenues from discontinued operations	—	9	NM	199	16	NM
Total other revenues	$ 7,094	$ 12,616	-43.8%	$ 20,233	$ 24,487	-17.4%

Second Quarter and Year to Date

The quarterly and year to date decreases in other revenues from continuing operations were primarily due to the suspension of the recognition of deferred revenues on gift card and other related products during the shut down of theater and LBE venues. In addition, the shut downs reduced other ancillary revenues generated from theatres, such as venue rentals. This decrease was partially offset by higher sales from the Cineplex Digital store during the second quarter resulting from theatres not operating.

Film cost

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

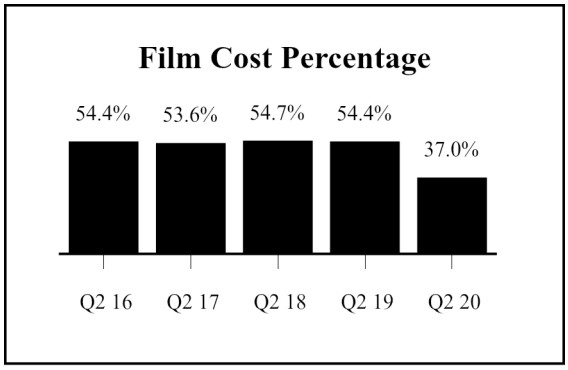
Film cost	Second Quarter			Year to Date		
	2020	2019	Change	2020	2019	Change
Film cost	$ 10	$ 103,005	NM	$ 56,510	$ 181,726	-68.9%
Film cost percentage (i)	37.0%	54.4%	-17.4%	50.9%	52.5%	-1.6%
(i) See Section 17, Non-GAAP measures.						

Second Quarter and Year to Date

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

Film cost for the second quarter of 2020 decreased significantly from the prior year period, which resulted in a decrease for the year to date period as compared to the same period in 2019. With the theatre closures for the majority of the second quarter and limited reopenings at the end of June, film cost reflects the limited revenue earned from discounted ticket prices on older and classic film products available for exhibiting.

The decrease in film cost percentage for the second quarter of 2020 is attributable to the lower settlement rates on the limited reopenings with older and classic film products being shown.



Cost of food service

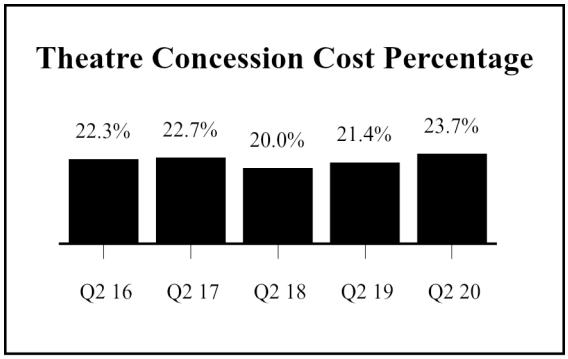
The following table highlights the movement in cost of food service and food service cost as a percentage of food service revenues ("concession cost percentage") for both theatres and LBE for the quarter and the year to date (in thousands of dollars, except percentages and margins per patron):

Cost of food service	Second Quarter			Year to Date		
	2020	2019	Change	2020	2019	Change
Cost of food service - theatre	$ 730	$ 25,590	-97.1%	$ 20,931	$ 46,861	-55.3%
Cost of food service - LBE	59	2,657	-97.8%	2,067	4,822	-57.1%
Total cost of food service	$ 789	$ 28,247	-97.2%	$ 22,998	$ 51,683	-55.5%
Theatre concession cost percentage (i)	23.7%	21.4%	2.3%	27.6%	21.8%	5.8%
LBE food cost percentage (i)	34.7%	27.1%	7.6%	30.2%	27.2%	3.0%
Theatre concession margin per patron (i)	$ —	$ 5.53	NM	$ 5.12	$ 5.25	-7.8%
(i) See Section 17, Non-GAAP measures.						

Second Quarter and Year to Date

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

The quarterly and year to date decreases were due to the temporary closure of Cineplex's theatre and LBE locations since mid-March, 2020 in response to the COVID-19 pandemic. While a minimal amount of food service costs were incurred with the reopening in June of several theatre and LBE locations, the cost of food service for the second quarter of 2020 was primarily driven by home delivery sales.



Depreciation and amortization

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

Depreciation and amortization expenses	Second Quarter			Year to Date		
	2020	2019 Restated	Change	2020	2019 Restated	Change
Depreciation of property, equipment and leaseholds	$ 28,373	$ 29,464	-3.7%	$ 59,062	$ 58,230	1.4%
Amortization of intangible assets and other	3,386	2,939	15.2%	6,659	5,806	14.7%
Sub-total - depreciation and amortization - other assets	$ 31,759	$ 32,403	-2.0%	$ 65,721	$ 64,036	2.6%
Depreciation - right-of-use assets	34,185	36,557	-6.5%	69,718	73,019	-4.5%
Total depreciation and amortization from continuing operations	$ 65,944	$ 68,960	-4.4%	$ 135,439	$ 137,055	-1.2%
Depreciation and amortization from discontinued operations	—	1,186	-100.0%	—	2,408	-100.0%
Total depreciation and amortization	$ 65,944	$ 70,146	-6.0%	$ 135,439	$ 139,463	-2.9%

Second Quarter and Year to Date

The quarterly year over year decrease of $1.2 million in depreciation of property, equipment and leaseholds from continuing operations was due to the impact of the impairment recorded in the first quarter of 2020 on the carrying value of long-lived assets. The year to date increase of $0.8 million was primarily due to the investments in amusement and leisure businesses prior to the theatre closures in March 2020, partially offset by the impact of the impairment of long-lived assets recorded in the first quarter of 2020.

The quarterly and year to date movements in amortization of intangible assets and other from continuing operations as compared to the prior year periods were due to additions of internally developed software for digital products including the Cineplex mobile app and website platforms, net of the reallocation to amortization of intangible assets from discontinued operations.

The quarterly decrease of $2.4 million and year to date decrease of $1.6 million in right-of-use assets from continuing operations were due to the reduced carrying value, as a result of the impact of the impairment recorded in the first quarter of 2020 on the carrying value of long-lived assets.

Impairment of long-lived assets and goodwill

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

Impairment of long-lived assets and goodwill	Second Quarter			Year to Date		
	2020	2019	Change	2020	2019	Change
Impairment of property, equipment and leaseholds	$ —	$ —	NM	$ (33,949)	$ —	NM
Impairment of right-of-use assets	—	—	NM	(50,610)	—	NM
Impairment of goodwill	—	—	NM	(88,495)	—	NM
Impairment of long-lived assets and goodwill	$ —	$ —	NM	$ (173,054)	$ —	NM

Second Quarter and Year to Date

The closure of its operations on March 16, 2020 as a result of the declaration of a global pandemic, was identified as a triggering event for purposes of testing long-lived assets and goodwill for impairment. Carrying values of assets were tested for recoverability measured as the fair value based on internal budgets which reflect the negative impact of COVID-19 pandemic on Cineplex's current and future results. Where the carrying value of assets at March 31, 2020 was assessed as exceeding the recoverable value of those assets at that point in time, an impairment has been recognized. Because impairments are measured at a point in time, the impact of COVID-19 pandemic on the 2020 results, which will be reflected in the results of operations in 2020, has also impacted the measurement of recoverable value, and is

therefore included in the impairment calculation. Where an impairment has been recorded with respect to a long-lived asset, it will be reversed when and if the recoverable value of the related asset increases. Management will monitor and re-assess the recoverable value of the impaired assets, reversing the impairments where it increases. Impairments recorded with respect to goodwill cannot be reversed.

A triggering event occurred on June 30, 2020 as a result of the material decrease in Cineplex's market value due to a sharp decline in its share price at that date from March 31, 2020. Cineplex reassessed the underlying key assumptions and inputs used during the impairment testing completed as at March 31, 2020. Cineplex determined that there were no material changes in those key judgments and conclusions and therefore concluded that there was no further impairment.

Impairment of intangible assets - discontinued operations

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

Impairment of intangible assets - discontinued operations	Second Quarter			Year to Date		
	2020	2019	Change	2020	2019	Change
Impairment of intangible assets - discontinued operations	$ 21	$ —	NM	$ 5,156	$ —	NM

Intangible assets included in assets held for sale were written down to reflect their expected net realizable value.

Loss on disposal of assets

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

Loss on disposal of assets	Second Quarter			Year to Date		
	2020	2019 Restated	Change	2020	2019 Restated	Change
Loss on disposal from continuing operations	$ 478	$ 116	312.1%	$ 1,295	$ 593	118.4%
Loss on disposal from discontinued operations	129	—	NM	129	—	NM
Loss on disposal of assets	$ 607	$ 116	423.3%	$ 1,424	$ 593	140.1%

Other costs

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

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

Other costs	Second Quarter			Year to Date		
	2020	2019 Restated	Change	2020	2019 Restated	Change
Theatre occupancy expenses	$ 17,735	$ 16,748	5.9%	$ 35,706	$ 35,155	1.6%
Other operating expenses	35,038	159,133	-78.0%	169,586	305,702	-44.5%
General and administrative expenses	9,402	17,107	-45.0%	14,431	35,959	-59.9%
Total other costs from continuing operations	$ 62,175	$ 192,988	-67.8%	$ 219,723	$ 376,816	-41.7%
Other costs from discontinued operations	606	2,525	-76.0%	2,212	4,139	-46.6%
Total other costs	$ 62,781	$ 195,513	-67.9%	$ 221,935	$ 380,955	-41.7%

Theatre occupancy expenses

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

Theatre occupancy expenses	Second Quarter			Year to Date		
	2020	2019	Change	2020	2019	Change
Cash rent paid/payable (i) (iv) (v)	$ 37,659	$ 38,889	-3.2%	$ 78,015	$ 78,768	-1.0%
Other occupancy	18,368	18,543	-0.9%	36,804	36,961	-0.4%
One-time items (ii)	(561)	(1,711)	-67.2%	(1,140)	(1,890)	-39.7%
Total theatre occupancy including cash lease payments paid/payable	$ 55,466	$ 55,721	-0.5%	$ 113,679	$ 113,839	-0.1%
Cash rent paid/payable related to lease obligations (iii) (v)	(37,731)	(38,973)	-3.2%	(77,973)	(78,684)	-0.9%
Theatre occupancy as reported	$ 17,735	$ 16,748	5.9%	$ 35,706	$ 35,155	1.6%

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

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

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

(iv) The 2020 and 2019 year to date balance each includes $0.7 million of cash rent paid not pertaining to the current period. See Section 17, Non-GAAP measures.

(v) Does not reflect the impact of quantified negotiated lease-related abatements included in the total amount of $11.9 million in the 2020 quarter and year to date figures.

Theatre occupancy continuity	Second Quarter Occupancy	Year to Date Occupancy
2019 as reported	$ 16,748	$ 35,155
Impact of new and acquired theatres	214	891
Impact of disposed theatres	(176)	(405)
Same theatre rent change (i)	(1,292)	(1,231)
One-time items	1,151	751
Other	(153)	(167)
Impact of IFRS 16 adoption:		
Cash rent paid/payable related to lease obligations	1,243	712
2020 as reported	$ 17,735	$ 35,706

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

Second Quarter

Total theatre occupancy increased $0.5 million (5.9%) during the second quarter of 2020 compared to the prior year period. This increase was primarily due to higher one-time credits and cash rent paid or payable related to lease obligations which was partially offset by lower theatre rent expense as compared to the prior year period.

Following the closure of all theatre and LBE locations in March 2020, Cineplex has worked with landlord partners to identify relief measures, which resulted in no material cash rent being paid in the second quarter. While Cineplex is still in the process of finalizing the measures, cash rent payments in the second quarter were materially reduced.

Year to Date

For the year to date period, theatre occupancy including cash payments was flat as compared to the prior year period.

Other operating expenses

The following table highlights the movement in other operating expenses during the quarter and the year to date (in thousands of dollars) with the prior period presentation restated to provide comparability to the impact of application of IFRS 5:

Other operating expenses	Second Quarter			Year to Date		
	2020	2019 Restated	Change	2020	2019 Restated	Change
Theatre payroll	$ 234	$ 41,072	-99.4%	$ 31,664	$ 77,782	-59.3%
Theatre operating expenses	8,812	30,225	-70.8%	35,301	58,787	-40.0%
Media	6,816	21,185	-67.8%	25,727	37,927	-32.2%
P1AG	9,604	40,529	-76.3%	44,026	81,494	-46.0%
LBE (i)	4,810	13,957	-65.5%	17,886	25,105	-28.8%
LBE pre-opening (ii)	179	673	-73.4%	924	1,364	-32.3%
SCENE	1,635	4,060	-59.7%	4,208	9,098	-53.7%
Marketing	1,059	4,192	-74.7%	3,980	7,043	-43.5%
Other (iii)	6,670	7,892	-15.5%	15,405	16,066	-4.1%
Other operating expenses including cash lease payments paid/payable	$ 39,819	$ 163,785	-75.7%	$ 179,121	$ 314,666	-43.1%
Cash rent paid/payable related to lease obligations (iv) (v)	(4,781)	(4,652)	2.8%	(9,535)	(8,964)	6.4%
Other operating expenses from continuing operations	$ 35,038	$ 159,133	-78.0%	$ 169,586	$ 305,702	-44.5%
Other operating expenses from discontinued operations	606	2,525	-76.0%	2,212	4,139	-46.6%
Total other operating expenses	$ 35,644	$ 161,658	-78.0%	$ 171,798	$ 309,841	-44.6%

(i) Includes operating costs of LBE locations. Overhead relating to management of LBE portfolio are included in the 'Other' line.

(ii) Includes pre-opening costs of LBE.

(iii) Other category includes overhead costs related to LBE and other Cineplex internal departments.

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

(v) Does not reflect the impact of quantified negotiated lease-related abatements included in the total amount of $11.9 million in the 2020 quarter and year to date figures.

Other operating continuity from continuing operations	Second Quarter Other Operating	Year to Date Other Operating
2019 as restated	$ 159,133	$ 305,702
Impact of new and acquired theatres	(583)	196
Impact of disposed theatres	(290)	(592)
Same theatre payroll change (i)	(40,176)	(45,839)
Same theatre operating expenses change (i)	(21,202)	(23,371)
Media operating expenses change	(14,369)	(12,200)
P1AG operating expenses change	(30,925)	(37,468)
LBE operating expenses change	(9,147)	(7,219)
LBE pre-opening change	(494)	(440)
SCENE change	(2,425)	(4,890)
Marketing change	(3,133)	(3,063)
Other	(1,222)	(659)
Impact of IFRS 16:		
Cash rent paid/payable related to lease obligations (ii)	(129)	(571)
2020 as reported	$ 35,038	$ 169,586

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

(ii) Does not reflect the impact of quantified negotiated lease-related abatements included in the total amount of $11.9 million in the 2020 quarter and year to date figures.

Second Quarter

The overall decrease in other operating expenses was a result of the temporary closure of theatres, LBE locations and P1AG route locations and the resulting impact on all other parts of the business. In order to manage costs Cineplex took advantage of government subsidy programs in Canada and the United States, offsetting Other operating costs with $16.5 million of subsidies in the second quarter, including $7.3 million against theatre payroll, and focused on reducing overall spending. The decrease in Other expenses due to the closures was partially offset by the higher volume of digital commerce sales during the quarter. In addition to wage subsidies received, theatre and LBE payroll costs were reduced as a result of the temporary layoff of part-time staff in March and payroll reductions for full-time staff.

Year to Date

The overall decrease in other operating expenses was as a result of the temporary closure of theatres, LBE locations and P1AG route locations leading to a decrease in business volumes from March 2020. The decrease in Other expenses due to the closures was offset in part by the higher volume of digital commerce sales during the second quarter of 2020.

General and administrative expenses

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

G&A expenses	Second Quarter			Year to Date		
	2020	2019	Change	2020	2019	Change
G&A excluding the following items	$ 9,949	$ 15,892	-37.4%	$ 27,203	$ 33,720	-19.3%
Restructuring	75	713	-89.5%	435	713	-39.0%
Transaction costs	1,098	—	NM	2,369	—	NM
LTIP (i)	(1,572)	247	NM	(13,009)	1,009	NM
Option plan	47	404	-88.4%	(2,194)	793	NM
G&A expenses including cash lease payments paid/payable	$ 9,597	$ 17,256	-44.4%	$ 14,804	$ 36,235	-59.1%
Cash rent paid/payable included as part of lease obligations (ii) (iii)	(195)	(149)	30.9%	(373)	(276)	35.1%
G&A expenses as reported	$ 9,402	$ 17,107	-45.0%	$ 14,431	$ 35,959	-59.9%

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

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

(iii) Does not reflect the impact of quantified negotiated lease-related abatements included in the total amount of $11.9 million in the 2020 quarter and year to date figures.

Second Quarter and Year to Date

G&A expenses decreased $7.7 million during the second quarter of 2020 as compared to the prior year period. This was primarily due to a $5.9 million decrease in G&A excluding LTIP and option plan expense primarily as a result of the $3.8 million received under the COVID-19 CEWS wage subsidy program and reduced payroll costs mainly due to voluntary salary reductions for full-time employees. LTIP expense decreased $1.9 million as a result of the decrease in the Share price from $11.70 at March 31, 2020 to $8.04 at June 30, 2020. These expenses were partially offset by an increase in transaction costs related to the Cineworld Transaction and ensuing litigation resulting from the repudiation of the Cineworld Transaction (See 1.1 Recent Developments).

G&A expenses for the year to date period decreased $21.5 million compared to the prior year period due to a $14.1 million decrease in LTIP expense, a $2.9 million decrease in option plan expense and the COVID-19 CEWS wages subsidy program. The impact of the COVID-19 pandemic on Cineplex's business led to a sharp decline in the Share price which decreased to $8.04 per Share at June 30, 2020. With the termination of the Arrangement Agreement, options have been reclassified to being accounted for as equity-settled and both LTIP and option expenses have been accounted for over their original vesting periods (prior to the Arrangement Agreement).

Share of income of joint ventures and associates

Cineplex's joint ventures and associates include its 78.2% interest in CDCP, 50% interest in one IMAX screen in Ontario, 50% interest in YoYo's and 34.7% interest in VRstudios.
The following table highlights the components of share of income of joint ventures and associates during the quarter and the year to date (in thousands of dollars):

Share of income of joint ventures and associates	Second Quarter			Year to Date		
	2020	2019	Change	2020	2019	Change
Share of loss (income) of CDCP	$ 2,784	$ (1,917)	NM	$ 3,374	$ (2,234)	NM
Share of loss of other joint ventures and associates	408	274	48.9%	553	222	149.1%
Total loss (income) of joint ventures and associates	$ 3,192	$ (1,643)	NM	$ 3,927	$ (2,012)	NM

CDCP revenues were negatively impacted by the closure of theatres since March, resulting in a $4.8 million decrease in share of loss (income) from CDCP for the quarter and $5.9 million decrease for the year to date.

Interest expense

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

Interest expense	Second Quarter			Year to Date		
	2020	2019	Change	2020	2019	Change
Long-term debt interest expense	$ 7,782	$ 6,340	22.7%	$ 15,256	$ 12,289	24.1%
Lease interest expense	11,053	12,204	-9.4%	22,408	23,891	-6.2%
Sub-total - cash interest expense	$ 18,835	$ 18,544	1.6%	$ 37,664	$ 36,180	4.1%
Deferred financing fee accretion and other non-cash interest, net	328	291	12.7%	677	850	-20.4%
Interest rate swap - non-cash	1,909	(574)	NM	11,295	(1,132)	NM
Sub-total - non-cash interest expense	2,237	(283)	NM	11,972	(282)	NM
Total interest expense	$ 21,072	$ 18,261	15.4%	$ 49,636	$ 35,898	38.3%

Second Quarter and Year to Date

Interest expense increased $2.8 million for the quarter and $13.7 million for the year to date compared to the prior year period. For both the second quarter and year to date periods, the increase was primarily due to higher cash interest due to the higher average borrowing on Cineplex's revolving facility (see Section 6.4, Credit Facilities), in addition to $0.8 million financing fees incurred in the second quarter of 2020 as a result of the amendment of the Credit Facilities on June 29, 2020.

Non-cash interest increased in the quarter and for the full year due to the movement in the mark-to-mark valuations for the interest rate swaps. The change in fair value of the interest rate swaps has been recorded in the statement of operations as of December 31, 2019 as a result of terms of the Arrangement Agreement. The termination of the Arrangement Agreement does not change accounting treatment as the swaps require re-designation on a prospective basis to qualify for hedge accounting.

Interest income

Interest income during the second quarter of 2020 and the six months ended June 30, 2020 was as follows (in thousands of dollars):

Interest income	Second Quarter			Year to Date		
	2020	2019	Change	2020	2019	Change
Interest income	$ 57	$ 59	-3.4%	$ 129	$ 133	-3.0%

Foreign exchange

The following table highlights the movement in foreign exchange during the second quarter of 2020 and the six months ended June 30, 2020 (in thousands of dollars):

Foreign exchange	Second Quarter			Year to Date		
	2020	2019 Restated	Change	2020	2019 Restated	Change
Foreign exchange loss (gain) from continuing operations	$ 1,059	$ 657	61.2%	$ (868)	$ 1,018	NM
Foreign exchange loss (gain) from discontinued operations	91	18	405.6%	(117)	198	NM
Total foreign exchange loss (gain)	$ 1,150	$ 675	70.4%	$ (985)	$ 1,216	NM

Second Quarter and Year to Date

The movement in the foreign exchange during the quarter was due to a decrease in the CAD/USD foreign exchange month end rate from 1.4187 at March 31, 2020 to 1.3628 at June 30, 2020.

For the six months ended June 30, 2020, the movement in the foreign exchange was due to the decrease in the CAD/USD foreign exchange month end rate from 1.2988 at December 31, 2019 to 1.3628 at June 30, 2020.

Income taxes

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

Income taxes	Second Quarter			Year to Date		
	2020	2019 Restated	Change	2020	2019 Restated	Change
Current income tax expense	$ (7,632)	$ 7,647	NM	$ (7,865)	$ 8,413	NM
Deferred income tax recovery	(26,808)	(1,402)	NM	(76,542)	(4,327)	NM
Provision for income taxes from continuing operations	$ (34,440)	$ 6,245	NM	$ (84,407)	$ 4,086	NM
Provision for income taxes from discontinued operations	66	(658)	NM	(1,627)	(1,329)	22.4%
Provision for income taxes	$ (34,374)	$ 5,587	NM	$ (86,034)	$ 2,757	NM

Second Quarter

The decrease in the second quarter provision for income taxes was primarily due to taxable losses realized for the quarter as a result of the temporary closure of theatre, location-based entertainment and P1AG route locations as a result of COVID-19. The remaining change results from the impact of differences in the timing of deductions for tax as compared to accounting in the current period as compared to the prior year period.

Year to Date

The decrease in provision for income taxes was primarily due to the impact of non-cash impairment losses for long-lived assets and goodwill, as well as taxable losses realized as a result of the temporary closure of theatre, location-based entertainment and P1AG route locations as a result of COVID-19. The remaining change results from the impact of differences in the timing of deductions for tax as compared to accounting in the current period as compared to the prior year period.

The use of $26.6 million of losses by Cineplex to offset taxable income generated in 2014 remains under objection with the Canada Revenue Agency ("CRA"). Cineplex believes that it should prevail in defending its original filing position although no assurance can be given in this regard.

Cineplex's combined statutory income tax rate tax rate at June 30, 2020 was 26.8% (2019 - 26.8%).

Net (loss) income

Net loss during the second quarter of 2020 and the six months ended June 30, 2020 was as follows (in thousands of dollars):

Net (loss) income	Second Quarter			Year to Date		
	2020	2019	Change	2020	2019	Change
Net (loss) income from continued operations	$ (98,234)	$ 22,077	NM	$ (272,389)	$ 16,748	NM
Net loss from discontinued operations	(693)	(2,680)	-74.1%	(4,952)	(4,711)	5.1%
Net (loss) income	$ (98,927)	$ 19,397	NM	$ (277,341)	$ 12,037	NM

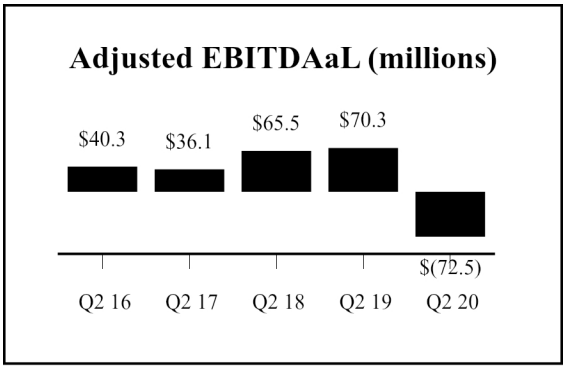
4.3 EARNINGS BEFORE INTEREST, INCOME TAXES, DEPRECIATION AND AMORTIZATION ("EBITDA") (see Section 17, Non-GAAP measures)

The following table presents EBITDA, adjusted EBITDA and adjusted EBITDAaL for the three and six months ended June 30, 2020 as compared to the prior year periods (in thousands of dollars, except adjusted EBITDAaL margin):

EBITDA	Second Quarter			Year to Date		
	2020	2019 Restated	Change	2020	2019 Restated	Change
EBITDA	$ (45,715)	$ 115,484	NM	$ (171,850)	$ 193,654	NM
Adjusted EBITDA	$ (41,313)	$ 114,383	NM	$ 5,159	$ 193,125	-97.3%
Adjusted EBITDAaL (i)	$ (72,532)	$ 70,255	NM	$ (70,142)	$ 105,907	NM
Adjusted EBITDAaL margin (i)	-329.9%	16.0%	-345.9%	-23.0%	13.2%	-36.2%

(i) Prior period figures have been revised to conform to current period presentation. See Section 18, Reconciliation for further details.

Adjusted EBITDAaL for the second quarter of 2020 decreased $142.8 million from the prior year period. For the six months ended June 30, 2020, adjusted EBITDAaL decreased 176.0 million, as compared to the same period in 2019. The quarterly and year to date decreases were primarily due the impact of the COVID-19 government imposed restrictions and resulting closure of substantially all of Cineplex businesses in March 2020. In computing adjusted EBITDAaL, cash rents paid or payable have been partially offset by the quantified lease-related savings negotiated with landlords as a result of the COVID-19 disclosures. This includes agreements with landlords that are evidenced by way of written confirmation of the terms agreed upon up to the date of this MD&A, and are in the process of being formally documented. Adjusted EBITDAaL margin is calculated as adjusted EBITDAaL divided by total revenues.



5. BALANCE SHEETS

The following sets out significant changes to Cineplex's consolidated balance sheets during the six months ended June 30, 2020 as compared to December 31, 2019 (in thousands of dollars):

	June 30, 2020	December 31, 2019	Change ($)	Change (%)
Assets				
Current assets				
Cash and cash equivalents	$ 13,806	$ 26,080	$ (12,274)	-47.1%
Trade and other receivables	50,960	168,065	(117,105)	-69.7%
Income taxes receivable	5,812	9,757	(3,945)	-40.4%
Inventories	29,609	30,995	(1,386)	-4.5%
Prepaid expenses and other current assets	10,713	14,226	(3,513)	-24.7%
Fair value of interest rate swap agreements	—	1,022	(1,022)	NM
Assets held for sale	—	6,573	(6,573)	NM
	110,900	256,718	(145,818)	-56.8%
Non-current assets				
Property, equipment and leaseholds	601,768	662,798	(61,030)	-9.2%
Right-of-use assets	1,096,650	1,232,849	(136,199)	-11.0%
Deferred income taxes	89,430	14,197	75,233	529.9%
Fair value of interest rate swap agreements	—	472	(472)	NM
Interests in joint ventures	18,243	28,221	(9,978)	-35.4%
Intangible assets	86,464	88,367	(1,903)	-2.2%
Goodwill	728,731	816,790	(88,059)	-10.8%
	$ 2,732,186	$ 3,100,412	$ (368,226)	-11.9%
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	$ 148,914	$ 220,188	$ (71,274)	-32.4%
Share-based compensation	1,916	25,681	(23,765)	-92.5%
Dividends payable	—	9,500	(9,500)	NM
Income taxes payable	817	1,183	(366)	-30.9%
Deferred revenue	212,471	222,998	(10,527)	-4.7%
Current portion of long-term debt	664,000	—	664,000	-6.8%
Lease obligations	159,776	106,352	53,424	50.2%
Fair value of interest rate swap agreements	5,020	1,874	3,146	167.9%
Liabilities related to assets held for sale	—	2,808	(2,808)	NM
	1,192,914	590,584	602,330	102.0%
Non-current liabilities				
Share-based compensation	4,457	—	4,457	NM
Long-term debt	—	625,000	(625,000)	NM
Fair value of interest rate swap agreements	18,588	10,837	7,751	71.5%
Lease obligations	1,185,767	1,261,243	(75,476)	-6.0%
Post-employment benefit obligations	10,651	10,678	(27)	-0.3%
Other liabilities	8,320	9,813	(1,493)	-15.2%
Deferred income taxes	—	1,263	(1,263)	NM
	2,420,697	2,509,418	(88,721)	-3.5%
Equity attributable to owners of Cineplex	311,603	591,103	(279,500)	-47.3%
Non-controlling interests	(114)	(109)	(5)	4.6%
Total equity	311,489	590,994	(279,505)	-47.3%
	$ 2,732,186	$ 3,100,412	$ (368,226)	-11.9%

Cash and cash equivalents. The decrease in cash and cash equivalents is due to the closure of locations resulting in a reduction of managers funds held at locations as well as lower cash in transit at P1AG route locations and credit card settlement.

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 2019 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. Efforts have been focused on accounts receivables collections during the closure period.

Income taxes receivable. The decrease in income taxes receivable is due to the receipt of excess corporate income tax installments paid by several taxable entities in Cineplex's consolidated group to various tax authorities in excess of their income tax liabilities in 2019. In addition, Cineplex carried back certain available taxable losses to offset prior year income tax liabilities.

Inventories. The decrease in inventories is primarily due to lower theatre and location-based entertainment inventories as a result of the temporary shutdown of locations in mid March.

Prepaid expenses and other current assets. The decrease in prepaid expenses and other current assets is due to certain prepaid real estate and business tax installments which are paid in the first quarter. This was partially offset by a decrease in prepaid interest and regular amortization of prepaid insurance.

Fair value of interest rate swap agreements. The interest rate swaps provide for fixed interest rates on $450 million of debt. The increase in the net liability for swap agreements is due to the expectation of future interest rate decreases. (see discussion in Section 6.4 Credit Facilities)

Assets held for sale. The decrease in assets held for sale is due to the sales of discontinued operations during the second of quarter of 2020.

Property, equipment and leaseholds. The decrease in property, equipment and leaseholds is due to amortization expense ($59.1 million) and asset dispositions ($1.7 million) as well as an impairment charge recorded ($33.9 million) during the first quarter. This was offset by additions to new build and other capital expenditures ($27.1 million), maintenance capital expenditures ($3.6 million), foreign exchange impact ($2.1 million) and a reclassification from assets held for sale to continuing operations ($0.8 million).

Right-of-use assets. The decrease in right-of-use assets is due to amortization expense ($69.7 million) and lease modifications ($16.5 million) as well as an impairment charge recorded ($50.6 million) during the first quarter, partially offset by foreign exchange impact ($0.6 million).

Deferred income tax assets. The increase in deferred income tax assets is primarily due to deferred tax assets recognized with respect to non-cash impairment charges for long-lived assets and goodwill, as well as higher taxable loss carryforwards resulting from the temporary closure of locations during the year to date.

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

Intangible assets. The decrease in intangible assets is due to regular amortization of intangible assets.

Goodwill. The decrease in goodwill is due to an impairment charge recorded ($88.5 million) during the first quarter, offset by foreign exchange impact ($0.4 million).

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

Share-based compensation. The decrease in share-based compensation is due to the decrease in Share price, which fell to $8.04 per Share at June 30, 2020 decreasing the fair value of the compensation liability, as well as the reclassification of the liability with respect to options, to equity (See Section 8, Share Activity).

Dividends Payable. The decrease in dividend payable is due to the suspension of dividends due to the Arrangement Agreement with Cineworld in the first quarter of 2020 and the continued suspension as required by the terms of the Credit Agreement Amendment entered into during the second quarter of 2020.

Income taxes payable. The decrease in income taxes payable represents amounts paid by several taxable entities in Cineplex's consolidated group during 2020 for taxes due based on its 2019 results.

Deferred revenue. The deferred revenue decrease is primarily due to the redemption of gift cards and vouchers in the first quarter that were sold during the 2019 holiday season.

Long-term debt. Long-term debt was reclassified to current liabilities as at June 30, 2020 as a result of the potential breach of the financial covenants under the Credit Facilities as of June 30, 2020. While the Credit Agreement Amendment provides relief from the financial covenants at that date, it was conditional as of June 30, 2020, requiring the reclassification of the long-term debt to current liabilities.

Lease obligations. The decrease in lease obligations is primarily due to lease modifications.

6. LIQUIDITY AND CAPITAL RESOURCES

6.1 OPERATING ACTIVITIES

Cash flow is generated primarily from film entertainment (the sale of admission tickets and food service sales), media sales and services, amusement and leisure (amusement and food service sales) and other revenues. Generally, this provides Cineplex with positive working capital, since certain cash revenues are normally collected in advance of the payment of certain expenses. Box office revenues are directly related to the success and appeal of the film product produced and distributed by the studios.

The following table highlights the movements in cash from operating activities for the three and six months ended June 30, 2020 and 2019 (in thousands of dollars):

Cash flows provided by operating activities	**Second Quarter**			**Year to Date**		
	2020	**2019 Restated**	**Change**	**2020**	**2019 Restated**	**Change**
Net (loss) income from continuing operations	$ (98,234)	$ 22,077	$ (120,311)	$ (272,389)	$ 16,748	$ (289,137)
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation and amortization of other assets (i)	31,759	32,403	(644)	65,721	64,036	1,685
Depreciation of right-of-use assets	34,185	36,557	(2,372)	69,718	73,019	(3,301)
Unrealized foreign exchange	739	308	431	(690)	558	(1,248)
Interest rate swap agreements - non-cash interest	1,909	(574)	2,483	11,295	(1,132)	12,427
Other non-cash interest (iii)	328	291	37	677	850	(173)
Loss on disposal of assets	478	116	362	1,295	593	702
Deferred income taxes	(26,808)	(1,402)	(25,406)	(76,542)	(4,327)	(72,215)
Non-cash Share-based compensation	160	404	(244)	4,104	793	3,311
Impairment of long-lived assets and goodwill	—	—	—	173,054	—	173,054
Net change in interests in joint ventures and associates	4,178	(1,403)	5,581	6,069	(3,089)	9,158
Changes in operating assets and liabilities	69,401	(30,432)	99,833	58,973	(28,277)	87,250
Net cash provided by operating activities	$ 18,095	$ 58,345	$ (40,250)	$ 41,285	$ 119,772	$ (78,487)

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

Second Quarter and Year to Date

Cash provided by operating activities decreased $40.3 million in the second quarter of 2020 and $78.6 million for the six months ended June 30, 2020, as compared to the prior year period. The decreases were primarily due to the significant decline in revenues from box office and food service sales as a result of the closure of theatres and LBE locations since mid March 2020 in response to COVID-19, partially offset by managing the timing of liability settlements during the second quarter of 2020.

6.2 INVESTING ACTIVITIES

The following table highlights the movements in cash used in investing activities for the three and six months ended June 30, 2020 and 2019 (in thousands of dollars):

Cash flows used in investing activities	Second Quarter			Year to Date		
	2020	2019 Restated	Change	2020	2019 Restated	Change
Proceeds from disposal of assets, including asset-related insurance recoveries	$ 50	$ —	$ 50	$ 50	$ —	$ 50
Purchases of property, equipment and leaseholds (i)	(14,441)	(27,653)	13,212	(51,944)	(60,014)	8,070
Intangible assets additions (i)	(1,760)	(1,060)	(700)	(5,481)	(2,556)	(2,925)
Tenant inducements	6,422	734	5,688	18,299	1,349	16,950
Net cash received from joint ventures and associates	782	3,128	(2,346)	3,910	8,602	(4,692)
Net cash used in investing activities	$ (8,947)	$ (24,851)	$ 15,904	$ (35,166)	$ (52,619)	$ 17,453

(i) Prior period figures have been reclassified to conform to current period presentation. See Section 18, Reconciliation for further details.

Second Quarter and Year to Date

Cash used in investing activities decreased by $15.9 million during the second quarter of 2020 and $17.5 million during the year to date period, as compared to the prior year period. The decreases were primarily due to the reduced capital spend as a result of the suspension of all capital assets acquisitions and contractual projects during the period COVID-19 driven closures.

In response to the impact of the COVID-19 pandemic, Cineplex is closely monitoring its liquidity. Cineplex has suspended or deferred certain capital spending and is reviewing all capital projects to consider further deferrals or cancellations and has plans to reduce purchases of property, plant and equipment (net of tenant inducements) to approximately $50.0 million over the next 12 months.

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

Capital expenditures	Second Quarter			Year to Date		
	2020	2019 Restated	Change	2020	2019 Restated	Change
Gross capital expenditures	$ 14,441	$ 27,654	$ (13,213)	$ 51,944	$ 60,014	$ (8,070)
Less: tenant inducements	(6,422)	(734)	(5,688)	(18,299)	(1,349)	(16,950)
Net capital expenditures	$ 8,019	$ 26,920	$ (18,901)	$ 33,645	$ 58,665	$ (25,020)
Net capital expenditures consists of:						
Growth and acquisition capital expenditures (i)	$ 4,125	$ 19,132	$ (15,007)	$ 24,181	$ 43,478	$ (19,297)
Tenant inducements	(6,422)	(734)	(5,688)	(18,299)	(1,349)	(16,950)
Media growth capital expenditures	116	56	60	174	302	(128)
Premium formats (ii)	360	2,634	(2,274)	2,354	4,483	(2,129)
Amusement gaming & leisure growth capital expenditures (excluding LBE expenditures)	82	246	(164)	482	653	(171)
Maintenance capital expenditures	614	8,463	(7,849)	3,591	13,131	(9,540)
Other (iii)	9,144	(2,877)	12,021	21,162	(2,033)	23,195
	$ 8,019	$ 26,920	$ (18,901)	$ 33,645	$ 58,665	$ (25,020)

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

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

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

Cineplex funds maintenance capital expenditures through internally generated cash flow and cash on hand. Cineplex's Revolving Facility (defined and discussed in Section 6.4, Credit Facilities) is available to fund capital expenditure projects including theatre, *The Rec Room,* and *Playdium*.

6.3 FINANCING ACTIVITIES

The following table highlights the movements in cash from financing activities for the three and six months ended June 30, 2020 and 2019 (in thousands of dollars):

Cash flows used in financing activities	Second Quarter			Year to Date		
	2020	2019	Change	2020	2019	Change
Dividends paid	$ —	$ (27,867)	$ 27,867	$ (19,000)	$ (55,417)	$ 36,417
Borrowings under credit facility, net	(1,000)	35,000	(36,000)	39,000	61,000	(22,000)
Repayments of lease obligations - principal	(993)	(31,580)	30,587	(34,812)	(64,064)	29,252
Deferred financing fees	(800)	—	(800)	(800)	(243)	(557)
Net cash used in financing activities	$ (2,793)	$ (24,447)	$ 21,654	$ (15,612)	$ (58,724)	$ 43,112

Second Quarter and Year to Date

Cash flows used in financing activities were $2.8 million in the second quarter of 2020, decreased from $24.4 million in the prior year period. For the six months ended June 30, 2020, net cash used in financing activities was $15.6 million year to date in 2020, decreased from $58.7 million in the prior year period. As a result of the closures of the theatre and LBE locations during the second quarter, Cineplex has been working with landlord partners to identify relief measures which resulted in no material cash rent being paid in the quarter. Dividends were suspended under the terms of the Arrangement Agreement subsequent to the dividend paid on February 28, 2020.

In response to the impact of the COVID-19 pandemic, Cineplex is closely monitoring its liquidity. Details with respect to its ongoing undertakings are detailed in Section 1.1 Response to COVID-19 and Section 15, Subsequent Events.

6.4 CREDIT FACILITIES

Cineplex increased and extended its bank credit facilities effective November 13, 2018 (the "Credit Facilities"). At June 30, 2020, the Credit Facilities consisted of the following (in millions of Canadian dollars), subject to amendments described below pursuant to the Credit Agreement Amendment:

	Available	Drawn	Reserved	Remaining
(i) a five-year senior secured revolving credit facility ("Revolving Facility")	$ 650.0	$ 514.0	$ 10.3	$ 125.7
(ii) a seven-year senior secured non-revolving term facility ("Term Facility") (i)	$ 150.0	$ 150.0	$ —	$ —
Letters of credit outstanding at June 30, 2020 of $10.3 million are reserved against the Revolving Facility.				
(i) Reduced to a five-year senior secured non-revolving term facility with a balance of $50.0 million available and drawn as a result of the repayment of $100.0 million on the successful completion of the issuance of the Convertible Debentures (see Section 15, Subsequent Event).				

The Credit Facilities bear interest at a floating rate based on the Canadian dollar prime rate, U.S. Base Rate, LIBOR or bankers' acceptances rates plus, in each case, an applicable margin to those rates. The Revolving Facility matures in November 2023 and, as a result of the Credit Agreement Amendment, the Term Facility also matures in November 2023, 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 limits and restrictions on, among other things, the ability of Cineplex to create liens or other encumbrances, to pay dividends or make certain other payments, 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.

On June 29, 2020, Cineplex and Cineplex Entertainment Limited Partnership entered into the Credit Agreement Amendment with The Bank of Nova Scotia, as administrative agent, and the lenders from time to time named therein, to the seventh amended and restated credit agreement with a syndicate of lenders. The Credit Agreement Amendment provides Cineplex with certain financial covenant relief in light of the COVID-19 pandemic and its effects on Cineplex's businesses. The Credit Agreement provides for a senior secured revolving facility in the maximum amount of $650.0 million (the "Revolving Facility"), maturing November 13, 2023, and a senior secured non-revolving credit facility in the maximum amount of $150.0 million (since reduced to $50.0 million following a permanent repayment described below), maturing November 13, 2023 (the "Term Facility", and together with the Revolving Facility, the "Credit Facilities").

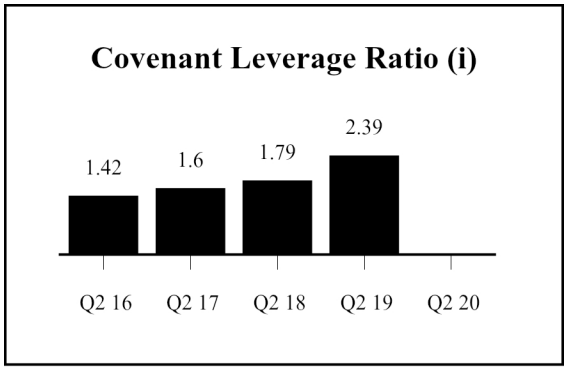
The Credit Agreement Amendment provides Cineplex with certain financial covenant relief in light of the COVID-19 pandemic and its effects on Cineplex's businesses. The following is a summary of the key terms of the Credit Agreement Amendment:

- Financial covenant testing was suspended effective upon execution of the Credit Agreement Amendment, and subsequently extended for the second and third quarters of 2020 following a $100.0 million permanent repayment of the Term Facility from the proceeds of an prospectus offering of convertible unsecured subordinated debentures described below in Section 15 Subsequent Events. On the resumption of financial covenant testing at the end of the fourth quarter of 2020, it will be based on an annualized calculation of Adjusted EBITDA for the following four fiscal quarters;
- The leverage ratio of 3.75x will apply when financial covenants are reinstated, and will be reduced over the course of 2021 each quarter until it is at 3.00x for the fourth fiscal quarter of 2021 until the fourth quarter of 2021 at which point it will reach a level of 3.00x;
- The maturity date for the Term Facility was advanced by two years to be coincident with the maturity date for the Revolving Facility of November 13, 2023;
- If Cineplex chooses to undertake any new debt, equity or equity-related issuances or the sale of certain assets, Cineplex will be required to make certain mandatory permanent repayments of the Credit Facilities from the proceeds of such issuances or asset sales ;
- Growth capital expenditures will be limited to certain agreed projects. After December 31, 2020, additional growth capital expenditures will be permitted subject to a pro forma leverage covenant of 2.75x (both prior to and immediately after giving effect to any such growth capital expenditure);

- Distributions will be limited to free cash flow and only permitted when the leverage ratio is less than 2.75x (both prior to and immediately after giving effect to any such distribution);
- Cineplex will not be permitted to make any acquisitions without consent from at least three of its lenders holding, in the aggregate, a minimum of 51% of the commitments under its Credit Facilities;
- The applicable margins for the interest rates on all borrowings will increase;
- Cineplex will no longer be able to request an increase in the total commitments under the Credit Facilities pursuant to the "accordion" provisions of the Credit Agreement prior to amendment; and
- Payments of interest on the Debentures (as defined below)will be permitted so long as no default or event of default has occurred under the Credit Agreement.

Without the provisions of the Credit Agreement Amendment, management's forecasts indicated a potential breach of the financial covenants as of June 30, 2020 quarter end. A violation of the covenants would have represented an event of default under the terms of the Credit Facilities, enabling the lenders to demand immediate repayment of all amounts due. As the terms of the relief from these covenants were conditional on a mandatory permanent repayment of the Credit Facilities from the proceeds of a minimum $250.0 million new financing by no later than August 31, 2020, as at June 30, 2020 there could be no assurance that the extension of the financial covenant relief would be extended past August 31, 2020. As a result of the conditional terms of the Credit Agreement Amendment, the Credit Facilities were required to be classified as current until the terms are satisfied. On July 15, 2020, Cineplex announced that it has completed a prospectus offering of $275.0 million principal amount of convertible unsecured subordinated debentures, thereby completing the terms of the extension of financial covenant relief contained in the Credit Agreement Amendment (See Section 15, Subsequent Events). Long-term debt is expected to be reclassified to Non-Current Liabilities for the period ending September 30, 2020.

One of the key financial covenants in the Credit Facilities is the leverage covenant which will be calculated in accordance with IFRS in effect at November 13, 2018 which excludes the impact of the adoption of IFRS 16 on Cineplex's financial reporting. The definition of debt in the Credit Facilities includes long-term debt, financing leases and letters of credit but does not include the lease obligations arising on the adoption of IFRS 16 or a reduction for cash on hand. For the purposes of the Credit Facilities definition, EBITDA is adjusted for certain non-cash, non-recurring items and the annualized impact of new operating locations or acquisitions. Under the term of the Credit Agreement Amendment, financial covenant testing has been suspended for the second and third quarters of 2020.



(i) No covenant ratio testing was required for Q2 2020.

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

The following table outlines Cineplex's current interest rate swap agreements as of June 30, 2020:

Interest rate swap agreements

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

The purpose of the interest rate swap agreements is to act as a cash flow hedge of the floating interest rate payable on Cineplex's first $450.0 million of borrowings. Cineplex considered its hedging relationships and determined that the interest rate swap agreements on its first $450.0 million of borrowings qualify for hedge accounting in accordance with

IFRS 9, *Financial Instruments.* Under the provisions of IFRS 9, 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.

As a result of the terms of the Arrangement Agreement, hedge accounting was determined to no longer to be appropriate. Despite the termination of the Arrangement Agreement, the swaps can only be re-designated on a prospective basis for hedge accounting treatment.
Accordingly, losses associated with the interest rate swaps previously recognized in Other Comprehensive Income ("OCI") were recognized as interest expense in the fourth quarter of 2019. Changes in the value of these interest rate swaps are recognized in net income.

Based on the leverage ratio covenant in effect at June 30, 2020 Cineplex's effective cost of borrowing on the $450.0 million hedged borrowings was 6.539% (June 30, 2019 - $450.0 million hedged borrowings - 4.079%).

6.5 FUTURE OBLIGATIONS

Cineplex has aggregate gross capital commitments of $95.0 million ($54.8 million net of tenant inducements) related to the completion of construction of 13 operating locations including both theatres and LBE locations, in addition to the ongoing rollout of expanded entertainment offerings at select theatres and LBE locations, over the next four years.

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

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

Despite the closures, Cineplex remains liable for all amounts due under the terms of its leases. Management is working with Cineplex's landlords to manage payment terms during the closures.

Cineplex is guarantor under the leases for the remainder of the lease terms in the event that the purchaser of the theatres does not fulfill its obligations under the respective lease; ten or fewer of those theatres are still operated by a third-party lease under which Cineplex arguably could be responsible as a guarantor. Cineplex has assessed the fair value of the lease guarantees and determined that the fair value of these guarantees at June 30, 2020 is nominal. As such, no additional amounts have been provided in the consolidated financial statements for these guarantees. Should the purchasers of the theatres fail to fulfill their lease commitment obligations, Cineplex could face a substantial financial burden, which could be mitigated by Cineplex operating any theatres under default.

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

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

7.1 ADJUSTED FREE CASH FLOW

Prior to the monthly dividend that was paid on February 28, 2020, Cineplex distributed cash to its shareholders on a monthly basis. The following table illustrates adjusted free cash flow per Share, dividends paid per Share and the payout ratio of dividends relative to adjusted free cash flow for the three and six months ended June 30, 2020 and 2019:

Adjusted free cash flow	Second Quarter			Year to Date		
	2020	2019 Restated	Change	2020	2019 Restated	Change
Adjusted free cash flow per Share	$ (0.849)	$ 0.806	NM	$ (0.853)	$ 1.280	NM
Dividends declared per Share	$ —	$ 0.445	-100.0%	$ 0.150	$ 0.880	-83.0%
Payout ratio - 12 months ended June 30				174.9%	61.7%	113.2%

Adjusted free cash flow per Share for the second quarter and year to date periods compared to the prior year decreased due to weaker operating results in response to the economic effects of COVID-19 and the closure of theatres and LBE locations and P1AG route locations in mid March.

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

	Second Quarter			Year to Date		
	2020	2019	Change	2020	2019	Change
Cash flows provided by continuing operations (i)	$ 18,095	$ 58,345	-69.0%	$ 41,285	$ 119,772	-65.5%
Net (loss) income from continuing operations	$ (98,234)	$ 22,077	NM	$ (272,389)	$ 16,748	NM
Standardized free cash flow (i)	$ 3,704	$ 30,692	-87.9%	$ (10,609)	$ 59,758	NM
Adjusted free cash flow	$ (53,801)	$ 51,046	NM	$ (54,008)	$ 81,096	NM
Cash dividends declared	$ —	$ —	NM	$ 9,500	$ 27,550	-65.5%
Average number of Shares outstanding	63,333,238	63,333,238	—%	63,333,238	63,333,238	—%

(i) Prior period figures have been restated to conform to current period presentation.

7.2 DIVIDENDS

Cineplex has not paid any dividends after the monthly dividend was that paid on February 28, 2020 and does not expect to return to paying dividends until the negative impact of the COVID-19 crisis has been addressed and liquidity improved.

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

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

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

8. SHARE ACTIVITY

Share capital balances at December 31, 2019 and June 30, 2020 are as follows (expressed in thousands of dollars except Share amounts):

	Shares	Amount	
	Number of common shares issued and outstanding	Common shares	Total
Balance - December 31, 2019 and June 30, 2020	63,333,238	$ 852,379	$ 852,379

Officers and key employees are eligible to participate in the LTIP. Each annual LTIP grant is for a three-year service period beginning October 1. On December 15, 2019, the estimated vesting period was revised to March 31, 2020, resulting in the associated expense being recognized over a shorter period. With the Termination Notice delivered by Cineworld on June 12, 2020, Cineplex adjusted the vesting period and recognition of the associated expense back to that which was originally determined for each LTIP grant. The LTIP awards consist of a restricted stock unit ("RSU") plan awarding base Share equivalents which may decrease or increase subject to certain market conditions and a phantom share unit ("PSU") plan awarding Share equivalents which may decrease or increase 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.

The grants of Share equivalents were as follows:

	PSU Share equivalents granted	RSU Share equivalents granted	PSU Share equivalents minimum payout	PSU Share equivalents maximum payout
2020 LTIP award	—	—	—	—
2019 LTIP award	105,777	54,940	7,788	211,553
2018 LTIP award	79,089	39,549	—	158,178
2017 LTIP award	129,136	—	49,976	236,104

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, based on historical forfeiture rates. No LTIP grants have been made in 2020 as a result of the Cineworld Transaction that was expected to close prior to June 30, 2020.

Cineplex has an incentive Share option plan for certain employees. The aggregate number of Shares that may be issued under the option plan is limited to 5.3 million Shares. All of the options must be exercised over specified periods not to exceed ten years from the date granted. As of June 30, 2020, 3.1 million Share options were outstanding under the Share option plan. Upon cashless exercise, the Share options exercised in excess of Shares issued are canceled and returned to the pool available for future grants. At June 30, 2020, 1.1 million Share options were available for grant under the plan. No options have been granted in 2020 as a result of the Cineworld Transaction being expected to close prior to June 30, 2020.

A summary of option activities for the six months ended June 30, 2020 and 2019 is as follows:

	2020			2019	
	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	6.67	3,123,521	$ 38.62	2,433,589	$ 42.84
Granted		—	—	757,639	25.05
Forfeited		(37,857)	34.68	(59,115)	38.50
Exercised		—	—	—	—
Options outstanding – end of period	6.16	3,085,664	$ 38.67	3,132,113	$ 38.62

9. SEASONALITY AND QUARTERLY RESULTS

Historically, Cineplex's revenues have been seasonal, coinciding with the timing of major film releases. The most marketable motion pictures were traditionally released during the summer and the late-November through December holiday season. This caused changes from quarter to quarter in theatre attendance, affecting theatre exhibition reported results. The seasonality of theatre attendance has become less pronounced as film studios have expanded the historical summer and holiday release windows and increased the number of heavily marketed films released during traditionally weaker periods. Cineplex's diversification into other businesses such as digital media and amusement and leisure, which are not dependent on motion picture content, has contributed to reduce the impact of this seasonality on Cineplex's consolidated results. To meet working capital requirements during lower revenue quarters, Cineplex can draw upon the Revolving Facility, which had $514.0 million drawn and $125.7 million available as of June 30, 2020. In response to the impact of the COVID-19 pandemic, Cineplex is closely monitoring its liquidity. Details with respect to its ongoing undertakings are detailed in Section 1.1 Response to COVID-19. Subsequent to quarter end, Cineplex secured additional financing with the issuance of convertible unsecured subordinated debentures with a face value of $316.25 million (including the over-allotment) which was used to reduce the amount drawn on the Credit Facilities including a $100 million permanent reduction on the Term Facility (See section 15, Subsequent Events).

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

	2020		2019				2018	
	Q2	Q1	Q4	Q3	Q2 Restated	Q1 Restated	Q4 Restated	Q3 Restated
Revenues								
Box office revenues	**$ 27**	$ 111,002	$ 181,789	$ 177,865	$ 189,371	$ 156,496	$ 182,352	$ 173,278
Food service revenues	**3,256**	79,365	125,159	125,550	129,563	103,058	120,726	115,557
Media revenues	**7,880**	32,157	69,545	43,308	49,196	34,706	57,907	33,162
Amusement revenues	**3,731**	47,337	53,471	58,143	58,117	58,500	53,473	53,838
Other revenues	**7,094**	12,940	13,256	13,582	12,608	11,864	13,385	10,554
	21,988	282,801	443,220	418,448	438,855	364,624	427,843	386,389
Expenses								
Film cost	**10**	56,500	93,925	93,735	103,005	78,721	91,562	90,213
Cost of food service	**789**	22,209	27,701	27,439	28,247	23,436	26,138	24,257
Depreciation - right-of-use assets (i)	**34,185**	35,533	36,471	36,456	36,557	36,462	—	—
Depreciation and amortization - other	**31,759**	33,962	33,135	31,712	32,403	31,633	33,680	32,483
Loss on disposal of assets	**478**	817	868	303	116	477	1,064	783
Other costs	**62,175**	157,548	214,922	190,955	192,988	183,828	226,510	217,003
Impairment of long-lived assets and goodwill	**—**	173,054	—	—	—	—	—	—
	129,396	479,623	407,022	380,600	393,316	354,557	378,954	364,739
(Loss) income from operations	**$(107,408)**	$ (196,822)	$ 36,198	$ 37,848	$ 45,539	$ 10,067	$ 48,889	$ 21,650
Adjusted EBITDA (i)	**(41,313)**	46,472	106,529	106,132	114,383	78,742	83,351	54,971
Adjusted EBITDAaL (i) (ii)	**(72,532)**	2,390	62,327	62,312	70,255	35,652	80,039	51,398
Net (loss) income from continuing operations	**$ (98,234)**	$ (174,155)	$ 4,668	$ 15,100	$ 22,077	$ (5,329)	$ 29,262	$ 12,342
Net loss from discontinued operations	**(693)**	(4,259)	(1,196)	(1,718)	(2,680)	(2,031)	(2,108)	(2,133)
Net (loss) income	**$ (98,927)**	$ (178,414)	$ 3,472	$ 13,382	$ 19,397	$ (7,360)	$ 27,154	$ 10,209
EPS - basic and diluted from continuing operations	**$ (1.55)**	$ (2.75)	$ 0.08	$ 0.24	$ 0.35	$ (0.09)	$ 0.46	$ 0.19
EPS - basic and diluted from discontinued operations	**$ (0.01)**	$ (0.07)	$ (0.02)	$ (0.03)	$ (0.04)	$ (0.03)	$ (0.03)	$ (0.03)
EPS - basic and diluted	**$ (1.56)**	$ (2.82)	$ 0.06	$ 0.21	$ 0.31	$ (0.12)	$ 0.43	$ 0.16
Cash provided by operating activities (ii)	**$ 18,095**	23,190	$ 124,133	$ 77,760	$ 58,346	$ 61,426	$ 82,928	$ 39,147
Cash used in investing activities (ii)	**(8,947)**	(26,219)	(46,443)	(25,791)	(24,851)	(27,768)	(22,462)	(30,128)
Cash used in financing activities	**(2,793)**	(12,819)	(84,850)	(52,336)	(24,447)	(34,277)	(66,646)	(9,412)
Effect of exchange rate differences on cash	**560**	(950)	345	(158)	235	61	137	(204)
Net change in cash	**$ 6,915**	$ (16,798)	$ (6,815)	$ (525)	$ 9,283	$ (558)	$ (6,043)	$ (597)
Cash flows used in discontinued operations	**$ (253)**	$ (2,138)	$ 2,821	$ (1,441)	$ (1,120)	$ (807)	$ (1,277)	$ (965)
BPP (i)	**$ 4.50**	$ 10.36	$ 10.79	$ 10.16	$ 11.13	$ 10.44	$ 10.73	$ 10.07
CPP (i)	**$ 10.33**	$ 6.79	$ 6.81	$ 6.68	$ 7.04	$ 6.35	$ 6.53	$ 6.25
Film cost percentage (i)	**37.0%**	50.9%	51.7%	52.7%	54.4%	50.3%	50.2%	52.1%
Theatre attendance (in thousands of patrons) (ii)	**6**	10,710	16,849	17,512	17,011	14,988	16,992	17,208
Theatre locations (at period end)	**164**	164	165	165	165	165	164	165
Theatre screens (at period end)	**1,687**	1,687	1,693	1,695	1,695	1,692	1,686	1,696

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

(ii) Prior period figures have been revised to conform to current period presentation. See Section 18, Reconciliation for further details.

Summary of adjusted free cash flow by quarter

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

	2020		2019				2018	
	Q2	Q1	Q4	Q3	Q2 Restated	Q1 Restated	Q4 Restated	Q3 Restated
Cash provided by operating activities (i)	$ 18,095	$ 23,190	$ 124,133	$ 77,760	$ 58,346	$ 61,426	$ 82,928	$ 39,147
Less: Total capital expenditures net of proceeds on sale of assets	(14,391)	(37,503)	(51,448)	(34,905)	(27,653)	(32,361)	(24,433)	(30,538)
Standardized free cash flow	3,704	(14,313)	72,685	42,855	30,693	29,065	58,495	8,609
Add/(Less):								
Changes in operating assets and liabilities	(69,401)	10,428	(40,670)	3,666	30,432	(2,155)	(15,531)	239
Changes in operating assets and liabilities of joint ventures	(986)	(1,156)	(131)	(411)	(240)	1,317	(1,518)	1,012
Principal component of lease obligations	(993)	(33,819)	(32,352)	(31,836)	(31,580)	(32,484)	(878)	(863)
Principal portion of cash rent paid not pertaining to current period	(357)	1,071	(346)	(345)	(346)	1,037	—	—
Growth capital expenditures and other	13,777	34,526	37,202	30,580	19,190	27,693	19,872	26,105
Share of income of joint ventures, net of non-cash depreciation	(331)	(73)	(147)	(189)	(238)	92	(306)	2
Non-controlling interests	4	1	4	2	7	11	25	53
Net cash received from CDCP	782	3,128	2,882	3,910	3,128	5,474	684	2,606
Adjusted free cash flow	$ (53,801)	$ (207)	$ 39,127	$ 48,232	$ 51,046	$ 30,050	$ 60,843	$ 37,763
Average number of Shares outstanding	63,333,238	63,333,238	63,333,238	63,333,238	63,333,238	63,333,238	63,333,137	63,332,946
Adjusted free cash flow per Share	$ (0.849)	$ (0.003)	$ 0.618	$ 0.762	$ 0.806	$ 0.474	$ 0.961	$ 0.596

(i) Prior period figures have been revised to conform to current period presentation. See Section 18, Reconciliation for further details.

10. RELATED PARTY TRANSACTIONS

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

The Chief Executive Officer of Riocan Real Estate Investment Trust ("Riocan") served as a member of the Board until May 5, 2020. During the period prior to his departure, Cineplex incurred theatre expenditures for theatres under lease commitments with Riocan in the amounts of $10.2 million (2019 - $10.7 million).

11. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTIES

Cineplex makes estimates and assumptions concerning the future that may not equal actual results. These estimates and assumptions are outlined in Section 12 of the Annual MD&A. These estimates and assumptions have not changed materially since December 31, 2019.

12. ACCOUNTING POLICIES

Basis of preparation and measurement

Cineplex prepares its unaudited interim condensed consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), defined as International Financial Reporting Standards ("IFRS") as set out in the CPA Canada Handbook. The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires that management exercise judgment in applying Cineplex's accounting policies. These unaudited interim condensed consolidated financial statements are presented in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The disclosures contained in these unaudited interim condensed consolidated financial statements do not contain all requirements of Canadian GAAP for annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2019. 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, 2019, with the exception of the accounting standard issued in the current quarter.

Accounting standards adopted in the current year

Accounting for Government Subsidies

Cineplex recorded, presented, and disclosed the government subsidies received in Canada and the United States in accordance with IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*. During the three months ended June 30, 2020, Cineplex recorded subsidies in the amount of $20.2 million which have been offset in other costs.

Accounting standards issued but not yet applied

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

In May 2020, the IASB issued an amendment to IFRS 16, which added a practical expedient to provide relief for lessees from lease modification accounting for rent concessions related to COVID-19. The practical expedient in only applicable to rent concessions provided as a direct result of the COVID-19 pandemic. In order to apply the practical expedient, all of the following conditions must be met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- the rent concession is for relief for payments that were originally due on or before June 30, 2021. Any subsequent rental increases of amounts deferred can extend beyond June 30, 2021;
- there is no substantive change to other terms and conditions of the lease.

The practical expedient relieves lessees from assessing whether rent concessions are lease modifications and applying the lease modification requirements to those concessions. A lessee applying the practical expedient would generally account for forgiveness or waiver of lease payments as a variable lease payment which is recognized on the Statement of Operations as a gain or loss with a corresponding adjustment to derecognize the portion of lease liability which has been waived or forgiven. Lease payments that are deferred to other periods would result in a re-measurement of the lease obligation using the original incremental borrowing rate with any difference related to the change in timing of payments being recognized in gain or loss. Rent concessions can also incorporate both a forgiveness or waiver of payments and a change in the timing of payments.

Cineplex has not yet determined whether or not it will apply the practical expedient to future lease concessions.

13. RISKS AND UNCERTAINTIES

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

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

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

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

The outbreak of the COVID-19 pandemic has had an unprecedented impact on all business segments of Cineplex. As an entertainment company that operates in spaces where guests gather in close proximity, including theatres and LBE venues, Cineplex has been significantly impacted by the actions taken to control the spread of COVID-19. On March 16, 2020, Cineplex announced the temporary closure of all of its theatres and LBE venues across Canada, as well as substantially all route locations operated by P1AG. On April 1, 2020, in response to applicable government directives and guidance from Canadian public health authorities, Cineplex announced that the closure of its theatres and LBE venues across Canada would remain in effect and that the reopening of such locations would be reassessed as further guidance is provided by Canadian public health authorities and applicable government authorities.

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

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

- lack of availability of films in the short or long-term, including as a result of (i) continued delay in film releases; (ii) release of scheduled films on alternative channels, (iii) disruptions or suspensions of film production, or (iv) the reduction or elimination of the theatrical exclusive release window including the introduction of a Premium Video On Demand ("PVOD") window;
- increased operating costs resulting from additional regulatory requirements enacted in response to the COVID-19 pandemic and from precautionary measures it voluntarily takes at Cineplex's locations for the health and wellbeing of its guests and employees;
- challenges maintaining relationships with its business partners, including its landlords, suppliers and motion picture distributors as a result of its business closures during the COVID-19 pandemic;
- unavailability of employees and/or their inability or unwillingness to conduct work under revised work environment protocols;

- increased risks related to employee matters, including increased employment litigation and claims relating to terminations or leaves of absence caused by the suspension of operations;
- reductions and delays associated with planned operating and capital expenditures;
- Cineplex's inability to generate significant cash flow from operations if Cineplex's theatres continue to operate at significantly lower than historical levels, which could, in the long-term, lead to a substantial increase in indebtedness and may negatively impact Cineplex's ability to comply with the financial covenants in the Credit Facilities;
- Cineplex's inability to access lending, capital markets and other sources of liquidity, if needed, on reasonable terms, or at all, or obtain amendments, extensions and waivers of financial maintenance or other material terms;
- Cineplex's inability to effectively meet short-term and long-term obligations which it does not have the ability to eliminate or reduce (including interest payments, taxes, critical maintenance capital expenditures and compensation and benefits payments); and
- Cineplex's inability to service its existing and future indebtedness.

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

While Cineplex has eliminated certain variable costs and reduce fixed costs to the extent possible, Cineplex continues to incur significant expenses, including interest payments, taxes, critical maintenance capital expenditures, occupancy costs, and compensation and benefits payments. Cineplex cannot be certain that it will have access to sufficient liquidity to meet its obligations for the time required to allow its operations to resume or normalize. The net cash burn experienced by the Company in the second quarter of 2020 may not be sustainable at its current levels and may worsen in the future. Further, Cineplex may not be able to obtain additional liquidity and any relief provided by lenders, governmental agencies, and business partners may not be adequate or may include onerous terms.

Cineplex continues to actively monitor all aspects of its business and operations in order to minimize the impact of COVID-19 on its operations wherever possible. However, the outbreak of COVID-19 has caused significant disruptions to Cineplex's ability to generate profitability and cash flows. Cineplex expects the ongoing COVID-19 pandemic and the events and circumstances resulting from the COVID-19 pandemic to have a material negative impact on its business, financial condition and results of operations for the balance of 2020 and potentially longer.

Litigation Arising Out of the Termination of the Cineworld Transaction

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

General Economic Conditions

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

Negative Cash Flow from Operations

Cineplex reported negative cash flow from operations for the quarter ended June 30, 2020 due to the impact of the COVID-19 pandemic. There can be no assurance that Cineplex will obtain sufficient revenues to achieve or maintain profitability or positive cash flow from operations in the future. If Cineplex does not achieve or maintain profitability or positive cash flow from operating activities, then there could be a material adverse effect on Cineplex's business, financial condition and results of operation.

Business Continuity Risk

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

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

Customer Risk

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

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

includes XSCAPE Entertainment Centres in select theatres and provides alternative programming which appeals to specific demographic groups. In addition, digital technology has allowed for more niche programming.

In the event that consumer preferences change, Cineplex may need to incur further capital expenditures to redevelop or upgrade existing locations. Cineplex continues to improve the quality of its theatre assets through ongoing renovations and theatre recliner retrofits. If Cineplex's execution of processes does not consistently meet or exceed customer expectations due to poor customer service or poor quality of assets, movie theatre attendance may be adversely affected. Cineplex monitors customer satisfaction through surveys, 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.

Even as government restrictions are lifted as the number of COVID-19 cases subside, it is unclear how quickly customers will return to Cineplex's theatres and location-based entertainment venues, which may be a function of continued concerns over safety and social distancing and/or depressed consumer sentiment due to adverse economic conditions. Even once theatres resume operations, a single outbreak of COVID-19 in a theatre could result in additional costs and further closures. If Cineplex does not respond appropriately to the COVID-19 pandemic, or if customers do not perceive its response to be adequate, Cineplex could suffer damage to its reputation, which could significantly adversely affect its business, financial condition and results of operations. In order to help mitigate these risks, as a part of the planning process to reopening venues, Cineplex is adapting its operations to enable social distancing by means including installing physical barriers between employees and customers, limiting capacity in buildings and specifically auditoriums, gaming and dining areas, cashless transactions, reserved seating and staggering show-times.

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

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

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

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

Film Entertainment and Content Risk

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

The impact of COVID-19 has led to less film productions by studios, delayed film releases, and the release of film content through alternative channels. There is a risk that there will be less film content available on the re-opening of theatres to entice customers to return to theatres at historical levels.

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

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

Exhibition Industry Risk

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

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

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

Media Risk

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

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

Amusement and Leisure Risk

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

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

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

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

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

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

As a result of COVID-19, there will be reductions or delays with planned capital expenditures and future opening of locations.

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

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

Technology Risk

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

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

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

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

Information Management Risk

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

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

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

Cineplex recognizes that security breaches of the information systems of Cineplex or any one of its third-party suppliers could compromise this information and expose Cineplex to liability, which could cause their businesses or reputations to suffer. Despite security measures, information technology and infrastructure may be vulnerable to unforeseen attacks by hackers or breached due to employee error, malfeasance, computer viruses, malware, phishing, denial of service attacks, unauthorized access to confidential, proprietary or sensitive information, industrial espionage or other disruptions. Any such breach could compromise networks and the information stored there could be accessed, publicly

disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disrupt operations and the services provided to customers, damage reputation and cause a loss of confidence in products and services, which could adversely affect business, financial condition, results of operations and cash flows. In response to this risk, Cineplex has employees whose role is to monitor information technology and processes to ensure risk is minimized.

Real Estate Risk

The acquisition and development of potential operating locations by Cineplex is dependent on the ability of Cineplex to identify, acquire and develop suitable sites for these locations with favorable economic terms in both new and existing markets, while competing with other entertainment and non-entertainment companies for site locations. The cost to develop a new building is substantial and its success is not assured. While Cineplex is diligent in selecting sites, the significant time lag from identifying a new site to opening can result in a change in local market circumstances and could negatively impact the location's chance of success. In addition, building new operating locations may draw audiences away from existing sites operated by Cineplex. Cineplex considers the overall return for the theatres in a geographic area when making the decision to build new locations. The majority of Cineplex's operating sites are subject to long-term leases. In accordance with the terms of these leases, Cineplex is responsible for costs associated with utilities consumed at the location and property taxes associated with the location. Cineplex has no control over these costs and these costs have been increasing over the last number of years.

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

Sourcing Risk

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

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

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

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

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

Human Resources Risk

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

Cineplex employs approximately 13,000 people, of whom approximately 82% are hourly workers whose compensation is based on the prevailing provincial minimum wages with incremental adjustments as required to match market conditions. Any increase in these minimum wages will increase employee related costs. Any increase in minimum wages will impact employee-related costs. In order to mitigate the impact of the proposed increases, Cineplex works to expand automation, take advantage of technological efficiencies and continually reviews pricing.
Approximately 6% of Cineplex's employees are represented by unions, located primarily in the province of Quebec. Because of the small percentage of employees represented by unions, the impact of labour disruption nationally is low.

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

Health and Safety Risk

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

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

Environment/Sustainability Risk

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

Integration Risk

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

Financial and Markets Risk

Cineplex requires efficient access to capital in order to fuel growth, execute strategies and generate future financial returns. For this reason Cineplex entered into the Revolving Facility. Cineplex hedges interest rates on the Term Facility and $300 million of the Revolving Facility, thereby minimizing the impact of significant fluctuations in the market rates. Cineplex's exposure to currency and commodity risk is minimal as the majority of its transactions are in Canadian dollars and commodity costs are not a significant component of the overall cost structure. Counter party risk on the interest rate swap agreements is minimized through entering into these transactions with Cineplex's lenders. Upon the maturity of the Credit Facilities, there is a risk that Cineplex may not be able to renegotiate under favorable terms in the then current economic environment.

As a result of COVID-19, Cineplex may not have sufficient funds available under its current financing sources to fund operations on a short and/or long-term basis. The effects of COVID-19 on the financial markets could significantly

impact the ability of Cineplex to raise capital and could increase the cost of borrowing. There is a risk that Cineplex may not be able to find timely sources of financing, which could have an adverse effect on its business, financial condition and results of operations.

Foreign Currency Risk

Cineplex is exposed to foreign currency risk related to transactions in its normal course of business that are denominated in currencies other than the Canadian dollar. Cineplex's largest foreign currency exposure is to the US dollar, as its amusement solutions and digital place-based media all operate in the United States and which represent 11.3% of Cineplex's revenues. These revenues are naturally hedged by Cineplex's US-based operating costs

Interest Rate Risk

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

Legal, Regulatory, Taxation and Accounting Risk

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

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

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

14. CONTROLS AND PROCEDURES

14.1 DISCLOSURE CONTROLS AND PROCEDURES

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

14.2 INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

15. SUBSEQUENT EVENTS

Cineworld Transaction

On July 3, 2020, Cineplex announced that it commenced an action in the Ontario Superior Court of Justice against Cineworld Group plc and 1232743 B.C. Ltd., seeking damages arising from what Cineplex claims was a wrongful repudiation of the transaction to acquire Cineplex at a price of $34 per share. See Section 1.1 Recent Developments.

Convertible Debentures

On July 7, 2020, Cineplex filed a preliminary short form prospectus in connection with a marketed public offering (the "Offering") of convertible unsecured subordinated debentures (the "Debentures"). On July 15, 2020, Cineplex completed an Offering of $275.0 million aggregate principal amount of Debentures. On July 17, 2020, the underwriters purchased an additional $41.25 million aggregate principal amount of Debentures pursuant to the exercise of their over-allotment option.

The Debentures will mature and be repayable on September 30, 2025 (the "Maturity Date") and will bear interest at a rate of 5.75% per annum, payable semi-annually in arrears on September 30 and March 31 in each year (the "Interest Payment Date"), commencing on September 30, 2020. At the holder's option, the Debentures may be converted into Shares at a conversion price of $10.94 per Share at any time prior to the close of business on the earlier of: (i) five business days prior to the Maturity Date, and (ii) if called for redemption, five business days immediately preceding the dated fixed for redemption of the Debentures, at a conversion price to be determined at the time of pricing. Holders who convert their Debentures into Shares will receive accrued and unpaid interest for the period from the date of the latest Interest Payment Date to the date of conversion.

The Debentures are direct, unsecured subordinated obligations of Cineplex, subordinated to any senior indebtedness of Cineplex and ranking equally with one another and with all other existing and future unsecured subordinated indebtedness of Cineplex.

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

Completion of the Offering satisfies the condition under the Credit Agreement Amendment that Cineplex entered into with its lenders on June 29, 2020 which required Cineplex to raise $250.0 million of new financing by August 31, 2020, of which $100.0 million would be used to make a permanent repayment of the Credit Facilities.

16. OUTLOOK

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

On March 16, 2020, Cineplex temporarily closed all of its theatres and LBE locations and substantially all of its route locations throughout North America in response to the COVID-19 pandemic. Cineplex's related businesses, including its media business, continue to experience the fallout of the closure of significant portions of the global economy.

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

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

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

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

In Canada, most provinces have adopted a phased approach to reopening businesses. The following is a summary of the status of reopening plans in each province as of the date of this MD&A. the reopening plans are subject to change from time to time.

Province	Theatres	Restaurants
British Columbia	✔ Permitted since May 22. Limit of 50 persons per auditorium and common areas. Contact tracing data collection required for licensed premises.	✔ Permitted since May 19.
Alberta	✔ Permitted since June 12. Limit of 100 persons per auditorium and common areas.	✔ Permitted since May 14.
Saskatchewan	✔ Permitted since June 29. Limit of 30% of auditorium capacity up to a maximum of 150 persons.	✔ Permitted since June 8.
Manitoba	✔ Permitted since July 25. Limit of 30% per site up to a maximum of 500 persons, whichever is less.	✔ Permitted since June 1.
Ontario	✔ Permitted since July 17 for all regions in Stage 3. Limit of 50 persons per auditorium, subject to operational plan to operate with greater capacity limits approved by Chief Medical Officer of Health.	✔ Outdoor dining permitted since June 12 for all regions in Stage 2. Indoor dining permitted since July 17 for all regions in Stage 3.
Quebec	✔ Permitted since June 22. Limit of 250 persons per auditorium and common areas.	✔ Permitted since June 15 (Montreal on June 22).
New Brunswick	✔ Permitted since June 26. Capacity limited to number of attendees who can be accommodated with physical distancing between cohorts. Contact tracing data collection required.	✔ Permitted since May 8.
Nova Scotia	✔ Permitted since June 19. Limit of 50% of auditorium capacity up to a maximum of 200 persons.	✔ Permitted since June 5.
Prince Edward Island	✔ Permitted since May 22. Limit of 50 persons per auditorium and common areas, but no more than 100 persons on the premises among multiple gathering. Pre-approval required before opening if planning to hold multiplen gathering of 50 persons or more.	✔ Permitted since June 1.
Newfoundland	✔ Permitted since June 24. Limit of 50 persons per auditorium or 50% capacity, whichever is less.	✔ Permitted since June 8.
Legend:	✔ Reopened / Plan in Place ● Partially Reopened / In Progress - No Detailed Plan / TBD	

FINANCIAL OUTLOOK

On June 29, 2020, Cineplex and Cineplex Entertainment Limited Partnership entered into the Credit Agreement Amendment with The Bank of Nova Scotia, as administrative agent, and the lenders from time to time named therein, to the seventh amended and restated credit agreement with a syndicate of lenders. The Credit Agreement Amendment provides Cineplex with certain financial covenant relief in light of the COVID-19 pandemic and its effects on Cineplex's businesses. On July 15, 2020, Cineplex completed the Offering of the Debentures, allowing it to meet the conditions of the Credit Agreement Amendment and providing additional liquidity for the recovery period (see section 15, Subsequent Events). In addition, a restructuring undertaken subsequent to June 30, 2020 will reduce headcount by approximately 130 positions, resulting in annual saving of approximately $12.0 million in employee costs, approximately half of which relates to corporate overhead functions. Management continues to focus on reducing costs including the elimination of future capital expenditures, including the termination of its partnership with Topgolf during the third quarter of 2020. Management believes that Cineplex has adequate liquidity to fund operations well into 2021 based on management's current assumptions.

17. NON-GAAP MEASURES

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

17.1 EBITDA, ADJUSTED EBITDA AND ADJUSTED EBITDAaL

Management defines EBITDA as earnings before interest income and expense, income taxes and depreciation and amortization expense. Adjusted EBITDA excludes the change in fair value of financial instrument, loss on disposal of assets, foreign exchange, impairment of long-lived assets and goodwill, the equity loss (income) of CDCP, the non-controlling interests' share of adjusted EBITDA of TG-CPX Limited Partnership, and depreciation, amortization, interest and taxes of Cineplex's other joint ventures and associates. Adjusted EBITDAaL modifies adjusted EBITDA to deduct current period cash rent paid or payable related to lease obligations net of quantified savings of $11.9 million negotiated with landlords as a result of the COVID-19 closures. This includes agreements with landlords that are evidenced by way of written confirmation of the terms agreed upon to the date of approval of the MD&A, and are in the process of being formally documented.

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

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

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019 Restated	2020	2019 Restated
Net (loss) income from continuing operations	**$ (98,234)**	**$ 22,077**	**$ (272,389)**	**$ 16,748**
Depreciation and amortization - other	31,759	32,403	65,721	64,036
Depreciation - right-of-use assets	34,185	36,557	69,718	73,019
Interest expense - lease obligations	11,353	12,469	23,031	24,689
Interest expense - other	9,719	5,792	26,605	11,209
Interest income	(57)	(59)	(129)	(133)
Current income tax expense	(7,632)	7,647	(7,865)	8,413
Deferred income tax recovery	(26,808)	(1,402)	(76,542)	(4,327)
EBITDA from continuing operations	**$ (45,715)**	**$ 115,484**	**$ (171,850)**	**$ 193,654**
Loss on disposal of assets	478	116	1,295	593
CDCP equity loss (income) (i)	2,784	(1,917)	3,374	(2,234)
Foreign exchange loss (gain)	1,059	657	(868)	1,018
Impairment of long-lived assets and goodwill	—	—	173,054	—
Non-controlling interest adjusted EBITDA	4	7	5	18
Depreciation and amortization - joint ventures and associates (ii)	20	24	44	53
Taxes and interest of joint ventures and associates (ii)	57	12	105	23
Adjusted EBITDA from continuing operations	**$ (41,313)**	**$ 114,383**	**$ 5,159**	**$ 193,125**
Cash rent paid/payable related to lease obligations (iii)	(42,706)	(43,775)	(87,880)	(87,925)
Negotiated lease-related cash savings for the period (iv)	11,851	—	11,851	—
Cash rent paid not pertaining to current period	(364)	(353)	728	707
Adjusted EBITDAaL (iv)	**$ (72,532)**	**$ 70,255**	**$ (70,142)**	**$ 105,907**

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

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

(iii) Balance of cash rents that have been reallocated to offset the lease obligations.

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

17.2 ADJUSTED FREE CASH FLOW

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

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

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

	Three months ended June 30,		Six months ended June 30,	
	2020	**2019 Restated**	**2020**	**2019 Restated**
Cash provided by operating activities	**$ 18,095**	**$ 58,345**	**$ 41,285**	**$ 119,772**
Less: Total capital expenditures net of proceeds on sale of assets	(14,391)	(27,653)	(51,894)	(60,014)
Standardized free cash flow	3,704	30,692	(10,609)	59,758
Add/(Less):				
Changes in operating assets and liabilities (i)	(69,401)	30,432	(58,973)	28,277
Changes in operating assets and liabilities of joint ventures and associates (i)	(986)	(240)	(2,142)	1,077
Principal component of lease obligations	(993)	(31,580)	(34,812)	(64,064)
Principal portion of cash rent paid not pertaining to current period	(357)	(346)	714	691
Growth capital expenditures and other (ii)	13,777	19,191	48,303	46,883
Share of income of joint ventures and associates, net of non-cash depreciation	(331)	(238)	(404)	(146)
Non-controlling interests	4	7	5	18
Net cash received from CDCP (iii)	782	3,128	3,910	8,602
Adjusted free cash flow	**$ (53,801)**	**$ 51,046**	**$ (54,008)**	**$ 81,096**
Average number of Shares outstanding	63,333,238	63,333,238	63,333,238	63,333,238
Adjusted free cash flow per Share	**$ (0.849)**	**$ 0.806**	**$ (0.853)**	**$ 1.280**
Dividends declared	**$ —**	**$ 0.445**	**$ 0.150**	**$ 0.880**

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

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

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

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

	Three months ended June 30,		Six months ended June 30,	
	2020	**2019 Restated**	**2020**	**2019 Restated**
Net income from continuing operations	$ (98,234)	$ 22,077	$ (272,389)	$ 16,748
Adjust for:				
Depreciation and amortization - other	31,759	32,403	65,721	64,036
Depreciation - right-of-use assets	34,185	36,557	69,718	73,019
Loss on disposal of assets	478	116	1,295	593
Non-cash interest (i)	2,237	(283)	11,972	(282)
Non-cash foreign exchange	739	308	(690)	558
Impairment of long-lived assets and goodwill	—	—	173,054	—
Share of loss (income) of CDCP (ii)	2,784	(1,917)	3,374	(2,234)
Non-controlling interests	4	7	5	18
Non-cash depreciation of joint ventures and associates	20	24	44	53
Deferred income tax recovery	(26,808)	(1,402)	(76,542)	(4,327)
Taxes and interest of joint ventures and associates	57	12	105	23
Maintenance capital expenditures	(614)	(8,462)	(3,591)	(13,131)
Principal component of finance lease obligations	(993)	(31,580)	(34,812)	(64,064)
Principal portion of cash rent paid not pertaining to current period	(357)	(346)	714	691
Net cash received from CDCP (ii)	782	3,128	3,910	8,602
Non-cash items:				
Non-cash Share-based compensation	160	404	4,104	793
Adjusted free cash flow	**$ (53,801)**	**$ 51,046**	**$ (54,008)**	**$ 81,096**

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

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

17.3 OTHER NON-GAAP MEASURES MONITORED BY MANAGEMENT

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

Earnings per Share Metrics

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

Per Patron Revenue Metrics

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

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

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

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

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

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

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

Same Theatre Analysis

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

Same theatre metrics are calculated by removing the results for all theatres that have been opened, acquired, closed or otherwise disposed of subsequent to the start of the prior year comparative period. For the three months ended June 30, 2020 the impact of two locations that have been opened or acquired and three locations that have been closed or otherwise disposed of have been excluded, resulting in 162 theatres being included in the same theatre metrics. For the six months ended June 30, 2020 the impact of the two locations that have been opened or acquired and three locations that have been closed or otherwise disposed of have been excluded, resulting in 162 theatres being included in the same theatre metrics.

Cost of sales percentages

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

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

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

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

P1AG Adjusted EBITDAaL

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

P1AG Adjusted EBITDAaL Margin

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

Adjusted Store Level EBITDAaL Metrics

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

Adjusted Store Level EBITDAaL Margin

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

Lease-related cash saving

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

Net Cash Burn

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

Net cash burn	Second Quarter 2020
Adjusted EBITDAaL	$ (72,532)
Cash interest expense excluding lease obligations	(7,782)
Provision for income taxes	34,440
Net capital expenditures	(8,019)
Total net cash burn	$ (53,893)
Average monthly net cash burn	$ (17,964)

18. RECONCILIATION

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

The following table discloses the changes to the other operating expenses for the first two quarters in 2019:

Other operating expenses	Restated 2019	
	Q1	Q2
Theatre payroll	$ 36,710	$ 41,072
Theatre operating expenses	28,562	30,225
Media	16,742	21,185
P1AG	40,965	40,529
LBE (i)	11,148	13,957
LBE pre-opening (ii)	691	673
SCENE	5,038	4,060
Marketing	2,851	4,192
Other (iii)	8,174	7,892
Other operating expenses including cash lease payments	$ 150,881	$ 163,785
Cash rent related to lease obligations (vii)	(4,312)	(4,652)
Other operating expenses from continuing operations as reported	$ 146,569	$ 159,133
Other operating expenses from discontinued operations as reported	1,614	2,525
Total other operating expenses	$ 148,183	$ 161,658

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

The following tables show the changes to the previously disclosed balances for other expenses for the first two quarters in 2019:

Other	Restated 2019	
	Q1	Q2
Other expenses included in other operating expense as previously reported	$ 9,809	$ 10,427
Other expenses included in other operating expense from discontinued operations	(1,635)	(2,535)
Other expenses included in other operating expense as restated	$ 8,174	$ 7,892

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

Other	**Restated 2019**	
	Q1	**Q2**
Cash rent related to lease obligations as reported	$ (4,333)	$ (4,662)
Cash rent related to lease obligations from discontinued operations	21	10
	$ (4,312)	$ (4,652)

The following table shows the calculation of adjusted EBITDAaL from adjusted EBITDA as previously disclosed for the first two quarters in 2019.

Adjusted EBITDAaL	**Restated 2019**	
	Q2	**Q1**
Adjusted EBITDA as previously reported	$ 112,249	$ 77,442
Net loss from discontinued operations	2,680	2,031
Depreciation and amortization from discontinued operations	(1,186)	(1,222)
Income tax recovery from discontinued operations	658	671
Foreign exchange (gain) loss from discontinued operations	(18)	(180)
Adjusted EBITDA from continuing operations	$ 114,383	$ 78,742
Cash rent related to lease obligations	(43,775)	(44,150)
Cash rent paid not pertaining to current period	(353)	1,060
Adjusted EBITDAaL as restated	$ 70,255	$ 35,652

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

Cash provided by operating activities	**Restated 2019**	
	Q2	**Q1**
Cash provided by operating activities as previously reported	$ 57,494	$ 60,580
Less:		
Operating cash flows in discontinued operations	(852)	(846)
Cash provided by operating activities as restated	$ 58,346	$ 61,426

Cash used in investing activities	**Restated 2019**	
	Q2	**Q1**
Cash used in investing activities as previously reported	$ (25,110)	$ (27,885)
Less:		
Investing cash flows in discontinued operations	(259)	(117)
Cash used in investing activities as restated	$ (24,851)	$ (27,768)

Cineplex Inc.

Interim Condensed Consolidated Balance Sheets
(Unaudited)

(expressed in thousands of Canadian dollars)

	June 30, 2020	December 31, 2019
Assets		
Current assets		
Cash and cash equivalents	$ 13,806	$ 26,080
Trade and other receivables	50,960	168,065
Income taxes receivable	5,812	9,757
Inventories	29,609	30,995
Prepaid expenses and other current assets	10,713	14,226
Fair value of interest rate swap agreements	—	1,022
Assets held for sale (note 3)	—	6,573
	110,900	256,718
Non-current assets		
Property, equipment and leaseholds (note 4)	601,768	662,798
Right-of-use assets (note 4 and 5)	1,096,650	1,232,849
Deferred income taxes (note 6)	89,430	14,197
Fair value of interest rate swap agreements	—	472
Interests in joint ventures and associates	18,243	28,221
Intangible assets	86,464	88,367
Goodwill (note 4)	728,731	816,790
	$ 2,732,186	$ 3,100,412

COVID-19 Business Impacts and Risks (note 2)
Subsequent events (note 17)

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

(expressed in thousands of Canadian dollars)

	June 30, 2020	December 31, 2019
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 148,914	$ 220,188
Share-based compensation (note 7)	1,916	25,681
Dividends payable	—	9,500
Income taxes payable	817	1,183
Deferred revenue (note 8)	212,471	222,998
Current portion of long-term debt (note 9)	664,000	—
Lease obligations (note 10)	159,776	106,352
Fair value of interest rate swap agreements	5,020	1,874
Liabilities related to assets held for sale (note 3)	—	2,808
	1,192,914	590,584
Non-current liabilities		
Share-based compensation (note 7)	4,457	—
Long-term debt (note 9)	—	625,000
Fair value of interest rate swap agreements	18,588	10,837
Lease obligations (note 10)	1,185,767	1,261,243
Post-employment benefit obligations	10,651	10,678
Other liabilities	8,320	9,813
Deferred income taxes (note 6)	—	1,263
	1,227,783	1,918,834
Total liabilities	2,420,697	2,509,418
Equity		
Share capital (note 11)	852,379	852,379
Deficit	(551,306)	(264,310)
Hedging reserves and other	(131)	(131)
Contributed surplus	8,156	4,052
Cumulative translation adjustment	2,505	(887)
Total equity attributable to owners of Cineplex	311,603	591,103
Non-controlling interests	(114)	(109)
Total equity	311,489	590,994
	$ 2,732,186	$ 3,100,412

Approved by the Board of Directors

"Ian Greenberg" "Janice Fukakusa"
Director Director

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Operations
(Unaudited)

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019 Restated (note 3)	2020	2019 Restated (note 3)
Revenues (note 8)				
Box office	$ 27	$ 189,371	$ 111,029	$ 345,867
Food service	3,256	129,563	82,621	232,621
Media	7,880	49,196	40,037	83,902
Amusement	3,731	58,117	51,068	116,617
Other	7,094	12,607	20,034	24,471
	21,988	438,854	304,789	803,478
Expenses				
Film cost	10	103,005	56,510	181,726
Cost of food service	789	28,247	22,998	51,683
Depreciation - right-of-use assets	34,185	36,557	69,718	73,019
Depreciation and amortization - other assets	31,759	32,403	65,721	64,036
Loss on disposal of assets	478	116	1,295	593
Other costs (note 12)	62,175	192,988	219,723	376,816
Share of loss (income) of joint ventures and associates	3,192	(1,643)	3,927	(2,012)
Interest expense - lease obligations	11,353	12,469	23,031	24,689
Interest expense - other	9,719	5,792	26,605	11,209
Interest income	(57)	(59)	(129)	(133)
Foreign exchange	1,059	657	(868)	1,018
Impairment of long-lived assets and goodwill (note 4)	—	—	173,054	—
	154,662	410,532	661,585	782,644
(Loss) income from continuing operations before income taxes	(132,674)	28,322	(356,796)	20,834
Provision for income taxes				
Current	(7,632)	7,647	(7,865)	8,413
Deferred	(26,808)	(1,402)	(76,542)	(4,327)
	(34,440)	6,245	(84,407)	4,086
Net (loss) income from continuing operations	$ (98,234)	$ 22,077	$ (272,389)	$ 16,748
Net loss from discontinued operations, net of taxes (note 3)	(693)	(2,680)	(4,952)	(4,711)
Net (loss) income	$ (98,927)	$ 19,397	$ (277,341)	$ 12,037
Net (loss) income from continuing operations attributable to:				
Owners of Cineplex	$ (98,230)	$ 22,085	$ (272,384)	$ 16,766
Non-controlling interests	(4)	(8)	(5)	(18)
Net (loss) income from continuing operations	$ (98,234)	$ 22,077	$ (272,389)	$ 16,748
Net (loss) income attributable to:				
Owners of Cineplex	$ (98,923)	$ 19,405	$ (277,336)	$ 12,055
Non-controlling interests	(4)	(8)	(5)	(18)
Net (loss) income	$ (98,927)	$ 19,397	$ (277,341)	$ 12,037
Net (loss) income per share attributable to owners of Cineplex - basic and diluted:				
Continuing operations	$ (1.55)	$ 0.35	$ (4.30)	$ 0.26
Discontinued operations (note 3)	(0.01)	(0.04)	(0.08)	(0.07)
Total operations	$ (1.56)	$ 0.31	$ (4.38)	$ 0.19

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Comprehensive Loss
(Unaudited)

(expressed in thousands of Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2020	**2019 Restated** (note 3)	**2020**	**2019 Restated** (note 3)
Net (loss) income from continuing operations	$ (98,234)	$ 22,077	$ (272,389)	$ 16,748
Other comprehensive (loss) income from continuing operations				
Items that will be reclassified subsequently to net income:				
Loss on hedging instruments	—	(3,827)	—	(11,621)
Associated deferred income taxes recovery	—	1,028	—	3,121
Foreign currency translation adjustment	(2,259)	(1,473)	3,385	(3,030)
Recognition of currency translation adjustment on disposition of discontinued operations (note 3)	(160)	—	(160)	—
Other comprehensive (loss) income	(2,419)	(4,272)	3,225	(11,530)
Comprehensive (loss) income from continuing operations	(100,653)	17,805	(269,164)	5,218
Net loss from discontinued operations, net of taxes (note 3)	(693)	(2,680)	(4,952)	(4,711)
Foreign currency translation adjustment from discontinued operations	545	116	7	159
Comprehensive (loss) income	$ (100,801)	$ 15,241	$ (274,109)	$ 666
Comprehensive (loss) income from continuing operations attributable to:				
Owners of Cineplex	$ (100,649)	$ 17,813	$ (269,159)	$ 5,236
Non-controlling interests	(4)	(8)	(5)	(18)
	$ (100,653)	$ 17,805	$ (269,164)	$ 5,218
Comprehensive (loss) income attributable to:				
Owners of Cineplex	$ (100,797)	$ 15,249	$ (274,104)	$ 684
Non-controlling interests	(4)	(8)	(5)	(18)
	$ (100,801)	$ 15,241	$ (274,109)	$ 666

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)

(expressed in thousands of Canadian dollars)

	Share capital	Contributed surplus	Hedging reserves and other	Cumulative translation adjustment	Deficit	Non-controlling interests	Total
January 1, 2020	$ 852,379	$ 4,052	$ (131)	$ (887)	$ (264,310)	$ (109)	$ 590,994
Net loss	—	—	—	—	(277,336)	(5)	(277,341)
Other comprehensive income (page 4)	—	—	—	3,392	(160)	—	3,232
Total comprehensive loss	**—**	**—**	**—**	**3,392**	**(277,496)**	**(5)**	**(274,109)**
Dividends declared	—	—	—	—	(9,500)	—	(9,500)
Share option expense	—	160	—	—	—	—	160
Conversion to equity-settled option plan	—	3,944	—	—	—	—	3,944
June 30, 2020	$ 852,379	$ 8,156	$ (131)	$ 2,505	$ (551,306)	$ (114)	$ 311,489
January 1, 2019	$ 852,379	$ 7,815	$ (3,678)	$ 2,301	$ (179,721)	$ (85)	$ 679,011
Net income	—	—	—	—	12,055	(18)	12,037
Other comprehensive loss (page 4)	—	—	(8,500)	(2,871)	—	—	(11,371)
Total comprehensive income	**—**	**—**	**(8,500)**	**(2,871)**	**12,055**	**(18)**	**666**
Dividends declared	—	—	—	—	(55,734)	—	(55,734)
Share option expense	—	793	—	—	—	—	793
June 30, 2019	$ 852,379	$ 8,608	$ (12,178)	$ (570)	$ (223,400)	$ (103)	$ 624,736

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Cash Flows
(Unaudited)

(expressed in thousands of Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2020	2019 Restated (note 3)	2020	2019 Restated (note 3)
Cash provided by (used in)				
Operating activities				
Net (loss) income from continuing operations	$ (98,234)	$ 22,077	$ (272,389)	$ 16,748
Adjustments to reconcile net income to net cash provided				
Depreciation and amortization of property, equipment and leaseholds, and intangible assets	31,759	32,403	65,721	64,036
Depreciation of right-of-use assets	34,185	36,557	69,718	73,019
Unrealized foreign exchange	739	308	(690)	558
Interest rate swap agreements - non-cash interest	1,909	(574)	11,295	(1,132)
Other non-cash interest	328	291	677	850
Loss on disposal of assets	478	116	1,295	593
Deferred income taxes	(26,808)	(1,402)	(76,542)	(4,327)
Non-cash share-based compensation	160	404	4,104	793
Impairment of long-lived assets and goodwill	—	—	173,054	—
Net change in interests in joint ventures and associates	4,178	(1,403)	6,069	(3,089)
Changes in operating assets and liabilities (note 14)	69,401	(30,432)	58,973	(28,277)
Net cash provided by operating activities	18,095	58,345	41,285	119,772
Investing activities				
Proceeds from disposal of assets, including sale of discontinued operations	50	—	50	—
Purchases of property, equipment and leaseholds	(14,441)	(27,653)	(51,944)	(60,014)
Intangible assets additions	(1,760)	(1,060)	(5,481)	(2,556)
Tenant inducements	6,422	734	18,299	1,349
Net cash received from CDCP	782	3,128	3,910	8,602
Net cash used in investing activities	(8,947)	(24,851)	(35,166)	(52,619)
Financing activities				
Dividends paid	—	(27,867)	(19,000)	(55,417)
(Repayments) borrowings under credit facilities, net	(1,000)	35,000	39,000	61,000
Repayments of lease obligations - principal	(993)	(31,580)	(34,812)	(64,064)
Financing fees	(800)	—	(800)	(243)
Net cash used in financing activities	(2,793)	(24,447)	(15,612)	(58,724)
Effect of exchange rate differences on cash	560	236	(390)	296
Increase (decrease) in cash and cash equivalents from continuing operations	6,915	9,283	(9,883)	8,725
Cash flows used in discontinued operations (note 3)	(253)	(1,120)	(2,391)	(1,927)
Cash and cash equivalents - Beginning of period	7,144	23,877	26,080	25,242
Cash and cash equivalents - End of period	$ 13,806	$ 32,040	$ 13,806	$ 32,040
Supplemental information				
Cash paid for interest - lease obligation	$ 166	$ 12,204	$ 11,521	$ 23,891
Cash paid for interest - other	$ 5,964	$ 6,367	$ 11,443	$ 12,262
Cash (received) paid for income taxes, net	$ (12,997)	$ 8,227	$ (11,515)	$ 26,088

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 one of Canada's largest entertainment organizations, with theatres and location-based entertainment venues in ten provinces. Cineplex also operates businesses in digital commerce, cinema media, digital place-based media and amusement solutions through its wholly owned subsidiaries, Cineplex Entertainment Limited Partnership (the "Partnership"), Famous Players Limited Partnership ("Famous Players"), Galaxy Entertainment Inc. ("GEI"), Cineplex Digital Media Inc. ("CDM"), and Player One Amusement Group Inc. ("P1AG"). Cineplex is headquartered at 1303 Yonge Street, Toronto, Ontario, M4T 2Y9.

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

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

On July 3, 2020, Cineplex announced that it had commenced an action in the Ontario Superior Court of Justice against Cineworld and 1232743 B.C. Ltd. seeking damages arising from what Cineplex claims was a wrongful repudiation of Arrangement Agreement (See Note 17, Subsequent Events). The claim seeks damages, including the approximately $2,180,000 that Cineworld would have paid upon the closing of the Cineworld Transaction for Cineplex's securities, reduced by the value of the Cineplex securities retained by its securityholders, as well as compensation for other losses including the failure of Cineworld to repay or refinance Cineplex's approximately $664,000 in debt and transaction expenses. Cineplex has also advanced alternative claims for damages for the loss of benefits to its securityholders, and to require Cineworld to disgorge the benefits it improperly received by wrongfully repudiating the Cineworld Transaction.

On July 6, 2020, Cineworld announced that it would defend Cineplex's claim, and that it intends to counterclaim against Cineplex for damages and losses that it claims it suffered as a result of Cineplex's alleged breaches of the Arrangement Agreement and the Cineworld Transaction not proceeding.

Due to uncertainties inherent in litigation, it is not possible for Cineplex to predict the timing or final outcome of the legal proceedings against Cineworld or to determine the amount of damages, if any, that may be awarded. Further, even if Cineplex's action against Cineworld is successful, Cineworld may not have the ability to pay the full amount of any damages awarded to Cineplex (See note 17, Subsequent Events).

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

The Board of Directors approved these consolidated financial statements on August 13, 2020.

2. COVID-19 Business Impacts and Risks

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

On March 16, 2020, Cineplex announced the temporary closure of all of its theatres and LBE venues across Canada, as well as substantially all route locations operated by P1AG. On April 1, 2020, in response to applicable government directives and guidance from Canadian public health authorities, Cineplex announced that the closure of its theatres and LBE venues across Canada would remain in effect and that the reopening of such locations would be reassessed as further guidance is provided by Canadian public health authorities and applicable government authorities.

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

- temporary layoffs of all part-time and full-time hourly employees as well as a number of full-time employees who chose a temporary layoff rather than a salary reduction;
- reducing full-time employee salaries by agreement with such employees;
- suspending or deferring current capital spending and reviewing all capital projects to consider either deferral or cancellation;
- reducing non-essential discretionary operational expenditures (such as spending on marketing, travel and entertainment);
- implementing a more stringent review and approval process for all outgoing procurement and payment requests;
- proactively negotiating with landlords for rent relief, including abatements and converting fixed rent to variable rent depending on attendance, until attendance returns to previous levels;
- working with major suppliers and other business partners to modify the timing and quantum of certain contractual payments;
- reviewing and applying for government subsidy programs where available, including the Canada Emergency Wage Subsidy ("CEWS"). This program, which was launched by the Government of Canada, provides a subsidy of 75% of employee wages, up to a maximum benefit of $847.00, per week, for up to 24 weeks, retroactive from March 15, 2020 to August 29, 2020. In mid-July, the federal government announced an extension to the program to December 19th, backdated to July 5th with threshold amounts and benefits amended, allowing for additional subsidies for those businesses who are on a slower recovery track. It is expected that most of Cineplex's businesses will be able to benefit from the higher 85% subsidy maximum threshold available to those businesses who have sustained a revenue decline greater than 50% during a specified claim period;
- continuing the suspension of dividends; and
- focusing on revenue driving opportunities including the expansion of Cineplex Store offerings and expansion of food home delivery from theatres and LBE venues.

In addition to cost savings associated with the temporary layoffs of its employees, reductions in salaries and other mitigation efforts, Cineplex has suspended or deferred certain capital spending and is reviewing all capital projects to consider further deferrals or cancellations and has plans to reduce purchases of property, plant and equipment (net of tenant inducements) to approximately $50,000 over the next 12 months.

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

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

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

Although restrictions on social gatherings are being lifted in many of the markets in which Cineplex operates, there is the possibility that restrictions may be reinstituted in the future if there are additional outbreaks of COVID-19 in Canada, a vaccine has not been developed and other effective treatment options are not available. Any reinstitution of restrictions on social gatherings that would result in the closure of Cineplex's theatres and LBE venues would have a significant negative impact on the ability and timing of Cineplex's return to profitability.

Due to the uncertainty of the timing of the reductions of many government-imposed restrictions and the potential long-term effects that the COVID-19 pandemic may have on the exhibition and amusement and leisure businesses, COVID-19 may have a prolonged negative impact on Cineplex's operations. With the unknown duration of the pandemic and yet to be determined timing of the phased complete reopening of Cineplex's businesses, as well as consumers' future risk tolerance regarding health matters, it is not possible to know the impact on future results. However, Cineplex is optimistic that the exhibition and amusement and leisure industries will recover over time. Cineplex believes consumer demand for the theatrical experience combined with a backlog of anticipated releases of strong film content will help drive visitation, and that LBE activities will increase as people seek out-of-home experiences they have been restricted from enjoying since mid-March.

On June 29, 2020, Cineplex and Cineplex Entertainment Limited Partnership entered into the Credit Agreement Amendment with The Bank of Nova Scotia, as administrative agent, and the lenders from time to time named therein, to the seventh amended and restated credit agreement with a syndicate of lenders. The Credit Agreement Amendment provides Cineplex with certain financial covenant relief in light of the COVID-19 pandemic and its effects on Cineplex's businesses (Note 9, Long-term debt). On July 15, 2020, Cineplex completed the Offering of convertible unsecured subordinated debentures ("the Debentures"), allowing it to meet the conditions of the Credit Agreement Amendment and providing additional liquidity for the recovery period (see Note 17, Subsequent Events). In addition to satisfying the conditions of the waiver thereby removing the potential for default under the terms of the Credit Facility, based on management's forecasts, Cineplex has adequate liquidity to fund its operations and meet its obligations for the foreseeable future.

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

3. Assets held for sale and discontinued operations

During the quarter ended September 30, 2019, Cineplex initiated a review process of WGN's online esports business, engaging a third party adviser to identify a strategic equity partner. On June 29, 2020, Cineplex sold all of its interest in WGN for a nominal amount. A nominal gain was recognized on the disposition and is included in net loss from discontinued operations.

Cineplex applied IFRS 5, *Non-current assets held for sale and discontinued operations* ("IFRS 5") to measure, present and disclose the financial information for WGN during the period in which WGN had met the criteria to be recorded as a discontinued operation. Effective with the quarter ended September 30, 2019, WGN's financial performance and cash flows are presented in these consolidated financial statements as discontinued operations on a retroactive basis. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

The major classes of assets and liabilities classified as held for sale are as follows:

	June 30, 2020	December 31, 2019
Trade and other receivables	$ —	$ 607
Prepaid expenses and other current assets	—	11
Property, equipment and leaseholds	—	724
Intangible assets	—	5,231
Assets held for sale	$ —	$ 6,573
Accounts payable and accrued liabilities	$ —	$ 1,254
Deferred revenue	—	316
Deferred income taxes	—	1,238
Liabilities related to assets held for sale	$ —	$ 2,808
Net assets held for sale	$ —	$ 3,765

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

The following table discloses revenues and expenses for the three and six months ended June 30:

	Three months ended June 30,		Six months ended June 30,	
	2020	**2019**	**2020**	**2019**
Revenues				
Media revenues	$ 220	$ 382	$ 602	$ 689
Other revenues	—	9	199	16
	220	391	801	705
Expenses				
Depreciation and amortization - other assets	—	1,186	—	2,408
Loss on disposal of assets	129	—	129	—
Other costs	606	2,525	2,212	4,139
Impairment of intangible assets	21	—	5,156	—
Foreign exchange	91	18	(117)	198
	847	3,729	7,380	6,745
Loss before income taxes	(627)	(3,338)	(6,579)	(6,040)
Recovery of income taxes				
Current	(3)	(402)	(384)	(760)
Deferred	69	(256)	(1,243)	(569)
	66	(658)	(1,627)	(1,329)
Net loss from discontinued operations	$ (693)	$ (2,680)	$ (4,952)	$ (4,711)
Foreign currency translation adjustment from discontinued operations	545	116	7	159
Other comprehensive loss from discontinued operations	$ (148)	$ (2,564)	$ (4,945)	$ (4,552)

The following table discloses cash flows for the three and six months ended March 31:

	Three months ended June 30,		Six months ended June 30,	
	2020	**2019**	**2020**	**2019**
Net cash used in operating activities	$ (472)	$ (851)	$ (1,768)	$ (1,698)
Net cash provided by (used in) investing activities	29	(259)	(215)	(376)
Effect of exchange rate differences on cash	190	(10)	(408)	147
Net cash used in discontinued operations	$ (253)	$ (1,120)	$ (2,391)	$ (1,927)

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

4. Impairment of long-lived assets and goodwill

Cineplex generally performs its annual test for impairment of goodwill and indefinite-lived intangible assets in the fourth quarter, in accordance with the policy described in its annual Consolidated Financial Statements. Assessment of impairment for long-lived assets, including property, equipment, leaseholds, right-of-use assets, intangible assets and goodwill is performed more frequently as specific events or circumstances dictate and changes in circumstances indicate that the carrying amount of the asset group may not be fully recoverable. In early 2020, in response to the outbreak of COVID-19 pandemic declared by WHO, the government of Canada announced mandated closure of school. public facilities and non-essential businesses. Consequently, effective March 16, 2020 Cineplex temporarily closed all of its theatres and location-based entertainment venues across Canada, resulting in material decreases in revenues, results of operations and cash flows.

A triggering event occurred on June 30, 2020 as a result of the material decrease in Cineplex's market value due to a sharp decline in its share price at that date from March 31, 2020. Cineplex reassessed the underlying key assumptions and inputs used during the impairment testing completed as at March 31, 2020. Cineplex determined that there were no material changes in those key judgments and conclusions and therefore concluded that there was no further impairment.

Fair value less cost to sell is determined using Level 3 inputs such as attendance and the related revenue growth rates, variable and fixed cash flows, operating margins, and discount rates based on Cineplex's internal budget. Cineplex projects revenue, operating margins and cash flows for a period of five years, and applies a perpetual long-term growth rate thereafter. In arriving at its forecasts, Cineplex considers past experience, economic trends such as inflation, as well as industry and market trends. Cineplex has considered the significant impact of COVID-19 on the business in 2020 with the majority of theatres and location based entertainment venues being closed for a significant portion of the year. Estimates have been applied for a reopening of both Cineplex and customer locations through the second half of 2020 and a range of estimates for growth in EBITDAaL from -4% to 40% has then been applied across locations for the period 2020-2024 to reflect a staged reopening and other scenarios.

Discount rates applied to the groups of goodwill CGUs represent Cineplex's assessment of the risks specific to each group of CGUs regarding the time value of money and individual risks of the underlying assets. Cineplex used discount rates between 9.0% and 11.9% (2019 - between 9.0% and 14.0%), and perpetual growth rates between 0.5% and 1% (2019 - between 0.5% and 1%), which are consistent with the observed long-term average growth rates in the exhibition, amusement and leisure, and digital media industries.

Impairment of long-lived assets and goodwill for the six months ended June 30, 2020 and 2019 were as follows:

	2020	2019
Impairment of property, equipment and leaseholds	$ 33,949	$ —
Impairment of right-of-use assets	50,610	—
Impairment of goodwill	88,495	—
Impairment of long-lived assets and goodwill	$ 173,054	$ —

For goodwill, Cineplex concluded there were non-cash impairment losses in the exhibition business within the Film Entertainment and Content segment. Four CGU's, defined in this segment as theatre districts, recognized impairment losses totaling $88,495. For one group of CGUs in the Film Entertainment and Content segment, if the discount rates

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

were to increase by 0.2%, assuming a constant cash flow margin, the carrying amount of the group of CGUs would exceed the reasonable range for the recoverable amounts. For the one CGU in the Amusement and Leisure segment, if the discount rates were to increase by 0.3%, assuming a constant cash flow margin, the carrying amount of the CGU would exceed the reasonable range for the recoverable amounts. For all other CGUs, no reasonably possible change in assumption would cause the recoverable amount to fall below the carrying value.

For long-lived assets, the estimate of the fair value less cost of disposal was determined using a discount rate of 9.0% and 0.5% terminal value growth rate for the theatres and a 10.0% discount rate and 1.0% terminal value growth rate for the Location-Based Entertainment venues. As a result, Cineplex recognized non-cash impairment losses of $52,341 with respect to theatres and $32,218 with respect to location-based entertainment venues inclusive of the related right of use assets.

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

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

5. Right-of-use assets

The following table presents right-of-use assets for Cineplex for the six months ended June 30, 2020 and 2019:

Right-of-use assets consist of:

	Property	Equipment	Total
At June 30, 2020			
Cost	$ 1,290,712	$ 19,851	$ 1,310,563
Accumulated depreciation	(206,292)	(7,621)	(213,913)
Net book value	$ 1,084,420	$ 12,230	$ 1,096,650
Six months ended June 30, 2020			
Balance - December 31, 2019	$ 1,218,054	$ 14,795	$ 1,232,849
Additions, net of modifications	(16,460)	(4)	(16,464)
Foreign exchange rate changes	589	4	593
Depreciation for the period	(67,153)	(2,565)	(69,718)
Impairment (note 4)	(50,610)	—	(50,610)
Closing net book value	$ 1,084,420	$ 12,230	$ 1,096,650

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

	Property	Equipment	Total
At June 30, 2019			
Cost	$ 1,340,379	$ 19,461	$ 1,359,840
Accumulated depreciation	(70,473)	(2,516)	(72,989)
Net book value	$ 1,269,906	$ 16,945	$ 1,286,851
Six months ended June 30, 2019			
Opening net book value upon adoption of IFRS 16	$ 1,323,187	$ 19,406	$ 1,342,593
Additions, net of modifications	17,743	57	17,800
Foreign exchange rate changes	(521)	(2)	(523)
Depreciation for the period	(70,503)	(2,516)	(73,019)
Closing net book value	$ 1,269,906	$ 16,945	$ 1,286,851

6. Deferred income taxes

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

	2020	2019
Deferred income tax assets		
Property, equipment and leaseholds and deferred tenant inducements - difference between net carrying value and undepreciated capital cost	$ 10,832	$ 10,534
Accounting provisions not currently deductible	61,922	46,316
Deferred revenue	900	958
Interest rate swap agreements	6,205	2,882
Income tax credits available	381	381
Operating losses available for carry-forward and carry-back	61,767	17,022
Total gross deferred income tax assets	142,007	78,093
Future deferred tax liabilities		
Intangible assets	(10,393)	(11,871)
Goodwill	(43,962)	(54,146)
Other	1,778	858
Total gross deferred income tax liabilities	(52,577)	(65,159)
Net deferred income tax asset	$ 89,430	$ 12,934

As a result of the recognition of non-cash impairment related to long-lived assets, Cineplex has recorded deferred income tax assets of $22,650. The non-cash goodwill impairment loss resulted in Cineplex recording additional deferred income tax assets of $11,715.

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

Due to significant taxable income earned in the three preceding tax years that can be offset through tax loss carrybacks and anticipated future results, Cineplex believes that it is more likely than not that the deferred income tax assets resulting from the current period taxable losses and impairment losses will be realized.

7. Share-based compensation

Option plan

Cineplex recorded $160 in employee benefits expense and $2,194 in employee benefits recovery with respect to share options during the three and six months ended June 30, 2020 (2019 - expense of $404 and $793, respectively).

Upon cashless exercises, the options exercised in excess of shares issued are canceled and returned to the pool available for future grants. At June 30, 2020, 1,101,271 options are available for grant.

Until December 15, 2019, the options could only be equity-settled, and were accounted for as equity, not liabilities. Upon cashless exercises, the options exercised in excess of shares issued were cancelled and returned to the pool available for future grants. The expense amount for options was determined at the time of their issuance, recognized over the vesting period of the options. Effective December 15, 2019, as a result of the terms of the Arrangement Agreement, the options were considered cash-settled, and the fair value of the options outstanding in excess of their respective exercise price was recognized as a current share-based compensation liability, and changes in value were reflected in the statement of operations. With the Termination Notice delivered by Cineworld on June 12, 2020 to terminate the Arrangement Agreement, the options have been revalued and accounted for as equity-settled, with expected lives of the lesser of four years and their contractual lives. The value of vested options at March 31, 2020 of $3,944 was reclassified from liability to contributed surplus. Unvested options will be recognized over their remaining vesting periods at the value determined at March 31, 2020. Forfeitures are estimated at nil, based on historical forfeiture rates.

No options have been granted in 2020.

A summary of option activities in 2020 and 2019 is as follows:

		2020		2019	
	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	6.67	3,123,521	$ 38.62	2,433,589	$ 42.84
Granted		—	—	757,639	25.05
Forfeited		(37,857)	34.68	(59,115)	38.50
Exercised		—	—	—	—
Options outstanding, June 30	6.16	3,085,664	$ 38.67	3,132,113	$ 38.62
Options vested and exercisable, June 30		2,193,514		1,701,166	

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

Long-term incentive plan ("LTIP")

Officers and key employees are eligible to participate in the LTIP. Each annual LTIP grant is for a three-year service period beginning October 1. On December 15, 2019, the estimated vesting period was revised to March 31, 2020, resulting in the associated expense being recognized over a shorter period. With the Termination Notice delivered by Cineworld on June 12, 2020, Cineplex adjusted the vesting period and recognition of the associated expense back to that which was originally determined for each LTIP grant. The LTIP award consists of a restricted stock unit ("RSU") plan awarding base Share equivalents which may decrease or increase subject to certain market conditions and a phantom share unit ("PSU") plan awarding Share equivalents which may decrease or increase 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.

No LTIP grants have been made in 2020.

The grants of Share equivalents were as follows:

	PSU Share equivalents granted	RSU Share equivalents granted	PSU Share equivalents minimum payout	PSU Share equivalents maximum payout
2020 LTIP award	—	—	—	—
2019 LTIP award	105,777	54,940	7,788	211,553
2018 LTIP award	79,089	39,549	—	158,178
2017 LTIP award	129,136	—	49,976	236,104

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 period of change. Forfeitures are estimated at $nil. Cineplex recognized compensation expense recoveries of $905 and $5,204 under the LTIP for the three and six months ended June 30, 2020 (2019 - compensation costs of $538 and $1,530, respectively). At June 30, 2020, $3,013 (2019 - $4,762) was included in share-based compensation liability.

Deferred equity units

Members of the Board of Directors and certain officers of Cineplex may elect to defer a portion of their compensation in the form of deferred equity units. For the three and six months ended June 30, 2020, Cineplex recognized compensation expense recoveries of $780 and $7,805 associated with the deferred equity units (2019 - recoveries of $291 and $521, respectively). At June 30, 2020, $3,473 (2019 - $7,290) was included in share-based compensation liability.

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

8. Revenue

The following tables disclose the changes in deferred revenue for the six months ended June 30, 2020 and 2019:

	December 31, 2019	Additions	Revenue Recognized	June 30, 2020
Gift cards	$ 184,755	$ 18,047	$ 39,352	$ 163,450
SCENE loyalty program	21,277	16,000	10,240	27,037
Advances and deposits	16,966	22,146	17,128	21,984
	$ 222,998	$ 56,193	$ 66,720	$ 212,471

	December 31, 2018	Additions	Revenue Recognized	June 30, 2019
Gift cards	$ 172,301	$ 47,757	$ 82,982	$ 137,076
SCENE loyalty program	24,893	22,650	25,037	22,506
Advances and deposits	16,822	31,886	29,818	18,890
	$ 214,016	$ 102,293	$ 137,837	$ 178,472

The following tables provide the disaggregation of revenue into categories by nature for the three and six months ended June 30, 2020 and 2019:

Box revenues	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Box office revenues	$ 27	$ 189,371	$ 111,029	$ 345,867

Food service revenues	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Food service - theatres	$ 62	$ 119,741	$ 72,743	$ 214,913
Food service - location-based entertainment	87	9,822	6,771	17,708
Food service - delivery	3,107	—	3,107	—
Total food service revenues	$ 3,256	$ 129,563	$ 82,621	$ 232,621

Media revenues	Three months ended June 30, 2020	Three months ended June 30, 2019 Restated (note 3)	Six months ended June 30, 2020	Six months ended June 30, 2019 Restated (note 3)
Cinema media	$ 1,604	$ 29,596	$ 18,866	$ 50,672
Digital place-based media	6,276	19,600	21,171	33,230
Total media revenues	$ 7,880	$ 49,196	$ 40,037	$ 83,902

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

Amusement revenues	**Three months ended June 30, 2020**	**Three months ended June 30, 2019**	**Six months ended June 30, 2020**	**Six months ended June 30, 2019**
Amusement solutions excluding exhibition	$ 3,687	$ 45,817	$ 38,648	$ 93,490
Amusement solutions - exhibition	12	2,608	2,208	5,392
Amusement solutions - location based entertainment	32	9,692	10,212	17,735
Total amusement revenues	$ 3,731	$ 58,117	$ 51,068	$ 116,617

Other revenues	**Three months ended June 30, 2020**	**Three months ended June 30, 2019 Restated** (note 3)	**Six months ended June 30, 2020**	**Six months ended June 30, 2019 Restated** (note 3)
Other revenues	$ 7,094	$ 12,607	$ 20,034	$ 24,471

9. Long-term debt

On June 29, 2020, Cineplex and Cineplex Entertainment Limited Partnership entered into an amendment agreement (the "Credit Agreement Amendment") with The Bank of Nova Scotia, as administrative agent, and the lenders from time to time named therein, to the seventh amended and restated credit agreement with a syndicate of lenders. The Credit Agreement Amendment provides Cineplex with certain financial covenant relief in light of the COVID-19 pandemic and its effects on Cineplex's businesses. The Credit Agreement provides for a senior secured revolving facility in the maximum amount of $650,000 (the "Revolving Facility"), maturing November 13, 2023, and a senior secured non-revolving credit facility in the maximum amount of $150,000, maturing November 13, 2025 (the "Term Facility", and together with the Revolving Facility, the "Credit Facilities").

A summary of the key terms of the Credit Agreement Amendment are as follows:

- immediate suspension of financial covenant testing, continuing for the second and third quarters of 2020 contingent on a $100,000 mandatory permanent repayment of the Credit Facilities from the proceeds of a minimum $250,000 new financing by no later than August 31, 2020. On the resumption of financial covenant testing at the end of the fourth quarter of 2020, it will be based on an annualized calculation of adjusted EBITDA for the following four fiscal quarters;
- the leverage ratio of 3.75x will apply when financial covenants are reinstated, and will be reduced over the course of 2021 each quarter until it is at 3.00x for the fourth fiscal quarter of 2021;
- the maturity date for the Term Facility will be advanced by two years to be coincident with the maturity date for the Revolving Facility of November 13, 2023;
- growth capital expenditures will be limited to certain agreed projects. After December 31, 2020, additional growth capital expenditures will be permitted subject to a pro forma leverage covenant of 2.75x;
- distributions will be limited to free cash flow and only permitted when the leverage ratio is less than 2.75x;
- Cineplex will not be permitted to make any acquisitions without consent from the lenders;
- the applicable margins for the interest rates on all borrowings will increase; and
- Cineplex will no longer be able to request an increase in the total commitments under the Credit Facilities pursuant to the "accordion" provisions of the current Credit Agreement.

Without the provisions of the Credit Agreement Amendment, management's forecasts indicated a potential breach of the financial covenants as of June 30, 2020 quarter end. A violation of the covenants would have represented an event of default under the terms of the Credit Facilities, enabling the lenders to demand immediate repayment of all amounts due. As the terms of the relief from these covenants were conditional on a mandatory permanent repayment of the Credit Facilities from the proceeds of a minimum $250,000 new financing by no later than August 31, 2020, as at June

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

30, 2020 there could be no assurance that the extension of the financial covenant relief would be extended past August 31, 2020. As a result of the conditional terms of the Credit Agreement Amendment, the Credit Facilities were required to be classified as current until the terms are satisfied. On July 15, 2020, Cineplex announced that it has completed a prospectus offering of $275,000 principal amount of convertible unsecured subordinated debentures, thereby completing the terms of the extension of financial covenant relief contained in the Credit Agreement Amendment (See Note 17, Subsequent Events). Long-term debt is expected to be reclassified to Non-Current Liabilities for the period ending September 30, 2020.

10. Lease obligations

The following table presents lease obligations for Cineplex for the six months ended June 30, 2020 and 2019:

	Property	Equipment	Total
Six months ended June 30, 2020			
Opening balance	$ 1,352,541	$ 15,054	$ 1,367,595
Additions, net of modifications	(16,437)	(4)	(16,441)
Tenant inducement	17,073	—	17,073
Lease payment	(44,488)	(1,840)	(46,328)
Interest expense	22,800	231	23,031
Foreign exchange rate changes	609	4	613
Closing lease obligations	$ 1,332,098	$ 13,445	$ 1,345,543
Less: current portion	154,109	5,667	159,776
Non-current portion of lease obligations	$ 1,177,989	$ 7,778	$ 1,185,767

	Property	Equipment	Total
Six months ended June 30, 2019			
Opening balance	$ 1,422,579	$ 19,277	$ 1,441,856
Additions, net of modifications	17,705	57	17,762
Tenant inducement	3,160	—	3,160
Lease payment	(85,348)	(2,607)	(87,955)
Interest expense	24,384	305	24,689
Foreign exchange rate changes	(523)	(2)	(525)
Closing lease obligations	$ 1,381,957	$ 17,030	$ 1,398,987
Less: current portion	104,515	4,743	109,258
Non-current portion of lease obligations	$ 1,277,442	$ 12,287	$ 1,289,729

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

11. Share capital

Cineplex is authorized to issue an unlimited number of common shares and 10,000,000 preferred shares of which none are outstanding.

Share capital balances at June 30, 2020 and 2019 and transactions during the periods are as follows:

2020				Amount
	Number of common shares issued and outstanding	Common shares	Equity component of convertible debentures	Total
Balance - December 31, 2019 and June 30, 2020	63,333,238	$ 852,379	$ —	$ 852,379

2019				Amount
	Number of common shares issued and outstanding	Common shares	Equity component of convertible debentures	Total
Balance - December 31, 2018 and June 30, 2019	63,333,238	$ 852,379	$ —	$ 852,379

12. Other costs

	Three months ended June 30,		Six months ended June 30,	
	2020	**2019 Restated** (note 4)	**2020**	**2019 Restated** (note 4)
Employee salaries and benefits	$ 11,572	$ 79,411	$ 64,741	$ 153,659
Rent	(125)	865	447	1,674
Realty and occupancy taxes and maintenance fees	18,879	17,714	38,001	36,645
Utilities	5,330	7,716	12,773	16,214
Purchased services	5,518	17,635	21,459	33,327
Other inventories consumed, including amusement and digital place-based media	3,860	22,849	22,021	45,176
Venue revenue share	680	12,694	10,136	25,541
Repairs and maintenance	3,829	8,685	13,831	16,831
Advertising and promotion	1,524	5,734	5,531	10,245
Office and operating supplies	662	4,131	4,249	7,417
Licences and franchise fees	4,474	5,254	9,117	10,058
Insurance	1,305	1,260	2,619	2,436
Professional and consulting fees	2,952	1,572	6,387	4,046
Telecommunications and data	1,069	1,999	2,854	3,626
Bad debts	725	649	1,630	816
Equipment rental	(466)	342	(117)	629
Other costs	387	4,478	4,044	8,476
	$ 62,175	$ 192,988	$ 219,723	$ 376,816

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

Employee salaries and benefits have been reduced by government subsidies during the three month period ended June 30, 2020 in the amount of $20,200.

13. Net (loss) income per share

Basic

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019 Restated (note 3)	2020	2019 Restated (note 3)
Net loss attributable to owners of Cineplex - continuing operations	$ (98,230)	$ 22,085	$ (272,384)	$ 16,766
Net loss attributable to owners of Cineplex	$ (98,923)	$ 19,405	$ (277,336)	$ 12,055
Weighted average number of shares outstanding	63,333,238	63,333,238	63,333,238	63,333,238
Basic EPS from continuing operations	$ (1.55)	$ 0.35	$ (4.30)	$ 0.26
Basic EPS from discontinued operations	(0.01)	(0.04)	(0.08)	(0.07)
Basic EPS	$ (1.56)	$ 0.31	$ (4.38)	$ 0.19

Diluted

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019 Restated (note 3)	2020	2019 Restated (note 3)
Net loss attributable to owners of Cineplex - continuing operations	$ (98,230)	$ 22,085	$ (272,384)	$ 16,766
Net loss attributable to owners of Cineplex	$ (98,923)	$ 19,405	$ (277,336)	$ 12,055
Weighted average number of shares outstanding	63,333,238	63,333,238	63,333,238	63,333,238
Adjustments for stock options	—	634	—	4,922
Weighted average number of shares for diluted EPS	63,333,238	63,333,872	63,333,238	63,338,160
Diluted EPS from continuing operations	$ (1.55)	$ 0.35	$ (4.30)	$ 0.26
Diluted EPS from discontinued operations	(0.01)	(0.04)	(0.08)	(0.07)
Diluted EPS	$ (1.56)	$ 0.31	$ (4.38)	$ 0.19

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

14. Changes in operating assets and liabilities

The following summarizes the changes in operating assets and liabilities:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019 Restated (note 3)	2020	2019 Restated (note 3)
Trade and other receivables	$ 23,311	$ (24,038)	$ 117,018	$ 52,729
Inventories	944	(7,045)	1,998	(6,178)
Prepaid expenses and other current assets	3,390	(2,666)	3,895	(4,786)
Accounts payable and accrued liabilities	27,317	5,085	(38,763)	(13,681)
Income taxes payable	(208)	(578)	4,025	(17,538)
Deferred revenue	16,897	(957)	(10,623)	(35,789)
Post-employment benefit obligations	181	181	(28)	52
Share-based compensation	(1,685)	247	(17,026)	(1,741)
Other liabilities	(746)	(661)	(1,523)	(1,345)
	$ 69,401	$ (30,432)	$ 58,973	$ (28,277)

Property, equipment and leasehold purchases are included in accounts payable and accrued liabilities as at June 30, 2020, in the amount of $11,996 (2019 - $19,824).

15. Operating segments

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

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

Media
The Media reporting segment is comprised of the aggregation of two operating segments, cinema media and digital place-based media. Cinema media consists of all in-theatre advertising revenues and costs, including pre-show, showtime, magazine and lobby advertising. Digital place-based media is comprised of revenues and costs associated with the design, installation and operations of digital signage networks, along with advertising on certain networks. Aggregation of these operating segments is based on the segments having similar economic characteristics.

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

Amusement and Leisure

The Amusement and Leisure reporting segment includes the amusement solutions operating segment. Amusement solutions is comprised of revenues and costs associated with operating and distributing amusement, gaming and vending equipment. Previously reported periods included results for eSports in the Amusement and Leisure segment. These financial statements present eSports in net loss from discontinued operations. Prior periods have been restated to reflect this presentation.

Location-Based Entertainment

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

In accordance with IFRS 8, *Operating Segments*, Cineplex discloses information about its reportable segments based upon the measures used by management in assessing the performance of those reportable segments. Cineplex uses adjusted EBITDAaL to measure the performance of its reportable segments.

Management defines EBITDA as earnings before interest income and expense, income taxes and depreciation and amortization expense. Adjusted EBITDA excludes the change in fair value of financial instrument, loss on disposal of assets, foreign exchange, the equity (loss) income of CDCP, the non-controlling interests' share of adjusted EBITDA of TG-CPX Limited Partnership, and depreciation, amortization, interest and taxes of Cineplex's other joint ventures and associates. Adjusted EBITDAaL modifies adjusted EBITDA to deduct current period cash rent paid or payable related to lease obligations net of quantified savings of $11,851 negotiated with landlords as a result of the COVID-19 closures. This includes agreements with landlords that are evidenced by way of written confirmation of the terms agreed upon to the date of approval of the financial statements, and are in the process of being formally documented.

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

The following tables disclose the results of the Film Entertainment and Content, Media, Amusement and Leisure and Location-Based Entertainment segments for the three and six months ended June 30, 2020 and 2019:

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

Three months ended June 30, 2020	Film Entertainment and Content (i)	Media (i)	Amusement and Leisure (restated)	Location-Based Entertainment	Corporate and other (iii)	Consolidated
Major product and service lines						
Box office	$ 27	$ —	$ —	$ —	$ —	$ 27
Food service	3,086	—	—	170	—	3,256
Media	—	7,828	—	52	—	7,880
Amusement	12	—	3,687	32	—	3,731
Other	7,042	—	—	52	—	7,094
Total revenues	$ 10,167	$ 7,828	$ 3,687	$ 306	$ —	$ 21,988
Primary geographical markets						
Canada	$ 10,167	$ 5,340	$ 1,198	$ —	$ —	$ 16,705
United States and other countries	—	2,488	2,489	—	—	4,977
Total revenues	$ 10,167	$ 7,828	$ 3,687	$ 306	$ —	$ 21,988
Timing of revenue recognition						
Transferred at a point in time	$ 10,167	$ 3,047	$ —	$ 254	$ —	$ 13,468
Transferred over time	—	4,781	—	52	—	4,833
Total revenues	$ 10,167	$ 7,828	$ 3,687	$ 306	$ —	$ 21,988
Adjusted EBITDAaL	(55,241)	1,100	(5,311)	(3,483)	(9,597)	(72,532)
Difference between the sum of depreciation of right-of-use assets and interest expense related to the lease obligations as compared to the cash rent paid or payable related to lease obligations with respect to the current period.						14,321
Other adjustments (ii)						4,400
Depreciation and amortization - other assets						31,759
Interest expense - other						9,719
Interest income						(57)
Income taxes recovery						(34,440)
Net loss from continuing operations						$ (98,234)
Net loss from discontinued operations (note 3)						(693)
Net loss						$ (98,927)
Other operating segment disclosures						
Depreciation - right-of-use assets	$ 31,956	$ 926	$ (69)	$ 1,196	$ 176	$ 34,185
Depreciation and amortization - other assets	$ 17,795	$ 3,241	$ 7,541	$ 3,182	$ —	$ 31,759
Interest expense - lease obligations	$ 10,184	$ 113	$ 154	$ 895	$ 7	$ 11,353
Goodwill balance	$ 506,455	$ 206,385	$ 15,891	$ —	$ —	$ 728,731

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

Three months ended June 30, 2019	Film Entertainment and Content (i)	Media (i)	Amusement and Leisure (Restated)	Location-Based Entertainment	Corporate and other (iii)	Consolidated
Major product and service lines						
Box office	$ 189,371	$ —	$ —	$ —	$ —	$ 189,371
Food service	119,741	—	—	9,822	—	129,563
Media	—	48,823	—	373	—	49,196
Amusement	2,608	—	45,817	9,692	—	58,117
Other	11,559	—	—	1,048	—	12,607
Total revenues	$ 323,279	$ 48,823	$ 45,817	$ 20,935	$ —	$ 438,854
Primary geographical markets						
Canada	$ 323,279	$ 40,468	$ 12,130	$ 20,935	$ —	$ 396,812
United States and other countries	—	8,355	33,687	—	—	42,042
Total revenues	$ 323,279	$ 48,823	$ 45,817	$ 20,935	$ —	$ 438,854
Timing of revenue recognition						
Transferred at a point in time	$ 323,279	$ 12,140	$ 45,817	$ 20,562	$ —	$ 401,798
Transferred over time	—	36,683	—	373	—	37,056
Total revenues	$ 323,279	$ 48,823	$ 45,817	$ 20,935	$ —	$ 438,854
Adjusted EBITDAaL	53,305	27,404	5,259	1,545	(17,256)	70,257
Difference between the sum of depreciation of right-of-use assets and interest expense related to the lease obligations as compared to the cash rent paid or payable related to lease obligations with respect to the current period.						(5,132)
Other adjustments (ii)						(1,100)
Depreciation and amortization - other assets						32,403
Interest expense - other						5,792
Interest income						(59)
Income taxes expense						6,245
Net income from continuing operations						$ 32,108
Net loss from discontinued operations (note 3)						(2,680)
Net income						$ 29,428
Other operating segment disclosures						
Depreciation - right-of-use assets	$ 32,599	$ 904	$ 1,448	$ 1,448	$ 158	$ 36,557
Depreciation and amortization - other assets	$ 18,886	$ 3,629	$ 6,892	$ 2,996	$ —	$ 32,403
Interest expense - lease obligations	$ 11,415	$ 134	$ 182	$ 727	$ 11	$ 12,469
Goodwill balance	$ 594,950	$ 206,385	$ 15,523	$ —	$ —	$ 816,858

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

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

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

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

Six months ended June 30, 2020	Film Entertainment and Content (i)	Media (i)	Amusement and Leisure (restated)	Location-Based Entertainment	Corporate and other (iii)	Consolidated
Major product and service lines						
Box office	$ 111,029	$ —	$ —	$ —	$ —	$ 111,029
Food service	75,767	—	—	6,854	—	82,621
Media	—	39,466	—	571	—	40,037
Amusement	2,208	—	38,648	10,212	—	51,068
Other	19,674	—	—	360	—	20,034
Total revenues	$ 208,678	$ 39,466	$ 38,648	$ 17,997	$ —	$ 304,789
Primary geographical markets						
Canada	$ 208,678	$ 30,815	$ 10,297	$ 17,691	$ —	$ 267,481
United States and other countries	—	8,651	28,351	—	—	37,002
Total revenues	$ 208,678	$ 39,466	$ 38,648	$ 17,997	$ —	$ 304,789
Timing of revenue recognition						
Transferred at a point in time	$ 208,678	$ 11,557	$ 34,962	$ 17,426	$ —	$ 272,623
Transferred over time	—	27,909	—	571	—	28,480
Total revenues	$ 208,678	$ 39,466	$ 38,648	$ 17,997	$ —	$ 304,789
Adjusted EBITDAaL	$ (60,660)	$ 13,890	$ (4,821)	$ (3,747)	$ (14,804)	$ (70,142)
Difference between the sum of depreciation of right-of-use assets and interest expense related to the lease obligations as compared to the cash rent paid or payable related to lease obligations with respect to the current period.						17,449
Other adjustments (ii)						3,954
Depreciation and amortization - other assets						65,721
Interest expense - other						26,605
Interest income						(129)
Income taxes recovery						(84,407)
Impairment of long-lived assets and goodwill						173,054
Net loss from continuing operations						$ (272,389)
Net loss from discontinued operations (note 3)						(4,952)
Net loss						$ (277,341)
Other operating segment disclosures						
Depreciation - right-of-use assets	$ 63,611	$ 1,750	$ 1,293	$ 2,713	$ 351	$ 69,718
Depreciation and amortization - other assets	$ 37,537	$ 6,307	$ 14,976	$ 6,901	$ —	$ 65,721
Interest expense - lease obligations	$ 20,720	$ 230	$ 317	$ 1,748	$ 16	$ 23,031
Impairment of long-lived assets and goodwill	$ 140,836	$ —	$ —	$ 32,218	$ —	$ 173,054
Goodwill balance	$ 506,455	$ 206,385	$ 15,891	$ —	$ —	$ 728,731

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

Six months ended June 30, 2019	Film Entertainment and Content (i)	Media (i)	Amusement and Leisure (Restated)	Location-Based Entertainment	Corporate and other (iii)	Consolidated
Major product and service lines						
Box office	$ 345,867	$ —	$ —	$ —	$ —	$ 345,867
Food service	214,913	—	—	17,708	—	232,621
Media	—	83,306	—	596	—	83,902
Amusement	5,392	—	93,490	17,735	—	116,617
Other	23,156	—	—	1,315	—	24,471
Total revenues	$ 589,328	$ 83,306	$ 93,490	$ 37,354	$ —	$ 803,478
Primary geographical markets						
Canada	$ 589,328	$ 70,879	$ 25,516	$ 37,354	$ —	$ 723,077
United States and other countries	—	12,427	67,974	—	—	80,401
Total revenues	$ 589,328	$ 83,306	$ 93,490	$ 37,354	$ —	$ 803,478
Timing of revenue recognition						
Transferred at a point in time	$ 589,328	$ 20,188	$ 93,490	$ 36,758	$ —	$ 739,764
Transferred over time	—	63,118	—	596	—	63,714
Total revenues	$ 589,328	$ 83,306	$ 93,490	$ 37,354	$ —	$ 803,478
Adjusted EBITDAaL	83,130	44,761	11,501	2,752	(36,235)	105,909
Difference between the sum of depreciation of right-of-use assets and interest expense related to the lease obligations as compared to the cash rent paid or payable related to lease obligations with respect to the current period.						10,491
Other adjustments (ii)						(528)
Depreciation and amortization - other assets						64,036
Interest expense - other						11,209
Interest income						(133)
Income taxes expense						4,086
Net income from continuing operations						$ 16,748
Net loss from discontinued operations (note 3)						(4,711)
Net income						$ 12,037
Other operating segment disclosures						
Depreciation - right-of-use assets	$ 65,243	$ 1,806	$ 2,891	$ 2,764	$ 315	$ 73,019
Depreciation and amortization - other assets	$ 37,729	$ 7,237	$ 13,568	$ 5,502	$ —	$ 64,036
Interest expense - lease obligations	$ 22,683	$ 256	$ 374	$ 1,354	$ 22	$ 24,689
Goodwill balance	$ 594,950	$ 206,385	$ 15,523	$ —	$ —	$ 816,858

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

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

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

Cineplex's cash management and other treasury functions are centralized; interest expense not related to the lease obligations and interest income are not allocated to segments. Income taxes are accounted for by entity, and cannot be attributable to individual segments. Cineplex does not report balance sheet information by segment because that information is not used to evaluate performance or allocate resources between segments.

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

16. Basis of presentation and accounting standards

Basis of preparation and measurement

Cineplex prepares its unaudited interim condensed consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), defined as International Financial Reporting Standards ("IFRS") as set out in the CPA Canada Handbook. The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires that management exercise judgment in applying Cineplex's accounting policies. These unaudited interim condensed consolidated financial statements are presented in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The disclosures contained in these unaudited interim condensed consolidated financial statements do not contain all requirements of Canadian GAAP for annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2019. 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, 2019, with the exception of the accounting standard issued in the current quarter.

Accounting standards adopted in the current year

Accounting for Government Subsidies

Cineplex recorded, presented, and disclosed the government subsidies received in Canada and the United States in accordance with IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*. During the three months ended June 30, 2020, Cineplex recorded subsidies in the amount of $20,200 which have been offset in other costs.

Accounting standards issued but not yet applied

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

In May 2020, the IASB issued an amendment to IFRS 16, which added a practical expedient to provide relief for lessees from lease modification accounting for rent concessions related to COVID-19. The practical expedient in only applicable to rent concessions provided as a direct result of the COVID-19 pandemic. In order to apply the practical expedient, all of the following conditions must be met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- the rent concession is for relief for payments that were originally due on or before June 30, 2021. Any subsequent rental increases of amounts deferred can extend beyond June 30, 2021;
- there is no substantive change to other terms and conditions of the lease.

The practical expedient relieve lessees from assessing whether rent concessions are lease modifications and applying the lease modification requirements to those concessions. A lessee applying the practical expedient would generally account for forgiveness or waiver of lease payments as a variable lease payment which is recognized on the Statement of Operations as a gain or loss with a corresponding adjustment to derecognize the portion of lease liability which has been waived or forgiven. Lease payments that are deferred to other periods would result in a re-measurement of the

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

lease obligation using the original incremental borrowing rate with any difference related to the change in timing of payments being recognized in gain or loss. Rent concessions can also incorporate both a forgiveness or waiver of payments and a change in the timing of payments.

Cineplex has not yet determined whether or not it will apply the practical expedient to future lease concessions.

17. Subsequent Events

On July 3, 2020, Cineplex announced that it commenced an action in the Ontario Superior Court of Justice against Cineworld and 1232743 B.C. Ltd. (collectively, "Cineworld"), seeking damages arising from what Cineplex claims was a wrongful repudiation of the transaction to acquire Cineplex at a price of $34 per share (the "Arrangement") (See Note 1, General Information).

On July 7, 2020, Cineplex filed a preliminary short form prospectus in connection with a marketed public offering (the "Offering") of convertible unsecured subordinated debentures (the "Debentures"). The Debentures will mature and be repayable on September 30, 2025 (the "Maturity Date") and will bear interest at a rate of 5.75% per annum, payable semi-annually in arrears on September 30 and March 31 in each year (the "Interest Payment Date"), commencing on September 30, 2020. At the holder's option, the Debentures may be converted into Shares at a conversion price of $10.94 per Share at any time prior to the close of business on the earlier of: (i) five business days prior to the Maturity Date, and (ii) if called for redemption, five business days immediately preceding the dated fixed for redemption of the Debentures, at a conversion price to be determined at the time of pricing. Holders who convert their Debentures into Shares will receive accrued and unpaid interest for the period from the date of the latest Interest Payment Date to the date of conversion.

The Debentures are direct, unsecured subordinated obligations of Cineplex, subordinated to any senior indebtedness of Cineplex and ranking equally with one another and with all other existing and future unsecured subordinated indebtedness of Cineplex.

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

On July 15, 2020, Cineplex completed the offering of $275,000 aggregate principal amount of 5.75% of the Debentures at a price of $1,000 per Debenture. On July 17, 2020, the underwriters purchased an over-allotment option for an additional $41,250 aggregate principal amount of Debentures pursuant to the exercise of their over-allotment option.

Completion of the Offering satisfies the condition under the Credit Agreement Amendment that Cineplex entered into with its lenders on June 29, 2020 which required Cineplex to raise $250,000 of new financing by August 31, 2020, of which $100,000 would be used to make a permanent repayment of the Credit Facilities.

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

18. Comparative figures

Certain 2019 consolidated financial statement comparative figures have been reclassified to conform to the current year's presentation.