CINEPLEX®

2021

THIRD QUARTER

September 30, 2021

LETTER TO SHAREHOLDERS

Dear fellow shareholders,

I am pleased to report that our business has turned a corner; we achieved adjusted EBITDAaL of $10.8 million for the quarter, and positive quarterly adjusted EBITDAaL across all business segments for the first time since the onset of the pandemic. Our entire theatre circuit and all entertainment venues are now open nationwide and attendance levels continue to grow as capacity restrictions ease across the country. Our business and the industry are recovering thanks to the millions of Canadians who have clearly missed the big screen and all the other entertainment experiences we offer.

Among our quarterly highlights, we reported record quarterly adjusted EBITDAaL for Player One Amusement Group and set all-time quarterly records for box office revenue per patron and concession revenues per patron of $11.38 and $8.58, respectively. In light of the positive EBITDAaL and our continued prudent approach to cost management, we materially reduced the average monthly net cash burn this quarter to $2.9 million, down from $24 million in Q2 2021.

While we continue to provide every guest with a memorable entertainment experience, now more than ever we are proactively taking steps to increase visitation. During the quarter we introduced our new subscription program, *CineClub*, which received an overwhelmingly positive response. We also launched our new brand platform – Where Escape Begins – to welcome guests back to theatres and remind them of what they've been missing for far too long. During the quarter, we also opened a new location of The Rec Room and a new VIP Cinemas, both in Burnaby, British Columbia, and a new location of The Rec Room in Barrie, Ontario.

This was an important quarter for us, and I am proud of our incredible team for carrying the company through the pandemic, this recovery and achieving exceptional results.

Looking ahead, we remain confident in our solid financial position and cash management processes supporting the continued recovery of our businesses. We are encouraged by the strong pipeline of upcoming film product and the signs of a return to normalcy that we are all craving. Canadians want to reconnect and recharge with family and friends, and Cineplex will continue to capitalize on that pent up demand.

Sincerely,

Ellis Jacob
President and CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

November 10, 2021

The following management's discussion and analysis ("MD&A") of Cineplex Inc. ("Cineplex") financial condition and results of operations should be read together with the consolidated financial statements and related notes of Cineplex (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 September 30, 2021 and all amounts are in Canadian dollars.

MANAGEMENT'S DISCUSSION AND ANALYSIS CONTENTS

Non-GAAP Measures

Cineplex reports on certain non-GAAP measures that are used by management to evaluate performance of Cineplex. In addition, non-GAAP measures are used in measuring compliance with debt covenants. Because non-GAAP measures do not have standardized meanings, securities regulations require that non-GAAP measures be clearly defined and qualified, and reconciled to their nearest GAAP measure. The definition, calculation and reconciliation of non-GAAP measures are provided in Section 15, Non-GAAP measures.

Forward-Looking Statements

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

- *Cineplex's outlook, goals, expectations and projected results of operations, including factors and assumptions underlying Cineplex's projections regarding the duration and impact of a novel strain of coronavirus ("COVID-19") pandemic on Cineplex, the movie exhibition industry and the economy in general, as well as Cineplex's response to the pandemic related to the closure or operational restrictions of its theatres and location-based entertainment ("LBE") venues, employee reductions and other cost-cutting initiatives and increased expenses relating to safety measures taken at its facilities to protect the health and well-being of guests and employees;*
- *Cineplex's expectations with respect to 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 vaccine passports or proof of vaccination mandates, social distancing measures and restrictions including those on capacity. Restrictions imposed in many of the markets in which Cineplex operates are gradually being lifted as vaccination rates increase across the country, providing clearer visibility for the reopening of Cineplex's business and the return to normalcy. Cineplex is actively monitoring the situation and is adapting its business strategies as the impact of the COVID-19 pandemic evolves.

By their very nature, forward-looking statements involve inherent risks and uncertainties, including those described in Cineplex's Annual Information Form ("AIF"), and MD&A for the year ended December 31, 2020 ("Annual MD&A") and in this MD&A. Those risks and uncertainties, both general and specific, give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements. Cineplex cautions readers not to place undue reliance on these statements, as a number of important factors, many of which are beyond Cineplex's control, could cause actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to, the duration and impact of the COVID-19 pandemic on Cineplex, the movie exhibition industry and the economy in general, as well as Cineplex's response to the COVID-19 pandemic as it relates to the closure of its theatres and LBE venues, employee reductions and other cost-cutting initiatives, and increased expenses relating to safety measures taken at its facilities to protect the health and well-being of customers and employees; Cineplex's expectations with respect to liquidity and capital expenditures, including its ability to meet its ongoing capital, operating and other obligations, and anticipated needs for, and sources of, funds; Cineplex's ability to execute cost-cutting and revenue enhancement

initiatives in response to the COVID-19 pandemic; risks generally encountered in the relevant industry, competition, customer, legal, taxation and accounting matters; the outcome of any litigation surrounding the termination of the Cineworld Transaction (described below); and diversion of management time on litigation related to the Cineworld Transaction.

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

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

1. OVERVIEW OF CINEPLEX

Cineplex (TSX:CGX) is a top-tier Canadian brand that operates in the Film Entertainment and Content, Amusement and Leisure, and Media sectors. Cineplex offers a unique escape from the everyday to millions of guests through its circuit of over 170 movie theatres and location-based entertainment venues. In addition to being Canada's largest and most innovative film exhibitor, the company operates Canada's favourite destination for 'Eats & Entertainment' (*The Rec Room*) and complexes specially designed for teens and families (*Playdium*). It also operates successful businesses in digital commerce (CineplexStore.com), alternative programming (Cineplex Events), cinema media (Cineplex Media), digital place-based media (Cineplex Digital Media "CDM") and amusement solutions (Player One Amusement Group "P1AG"). Providing even more value for its guests, Cineplex is a 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 September 30, 2021, Cineplex owned, leased or had a joint venture interest in 1,656 screens in 161 theatres from coast to coast as well as 13 LBE venues in six provinces.

Cineplex
Theatre locations and screens at September 30, 2021

Province	Locations	Screens	3D Digital Screens	UltraAVX	IMAX Screens (i)	VIP Auditoriums	D-BOX Auditoriums	Recliner Auditoriums	Other Screens (ii)
Ontario	68	730	358	41	13	48	48	108	10
Quebec	17	220	88	10	3	9	7	17	—
British Columbia	25	236	125	16	3	20	16	43	1
Alberta	19	208	112	20	2	11	16	78	6
Nova Scotia	12	91	44	1	1	—	2	—	1
Saskatchewan	6	54	28	3	1	3	3	16	1
Manitoba	5	49	26	1	1	3	2	—	—
New Brunswick	5	41	20	2	—	—	2	—	—
Newfoundland & Labrador	2	14	9	—	1	—	1	—	—
Prince Edward Island	2	13	6	—	—	—	1	—	—
TOTALS	**161**	**1,656**	**816**	**94**	**25**	**94**	**98**	**262**	**19**
Percentage of screens			49 %	6 %	2 %	6 %	6 %	16 %	1 %

(i) All IMAX screens are 3D enabled. Total 3D screens including IMAX screens are 841 screens or 51% of the circuit.
(ii) Other screens includes 4DX, *Cineplex Clubhouse* and ScreenX.

Cineplex - Theatres, screens, and premium offerings in the last eight quarters								
	2021			2020				2019
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Theatres	161	160	161	162	164	164	164	165
Screens	1,656	1,651	1,657	1,667	1,687	1,687	1,687	1,693
3D Digital Screens	816	816	816	819	826	826	826	826
UltraAVX Screens	94	94	94	94	94	94	94	94
IMAX Screens	25	25	25	25	25	25	25	25
VIP Auditoriums	94	89	84	84	84	84	84	84
D-BOX Auditoriums	98	98	98	98	99	99	99	97
Recliner Auditoriums	262	258	253	253	221	221	221	213
Other Screens	19	19	19	19	19	19	19	17

Cineplex - LBE venues at September 30, 2021		
Province	***The Rec Room***	***Playdium***
Ontario	4	2
Alberta	3	—
Manitoba	1	—
Newfoundland & Labrador	1	—
British Columbia	1	—
Nova Scotia	—	1
TOTALS	**10**	**3**

1.1 RECENT DEVELOPMENTS

COVID-19 business impacts, risks and liquidity

In early 2020, the outbreak of COVID-19 was confirmed in multiple countries throughout the world and on March 11, 2020, it was declared a global pandemic by the World Health Organization ("WHO"). In response, Cineplex immediately introduced enhanced cleaning protocols and reduced theatre capacities to promote social distancing. By mid-March 2020, each of Canada's provinces and territories had declared a state of emergency resulting in, among other things, the mandated closure of non-essential businesses, restrictions on public gatherings and quarantining of people who may have been exposed to the virus. On March 16, 2020, Cineplex announced the temporary closure of all of its theatres and LBE venues across Canada, as well as substantially all route locations operated by P1AG.

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

In Canada, most provinces have adopted a phased approach to reopening businesses. The plan includes mandatory proof of vaccination for people attending certain social and recreational settings and events which includes indoor dining, performance venues, cinemas, sports venues, gyms, arcades, amusement parks, recreation centres and sports and physical activities. The following table reflects the current status to the date of this MD&A. The reopening plans are subject to frequent change.

Province	Theatres	Restaurants
British Columbia	Cinemas open at 100% capacity. Proof of vaccination required effective September 13, 2021.	Restaurants open at 100% capacity. Proof of vaccination required effective September 13, 2021.
Alberta	Cinemas open at 100% capacity. Proof of vaccination required effective September 20, 2021.	Restaurants open at 100% capacity. Proof of vaccination required effective September 20, 2021.
Saskatchewan	Cinemas open at 100% capacity. Proof of vaccination required effective October 1, 2021.	Restaurants open at 100% capacity. Proof of vaccination required effective October 1, 2021.
Manitoba	Cinemas open at 100% capacity. Proof of vaccination required effective September 3, 2021.	Restaurants open at 100% capacity. Proof of vaccination required effective September 3, 2021.
Ontario	Cinemas open at 100% capacity. Proof of vaccination required effective September 22, 2021.	Indoor dining permitted with physical distancing measures in place. Proof of vaccination required effective September 22, 2021.
Quebec	Cinemas open at 100% capacity. Proof of vaccination required effective September 1, 2021.	Restaurants open at 100% capacity. Proof of vaccination required effective September 1, 2021.
New Brunswick	Cinemas open at 100% capacity. Proof of vaccination required effective September 22, 2021.	Restaurants open at 100% capacity. Proof of vaccination required effective September 22, 2021.
Nova Scotia	Cinemas open at 100% capacity. Proof of vaccination required effective October 4, 2021.	Restaurants open at 100% capacity. Proof of vaccination required effective October 4, 2021.
Prince Edward Island	Cinemas open up to 200 per auditorium. Proof of vaccination required effective October 5, 2021.	Restaurants open at 100% capacity. Proof of vaccination required effective October 5, 2021.
Newfoundland	Cinemas open at the lesser of 75% per auditorium or 350 per auditorium. Proof of vaccination required effective October 22, 2021.	Indoor dining open at 75% capacity with physical distancing measures in place. Proof of vaccination required effective October 22, 2021.

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

Liquidity measures:

- June 2020: entered into the First Credit Agreement Amendment with The Bank of Nova Scotia as administrative agent to Cineplex's seventh amended and restated credit agreement (as amended, the "Credit Facilities") providing certain financial covenant relief in light of the COVID-19 pandemic and its impact on Cineplex's business (Section 6.4, Long-term debt);
- July 2020: issued convertible unsecured subordinated debentures (the "Debentures") for net proceeds of $303.3 million, (Section 6.4, Long-term debt);
- November 2020: entered into the Second Credit Agreement Amendment providing further financial covenant relief (Section 6.4, Long-term debt);
- December 2020: entered into an agreement to enhance and expand the SCENE Scotiabank loyalty program receiving $60.0 million with respect to the reorganization;
- January 2021: completed the sale and leaseback transaction of Cineplex's head office buildings located at 1303 Yonge Street and 1257 Yonge Street, Toronto, Ontario for gross proceeds of $57.0 million;
- January 2021: filed tax returns for the 2020 taxation year claiming a $62.6 million recovery of income taxes paid in prior periods (all of which have been received as of September 30, 2021);
- February 2021: entered into the Third Credit Agreement Amendment providing further financial covenant relief (Section 6.4, Long-term debt); and
- February 2021: issued 7.50% senior secured second lien notes due February 26, 2026 (the "Notes Payable") for net proceeds of $243.3 million (Section 6.4 Long-term debt).

Cost reduction and subsidy measures:

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

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. With the reopening of its theatres during the third quarter of 2021, Cineplex experienced an average monthly net cash burn of $2.9 million during the quarter representing a significant decrease as compared to the average $22.0 million per month for the prior 15 months since the shutdown on March 16, 2020. 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 (Section 15, Non-GAAP measures).

As some of Cineplex's largest expenses, such as film cost and cost of food services, are fully variable, during the closure of its theatres and LBE venues Cineplex focused on reducing its largest fixed and semi-fixed expenses, including those attributed to theatre payroll and theatre occupancy. With higher revenues from the reopening of theatres during the third quarter, variable wage and rent subsidy rates which are designed to reduce with revenue growth, have declined. Cineplex was able to benefit from $16.2 million of wage subsidies, $11.0 million of which offset theatre payroll costs and $0.8 million of rent subsidies in the current quarter. Operating expenses were reduced through the receipt of realty tax and utilities subsidies of $1.6 million with both programs ending in July 2021. With respect to theatre occupancy expenses, Cineplex has continued to work with its landlord partners subsequent to the government-imposed lockdowns to obtain relief measures, resulting in significantly reduced cash rent being paid in 2020 and 2021. Including the sale of certain restrictive lease rights to landlords undertaken in the third quarter of 2020, Cineplex was able to materially reduce net cash lease outflows on an annual basis by $72.5 million in 2020. As a result of ongoing discussions with landlords, $4.9 million of additional savings were realized in occupancy costs during the third quarter of 2021 ($29.5 million year to date which includes the sale of certain lease rights in 2021). This includes remaining focused on identifying opportunities to extract value under its existing lease agreements.

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

While the specific protocols will evolve over time with the emergence from the pandemic, VenueSafe will remain consistent across all of Cineplex's venues as health and safety remain a top priority and top of mind for our guests. Some of the measures include:

- improved ventilation systems to improve the delivery of clean air;
- reserved seating in all auditoriums across Canada; specially designed games-floor and dining-space configurations in LBE venues;
- reduced capacity based on province-specific guidelines;
- enhanced cleaning practices throughout the facilities, with particular focus on high-contact surfaces, restrooms and seats;
- safety signage throughout theatres and LBE venues;
- ensuring employees have the personal protective equipment they need and as required by law; and
- making hand sanitizer readily available for guests and employees throughout the buildings.

Although the lifting of some restrictions on the theatre and LBE businesses commenced near the end of the second quarter of 2021 and continued subsequently after the third quarter of 2021, the uncertainty of future government-imposed restrictions, and the potential long-term effect that the COVID-19 pandemic may have on Cineplex's businesses, COVID-19 may continue to have a prolonged material negative impact on Cineplex's operations.

Canada's vaccination rate has made tremendous progress during the year with a high percentage of the eligible population receiving at least one dose of a COVID-19 vaccine and an increasing number having received two doses. In order to control the spread of COVID-19, the majority of provinces across Canada require proof of vaccination as part of the reopening plans in select settings including those that operate indoors with close proximity of patrons. It is expected that the new measures will reduce the risk associated with more transmissible variants, particularly the Delta variant, which is driving the ongoing fourth wave of COVID-19 cases.

On July 16, 2021, Cineplex reopened its theatres in Ontario which represents 44% of screens. With the loosening of restrictions and reopening of theatres at the beginning of the quarter, Cineplex was able to benefit from the release of highly anticipated theatrical releases during the third quarter of 2021. Despite mandatory capacity restrictions that

continue to be enforced where and as applicable, Cineplex recognized a significant increase in revenues during the third quarter, the highest since the pandemic was declared in early 2020. Cineplex will continue to monitor capacity restrictions and will adjust operating levels in accordance with government directives. Cineplex is optimistic that all of its businesses will recover over time, believing that consumer demand for the theatrical experience, combined with a backlog of anticipated releases of strong film content will help drive visitation, as was evidenced by strong post-reopening box office and food services revenues recognized during the third quarter of 2021.

The release late in the second quarter of 2021 of the highly anticipated *F9: The Fast Saga* generated strong attendance in the United States and globally, grossing $173.0 million and $716.6 million, respectively, as reported to date. The film generated $70.0 million during the opening weekend, more than doubling the opening box office earnings of *Godzilla vs. Kong* which previously held the opening box office record since the pandemic started in March 2020. The release of *Shang-Chi and the Legend of the Ten Rings* during the third quarter produced strong results setting the all-time box-office record for a Labour Day release generating $94.0 million during its opening weekend, and grossing total box office revenues since its release in the North America and globally of $218.4 million and $414.6 million, respectively, as reported to date. The total North American box office revenues for *Shang-Chi and the Legend of the Ten Rings* is the highest North American total since the beginning of the pandemic.

Management continues to pursue all viable options to maintain adequate liquidity to fund operations for the currently anticipated duration of the pandemic. This includes but is not limited to asset sales such as Cineplex's head office buildings in Toronto which was completed during the first quarter, the issuance of Notes Payable (Section 6.4, Long-term debt), amendments to its existing Credit Facilities (Section 6.4, Long-term debt), and the sale of certain lease rights which was undertaken during 2021 in exchange for gross proceeds of $6.4 million. The proceeds received were primarily used to repay Cineplex's existing Credit Facilities and fund continuing operations.

As at September 30, 2021, Cineplex had a cash balance of $28.5 million and $271.7 million available under its Revolving Facility subject to the liquidity covenants set forth in the Credit Facilities as amended (Section 6.4, Long-term debt). Combined with the continued focus on reducing costs and capital expenditures, management believes that it has adequate liquidity to fund operations for the currently anticipated duration of the pandemic in the regions in which Cineplex operates.

Cineworld Transaction

On December 15, 2019, Cineplex entered into an arrangement agreement (the "Arrangement Agreement") with Cineworld Group, plc ("Cineworld"), pursuant to which an indirect wholly-owned subsidiary of Cineworld agreed to acquire all of the issued and outstanding common shares of Cineplex ("Shares") for $34 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 Corporations Act* (Ontario).

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

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

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

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

The trial against Cineworld, which proceeded before a judge of the Ontario Superior Court of Justice (Commercial List), began on September 13, 2021 and closing arguments were completed on November 3, 2021.

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

1.2 FINANCIAL HIGHLIGHTS

Financial highlights (in thousands of dollars, except theatre attendance in thousands of patrons and per Share and per patron amounts)	Third Quarter			Year to Date		
	2021	2020	Change (i)	2021	2020	Change (i)
Total revenues (ii)	$ 250,380	$ 61,022	310.3%	$ 356,718	$ 365,811	-2.5%
Theatre attendance	8,272	1,563	429.2%	9,835	12,279	-19.9%
Net loss from continuing operations (iii)	$ (33,552)	$ (121,209)	-72.3%	$ (226,944)	$ (393,598)	-42.3%
Net loss from discontinued operations	$ —	$ —	NM	$ —	$ (4,952)	NM
Net loss (iii)	$ (33,552)	$ (121,209)	-72.3%	$ (226,944)	$ (398,550)	-43.1%
Box office revenues per patron ("BPP") (iv)	$ 11.38	$ 9.30	22.4%	$ 11.23	$ 10.23	9.8%
Concession revenues per patron ("CPP") (iv)	$ 8.58	$ 7.37	16.4%	$ 8.39	$ 6.86	22.3%
Adjusted EBITDA (iv)	$ 48,606	$ (28,928)	NM	$ 1,599	$ (23,769)	NM
Adjusted EBITDAaL (iii) (iv)	$ 10,762	$ (46,725)	NM	$ (104,493)	$ (116,867)	-10.6%
Adjusted EBITDAaL margin (iii) (iv)	4.3 %	(76.6)%	80.9%	(29.3)%	(31.9)%	2.6%
Adjusted free cash flow (iv)	$ (5,753)	$ (77,332)	-92.6%	$ (150,485)	$ (131,340)	14.6%
Adjusted free cash flow per common share of Cineplex ("Share") (iv)	$ (0.091)	$ (1.221)	-92.5%	$ (2.376)	$ (2.074)	14.6%
Earnings per Share ("EPS") from continuing operations - basic and diluted (iii)	$ (0.53)	$ (1.91)	-72.3%	$ (3.58)	$ (6.21)	-42.4%
EPS from discontinued operations - basic and diluted	$ —	$ —	NM	$ —	$ (0.08)	NM
EPS - basic and diluted (iii)	$ (0.53)	$ (1.91)	-72.3%	$ (3.58)	$ (6.29)	-43.1%

(i) Throughout this MD&A, changes in percentage amounts are calculated as 2021 value less 2020 value.

(ii) All amounts are from continuing operations.

(iii) 2021 includes expenses related to the Cineworld Transaction in the amount of $4.1 million (2020 - $0.5 million) for the third quarter and $9.1 million (2020 - $2.8 million) for the year-to date.

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

Total revenues for the third quarter of 2021 increased 310.3%, or $189.4 million, to $250.4 million as compared to the prior year period. Beginning in the first quarter of 2021, Cineplex began reopening a limited number of theatres and LBE venues across Canada as allowed by government regulations under strict conditions defined by each province. As of July 17, 2021, Cineplex had reopened its entire circuit of theatres and LBE venues subject to capacity restrictions in some cases. The full reopening of its theatres and LBE venues albeit under continued capacity and operating restrictions resulted in significant increases in revenue and theatre attendance when compared to the prior year period. In the prior year, while Cineplex had reopened all theatres and LBE venues as of August 21, 2020, restrictions were more stringent and the majority of locations were subsequently closed with the emergence of the third wave of the pandemic. Cineplex reported box office revenues of $94.1 million in the third quarter with an all-time quarterly record BPP of $11.38 and food service revenues of $80.0 million and an all-time quarterly record CPP of $8.58. Food service revenues comprise theatre food service revenues of $70.9 million, LBE food services revenues of $6.4 million and home delivery revenues of $2.6 million. Theatre attendance increased 6.7 million (429.2%) to 8.3 million as compared to 1.6 million in the prior year period as a result of theatres being open for the majority of the current quarter, more new releases and the success of *Shang-Chi And The Legend Of The Ten Rings,* which set a record for the all-time biggest Labour Day weekend box office. Amusement revenues of $53.3 million in the third quarter were primarily from route operations including family entertainment centres ("FEC") locations and theatres that reopened in the United States and Canada. LBE venues contributed amusement revenues of $15.1 million. Cineplex reported media revenues of $14.1 million generated primarily through cinema media and network management and services. As a result of the strong reopening of its businesses during the quarter, Cineplex reported its first positive adjusted EBITDAaL since the pandemic, of $10.8 million during the third quarter of 2021, compared to a loss of $(46.7) million reported in the prior year period. Adjusted free cash flow per Share was $(0.091) in the current period compared to a loss of $(1.221) in 2020.

Reflecting the impact of the business closures through the first and second quarters of 2021, total revenues for the nine months ended September 30, 2021 decreased 2.5% as compared to the prior year period, during which operations were open for the majority of the first quarter. Adjusted EBITDAaL was a loss of $(104.5) million compared to the prior year period of $(116.9) million and adjusted free cash flow per Share was a loss of $(2.376) in the current period compared to a loss of $(2.074) in 2020.

1.3 KEY DEVELOPMENTS IN THE THIRD QUARTER OF 2021

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

FILM ENTERTAINMENT AND CONTENT

Theatre Exhibition

- Reopened its entire circuit of theatres as of July 17, 2021. The reopening included Cineplex's 161 theatre locations, encompassing 1,656 screens across Canada including 18 VIP Cinemas locations.
- Cineplex reported box office revenues of $94.1 million an increase of $79.6 million or 547.7% compared to the $14.5 million reported in the prior year period. This was primarily due to an increase in attendance, as a result of the theatre reopenings and the strength of the release of *Shang-Chi and the Legend of the Ten Rings.*
- BPP was $11.38, an all-time quarterly record for Cineplex and an increase of $2.08 or 22.4% when compared to the prior year due to new releases and premium offerings in the current period as compared to the prior period which focused on discounted pricing for older and more classic film products.
- Opened Western Canada's first standalone VI P Cinemas at *Cineplex VIP Cinemas Brentwood* in Burnaby, British Columbia on July 7, 2021.
- Launched CineClub, Canada's first of its kind movie subscription program providing members with benefits accessible across Cineplex's businesses nationwide including Cineplex theatres, the Cineplex Store and LBE venues.

Theatre Food Service

- Cineplex reported theatre food service revenues of $70.9 million, an increase of $59.4 million or 515.9% compared to $11.5 million reported in the prior year period, primarily due to a significant increase in theatre attendance as a result of the reopening of theatres coupled with an increase in CPP.
- CPP was $8.58, an all-time quarterly record for Cineplex and an increase of $1.21 or 16.4% when compared to the prior year, due to product mix, modest price increases and film product that appealed to frequent movie-goers.

Alternative Programming

- Alternative Programming (Cineplex Events) featured multiple concerts including K-pop concert *BLACKPINK: The Movie, André Rieu's 2021 Summer Concert: Together Again, RUSH Cinema Strangiato* and *Oasis Knebworth 1996.*

Digital Commerce

- Total registered users for Cineplex Store increased by 23% as compared to the prior year period, in addition to a year-over- year increase of 19% in device activations.
- Cineplex Store continues to benefit from Premium Video On Demand ("PVOD") and Premium Electronic Sell Through ("PEST") releases.

MEDIA

- Cinema media revenue doubled to $6.6 million when compared to the prior year period, mainly driven by the reopening of theatres during the quarter resulting in increased pre-show and show-time advertising revenue.

AMUSEMENT AND LEISURE

Amusement Solutions

- Reported third quarter revenues of $53.3 million, an increase of $40.1 million or 302.8% compared to the prior year amusement revenues of $13.2 million as a result of P1AG route locations reopenings in Canada and the United States.

Location-based Entertainment

- *The Rec Room* reported third quarter revenue of $21.8 million, an increase of $16.7 million or 325.0% compared to the prior year period. The increase was due to the reopening of LBE businesses in the third quarter combined with the opening of two additional LBE locations in July 2021, compared to closed or significantly reduced operating restrictions in the prior period.
- Opened British Columbia's first location of *The Rec Room* in Burnaby on July 5, 2021. Opened *The Rec Room* in Barrie, Ontario, on July 26, 2021. With these openings, Cineplex has 10 locations of *The Rec Room* and three *Playdiums* across Canada.

LOYALTY

- Membership in the SCENE loyalty program remained flat during the period ended September 30, 2021.
- Announced the upcoming launch of Scene+, an expansion of the Scene program, which will provide members with more reward options and ways to earn and to redeem points.

CORPORATE

- On September 30, Cineplex commemorated National Truth and Reconciliation Day by creating and running a Pre-Show and media spot for the Orange Shirt Society to help raise awareness for their charity and mission.

2. CINEPLEX'S BUSINESSES AND STRATEGY

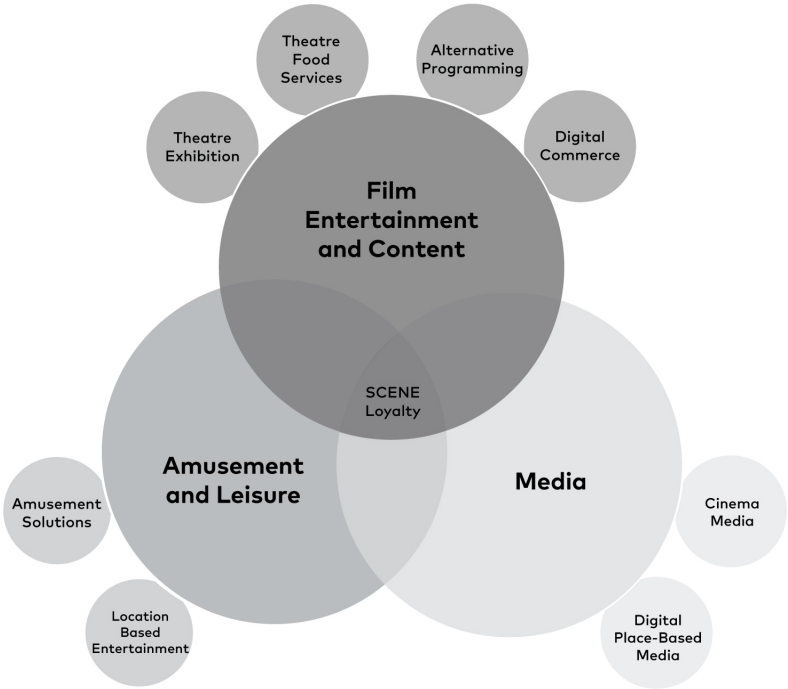
Cineplex's mission statement is "Passionately delivering exceptional experiences." All of its efforts are focused towards this mission and it is Cineplex's goal to consistently provide guests and customers with exceptional experiences.

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

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

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

Diversified Entertainment and Media Company



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

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

3. OVERVIEW OF OPERATIONS

Revenues

Cineplex generates revenues primarily from box office and food service sales. These revenues are affected primarily by theatre attendance levels and by changes in BPP and CPP. Box office revenue represented 37.6% of revenue in the third quarter of 2021. Revenues continue to be materially impacted due to the ongoing negative impact of the COVID-19 pandemic.

The following table presents the revenue mix for comparative years in the third quarter:

Revenue mix % by period	Q3 2021	Q3 2020	Q3 2019	Q3 2018	Q3 2017
Box office	**37.6 %**	23.8 %	42.5 %	44.9 %	44.5 %
Food service	**31.9 %**	25.3 %	30.0 %	29.9 %	29.0 %
Media	**5.6 %**	21.0 %	10.3 %	8.6 %	10.5 %
Amusement	**21.3 %**	21.7 %	13.9 %	13.9 %	13.3 %
Other	**3.6 %**	8.2 %	3.3 %	2.7 %	2.7 %
Total	**100.0 %**	100.0 %	100.0 %	100.0 %	100.0 %

Cineplex has four reportable segments, film entertainment and content, media, amusement and leisure and location-based entertainment. The reportable segments are business units offering differing products and services and managed separately due to their distinct natures. These four reportable segments are based on the information used by Cineplex's chief operating decision makers. The revenue mix percentages for the four reportable segments during the third quarter of 2021 continue to be materially impacted by reduced capacities of theatres and LBE locations as a result of COVID-19.

Revenue mix % by period	Third Quarter		Year to date	
	2021	2020	2021	2020
Film Entertainment and Content	71.5 %	54.9 %	64.6 %	66.2 %
Media	5.6 %	21.1 %	9.1 %	14.3 %
Amusement and Leisure	14.2 %	15.7 %	19.2 %	13.2 %
LBE	8.7 %	8.3 %	7.1 %	6.3 %
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 has focused on optimizing revenues during the COVID-19 closures by offering a catalog of classic film products along with new releases and expanding product offerings through the Cineplex Store. In addition, prior to COVID-19, as a result of Cineplex's focus on diversifying the business beyond the traditional movie exhibition model, its revenue mix has shifted from box office revenue to other revenue sources.

The commercial appeal of the films and alternative content released during a given period, and the success of marketing as well as promotion for those films by film studios, distributors and content providers all drive theatre attendance. BPP is affected by the mix of film and alternative content product that appeals to certain audiences (such as children or seniors who pay lower ticket prices), ticket prices during a given period and the appeal of premium priced product available. While BPP is negatively impacted by the SCENE loyalty program, CineClub 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, discounts for CineClub members, and the impact 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 on theatre food service purchases decrease food service revenues on individual purchases. Cineplex believes the SCENE and CineClub programs drive incremental purchase incidence, increasing overall revenues. Cineplex focuses primarily on growing CPP by optimizing the product offerings, improving operational excellence and strategic pricing to increase purchase incidence and transaction value. Food service revenues from LBE include food and beverage revenues from the various bars and restaurants located throughout the venues.

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

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

Cineplex generates other revenues from the Cineplex Store, promotional activities, screenings, private parties, corporate events, 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 (gain) on disposal of assets represents the loss (gain) recognized on assets or components of assets that were sold or otherwise disposed.

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

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

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

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

Accounting for Joint Arrangements

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

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

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

4. RESULTS OF OPERATIONS

4.1 SELECTED FINANCIAL DATA

The following table presents summarized financial data for Cineplex for the three and nine months ended September 30, 2021 and 2020 (in thousands of dollars except Shares outstanding, per Share data and per patron data, unless otherwise noted):

	Three months ended September 30, 2021	Three months ended September 30, 2020	Variance (%)	Nine months ended September 30, 2021	Nine months ended September 30, 2020	Variance (%)
Box office revenues	$ 94,114	$ 14,531	547.7%	$ 110,430	$ 125,560	-12.1%
Food service revenues	79,971	15,468	417.0%	99,754	98,089	1.7%
Media revenues	14,060	12,825	9.6%	32,535	52,862	-38.5%
Amusement revenues	53,319	13,236	302.8%	89,377	64,304	39.0%
Other revenues	8,916	4,962	79.7%	24,622	24,996	-1.5%
Total revenues	250,380	61,022	310.3%	356,718	365,811	-2.5%
Film cost	45,838	7,261	NM	52,684	63,771	-17.4%
Cost of food service	16,362	3,680	344.6%	20,641	26,678	-22.6%
Depreciation - right-of-use assets	25,151	30,539	-17.6%	77,206	100,257	-23.0%
Depreciation and amortization - other assets	28,297	30,375	-6.8%	85,541	96,096	-11.0%
Loss (gain) on disposal of assets	22	(14,113)	NM	(29,859)	(12,818)	132.9
Other costs (a)	139,527	78,754	77.2%	281,584	298,477	-5.7%
Impairment of long-lived assets and goodwill	—	65,634	NM	—	238,688	NM
Costs of operations	255,197	202,130	26.3%	487,797	811,149	-39.9%
Net loss from continuing operations	$ (33,552)	$ (121,209)	-72.3%	$ (226,944)	$ (393,598)	-42.3%
Net loss from discontinued operations	—	—	NM	—	(4,952)	NM
Net loss	$ (33,552)	$ (121,209)	-72.3%	$ (226,944)	$ (398,550)	-43.1%
Adjusted EBITDA (i) (iii)	$ 48,606	$ (28,928)	NM	$ 1,599	$ (23,769)	NM
Adjusted EBITDAaL (i) (iii)	$ 10,762	$ (46,725)	NM	$ (104,493)	$ (116,867)	-10.6%
(a) Other costs include:						
Theatre occupancy expenses	15,638	14,917	4.8%	27,769	50,623	-45.1%
Other operating expenses	108,694	50,939	113.4%	210,290	220,525	-4.6%
General and administrative expenses (iii)	15,195	12,898	17.8%	43,525	27,329	59.3%
Total other costs	$ 139,527	$ 78,754	77.2%	$ 281,584	$ 298,477	-5.7%
Net loss per share from continuing operations - basic and diluted (iii)	$ (0.53)	$ (1.91)	-72.3%	$ (3.58)	$ (6.21)	-42.4%
Net loss per share from discontinued operations - basic and diluted	—	—	NM	—	(0.08)	NM
Net loss per share - basic and diluted (iii)	$ (0.53)	$ (1.91)	-72.3%	$ (3.58)	$ (6.29)	-43.1%
Total assets	$ 2,108,846	$ 2,522,221	-16.4%	$ 2,108,846	$ 2,522,221	-16.4%
Total long-term financial liabilities (ii)	$ 734,046	$ 675,842	8.6%	$ 734,046	$ 675,842	8.6%
Shares outstanding at period end	63,343,113	63,333,238	—%	63,343,113	63,333,238	—%
Cash dividends declared per Share	$ —	$ —	NM	$ —	$ 0.150	NM
Adjusted free cash flow per Share (i)	$ (0.091)	$ (1.221)	-92.5%	$ (2.376)	$ (2.074)	14.6%
Box office revenue per patron (i)	$ 11.38	$ 9.30	22.4%	$ 11.23	$ 10.23	9.8%
Concession revenue per patron (i)	$ 8.58	$ 7.37	16.4%	$ 8.39	$ 6.86	22.3%
Film cost as a percentage of box office revenues	48.7 %	50.0 %	-1.3%	47.7%	50.8 %	-3.1%
Theatre attendance (in thousands of patrons) (i)	8,272	1,563	NM	9,835	12,279	-19.9%
Theatre locations (at period end)	161	164	-1.8%	161	164	-1.8%
Theatre screens (at period end)	1,656	1,687	-1.8%	1,656	1,687	-1.8%

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

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

(iii) Includes expenses related to the Cineworld Transaction in the amount of $4.1 million (2020 - $0.5 million) for the third quarter and $9.1 million (2020 - $2.8 million) for the year-to date.

4.2 OPERATING RESULTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021

Total revenues

Total revenues for the three months ended September 30, 2021 increased $189.4 million (310.3%) to $250.4 million as compared to the prior year period. Total revenues for the nine months ended September 30, 2021 decreased $9.1 million (2.5%) to $356.7 million as compared to the prior year period. A discussion of the factors affecting the changes in box office, food service, media, amusement and other revenues for the period is provided below.

Non-GAAP measures discussed throughout this MD&A, including adjusted EBITDA, adjusted EBITDAaL, adjusted store level EBITDAaL, adjusted EBITDAaL margin, adjusted store level EBITDAaL margin, adjusted free cash flow, theatre attendance, BPP, premium priced product, same theatre metrics, CPP, film cost percentage, food service cost percentage, concession margin per patron and net cash burn are defined and discussed in Section 15, 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	Third Quarter			Year to Date		
	2021	2020	Change	2021	2020	Change
Box office revenues	$ 94,114	$ 14,531	547.7%	$ 110,430	$ 125,560	-12.1%
Theatre attendance (i)	8,272	1,563	429.2%	9,835	12,279	-19.9%
Box office revenue per patron (i)	$ 11.38	$ 9.30	22.4%	$ 11.23	$ 10.23	9.8%
BPP excluding premium priced product (i)	$ 10.21	$ 8.47	20.5%	$ 10.13	$ 9.22	9.9%
Same theatre box office revenues (i)	$ 93,514	$ 14,475	546.0%	$ 109,810	$ 124,588	-11.9%
Same theatre attendance (i)	8,243	1,555	430.1%	9,803	12,162	-19.4%
% Total box from premium priced product (i)	30.4%	28.3%	2.1%	28.9 %	28.6 %	0.3%

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

Box office continuity	Third Quarter		Year to Date	
	Box Office	Theatre Attendance	Box Office	Theatre Attendance
2020 as reported	$ 14,531	1,563	$ 125,560	12,279
Same theatre attendance change	62,275	6,688	(24,160)	(2,358)
Impact of same theatre BPP change	16,764	—	9,382	—
New and acquired theatres (i)	600	29	601	29
Disposed and closed theatres (i)	(56)	(8)	(953)	(115)
2021 as reported	$ 94,114	8,272	$ 110,430	9,835

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

Third Quarter and Year to Date

	Third Quarter 2021 Top Cineplex Films	3D	% Box		Third Quarter 2020 Top Cineplex Films	3D	% Box
1	Shang-Chi and The Legend Of The Ten Rings	✔	17.7 %	1	Tenet		37.2 %
2	Free Guy	✔	9.9 %	2	The Spongebob Movie: Sponge On The Run		14.3 %
3	Black Widow	✔	9.9 %	3	Unhinged		9.6 %
4	The Suicide Squad		7.6 %	4	The New Mutants		8.4 %
5	Jungle Cruise	✔	7.3 %	5	After We Collided		4.8 %

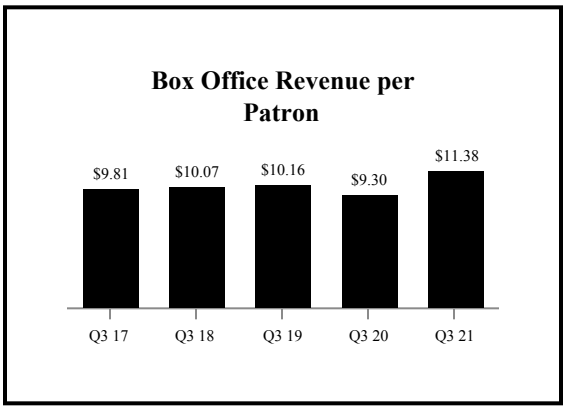
	Year to Date 2021 Top Cineplex Films	3D	% Box		Year to Date 2020 Top Cineplex Films	3D	% Box
1	Shang-Chi And The Legend Of The Ten Rings	✔	15.0 %	1	1917		8.6 %
2	Free Guy	✔	8.4 %	2	Bad Boys For Life		7.7 %
3	Black Widow	✔	8.4 %	3	Jumanji: The Next Level	✔	6.8 %
4	F9: The Fast Saga		7.2 %	4	Star Wars: The Rise of Skywalker	✔	6.4 %
5	The Suicide Squad		6.5 %	5	Sonic The Hedgehog		5.7 %

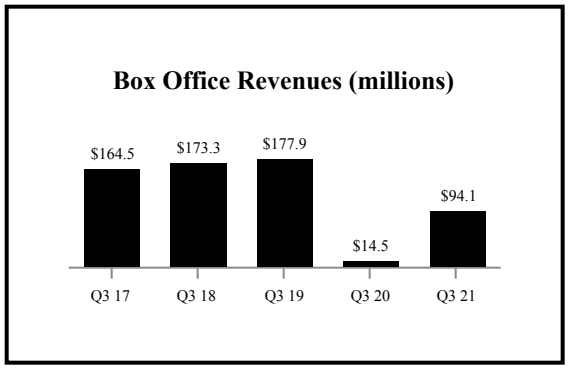
Third Quarter and Year to Date

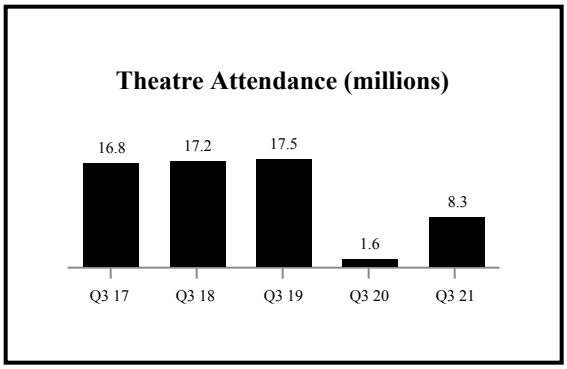
Box office revenues increased by $79.6 million to $94.1 million during the third quarter of 2021 as compared to $14.5 million recognized in the prior year period. The increase in revenues is due to the reopening of theatres across Cineplex's circuit during the beginning of the quarter as strict operating restrictions across Canada were eased. Theatres in Ontario, which represented 42% and 44% of Cineplex's total locations and screens in the third quarter of 2021 and 2020, respectively, were permitted to reopen on July 16, 2021 after extended periods of closures. Box office revenue generated during the current quarter represented 53% of box office revenues generated during the third quarter of 2019, when operations were at normal capacity levels. The pent-up demand for social experiences resulted in a significant increase in theatre attendance further contributing to the increase in box office revenues compared to the prior year period. The quarter included the release of the Marvel Studios highly anticipated *Shang-Chi and the Legend of the Ten Rings* which has set the all-time record for a Labour Day opening weekend and the biggest domestic gross since the start of the pandemic in March 2020.

Cineplex's BPP for the period was $11.38, an all-time quarterly record for Cineplex which was mainly due to price increases in select key markets and increases in VIP theatre locations and screens which drive higher per patron spend. When compared to the prior year period, BPP increased $2.08, or 22.4% from $9.30 due to new releases and premium offerings in the current period as compared to the prior period which focused on discounted pricing for older and more classic film products.

Box office revenues for the nine months ended September 30, 2021 were $110.4 million, a decrease of $15.1 million or 12.1% compared to the prior year. The decrease in box office revenues was primarily due to the decrease in attendance as a result of the government mandated restrictions that have kept theatres closed or operating below full capacity for a majority of the period. Prior year figures include the first quarter of 2020 prior to the pandemic related closures.







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	Third Quarter			Year to Date		
	2021	2020	Change	2021	2020	Change
Food service - theatres	$ 70,945	$ 11,519	515.9%	$ 82,506	$ 84,262	-2.1%
Food delivery - theatres	2,599	2,409	7.9%	10,053	5,433	85.0%
Food service - LBE	6,402	1,479	332.7%	7,089	8,250	-14.1%
Food delivery - LBE	25	61	-58.5%	106	144	-26.6%
Total food service revenues	$ 79,971	$ 15,468	417.0%	$ 99,754	$ 98,089	1.7%
Theatre attendance (i)	8,272	1,563	429.2%	9,835	12,279	-19.9%
CPP (i) (ii)	$ 8.58	$ 7.37	16.4%	$ 8.39	$ 6.86	22.3%
Same theatre food service revenues (i)	$ 70,383	$ 11,537	510.1%	$ 81,918	$ 83,611	-2.0%
Same theatre attendance (i)	8,243	1,555	430.1%	9,803	12,162	-19.4%

(i) See Section 15, Non-GAAP Measures.
(ii) Food service revenue from LBE and delivery is not included in the CPP calculation.

Theatre food service revenue continuity	Third Quarter		Year to Date	
	Theatre Food Service	Theatre Attendance	Theatre Food Service	Theatre Attendance
2020 as reported	$ 11,519	1,563	$ 84,262	12,279
Same theatre attendance change	49,698	6,688	(16,311)	(2,358)
Impact of same theatre CPP change	9,210	—	14,521	—
New and acquired theatres (i)	562	29	562	29
Disposed and closed theatres (i)	(44)	(8)	(528)	(115)
2021 as reported	$ 70,945	8,272	$ 82,506	9,835

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

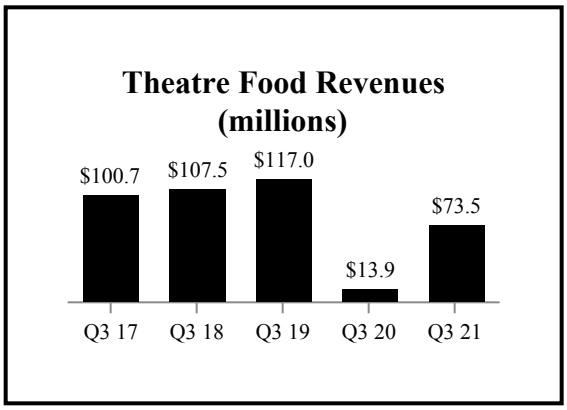
Third Quarter and Year to Date

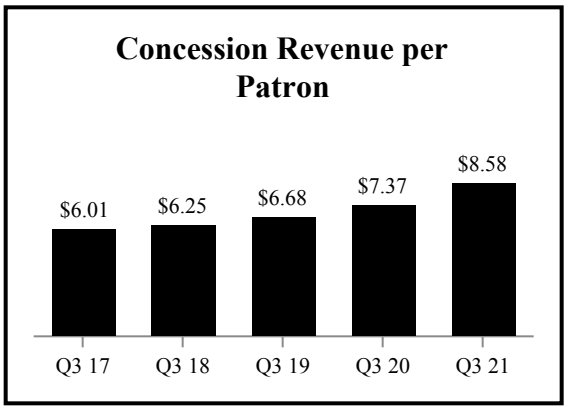
Food service revenues are comprised primarily of concession revenues, which includes food service sales at theatre locations and through delivery services including Uber Eats and Skip the Dishes. Food service revenues also include food and beverage sales at *The Rec Room* and *Playdium.*

Food services revenues increased by $64.5 million or 417.0% mainly due to an increase in theatre food service revenues of $59.4 million or 515.9% to $70.9 million, during the third quarter of 2021. The increase in food service revenues is due to the reopening of theatres and LBE businesses across Canada as restrictions have eased, resulting in an increase in both attendance across Cineplex's businesses and consumer spend. CPP increased $1.21 or 16.4% to $8.58 in the current period, an all-time quarterly record. Product mix, modest price increases to Cineplex's core food service products, additional VIP theatre locations and film product targeted towards adult demographics have contributed to the increase and all-time quarterly record CPP.

Food service revenues from LBE venues increased by $4.9 million or 332.7% to $6.4 million when compared to the prior year period. The increase in revenues is primarily due to the reopening of LBE businesses across Canada and the opening of two additional *The Rec Room* locations in Burnaby, British Columbia and Barrie, Ontario.

Food service revenues for the nine months ended September 30, 2021 were $99.8 million, an increase of $1.7 million or 1.7% compared to the prior year. The increase in food service revenues is primarily driven by the significant increases in theatre food service revenue recognized during the reopening period of Cineplex's business compared to extended closure periods experienced in the prior year.





Media revenues

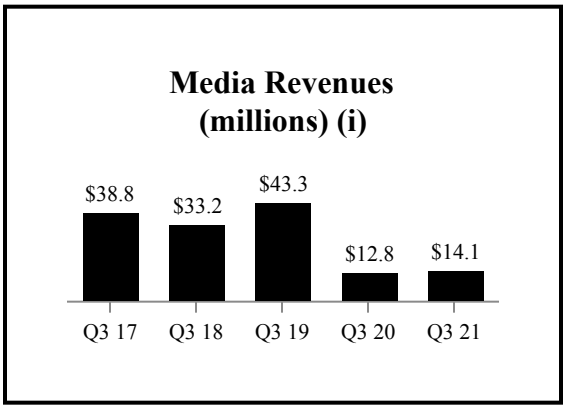
The following table highlights the movement in media revenues for the quarter and the year to date (in thousands of dollars):

Media revenues	Third Quarter			Year to Date		
	2021	2020	Change	2021	2020	Change
Cinema media	$ 6,640	$ 3,334	99.2%	$ 10,951	$ 22,200	-50.7%
Digital place-based media	7,420	9,491	-21.8%	21,584	30,662	-29.6%
Total media revenues from continuing operations	$ 14,060	$ 12,825	9.6%	$ 32,535	$ 52,862	-38.5%
Media revenues from discontinued operations	—	—	—%	—	602	-100.0%
Total media revenues	$ 14,060	$ 12,825	9.6%	$ 32,535	$ 53,464	-39.1%

Third Quarter and Year to Date

For the three months ended September 30, 2021, total media revenues from continuing operations increased $1.2 million or 9.6% to $14.1 million in the third quarter compared to the prior year period. Uncertainty with respect to the timing and success of theatre reopenings and continued changes to the film release schedule constrained the return of advertisers to cinema media. Despite that, cinema media increased $3.3 million doubling revenue as compared to the prior year. The increase to cinema media revenues was partially offset by a $2.1 million or 21.8% decrease in digital placed-based media revenues due to lower hardware sales, and creative and digital media revenues.

For the nine months ended September 30, 2021, media revenues from continuing operations were $32.5 million, a decrease of $20.3 million or 38.5% compared to the prior year. The decrease is primarily due to a $11.2 million decrease in Cinema media revenue due to theatre closures and limited new releases subsequent to the first quarter of 2020, ultimately resulting in a sharp decline in show-time and pre-show advertising revenue. Digital place-based media revenues decreased $9.1 million primarily due to lower media hardware sales and media revenue, further contributing to the overall decrease in total media revenues.



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

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

Digital place-based media revenues	Third Quarter			Year to Date		
	2021	2020	Change	2021	2020	Change
Project revenues (i)	$ 2,194	$ 2,252	-2.6%	$ 7,014	$ 9,094	-22.9%
Other revenues (ii)	5,226	7,239	-27.8%	14,570	21,568	-32.4%
Total digital place-based media revenues	$ 7,420	$ 9,491	-21.8%	$ 21,584	$ 30,662	-29.6%

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

Amusement revenues

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

Amusement revenues	Third Quarter			Year to Date		
	2021	2020	Change	2021	2020	Change
Amusement - P1AG excluding Cineplex exhibition and LBE (i)	$ 35,473	$ 9,564	270.9%	$ 68,478	$ 48,212	42.0%
Amusement - Cineplex exhibition (i)	2,709	119	NM	2,980	2,327	28.0%
Amusement - LBE	15,137	3,553	326.1%	17,919	13,765	30.2%
Total amusement revenues	$ 53,319	$ 13,236	302.8%	$ 89,377	$ 64,304	39.0%

(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.

Third Quarter and Year to Date

Amusement revenues increased $40.1 million, to $53.3 million during the third quarter of 2021 compared to the prior year period. The quarterly increase in revenues was primarily due to the reopening of P1AG US and Canada route locations at FECs and theatres.

For the year to date, amusement revenues increased $25.1 million or 39.0% when compared to the prior year period. The increase was due to strong reopening of P1AG US route locations at FECs where restrictions and closures were lifted earlier than in Canada, theatres and increased equipment sales when compared to the prior year. The opening of two additional *The Rec Room* locations in Burnaby, British Columbia and Barrie, Ontario during the quarter also contributed to the increase in amusement revenues.

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

P1AG Summary	Third Quarter			Year to Date		
	2021	2020	Change	2021	2020	Change
Amusement revenues	$ 35,473	$ 9,564	270.9%	$ 68,478	$ 48,212	42.0%
Operating Expenses	27,515	13,030	111.2%	60,639	54,316	11.6%
Cash rent related to lease obligations (i)	948	(912)	NM	3,081	1,828	68.5%
Total adjusted operating expenses	$ 28,463	$ 12,118	134.9%	$ 63,720	$ 56,144	13.5%
P1AG Adjusted EBITDAaL (ii)	$ 7,010	$ (2,554)	NM	$ 4,758	$ (7,932)	NM
P1AG Adjusted EBITDAaL Margin (ii)	19.8 %	(26.7)%	46.5%	6.9 %	(16.5)%	23.4%

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

When compared to the prior year period, margins for P1AG have improved for both the three month and year to date periods due to the increased revenues from the strong reopening of P1AG US route locations through 2021, and the Canadian route locations in the third quarter. Continued cost management of operating expense where possible, including realizing the benefits of ongoing subsidy programs where available, allowed for the growth in margins with the increased revenue. Payroll costs were reduced by the CEWS wage subsidy program for the three month and year to date periods by $0.6 million (2020 - $1.1 million) and $2.8 million (2020 - $2.2 million), respectively. This also resulted in an all-time quarterly Adjusted EBITDAaL record which was previously set prior to the pandemic, when operations were at normal capacity levels. Certain operating expenses which are fixed in nature, such as salaries, rent and utilities, create a downward pressure on margins during the periods when locations were closed or subject to greater operating restrictions.

The following table presents the adjusted store level EBITDAaL for the quarter and year to date for LBE (in thousands of dollars).

LBE Summary	Third Quarter			Year to Date		
	2021	2020	Change	2021	2020	Change
Food service revenues	$ 6,427	$ 1,541	317.1%	$ 7,195	$ 8,394	-14.3%
Amusement revenues	15,137	3,553	326.0%	17,919	13,765	30.2%
Media and other revenues	212	30	606.7%	247	962	-74.3%
Total revenues	$ 21,776	$ 5,124	325.0%	$ 25,361	$ 23,121	9.7%
Cost of food service	1,750	470	272.3%	2,010	2,537	-20.8%
Operating expenses before adjustments (i)	9,110	3,864	135.8%	13,125	18,200	-27.9%
Cash rent related to lease obligations (iii)	1,772	(56)	NM	5,514	3,494	57.8%
Total adjusted costs	$ 12,632	$ 4,278	195.3%	$ 20,649	$ 24,231	-14.8%
Store level Adjusted EBITDAaL (iii)	9,144	846	980.9%	4,712	(1,110)	NM
Store level Adjusted EBITDAaL Margin (iii)	42.0 %	16.5 %	25.5%	18.6 %	(4.8)%	23.4%

(i) Includes operating costs of LBE. Pre-opening costs relating to LBE and overhead relating to management of LBE portfolio are not included.
(ii) Cash rent that has been reallocated to offset the lease obligations.
(iii) See Section 15, Non-GAAP measures.

During the third quarter of 2021, revenues increased by $16.7 million when compared to the prior year period. Revenues for the year to date increased by $2.2 million or 9.7% when compared to the prior period. The increase is primarily due to the reopening of LBE businesses across Canada as mandated operating restrictions were gradually lifted. Furthermore, the opening of two additional *The Rec Room* locations in Burnaby, British Columbia and Barrie, Ontario during the quarter contributed to the increase in revenues. As compared to all other LBE openings, the *Brentwood Rec Room* location had the second highest gross sales during its opening month, second only to the opening for *The Roundhouse* in Toronto, Ontario. Adjusted EBITDAaL Margin for the third quarter of 2021 was 42.0%, an increase of 25.5% when compared to the prior year period. The increase is primarily due to increased amusement revenues which have historically generated higher margins. During the period, management continued to focus on cost management to further curtail the negative impact of the ongoing COVID-19 pandemic, which also contributed to the growth in margins. Management was able to reduce costs where applicable including the receipt of funds under the CEWS wage subsidy program of $1.6 million (2020 - $2.1 million) for the quarter and $3.9 million (2020 - $4.1 million) year to date. Furthermore, Cineplex received $0.1 million (2020 - $nil) and $0.7 million (2020 - $nil) under the CERS rent subsidy program during the three month and year to date periods and combined utility and realty tax subsidies in the amount of $0.1 million (2020 - $nil) and $1.1 million (2020 - $nil) during the three month and year to date periods.

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	Third Quarter			Year to Date		
	2021	2020	Change	2021	2020	Change
Other revenues from continuing operations	$ 8,916	$ 4,962	79.7%	$ 24,622	$ 24,996	-1.5%
Other revenues from discontinued operations (i)	—	—	NM	—	199	NM
Total other revenues	$ 8,916	$ 4,962	79.7%	$ 24,622	$ 25,195	-2.3%

(i) Other revenues generated by WorldGaming Network LP.

Third Quarter and Year to Date

The quarterly increase in other revenues from continuing operations is primarily due to the resumption of the recognition of breakage revenues relating to gift card sales as the business reopened and redemptions grew, and increases in digital commerce sales.

The year to date decrease in other revenues from continuing operations was primarily due to lower digital commerce sales and breakage revenues relating to gift cards which were lower due to fewer opportunities for redemption. In addition, the prolonged shutdown reduced other ancillary revenues generated from theatres, such as venue rentals. This was partially offset by increases in revenue generated from SCENE.

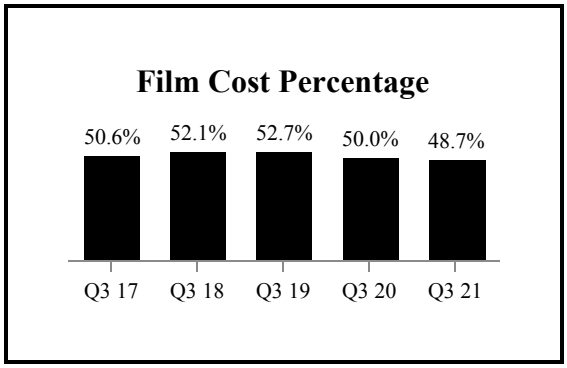
Film cost

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	Third Quarter			Year to Date		
	2021	2020	Change	2021	2020	Change
Film cost	$ 45,838	$ 7,261	NM	$ 52,684	$ 63,771	-17.4%
Film cost percentage (i)	48.7%	50.0%	-1.3%	47.7%	50.8%	-3.1%
(i) See Section 15, Non-GAAP measures.						

Third 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 which vary by title and distributor. The increase in film cost in the third quarter over the prior year period was mainly due to the full reopening of theatres that commenced at the beginning of the quarter and new releases including *Shang-Chi and the Legend of the Ten Rings* and *Free Guy*. In the prior year period, there were a limited number of theatres open operating at significantly reduced capacities, resulting in a less meaningful comparison of film cost percentages. The lower film cost percentage in the third quarter and year to date reflects the outsized weighting of the fewer films released in 2020.



Cost of food service

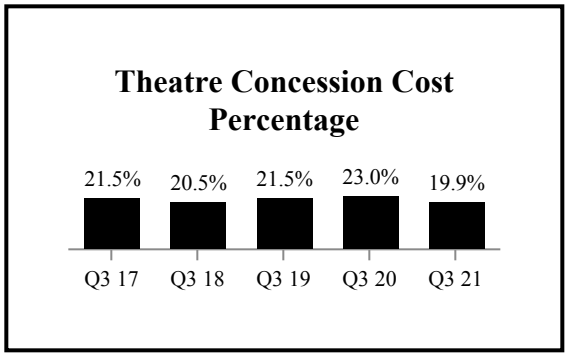
The following table highlights the movement in cost of food service and food service cost as a percentage of food service revenues ("concession cost percentage") for both theatres and LBE for the quarter and the year to date (in thousands of dollars, except percentages and margins per patron):

Cost of food service	Third Quarter			Year to Date		
	2021	2020	Change	2021	2020	Change
Cost of food service - theatre	$ 14,612	$ 3,210	355.2%	$ 18,631	$ 24,141	-22.8%
Cost of food service - LBE	1,750	470	272.3%	2,010	2,537	-20.8%
Total cost of food service	$ 16,362	$ 3,680	344.6%	$ 20,641	$ 26,678	-22.6%
Theatre concession cost percentage (i)	19.9%	23.0%	-3.1%	20.1%	26.9%	-6.8%
LBE food cost percentage (i)	27.2%	30.5%	-3.3%	27.9%	30.2%	-2.3%
Theatre concession margin per patron (i)	$ 6.87	$ 5.67	21.2%	$ 6.70	$ 5.01	33.7%
(i) See Section 15, Non-GAAP measures.						

Third 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 increase in cost of food service is primarily due to higher food service revenue with the restricted reopening of theatres throughout the majority of the current quarter, compared to closures of theatres and LBE locations that remained in effect for a majority of the prior period. The year to date decrease in cost of food service is due to the impact of prolonged mandatory closures and operating restrictions placed on Cineplex's theatres and LBE locations leading to a decline in the year to date attendance, resulting in lower cost of food sales. The quarterly and year to date decrease in theatre concession cost percentage when compared to the prior year is due to higher costs resulting from extended closure periods of theatres in 2020 resulting in lower volume of food sales and increased reserves on concession inventory.



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	Third Quarter			Year to Date		
	2021	2020	Change	2021	2020	Change
Depreciation of property, equipment and leaseholds	$ 25,543	$ 27,241	-6.2%	$ 77,523	$ 86,303	-10.2%
Amortization of intangible assets and other assets	2,754	3,134	-12.1%	8,018	9,793	-18.1%
Sub-total - depreciation and amortization - other assets	$ 28,297	$ 30,375	-6.8%	$ 85,541	$ 96,096	-11.0%
Depreciation - right-of-use assets	25,151	30,539	-17.6%	77,206	100,257	-23.0%
Total depreciation and amortization	$ 53,448	$ 60,914	-12.3%	$ 162,747	$ 196,353	-17.1%

Third Quarter and Year to Date

The quarterly depreciation of property, equipment and leaseholds decreased $1.7 million, or 6.2%, to $25.5 million during the third quarter of 2021 compared to the prior year period, and year to date decreased $8.8 million, or 10.2%, to $77.5 million compared to the prior year. The decrease was due primarily to fully depreciated property, equipment and leaseholds.

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

The quarterly and year to date decrease of $5.4 million and $23.1 million, respectively, in depreciation of right-of-use assets is primarily due to modifications to lease agreements as a result of COVID-19 which reduced the corresponding right-of-use asset and related depreciation recognized.

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	Third Quarter			Year to Date		
	2021	2020	Change	2021	2020	Change
Impairment of property, equipment and leaseholds	$ —	$ —	NM	$ —	$ 33,949	NM
Impairment of right-of-use assets	—	—	NM	—	50,610	NM
Impairment of goodwill	—	65,634	NM	—	154,129	NM
Impairment of long-lived assets and goodwill	$ —	$ 65,634	NM	$ —	$ 238,688	NM

Third Quarter and Year to Date

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

On September 30, 2021, Cineplex reassessed the underlying key assumptions and inputs used during the impairment testing completed at December 31, 2020 and determined that there were no material changes in those key judgements and conclusions.

In early 2020, in response to the outbreak of the COVID-19 pandemic as declared by the WHO, governmental authorities announced mandated closure of schools, public facilities and non-essential businesses. Consequently, effective March 16, 2020 and continuing throughout the remainder of the year, Cineplex had to either temporarily close its theatres and location-based entertainment venues or operate with strict capacity restrictions across its

operations, resulting in material decreases in revenues, results of operations and cash flows and a material decrease in Cineplex's market value due to a sharp decline in its share price. These represented triggering events at each balance sheet date in 2020. As a result of the triggering events, Cineplex performed impairment testing and recognized non-cash impairment charges in each of the three months ended March 31, September 30, and December 31, 2020 as follows:

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

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

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

If the return to more regular business volumes continues to be delayed for longer than currently anticipated as a result of actions outside of the control of management, including but not limited to additional changes to the film slate release schedule, ongoing government restrictions and future impacts of COVID-19, management's estimates of operating results and further cash flows for the forecasted period may be negatively impacted. As a result, cash flows may be insufficient to support the recoverability of goodwill and long lived assets in certain CGUs, thus requiring further impairment charges. Cineplex will continue to evaluate the recoverability of goodwill at the cash generating unit level on an annual basis during its fourth quarter and whenever events or changes in circumstances indicate there may be a potential impairment.

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	Third Quarter			Year to Date		
	2021	2020	Change	2021	2020	Change
Impairment of intangible assets - discontinued operations	$ —	$ —	NM	$ —	$ 5,156	NM

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

Loss (gain) on disposal of assets

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

Loss (gain) on disposal of assets	Third Quarter			Year to Date		
	2021	2020	Change	2021	2020	Change
Loss (gain) from continuing operations	$ 22	$ (14,113)	NM	$ (29,859)	$ (12,818)	132.9%
Loss on disposal from discontinued operations	—	—	—%	—	129	-100.0%
Loss (gain) on disposal of assets	$ 22	$ (14,113)	NM	$ (29,859)	$ (12,689)	135.3%

The gain on disposal of assets in the third quarter of 2020 was due to the negotiated sale of certain restrictive lease rights completed in the prior year period, compared to limited activity in the current period.

The current year to date gain on disposal of assets arose from the sale of the head office buildings completed in the first quarter of 2021, for gross proceeds of $57.0 million. Cineplex continues to occupy its head office buildings as a tenant. The prior year gain includes the third quarter sale of certain restrictive lease rights in the third quarter.

Other costs

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

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

Other costs	Third Quarter			Year to Date		
	2021	2020	Change	2021	2020	Change
Theatre occupancy expenses	$ 15,638	$ 14,917	4.8%	$ 27,769	$ 50,623	-45.1%
Other operating expenses	108,694	50,939	113.4%	210,290	220,525	-4.6%
General and administrative expenses	15,195	12,898	17.8%	43,525	27,329	59.3%
Total other costs from continuing operations	$ 139,527	$ 78,754	77.2%	$ 281,584	$ 298,477	-5.7%
Other costs from discontinued operations	—	—	—%	—	2,212	-100.0%
Total other costs	$ 139,527	$ 78,754	77.2%	$ 281,584	$ 300,689	-6.4%

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	Third Quarter			Year to Date		
	2021	2020	Change	2021	2020	Change
Cash rent paid/payable (i) (iv)	$ 32,913	$ 7,419	343.6%	$ 80,665	$ 85,434	-5.6%
Other occupancy	16,555	15,921	4.0%	43,066	52,725	-18.3%
One-time items (ii)	(608)	(799)	-23.9%	(3,827)	(1,939)	97.4%
Total theatre occupancy including cash lease payments paid/payable	$ 48,860	$ 22,541	116.8%	$ 119,904	$ 136,220	-12.0%
Cash rent related to lease obligations (iii)	(33,222)	(7,624)	335.8%	(92,135)	(85,597)	7.6%
Theatre occupancy as reported	$ 15,638	$ 14,917	4.8%	$ 27,769	$ 50,623	-45.1%

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

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

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

(iv) The 2021 year to date balance includes $0.8 million (2020 - $0.4 million) of cash rent paid not pertaining to the current period. See Section 15, Non-GAAP measures.

Theatre occupancy continuity	Third Quarter Occupancy	Year to Date Occupancy
2020 as reported	$ 14,917	$ 50,623
Impact of new and acquired theatres	144	145
Impact of disposed theatres	(144)	(1,057)
Same theatre rent change (i)	26,084	7,549
One-time items	191	(1,888)
Other (ii)	45	(21,064)
Impact of IFRS 16 adoption:		
Cash rent paid/payable related to lease obligations	(25,599)	(6,539)
2021 as reported	$ 15,638	$ 27,769

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

(ii) Other items also include amounts related to realty tax and rent subsidies received.

Third Quarter

Total theatre occupancy increased $0.7 million or 4.8% during the third quarter of 2021 compared to the prior year period. This increase was primarily due to the increase in theatre rent and other charges incurred during the reopening of theatres as mandatory closure requirements and operating restrictions have been loosened. During the prior year period, Cineplex recognized significantly reduced theatre occupancy expenses as a majority of theatres were closed or operating at far below normal capacity levels. As a result, rent relief measures negotiated with landlord partners were higher in the prior year period as compared to the current period. However, Cineplex was able to reduce theatre occupancy expenses incurred in the current period through the receipt of realty tax subsidies of $0.9 million and rent subsidies of $0.7 million, neither of which were available in the prior year.

Year to Date

For the year to date period, theatre occupancy expenses decreased $22.9 million or 45.1% compared to the prior year. This decrease was primarily due to lower theatre rent related expenses including common area maintenance as compared to the prior year period. Cineplex recognized realty tax subsidies of $10.5 million (2020 - $nil) and rent subsidies of $11.9 million (2020 - $nil), contributing to the decrease in theatre occupancy expenses.

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):

Other operating expenses	Third Quarter			Year to Date		
	2021	2020	Change	2021	2020	Change
Theatre payroll	$ 23,944	$ 3,868	519.0%	$ 33,052	$ 35,532	-7.0%
Theatre operating expenses	21,611	13,341	62.0%	39,042	48,642	-19.7%
Media	7,874	8,673	-9.2%	24,117	34,400	-29.9%
P1AG	28,463	12,118	134.9%	63,720	56,144	13.5%
LBE (i)	10,882	3,808	185.8%	18,639	21,694	-14.1%
LBE pre-opening (ii)	448	198	126.3%	1,354	1,122	20.7%
SCENE	9,980	4,325	130.8%	20,378	8,533	138.8%
Marketing	3,259	1,107	194.4%	5,499	5,087	8.1%
Other (iii)	5,922	3,891	52.2%	17,071	19,296	-11.5%
Other operating expenses including cash lease payments paid/payable	$ 112,383	$ 51,329	118.9%	$ 222,873	$ 230,450	-3.3%
Cash rent related to lease obligations (iv)	(3,689)	(390)	845.9%	(12,583)	(9,925)	26.8%
Other operating expenses from continuing operations	$ 108,694	$ 50,939	113.4%	$ 210,290	$ 220,525	-4.6%
Other operating expenses from discontinued operations	—	—	—%	—	2,212	-100.0%
Total other operating expenses	$ 108,694	$ 50,939	113.4%	$ 210,290	$ 222,737	-5.6%

(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 that has been reallocated to offset the lease obligations.

Other operating continuity from continuing operations	Third Quarter Other Operating	Year to Date Other Operating
2020 as reported	$ 50,939	$ 220,525
Impact of new and acquired theatres	384	447
Impact of disposed theatres	(230)	(988)
Same theatre payroll change (i)	19,915	(2,335)
Same theatre operating expenses change (i)	8,278	(9,204)
Media operating expenses change	(799)	(10,283)
P1AG operating expenses change	16,345	7,576
LBE operating expenses change	7,074	(3,055)
LBE pre-opening change	250	232
SCENE change	5,655	11,845
Marketing change	2,152	412
Other	2,030	(2,224)
Impact of IFRS 16:		
Cash rent related to lease obligations	(3,299)	(2,658)
2021 as reported	$ 108,694	$ 210,290

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

Third Quarter

Other operating expenses increased $57.8 million during the third quarter of 2021 or 113.4% compared to the prior year period. The increase was primarily driven by increases in same store theatre payroll and theatre operating expenses of $20.1 million and $8.3 million, respectively, as a result of the reopening of all theatres during the quarter. Cineplex also recognized increases in P1AG other operating expenses of $16.3 million mainly due to the reopening of P1AG US route locations. In the prior year period, prolonged government mandated closures and operating restrictions resulted in closures and operating levels far below normal for a majority of the period. Cineplex was able to open its entire circuit of theatres and LBE venues across Canada early in the quarter and will continue to adjust operating levels as permitted by applicable authorities. Cineplex also recognized increases in marketing costs of $2.2 million with marketing campaigns focused on the reopening of theatres and the launch of CineClub. Cineplex also recognized a $5.7 million increase in SCENE costs related to redemption costs. Cineplex received $15.7 million (2020 - $19.0 million) of subsidies in the current period, comprised of $14.9 million (2020 - $19.0 million) of payroll subsidies of which $11.0 million (2020 - $11.0 million) was offset against theatre payroll, and $0.8 million (2020 - $nil) of non-theatre rent, realty tax and utilities subsidies.

Year to Date

The overall decrease in other operating expenses from continuing operations compared to the prior year resulted from the temporary closures and subsequent operating restrictions on theatres, LBE locations and P1AG route locations beginning in March 2020. Cineplex received $45.9 million (2020 - $35.6 million) of subsidies in the current period, comprised of $39.6 million (2020 - $35.6 million) of payroll subsidies of which $24.1 million (2020 - $18.4 million) was offset against theatre payroll, and $6.3 million (2020 - $nil) of non-theatre rent, realty tax and utility subsidies.

General and administrative expenses

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

G&A expenses	Third Quarter			Year to Date		
	2021	2020	Change	2021	2020	Change
G&A excluding the following items	$ 10,951	$ 9,253	18.4%	$ 31,509	$ 36,456	-13.6%
Restructuring	—	5,427	-100.0%	—	5,862	-100.0%
Transaction / Litigation costs	4,099	453	804.9%	9,120	2,822	223.2%
LTIP (i)	166	(2,343)	NM	3,265	(15,352)	NM
Option plan	536	273	96.3%	1,380	(1,921)	NM
G&A expenses including cash lease payments	$ 15,752	$ 13,063	20.6%	$ 45,274	$ 27,867	62.5%
Cash rent paid/payable included as part of lease obligations (ii)	(557)	(165)	237.6%	(1,749)	(538)	225.0%
G&A expenses as reported	$ 15,195	$ 12,898	17.8%	$ 43,525	$ 27,329	59.3%

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

Third Quarter and Year to Date

G&A expenses during the three months ended September 30, 2021 increased $2.3 million as compared to the prior year period. This was primarily due to lower CEWS benefit in the current period compared to the prior period due to a lower variable subsidy rate as a result of revenue growth in the current period. In addition, the change is also attributable to a significant decrease in LTIP expense in the prior year period due to the sharp decline in Cineplex's Share price as a result of the impact of the COVID-19 pandemic on Cineplex's business compared to less volatile Share price changes experienced in the current period. The prior year includes costs arising from a cost restructuring program. Cineplex incurred $4.1 million (2020 - $0.5 million) of expenses related to litigation arising from the Cineworld Transaction during the period (Section 1.1, Cineworld Transaction). Employee payroll was reduced by $1.3 million (2020 - $3.3 million) under the CEWS program.

G&A expenses for the year to date period increased $16.2 million compared to the prior year period. The change was primarily due to a significant decrease in LTIP expense in the prior period due to the share decline in Cineplex's Share price as a result of the impact of the COVID-19 pandemic on Cineplex's business, which fell from $33.90 at the beginning of the prior year period to $7.21 per Share at September 30, 2020. Cineplex has incurred year to date costs relating to litigation arising from the Cineworld Transaction of $9.1 million (2020 - $2.8 million) (Section 1.1, Cineworld Transaction). The prior year includes costs arising from a cost restructuring program. Employee payroll was reduced by $7.0 million (2020 - $7.1 million) under the CEWS program in 2021.

Share of loss of joint ventures and associates

Cineplex's joint ventures and associates include its 78.2% interest in CDCP (2020 - 78.2%), 50% interest in one IMAX screen in Ontario (2020 - 50%), 50% interest in YoYo's (2020 - 50%) and in 2020 included a 17% interest in VRstudios.

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

Share of (income) loss of joint ventures and associates	Third Quarter			Year to Date		
	2021	2020	Change	2021	2020	Change
Share of (income) loss of CDCP	$ (988)	$ 1,820	NM	$ 2,293	$ 5,194	-55.9%
Share of loss of other joint ventures and associates	58	317	-81.7%	243	870	-72.1%
Total (income) loss of joint ventures and associates	$ (930)	$ 2,137	-143.5%	$ 2,536	$ 6,064	-58.2%

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	Third Quarter			Year to Date		
	2021	2020	Change	2021	2020	Change
Interest expense on long-term debt	$ 15,983	$ 11,317	41.2%	$ 44,791	$ 25,773	73.8%
Lease interest expense	14,682	11,528	27.4%	43,211	33,936	27.3%
Financing fees	—	—	—	321	800	-59.9%
Sub-total - cash interest expense	$ 30,665	$ 22,845	34.2%	$ 88,323	$ 60,509	46.0%
Deferred financing fee accretion and other non-cash interest	188	351	-46.4%	812	1,028	-21.0%
Accretion expense on Debentures and Notes Payable	4,050	4,043	0.2%	11,809	4,043	192.1%
Interest rate swap - non-cash	(2,071)	118	NM	(7,448)	11,413	NM
Sub-total - non-cash interest expense	2,167	4,512	-52.0%	5,173	16,484	-68.6%
Total interest expense	$ 32,832	$ 27,357	20.0%	$ 93,496	$ 76,993	21.4%
Total cash interest paid	$ 18,188	$ 16,816	8.2%	$ 66,472	$ 39,780	67.1%

Third Quarter and Year to Date

Total interest expense increased $5.5 million for the quarter when compared to the prior year period. The increase is due to a $7.8 million increase in cash interest expense primarily relating to the issuance of Notes Payable (Section 6.4, Long-term debt) completed in the first quarter of 2021 and Debentures (as described in Section 6.4, Long-term debt) during the third quarter of 2020, resulting in Notes Payable cash interest expense of $4.7 million (2020 - $nil) and Debentures cash interest of $4.6 million (2020 - $3.8 million). Lower Credit Facilities balances in 2021 as compared to the prior year quarter resulted in overall slightly lower interest on Cineplex's outstanding Credit Facilities. Lease interest expense increased by $3.2 million as a result of lease modifications negotiated with landlord partners resulting in higher incremental borrowing rates (and lower principal balances), contributing to the increase in cash interest expense from continuing operations. Non-cash interest expense decreased by $2.3 million. The change in non-cash interest expense was due to accretion expense recognized relating to the issuance of Notes Payable and Debentures of $0.2 million (2020 - $nil) and $3.8 million (2020 - $4.0 million), respectively. This was offset by changes in the fair value of the interest rate swap resulting in a $2.2 million decrease in non-cash interest expense from continuing operations.

For the year to date, interest expense increased $16.5 million compared to the prior year period. The increase was due to increases in cash interest expense as a result of the issuance of Notes Payable (Section 6.4, Long-term debt) completed in the first quarter of 2021 and Debentures (Section 6.4, Long-term debt) during the third quarter of 2020, resulting in Notes Payable cash interest expense of $11.1 million (2020 - $nil) and Debentures cash interest of $13.6 million (2020 - $3.9 million). Lower Credit Facilities balances in 2021 as compared to the prior year quarter resulted in overall slightly lower interest on Cineplex's outstanding Credit Facilities. Cash interest relating to lease obligations also increased by $9.3 million when compared to the prior period as a result of higher incremental borrowing rates due to lease modifications negotiated with landlord partners. Non-cash interest expense decreased by $11.3 million when compared to the prior year. The decrease in non-cash interest is due to changes in the fair value of the interest rate swap resulting in a $18.9 million decrease in non-cash interest expense. This was partially offset by an increase in accretion expense relating to the issuance of Notes Payable and Debentures of $0.6 million (2020 - $nil) and $11.3 million (2020 - $4.0 million), respectively.

Interest income

Interest income during the third quarter of 2021 and the nine months ended September 30, 2021 was as follows (in thousands of dollars):

Interest income	Third Quarter			Year to Date		
	2021	2020	Change	2021	2020	Change
Interest income	$ 68	$ 20	240.0%	$ 202	$ 149	35.6%

Foreign exchange

The following table highlights the movement in foreign exchange during the third quarter of 2021 and the nine months ended September 30, 2021 (in thousands of dollars):

Foreign exchange	Third Quarter			Year to Date		
	2021	2020	Change	2021	2020	Change
Foreign exchange (gain) loss from continuing operations	$ (529)	$ 166	NM	$ 66	$ (702)	NM
Foreign exchange gain from discontinued operations	—	—	—%	—	(117)	NM
Total foreign exchange (gain) loss	$ (529)	$ 166	-418.7%	$ 66	$ (819)	NM

Third 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 1.2394 at June 30, 2021 to 1.2741 at September 30, 2021.

For the nine months ended September 30, 2021, the movement in the foreign exchange was due to the decrease in the CAD/USD foreign exchange month end rate from 1.2732 at December 31, 2020 to 1.2741 at September 30, 2021.

Change in fair value of financial instruments

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

Change in fair value of financial instruments	Third Quarter			Year to Date		
	2021	2020	Change	2021	2020	Change
Change in fair value of financial instruments	$ (2,570)	$ —	NM	$ (3,370)	$ —	NM

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

Income taxes

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

Income taxes	Third Quarter			Year to Date		
	2021	2020	Change	2021	2020	Change
Current income tax expense (recovery)	$ —	$ 146	-100.0%	$ 3,339	$ (7,719)	NM
Deferred income tax recovery	—	(49,685)	-100.0%	—	(126,227)	-100.0%
Provision for income taxes from continuing operations	$ —	$ (49,539)	-100.0%	$ 3,339	$ (133,946)	NM
Provision for income taxes from discontinued operations	—	—	—%	—	(1,627)	-100.0%
Provision for income taxes	$ —	$ (49,539)	-100.0%	$ 3,339	$ (135,573)	NM

Third Quarter and Year to Date

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

The year to date current tax expense represents Ontario corporate minimum tax paid on the filing of 2020 tax returns as a result of losses carried back to offset taxable income. The minimum tax paid is creditable against future Ontario corporate income tax payable.

In 2021, Cineplex recovered income taxes paid in prior periods of $62.6 million as a result of its tax returns filed for the 2020 taxation year.

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

Cineplex's combined statutory income tax rate at September 30, 2021 was 26.3% (2020 - 26.8%).

Net loss

Net loss during the third quarter of 2021 and the nine months ended September 30, 2021 was as follows (in thousands of dollars):

Net loss	Third Quarter			Year to Date		
	2021	2020	Change	2021	2020	Change
Net loss from continuing operations	$ (33,552)	$ (121,209)	-72.3%	$ (226,944)	$ (393,598)	-42.3%
Net loss from discontinued operations	—	—	—	—	(4,952)	-100.0%
Net loss	$ (33,552)	$ (121,209)	-72.3%	$ (226,944)	$ (398,550)	-43.1%

4.3 EARNINGS BEFORE INTEREST, INCOME TAXES, DEPRECIATION AND AMORTIZATION AFTER LEASES ("EBITDAaL") (see Section 15, Non-GAAP measures)

The following table presents EBITDA, adjusted EBITDA and adjusted EBITDAaL for the three and nine months ended September 30, 2021 as compared to the prior year periods (in thousands of dollars, except adjusted EBITDAaL margin):

EBITDA	Third Quarter			Year to Date		
	2021	2020	Change	2021	2020	Change
EBITDA	$ 52,660	$ (82,497)	NM	$ 32,436	$(254,347)	NM
Adjusted EBITDA	$ 48,606	$ (28,928)	NM	$ 1,599	$ (23,769)	NM
Adjusted EBITDAaL	$ 10,762	$ (46,725)	NM	$(104,493)	$(116,867)	-10.6%
Adjusted EBITDAaL margin	4.3 %	(76.6)%	80.9%	(29.3)%	(31.9)%	2.6%

Adjusted EBITDAaL for the third quarter of 2021 was $10.8 million compared to a loss of the $(46.7) million for the prior year period. The movement was primarily due to reopening of Cineplex's entire circuit of theatres and LBE venues by the latter half of July 2021, in addition to increased cinema media revenues and amusement revenues from route operations in both Canada and the United States. In the prior year period, as a result of COVID-19 government imposed restrictions, Cineplex's theatres and LBE venues were not all reopened, with strict operating restrictions in effect, until August 21, 2020.

For the nine months ended September 30, 2021, adjusted EBITDAaL was a loss of $(104.5) million as compared to a loss of $(116.9) million for the same period in 2020. The change was primarily due all of Cineplex's businesses being open and operating under restrictions for the majority of the third quarter. In the prior year period, Cineplex operated at full capacity until restrictions and closures began in March 2020 which continued until the latter half of August which allowed for limited reopenings. 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 nine months ended September 30, 2021 as compared to December 31, 2020 (in thousands of dollars):

	September 30, 2021	December 31, 2020	Change ($)	Change (%)
Assets				
Current assets				
Cash and cash equivalents	$ 28,471	$ 16,254	$ 12,217	75.2%
Trade and other receivables	45,955	51,834	(5,879)	-11.3%
Income taxes receivable	2,034	66,551	(64,517)	-96.9%
Inventories	25,194	21,712	3,482	16.0%
Prepaid expenses and other current assets	13,023	11,613	1,410	12.1%
	114,677	167,964	(53,287)	-31.7%
Non-current assets				
Property, equipment and leaseholds	479,020	555,340	(76,320)	-13.7%
Right-of-use assets	787,427	881,418	(93,991)	-10.7%
Interests in joint ventures	4,751	8,644	(3,893)	-45.0%
Intangible assets	83,563	84,922	(1,359)	-1.6%
Goodwill	635,588	635,582	6	—%
Derivative financial instrument	3,820	—	3,820	100.0%
	2,108,846	2,333,870	(225,024)	-9.6%
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	$ 130,132	$ 82,992	$ 47,140	56.8%
Share-based compensation	778	482	296	61.4%
Income taxes payable	1,938	802	1,136	141.6%
Deferred revenue	217,970	219,983	(2,013)	-0.9%
Lease obligations	105,711	97,259	8,452	8.7%
Fair value of interest rate swap agreements	9,191	7,202	1,989	27.6%
	465,720	408,720	57,000	13.9%
Non-current liabilities				
Share-based compensation	4,638	2,670	1,968	73.7%
Long-term debt	734,046	725,271	8,775	1.2%
Fair value of interest rate swap agreements	10,298	19,157	(8,859)	-46.2%
Lease obligations	1,015,294	1,073,666	(58,372)	-5.4%
Post-employment benefit obligations	10,659	11,503	(844)	-7.3%
Other liabilities	67,945	68,649	(704)	-1.0%
	2,308,600	2,309,636	(1,036)	—%
Shareholders' (deficit) equity				
Total shareholders' (deficit) equity	(199,754)	24,234	(223,988)	NM
	$ 2,108,846	$ 2,333,870	$ (225,024)	-9.6%

Cash and cash equivalents. The increase in cash and cash equivalents is due to the higher cash in transit in response to reopening of entire circuit of theatres and LBE venues by the latter half of July 2021.

Trade and other receivables. The decrease in trade and other receivables is primarily due to timing of billing and collection, as well as decreased receivables of labour subsidies in response to reopening of the entire circuit of theatres and LBE venues by the latter half of July 2021.

Income taxes receivable. The decrease in income taxes receivable is primarily due to the receipt of $62.6 million of refunds resulting from losses recognized in 2020 carried back to offset taxable income earned in prior years.

Inventory. The increase in inventories is primarily due to increased inventory due to the reopening of the entire circuit of theatres and LBE venues by the latter half of July 2021.

Prepaid expenses and other current assets. The increase in prepaid expenses and other current assets is primarily due to final real estate taxes installments which are paid in the first half of the year and amortized over the second half of the year.

Property, equipment and leaseholds. The decrease in property, equipment and leaseholds is due to amortization expense ($77.5 million), asset dispositions ($13.6 million), and foreign exchange impact ($0.1 million). This is offset by additions to new build and other capital expenditures ($13.3 million) and maintenance capital expenditures ($1.6 million).

Right-of-use assets. The decrease in right-of-use assets is due to amortization expense ($77.2 million), and lease modifications ($16.9 million). During the second quarter of 2021, Cineplex derecognized right-of-use assets in accordance with an amended lease agreement entered with the landlord ($6.3 million).

Interest in joint ventures. The decrease in interest in joint ventures is primarily due to the year to date equity loss realized by CDCP which has been negatively impacted by the theatre closures throughout the majority of the nine months ended September 30, 2021.

Intangible assets. The decrease in intangible assets is due to amortization expense ($8.0 million), partially offset by additions ($6.6 million).

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

Accounts payable and accrued expenses. The increase in accounts payable and accrued expenses is primarily due to increased business volumes arising from the reopening of the entire circuit of theatres and LBE venues by the latter half of July 2021.

Share-based compensation. The increase in share-based compensation is due to the increase in Share price, which was $13.14 per Share at September 30, 2021, as compared to $9.27 at December 31, 2020, increasing the fair value of the compensation liability (see Section 8, Share activity).

Deferred revenue. The deferred revenue decrease is primarily due to the redemptions of gift cards and vouchers with the reopening of theatres and LBE venues in the third quarter of 2021, in excess of sales.

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

Fair value of interest rate swap agreements. Represents the fair values of Cineplex's outstanding interest rate swap agreements. (see discussion in Section 6.4 Long-term debt)

Long-term debt. Long-term debt consists of the Credit Facilities, Debentures and Notes Payable. The increase in long-term debt is primarily due to the accretion of the Debentures and Notes Payable. The Credit Facilities were reduced by the application of proceeds from the issuance of the Notes Payable and the sale of the head office buildings (Section 6.4 Long-term debt).

6. LIQUIDITY AND CAPITAL RESOURCES

6.1 OPERATING ACTIVITIES

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

The following table highlights the movements in cash from operating activities for the three and nine months ended September 30, 2021 and 2020 (in thousands of dollars):

Cash flows provided by (used in) operating activities	Third Quarter			Year to Date		
	2021	2020	Change	2021	2020	Change
Net loss from continuing operations	$ (33,552)	$ (121,209)	$ 87,657	$ (226,944)	$ (393,598)	$ 166,654
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation and amortization of other assets (i)	28,297	30,375	(2,078)	85,541	96,096	(10,555)
Depreciation of right-of-use assets	25,151	30,539	(5,388)	77,206	100,257	(23,051)
Unrealized foreign exchange	(479)	245	(724)	(23)	(445)	422
Interest rate swap agreements - non-cash interest	(2,071)	118	(2,189)	(7,448)	11,413	(18,861)
Accretion of Debentures and Notes Payable	4,050	4,043	7	11,809	4,043	7,766
Other non-cash interest (ii)	188	351	(163)	812	1,028	(216)
Loss (gain) on disposal of assets	22	(14,113)	14,135	(29,859)	(12,818)	(17,041)
Deferred income taxes	—	(49,685)	49,685	—	(126,227)	126,227
Non-cash Share-based compensation	1,246	273	973	3,064	4,377	(1,313)
Change in fair value of financial instruments	(2,570)	—	(2,570)	(3,370)	—	(3,370)
Impairment of long-lived assets and goodwill	—	65,634	(65,634)	—	238,688	(238,688)
Net change in interests in joint ventures and associates	(899)	1,765	(2,664)	3,893	7,834	(3,941)
Changes in operating assets and liabilities	32,640	(34,894)	67,534	118,843	24,079	94,764
Net cash provided by (used in) operating activities	$ 52,023	$ (86,558)	$ 138,581	$ 33,524	$ (45,273)	$ 78,797

(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.

Third Quarter

Cash provided by operating activities was $52.0 million in the third quarter of 2021 as compared to cash flows of $86.6 million used in operating activities in the prior year period. The movement was primarily due to Cineplex's reopening of its entire circuit of theatres and LBE venues by the latter half of July 2021 leading to improved operating results, in addition to the receipt of tax refunds in 2021.

Year to Date

Cash provided by operating activities was $33.5 million for the nine months ended September 30, 2021, as compared to cash flows of $45.3 million used in operating activities the prior year period. The movement was primarily due to the reopening of Cineplex's entire circuit of theatres and LBE venues by the latter half of July 2021 leading to improved operating results in the third quarter of 2021, the receipt of tax refunds in 2021, and the timing of settlement of operating assets and liabilities in the third quarter of 2020.

6.2 INVESTING ACTIVITIES

The following table highlights the movements in cash used in investing activities for the three and nine months ended September 30, 2021 and 2020 (in thousands of dollars):

Cash flows (used in) provided by investing activities	Third Quarter			Year to Date		
	2021	2020	Change	2021	2020	Change
Proceeds from sale of assets, net	$ 3,231	$ 21,000	$ (17,769)	$ 63,147	$ 21,050	$ 42,097
Purchases of property, equipment and leaseholds	(4,834)	(11,498)	6,664	(18,575)	(63,442)	44,867
Intangible assets additions	(2,130)	(1,418)	(712)	(7,208)	(6,899)	(309)
Tenant inducements	1,359	3,300	(1,941)	7,024	21,599	(14,575)
Net cash received from joint ventures and associates	—	—	—	—	3,910	(3,910)
Net cash (used in) provided by investing activities	$ (2,374)	$ 11,384	$ (13,758)	$ 44,388	$ (23,782)	$ 68,170

Third Quarter

Cash used in investing activities during the third quarter of 2021 was $2.4 million as compared to cash flows provided by investing activities in the prior year period of $11.4 million. Cash proceeds of $3.2 million were received for the sale of certain protective rights on leased properties in the third quarter of 2021, as compared to $21.0 million received with respect to the sale of lease rights in 2020, offset by a year-over-year reduction in capital expenditures net of tenant inducement received.

Year to Date

For the nine months ended September 30, 2021, cash provided by investing activities was $44.4 million, as compared to cash flows of $23.8 million used in investing activities in the prior year period. The change was due to the cash proceeds received from the sale of Cineplex's head office buildings during the first quarter of 2021 and the sale of certain restrictive lease rights in 2021. The movement is also driven by a reduction of capital expenditures net of tenant inducement received with the deferral of capital projects during the current period in response to the pandemic.

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

Capital expenditures	Third Quarter			Year to Date		
	2021	2020	Change	2021	2020	Change
Gross capital expenditures	$ 4,834	$ 11,498	$ (6,664)	$ 18,575	$ 63,442	$ (44,867)
Less: tenant inducements	(1,359)	(3,300)	1,941	(7,024)	(21,599)	14,575
Net capital expenditures	$ 3,475	$ 8,198	$ (4,723)	$ 11,551	$ 41,843	$ (30,292)
Net capital expenditures consists of:						
Growth and acquisition capital expenditures (i)	$ 2,150	$ 4,100	$ (1,950)	$ 10,585	$ 28,281	$ (17,696)
Tenant inducements	(1,359)	(3,300)	1,941	(7,024)	(21,599)	14,575
Media growth capital expenditures	402	24	378	1,591	198	1,393
Premium formats (ii)	10	(11)	21	(141)	2,343	(2,484)
Amusement gaming & leisure growth capital expenditures (excluding LBE expenditures)	387	23	364	688	505	183
Maintenance capital expenditures	865	617	248	1,602	4,208	(2,606)
Other (iii)	1,020	6,745	(5,725)	4,250	27,907	(23,657)
	$ 3,475	$ 8,198	$ (4,723)	$ 11,551	$ 41,843	$ (30,292)

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

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

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

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

6.3 FINANCING ACTIVITIES

The following table highlights the movements in cash from financing activities for the three and nine months ended September 30, 2021 and 2020 (in thousands of dollars):

Cash flows (used in) provided by financing activities	Third Quarter			Year to Date		
	2021	2020	Change	2021	2020	Change
Dividends paid	$ —	$ —	$ —	$ —	$ (19,000)	$ 19,000
Repayments under Credit Facilities, net	(26,000)	(204,000)	178,000	(247,000)	(165,000)	(82,000)
Repayments of lease obligations - principal	(24,191)	(24,811)	620	(62,734)	(59,623)	(3,111)
Proceeds from issuance of Shares	—	—	—	—	—	—
Issuance of Convertible Debentures, net		303,063	(303,063)	—	303,063	(303,063)
Issuance of Notes Payable, net	—	—	—	243,996	—	243,996
Financing fees	—	—	—	(321)	(800)	479
Net cash (used in) provided by financing activities	$ (50,191)	$ 74,252	$ (124,443)	$ (66,059)	$ 58,640	$ (124,699)

Third Quarter

Cash flows used in financing activities was $50.2 million in the third quarter of 2021, as compared to cash provided in the prior year comparative period of flows of $74.3 million. The movement was primarily due to the net proceeds arising from the issuance of the Debentures of $303.1 million in 2020, net of the repayment of amounts borrowed under the Credit Facilities.

Year to Date

For the nine months ended September 30, 2021, cash flows used in financing activities were $66.1 million, as compared to cash flows of $58.6 million provided by financing activities in the prior year period. The movement was primarily due to the net proceeds arising from the debt financing and repayment of amounts borrowed under the Credit Facilities in 2021. During the first quarter of 2021, the net proceeds of the Notes Payables and sale of head office buildings were used to repay the Credit Facilities ($100.0 million of which was a permanent repayment). During the third quarter of 2020, the net proceeds of the issuance of Debentures was used to repay the Credit Facilities, of which $100.0 million was permanent.

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

6.4 LONG-TERM DEBT

Credit facilities

Cineplex has bank facilities with a syndicate of lenders which includes a revolving facility (the "Revolving Facility") and non-revolving credit facility (the "Term Facility", and together with the Revolving Facility, as amended, the "Credit Facilities") pursuant to a seventh amended and restated credit agreement between Cineplex, Cineplex Entertainment Limited Partnership, the guarantors from time to time party thereto, and a syndicate of lenders dated November 13, 2018 (as further amended from time to time, the "Credit Agreement"). In the first quarter of 2021, the Term Facility was repaid in full and is no longer available for future borrowing.

At September 30, 2021, 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
Revolving Facility	$ 541.7	$ 259.0	$ 11.0	$ 271.7
Letters of credit outstanding at September 30, 2021 of $11.0 million are reserved against the Revolving Facility.				

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

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

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

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

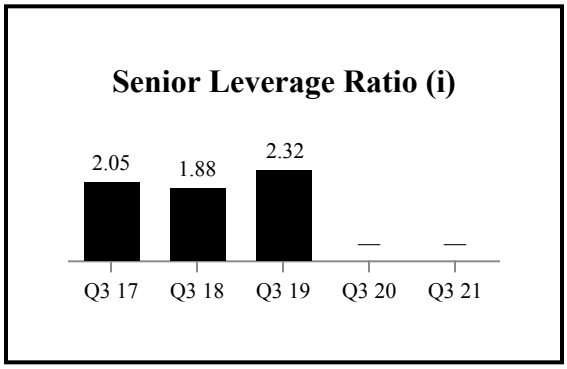
- The following amendments to the Credit Facilities became effective upon the completion of the issuance of $250.0 million Notes Payable during the first quarter of 2021:
    - The suspension of financial covenant testing was extended until the fourth quarter of 2021. On resumption of financial covenant testing in the fourth quarter of 2021:
        - for the fourth quarter of 2021, testing will be based on an annualized calculation of Adjusted EBITDA (as further adjusted in accordance with the Credit Agreement definitions) based on the actual results for such quarter;
        - for the quarter ending on March 31, 2022, testing will be based on an annualized calculation of Adjusted EBITDA based on actual results for the fourth quarter of 2021 and the first quarter of 2022 multiplied by 2; and
        - for the quarter ending on June 30, 2022, testing will be based on an annualized calculation of Adjusted EBITDA for the fourth quarter of 2021, the first quarter of 2022 and the second of 2022 multiplied by 4/3;

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

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

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

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



(i) No covenant ratio testing was required for Q3 2020 or Q3 2021.

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

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

The following table outlines Cineplex's current interest rate swap agreements as of September 30, 2021:

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

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

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

Based on the leverage ratio covenant in effect at September 30, 2021 Cineplex's effective cost of borrowing on up to $450.0 million hedged borrowings at terms consistent with those in place at period end would be 6.904% (September 30, 2020 - $450.0 million hedged borrowings - 5.216%).

Convertible debentures

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

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

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

The fair value of the liability component of the Debentures was assessed at inception based on an estimated market discount rate of 14.1% less the pro-rata portion of transaction costs, and will be accreted to the full face value over the term of the Debentures. Cineplex recorded cash interest expense on the Debentures during the quarter and year to date of $4.6 million (2020 - $3.9 million) and $13.6 million (2020 - $3.9 million), respectively. Furthermore, Cineplex recorded accretion expense during the quarter and year to date of $3.9 million (2020 - $4.0 million) and $11.3 million (2020 - $4.0 million), respectively, both of which are included as part of the interest expense in the consolidated statement of operations. The residual value was allocated to the equity component less the pro-rata portion of transaction costs as prescribed by IFRS 9, *Financial Instruments*.

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

Notes Payable

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

Cineplex recorded cash interest expense on the Notes Payable during the quarter and year to date of $4.7 million (2020 - $nil) and $11.1 million (2020 - $nil), respectively. Furthermore, Cineplex recorded accretion expense during the quarter and year to date of $0.2 million (2020 - $nil) and $0.6 million (2020 - $nil), respectively, both of which are included as part of interest expense in the consolidated statement of operations. As at September 30, 2021, Cineplex has $250.0 million principal amount of Notes Payable outstanding. Cineplex's derivative financial instrument relates to the early prepayment option that fluctuates in value based on market interest rates. The fair value of the embedded derivative was determined using an option pricing model with observable market inputs and are consistent with accepted methods for valuing financial instruments. Cineplex has estimated the fair value of this embedded derivative at $3.8 million as at September 30, 2021 which is presented on the consolidated balance sheets.

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

6.5 FUTURE OBLIGATIONS

Cineplex has aggregate gross capital commitments of $73.5 million ($53.7 million net of tenant inducements) related to the completion of construction of six 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 Facilities 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 and as of July 17, 2021, had reopened all theatres and LBE venues with capacity restrictions in most provinces.

Cineplex is guarantor under the leases for the remainder of the lease terms for certain theatres that it has sold in the event that the purchaser of the theatres does not fulfill its obligations under the respective lease; ten or fewer of those theatres are still operated by a third-party lease under which Cineplex 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 September 30, 2021 is nominal. As such, no additional amounts have been provided in the consolidated financial statements for these guarantees. Should the purchasers of the theatres fail to fulfill their lease commitment

obligations, Cineplex could face a substantial financial burden, which could be mitigated by Cineplex operating any theatres under default.

At September 30, 2021, Cineplex had $316.3 million principal amount of Debentures outstanding that bear interest at 5.75% per annum and have a maturity date of September 30, 2025. At September 30, 2021, the Debentures were recorded on Cineplex's balance sheet at $230.5 million (Section 6.4, Long-term debt). The Debentures are being accreted to their maturity value using the effective interest method as prescribed by IFRS 9, *Financial Instruments*. The Debentures are not redeemable by Cineplex prior to September 30, 2023. On or after September 30, 2023 and prior to September 30, 2024, Cineplex may, at its option, redeem the Debentures in whole or in part from time to time, subject to specific market conditions. On or after September 30, 2024, the Debentures may be redeemed in whole or in part from time to time at the option of Cineplex at a price equal to their principal amount plus accrued and unpaid interest. Redemption may be in cash or in the form of Shares, at the option of Cineplex.

At September 30, 2021, Cineplex had $250.0 million Notes Payable principal amount outstanding that bear interest at 7.50% per annum and have a maturity date of February 26, 2026. Cineplex, may at its option, redeem the Notes Payable at specified redemption prices prior to maturity. See Section 6.4 Long-term debt, for more information regarding the Notes Payable.

7. ADJUSTED FREE CASH FLOW AND DIVIDENDS (see Section 15, Non-GAAP measures)

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

7.1 ADJUSTED FREE CASH FLOW

Prior to the monthly dividend that was paid on February 28, 2020, Cineplex distributed cash to its shareholders on a monthly basis. The following table illustrates adjusted free cash flow per Share, dividends paid per Share and the payout ratio of dividends relative to adjusted free cash flow for the three and nine months ended September 30, 2021 and 2020:

Adjusted free cash flow	Third Quarter			Year to Date		
	2021	2020	Change	2021	2020	Change
Adjusted free cash flow per Share	$ (0.091)	$ (1.221)	-92.5%	$ (2.376)	$ (2.074)	14.6%
Dividends declared per Share	$ —	$ —	NM	$ —	$ 0.150	-100.0%
Payout ratio - 12 months ended September 30	— %	— %	NM	— %	-41.2%	41.2%

Adjusted free cash flow per Share for the third quarter improved as compared to the prior year, due to reopening of Cineplex's entire circuit of theatres and LBE during the third quarter of 2021. For the year to date period, adjusted free cash flow per Share was reduced as compared to the prior year period mainly due to the timing of settlement of operating assets and liabilities.

	Third Quarter			Year to Date		
	2021	2020	Change	2021	2020	Change
Cash flows used in continuing operating activities	$ 52,023	$ (86,558)	NM	$ 33,524	$ (45,273)	NM
Net loss from continuing operations	$ (33,552)	$ (121,209)	-72.3%	$ (226,944)	$ (393,598)	-42.3%
Standardized free cash flow	$ 50,420	$ (77,056)	NM	$ 18,214	$ (87,665)	NM
Adjusted free cash flow	$ (5,753)	$ (77,332)	-92.6%	$ (150,485)	$ (131,340)	14.6%
Cash dividends declared	$ —	$ —	NM	$ —	$ 9,500	-100.0%
Average number of Shares outstanding	63,342,557	63,333,238	—%	63,339,070	63,333,238	—%

7.2 DIVIDENDS

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

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

Distribution and dividend history

Effective Date	Monthly Distribution/ Dividend per Unit/Share
January 2004 (i)	$ 0.0958
May 2007	$ 0.1000
May 2008 (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 September 30, 2021 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, 2020	63,333,238	$ 852,379	852,379
Issuance of shares on exercise of options	9,875	77	77
Balance - September 30, 2021	63,343,113	$ 852,456	$ 852,456

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

Omnibus Incentive Plan

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

Stock Options

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

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

Cineplex recorded employee benefits expense of $0.5 million and $1.4 million with respect to the options during the three and nine months ended September 30, 2021 (2020 - expense of $0.3 million and $1.9 million, respectively). At September 30, 2021, $nil associated with options is reflected in current share-based compensation liability on the consolidated balance sheets (2020 - $0.1 million). In the first quarter of 2021, 165,146 stock options issued under the Legacy Plan were cancelled as part of a voluntary stock option cancellation program that was initiated in the fourth quarter of 2020.

Upon cashless exercises, the options exercised in excess of Shares issued are cancelled and returned to the pool available for future grants. At September 30, 2021, 1.7 million options are available for grant.

A summary of option activities for the nine months ended September 30, 2021 and 2020 is as follows:

	2021			2020	
	Weighted average remaining contractual life (years)	Number of underlying Shares	Weighted average exercise price	Number of underlying Shares	Weighted average exercise price
Options outstanding - January 1	7.64	2,042,019	$ 25.37	3,123,521	$ 38.62
Granted		459,501	12.69	725,758	8.25
Cancelled		(188,303)	43.90	—	—
Exercised		(24,220)	8.25	—	—
Forfeited		(67,280)	17.32	(237,703)	35.40
Options outstanding – end of period	7.67	2,221,717	$ 21.60	3,611,576	$ 32.72

RSU and PSU awards

The grants of Share equivalents were as follows:

	PSU Share equivalents granted	RSU Share equivalents granted	PSU Share equivalents minimum payout	PSU Share equivalents maximum payout
2021 LTIP award	167,546	315,619	—	335,092
2020 LTIP award	284,214	277,105	—	568,428
2019 LTIP award	105,777	54,940	7,788	211,553

During the nine month period ended September 30, 2021, Cineplex issued 262,487 equity settled RSUs with a fair value $12.87 per unit (total fair value of $3.4 million) and 167,546 equity settled PSUs with a fair value of $12.87 per unit (total fair value of $2.2 million). The fair value was assessed based on Cineplex's closing Share price on the grant date. The RSU and PSU awards issued will vest in the fourth quarter of 2023. Cineplex also issued 53,132 cash settled RSUs during the period with a fair value of $14.95 (total fair value of $0.8 million on issuance). The valuation was assessed based on Cineplex's closing share price on the grant date and will fluctuate in value based on Cineplex's Share price. The RSU awards will vest in the second quarter of 2023.

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

Incentive Plan costs are estimated at the grant date based on expected performance results then accrued and recognized on a graded basis over the vesting period. Forfeitures are estimated to be nominal, based on historical forfeiture rates. Cineplex recognized compensation expense of $0.7 million and $2.1 million for the three and nine month period ended September 30, 2021 (2020 - recovery of $(1.6) million and $(6.8) million, respectively) under

the Incentive Plan relating to RSU and PSU. At September 30, 2021, $0.8 million (2020 - $1.2 million) was included in share-based compensation liability, and $2.1 million in contributed surplus (2020 - $nil).

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 month period ended September 30, 2021, Cineplex recognized compensation recovery of $(0.6) million and compensation expense of $1.2 million during the nine month period ended September 30, 2021 (2020 - recovery of $(0.8) million and $(8.6) million, respectively) associated with the deferred equity units. At September 30, 2021, $4.7 million (2020 - $2.5 million) was included in share-based compensation liability.

9. SEASONALITY AND QUARTERLY RESULTS

Historically, Cineplex's revenues have been seasonal, coinciding with the timing of major film releases. The most marketable motion pictures were traditionally released during the summer and the late-November through December holiday season. This caused changes from quarter to quarter in theatre attendance, affecting theatre exhibition reported results. The seasonality of theatre attendance has become less pronounced as film studios have expanded the historical summer and holiday release windows and increased the number of heavily marketed films released during traditionally weaker periods. The impact COVID-19 has also impacted the timing of major film releases as distributors has been moving their films out to future dates in response to government restrictions for theatres in different countries. Cineplex's diversification into other businesses such as digital media and amusement and leisure, which are not dependent on motion picture content, has contributed to reduce the impact of this seasonality on Cineplex's consolidated results. To meet working capital requirements during lower revenue quarters, Cineplex can draw upon the Revolving Facility, which had $259.0 million drawn and $271.7 million available as of September 30, 2021, subject to restrictions under the Credit Facilities including the liquidity covenant described above (Section 6.4, Long-term debt). In response to the impact of the COVID-19 pandemic, Cineplex is closely monitoring its liquidity. Details with respect to its ongoing undertakings are detailed in Section 1.1 COVID-19 business impacts, risks and liquidity.

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

	2021			2020				2019
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues								
Box office revenues	**$ 94,114**	$ 12,498	$ 3,818	$ 7,260	$ 14,531	$ 27	$111,002	$181,789
Food service revenues	**79,971**	13,258	6,525	10,543	15,468	3,256	79,365	125,159
Media revenues	**14,060**	9,401	9,074	12,496	12,825	7,880	32,157	69,545
Amusement revenues	**53,319**	22,184	13,874	13,597	13,236	3,731	47,337	53,471
Other revenues	**8,916**	7,585	8,121	8,556	4,962	7,094	12,940	13,256
	$250,380	$ 64,926	$ 41,412	$ 52,452	$ 61,022	$ 21,988	$282,801	$443,220
Expenses								
Film cost	**$ 45,838**	$ 5,611	$ 1,235	$ 3,151	$ 7,261	$ 10	$ 56,500	$ 93,925
Cost of food service	**16,362**	2,867	1,412	3,989	3,680	789	22,209	27,701
Depreciation - right-of-use assets (i)	**25,151**	25,737	26,318	28,136	30,539	34,185	35,533	36,471
Depreciation and amortization - other	**28,297**	27,735	29,509	28,750	30,375	31,759	33,962	33,135
Loss (gain) on disposal of assets	**22**	179	(30,060)	(283)	(14,113)	478	817	868
Other costs	**139,527**	73,352	68,705	77,213	78,754	62,175	157,548	214,922
Impairment of long-lived assets and goodwill	**—**	—	—	56,175	65,634	—	173,054	—
	$255,197	$135,481	$ 97,119	$197,131	$202,130	$129,396	$479,623	$407,022
(Loss) income from operations	**$ (4,817)**	$ (70,555)	$ (55,707)	$(144,679)	$(141,108)	$(107,408)	$(196,822)	$ 36,198
Adjusted EBITDA (i)	**$ 48,606**	$ (16,902)	$ (30,105)	$ (32,097)	$ (28,928)	$ (41,313)	$ 46,472	$106,529
Adjusted EBITDAaL (i)	**$ 10,762**	$ (53,165)	$ (62,090)	$ (65,948)	$ (46,725)	$ (72,532)	$ 2,390	$ 62,327
Net (loss) income from continuing operations	**$(33,552)**	$(103,704)	$ (89,688)	$(230,403)	$(121,209)	$ (98,234)	$(174,155)	$ 4,668
Net loss from discontinued operations	**—**	$ —	$ —	$ —	$ —	$ (693)	$ (4,259)	$ (1,196)
Net (loss) income	**$(33,552)**	$(103,704)	$ (89,688)	$(230,403)	$(121,209)	$ (98,927)	$(178,414)	$ 3,472
EPS - basic and diluted from continuing operations	**$ (0.53)**	$ (1.64)	$ (1.42)	$ (3.64)	$ (1.91)	$ (1.55)	$ (2.75)	$ 0.08
EPS - basic and diluted from discontinued operations	**—**	—	—	—	—	(0.01)	(0.07)	(0.02)
EPS - basic and diluted	**$ (0.53)**	$ (1.64)	$ (1.42)	$ (3.64)	$ (1.91)	$ (1.56)	$ (2.82)	$ 0.06
Cash provided by (used in) operating activities	**$ 52,023**	$ 17,133	$ (35,632)	$ (61,041)	$ (86,558)	$ 18,095	$ 23,190	$124,133
Cash (used in) provided by investing activities	**(2,374)**	(1,761)	48,523	50,492	11,384	(8,947)	(26,219)	(46,443)
Cash (used in) provided by financing activities	**(50,191)**	(6,086)	(9,782)	12,977	74,252	(2,793)	(12,819)	(84,850)
Effect of exchange rate differences on cash	**(189)**	413	140	650	292	560	(950)	345
Net change in cash	**$ (731)**	$ 9,699	$ 3,249	$ 3,078	$ (630)	$ 6,915	$ (16,798)	$ (6,815)
Cash flows used in discontinued operations	**—**	$ —	$ —	$ —	$ —	$ (253)	$ (2,138)	$ 2,821
BPP (i)	**$ 11.38**	$ 10.89	$ 9.20	$ 9.23	$ 9.30	$ 4.50	$ 10.36	$ 10.79
CPP (i)	**$ 8.58**	$ 7.86	$ 6.12	$ 9.06	$ 7.37	$ 10.33	$ 6.79	$ 6.81
Film cost percentage (i)	**48.7 %**	44.9 %	32.3 %	43.4 %	50.0 %	37.0 %	50.9 %	51.7 %
Theatre attendance (in thousands of patrons) (i)	**8,272**	1,148	415	786	1,563	6	10,710	16,849
Theatre locations (at period end)	**161**	160	161	162	164	164	164	165
Theatre screens (at period end)	**1,656**	1,651	1,657	1,667	1,687	1,687	1,687	1,693

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

Summary of adjusted free cash flow by quarter

Management calculates adjusted free cash flow per Share as follows (see Section 15, Non-GAAP measures, for a discussion of adjusted free cash flow) (in thousands of dollars except per Share data and number of Shares outstanding):

	2021			2020				2019
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Cash provided by (used in) operating activities	**$ 52,023**	$ 17,133	$ (35,632)	$ (61,041)	$ (86,558)	$ 18,095	$ 23,190	$ 124,133
Less: Total capital expenditures	**(1,603)**	(4,992)	(8,715)	(10,099)	(11,418)	(14,391)	(37,503)	(51,448)
Standardized free cash flow	**50,420**	12,141	(44,347)	(71,140)	(97,976)	3,704	(14,313)	72,685
Add/(Less):								
Changes in operating assets and liabilities	**(32,640)**	(62,622)	(23,581)	67,257	34,894	(69,401)	10,428	(40,670)
Changes in operating assets and liabilities of joint ventures	**(31)**	(524)	(802)	(2,699)	372	(986)	(1,156)	(131)
Principal component of lease obligations	**(24,191)**	(19,086)	(19,457)	(32,323)	(24,811)	(993)	(33,819)	(32,352)
Principal portion of cash rent paid not pertaining to current period	**—**	(369)	1,106	(357)	(357)	(357)	1,071	(346)
Growth capital expenditures and other	**736**	4,511	8,461	8,928	10,801	13,777	34,526	37,202
Share of (loss) income of joint ventures, net of non-cash depreciation	**(47)**	2	(165)	(196)	(255)	(331)	(73)	(147)
Non-controlling interests	**—**	—	—	—	—	4	1	4
Net cash received from CDCP	**—**	—	—	—	—	782	3,128	2,882
Adjusted free cash flow	**(5,753)**	$ (65,947)	$ (78,785)	$ (30,530)	$ (77,332)	$ (53,801)	$ (207)	$ 39,127
Average number of Shares outstanding	**63,342,557**	63,339,618	63,334,317	63,333,238	63,333,238	63,333,238	63,333,238	63,333,238
Adjusted free cash flow per Share	**$ (0.091)**	$ (1.041)	$ (1.244)	$ (0.482)	$ (1.221)	$ (0.849)	$ (0.003)	$ 0.618

10. RELATED PARTY TRANSACTIONS

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

11. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTIES

Cineplex makes estimates and assumptions concerning the future that may not equal actual results. These estimates and assumptions are outlined in Section 12 of the Annual MD&A. These estimates and assumptions have not changed materially since December 31, 2020.

12. RISKS AND UNCERTAINTIES

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

Cineplex conducts an annual enterprise risk management assessment which is overseen by Cineplex's executive management team and the audit committee of the Board and is reported to the full Board. The enterprise risk management framework sets out principles and tools for identifying, evaluating, prioritizing and managing risk

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

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

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

The outbreak of the COVID-19 pandemic has had an unprecedented impact on all of Cineplex's business segments. As an entertainment company that operates in spaces where guests gather in close proximity, including theatres and LBE venues, Cineplex has been significantly impacted by the actions taken to control the spread of COVID-19. On March 16, 2020, Cineplex announced the temporary closure of all of its theatres and LBE venues across Canada, as well as substantially all route locations operated by P1AG. On April 1, 2020, in response to applicable government directives and guidance from Canadian public health authorities, Cineplex announced that the closure of its theatres and LBE venues across Canada would remain in effect and that the reopening of such locations would be reassessed as further guidance is provided by Canadian public health authorities and applicable government authorities. Although restrictions on social gatherings were temporarily lifted in many of the markets in which Cineplex operated over the summer and into the fall of 2020, social gathering restrictions were reinstituted in the late fall and winter with the increased number of COVID-19 cases and the onset of a third wave in the latter half of the first quarter of 2021, involving more transmissible variants. As of July 17, 2021, Cineplex reopened its entire circuit of theatres after months of extended closure periods, subject to capacity limitations. The reopening included Cineplex's 161 theatre locations, encompassing 1,656 screens across Canada including 18 VIP Cinemas locations. The fourth wave of COVID-19 due to more transmissible variants, particularly the Delta variant, increases the risk for further lockdown measures which will delay Cineplex's return to profitability.

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

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

- lack of availability of films in the short or long-term, including as a result of (i) potential delays in film releases; (ii) release of scheduled films on alternative channels, (iii) disruptions or suspensions of film production, or (iv) the reduction or elimination of the theatrical exclusive release window including the introduction of a PVOD window and direct to streaming services releases;
- increased operating costs resulting from additional regulatory requirements enacted in response to the COVID-19 pandemic and from precautionary measures it voluntarily takes at Cineplex's locations for the health and well being of its guests and employees;
- unavailability of employees and/or their inability or unwillingness to conduct work under revised work environment protocols;
- reductions and delays associated with planned operating and capital expenditures;
- Cineplex's inability to generate significant cash flow from operations if Cineplex's theatres continue to operate at significantly lower than historical levels, which could, in the long-term, lead to a substantial increase in indebtedness and may negatively impact Cineplex's ability to comply with the financial covenants in the Credit Facilities;

- Cineplex's inability to further access lending, capital markets and other sources of liquidity, if needed, on reasonable terms, or at all, or obtain amendments, extensions and waivers of financial maintenance or other material terms;
- Cineplex's inability to effectively meet short-term and long-term obligations which it does not have the ability to eliminate or reduce (including interest payments, critical maintenance capital expenditures and compensation and benefits payments);
- Cineplex's inability to service its existing and future indebtedness; and
- decreased attendance at Cineplex's theatres after they reopen, including due to (i) continued health and safety concerns or (ii) a change in consumer behaviour in favour of alternative forms of entertainment.

The longer and more severe the COVID-19 pandemic is, including new outbreaks in the future, the more significant the negative 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, governmental officials may order additional closures, impose further restrictions on travel or introduce social distancing measures such as limiting the number of people allowed in a theatre or other venue at any given time.

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

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

Litigation Arising Out of the Cineworld Transaction

Cineplex has commenced an action against Cineworld as a result of Cineworld's repudiation of the Arrangement Agreement. Cineworld has filed a counterclaim against Cineplex for an unspecified amount of costs that it incurred as a result of Cineplex's alleged breaches of the Arrangement Agreement (Section 1.1, Cineworld Transaction). While Cineplex denies Cineworld's allegations and believes that Cineworld (a) had no legal basis to terminate the Arrangement Agreement, and (b) breached the Arrangement Agreement and its other contractual obligations, the outcome of such litigation cannot be predicted with certainty. Cineplex will incur additional expenses in connection with these matters, and there can be no assurance that it will be successful in obtaining any financial remedy. Even if Cineplex's action against Cineworld is successful, Cineworld may not have the ability to pay the full amount of any damages awarded. As well, the litigation proceedings involve 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. Cineplex has never previously experienced a sustained complete halt of

its operations across Canada, and as a result, its ability to predict the impact of such a halt on its operations and future prospects is uncertain.

Negative Cash Flow from Operations

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

Business Continuity Risk

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

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

Customer Risk

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

To mitigate this risk, Cineplex offers CineClub membership providing members with benefits accessible across Cineplex's businesses nationwide including Cineplex theatres, the Cineplex Store and LBE venues. Cineplex also offers the SCENE loyalty program, which rewards guests for their patronage with special offers as well as the ability to earn and redeem points. However, loyalty programs also carry a risk 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. Cineplex continues to evolve the movie-going experience by launching Canada's first of its

kind movie subscription program, CineClub, providing members with benefits accessible at Cineplex theatres, the Cineplex Store and LBE venues. In addition, digital technology has allowed for more niche programming.

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

Even when government restrictions are fully 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 at unrestricted capacity levels, a single outbreak of COVID-19 in a theatre could result in additional costs and further closures. If Cineplex does not respond appropriately to the COVID-19 pandemic, or if customers do not perceive its response to be adequate, Cineplex could suffer damage to its reputation, which could significantly adversely affect its business, financial condition and results of operations.

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

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

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

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

Film Entertainment and Content Risk

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

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

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

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

Exhibition Industry Risk

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

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

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

Media Risk

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

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

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 inability 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 its existing locations or its performance targets. New locations may even operate at a loss, which could have a significant adverse effect on the overall operating results.

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

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

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

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

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

Technology/Cyber Risk

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

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

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

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

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. Currently, as the majority of Cineplex's corporate employees have moved to a work-from-home platform, there is an increased risk to Cineplex's technology systems. In response, Cineplex has implemented additional security measures, including training, monitoring and testing and contingency plans, to protect systems.

Real Estate Risk

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

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

Sourcing Risk

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

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

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

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

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

Human Resources Risk

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 management team could adversely affect Cineplex's business, results of operations and Cineplex's ability to effectively pursue its business strategy. Cineplex does not maintain key-man life insurance for any of its employees but does provide long-term incentive programs to retain key personnel and undertakes a comprehensive succession planning program.

Cineplex typically employs approximately 10,000 people, of whom approximately 80% are hourly workers whose compensation is based on the prevailing provincial minimum wages with incremental adjustments as required to match market conditions. Wage inflation and any increase in minimum wages will have an adverse effect on employee related costs. In order to mitigate the impact of the proposed increases, Cineplex works to expand automation, take advantage of technological efficiencies and continually reviews pricing. Approximately 6% of Cineplex's employees are represented by unions, located primarily in the province of Quebec. Because of the small percentage of employees represented by unions, the impact of labour disruption nationally is low.

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

Health and Safety Risk

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

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

Environment/Sustainability Risk

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

Integration Risk

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

Financial and Markets Risk

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

If there is an unexpected prolonged impact of COVID-19, Cineplex may not have sufficient funds available under its current financing sources to fund operations on a short and/or long-term basis. The effects of COVID-19 on the financial markets could significantly impact 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 represented 10.3% of Cineplex's revenues in 2019 (the last full year not impacted by the COVID-19 pandemic). These revenues are naturally hedged by Cineplex's US-based operating costs.

Interest Rate Risk

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

Legal, Regulatory, Taxation and Accounting Risk

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

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

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

As additional information becomes available, any potential liability related to these proceedings is assessed and the estimates are revised, if necessary.

13. CONTROLS AND PROCEDURES

13.1 DISCLOSURE CONTROLS AND PROCEDURES

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

13.2 INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

14. OUTLOOK

The following discussion is qualified in its entirety by the caution regarding forward-looking statements at the beginning of this MD&A and Section 12, Risks and uncertainties.

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

Canada's vaccination rate has made tremendous progress during the year with a high percentage of the eligible population being fully vaccinated. While vaccinations rates continue to improve, many Canadian jurisdictions are taking a cautious approach to reopening with more restrictive measures continuing to be in place as compared to other major markets such as the United States. As a result of lower case counts and the successful rollout of vaccines, all provinces in Canada have loosened their restrictions which, as of July 17 2021, has allowed to Cineplex to reopen its entire circuit of theatres and LBE venues for the first time in 2021. However, additional variants could continue to create a negative impact on Cineplex's operations and cash flows.

The release of *Shang-Chi and the Legend of the Ten Rings* during the third quarter generated strong results in the United States and globally, setting the all-time box-office record for a Labour Day release generating $94.0 million, as reported, during its opening weekend, grossing total box office revenues since its release of $218.4 million and $414.6 million, as reported, respectively. Subsequently, Disney on September 10, 2021 announced plans for exclusive theatrical release windows for the remainder of their 2021 slate of films. Film releases for the fourth quarter include the following: *Venom: Let There Be Carnage, No Time to Die, Halloween Kills, Dune, Eternals, Ghostbusters: Afterlife, West Side Story, Spider-Man: No Way Home* and *The Matrix Resurrections.* With the strong

slate of upcoming film products, Cineplex remains confident that moviegoers will return to theatres to enjoy the full theatrical experience to which they had become accustomed prior to the pandemic.

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

FINANCIAL OUTLOOK

For the first time since the start of the pandemic, Cineplex reported positive adjusted EBITDAaL for all of its reportable operating segments and on a consolidated basis during the third quarter of 2021. With the ongoing negative impact of the ongoing COVID-19 pandemic, management focus continues to be on minimizing net cash burn and optimizing liquidity. Since the onset of the COVID-19 pandemic, Cineplex has entered into three amendments to the Credit Facilities, providing Cineplex with certain financial covenant relief in light of the COVID-19 pandemic and its effects on Cineplex's businesses (Section 6.4 Long-term debt).

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

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

Cineplex filed tax returns for the 2020 taxation year claiming a $62.6 million recovery of income taxes paid in prior periods, all of which had been received by September 30, 2021.

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

15. NON-GAAP MEASURES

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

15.1 EBITDA, ADJUSTED EBITDA AND ADJUSTED EBITDAaL

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

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

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net loss from continuing operations	**$ (33,552)**	**$ (121,209)**	**$ (226,944)**	**$ (393,598)**
Depreciation and amortization - other	28,297	30,375	85,541	96,096
Depreciation - right-of-use assets	25,151	30,539	77,206	100,257
Interest expense - lease obligations	14,842	11,854	43,942	34,885
Interest expense - other	17,990	15,503	49,554	42,108
Interest income	(68)	(20)	(202)	(149)
Current income tax expense (recovery)	—	146	3,339	(7,719)
Deferred income tax recovery	—	(49,685)	—	(126,227)
EBITDA from continuing operations	**$ 52,660**	**$ (82,497)**	**$ 32,436**	**$ (254,347)**
Loss (gain) on disposal of assets	22	(14,113)	(29,859)	(12,818)
Change in fair value of financial instruments	(2,570)	—	(3,370)	—
CDCP equity (income) loss (i)	(988)	1,820	2,293	5,194
Foreign exchange (gain) loss	(529)	166	66	(702)
Impairment of long-lived assets and goodwill	—	65,634	—	238,688
Non-controlling interest adjusted EBITDA	—	—	—	5
Depreciation and amortization - joint ventures and associates (ii)	—	18	—	62
Taxes and interest of joint ventures and associates (ii)	11	44	33	149
Adjusted EBITDA from continuing operations	**$ 48,606**	**$ (28,928)**	**$ 1,599**	**$ (23,769)**
Cash rent paid/payable related to lease obligations (iii)	(37,469)	(8,180)	(106,467)	(96,060)
Negotiated lease-related cash savings for the period (iii) (iv)	—	(9,253)	—	2,598
Cash rent paid not pertaining to current period	(375)	(364)	375	364
Adjusted EBITDAaL (iv)	**$ 10,762**	**$ (46,725)**	**$ (104,493)**	**$ (116,867)**

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

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

(iii) The cash rent paid or payable includes negotiated lease obligation savings of $29.5 million (2020 - $31.4 million) through September 30, 2021.

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

15.2 ADJUSTED FREE CASH FLOW

Free cash flow measures the amount of cash from operating activities net of capital expenditures available for activities such as repayment of debt, dividends to owners and investments in future growth through acquisitions. Free cash flow is a non-GAAP measure generally used by Canadian corporations as an indicator of financial performance and it should not be viewed as a measure of liquidity or a substitute for comparable metrics prepared in accordance with GAAP. Standardized free cash flow is a non-GAAP measure recommended by CPA Canada's 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 September 30,		Nine months ended September 30,	
	2021	**2020**	**2021**	**2020**
Cash provided by (used in) operating activities	**$ 52,023**	**$ (86,558)**	**$ 33,524**	**$ (45,273)**
Less: Total capital expenditures net of proceeds on sale of assets	(1,603)	9,502	(15,310)	(42,392)
Standardized free cash flow	50,420	(77,056)	18,214	(87,665)
Add/(Less):				
Changes in operating assets and liabilities (i)	(32,640)	34,894	(118,843)	(24,079)
Changes in operating assets and liabilities of joint ventures and associates (i)	(31)	372	(1,357)	(1,770)
Principal component of lease obligations	(24,191)	(24,811)	(62,734)	(59,623)
Principal portion of cash rent paid not pertaining to current period	—	(357)	737	357
Growth capital expenditures and other (ii)	736	(10,119)	13,708	38,184
Share of income (loss) of joint ventures and associates, net of non-cash depreciation	(47)	(255)	(210)	(659)
Non-controlling interests	—	—	—	5
Net cash received from CDCP (iii)	—	—	—	3,910
Adjusted free cash flow	**$ (5,753)**	**$ (77,332)**	**$ (150,485)**	**$ (131,340)**
Average number of Shares outstanding	63,342,557	63,333,238	63,339,070	63,333,238
Adjusted free cash flow per Share	**$ (0.091)**	**$ (1.221)**	**$ (2.376)**	**$ (2.074)**
Dividends declared	**$ —**	**$ —**	**$ —**	**$ 0.150**

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

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

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net loss	$ (33,552)	$ (121,209)	$ (226,944)	$ (393,598)
Adjust for:				
Depreciation and amortization - other	28,297	30,375	85,541	96,096
Depreciation - right-of-use assets	25,151	30,539	77,206	100,257
Loss (gain) on disposal of assets	22	(14,113)	(29,859)	(12,818)
Change in fair value of financial instruments	(2,570)	—	(3,370)	—
Non-cash interest (i)	2,167	4,512	5,173	16,484
Foreign exchange on non-cash interest	(479)	245	(23)	(445)
Impairment of long-lived assets and goodwill	—	65,634	—	238,688
Share of (income) loss of CDCP (ii)	(988)	1,820	2,293	5,194
Non-controlling interests	—	—	—	5
Non-cash depreciation of joint ventures and associates	—	18	—	62
Deferred income tax recovery	—	(49,685)	—	(126,227)
Taxes and interest of joint ventures and associates	11	44	33	149
Maintenance capital expenditures	(867)	(617)	(1,602)	(4,208)
Principal component of finance lease obligations	(24,191)	(24,811)	(62,734)	(59,623)
Principal portion of cash rent paid not pertaining to current period	—	(357)	737	357
Net cash received from CDCP (ii)	—	—	—	3,910
Non-cash Share-based compensation	1,246	273	3,064	4,377
Adjusted free cash flow	**$ (5,753)**	**$ (77,332)**	**$ (150,485)**	**$ (131,340)**

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

15.3 OTHER NON-GAAP MEASURES MONITORED BY MANAGEMENT

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

Earnings per Share Metrics

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

Per Patron Revenue Metrics

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

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

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

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

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

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

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

Same Theatre Analysis

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

Same theatre metrics are calculated by removing the results for all theatres that have been opened, acquired, closed (excluding temporary government-mandated shutdowns) or otherwise disposed of subsequent to the start of the prior year comparative period. For the three months ended September 30, 2021 the impact of one location that has been opened or acquired and four locations that have been closed or otherwise disposed of have been excluded, resulting in 156 theatres being included in the same theatre metrics. For the nine months ended September 30, 2021 the impact of one location that has been opened or acquired and five locations that have been closed or otherwise disposed of have been excluded, resulting in 155 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	2021	Fifteen Months April 1, 2020 - June 30, 2021	2021		2020		
	Q3		Q2	Q1	Q4	Q3	Q2
Adjusted EBITDAaL	$ 10,762	$ (300,460)	$ (53,165)	$ (62,090)	$ (65,948)	$ (46,725)	$ (72,532)
Cash interest expense excluding lease obligations	(15,983)	(61,641)	(15,701)	(13,429)	(13,412)	(11,317)	(7,782)
Provision for income taxes	—	63,292	—	—	12,355	16,497	34,440
Net capital expenditures	(3,475)	(31,565)	(3,021)	(5,055)	(7,272)	(8,198)	(8,019)
Total net cash burn	$ (8,696)	$ (330,374)	$ (71,887)	$ (80,574)	$ (74,277)	$ (49,743)	$ (53,893)
Average monthly net cash burn	$ (2,899)	$ (22,025)	$ (23,962)	$ (26,858)	$ (24,759)	$ (16,581)	$ (17,964)

Cineplex Inc.

Interim Condensed Consolidated Balance Sheets
(Unaudited)

(expressed in thousands of Canadian dollars)

	September 30, 2021	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	$ 28,471	$ 16,254
Trade and other receivables	45,955	51,834
Income taxes receivable	2,034	66,551
Inventories	25,194	21,712
Prepaid expenses and other current assets	13,023	11,613
	114,677	167,964
Non-current assets		
Property, equipment and leaseholds (note 3)	479,020	555,340
Right-of-use assets (note 3 and 4)	787,427	881,418
Interests in joint ventures and associates	4,751	8,644
Intangible assets	83,563	84,922
Goodwill (note 3)	635,588	635,582
Derivative financial instrument (note 7)	3,820	—
	$ 2,108,846	$ 2,333,870

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

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

(expressed in thousands of Canadian dollars)

	September 30, 2021	December 31, 2020
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 130,132	$ 82,992
Share-based compensation (note 6)	778	482
Income taxes payable	1,938	802
Deferred revenue (note 8)	217,970	219,983
Lease obligations (note 9)	105,711	97,259
Fair value of interest rate swap agreements	9,191	7,202
	465,720	408,720
Non-current liabilities		
Share-based compensation (note 6)	4,638	2,670
Long-term debt (note 7)	734,046	725,271
Fair value of interest rate swap agreements	10,298	19,157
Lease obligations (note 9)	1,015,294	1,073,666
Post-employment benefit obligations	10,659	11,503
Other liabilities	67,945	68,649
	1,842,880	1,900,916
Total liabilities	2,308,600	2,309,636
Shareholders' (deficit) equity		
Share capital (note 10)	852,456	852,379
Deficit	(1,130,338)	(903,394)
Hedging reserves and other	(131)	(131)
Contributed surplus	78,808	75,882
Cumulative translation adjustment	(549)	(502)
Total shareholders' (deficit) equity	(199,754)	24,234
	$ 2,108,846	$ 2,333,870

Approved by the Board of Directors

"Phyllis Yaffe"
Director

"Janice Fukakusa"
Director

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Operations
(Unaudited)

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	**2020**	**2021**	**2020**
Revenues (note 8)				
Box office	$ 94,114	$ 14,531	$ 110,430	$ 125,560
Food service	79,971	15,468	99,754	98,089
Media	14,060	12,825	32,535	52,862
Amusement	53,319	13,236	89,377	64,304
Other	8,916	4,962	24,622	24,996
	250,380	61,022	356,718	365,811
Expenses				
Film cost	45,838	7,261	52,684	63,771
Cost of food service	16,362	3,680	20,641	26,678
Depreciation - right-of-use assets	25,151	30,539	77,206	100,257
Depreciation and amortization - other assets	28,297	30,375	85,541	96,096
Loss (gain) on disposal of assets	22	(14,113)	(29,859)	(12,818)
Other costs (note 11)	139,527	78,754	281,584	298,477
Share of (income) loss of joint ventures and associates	(930)	2,137	2,536	6,064
Interest expense - lease obligations	14,842	11,854	43,942	34,885
Interest expense - other	17,990	15,503	49,554	42,108
Interest income	(68)	(20)	(202)	(149)
Foreign exchange	(529)	166	66	(702)
Change in fair value of financial instruments	(2,570)	—	(3,370)	—
Impairment of long-lived assets and goodwill (notes 3)	—	65,634	—	238,688
	283,932	231,770	580,323	893,355
Loss from continuing operations before income taxes	(33,552)	(170,748)	(223,605)	(527,544)
Provision for income taxes (note 5)				
Current	—	146	3,339	(7,719)
Deferred	—	(49,685)	—	(126,227)
	—	(49,539)	3,339	(133,946)
Net loss from continuing operations	$ (33,552)	$ (121,209)	$ (226,944)	$ (393,598)
Net loss from discontinued operations, net of taxes (note 16)	—	—	—	(4,952)
Net loss	$ (33,552)	$ (121,209)	$ (226,944)	$ (398,550)
Net loss from continuing operations attributable to:				
Owners of Cineplex	(33,552)	(121,209)	$ (226,944)	$ (393,593)
Non-controlling interests	—	—	—	(5)
Net loss from continuing operations	$ (33,552)	$ (121,209)	$ (226,944)	$ (393,598)
Net loss attributable to:				
Owners of Cineplex	$ (33,552)	$ (121,209)	$ (226,944)	$ (398,545)
Non-controlling interests	—	—	—	(5)
Net loss	$ (33,552)	$ (121,209)	$ (226,944)	$ (398,550)
Net loss per share attributable to owners of Cineplex - basic and diluted:				
Continuing operations (note 12)	$ (0.53)	$ (1.91)	$ (3.58)	$ (6.21)
Discontinued operations (notes 12 and 16)	—	—	—	(0.08)
Total operations	$ (0.53)	$ (1.91)	$ (3.58)	$ (6.29)

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 September 30,		Nine months ended September 30,	
	2021	**2020**	**2021**	**2020**
Net loss from continuing operations	$ (33,552)	$ (121,209)	$ (226,944)	$ (393,598)
Other comprehensive income (loss) from continuing operations				
Items that will be reclassified subsequently to net income:				
Foreign currency translation adjustment	861	(1,145)	(47)	2,240
Recognition of currency translation adjustment on disposition of discontinued operations (note 16)	—	—	—	(160)
Other comprehensive income (loss) from continuing operations	861	(1,145)	(47)	2,080
Comprehensive loss from continuing operations	(32,691)	(122,354)	(226,991)	(391,518)
Net loss from discontinued operations, net of taxes (note 16)	—	—	—	(4,952)
Foreign currency translation adjustment from discontinued operations	—	—	—	7
Comprehensive loss	$ (32,691)	$ (122,354)	$ (226,991)	$ (396,463)
Comprehensive loss from continuing operations attributable to:				
Owners of Cineplex	$ (32,691)	$ (122,354)	$ (226,991)	$ (391,513)
Non-controlling interests	—	—	—	(5)
	$ (32,691)	$ (122,354)	$ (226,991)	$ (391,518)
Comprehensive loss attributable to:				
Owners of Cineplex	$ (32,691)	$ (122,354)	$ (226,991)	$ (396,458)
Non-controlling interests	—	—	—	(5)
	$ (32,691)	$ (122,354)	$ (226,991)	$ (396,463)

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, 2021	$ 852,379	$ 75,882	$ (131)	$ (502)	$ (903,394)	$ —	$ 24,234
Net loss	—	—	—	—	(226,944)	—	(226,944)
Other comprehensive loss (page 4)	—	—	—	(47)	—	—	(47)
Total comprehensive loss	**—**	**—**	**—**	**(47)**	**(226,944)**	**—**	**(226,991)**
Share option expense	—	1,380	—	—	—	—	1,380
PSU/RSU expense	—	1,683	—	—	—	—	1,683
Settlement for cancelled options	—	(60)	—	—	—	—	(60)
Issuance of shares on exercise of options	77	(77)	—	—	—	—	—
September 30, 2021	$ 852,456	$ 78,808	$ (131)	$ (549)	$ (1,130,338)	$ —	$ (199,754)
January 1, 2020	$ 852,379	$ 4,052	$ (131)	$ (887)	$ (264,310)	$ (109)	$ 590,994
Net loss	—	—	—	—	(398,545)	(5)	(398,550)
Other comprehensive income (page 4)	—	—	—	2,247	(160)	—	2,087
Total comprehensive loss	**—**	**—**	**—**	**2,247**	**(398,705)**	**(5)**	**(396,463)**
Dividends declared	—	—	—	—	(9,500)	—	(9,500)
Share option expense	—	548	—	—	—	—	548
Conversion to equity-settled option plan	—	3,944	—	—	—	—	3,944
Non-controlling interests acquired	—	—	—	—	(114)	114	—
Issuance of convertible debentures	—	66,800	—	—	—	—	66,800
September 30, 2020	$ 852,379	$ 75,343	$ (131)	$ 1,360	$ (672,629)	$ —	$ 256,322

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 September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Cash provided by (used in)				
Operating activities				
Net loss from continuing operations	$ (33,552)	$ (121,209)	$ (226,944)	$ (393,598)
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization - other assets	28,297	30,375	85,541	96,096
Depreciation - right-of-use assets	25,151	30,539	77,206	100,257
Unrealized foreign exchange	(479)	245	(23)	(445)
Interest rate swap agreements - non-cash interest	(2,071)	118	(7,448)	11,413
Accretion of convertible debentures and notes payable	4,050	4,043	11,809	4,043
Other non-cash interest	188	351	812	1,028
Loss (gain) on disposal of assets	22	(14,113)	(29,859)	(12,818)
Deferred income taxes (note 5)	—	(49,685)	—	(126,227)
Non-cash share-based compensation	1,246	273	3,064	4,377
Change in fair value of financial instruments	(2,570)	—	(3,370)	—
Impairment of long-lived assets, goodwill and investments (note 3)	—	65,634	—	238,688
Net change in interests in joint ventures and associates	(899)	1,765	3,893	7,834
Changes in operating assets and liabilities (note 13)	32,640	(34,894)	118,843	24,079
Net cash provided by (used in) operating activities	52,023	(86,558)	33,524	(45,273)
Investing activities				
Proceeds from disposal of assets, net	3,231	21,000	63,147	21,050
Purchases of property, equipment and leaseholds	(4,834)	(11,498)	(18,575)	(63,442)
Intangible assets additions	(2,130)	(1,418)	(7,208)	(6,899)
Tenant inducements	1,359	3,300	7,024	21,599
Net cash received from CDCP	—	—	—	3,910
Net cash (used in) provided by investing activities	(2,374)	11,384	44,388	(23,782)
Financing activities				
Dividends paid	—	—	—	(19,000)
Repayments under credit facilities, net (note 7)	(26,000)	(204,000)	(247,000)	(165,000)
Repayments of lease obligations - principal	(24,191)	(24,811)	(62,734)	(59,623)
Issuance of convertible debentures, net	—	303,063	—	303,063
Issuance of notes payable, net (note 7)	—	—	243,996	—
Financing fees	—	—	(321)	(800)
Net cash (used in) provided by financing activities	(50,191)	74,252	(66,059)	58,640
Effect of exchange rate differences on cash	(189)	292	364	(98)
(Decrease) increase in cash and cash equivalents from continuing operations	(731)	(630)	12,217	(10,513)
Cash flows used in discontinued operations (note 16)	—	—	—	(2,391)
Cash and cash equivalents - Beginning of period	29,202	13,806	16,254	26,080
Cash and cash equivalents - End of period	$ 28,471	$ 13,176	$ 28,471	$ 13,176
Supplemental information				
Cash paid for interest - lease obligation	$ 15,355	$ 7,647	$ 42,127	$ 19,168
Cash paid for interest - other	$ 2,833	$ 9,169	$ 24,345	$ 20,612
Cash received for income taxes, net	$ (8,814)	$ (3,658)	$ (62,329)	$ (15,173)

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

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

1. General information

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

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

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

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

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

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

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

The trial against Cineworld, which proceeded before a judge of the Ontario Superior Court of Justice (Commercial List), began on September 13, 2021 and closing arguments were completed on November 3, 2021.

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

The Board of Directors approved these consolidated financial statements on November 10, 2021.

2. COVID-19 business impacts, risks and liquidity

In early 2020, the outbreak of COVID-19 was confirmed in multiple countries throughout the world and on March 11, 2020, it was declared a global pandemic by the World Health Organization ("WHO"). In response, Cineplex immediately introduced enhanced cleaning protocols and reduced theatre capacities to promote social distancing. By mid-March 2020, each of Canada's provinces and territories had declared a state of emergency resulting in, among other things, the mandated closure of non-essential businesses, restrictions on public gatherings and quarantining of people who may have been exposed to the virus. On March 16, 2020, Cineplex announced the temporary closure of all of its theatres and LBE venues across Canada, as well as substantially all route locations operated by P1AG.

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

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

Liquidity measures:

- June 2020: entered into the First Credit Agreement Amendment with The Bank of Nova Scotia as administrative agent to Cineplex's seventh amended and restated credit agreement (as amended, the "Credit Facilities") providing certain financial covenant relief in light of the COVID-19 pandemic and its impact on Cineplex's business (note 7, Long-term debt);
- July 2020: issued convertible unsecured subordinated debentures (the "Debentures") for net proceeds of $303,000, (note 7, Long-term debt);

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

- November 2020: entered into the Second Credit Agreement Amendment providing further financial covenant relief (note 7, Long-term debt);
- December 2020: entered into an agreement to enhance and expand the SCENE Scotiabank loyalty program receiving $60,000 with respect to the reorganization;
- January 2021: completed the sale and leaseback of Cineplex's head office buildings located at 1303 Yonge Street and 1257 Yonge Street, Toronto, Ontario for gross proceeds of $57,000, (note 7, Long-term debt);
- January 2021: filed tax returns for the 2020 taxation year claiming a $62,624 recovery of income taxes paid in prior periods (all of which have been received as of September 30, 2021);
- February 2021: entered into the Third Credit Agreement Amendment providing further financial covenant relief (note 7, Long-term debt); and
- February 2021: issued 7.50% senior secured second lien notes due February 26, 2026 (the "Notes Payable") for net proceeds of $243,266, (note 7, Long-term debt).

Cost reduction and subsidy measures:

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

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

Although the lifting of some restrictions on the theatre and LBE businesses commenced near the end of the second quarter of 2021 and continued subsequently after the third quarter of 2021, the uncertainty of future government-imposed restrictions, and the potential long-term effect that the COVID-19 pandemic may have on Cineplex's businesses, COVID-19 may continue to have a prolonged material negative impact on Cineplex's operations.

Canada's vaccination rate has made tremendous progress during the year with a high percentage of the eligible population receiving at least one dose of a COVID-19 vaccine and an increasing number having received two doses.

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

In order to control the spread of COVID-19, the majority of provinces across Canada require proof of vaccination as part of the reopening plans in select settings including those that operate indoors with close proximity of patrons.

On July 16, 2021, Cineplex reopened its theatres in Ontario which represents 44% of screens. With the loosening of restrictions and reopening of theatres at the beginning of the quarter, Cineplex was able to benefit from the release of highly anticipated theatrical releases during the third quarter of 2021. Despite mandatory capacity restrictions that continue to be enforced where and as applicable, Cineplex recognized a significant increase in revenues during the third quarter, the highest since the pandemic was declared in early 2020. Cineplex will continue to monitor capacity restrictions and will adjust operating levels in accordance with government directives. Cineplex is optimistic that all of its businesses will recover over time, believing that consumer demand for the theatrical experience, combined with a backlog of anticipated releases of strong film content will help drive visitation, as was evidenced by strong post-reopening box office and food services revenues recognized during the third quarter of 2021.

Management continues to pursue all viable options to maintain adequate liquidity to fund operations for the currently anticipated duration of the pandemic. This includes but is not limited to asset sales such as Cineplex's head office buildings in Toronto which was completed during the first quarter, the issuance of Notes Payable (note 7, Long-term debt), amendments to its existing Credit Facilities (note 7, Long-term debt), and the sale of certain lease rights which was undertaken during 2021 in exchange for gross proceeds of $6,436. The proceeds received were primarily used to repay Cineplex's existing Credit Facilities and fund continuing operations.

As at September 30, 2021, Cineplex had a cash balance of $28,471 and $271,700 available under its Revolving Facility subject to the liquidity covenants set forth in the Credit Facilities as amended (note 7, Long-term debt). Combined with the continued focus on reducing costs and capital expenditures, management believes that it has adequate liquidity to fund operations for the currently anticipated duration of the pandemic in the regions in which Cineplex operates.

3. Impairment of long-lived assets and goodwill

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

On September 30, 2021, Cineplex reassessed the underlying key assumptions and inputs used during the impairment testing completed at December 31, 2020 and determined that there were no material changes in those key judgements and conclusions.

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

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

As a result of the triggering events, Cineplex performed impairment testing and recognized non-cash impairment charges in each of the three months ended March 31, September 30, and December 31, 2020 as follows:

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

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

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

Impairment of long-lived assets and goodwill for the nine months ended September 30, 2021 and 2020 were as follows:

	2021	**2020**
Impairment of property, equipment and leaseholds	$ —	$ 33,949
Impairment of right-of-use assets	—	50,610
Impairment of goodwill	—	154,129
Impairment of long-lived assets and goodwill	$ —	$ 238,688

If the return to more regular business volumes continues to be delayed for longer than currently anticipated as a result of actions outside of the control of management, including but not limited to additional changes to the film slate release schedule, ongoing government restrictions and future impacts of COVID-19, management's estimates of operating results and further cash flows for the forecasted period may be negatively impacted. As a result, cash flows may be insufficient to support the recoverability of goodwill and long lived assets in certain CGUs, thus requiring further impairment charges. Cineplex will continue to evaluate the recoverability of goodwill at the cash generating unit level on an annual basis during its fourth quarter and whenever events or changes in circumstances indicate there may be a potential impairment.

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

4. Right-of-use assets

The following table presents right-of-use assets for Cineplex for the nine months ended September 30, 2021 and 2020:

Right-of-use assets consists of:

	Property	Equipment	Total
At September 30, 2021			
Cost	$ 1,112,100	$ 19,411	$ 1,131,511
Accumulated depreciation	(331,629)	(12,455)	(344,084)
Net book value	$ 780,471	$ 6,956	$ 787,427
Nine months ended September 30, 2021			
Balance - December 31, 2020	$ 871,741	$ 9,677	$ 881,418
Modifications, net of additions	(17,553)	662	(16,891)
Disposals	129	—	129
Foreign exchange rate changes	(23)	—	(23)
Depreciation for the period	(73,823)	(3,383)	(77,206)
Closing net book value	$ 780,471	$ 6,956	$ 787,427

	Property	Equipment	Total
At September 30, 2020			
Cost	$ 1,187,584	$ 19,821	$ 1,207,405
Accumulated depreciation	(235,480)	(8,865)	(244,345)
Net book value	$ 952,104	$ 10,956	$ 963,060
Nine months ended September 30, 2020			
Balance - December 31, 2019	$ 1,218,054	$ 14,795	$ 1,232,849
Modifications, net of additions	(112,100)	(4)	(112,104)
Disposals	(7,191)	—	(7,191)
Foreign exchange rate changes	369	4	373
Depreciation for the period	(96,418)	(3,839)	(100,257)
Impairment (note 3)	(50,610)	—	(50,610)
Closing net book value	$ 952,104	$ 10,956	$ 963,060

Starting with the second quarter of 2020, Cineplex agreed to a variety of arrangements with landlords to reduce or defer payments. The effect of those abatements, reductions and/or deferrals reduced both lease obligations and right-of-use assets by approximately $4,037 and $119,692 for the three months ended September 30, 2021 and 2020, and $31,849 and $120,232 for the nine months ended September 30, 2021 and 2020.

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

5. Deferred income taxes

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

	September 30, 2021	December 31, 2020
Deferred income tax assets		
Property, equipment and leaseholds and deferred tenant inducements - difference between net carrying value and undepreciated capital cost	$ 12,084	$ 12,494
Accounting provisions not currently deductible	93,455	83,900
Deferred revenue	16,025	16,243
Interest rate swap agreements	4,996	6,943
Income tax credits available	3,789	397
Operating losses available for carry-forward	78,796	24,656
Total gross deferred income tax assets	209,145	144,633
Future deferred tax liabilities		
Intangible assets	(10,028)	(10,151)
Goodwill	(29,279)	(27,841)
Other	7,188	4,892
Convertible debentures	(23,961)	(24,464)
Total gross deferred income tax liabilities	(56,080)	(57,564)
Net deferred income tax recognized	$ —	$ —

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

The year to date current tax expense represents Ontario corporate minimum tax paid on the filing of 2020 tax returns as a result of losses carried back to offset taxable income. The minimum tax paid is creditable against future Ontario corporate income tax payable.

In 2021, Cineplex recovered income taxes paid in prior periods of $62,624 as a result of its tax returns filed for the 2020 taxation year.

By Notice of Reassessment ("NOR") dated January 22, 2019, the Canada Revenue Agency ("CRA"), disallowed the deduction of $26,600 of losses of AMC Ventures Inc. ("AMC") that Cineplex had obtained on the acquisition of AMC in 2012. The disallowance of the losses, which offset taxable income generated in 2014, increased taxes and interest payable by approximately $8,600, 50% of which was required to be paid immediately (interest continues to accrue on the unpaid amount). Cineplex disagrees with the CRA's position, and has filed an appeal to the Tax Court of Canada in respect of the NOR. On June 28, 2021, Cineplex received a response from the Attorney General of Canada representing the CRA confirming its position with respect to the disallowance of the losses. The appeals process is continuing and Cineplex believes that it should prevail in defending its original filing position, although no assurance can be given in this regard as the appeal process proceeds.

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

6. Share-based compensation

Omnibus Incentive Plan

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

Stock Options

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

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

Cineplex recognized employee benefits expense of $536 and $1,380 with respect to the options during the three and nine months ended September 30, 2021 (2020 expense of $273 and $1,921, respectively). At September 30, 2021, $nil associated with options is reflected in current share-based compensation liability on the consolidated balance sheets (2020 - $113). In the first quarter of 2021, 165,146 stock options issued under the Legacy Plan were cancelled for total consideration of $60 as part of a voluntary stock option cancellation program that was initiated in the fourth quarter of 2020.

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

The fair value of options granted in 2021 were determined using the Black-Scholes valuation model using the following significant inputs:

	2021
Number of options granted	459,501
Share price	$12.41-$12.87
Exercise price	$12.41-$12.87
Expected option life (years)	4.00
Volatility	47 %
Dividend yield	—
Annual risk-free rate	0.68%-0.72%
Fair value of options granted	$3.70-$3.83

Upon cashless exercises, the options exercised in excess of Shares issued are cancelled and returned to the pool available for future grants. At September 30, 2021, 1,711,033 options are available for grant.

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

		2021		2020	
	Weighted average remaining contractual life (years)	Number of underlying shares	Weighted average exercise price	Number of underlying shares	Weighted average exercise price
Options outstanding, January 1	7.64	2,042,019	$ 25.37	3,123,521	$ 38.62
Granted		459,501	12.69	725,758	8.25
Cancelled		(188,303)	43.90	—	—
Exercised		(24,220)	8.25	—	—
Forfeited		(67,280)	17.32	(237,703)	35.40
Options outstanding, September 30	7.67	2,221,717	$ 21.60	3,611,576	$ 32.72
Options vested and exercisable		940,935		2,075,242	

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

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

RSU and PSU awards

The grants of Share equivalents were as follows:

	PSU Share equivalents granted	RSU Share equivalents granted	PSU Share equivalents minimum payout	PSU Share equivalents maximum payout
2021 LTIP awards granted in Q2 2021	167,546	315,619	—	335,092
2020 LTIP award granted in Q3 2020	284,214	277,105	—	568,428
2019 LTIP award granted in Q1 2019	105,777	54,940	7,788	211,553

During the nine month period ended September 30, 2021, Cineplex issued 262,487 equity settled RSUs with a fair value $12.87 per unit (total fair value of $3,378 on issuance) and 167,546 equity settled PSUs with a fair value of $12.87 per unit (total fair value of $2,156 on issuance). The fair value was assessed based on Cineplex's closing Share price on the grant date. The RSU and PSU awards issued will vest in the fourth quarter of 2023. Cineplex also issued 53,132 cash settled RSUs during the period with a fair value of $14.95 (total fair value of $794 on issuance). The valuation was assessed based on Cineplex's closing share price on the grant date and will fluctuate in value based on Cineplex's Share price. The RSU awards will vest in the second quarter of 2023.

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

Incentive Plan costs are estimated at the grant date based on expected performance results then accrued and recognized on a graded basis over the vesting period. Forfeitures are estimated to be nominal, based on historical forfeiture rates. Cineplex recognized compensation expense of $747 and $2,057 for the three and nine month period ended September 30, 2021 (2020 - recovery of $(1,592) and $(6,796), respectively) under the Incentive Plan relating to RSU and PSU. At September 30, 2021, $757 (2020 - $1,165) was included in share-based compensation liability, and $2,070 in contributed surplus (2020 - $nil).

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 month period ended September 30, 2021, Cineplex recognized compensation recovery of $(581) and compensation expense of $1,208 during the nine month period September 30, 2021 (2020 - recovery of $(751) and $(8,556), respectively) associated with the deferred equity units. At September 30, 2021, $4,659 (2020 - $2,529) was included in share-based compensation liability.

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

7. Long-term debt

Long-term debt consists of the following as at September 30, 2021:

	September 30, 2021	December 31, 2020
Credit Facilities	259,000	506,000
Convertible Debentures	230,529	219,271
Notes Payable	244,517	—
Total	$ 734,046	$ 725,271

Cineplex has bank facilities with a syndicate of lenders which includes a revolving facility (the "Revolving Facility") and non-revolving credit facility (the "Term Facility", and together with the Revolving Facility, the "Credit Facilities") pursuant to a seventh amended and restated credit agreement between Cineplex, Cineplex Entertainment Limited Partnership, the guarantors from time to time party thereto, and a syndicate of lenders dated November 13, 2018 (as further amended from time to time, the "Credit Agreement"). The Term Facility was repaid in full in the first quarter of 2021 and is no longer available for future borrowing.

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

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

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

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

- The following amendments to the Credit Facilities became effective upon the completion of the issuance of $250,000 Notes Payable during the first quarter of 2021:
    - The suspension of financial covenant testing was extended until the fourth quarter of 2021. On resumption of financial covenant testing in the fourth quarter of 2021:
        - for the fourth quarter of 2021, testing will be based on an annualized calculation of Adjusted EBITDA (as further adjusted in accordance with the Credit Agreement definitions) based on the actual results for such quarter;

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

  - for the quarter ending on March 31, 2022, testing will be based on an annualized calculation of Adjusted EBITDA based on actual results for the fourth quarter of 2021 and the first quarter of 2022 multiplied by 2; and
  - for the quarter ending on June 30, 2022, testing will be based on an annualized calculation of Adjusted EBITDA for the fourth quarter of 2021, the first quarter of 2022 and the second of 2022 multiplied by 4/3.
- Thereafter, testing will be based on an annualized calculation of the cumulative Adjusted EBITDA on a trailing four fiscal quarter basis;
- The Total Leverage Ratio of 3.75x will apply when financial covenants are reinstated, and will be reduced until the third quarter of 2022 at which point it will reach a level of 3.00x;
- The liquidity covenant will continue and be amended and extended beginning in February 2021, through to and including December 2021, requiring available liquidity as defined on a monthly basis (November 1, 2020 through January 31, 2021 - $100,000; February 2021 - $75,000; March 2021 - $60,000; April 1, 2021 through December 31, 2021 - $100,000;
- The addition of a Senior Leverage Ratio to be based on annualized Adjusted EBITDA and set at 1.0x lower than the Total Leverage Ratio. Senior Leverage Ratio to be defined as (i) Total Debt (as defined in the Credit Agreement) less any Notes Payable to (ii) Adjusted EBITDA;
- Effective with the fourth quarter of 2021, additional growth capital expenditures will be subject to pro-forma Total Leverage covenant of 2.75x (both prior to and immediately after giving effect to any such growth capital expenditure) based on actual last 12 months' EBITDA; and
- Distributions continue to be blocked during the extended financial covenant suspension period and only permitted when the Total Leverage ratio is less than 2.75x (both prior to and immediately after giving effect to any such distribution).

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

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

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

a) a five-year, $541,700 senior secured Revolving Facility; $259,000 that has been drawn; $11,000 reserved and $271,700 remaining available balance.

Convertible debentures

Convertible debentures consist of the following:

	September 30, 2021	December 31, 2020
Face value of convertible debentures outstanding	$ 316,250	$ 316,250
Unaccreted deferred financing fees and discount	(85,721)	(96,979)
Convertible debentures	$ 230,529	$ 219,271

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

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

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

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

The fair value of the liability component of the Debentures was assessed at inception based on an estimated market discount rate of 14.1% less the pro-rata portion of transaction costs, and will be accreted to the full face value over the term of the Debentures. Cineplex recorded cash interest expense on the Debentures during the quarter and year to date period of $4,558 (2020 - $3,876) and $13,551 (2020 - $3,876), respectively. Cineplex recorded accretion expense during the quarter and year to date period of $3,857 (2020 - $4,043) and $11,259 (2020 - $4,043), respectively, both of which are included as part of the interest expense in the consolidated statement of operations. As at September 30, 2021, Cineplex has $316,250 principal amount of Debentures outstanding. The residual value was allocated to the equity component less the pro-rata portion of transaction costs as prescribed by IFRS 9, *Financial instruments*.

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

Notes payable

Notes Payable outstanding as of September 30, 2021 are as follows:

		2021
Face value of Notes Payable	$	250,000
Unaccreted deferred financing fees and discount		(5,483)
Notes Payable	$	244,517

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

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

Cineplex recorded cash interest expense on the Notes Payable during the quarter and year to date period of $4,726 (2020 - $nil) and $11,096 (2020 - $nil), respectively. Cineplex recorded accretion expense during the quarter and year to date period of $217 (2020 - $nil) and $550 (2020 - $nil), respectively, both of which are included as part of interest expense in the consolidated statement of operations. As at September 30, 2021, Cineplex has $250,000 principal amount of Notes Payable outstanding. Cineplex's derivative financial instrument relates to the early prepayment option that fluctuates in value based on market interest rates. The fair value of the embedded derivative was determined using an option pricing model with observable market inputs and are consistent with accepted methods for valuing financial instruments. Cineplex has estimated the fair value of this embedded derivative at $3,820 as at September 30, 2021 which is presented on the consolidated balance sheets as a Derivative Financial Instrument.

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

8. Revenue

The following tables disclose the changes in deferred revenue for the nine months ended September 30, 2021 and 2020:

	December 31, 2020	Additions	Revenue Recognized	September 30, 2021
Gift cards	$ 164,025	$ 8,709	$ 18,246	$ 154,488
SCENE loyalty program	36,109	25,111	14,876	46,344
Advances and deposits	19,849	11,526	14,237	17,138
	$ 219,983	$ 45,346	$ 47,359	$ 217,970

	December 31, 2019	Additions	Revenue Recognized	September 30, 2020
Gift cards	$ 184,755	$ 19,832	$ 42,116	$ 162,471
SCENE loyalty program	21,277	24,807	13,760	32,324
Advances and deposits	16,966	23,326	15,995	24,297
	$ 222,998	$ 67,965	$ 71,871	$ 219,092

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

The following tables provide the disaggregation of revenue into categories by nature for the three and nine months ended September 30, 2021 and 2020:

Box revenues	**Three months ended September 30,**		**Nine months ended September 30,**	
	2021	**2020**	**2021**	**2020**
Box office revenues	$ 94,114	$ 14,531	$ 110,430	$ 125,560

Food service revenues	**Three months ended September 30,**		**Nine months ended September 30,**	
	2021	**2020**	**2021**	**2020**
Food service - theatres	$ 70,945	$ 11,519	$ 82,506	$ 84,262
Food delivery - theatres	2,599	2,409	10,053	5,433
Food service - location-based entertainment	6,402	1,479	7,089	8,250
Food delivery - location-based entertainment	25	61	106	144
Total food service revenues	$ 79,971	$ 15,468	$ 99,754	$ 98,089

Media revenues	**Three months ended September 30,**		**Nine months ended September 30,**	
	2021	**2020**	**2021**	**2020**
Cinema media	$ 6,640	$ 3,334	$ 10,951	$ 22,200
Digital place-based media	7,420	9,491	21,584	30,662
Total media revenues	$ 14,060	$ 12,825	$ 32,535	$ 52,862

Amusement revenues	**Three months ended September 30,**		**Nine months ended September 30,**	
	2021	**2020**	**2021**	**2020**
Amusement solutions excluding exhibition	$ 35,473	$ 9,564	$ 68,478	$ 48,212
Amusement solutions - exhibition	2,709	119	2,980	2,327
Amusement solutions - location based entertainment	15,137	3,553	17,919	13,765
Total amusement revenues	$ 53,319	$ 13,236	$ 89,377	$ 64,304

Other revenues	**Three months ended September 30,**		**Nine months ended September 30,**	
	2021	**2020**	**2021**	**2020**
Other revenues	$ 8,916	$ 4,962	$ 24,622	$ 24,996

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

9. Lease obligations

The following table presents lease obligations for Cineplex for the nine months ended September 30, 2021 and 2020:

	Property	Equipment	Total
Nine months ended September 30, 2021			
Opening balance	$ 1,160,849	$ 10,076	$ 1,170,925
Modifications, net of additions	3,600	662	4,262
Tenant inducements	6,580	—	6,580
Lease payments	(101,468)	(3,209)	(104,677)
Interest expense	43,697	245	43,942
Foreign exchange rate changes	(27)	—	(27)
Closing lease obligations	1,113,231	7,774	1,121,005
Less: current portion	102,544	3,167	105,711
Non-current portion of lease obligations	$ 1,010,687	$ 4,607	$ 1,015,294

	Property	Equipment	Total
Nine months ended September 30, 2020			
Opening balance	$ 1,352,541	$ 15,054	$ 1,367,595
Modifications, net of additions	(112,076)	(4)	(112,080)
Tenant inducements	20,073	—	20,073
Lease payments	(74,740)	(4,046)	(78,786)
Interest expense	34,555	331	34,886
Foreign exchange rate changes	365	3	368
Closing lease obligations	$ 1,220,718	$ 11,338	$ 1,232,056
Less: current portion	104,482	4,603	109,085
Non-current portion of lease obligations	$ 1,116,236	$ 6,735	$ 1,122,971

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

10. Share capital

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

Share capital balances at September 30, 2021 and 2020 and transactions during the periods are as follows:

2021		Amount	
	Number of common shares issued and outstanding	Common shares	Total
Balance - December 31, 2020	63,333,238	$ 852,379	$ 852,379
Issuance of shares on exercise of options	9,875	77	77
Balance - September 30, 2021	63,343,113	$ 852,456	$ 852,456

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

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

11. Other costs

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Employee salaries and benefits	$ 48,432	$ 21,672	$ 92,359	$ 86,413
Rent	(1,679)	(165)	(13,575)	282
Realty and occupancy taxes and maintenance fees	16,738	16,157	41,630	54,158
Utilities	6,831	6,251	13,671	19,024
Purchased services	12,511	8,291	25,280	29,750
Other inventories consumed, including amusement and digital place-based media	19,189	7,305	41,921	29,326
Venue revenue share	10,993	3,105	19,419	13,241
Repairs and maintenance	6,896	5,398	15,211	19,229
Advertising and promotion	4,121	2,842	6,922	8,373
Office and operating supplies	2,182	1,191	3,278	5,440
Licenses and franchise fees	3,850	2,092	10,766	11,209
Insurance	1,638	1,401	4,865	4,020
Professional and consulting fees	4,986	1,423	12,769	7,810
Telecommunications and data	1,154	1,088	3,582	3,942
Bad debts	74	145	(61)	1,775
Equipment rental	409	(214)	878	(331)
Other costs	1,202	772	2,669	4,816
	$ 139,527	$ 78,754	$ 281,584	$ 298,477

Until Exhibition and LBE operations were more fully open, management continued to focus on cost cutting measures to mitigate the negative impact of COVID-19 on Cineplex's business, in addition to applying for government subsidy programs where available. During the three and nine months ended September 30, 2021, Cineplex recorded the following subsidies which have all been offset against their related costs:

Subsidies	Third Quarter		Year to Date	
	2021	2020	2021	2020
Wage subsidy (CEWS)	$ 16,206	$22,378	$46,706	$42,686
Rent subsidy (CERS)	705	—	12,553	—
Realty tax subsidy	973	—	11,487	—
Utility subsidy	665	—	4,553	—
Total	$ 18,549	$ 22,378	$ 75,299	$ 42,686

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

12. Net loss per share

Basic

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net loss attributable to owners of Cineplex - continuing operations	$ (33,552)	$ (121,209)	$ (226,944)	$ (393,593)
Net loss attributable to owners of Cineplex	$ (33,552)	$ (121,209)	$ (226,944)	$ (398,545)
Weighted average number of shares outstanding	63,342,557	63,333,238	63,339,070	63,333,238
Basic EPS from continuing operations	$ (0.53)	$ (1.91)	$ (3.58)	$ (6.21)
Basic EPS from discontinued operations	—	—	—	(0.08)
Basic EPS	$ (0.53)	$ (1.91)	$ (3.58)	$ (6.29)

Diluted

Diluted EPS is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the outstanding shares for the period), based on the monetary value of the rights attached to the potentially dilutive shares. The number of shares calculated above is compared with the number of shares that would have been issued assuming exercise of conversions, exchanges or options. The options and convertible debentures are anti-dilutive in 2021 and 2020, as applicable.

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net loss attributable to owners of Cineplex - continuing operations	$ (33,552)	$ (121,209)	$ (226,944)	$ (393,593)
Net loss attributable to owners of Cineplex	$ (33,552)	$ (121,209)	$ (226,944)	$ (398,545)
Weighted average number of shares for diluted EPS	63,342,557	63,333,238	63,339,070	63,333,238
Diluted EPS from continuing operations	$ (0.53)	$ (1.91)	$ (3.58)	$ (6.21)
Diluted EPS from discontinued operations	—	—	—	(0.08)
Diluted EPS	$ (0.53)	$ (1.91)	$ (3.58)	$ (6.29)

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

13. Changes in operating assets and liabilities

The following summarizes the changes in operating assets and liabilities:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Trade and other receivables	$ (4,218)	$ 4,006	$ 5,324	$ 121,024
Inventories	(3,157)	2,763	(2,482)	4,761
Prepaid expenses and other current assets	(667)	(2,965)	(1,884)	930
Accounts payable and accrued liabilities	40,034	(45,546)	54,859	(84,309)
Income taxes receivable	8,814	3,471	65,657	7,496
Deferred revenue	(7,034)	6,660	(2,030)	(3,963)
Post-employment benefit obligations	22	176	(844)	148
Share-based compensation	(542)	(2,886)	1,583	(19,912)
Other liabilities	(612)	(573)	(1,340)	(2,096)
	$ 32,640	$ (34,894)	$ 118,843	$ 24,079

Property, equipment and leasehold purchases are included in accounts payable and accrued liabilities as at September 30, 2021, in the amount of $531 (2020 - $4,804).

14. Operating segments

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

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

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

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

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

Location-Based Entertainment

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

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

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

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

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

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 nine months ended September 30, 2021 and 2020:

Three months ended September 30, 2021	Film Entertainment and Content (i)	Media (i)	Amusement and Leisure	Location-Based Entertainment	Corporate and other (iii)	Consolidated
Major product and service lines						
Box office	$ 94,114	$ —	$ —	$ —	$ —	$ 94,114
Food service	73,544	—	—	6,427	—	79,971
Media	—	13,901	—	159	—	14,060
Amusement	2,709	—	35,473	15,137	—	53,319
Other	8,863	—	—	53	—	8,916
Total revenues	$ 179,230	$ 13,901	$ 35,473	$ 21,776	$ —	$ 250,380
Primary geographical markets						
Canada	$ 179,230	$ 11,669	$ 10,895	$ 21,776	$ —	$ 223,570
United States and other countries	—	2,232	24,578	—	—	26,810
Total revenues	$ 179,230	$ 13,901	$ 35,473	$ 21,776	$ —	$ 250,380
Timing of revenue recognition						
Transferred at a point in time	$ 179,230	$ 2,929	$ 35,473	$ 21,776	$ —	$ 239,408
Transferred over time	—	10,972	—	—	—	10,972
Total revenues	$ 179,230	$ 13,901	$ 35,473	$ 21,776	$ —	$ 250,380
Adjusted EBITDAaL	$ 8,840	$ 6,025	$ 7,011	$ 8,009	$ (19,123)	$ 10,762
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.						2,064
Other adjustments (ii)						(3,969)
Depreciation and amortization - other assets						28,297
Interest expense - other						17,990
Interest income						(68)
Net loss						$ (33,552)
Other operating segment disclosures						
Depreciation - right-of-use assets	$ 22,694	$ 614	$ 837	$ 914	$ 92	$ 25,151
Depreciation and amortization - other assets	$ 16,843	$ 1,199	$ 5,951	$ 4,304	$ —	$ 28,297
Interest expense - lease obligations	$ 13,086	$ 78	$ 124	$ 1,330	$ 224	$ 14,842
Goodwill balance	$ 413,915	$ 206,385	$ 15,288	$ —	$ —	$ 635,588

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

Three months ended September 30, 2020	Film Entertainment and Content (i)	Media (i)	Amusement and Leisure	Location-Based Entertainment	Corporate and other (iii)	Consolidated
Major product and service lines						
Box office	$ 14,531	$ —	$ —	$ —	$ —	$ 14,531
Food service	13,928	—	—	1,540	—	15,468
Media	—	12,848	—	(23)	—	12,825
Amusement	119	—	9,564	3,553	—	13,236
Other	4,908	—	—	54	—	4,962
Total revenues	$ 33,486	$ 12,848	$ 9,564	$ 5,124	$ —	$ 61,022
Primary geographical markets						
Canada	$ 33,486	$ 10,307	$ 3,892	$ 5,124	$ —	$ 52,809
United States and other countries	—	2,541	5,672	—	—	8,213
Total revenues	$ 33,486	$ 12,848	$ 9,564	$ 5,124	$ —	$ 61,022
Timing of revenue recognition						
Transferred at a point in time	$ 33,486	$ 3,445	$ 9,564	$ 5,147	$ —	$ 51,642
Transferred over time	—	9,403	—	(23)	—	9,380
Total revenues	$ 33,486	$ 12,848	$ 9,564	$ 5,124	$ —	$ 61,022
Adjusted EBITDAaL	$ (34,574)	$ 4,127	$ (2,996)	$ (220)	$ (13,062)	$ (46,725)
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.						24,593
Other adjustments (ii)						(12,062)
Depreciation and amortization - other assets						30,375
Interest expense - other						15,503
Interest income						(20)
Income taxes recovery						(49,539)
Impairment of long-lived assets and goodwill						65,634
Net loss						$ (121,209)
Other operating segment disclosures						
Depreciation - right-of-use assets	$ 25,469	$ 812	$ 2,359	$ 1,724	$ 175	$ 30,539
Depreciation and amortization - other assets	$ 17,738	$ 2,781	$ 6,872	$ 2,984	$ —	$ 30,375
Interest expense - lease obligations	$ 10,642	$ 114	$ 142	$ 951	$ 5	$ 11,854
Impairment of long-lived assets and goodwill	$ 65,634	$ —	$ —	$ —	$ —	$ 65,634
Goodwill balance	$ 440,821	$ 206,385	$ 15,694	$ —	$ —	$ 662,900

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

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

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

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

Nine months ended September 30, 2021	Film Entertainment and Content (i)	Media (i)	Amusement and Leisure	Location-Based Entertainment	Corporate and other (iii)	Consolidated
Major product and service lines						
Box office	$ 110,430	$ —	$ —	$ —	$ —	$ 110,430
Food service	92,559	—	—	7,195	—	99,754
Media	—	32,370	—	165	—	32,535
Amusement	2,980	—	68,478	17,919	—	89,377
Other	24,541	—	—	81	—	24,622
Total revenues	$ 230,510	$ 32,370	$ 68,478	$ 25,360	$ —	$ 356,718
Primary geographical markets						
Canada	$ 230,510	$ 24,533	$ 16,837	$ 25,360	$ —	$ 297,240
United States and other countries	—	7,837	51,641	—	—	59,478
Total revenues	$ 230,510	$ 32,370	$ 68,478	$ 25,360	$ —	$ 356,718
Timing of revenue recognition						
Transferred at a point in time	$ 230,510	$ 8,721	$ 68,478	$ 25,360	$ —	$ 333,069
Transferred over time	—	23,649	—	—	—	23,649
Total revenues	$ 230,510	$ 32,370	$ 68,478	$ 25,360	$ —	$ 356,718
Adjusted EBITDAaL	$ (70,488)	$ 8,252	$ 4,758	$ 1,629	$ (48,644)	$ (104,493)
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.						14,971
Other adjustments (ii)						(30,752)
Depreciation and amortization - other assets						85,541
Interest expense - other						49,554
Interest income						(202)
Provision for income taxes						3,339
Net loss						$ (226,944)
Other operating segment disclosures						
Depreciation - right-of-use assets	$ 69,366	$ 2,133	$ 2,377	$ 2,840	$ 490	$ 77,206
Depreciation and amortization - other assets	$ 52,448	$ 3,523	$ 17,865	$ 11,705	$ —	$ 85,541
Interest expense - lease obligations	$ 38,894	$ 261	$ 403	$ 3,883	$ 501	$ 43,942
Goodwill balance	$ 413,915	$ 206,385	$ 15,288	$ —	$ —	$ 635,588

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

Nine months ended September 30, 2020	Film Entertainment and Content (i)	Media (i)	Amusement and Leisure	Location-Based Entertainment	Corporate and other (iii)	Consolidated
Major product and service lines						
Box office	$ 125,560	$ —	$ —	$ —	$ —	$ 125,560
Food service	89,695	—	—	8,394	—	98,089
Media	—	52,314	—	548	—	52,862
Amusement	2,327	—	48,212	13,765	—	64,304
Other	24,582	—	—	414	—	24,996
Total revenues	$ 242,164	$ 52,314	$ 48,212	$ 23,121	$ —	$ 365,811
Primary geographical markets						
Canada	$ 242,164	$ 41,122	$ 14,189	$ 23,121	$ —	$ 320,596
United States and other countries	—	11,192	34,023	—	—	45,215
Total revenues	$ 242,164	$ 52,314	$ 48,212	$ 23,121	$ —	$ 365,811
Timing of revenue recognition						
Transferred at a point in time	$ 242,164	$ 15,002	$ 48,212	$ 22,573	$ —	$ 327,951
Transferred over time	—	37,312	—	548	—	37,860
Total revenues	$ 242,164	$ 52,314	$ 48,212	$ 23,121	$ —	$ 365,811
Adjusted EBITDAaL	$ (95,234)	$ 18,017	$ (7,817)	$ (3,966)	$ (27,866)	$ (116,866)
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.						42,043
Other adjustments (ii)						(8,108)
Depreciation and amortization - other assets						96,096
Interest expense - other						42,108
Interest income						(149)
Income taxes expense						(133,946)
Impairment of long-lived assets and goodwill						238,688
Net loss from continuing operations						$ (393,598)
Net loss from discontinued operations (note 16)						(4,952)
Net loss						$ (398,550)
Other operating segment disclosures						
Depreciation - right-of-use assets	$ 89,080	$ 2,562	$ 3,652	$ 4,437	$ 526	$ 100,257
Depreciation and amortization - other assets	$ 55,275	$ 9,088	$ 21,848	$ 9,885	$ —	$ 96,096
Interest expense - lease obligations	$ 31,362	$ 344	$ 459	$ 2,699	$ 21	$ 34,885
Impairment of long-lived assets and goodwill	$ 206,470	$ —	$ —	$ 32,218	$ —	$ 238,688
Goodwill balance	$ 440,821	$ 206,385	$ 15,694	$ —	$ —	$ 662,900

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

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

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

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

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

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

15. Basis of presentation and accounting standards

Basis of preparation and measurement

Cineplex prepares its unaudited interim condensed consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), defined as International Financial Reporting Standards ("IFRS") as set out in the CPA Canada Handbook. The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires that management exercise judgment in applying Cineplex's accounting policies. These unaudited interim condensed consolidated financial statements are presented in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The disclosures contained in these unaudited interim condensed consolidated financial statements do not contain all requirements of Canadian GAAP for annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2020. These unaudited interim condensed consolidated financial statements follow the same accounting policies and methods of application as the audited financial statements for the year ended December 31, 2020.

In April 2021, the International Financial Reporting Interpretations Committee (IFRIC) finalized their decision with respect to configuration and customization costs in a cloud computing arrangement, particularly surrounding the recognition of an expense or an intangible asset. Cineplex has evaluated the impact regarding the changes surrounding the configuration or customization costs in a cloud computing arrangement and has determined that there is no material affect on its consolidated financial statements.

16. Assets held for sale and discontinued operations

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