

MANAGEMENT'S DISCUSSION AND ANALYSIS

November 12, 2020

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

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

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Non-GAAP Measures

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

Forward-Looking Statements

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

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

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

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

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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 (described below) transaction; and diversion of management time on litigation related to the Cineworld transaction.

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

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

1. OVERVIEW OF CINEPLEX

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

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

Cineplex Theatre locations and screens at September 30, 2020									
Province	Locations	Screens	3D Digital Screens	UltraAVX	IMAX Screens (i)	VIP Auditoriums	D-BOX Auditoriums	Recliner Auditoriums	Other Screens (ii)
Ontario	68	730	358	41	13	48	48	108	10
Quebec	20	250	98	10	3	4	8	12	—
British Columbia	24	231	125	16	3	15	16	39	1
Alberta	19	208	112	20	2	11	16	46	6
Nova Scotia	12	91	44	1	1	—	2	—	1
Saskatchewan	6	54	28	3	1	3	3	16	1
Manitoba	5	49	26	1	1	3	2	—	—
New Brunswick	5	41	20	2	—	—	2	—	—
Newfoundland & Labrador	3	20	9	—	1	—	1	—	—
Prince Edward Island	2	13	6	—	—	—	1	—	—
TOTALS	164	1,687	826	94	25	84	99	221	19
Percentage of screens			49 %	6 %	1 %	5 %	6 %	13 %	1 %
(i) All IMAX screens are 3D enabled. Total 3D screens including IMAX screens are 851 screens or 50% of the circuit.									
(ii) Other screens includes 4DX, <i>Cineplex Clubhouse</i> and ScreenX.									

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

Cineplex - LBE venues at September 30, 2020		
Province	<i>The Rec Room</i>	<i>Playdium</i>
Ontario	3	2
Alberta	3	—
Manitoba	1	—
Newfoundland & Labrador	1	—
TOTALS	8	2

1.1 RECENT DEVELOPMENTS

Cineworld Transaction

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

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

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

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

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

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

Response to COVID-19

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

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

Cineplex was able to reopen a limited number of venues in late June, and as government restrictions across the country were eased, additional locations were opened. On August 21, 2020, Cineplex became one of the first of all the major film exhibitors in the world to reopen its entire circuit of theatres with all 164 Cineplex theatres and 1,687 screens across Canada reopened, including 22 VIP Cinemas locations, as well as 10 location based entertainment venues. During this period, Cineplex continued its negotiations with landlords, finalizing the majority of discussions and realizing material reductions in rent payments for both the closure period in the second quarter as well as for the third quarter and future periods. Subsequent to the end of the quarter, government mandates in select markets in Ontario and Quebec have resulted in theatre closures and restrictions on the LBE business.

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

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Province	Theatres	Restaurants
British Columbia	✓ Permitted since May 22. Limit of 50 persons per auditorium and common areas. Contact tracing data collection required for licensed premises.	✓ Permitted since May 19.
Alberta	✓ Permitted since June 12. Limit of 100 persons per auditorium and common areas.	✓ Permitted since May 14.
Saskatchewan	✓ Permitted since June 29. Limit of 30% of auditorium capacity up to a maximum of 150 persons.	✓ Permitted since June 8.
Manitoba	As of November 12, the entire province of Manitoba will move to critical levels of restrictions with targeted lockdown measures taking effect for a period expected to last a minimum of 4 weeks. Among other restrictions, cinemas must be closed.	As of November 12, all restaurants are required to close in the province of Manitoba for a minimum period of 4 weeks.
Ontario	✓ Permitted since November 7 for all regions not under the Red level of alert. Ontario has transitioned to a tiered system of reopening governed by regional public health units. Under the Red level of alert, cinemas will be closed. Under the Orange levels of alert, cinemas will be limited 50 persons per building. Under Yellow/Green, cinemas are permitted to operate under the plan approved by the Chief Medical Officer of Health (50 persons per auditorium). As of November 10, cinemas are closed in Toronto (Red), Peel (Red), York (Orange), and Ottawa (Orange).	✓ Indoor dining permitted in select regions commencing November 7 with specific capacity restrictions depending on the region. Ontario has transitioned to a tiered system of reopening governed by regional public health units. Under the tiered system of reopening governed by regional public health units, indoor dining will be limited to 10 persons under the Red level of alert. Under the Orange levels of alert, indoor dining will be limited to 50 persons per building. Under the Yellow/Green tiers, indoor dining capacity is limited to 2M physical distancing compliance between dining parties.
Quebec	Ordered to close all theatres in Montreal and Quebec City from October 1, 2020 to November 23, 2020.	Ordered to close all restaurants in Montreal and Quebec City from October 1, 2020 to November 23, 2020.
New Brunswick	✓ Permitted since June 26. Capacity limited to number of attendees who can be accommodated with physical distancing between cohorts. Contact tracing data collection required.	✓ Permitted since May 8.
Nova Scotia	✓ Permitted since June 19. Limit of 50% of auditorium capacity up to a maximum of 200 persons.	✓ Permitted since June 5.
Prince Edward Island	✓ Permitted since May 22. Limit of 50 persons per auditorium and common areas, but no more than 100 persons on the premises among multiple gathering. Pre-approval required before opening if planning to hold multiple gathering of 50 persons or more.	✓ Permitted since June 1.
Newfoundland	✓ Permitted since June 24. Limit of 50 persons per auditorium or 50% capacity, whichever is less.	✓ Permitted since June 8.

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

- temporary layoffs of all part-time and full-time hourly employees as well as a number of full-time employees who chose a temporary layoff rather than a salary reduction;
- reducing full-time employee salaries by agreement with such employees;
- suspending or deferring current capital spending and reviewing all capital projects to consider either deferral or cancellation;
- reducing non-essential discretionary operational expenditures (such as spending on marketing, travel and entertainment);
- implementing a more stringent review and approval process for all outgoing procurement and payment requests;
- proactively negotiating with landlords for rent relief, including abatements and converting fixed rent to variable rent depending on attendance, until attendance returns to previous levels;
- working with major suppliers and other business partners to modify the timing and quantum of certain contractual payments;

- reviewing and applying for government subsidy programs where available, including the Canada Emergency Wage Subsidy ("CEWS"). This program, which was launched by the Government of Canada, provides a subsidy of 75% of employee wages, up to a maximum benefit of \$847.00, per week, for up to 24 weeks, retroactive from March 15, 2020 to August 29, 2020. In mid-July, the federal government announced an extension to the program to December 19th, backdated to July 5th with threshold amounts and benefits amended, allowing for additional subsidies for those businesses who are on a slower recovery track. The maximum benefit from the subsidy was 85% for claims in August 2020, 75% in September 2020 and 65% for the remainder of the year. On October 15, 2020, the federal government announced that the CEWS program has been extended to June 2021, however the benefits have not yet been announced;
- continuing the suspension of dividends;
- focusing on revenue driving opportunities including the expansion of Cineplex Store offerings and expansion of food home delivery from theatres and LBE venues;
- continue to evaluate Cineplex's eligibility under other relief programs; and
- prompt filing for income tax recoveries.

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

The COVID-19 pandemic has had a material negative effect on all aspects of Cineplex's businesses resulting in material decreases in revenues, results of operations and cash flows. Since March 15, 2020, Cineplex has experienced a net cash burn of approximately \$15 million to \$20 million per month as a result of having to close its theatres and LBE venues (for Q3 2020 net cash burn was \$49.7 million for the three months or approximately \$16.6 million monthly) (see Section 17, Non-GAAP measures). When used in this MD&A, net cash burn is calculated as adjusted EBITDAaL less cash interest (excluding amounts with respect to lease obligations), provision for income taxes and net capital expenditures. Net cash burn assumes that all of Cineplex's theatres and LBE venues remain closed or have very limited business operations, current government wage subsidies continue in place, (originally in place only until August 29, 2020 subsequently extended to June 2021) with respect to the CEWS and certain lease-related abatements and other lease-related savings currently being negotiated are implemented as expected by management.

As some of Cineplex's largest expenses, such as film cost and cost of food services, are fully variable, during the closure of its theatres and LBE venues Cineplex focused on reducing its largest fixed and semi-fixed expenses, including those attributed to theatre payroll and theatre occupancy. As a result of the measures described below, including receipt of assistance under the CEWS, Cineplex was able to materially reduce theatre payroll expenses from \$40.9 million reported in the third quarter of 2019 to approximately \$3.9 million in the third quarter of 2020. In total, the company has received approximately \$42.7 million in wage subsidies to the end of the end of the third quarter, primarily under the CEWS program. With respect to theatre occupancy expenses, Cineplex worked with its landlord partners to identify relief measures, which resulted in significantly reduced cash rent being paid in the third quarter of 2020. The focus was on identifying opportunities for lease-related abatements during the closure period, converting fixed components of rent to variable rent during the reopening period and looking for other opportunities to extract value under its existing lease agreements. Cineplex has also undertaken the sale of assets and lease rights unlocking value where available. During the third quarter, Cineplex sold certain restrictive lease rights to landlords resulting in the receipt of \$21 million during the quarter. As a result of this work, Cineplex was able to materially reduce net cash lease outflows by approximately \$58 million during the second and third quarters of 2020. Cineplex also announced during the quarter that it was pursuing the sale of its head office location, with the potential for a leaseback transaction, expected to close in early 2021.

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

Some of the new measures implemented on reopening included:

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

Although restrictions on social gatherings are being lifted in many of the markets in which Cineplex operates, there has been a reinstatement of restrictions in certain markets and there is the possibility that further restrictions may be reinstituted in the future if there are additional outbreaks of COVID-19 in Canada. Reinstitution of restrictions on social gatherings that would result in the closure of Cineplex's theatres and LBE venues would have a significant negative impact on the ability and timing of Cineplex's return to profitability.

Subsequent to September 30, 2020, social gathering restrictions were reinstituted in several key markets that Cineplex operates including select regions in Ontario, Quebec and Manitoba. The restrictions resulted in the mandated temporary closure of certain theatres and LBE locations. In addition, with the global delay of exhibitors reopening, specifically those in California and New York, distributors have shifted the release dates of major movie titles out of 2020 into 2021 and beyond, in an effort to maximize box office revenues on their eventual release. This included the following releases: *A Quiet Place Part II*, *No Time To Die*, *Black Widow*, *Fast & Furious 9*, *Top Gun: Maverick*, *Minions: The Rise of Gru*, *Ghostbusters: Afterlife*, *Jungle Cruise*, *Morbius*, *Peter Rabbit 2: The Runaway*, *The King's Man*, *Venom: Let There Be Carnage*, *Eternals*, *Godzilla vs. Kong*, *West Side Story* and *Dune*. In addition, some previously expected theatrical releases have instead been redirected to streaming services. The impact of the reduction of new releases in the fourth quarter as a result of these postponements in combination with the ongoing and potentially expanded restrictions on the reopening of Cineplex's businesses, has also negatively impacted the timing of Cineplex's return to profitability.

On June 29, 2020, Cineplex and Cineplex Entertainment Limited Partnership entered into a First Amendment Agreement (the "First Credit Agreement Amendment") to Cineplex's credit facility with The Bank of Nova Scotia, as administrative agent, and the lenders from time to time named therein, to the seventh amended and restated credit agreement with a syndicate of lenders (the "Credit Facilities"). The First Credit Agreement Amendment provided Cineplex with certain financial covenant relief in light of the COVID-19 pandemic and its effects on Cineplex's businesses (see Section 6.4 Credit Facilities). On July 7, 2020, Cineplex filed a preliminary short form prospectus in connection with a marketed public offering (the "Offering") of convertible unsecured subordinated debentures (the "Debentures"). On July 15, 2020, Cineplex completed an Offering of \$275.0 million aggregate principal amount of Debentures. On July 17, 2020, the underwriters purchased an additional \$41.25 million aggregate principal amount of Debentures pursuant to the exercise of their over-allotment option with the completion of the Offering of the Debentures, Cineplex met the conditions of the First Credit Agreement Amendment and providing additional liquidity for the recovery period.

On November 12, 2020, Cineplex and Cineplex Entertainment Limited Partnership entered into the Second Amendment Agreement to the Credit Facilities (the "Second Credit Agreement Amendment"). Without the provisions of the Second Credit Agreement Amendment, management's internal forecasts indicated a potential breach of certain financial covenants as of December 31, 2020.

The following is a summary of the key terms of the Second Credit Agreement Amendment:

- Financial covenant testing will be suspended until the end of the second quarter of 2021. On resumption of financial covenant testing at the end of the second quarter of 2021, the testing will be based on an annualized calculation of Adjusted EBITDA for the following four fiscal quarters;
- The leverage ratio of 3.75x will apply when financial covenants are reinstated, and will be reduced over the course of successive four quarters until the first quarter of 2022 at which point it will reach a level of 3.00x;
- Effective with the second quarter of 2021, additional growth capital expenditures will be subject to pro-forma leverage covenant of 2.75x (both prior to and immediately after giving effect to any such growth capital expenditure) based on actual last twelve month EBITDA;
- A liquidity covenant effective at all times through the covenant suspension period beginning in November 2020, through to and including June 2021, requiring available liquidity as defined on a monthly basis;
- Distributions continue to be blocked during the extended financial covenant suspension period and only permitted when the leverage ratio is less than 2.75x (both prior to and immediately after giving effect to any such distribution); and
- An anti-cash hoarding provision has been added limiting requests for advances under the Credit Facilities to those amounts required to fund costs and expenses reasonably anticipated to be incurred in the ordinary course of business. No amounts may be requested if sufficient cash on hand exists to pay such costs.

With the First and Second Credit Amendment Agreements in place thereby removing the potential for a breach of certain financial covenants, and funding sourced by the issuance of the Debentures, certain planned asset sales and income tax recoveries, management believes that it has adequate liquidity to fund operations for the foreseeable future.

A copy of the Second Credit Agreement Amendment is available on SEDAR at www.sedar.com.

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

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1.2 FINANCIAL HIGHLIGHTS

Financial highlights thousands of patrons and per Share and per patron amounts)	Third Quarter			Year to Date		
	2020	2019	Change (i)	2020	2019	Change (i)
Total revenues (ii)	\$ 61,022	\$ 418,448	-85.4%	\$ 365,811	\$ 1,221,926	-70.1%
Theatre attendance	1,563	17,512	-91.1%	12,279	49,511	-75.2%
Net (loss) income from continuing operations (iii)	\$ (121,209)	\$ 15,100	NM	\$ (393,598)	\$ 31,848	NM
Net loss from discontinued operations	\$ —	\$ (1,718)	NM	\$ (4,952)	\$ (6,429)	NM
Net (loss) income (iii)	\$ (121,209)	\$ 13,382	NM	\$ (398,550)	\$ 25,419	NM
Box office revenues per patron ("BPP") (iv)	\$ 9.30	\$ 10.16	-8.5%	\$ 10.23	\$ 10.58	-3.3%
Concession revenues per patron ("CPP") (iv)	\$ 7.37	\$ 6.68	10.3%	\$ 6.86	\$ 6.70	2.4%
Adjusted EBITDA (iv)	\$ (28,928)	\$ 106,132	NM	\$ (23,769)	\$ 299,257	NM
Adjusted EBITDAaL (iii) (iv)	\$ (46,725)	\$ 62,312	NM	\$ (116,867)	\$ 168,219	NM
Adjusted EBITDAaL margin (iii) (iv)	(76.6)%	14.9%	-91.5%	(31.9)%	13.8 %	-45.7%
Adjusted free cash flow (iv)	\$ (77,332)	\$ 48,232	NM	\$ (131,340)	\$ 129,328	NM
Adjusted free cash flow per common share of Cineplex ("Share") (iv)	\$ (1.221)	\$ 0.762	NM	\$ (2.074)	\$ 2.042	NM
Earnings per Share ("EPS") from continuing operations - basic and diluted (iii)	\$ (1.91)	\$ 0.24	NM	\$ (6.21)	\$ 0.50	NM
EPS from discontinued operations - basic and diluted	\$ —	\$ (0.03)	NM	\$ (0.08)	\$ (0.10)	NM
EPS - basic and diluted (iii)	\$ (1.91)	\$ 0.21	NM	\$ (6.29)	\$ 0.40	NM
(i) Throughout this MD&A, changes in percentage amounts are calculated as 2020 value less 2019 value.						
(ii) All amounts are from continuing operations.						
(iii) 2020 includes expenses related to the Cineworld Transaction and associated Litigation in the amount of \$0.5 million for the third quarter and \$2.8 million for year-to date.						
(iv) See Section 17, Non-GAAP measures.						

Total revenues for the third quarter of 2020 decreased 85.4%, or \$357.4 million, to \$61.0 million as compared to the prior year period, due to the continuing materially negative impact of the COVID-19 pandemic on Cineplex's businesses. Cineplex began reopening a limited number of theatres and LBE venues in several provinces across Canada as allowed by government regulations during the latter half of June and as of August 21, 2020, Cineplex had reopened all locations and screens including VIP, as well as all LBE venues across Canada under strict conditions as defined by each province. Cineplex reported box office revenues of \$14.5 million and food service revenues of \$15.5 million including theatre food service revenues of \$11.5 million, LBE food services revenues of \$1.5 million and home delivery revenues of \$2.5 million. Amusement revenues of \$13.2 million in the third quarter were primarily from route operations including family entertainment centres ("FEC") locations that reopened in both Canada and the United States. Reopened LBE venues contributed amusement revenues of \$3.6 million. Media revenues of \$12.8 million were mainly from digital place-based media revenues from creative and support services with the reopening of client locations. As a result of the continued impact of COVID-19, adjusted EBITDAaL decreased \$109.0 million to a loss of \$46.7 million and adjusted free cash flow per Share decreased to \$(1.221) in the current period from \$0.762 in 2019.

Reflecting the impact of the business closures in the second quarter and reduced operations in the third quarter, total revenues for the nine months ended September 30, 2020 decreased 70.1% as compared to the prior year period. Adjusted EBITDAaL decreased to \$(116.9) million compared to the prior year period and adjusted free cash flow per Share decreased to \$(2.074) in the current period from \$2.042 in 2019.

1.3 KEY DEVELOPMENTS IN THE THIRD QUARTER OF 2020

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

- Reported third quarter box office revenues of \$14.5 million, a decrease of \$163.3 million (91.8%) from \$177.9 million reported in the prior year period due to the 91.1% decrease in theatre attendance from 17.5 million in 2019 to 1.6 million in the third quarter of 2020 due to the slow rollout of the opening of theatres in the third quarter after the closures in the second quarter, strict capacity restrictions and limited number of first-run movies.
- BPP was \$9.30, a decrease of \$0.86 (8.5%) versus the prior year period BPP of \$10.16.

Theatre Food Service

- Reported third quarter theatre food service revenues of \$13.9 million, a decrease of \$103.1 million (88.1%) from the prior year period as a result of the decrease in theatre attendance and restricted food offerings.
- CPP was \$7.37, an increase of \$0.69 (10.3%) versus the prior period CPP of \$6.68.

Alternative Programming

- Alternative Programming (Cineplex Events) featured the release of the *Break the Silence: The Movie* starring BTS, *Bill & Ted Face The Music*, *André Rieu's Magical Maastricht: Together In Music* and *A Night At The Louvre: Leonardo Da Vinci*.

Digital Commerce

- Total registered users for Cineplex Store increased by 41% in the third quarter of 2020 as compared to the prior year period.

MEDIA

- Reported third quarter media revenues of \$12.8 million, a decrease of \$30.5 million or 70.4% compared to the prior year period.

Cinema Media

- Reported third quarter revenues of \$3.3 million, compared to \$22.6 million in the prior year period, a decrease of 85.2%, primarily due to the decreases in show-time and pre-show advertising as a result of the limited screens and new releases available.

Digital Place-Based Media

- Reported third quarter revenues of \$9.5 million, compared to \$20.7 million in the prior year period, a decrease of 54.2%, primarily due to the lower project installation revenues as a result of COVID-19 and reductions in customers' businesses.

AMUSEMENT AND LEISURE

Amusement Solutions

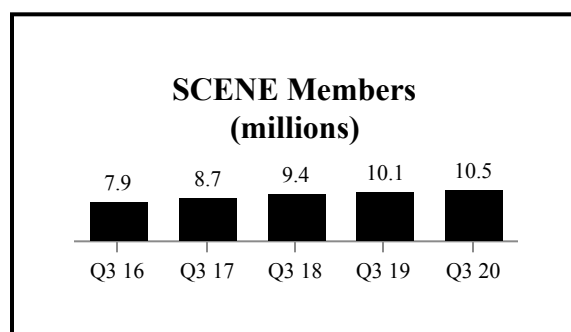
- Reported third quarter revenues of \$13.2 million, a decrease of \$36.7 million (77.2%) versus the prior year period as a result of the temporary closures of P1AG route locations and capacity restrictions due to COVID-19.

Location-based Entertainment

- As of August 4, 2020, all of Cineplex's LBE venues were reopened with province specific restrictions on capacity in both the gaming and restaurant areas.
- Reported third quarter revenues of \$5.1 million, a decrease of \$14.3 million (73.8%) as compared to the prior year period due to locations being partially closed for the third quarter and capacity restrictions at the reopened locations.

LOYALTY

- Membership in the SCENE loyalty program remained flat at 10.5 million members as at September 30, 2020.



CORPORATE

- On July 15, 2020, Cineplex completed the offering of \$275.0 million aggregate principal amount of convertible unsecured subordinated debentures. On July 17, 2020, the underwriters purchased an over-allotment option for an additional \$41.3 million aggregate principal amount of the Debentures.
- During the quarter, Cineplex initiated a sales process for its head office building located at 1303 Yonge Street, Toronto, Ontario.
- Cineplex announced the appointment and return of Phyllis Yaffe to the Board of Directors. Ms. Yaffe returned to the role of Board Chair, replacing Ian Greenberg who did not stand for re-election at the Annual Special Meeting of shareholders in October 2020.
- In July, Cineplex announced a cost restructuring program incurring \$5.4 million in associated costs during the quarter.

2. CINEPLEX'S BUSINESSES AND STRATEGY

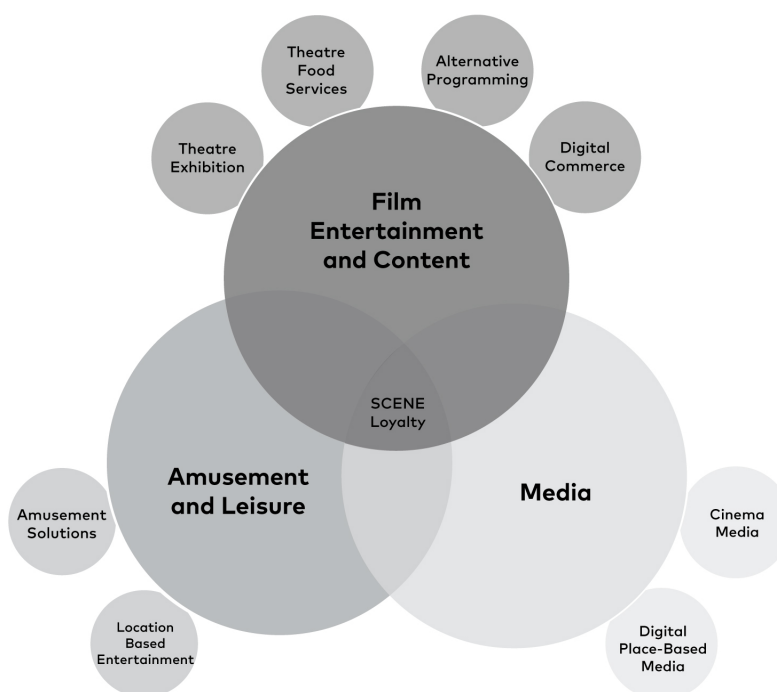
Cineplex's mission statement is "Passionately delivering exceptional experiences." All of its efforts are focused towards this mission and it is Cineplex's goal to consistently provide guests and customers with exceptional experiences.

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

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

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

Diversified Entertainment and Media Company



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

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

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

3. OVERVIEW OF OPERATIONS

Revenues

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

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Revenue mix % by period	Q3 2020	Q3 2019	Q3 2018 Restated	Q3 2017 Restated	Q3 2016 Restated
Box office	23.8 %	42.5 %	44.9 %	44.5 %	49.5 %
Food service	25.3 %	30.0 %	29.9 %	29.0 %	29.2 %
Media	21.0 %	10.3 %	8.6 %	10.5 %	11.7 %
Amusement	21.7 %	13.9 %	13.9 %	13.3 %	7.2 %
Other	8.2 %	3.3 %	2.7 %	2.7 %	2.4 %
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

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

Revenue mix % by period	Third Quarter		Year to date	
	2020	2019	2020	2019
Film Entertainment and Content	54.9 %	74.3 %	66.2 %	73.7 %
Media	21.1 %	10.3 %	14.3 %	10.3 %
Amusement and Leisure	15.7 %	10.7 %	13.2 %	11.3 %
LBE	8.3 %	4.7 %	6.3 %	4.7 %
Total	100.0 %	100.0 %	100.0 %	100.0 %

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

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

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

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

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

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

Cost of Sales and Expenses

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

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

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

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

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

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

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

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

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

Accounting for Joint Arrangements

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

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

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

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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, 2020 and 2019 (in thousands of dollars except Shares outstanding, per Share data and per patron data, unless otherwise noted):

	Three months ended September 30, 2020	Three months ended September 30, 2019	Variance (%)	Nine months ended September 30, 2020	Nine months ended September 30, 2019	Variance (%)
Box office revenues	\$ 14,531	\$ 177,865	-91.8%	\$ 125,560	\$ 523,732	-76.0%
Food service revenues	15,468	125,550	-87.7%	98,089	358,171	-72.6%
Media revenues	12,825	43,308	-70.4%	52,862	127,210	-58.4%
Amusement revenues	13,236	58,143	-77.2%	64,304	174,760	-63.2%
Other revenues	4,962	13,582	-63.5%	24,996	38,053	-34.3%
Total revenues	61,022	418,448	-85.4%	365,811	1,221,926	-70.1%
Film cost	7,261	93,735	-92.3%	63,771	275,461	-76.8%
Cost of food service	3,680	27,439	-86.6%	26,678	79,122	-66.3%
Depreciation - right-of-use assets	30,539	36,456	-16.2%	100,257	109,475	-8.4%
Depreciation and amortization - other assets	30,375	31,712	-4.2%	96,096	95,748	0.4%
Gain (loss) on disposal of assets	(14,113)	303	NM	(12,818)	896	NM
Other costs (a)	78,754	190,955	-58.8%	298,477	567,771	-47.4%
Impairment of long-lived assets and goodwill	65,634	—	NM	238,688	—	NM
Costs of operations	202,130	380,600	-64.1%	811,149	1,128,473	-49.3%
Net (loss) income from continuing operations	\$ (121,209)	\$ 15,100	NM	\$ (393,598)	\$ 31,848	NM
Net loss from discontinued operations	—	(1,718)	NM	(4,952)	(6,429)	-23.0%
Net (loss) income	\$ (121,209)	\$ 13,382	NM	\$ (398,550)	\$ 25,419	NM
Adjusted EBITDA (i) (iii)	\$ (28,928)	\$ 106,132	NM	\$ (23,769)	\$ 299,257	NM
Adjusted EBITDAaL (i) (iii)	\$ (46,725)	\$ 62,312	NM	\$ (116,867)	\$ 168,219	NM
(a) Other costs include:						
Theatre occupancy expenses	14,917	18,219	-18.1%	50,623	53,374	-5.2%
Other operating expenses	50,939	156,732	-67.5%	220,525	462,434	-52.3%
General and administrative expenses (iii)	12,898	16,004	-19.4%	27,329	51,963	-47.4%
Total other costs	\$ 78,754	\$ 190,955	-58.8%	\$ 298,477	\$ 567,771	-47.4%
Net (loss) income per share from continuing operations - basic and diluted (iii)	\$ (1.91)	\$ 0.24	NM	\$ (6.21)	\$ 0.50	NM
Net (loss) income per share from discontinued operations - basic and diluted	—	(0.03)	NM	(0.08)	(0.10)	-20.0%
Net (loss) income per share - basic and diluted (iii)	\$ (1.91)	\$ 0.21	NM	\$ (6.29)	\$ 0.40	NM
Total assets	\$ 2,522,221	\$ 3,032,536	-16.8%	\$ 2,522,221	\$ 3,032,536	-16.8%
Total long-term financial liabilities (ii)	\$ 675,842	\$ 649,000	4.1%	\$ 675,842	\$ 649,000	4.1%
Shares outstanding at period end	63,333,238	63,333,238	—%	63,333,238	63,333,238	—%
Cash dividends declared per Share	\$ —	\$ 0.450	NM	\$ 0.150	\$ 1.330	-88.7%
Adjusted free cash flow per Share (i)	\$ (1.221)	\$ 0.762	NM	\$ (2.074)	\$ 2.042	NM
Box office revenue per patron (i)	\$ 9.30	\$ 10.16	-8.5%	\$ 10.23	\$ 10.58	-3.3%
Concession revenue per patron (i)	\$ 7.37	\$ 6.68	10.3%	\$ 6.86	\$ 6.70	2.4%
Film cost as a percentage of box office revenues	50.0 %	52.7 %	-2.7%	50.8%	52.6 %	-1.8%
Theatre attendance (in thousands of patrons) (i)	1,563	17,512	-91.1%	12,279	49,511	-75.2%
Theatre locations (at period end)	164	165	-0.6%	164	165	-0.6%
Theatre screens (at period end)	1,687	1,695	-0.5%	1,687	1,695	-0.5%
(i) See Section 17, Non-GAAP measures, for the definition of non-GAAP measures reported by Cineplex.						
(ii) Represents the principal component of long-term debt and convertible debentures. Excludes share-based compensation, lease obligations, fair value of interest rate swap agreements, post-employment benefit obligations and other liabilities.						
(iii) 2020 includes expenses related to the Cineworld Transaction and resulting litigation in the amount of \$0.5 million for the third quarter and \$2.8 million for year-to date.						

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Management's Discussion and Analysis

4.2 OPERATING RESULTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020

Total revenues

Total revenues for the three months ended September 30, 2020 decreased \$357.4 million (85.4%) to \$61.0 million as compared to the prior year period. Total revenues for the nine months ended September 30, 2020 decreased \$856.1 million (70.1%) to \$365.8 million as compared to the prior year period. A discussion of the factors affecting the changes in box office, food service, media, amusement and other revenues for the period is provided below.

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

Box office revenues

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

Box office revenues	Third Quarter			Year to Date		
	2020	2019	Change	2020	2019	Change
Box office revenues	\$ 14,531	\$ 177,865	-91.8%	\$ 125,560	\$ 523,732	-76.0%
Theatre attendance (i)	1,563	17,512	-91.1%	12,279	49,511	-75.2%
Box office revenue per patron (i)	\$ 9.30	\$ 10.16	-8.5%	\$ 10.23	\$ 10.58	-3.3%
BPP excluding premium priced product (i)	\$ 8.47	\$ 8.95	-5.4%	\$ 9.22	\$ 9.08	1.5%
Same theatre box office revenues (i)	\$ 14,453	\$ 177,278	-91.8%	\$ 123,467	\$ 517,727	-76.2%
Same theatre attendance (i)	1,553	17,440	-91.1%	12,106	48,980	-75.3%
% Total box from premium priced product (i)	28.3%	35.8%	-7.5%	28.6 %	42.8 %	-14.2%
(i) See Section 17, Non-GAAP measures.						

Box office continuity	Third Quarter		Year to Date	
	Box Office	Theatre Attendance	Box Office	Theatre Attendance
2019 as reported	\$ 177,865	17,512	\$ 523,732	49,511
Same theatre attendance change	(161,493)	(15,887)	(389,763)	(36,874)
Impact of same theatre BPP change	(1,332)	—	(4,497)	—
New and acquired theatres (i)	78	10	(1,856)	(122)
Disposed and closed theatres (i)	(587)	(72)	(2,056)	(236)
2020 as reported	\$ 14,531	1,563	\$ 125,560	12,279
(i) See Section 17, Non-GAAP measures. Represents theatres opened, acquired, disposed or closed subsequent to the start of the prior year comparative period.				

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Management's Discussion and Analysis

Third Quarter and Year to Date

Third Quarter 2020 Top Cineplex Films			3D	% Box	Third Quarter 2019 Top Cineplex Films			3D	% Box
1	Tenet			37.2 %	1	The Lion King		✓	18.2 %
2	The Spongebob Movie: Sponge On The Run			14.3 %	2	Spider-Man: Far From Home		✓	13.8 %
3	Unhinged			9.6 %	3	Fast & Furious			6.7 %
4	The New Mutants			8.4 %	4	It Chapter Two			6.6 %
5	After We Collided			4.8 %	5	Once Upon A Time In Hollywood			5.8 %

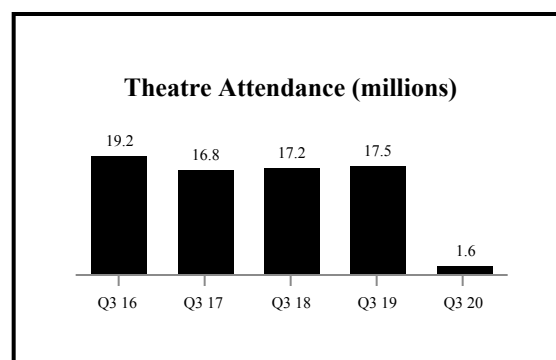
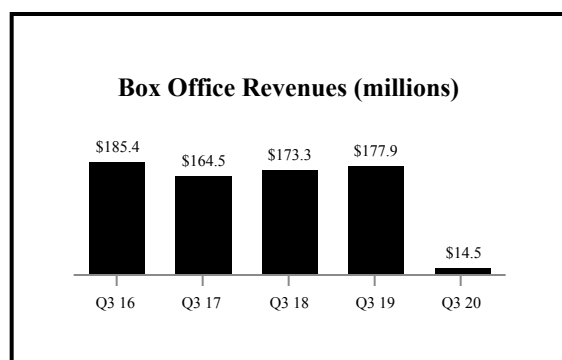
Year to Date 2020 Top Cineplex Films			3D	% Box	Year to Date 2019 Top Cineplex Films			3D	% Box
1	1917			8.6 %	1	Avengers: Endgame		✓	11.6 %
2	Star Wars: The Rise of Skywalker		✓	6.4 %	2	The Lion King		✓	6.3 %
3	Jumanji: The Next Level		✓	6.8 %	3	Captain Marvel		✓	5.9 %
4	Bad Boys For Life			7.7 %	4	Spider-Man: Far From Home		✓	4.7 %
5	Sonic The Hedgehog			5.7 %	5	Aladdin		✓	4.0 %

Third Quarter and Year to Date

As of August 21, 2020, Cineplex had reopened its entire circuit of theatres with limited show times and reduced seating capacity to ensure physical distancing, enhanced cleaning protocols and staff equipped with personal protective equipment. As a result of these restrictions, the gradual reopening of the theatres throughout the summer, and limited film product, box office revenues decreased \$163.3 million, or 91.8%, to \$14.5 million during the period, compared to \$177.9 million reported in the third quarter of 2019.

Cineplex's BPP for the period decreased \$0.86, or 8.5%, from \$10.23 in the prior year to \$9.30 in the current period. The decrease was due to lower ticket pricing on previously released content, SCENE promotions and reduced premium offerings. The quarter included the release of the much anticipated Christopher Nolan's film "Tenet" on August 26, one week before it was released in the US. Distributors have continued to push their film slates further out in the calendar and into 2021 and beyond in response to the impact of COVID-19 on exhibitors.

Box office revenues for the nine months ended September 30, 2020 were \$125.6 million, a decrease of \$398.2 million or 76.0% 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 the majority of the year.



Cineplex Inc.

Management's Discussion and Analysis

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		
	2020	2019	Change	2020	2019	Change
Food service - theatres	\$ 11,519	\$ 117,048	-90.2%	\$ 84,262	\$ 331,961	-74.6 %
Food service - LBE	1,479	8,502	-82.6%	8,250	26,210	-68.5 %
Food service - delivery	2,470	\$ —	NM	5,577	\$ —	NM
Total food service revenues	\$ 15,468	\$ 125,550	-87.7%	\$ 98,089	\$ 358,171	-72.6 %
Theatre attendance (i)	1,563	17,512	-91.1%	12,279	49,511	-75.2 %
CPP (i) (ii)	\$ 7.37	\$ 6.68	10.3%	\$ 6.86	\$ 6.70	2.4 %
Same theatre food service revenues (i)	\$ 11,264	\$ 116,622	-90.3%	\$ 82,573	\$ 327,958	-74.8 %
Same theatre attendance (i)	1,553	17,440	-91.1%	12,106	48,980	-75.3 %

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

Theatre food service revenue continuity	Third Quarter		Year to Date	
	Theatre Food Service	Theatre Attendance	Theatre Food Service	Theatre Attendance
2019 as reported	\$ 117,048	17,512	\$ 331,961	49,511
Same theatre attendance change	(108,732)	(15,887)	(252,409)	(36,874)
Impact of same theatre CPP change	3,411	—	7,024	—
New and acquired theatres (i)	135	10	(980)	(122)
Disposed and closed theatres (i)	(425)	(72)	(1,416)	(236)
2020 as reported	\$ 11,437	1,563	\$ 84,180	12,279

(i) See Section 17, 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*.

Food services revenues were materially impacted by the government mandated closures of theatres and LBE venues as a result of COVID-19. By the latter part of the third quarter, Cineplex reopened its entire circuit of theatres with limited seating capacity to ensure appropriate physical distancing measures were in place. Food services revenues decreased \$110.1 million, or 87.7%, to \$15.5 million which included home delivery revenues of \$2.5 million during the quarter, compared to \$125.6 million reported in the third quarter of 2019. The decrease in food service revenue was primarily due to the decrease in theatre attendance, limited concession menu options, and government mandated capacity restrictions at theatres and LBE venues.

Despite the limited menu offering, CPP increased \$0.69, or 10.3%, to \$7.37 in the current period from \$6.68 in the prior year period.

Food service revenues for the nine months ended September 30, 2020 were \$98.1 million, a decrease of \$260.1 million or 72.6% compared to the prior year. Cineplex continued to support its home delivery services while focusing on the safe reopening of theatres and LBE venues in the third quarter. The year to date decrease in food service revenue primarily due to the decrease in theatre attendance, limited concession menu options, and government mandated capacity restrictions at theatres and LBE venues.

Cineplex Inc.

Management's Discussion and Analysis

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		
	2020	2019	Change	2020	2019	Change
Cinema media	\$ 3,334	\$ 22,572	-85.2%	\$ 22,200	\$ 73,244	-69.7%
Digital place-based media	9,491	20,736	-54.2%	30,662	53,966	-43.2%
Total media revenues from continuing operations	\$ 12,825	\$ 43,308	-70.4%	\$ 52,862	\$ 127,210	-58.4%
Media revenues from discontinued operations	—	138	NM	602	827	-27.2%
Total media revenues	\$ 12,825	\$ 43,446	-70.5%	\$ 53,464	\$ 128,037	-58.2%

Third Quarter and Year to Date

Total media revenues from continuing operations decreased \$30.5 million (70.4%) to \$12.8 million in the third quarter compared to the prior year period. During the third quarter media revenues were primarily driven by digital place-based media revenues specifically from creative services, network management, support services and digital advertising with the gradual/limited reopening of malls. Cinema media revenues were materially negatively impacted by the closure of theatres and limited first run film product in the third quarter leading to a sharp decline in show-time and pre-show advertising revenue. Total media revenues from continuing operations for the nine months ended September 30, 2020 were \$52.9 million, a decrease of \$74.3 million or 58.4% compared to the prior year. The decrease resulted from a \$23.3 million decrease in digital place-based media revenues due to lower hardware and digital media revenue and a \$51.0 million decrease in Cinema media due to theatre closures effective March 16, 2020 with limited reopening and a minimal number of new releases beginning in the third quarter.

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

Digital place-based media revenues	Third Quarter			Year to Date		
	2020	2019	Change	2020	2019	Change
Project revenues (i)	\$ 2,252	\$ 11,239	-80.0%	\$ 9,094	\$ 25,754	-64.7%
Other revenues (ii)	7,239	9,497	-23.8%	21,568	28,212	-23.6%
Total digital place-based media revenues	\$ 9,491	\$ 20,736	-54.2%	\$ 30,662	\$ 53,966	-43.2%
(i) Project revenues include hardware sales and professional services.						
(ii) Other revenues include sales of software and its support as well as media advertising.						

Amusement revenues

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

Amusement revenues	Third Quarter			Year to Date		
	2020	2019	Change	2020	2019	Change
Amusement - P1AG excluding Cineplex exhibition and LBE (i)	\$ 9,564	\$ 44,788	-78.6%	\$ 48,212	\$ 138,278	-65.1%
Amusement - Cineplex exhibition (i)	119	2,847	-95.8%	2,327	8,239	-71.8%
Amusement - LBE	3,553	10,508	-66.2%	13,765	28,243	-51.3%
Total amusement revenues	\$ 13,236	\$ 58,143	-77.2%	\$ 64,304	\$ 174,760	-63.2%
(i) Cineplex receives a venue revenue share on games revenues earned at in-theatre game rooms and XScape Entertainment Centres. Amusement - Cineplex exhibition reports the total of this venue revenue share which is consistent with the historical presentation of Cineplex's amusement revenues. Amusement - P1AG excluding Cineplex exhibition reflects P1AG's gross amusement revenues, net of the venue revenue share paid to Cineplex reflected in Amusement - Cineplex exhibition above.						

Cineplex Inc.

Management's Discussion and Analysis

Third Quarter and Year to Date

Amusement revenues decreased 77.2%, or \$44.9 million, to \$13.2 million during the third quarter of 2020 compared to the prior year period. Amusement revenues for the nine months ended September 30, 2020 were \$64.3 million, a decrease of \$110.5 million or 63.2% compared to the prior year. The quarterly and year to date decrease in revenue was primarily due to the government mandated closures of P1AG route locations, Cineplex theatres and LBE venues due to COVID-19 mandated capacity restrictions and resulting decreased attendance. P1AG's revenues were primarily earned through the reopening of select FEC locations in both Canada and the United States as well as equipment sales during the quarter.

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		
	2020	2019	Change	2020	2019	Change
Amusement revenues	\$ 9,564	\$ 44,788	-78.6%	\$ 48,212	\$ 138,278	-65.1%
Operating Expenses	13,030	36,855	-64.6%	54,316	115,340	-52.9%
Cash rent related to lease obligations (i)	(912)	1,520	NM	1,828	4,529	-59.6%
Total adjusted operating expenses	\$ 12,118	\$ 38,375	-68.4%	\$ 56,144	\$ 119,869	-53.2%
P1AG Adjusted EBITDAaL (ii)	\$ (2,554)	\$ 6,413	NM	\$ (7,932)	\$ 18,409	NM
P1AG Adjusted EBITDAaL Margin (ii)	(26.7)%	14.3 %	NM	(16.5)%	13.3 %	NM
(i) Cash rent that has been reallocated to offset the lease obligations.						
(ii) See Section 17, Non-GAAP measures.						

Margins for P1AG decreased during the third quarter and year to date compared to the prior year periods as a result of the temporary closures of P1AG route locations for a majority of the third quarter. Certain operating expenses such as, salaries, rent, and utilities are fixed in nature, which also contributed to the lower adjusted EBITDAaL margin in the third quarter of 2020. Payroll costs were reduced as a result of the \$1.7 million received under the COVID-19 CEWS wage subsidy program during the quarter and \$3.9 million received year to date in addition to furloughs implemented in certain markets due to the closures. Cash rent related to lease obligations decreased as a result of rent abatements related to the second and third quarter due to the rent relief measures that were negotiated with landlords which were finalized and recorded in the third quarter.

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		
	2020	2019	Change	2020	2019	Change
Food service revenues	\$ 1,541	\$ 8,502	-81.9%	\$ 8,394	\$ 26,210	-68.0%
Amusement revenues	3,553	10,508	-66.2%	13,765	28,243	-51.3%
Media and other revenues	30	569	-94.7%	962	2,480	-61.2%
Total revenues	\$ 5,124	\$ 19,579	-73.8%	\$ 23,121	\$ 56,933	-59.4%
Cost of food service	470	2,217	-78.8%	2,537	7,039	-64.0%
Operating expenses before adjustments (i)	3,864	11,866	-67.4%	18,200	34,264	-46.9%
Cash rent related to lease obligations (iii)	(56)	1,447	NM	3,494	4,154	-15.9%
Total adjusted costs	\$ 4,278	\$ 15,530	-72.5%	\$ 24,231	\$ 45,457	-46.7%
Store level Adjusted EBITDAaL (iii)	846	4,049	-79.1%	(1,110)	11,476	NM
Store level Adjusted EBITDAaL Margin (iii)	16.5 %	20.7 %	-4.2%	(4.8)%	20.2 %	-25.0%
(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 17, Non-GAAP measures.						

Cineplex Inc.

Management's Discussion and Analysis

Margins for LBE decreased during the third quarter and year to date compared to the prior year periods as a result of the temporary closure of all locations for a majority of the third quarter. Margins were also impacted by higher food costs associated with food delivery services, higher beverage costs due to an increase in prepackaged products and a decrease in groups and events bookings which have historically resulted in higher margins. This was partially offset by a reduction in payroll costs as a result of the \$2.1 million received under the COVID-19 CEWS wage subsidy program during the quarter and \$4.1 million received year to date, and the decrease in cash rent related to lease obligations which includes rent abatement's related to the second and third quarter finalized in the third quarter, due to the rent relief measures Cineplex finalized with landlords.

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		
	2020	2019	Change	2020	2019	Change
Other revenues from continuing operations	\$ 4,962	\$ 13,582	-63.5%	\$ 24,996	\$ 38,053	-34.3%
Other revenues from discontinued operations	—	—	NM	199	16	NM
Total other revenues	\$ 4,962	\$ 13,582	-63.5%	\$ 25,195	\$ 38,069	-33.8%

Third Quarter and Year to Date

The quarterly and year to date decreases in other revenues from continuing operations were primarily due to the suspension of the recognition of deferred revenues on gift card and other related products during the shut-down of theater and LBE venues. In addition, the shut downs reduced other ancillary revenues generated from theatres, such as venue rentals.

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):

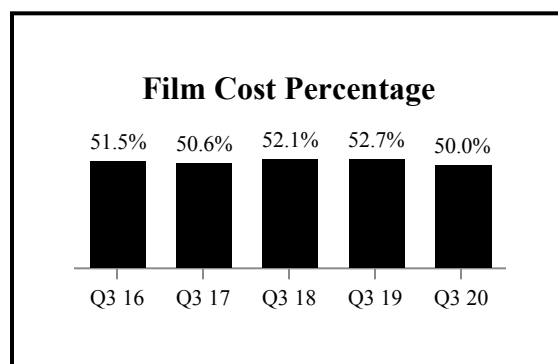
Film cost	Third Quarter			Year to Date		
	2020	2019	Change	2020	2019	Change
Film cost	\$ 7,261	\$ 93,735	-92.3%	\$ 63,771	\$ 275,461	-76.8%
Film cost percentage (i)	50.0%	52.7%	-2.7%	50.8%	52.6%	-1.8%

(i) See Section 17, 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 varying by title and distributor.

Film costs in the third quarter related primarily to the exhibition of the film *Tenet*. However, lower settlement rates on older and classic film products resulted in a lower film cost as compared to the prior year period.



Cost of food service

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

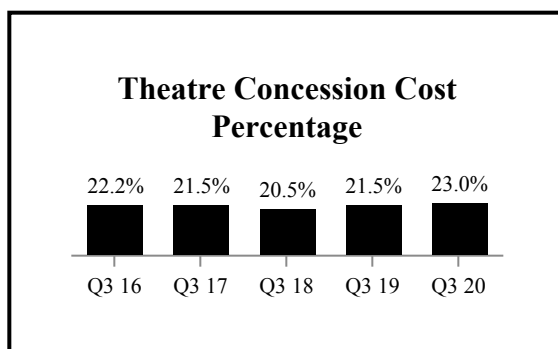
Cost of food service	Third Quarter			Year to Date		
	2020	2019	Change	2020	2019	Change
Cost of food service - theatre	\$ 3,210	\$ 25,222	-87.3%	\$ 24,141	\$ 72,083	-66.5 %
Cost of food service - LBE	470	2,217	-78.8%	2,537	7,039	-64.0 %
Total cost of food service	\$ 3,680	\$ 27,439	-86.6%	\$ 26,678	\$ 79,122	-66.3 %
Theatre concession cost percentage (i)	23.0%	21.5%	1.5%	26.9%	21.7%	5.2 %
LBE food cost percentage (i)	30.5%	26.1%	4.4%	30.2%	26.9%	3.3 %
Theatre concession margin per patron (i)	\$ 5.67	\$ 5.24	8.2%	\$ 5.01	\$ 5.25	-4.5 %

(i) See Section 17, 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 and year to date decreases were due to the lower food service revenues for both segments as a result of the temporary closure of Cineplex’s theatre and LBE locations in response to COVID-19.



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Management's Discussion and Analysis

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		
	2020	2019	Change	2020	2019	Change
Depreciation of property, equipment and leaseholds	\$ 27,241	\$ 28,714	-5.1%	\$ 86,303	\$ 86,944	-0.7%
Amortization of intangible assets and other	3,134	2,998	4.5%	9,793	8,804	11.2%
Sub-total - depreciation and amortization - other assets	\$ 30,375	\$ 31,712	-4.2%	\$ 96,096	\$ 95,748	0.4%
Depreciation - right-of-use assets	30,539	36,456	-16.2%	100,257	109,475	-8.4%
Total depreciation and amortization from continuing operations	\$ 60,914	\$ 68,168	-10.6%	\$ 196,353	\$ 205,223	-4.3%
Depreciation and amortization from discontinued operations	—	1,215	-100.0%	—	3,623	-100.0%
Total depreciation and amortization	\$ 60,914	\$ 69,383	-12.2%	\$ 196,353	\$ 208,846	-6.0%

Third Quarter and Year to Date

Depreciation of property, equipment and leaseholds from continuing operations decreased \$1.5 million, or 5.1%, to \$27.2 million during the third quarter of 2020 compared to the prior year period, and a year to date decrease of \$0.6 million, or 0.7%, to \$86.3 million compared to the prior year. The decrease was due to the impact of the impairment recorded in the first quarter of 2020 on the carrying value of long-lived assets.

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

The quarterly and year to date decrease of \$5.9 million and \$9.2 million in amortization of right-of-use assets from continuing operations were due to reduced carrying values, resulting from the impairment recorded in the first quarter of 2020 in addition to modifications to lease agreements related to COVID-19.

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		
	2020	2019	Change	2020	2019	Change
Impairment of property, equipment and leaseholds	\$ —	\$ —	NM	\$ (33,949)	\$ —	NM
Impairment of right-of-use assets	—	—	NM	(50,610)	—	NM
Impairment of goodwill	(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

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

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Management's Discussion and Analysis

Management will monitor and re-assess the recoverable value of the impaired assets, reversing the impairments where it increases. Impairments recorded with respect to goodwill cannot be reversed.

A triggering event occurred on September 30, 2020 as a result of the material decrease in Cineplex's market value due to a sharp decline in its share price at that date from June 30, 2020. Cineplex reassessed the underlying key assumptions and inputs used during the impairment testing completed as at March 31, 2020 and June 30, 2020. The recoverable amount was determined using fair value less costs to sell which considered future after-tax cash flows. Based on the results of the impairment tests completed, Cineplex recognized impairment charges of \$65.6 million for the three months ended September 30, 2020.

If business conditions deteriorate further, or should they remain depressed for a prolonged period of time, management's estimates of operating results and future cash flows for the forecasted period may be insufficient to support the goodwill assigned to them, thus requiring 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		
	2020	2019	Change	2020	2019	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.

(Gain) loss on disposal of assets

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

(Gain) loss on disposal of assets	Third Quarter			Year to Date		
	2020	2019	Change	2020	2019	Change
(Gain) loss on disposal from continuing operations	\$ (14,113)	\$ 303	NM	\$ (12,818)	\$ 896	NM
Loss on disposal from discontinued operations	—	—	NM	129	—	NM
(Gain) loss on disposal of assets	\$ (14,113)	\$ 303	NM	\$ (12,689)	\$ 896	NM

The quarterly and year to date movements in (gain) loss on disposal of assets from continuing operations as compared to the prior year periods were due mainly to the negotiated sale of certain restrictive lease rights completed during the quarter.

Other costs

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

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

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Management's Discussion and Analysis

Other costs	Third Quarter			Year to Date		
	2020	2019	Change	2020	2019	Change
Theatre occupancy expenses	\$ 14,917	\$ 18,219	-18.1%	\$ 50,623	\$ 53,374	-5.2%
Other operating expenses	50,939	156,732	-67.5%	220,525	462,434	-52.3%
General and administrative expenses	12,898	16,004	-19.4%	27,329	51,963	-47.4%
Total other costs from continuing operations	\$ 78,754	\$ 190,955	-58.8%	\$ 298,477	\$ 567,771	-47.4%
Other costs from discontinued operations	—	1,391	NM	2,212	5,530	-60.0%
Total other costs	\$ 78,754	\$ 192,346	-59.1%	\$ 300,689	\$ 573,301	-47.6%

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		
	2020	2019	Change	2020	2019	Change
Cash rent paid/payable (i) (iv) (v)	\$ 7,419	\$ 39,111	-81.0%	\$ 85,434	\$ 117,879	-27.5%
Other occupancy	15,921	18,230	-12.7%	52,725	55,191	-4.5%
One-time items (ii)	(799)	(323)	NM	(1,939)	(2,213)	-12.4%
Total theatre occupancy including cash lease payments paid/payable	\$ 22,541	\$ 57,018	-60.5%	\$ 136,220	\$ 170,857	-20.3%
Cash rent paid/payable related to lease obligations (iii) (v)	(7,624)	(38,799)	-80.4%	(85,597)	(117,483)	-27.1%
Theatre occupancy as reported	\$ 14,917	\$ 18,219	-18.1%	\$ 50,623	\$ 53,374	-5.2%

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

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

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

(iv) The 2020 and 2019 year to date balance each includes \$0.4 million of cash rent paid not pertaining to the current period. See Section 17, Non-GAAP measures.

(v) Does not reflect the impact of \$2.6 million of quantified negotiated lease-related abatements that are included in the total amount in the 2020 quarter and year to date figures.

Theatre occupancy continuity	Third Quarter Occupancy	Year to Date Occupancy
2019 as reported	\$ 18,219	\$ 53,374
Impact of new and acquired theatres	26	920
Impact of disposed theatres	(468)	(874)
Same theatre rent change (i)	(31,381)	(32,611)
One-time items	(477)	274
Other	(2,177)	(2,346)
Impact of IFRS 16 adoption:		
Cash rent paid/payable related to lease obligations	31,175	31,886
2020 as reported	\$ 14,917	\$ 50,623

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

Third Quarter

Total theatre occupancy decreased \$3.3 million (18.1%) during the third quarter of 2020 compared to the prior year period. This decrease was primarily due to the rent relief measures Cineplex has undertaken with landlord partners resulting in lower theatre rent related expense including common area maintenance and taxes as compared to the prior year period.

Following the closure of all theatre and LBE locations in March 2020, Cineplex has worked with landlord partners to identify relief measures. While Cineplex is still in the process of finalizing the measures, cash rent payments in the third quarter were materially reduced.

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Year to Date

For the year to date period, theatre occupancy expenses decreased \$2.8 million (5.2%) compared to the prior year. This decrease was primarily due to lower theatre rent related expense including common area maintenance and taxes as compared to the prior year period.

Other operating expenses

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

Other operating expenses	Third Quarter			Year to Date		
	2020	2019	Change	2020	2019	Change
Theatre payroll	\$ 3,868	\$ 40,886	-90.5%	\$ 35,532	\$ 118,668	-70.1%
Theatre operating expenses	13,341	30,060	-55.6%	48,642	88,847	-45.3%
Media	8,673	22,932	-62.2%	34,400	60,859	-43.5%
P1AG	12,118	38,375	-68.4%	56,144	119,869	-53.2%
LBE (i)	3,808	13,313	-71.4%	21,694	38,418	-43.5%
LBE pre-opening (ii)	198	480	-58.8%	1,122	1,844	-39.2%
SCENE	4,325	3,981	8.6%	8,533	13,079	-34.8%
Marketing	1,107	4,083	-72.9%	5,087	11,126	-54.3%
Other (iii)	3,891	7,128	-45.4%	19,296	23,193	-16.8%
Other operating expenses including cash lease payments paid/payable	\$ 51,329	\$ 161,238	-68.2%	\$ 230,450	\$ 475,904	-51.6%
Cash rent paid/payable related to lease obligations (iv) (v)	(390)	(4,506)	-91.3%	(9,925)	(13,470)	-26.3%
Other operating expenses from continuing operations	\$ 50,939	\$ 156,732	-67.5%	\$ 220,525	\$ 462,434	-52.3%
Other operating expenses from discontinued operations	—	1,391	NM	2,212	5,530	-60.0%
Total other operating expenses	\$ 50,939	\$ 158,123	-67.8%	\$ 222,737	\$ 467,964	-52.4%
(i) Includes operating costs of LBE locations. Overhead relating to management of LBE portfolio are included in the 'Other' line.						
(ii) Includes pre-opening costs of LBE.						
(iii) Other category includes overhead costs related to LBE and other Cineplex internal departments.						
(iv) Cash rent paid/payable that has been reallocated to offset the lease obligations.						
(v) Does not reflect the impact of \$2.6 million of quantified negotiated lease-related abatements that are included in the total amount in the 2020 quarter and year to date figures.						

Other operating continuity from continuing operations	Third Quarter Other Operating	Year to Date Other Operating
2019 as restated	\$ 156,732	\$ 462,434
Impact of new and acquired theatres	206	(154)
Impact of disposed theatres	(311)	(908)
Same theatre payroll change (i)	(36,946)	(82,387)
Same theatre operating expenses change (i)	(16,686)	(39,895)
Media operating expenses change	(14,259)	(26,459)
P1AG operating expenses change	(26,257)	(63,725)
LBE operating expenses change	(9,505)	(16,724)
LBE pre-opening change	(282)	(722)
SCENE change	344	(4,546)
Marketing change	(2,976)	(6,039)
Other	(3,237)	(3,895)
Impact of IFRS 16:		
Cash rent paid/payable related to lease obligations (ii)	4,116	3,545
2020 as reported	\$ 50,939	\$ 220,525
(i) See Section 17, Non-GAAP measures.		
(ii) Does not reflect the impact of \$2.6 million of quantified negotiated lease-related abatements that are included in the total amount in the 2020 quarter and year to date figures.		

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Management's Discussion and Analysis

Third Quarter

The overall decrease in other operating expenses was a result of the temporary closure of theatres, LBE locations and P1AG route locations and the resulting impact on all other parts of the business partially offset by costs incurred with the gradual reopening of theatre and LBE locations, including rehiring previously laid off. In order to manage costs Cineplex took advantage of government subsidy programs in Canada and the United States, offsetting Other operating costs with \$19.0 million in the third quarter, including \$11.0 million against theatre payroll, and focused on reducing overall spending. In addition to wage subsidies received, theatre and LBE payroll costs were reduced as a result of limited hours due to slower rollouts of openings which were limited.

Year to Date

The overall decrease in other operating expenses was as a result of the temporary closure of theatres, LBE locations and P1AG route locations leading to a decrease in business volumes.

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		
	2020	2019	Change	2020	2019	Change
G&A excluding the following items	\$ 9,253	\$ 13,985	-33.8%	\$ 36,456	\$ 47,705	-23.6%
Restructuring	5,427	176	NM	5,862	889	NM
Transaction / Litigation costs	453	—	NM	2,822	—	NM
LTIP (i)	(2,343)	1,598	NM	(15,352)	2,607	NM
Option plan	273	408	-33.1%	(1,921)	1,201	NM
G&A expenses including cash lease payments paid/payable	\$ 13,063	\$ 16,167	-19.2%	\$ 27,867	\$ 52,402	-46.8%
Cash rent paid/payable included as part of lease obligations (ii) (iii)	(165)	(163)	1.2%	(538)	(439)	22.6%
G&A expenses as reported	\$ 12,898	\$ 16,004	-19.4%	\$ 27,329	\$ 51,963	-47.4%
(i) LTIP includes the expense for the LTIP program as well as the expense for the executive and Board deferred share unit plans.						
(ii) Cash rent paid/payable that has been reallocated to offset the lease obligations.						
(iii) Does not reflect the impact of quantified negotiated lease-related abatements included in the total amount of \$2.6 million in the 2020 quarter and year to date figures.						

Third Quarter and Year to Date

G&A expenses decreased \$3.1 million during the third quarter of 2020 as compared to the prior year period. This was primarily a result of the \$3.3 million received under the COVID-19 CEWS wage subsidy program. These savings were partially offset by costs of \$5.4 million arising from a cost restructuring program implemented in the third quarter net of a decrease of \$3.9 million in LTIP expense due to the decrease in the Share price from \$8.04 at June 30, 2020 to \$7.21 at September 30, 2020. Transaction costs of \$0.5 million related to the Cineworld Transaction and ensuing litigation resulting from the repudiation of the Cineworld Transaction were incurred during the quarter (See 1.1 Recent Developments).

G&A expenses for the year to date period decreased \$24.6 million compared to the prior year period due to a \$18.0 million decrease in LTIP expense, a \$3.1 million decrease in option plan expense and the COVID-19 CEWS wages subsidy program from which \$7.1 million was received and was recorded against payroll. The impact of the COVID-19 pandemic on Cineplex's business led to a sharp decline in the Share price which fell to \$7.21 per Share at September 30, 2020 from \$33.85 at December 31, 2019. With the termination of the Arrangement Agreement, Share options have been reclassified to being accounted for as equity-settled and both LTIP and option expenses have been accounted for over their original vesting periods (prior to the Arrangement Agreement).

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Share of income of joint ventures and associates

Cineplex's joint ventures and associates include its 78.2% interest in CDCP, 50% interest in one IMAX screen in Ontario, 50% interest in YoYo's and 34.7% interest in VRstudios.

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

Share of income of joint ventures and associates	Third Quarter			Year to Date		
	2020	2019	Change	2020	2019	Change
Share of loss (income) of CDCP	\$ 1,820	\$ (790)	NM	\$ 5,194	\$ (3,024)	NM
Share of loss of other joint ventures and associates	317	230	37.8%	870	452	92.5%
Total loss (income) of joint ventures and associates	\$ 2,137	\$ (560)	NM	\$ 6,064	\$ (2,572)	NM

CDCP revenues were negatively impacted by the closure of theatres in March with limited reopening during the quarter, resulting in a \$2.7 million decrease in share of loss (income) from CDCP for the quarter and \$8.6 million decrease for the year to date.

Interest expense

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

Interest expense	Third Quarter			Year to Date		
	2020	2019	Change	2020	2019	Change
Long-term debt interest expense	\$ 7,442	\$ 6,505	14.4%	\$ 22,698	\$ 18,794	20.8%
Convertible debenture interest expense	3,875	—	NM	3,875	—	NM
Sub-total - long-term debt and convertible debenture interest expense	\$ 11,317	\$ 6,505	74.0%	\$ 26,573	\$ 18,794	41.4%
Lease interest expense	11,528	11,630	-0.9%	33,936	35,521	-4.5%
Sub-total - cash interest expense	\$ 22,845	\$ 18,135	26.0%	\$ 60,509	\$ 54,315	11.4%
Deferred financing fee accretion and other non-cash interest, net	351	487	-27.9%	1,028	1,337	-23.1%
Convertible debenture accretion	4,043	—	NM	4,043	—	NM
Interest rate swap - non-cash	118	(287)	NM	11,413	(1,419)	NM
Sub-total - non-cash interest expense	4,512	200	NM	16,484	(82)	NM
Total interest expense	\$ 27,357	\$ 18,335	49.2%	\$ 76,993	\$ 54,233	42.0%

(i) See Section 12, Accounting policies.

Third Quarter and Year to Date

Interest expense increased \$9.0 million for the quarter and \$22.8 million for the year to date compared to the prior year period, due to the increases in cash interest of \$4.7 million and \$6.2 million, respectively, as well as the increases in non-cash interest of \$4.3 million and \$16.5 million, respectively. For both the third quarter and year to date periods, the increase in cash interest was primarily due to increased borrowing on Cineplex's revolving facility (see Section 6.4, Credit Facilities), in addition to interest incurred in the third quarter of 2020 as a result of the issuance of convertible debentures on July 15, 2020 (see Section 8.1, Convertible Debentures).

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

Cineplex Inc.

Management's Discussion and Analysis

Interest income

Interest income during the third quarter of 2020 and the nine months ended September 30, 2020 was as follows (in thousands of dollars):

Interest income	Third Quarter			Year to Date		
	2020	2019	Change	2020	2019	Change
Interest income	\$ 20	\$ 75	-73.3%	\$ 149	\$ 208	-28.4%

Foreign exchange

The following table highlights the movement in foreign exchange during the third quarter of 2020 and the nine months ended September 30, 2020 (in thousands of dollars):

Foreign exchange	Third Quarter			Year to Date		
	2020	2019	Change	2020	2019	Change
Foreign exchange loss (gain) from continuing operations	\$ 166	\$ (449)	NM	\$ (702)	\$ 569	NM
Foreign exchange loss (gain) from discontinued operations	—	(12)	NM	(117)	186	NM
Total foreign exchange loss (gain)	\$ 166	\$ (461)	-136.0%	\$ (819)	\$ 755	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 1.3628 at June 30, 2020 to 1.3339 at September 30, 2020.

For the nine months ended September 30, 2020, the movement in the foreign exchange was due to the increase in the CAD/USD foreign exchange month end rate from 1.2988 at December 31, 2019 to 1.3339 at September 30, 2020.

Income taxes

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

Income taxes	Third Quarter			Year to Date		
	2020	2019	Change	2020	2019	Change
Current income tax expense	\$ 146	\$ 7,932	NM	\$ (7,719)	\$ 16,345	NM
Deferred income tax recovery	(49,685)	(2,435)	NM	(126,227)	(6,762)	NM
Provision for income taxes from continuing operations	\$ (49,539)	\$ 5,497	NM	\$ (133,946)	\$ 9,583	NM
Provision for income taxes from discontinued operations	—	(738)	NM	(1,627)	(2,067)	-21.3%
Provision for income taxes	\$ (49,539)	\$ 4,759	NM	\$ (135,573)	\$ 7,516	NM

Third Quarter

The decrease in the third quarter provision for income taxes was primarily due to taxable losses realized for the quarter as a result of the negative impact of the COVID-19 pandemic on Cineplex's business. The remaining change results from the impact of differences in the timing of deductions for tax as compared to accounting in the current period as compared to the prior year period. A deferred taxes recovery of \$10.4 million was recognized in the quarter with respect to the impairment of goodwill.

Year to Date

The decrease in provision for income taxes was primarily due to the impact of non-cash impairment losses for long-lived assets and goodwill (\$44.8 million year to date), as well as additional taxable losses realized as a result of the negative impact of the COVID-19 pandemic on Cineplex's businesses. The remaining change results from the impact of differences in the timing of deductions for tax as compared to accounting in the current period as compared to the prior year period.

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Due to significant taxable income earned in the three preceding tax years that can be offset through tax loss carrybacks and anticipated future results, Cineplex believes that it is more likely than not that the deferred income tax assets of \$61.2 million resulting from the current period taxable losses will be realized. The use of \$26.6 million of losses by Cineplex to offset taxable income generated in 2014 remains under objection with the Canada Revenue Agency ("CRA"). Cineplex believes that it should prevail in defending its original filing position although no assurance can be given in this regard.

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

Net (loss) income

Net loss during the third quarter of 2020 and the nine months ended September 30, 2020 was as follows (in thousands of dollars):

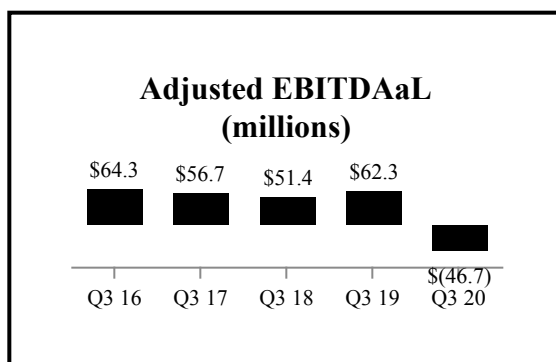
Net (loss) income	Third Quarter			Year to Date		
	2020	2019	Change	2020	2019	Change
Net (loss) income from continued operations	\$ (121,209)	\$ 15,100	NM	\$ (393,598)	\$ 31,848	NM
Net loss from discontinued operations	—	(1,718)	NM	(4,952)	(6,429)	-23.0%
Net (loss) income	\$ (121,209)	\$ 13,382	NM	\$ (398,550)	\$ 25,419	NM

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

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

EBITDA	Third Quarter			Year to Date		
	2020	2019	Change	2020	2019	Change
EBITDA	\$ (82,497)	\$ 107,025	NM	\$ (254,347)	\$ 300,679	NM
Adjusted EBITDA	\$ (28,928)	\$ 106,132	NM	\$ (23,769)	\$ 299,257	NM
Adjusted EBITDAaL	\$ (46,725)	\$ 62,312	NM	\$ (116,867)	\$ 168,219	NM
Adjusted EBITDAaL margin	-76.6%	14.9%	-91.5%	-31.9%	13.8%	-45.7%

Adjusted EBITDAaL for the third quarter of 2020 decreased \$109.0 million from the prior year period. For the nine months ended September 30, 2020, adjusted EBITDAaL decreased \$285.1 million, as compared to the same period in 2019. The quarterly and year to date decreases were primarily due the impact of the COVID-19 government imposed restrictions and resulting closure of substantially all of Cineplex businesses in March 2020. In computing adjusted EBITDAaL, cash rents paid or payable have been partially offset by the quantified lease-related savings negotiated with landlords as a result of the COVID-19 disclosures. This includes agreements with landlords that are evidenced by way of written confirmation of the terms agreed upon up to the date of this MD&A, and are in the process of being formally documented. Adjusted EBITDAaL margin is calculated as adjusted EBITDAaL divided by total revenues.



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5. BALANCE SHEETS

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

	September 30, 2020	December 31, 2019	Change (\$)	Change (%)
Assets				
Current assets				
Cash and cash equivalents	\$ 13,176	\$ 26,080	\$ (12,904)	-49.5%
Trade and other receivables	46,397	168,065	(121,668)	-72.4%
Income taxes receivable	2,280	9,757	(7,477)	-76.6%
Inventories	27,058	30,995	(3,937)	-12.7%
Prepaid expenses and other current assets	13,579	14,226	(647)	-4.5%
Fair value of interest rate swap agreements	—	1,022	(1,022)	NM
Assets held for sale	—	6,573	(6,573)	NM
	102,490	256,718	(154,228)	-60.1%
Non-current assets				
Property, equipment and leaseholds	578,007	662,798	(84,791)	-12.8%
Right-of-use assets	963,060	1,232,849	(269,789)	-21.9%
Deferred income taxes	114,674	14,197	100,477	707.7%
Fair value of interest rate swap agreements	—	472	(472)	NM
Interests in joint ventures	16,478	28,221	(11,743)	-41.6%
Intangible assets	84,612	88,367	(3,755)	-4.2%
Goodwill	662,900	816,790	(153,890)	-18.8%
	\$ 2,522,221	\$ 3,100,412	\$ (578,191)	-18.6%
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	\$ 91,975	\$ 220,188	\$ (128,213)	-58.2%
Share-based compensation	536	25,681	(25,145)	-97.9%
Dividends payable	—	9,500	(9,500)	NM
Income taxes payable	787	1,183	(396)	-33.5%
Deferred revenue	219,092	222,998	(3,906)	-1.8%
Lease obligations	109,085	106,352	2,733	2.6%
Fair value of interest rate swap agreements	6,073	1,874	4,199	224.1%
Liabilities related to assets held for sale	—	2,808	(2,808)	NM
	427,548	590,584	(163,036)	-27.6%
Non-current liabilities				
Share-based compensation	3,158	—	3,158	NM
Long-term debt	460,000	625,000	(165,000)	-26.4
Fair value of interest rate swap agreements	17,780	10,837	6,943	64.1%
Lease obligations	1,122,971	1,261,243	(138,272)	-11.0%
Post-employment benefit obligations	10,827	10,678	149	1.4%
Other liabilities	7,773	9,813	(2,040)	-20.8%
Deferred income taxes	—	1,263	(1,263)	NM
Convertible debentures	215,842	—	215,842	NM
	2,265,899	2,509,418	(243,519)	-9.7%
Equity attributable to owners of Cineplex	256,322	591,103	(334,781)	-56.6%
Non-controlling interests	—	(109)	109	NM
Total equity	256,322	590,994	(334,672)	-56.6%
	\$ 2,522,221	\$ 3,100,412	\$ (578,191)	-18.6%

Cash and cash equivalents. The decrease in cash and cash equivalents is due to the minimal use of cash at theatres and LBE venues resulting in a reduction of managers funds held at locations in addition to lower cash in transit.

Trade and other receivables. The decrease in trade and other receivables is primarily due to the collection of

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receivables from the sales of gift cards, vouchers and media sales from the 2019 holiday period. December represents the highest volume month for gift card and voucher sales and is one of the strongest months for media sales during the year. In addition, as a result of negative impact of COVID-19 on all of Cineplex's operations, trade receivables are significantly lower.

Income taxes receivable. The decrease in income taxes receivable is due to the receipt of excess corporate income tax installments paid by several taxable entities in Cineplex's consolidated group to various tax authorities in excess of their income tax liabilities in 2019. Income taxes receivable does not include any amounts calculated from current year losses.

Inventories. The decrease in inventories is primarily due to lower theatre and location-based entertainment inventories as a result of the lower business volumes due to continued government restrictions.

Prepaid expenses and other current assets. The decrease in prepaid expenses and other current assets is due to some real estate tax payments being deferred due to the impact of COVID-19 on the businesses, resulting in lower prepaid balances.

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

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

Property, equipment and leaseholds. The decrease in property, equipment and leaseholds is due to amortization expense (\$86.3 million) and asset dispositions (\$2.1 million) as well as an impairment charge recorded (\$33.9 million) during the first quarter. This was offset by additions to new build and other capital expenditures (\$31.3 million), maintenance capital expenditures (\$4.2 million), foreign exchange impact (\$1.3 million) and a reclassification from assets held for sale to continuing operations (\$0.7 million).

Right-of-use assets. The decrease in right-of-use assets is due to amortization expense (\$100.3 million) and lease modifications (\$112.1 million) resulting from renegotiated lease terms due to the impact of COVID-19 on the business, as well as an impairment charge (\$50.6 million) recorded during the first quarter, partially offset by foreign exchange impact (\$0.4 million). In addition, during the third quarter of 2020, Cineplex sold certain protective rights on leased properties which resulted in a de-recognition of right-of use assets (\$7.2 million).

Deferred income tax assets. The increase in deferred income tax assets is primarily due to higher taxable losses resulting from the temporary closure of locations during the second quarter and limited reopening in the third quarter, and the continued negative impact of the COVID-19 pandemic on Cineplex's businesses, as well as non-cash impairment charges for long-lived assets and goodwill.

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

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

Goodwill. The decrease in goodwill is due to an impairment charges recorded (\$154.1 million) during the first and third quarters, offset by foreign exchange impact (\$0.2 million).

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

Share-based compensation. The decrease in share-based compensation is due to the decrease in Share price, which fell to \$7.21 per Share at September 30, 2020 decreasing the fair value of the compensation liability, as well as the reclassification of the liability with respect to options, to equity (see Section 8, Share Activity).

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

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

Deferred revenue. The deferred revenue decrease is primarily due to the redemption of gift cards and vouchers that were sold during the 2019 holiday season. As a result of the impact of COVID-19, redemptions during the second and third quarter have been significantly reduced compared to the prior year periods.

Long-term debt. The decrease in long-term debt relates to the principal repayments made during the third quarter using proceeds from the issuance of the convertible debentures.

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

Convertible debentures. The increase in convertible debentures is due to the issuance of the Debentures completed during the third quarter (see Section 8, Share Activity).

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, 2020 and 2019 (in thousands of dollars):

Cash flows provided by operating activities	Third Quarter			Year to Date		
	2020	2019	Change	2020	2019	Change
Net (loss) income from continuing operations	\$ (121,209)	\$ 15,100	\$ (136,309)	\$ (393,598)	\$ 31,848	\$ (425,446)
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation and amortization of other assets (i)	30,375	31,712	(1,337)	96,096	95,748	348
Depreciation of right-of-use assets	30,539	36,456	(5,917)	100,257	109,475	(9,218)
Unrealized foreign exchange	245	(169)	414	(445)	389	(834)
Interest rate swap agreements - non-cash interest	118	(287)	405	11,413	(1,419)	12,832
Accretion of convertible debentures	4,043	—	4,043	4,043	—	4,043
Other non-cash interest (ii)	351	487	(136)	1,028	1,337	(309)
(Gain) loss on disposal of assets	(14,113)	303	(14,416)	(12,818)	896	(13,714)
Deferred income taxes	(49,685)	(2,435)	(47,250)	(126,227)	(6,762)	(119,465)
Non-cash Share-based compensation	273	408	(135)	4,377	1,201	3,176
Impairment of long-lived assets and goodwill	65,634	—	65,634	238,688	—	238,688
Net change in interests in joint ventures and associates	1,765	(149)	1,914	7,834	(3,238)	11,072
Changes in operating assets and liabilities	(34,894)	(3,666)	(31,228)	24,079	(31,943)	56,022
Net cash (used in) provided by operating activities	\$ (86,558)	\$ 77,760	\$ (164,318)	\$ (45,273)	\$ 197,532	\$ (242,805)
(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.						

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Third Quarter and Year to Date

Cash used in operating activities were \$86.6 million in the third quarter of 2020 and \$45.3 million for the nine months ended September 30, 2020, as compared to cash provided by operating activities of \$77.8 million and \$197.5 million in the prior year comparative periods. The decreases were primarily due to the negative impact of COVID-19 on business. The timing of liability settlements during the third quarter of 2020 also resulted in increased cash used in operating activities.

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, 2020 and 2019 (in thousands of dollars):

Cash flows used in investing activities	Third Quarter			Year to Date		
	2020	2019	Change	2020	2019	Change
Proceeds from disposal of assets, including sale of discontinued operations	\$ 21,000	\$ —	\$ 21,000	\$ 21,050	\$ —	\$ 21,050
Purchases of property, equipment and leaseholds	(11,498)	(34,905)	23,407	(63,442)	(94,919)	31,477
Intangible assets additions	(1,418)	(2,600)	1,182	(6,899)	(5,156)	(1,743)
Tenant inducements	3,300	7,804	(4,504)	21,599	9,153	12,446
Net cash received from joint ventures and associates	—	3,910	(3,910)	3,910	12,512	(8,602)
Net cash provided by (used in) investing activities	\$ 11,384	\$ (25,791)	\$ 37,175	\$ (23,782)	\$ (78,410)	\$ 54,628

Third Quarter

Cash provided by investing activities during the third quarter of 2020 was \$11.4 million, as compared to cash used in the prior year period of \$25.8 million. The movement was primarily due to cash proceeds received from landlords for the sale of certain protective rights on leased properties.

Year to Date

For the nine months ended September 30, 2020, cash used in investing activities decreased by \$54.6 million as compared to prior year period. The decrease was primarily due to the cash proceeds received from the sale of certain protective rights on leased properties in the third quarter of 2020, partially offset by reduced capital spend as a result of the significant reduction of all capital assets acquisitions and contractual projects during the period COVID-19 driven closures.

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

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

Capital expenditures	Third Quarter			Year to Date		
	2020	2019	Change	2020	2019	Change
Gross capital expenditures	\$ 11,498	\$ 34,905	\$ (23,407)	\$ 63,442	\$ 94,919	\$ (31,477)
Less: tenant inducements	(3,300)	(7,804)	4,504	(21,599)	(9,153)	(12,446)
Net capital expenditures	\$ 8,198	\$ 27,101	\$ (18,903)	\$ 41,843	\$ 85,766	\$ (43,923)
Net capital expenditures consists of:						
Growth and acquisition capital expenditures (i)	\$ 4,100	\$ 25,780	\$ (21,680)	\$ 28,281	\$ 69,258	\$ (40,977)
Tenant inducements	(3,300)	(7,804)	4,504	(21,599)	(9,153)	(12,446)
Media growth capital expenditures	24	74	(50)	198	376	(178)
Premium formats (ii)	(11)	3,228	(3,239)	2,343	7,711	(5,368)
Amusement gaming & leisure growth capital expenditures (excluding LBE expenditures)	23	534	(511)	505	1,187	(682)
Maintenance capital expenditures	617	4,325	(3,708)	4,208	17,456	(13,248)
Other (iii)	6,745	964	5,781	27,907	(1,069)	28,976
	\$ 8,198	\$ 27,101	\$ (18,903)	\$ 41,843	\$ 85,766	\$ (43,923)
(i) Growth and acquisition capital expenditures include expenditures on the construction of new locations (including VIP cinemas) and other Board approved growth projects with the exception of premium formats, media growth, and amusement gaming and leisure growth capital expenditures.						
(ii) Premium formats include capital expenditures for recliner seating, IMAX, UltraAVX, 3D, 4DX and ScreenX						
(iii) Primary component of Other is the impact of the timing of cash payments relating to the purchases of property, equipment and leaseholds.						

Cineplex funds maintenance capital expenditures through internally generated cash flow and cash on hand. Cineplex's Revolving Facility (defined and discussed in Section 6.4, Credit Facilities) is available to fund capital expenditure projects including theatre, *The Rec Room*, and *Playdium*. Certain restrictions were put in place on growth capital expenditures under the terms of the First and Second Credit Agreement Amendments.

6.3 FINANCING ACTIVITIES

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

Cash flows used in financing activities	Third Quarter			Year to Date		
	2020	2019	Change	2020	2019	Change
Dividends paid	\$ —	\$ (28,500)	\$ 28,500	\$ (19,000)	\$ (83,917)	\$ 64,917
(Repayments) Borrowings under Credit Facilities, net	(204,000)	8,000	(212,000)	(165,000)	69,000	(234,000)
Repayments of lease obligations - principal	(24,811)	(31,836)	7,025	(59,623)	(95,900)	36,277
Issuance of convertible debentures, net	303,063	—	303,063	303,063	—	303,063
Deferred financing fees	—	—	—	(800)	(243)	(557)
Net cash provided by (used in) financing activities	\$ 74,252	\$ (52,336)	\$ 126,588	\$ 58,640	\$ (111,060)	\$ 169,700

Third Quarter and Year to Date

Cash flows provided by financing activities were \$74.3 million in the third quarter of 2020 and \$58.6 million for the nine months ended September 30, 2020, as compared to cash used in the prior year comparative periods in the amount of \$52.3 million and \$111.1 million, respectively. The movements were mainly due to the net proceeds arising from the issuance of Debentures of \$303.1 million and repayment of amounts borrowed under the Credit Facilities, as well as reduced cash rent paid in the third quarter and year-to-date as a result of the relief measures that Cineplex negotiated with landlords in response to COVID-19. Dividends were suspended under the terms of the Arrangement Agreement subsequent to the dividend paid on February 28, 2020.

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

6.4 CREDIT FACILITIES

Cineplex increased and extended its Credit Facilities effective November 13, 2018. On June 29, 2020, Cineplex and Cineplex Entertainment Limited Partnership entered into the First Credit Agreement Amendment with The Bank of Nova Scotia, as administrative agent, and the lenders from time to time named therein, to the seventh amended and restated credit agreement with a syndicate of lenders. The First Credit Agreement Amendment Agreement (along with the Second Credit Amendment described below) provides Cineplex with certain financial covenant relief in light of the COVID-19 pandemic and its effects on Cineplex's businesses.

The Credit Facilities provide for a senior secured revolving facility in the maximum amount of \$650.0 million (the "Revolving Facility"), maturing November 13, 2023, and a senior secured non-revolving credit facility in the maximum amount of \$150.0 million (since reduced to \$50.0 million following a permanent repayment described below), maturing November 13, 2023 (the "Term Facility", and together with the Revolving Facility, the "Credit Facilities").

At September 30, 2020, the Credit Facilities consisted of the following (in millions of Canadian dollars), subject to amendments described below pursuant to the Credit Agreement Amendment:

	Available	Drawn	Reserved	Remaining
(i) a five-year senior secured revolving credit facility ("Revolving Facility")	\$ 650.0	\$ 410.0	\$ 10.3	\$ 229.7
(ii) a five-year senior secured non-revolving term facility ("Term Facility") (i)	\$ 50.0	\$ 50.0	\$ —	\$ —
Letters of credit outstanding at September 30, 2020 of \$10.3 million are reserved against the Revolving Facility.				
(i) Reduced to a five-year senior secured non-revolving term facility with a balance of \$50.0 million available and drawn as a result of the repayment of \$100.0 million on the successful completion of the issuance of the Debentures.				

The Credit Facilities bear interest at a floating rate based on the Canadian dollar prime rate, U.S. Base Rate, LIBOR or bankers' acceptances rates plus, in each case, an applicable margin to those rates. The Revolving Facility matures in November 2023 and, as a result of the Credit Agreement Amendment, the Term Facility also matures in November 2023, payable in full at maturity with no scheduled repayment of principal required prior to maturity.

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

The First Credit Agreement Amendment provided Cineplex with certain financial covenant relief in light of the COVID-19 pandemic and its effects on Cineplex's businesses. The following is a summary of the key terms of the First Credit Agreement Amendment (certain of which have been modified further by the Second Credit Agreement Amendment described below):

- Financial covenant testing was suspended effective upon execution of the First Credit Agreement Amendment, and subsequently extended for the second and third quarters of 2020 following a \$100.0 million permanent repayment of the Term Facility from the proceeds of the Offering of Debentures (see Section 8 Share Activity). On the resumption of financial covenant testing at the end of the fourth quarter of 2020, it will be based on an annualized calculation of Adjusted EBITDA for the following four fiscal quarters;
- The leverage ratio of 3.75x will apply when financial covenants are reinstated, and will be reduced over the course of 2021 each quarter until it is at 3.00x for the fourth fiscal quarter of 2021 until the fourth quarter of 2021 at which point it will reach a level of 3.00x;
- The maturity date for the Term Facility was advanced by two years to be coincident with the maturity date for the Revolving Facility of November 13, 2023;
- If Cineplex chooses to undertake any new debt, equity or equity-related issuances or the sale of certain assets, Cineplex will be required to make certain mandatory permanent repayments of the Credit Facilities from the proceeds of such issuances or asset sales;

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- Growth capital expenditures will be limited to certain agreed projects. After December 31, 2020, additional growth capital expenditures will be permitted subject to a pro forma leverage covenant of 2.75x (both prior to and immediately after giving effect to any such growth capital expenditure);
- Distributions will be limited to free cash flow and only permitted when the leverage ratio is less than 2.75x (both prior to and immediately after giving effect to any such distribution);
- Cineplex will not be permitted to make any acquisitions without consent from at least three of its lenders holding, in the aggregate, a minimum of 51% of the commitments under its Credit Facilities;
- The applicable margins for the interest rates on all borrowings will increase;
- Cineplex will no longer be able to request an increase in the total commitments under the Credit Facilities pursuant to the "accordion" provisions of the Credit Agreement prior to amendment; and
- Payments of interest on the Debentures (as defined below) will be permitted so long as no default or event of default has occurred under the Credit Agreement.

On November 12, 2020, Cineplex and Cineplex Entertainment Limited Partnership entered into the Second Credit Agreement Amendment. Without the provisions of the Second Credit Agreement Amendment, management's internal forecasts indicated a potential breach of the financial covenants as of December 31, 2020.

The following is a summary of the key terms of the Second Credit Agreement Amendment that are updated from the First Credit Agreement Amendment.

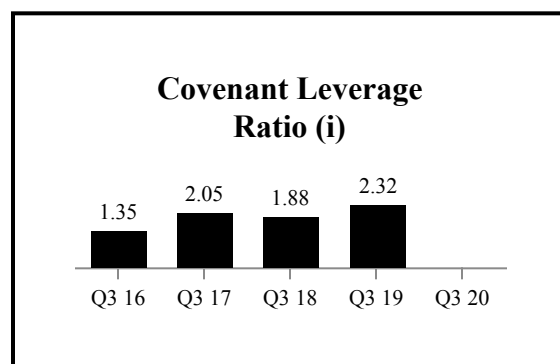
- Financial covenant testing will be suspended until end of the second quarter of 2021. On resumption of financial covenant testing at the end of the second quarter of 2021, the testing will be based on an annualized calculation of Adjusted EBITDA for the following four fiscal quarters;
- The leverage ratio of 3.75x will apply when financial covenants are reinstated, and will be reduced over the course of successive four quarters until the first quarter of 2022 at which point it will reach a level of 3.00x;
- Effective with the second quarter of 2021, additional growth capital expenditures will be subject to pro-forma leverage covenant of 2.75x (both prior to and immediately after giving effect to any such growth capital expenditure) based on actual last twelve month EBITDA;
- A liquidity covenant effective at all times through the covenant suspension period beginning in November 2020, through to and including June 2021, requiring available liquidity as defined on a monthly basis;
- Distributions continue to be blocked during the extended financial covenant suspension period and only permitted when the leverage ratio is less than 2.75x (both prior to and immediately after giving effect to any such distribution); and
- An anti-cash hoarding provision has been added limiting the request for advances under the Credit Facilities to those amounts required to fund costs and expenses reasonably anticipated to be incurred in the ordinary course of business. No amounts may be requested if sufficient cash on hand exists to pay such costs.

A copy of the Second Credit Agreement Amendment is available on SEDAR at www.sedar.com.

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



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

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

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

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

The purpose of the interest rate swap agreements is to act as a cash flow hedge of the floating interest rate payable on Cineplex's first \$450.0 million of borrowings. Cineplex considered its hedging relationships and determined that the interest rate swap agreements on its first \$450.0 million of borrowings qualify for hedge accounting in accordance with IFRS 9, *Financial Instruments*. Under the provisions of IFRS 9, the interest rate swap agreements are recorded on the balance sheet at their fair values, with subsequent changes in fair value recorded in either net income or other comprehensive income.

As a result of the terms of the Arrangement Agreement, hedge accounting was determined to no longer to be appropriate. Despite the termination of the Arrangement Agreement, the swaps can only be re-designated on a prospective basis for hedge accounting treatment.

Accordingly, losses associated with the interest rate swaps previously recognized in Other Comprehensive Income ("OCI") were recognized as interest expense in the fourth quarter of 2019. Changes in the value of these interest rate swaps are recognized in net income.

Based on the leverage ratio covenant in effect at September 30, 2020 Cineplex's effective cost of borrowing on the \$450.0 million hedged borrowings was 5.216% (September 30, 2019 - \$450.0 million hedged borrowings - 4.079%).

6.5 FUTURE OBLIGATIONS

Cineplex has aggregate gross capital commitments of \$91.9 million (\$53.1 million net of tenant inducements) related to the completion of construction of 13 operating locations including both theatres and LBE locations, in addition to the ongoing rollout of expanded entertainment offerings at select theatres and LBE locations, over the next four years.

As a result of the negative 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 First and Second Credit Agreement Amendment and requirements of the business on a short and long-term basis.

Cineplex conducts a significant part of its operations in leased premises. Cineplex's leases generally provide for minimum rent and a number of the leases also include percentage rent based primarily upon sales volume. Cineplex's leases may also include escalation clauses, guarantees and certain other restrictions, and generally require it to pay a portion of the real estate taxes and other property operating expenses. Initial lease terms generally range from 15 to 20 years and contain various renewal options, generally in intervals of five to ten years. In response to the COVID-19 pandemic and resulting government mandated closures, Cineplex temporarily closed all of its theatres and LBE locations on March 16, 2020 and as of August 21, 2020, had reopened all theatres and LBE venues. Subsequent to the end of the quarter, government mandates in select markets have resulted in theatre closures and restrictions on the LBE business.

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

At September 30, 2020, Cineplex had \$316.3 million (\$303.1 million net of fees) principal amount of Debentures outstanding that bear interest at 5.75% and have a maturity date of September 30, 2025. At September 30, 2020, the Debentures were recorded on Cineplex's balance sheet at \$215.8 million (see section 8.1, Convertible Debentures). The Debentures are being accreted to their maturity value using the effective interest method as prescribed by IFRS 9, *Financial Instruments*. The debentures will not be redeemable by Cineplex prior to September 30, 2023. On or after September 30, 2023 and prior to September 30, 2024, Cineplex may, at its option, redeem the Debentures in whole or in part from time to time, subject to specific market conditions. On or after September 30, 2024, the Debentures may be redeemed in whole or in part from time to time at the option of Cineplex at a price equal to their principal amount plus accrued and unpaid interest. Redemption may be in cash or in the form of Shares, at the option of Cineplex. See Section 8, Share activity, for more information regarding the Debentures.

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

Cineplex's dividend policy is subject to the discretion of the Board and may vary depending on, among other things, Cineplex's results of operations, cash requirements, financial condition, contractual restrictions, business opportunities, provisions of applicable law and other factors that the Board may deem relevant. As a result of the Arrangement Agreement, Cineplex did not pay any further dividends after the monthly dividend that was paid on February 28, 2020. Cineplex does not expect to return to paying dividends until the negative impact of the COVID-19 crisis has been addressed and liquidity improved. The payment of any dividends in the future is also subject to the terms of the First and Second Credit Agreement Amendments. 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.

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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, 2020 and 2019:

Adjusted free cash flow	Third Quarter			Year to Date		
	2020	2019	Change	2020	2019	Change
Adjusted free cash flow per Share	\$ (1.221)	\$ 0.762	NM	\$ (2.074)	\$ 2.042	NM
Dividends declared per Share	\$ —	\$ 0.450	-100.0%	\$ 0.150	\$ 1.330	-88.7%
Payout ratio - 12 months ended September 30				-41.2%	58.8%	-100.0%

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

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

	Third Quarter			Year to Date		
	2020	2019	Change	2020	2019	Change
Cash flows (used in) provided by continuing operations	\$ (86,558)	\$ 77,760	NM	\$ (45,273)	\$ 197,532	NM
Net (loss) income from continuing operations	\$ (121,209)	\$ 15,100	NM	\$ (393,598)	\$ 31,848	NM
Standardized free cash flow	\$ (77,056)	\$ 42,855	NM	\$ (87,665)	\$ 102,613	NM
Adjusted free cash flow	\$ (77,332)	\$ 48,232	NM	\$ (131,340)	\$ 129,328	NM
Cash dividends declared	\$ —	\$ 28,501	NM	\$ 9,500	\$ 84,234	-88.7%
Average number of Shares outstanding	63,333,238	63,333,238	—%	63,333,238	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 restricted from paying any dividends under the First and Second Credit Agreement Amendments.

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.	

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8. SHARE ACTIVITY

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

	Shares		Amount		
	Number of common shares issued and outstanding	Common shares	Equity component of convertible debentures		Total
Balance - December 31, 2019	63,333,238	\$ 852,379	—		852,379
Issuance of convertible debentures	—	\$ —	66,800	\$	66,800
Balance - September 30, 2020	63,333,238	\$ 852,379	\$ 66,800	\$	919,179

Officers and key employees are eligible to participate in the LTIP. Each annual LTIP grant is for a three-year service period beginning October 1. On December 15, 2019, the estimated vesting period was revised to March 31, 2020, resulting in the associated expense being recognized over a shorter period. With the Termination Notice delivered by Cineworld on June 12, 2020, Cineplex adjusted the vesting period and recognition of the associated expense back to that which was originally determined for each LTIP grant. The LTIP awards consist of a restricted stock unit ("RSU") plan awarding base Share equivalents which may decrease or increase subject to certain market conditions and a phantom share unit ("PSU") plan awarding Share equivalents which may decrease or increase subject to certain performance and market conditions. The base Share equivalents attract compounding notional dividends at the same rate as outstanding Shares, which are notionally re-invested as additional base Share equivalents. The awards will be settled in cash at the end of the service period (see Section 15 Subsequent Events).

The grants of Share equivalents were as follows:

	PSU Share equivalents granted	RSU Share equivalents granted	PSU Share equivalents minimum payout	PSU Share equivalents maximum payout
2020 LTIP award	284,214	277,105	—	568,428
2019 LTIP award	105,777	54,940	7,788	211,553
2018 LTIP award	79,089	39,549	—	158,178

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

Cineplex has an incentive Share option plan for certain employees. The aggregate number of Shares that may be issued under the option plan is limited to 5.3 million Shares. All of the options must be exercised over specified periods not to exceed ten years from the date granted. As of September 30, 2020, 3.6 million Share options were outstanding under the Share option plan. Upon cashless exercise, the Share options exercised in excess of Shares issued are canceled and returned to the pool available for future grants. At September 30, 2020, 0.6 million Share options were available for grant under the plan (see Section 15 Subsequent Events).

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

	2020			2019	
	Weighted average remaining contractual life (years)	Number of underlying Shares	Weighted average exercise price	Number of underlying Shares	Weighted average exercise price
Options outstanding - January 1	6.67	3,123,521	\$ 38.62	2,433,589	\$ 42.84
Granted		725,758	8.25	757,639	25.05
Forfeited		(237,703)	35.40	(67,707)	38.51
Exercised		—	—	—	—
Options outstanding – end of period	6.67	3,611,576	\$ 32.72	3,123,521	\$ 38.62

8.1 CONVERTIBLE DEBENTURES

During the third quarter of 2020, Cineplex issued a \$316.3 million principal amount of convertible unsecured subordinated debentures, maturing on September 30, 2025 (the "Maturity Date") and bearing interest at a rate of 5.75% per annum, payable semi-annually in arrears on September 30 and March 31 in each year, commencing on September 30, 2020. At the holder's option, the Debentures may be converted into Shares at a conversion price of \$10.94 per Share at any time prior to the close of business on the earlier of: (i) five business days prior to the Maturity Date, and (ii) if called for redemption, five business days immediately preceding the dated fixed for redemption of the Debentures, at a conversion price to be determined at the time of pricing. Holders who convert their Debentures into Shares will receive accrued and unpaid interest for the period from the date of the latest Interest Payment Date to the date of conversion.

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

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

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 debenture. Cineplex recorded accretion on Debentures of \$4,043. Accretion on Debentures is included as part of the interest expense on 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*.

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 subject to restrictions under the Second Agreement Amendment, which had \$410.0 million drawn and \$229.7 million available as of September 30, 2020. In response to the impact of the COVID-19 pandemic, Cineplex is closely monitoring its liquidity. Details with respect to its ongoing undertakings are detailed in Section 1.1 Response to COVID-19.

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

	2020			2019				
	Q3	Q2	Q1	Q4	Q3	Q2 Restated	Q1 Restated	Q4 Restated
Revenues								
Box office revenues	\$ 14,531	\$ 27	\$111,002	\$181,789	\$177,865	\$189,371	\$156,496	\$182,352
Food service revenues	15,468	3,256	79,365	125,159	125,550	129,563	103,058	120,726
Media revenues	12,825	7,880	32,157	69,545	43,308	49,196	34,706	57,907
Amusement revenues	13,236	3,731	47,337	53,471	58,143	58,117	58,500	53,473
Other revenues	4,962	7,094	12,940	13,256	13,582	12,608	11,864	13,385
	61,022	21,988	282,801	443,220	418,448	438,855	364,624	427,843
Expenses								
Film cost	7,261	10	56,500	93,925	93,735	103,005	78,721	91,562
Cost of food service	3,680	789	22,209	27,701	27,439	28,247	23,436	26,138
Depreciation - right-of-use assets (i)	30,539	34,185	35,533	36,471	36,456	36,557	36,462	—
Depreciation and amortization - other	30,375	31,759	33,962	33,135	31,712	32,403	31,633	33,680
(Gain) loss on disposal of assets	(14,113)	478	817	868	303	116	477	1,064
Other costs	78,754	62,175	157,548	214,922	190,955	192,988	183,828	226,510
Impairment of long-lived assets and goodwill	65,634	—	173,054	—	—	—	—	—
	202,130	129,396	479,623	407,022	380,600	393,316	354,557	378,954
(Loss) income from operations	\$(141,108)	\$(107,408)	\$(196,822)	\$ 36,198	\$ 37,848	\$ 45,539	\$ 10,067	\$ 48,889
Adjusted EBITDA (i)	\$(28,928)	\$(41,313)	\$ 46,472	\$106,529	\$106,132	\$114,383	\$ 78,742	\$ 83,351
Adjusted EBITDAaL (i) (ii)	\$(46,725)	\$(72,532)	\$ 2,390	\$ 62,327	\$ 62,312	\$ 70,255	\$ 35,652	\$ 80,039
Net (loss) income from continuing operations	\$(121,209)	\$(98,234)	\$(174,155)	\$ 4,668	\$ 15,100	\$ 22,077	\$ (5,329)	\$ 29,262
Net loss from discontinued operations	—	(693)	(4,259)	(1,196)	(1,718)	(2,680)	(2,031)	(2,108)
Net (loss) income	\$(121,209)	\$(98,927)	\$(178,414)	\$ 3,472	\$ 13,382	\$ 19,397	\$ (7,360)	\$ 27,154
EPS - basic and diluted from continuing operations	\$ (1.91)	\$ (1.55)	\$ (2.75)	\$ 0.08	\$ 0.24	\$ 0.35	\$ (0.09)	\$ 0.46
EPS - basic and diluted from discontinued operations	\$ —	\$ (0.01)	\$ (0.07)	\$ (0.02)	\$ (0.03)	\$ (0.04)	\$ (0.03)	\$ (0.03)
EPS - basic and diluted	\$ (1.91)	\$ (1.56)	\$ (2.82)	\$ 0.06	\$ 0.21	\$ 0.31	\$ (0.12)	\$ 0.43
Cash (used in) provided by operating activities (ii)	\$(86,558)	\$ 18,095	23,190	\$124,133	\$ 77,760	\$ 58,346	\$ 61,426	\$ 82,928
Cash provided by (used in) investing activities (ii)	11,384	(8,947)	(26,219)	(46,443)	(25,791)	(24,851)	(27,768)	(22,462)
Cash provided by (used in) financing activities	74,252	(2,793)	(12,819)	(84,850)	(52,336)	(24,447)	(34,277)	(66,646)
Effect of exchange rate differences on cash	292	560	(950)	345	(158)	235	61	137
Net change in cash	\$ (630)	\$ 6,915	\$ (16,798)	\$ (6,815)	\$ (525)	\$ 9,283	\$ (558)	\$ (6,043)
Cash flows used in discontinued operations	\$ —	\$ (253)	\$ (2,138)	\$ 2,821	\$ (1,441)	\$ (1,120)	\$ (807)	\$ (1,277)
BPP (i)	\$ 9.30	\$ 4.50	\$ 10.36	\$ 10.79	\$ 10.16	\$ 11.13	\$ 10.44	\$ 10.73
CPP (i)	\$ 7.37	\$ 10.33	\$ 6.79	\$ 6.81	\$ 6.68	\$ 7.04	\$ 6.35	\$ 6.53
Film cost percentage (i)	50.0 %	37.0 %	50.9 %	51.7 %	52.7 %	54.4 %	50.3 %	50.2 %
Theatre attendance (in thousands of patrons) (i)	1,563	6	10,710	16,849	17,512	17,011	14,988	16,992
Theatre locations (at period end)	164	164	164	165	165	165	165	164
Theatre screens (at period end)	1,687	1,687	1,687	1,693	1,695	1,695	1,692	1,686

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

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

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Summary of adjusted free cash flow by quarter

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

	2020				2019			2018	
	Q3	Q2	Q1	Q4	Q3	Q2 Restated	Q1 Restated	Q4 Restated	
Cash provided by operating activities (i)	\$ (86,558)	\$ 18,095	\$ 23,190	\$ 124,133	\$ 77,760	\$ 58,346	\$ 61,426	\$ 82,928	
Less: Total capital expenditures net of proceeds on sale of assets	9,502	(14,391)	(37,503)	(51,448)	(34,905)	(27,653)	(32,361)	(24,433)	
Standardized free cash flow	(77,056)	3,704	(14,313)	72,685	42,855	30,693	29,065	58,495	
Add/(Less):									
Changes in operating assets and liabilities	34,894	(69,401)	10,428	(40,670)	3,666	30,432	(2,155)	(15,531)	
Changes in operating assets and liabilities of joint ventures	372	(986)	(1,156)	(131)	(411)	(240)	1,317	(1,518)	
Principal component of lease obligations	(24,811)	(993)	(33,819)	(32,352)	(31,836)	(31,580)	(32,484)	(878)	
Principal portion of cash rent paid not pertaining to current period	(357)	(357)	1,071	(346)	(345)	(346)	1,037	—	
Growth capital expenditures and other	(10,119)	13,777	34,526	37,202	30,580	19,190	27,693	19,872	
Share of income of joint ventures, net of non-cash depreciation	(255)	(331)	(73)	(147)	(189)	(238)	92	(306)	
Non-controlling interests	—	4	1	4	2	7	11	25	
Net cash received from CDCP	—	782	3,128	2,882	3,910	3,128	5,474	684	
Adjusted free cash flow	\$ (77,332)	\$ (53,801)	\$ (207)	\$ 39,127	\$ 48,232	\$ 51,046	\$ 30,050	\$ 60,843	
Average number of Shares outstanding	63,333,238	63,333,238	63,333,238	63,333,238	63,333,238	63,333,238	63,333,238	63,333,137	
Adjusted free cash flow per Share	\$ (1.221)	\$ (0.849)	\$ (0.003)	\$ 0.618	\$ 0.762	\$ 0.806	\$ 0.474	\$ 0.961	

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

10. RELATED PARTY TRANSACTIONS

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

The Chief Executive Officer of Riocan Real Estate Investment Trust ("Riocan") served as a member of the Board until May 5, 2020. During the period prior to his departure, Cineplex incurred theatre expenditures for theatres under lease commitments with Riocan in the amounts of \$10.2 million (2019 - \$32.3 million year to date).

11. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTIES

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

12. ACCOUNTING POLICIES

Basis of preparation and measurement

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

Accounting standards adopted in the current year

Accounting for Government Subsidies

Cineplex recorded, presented, and disclosed the government subsidies received in Canada and the United States in accordance with IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*. During the nine months ended September 30, 2020, Cineplex recorded subsidies in the amount of \$42.7 million which have been offset in other costs.

Accounting standards issued

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

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

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

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

Cineplex will not apply the practical expedient to lease concessions.

13. RISKS AND UNCERTAINTIES

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

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

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

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

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

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

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

- lack of availability of films in the short or long-term, including as a result of (i) continued delay in film releases; (ii) release of scheduled films on alternative channels, (iii) disruptions or suspensions of film production, or (iv) the reduction or elimination of the theatrical exclusive release window including the introduction of a Premium Video On Demand ("PVOD") window;
- increased operating costs resulting from additional regulatory requirements enacted in response to the COVID-19 pandemic and from precautionary measures it voluntarily takes at Cineplex's locations for the health and wellbeing of its guests and employees;

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- challenges maintaining relationships with its business partners, including its landlords, suppliers and motion picture distributors as a result of its business closures during the COVID-19 pandemic;
- unavailability of employees and/or their inability or unwillingness to conduct work under revised work environment protocols;
- increased risks related to employee matters, including increased employment litigation and claims relating to terminations or leaves of absence caused by the suspension of operations;
- reductions and delays associated with planned operating and capital expenditures;
- Cineplex's inability to generate significant cash flow from operations if Cineplex's theatres continue to operate at significantly lower than historical levels, which could, in the long-term, lead to a substantial increase in indebtedness and may negatively impact Cineplex's ability to comply with the financial covenants in the Credit Facilities;
- Cineplex's inability to access lending, capital markets and other sources of liquidity, if needed, on reasonable terms, or at all, or obtain amendments, extensions and waivers of financial maintenance or other material terms;
- Cineplex's inability to effectively meet short-term and long-term obligations which it does not have the ability to eliminate or reduce (including interest payments, taxes, critical maintenance capital expenditures and compensation and benefits payments); and
- Cineplex's inability to service its existing and future indebtedness.

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

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

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

Litigation Arising Out of the Termination of the Cineworld Transaction

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

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Cineplex's business. There can be no assurance that the proceedings, and associated costs, will not have a material adverse impact on Cineplex's financial performance, cash flow and results of operations.

General Economic Conditions

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

Negative Cash Flow from Operations

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

Business Continuity Risk

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

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

Customer Risk

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

To mitigate this risk, Cineplex offers the SCENE loyalty program, which rewards guests for their patronage with special offers as well as the ability to earn and redeem points. However, loyalty programs also carry a risk in that customers may not be satisfied with the offering or any change in offerings. There also exists a risk of saturation of

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loyalty programs in a market or the inability to further grow membership such that the program may generate costs in excess of the benefits. Cineplex monitors customer needs to try and ensure that its entertainment experiences meet the anticipated needs of key demographic groups. Cineplex is differentiating the movie-going experience by providing premium alternatives such as UltraAVX, VIP, 4DX, ScreenX, Cineplex Clubhouse and D-BOX seating. Cineplex also includes XSCAPE Entertainment Centres in select theatres and provides alternative programming which appeals to specific demographic groups. In addition, digital technology has allowed for more niche programming.

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

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

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

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

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

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

Film Entertainment and Content Risk

Cineplex's ability to operate successfully depends upon the availability, diversity and appeal of filmed content, the ability of Cineplex to license films and the performance of these films in Cineplex's markets. Cineplex primarily licenses first-run films, the success of which is dependent upon their quality, as well as on the marketing efforts of film studios and distributors. To mitigate this risk, Cineplex continues to diversify its entertainment offerings. Nonetheless, Cineplex is highly dependent on film product and film performance, including the number and success of blockbuster films. A reduction in quality or quantity of both 2D and 3D film product, any disruption or delay in

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the production or release of films, the introduction of new delivery platforms for first run product, a strike or threat of a strike in film production, a reduction in the marketing efforts of film studios and distributors or a significant change in film release patterns, would have a negative effect on movie theatre attendance and adversely affect Cineplex's business and results of operations.

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

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

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

Exhibition Industry Risk

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

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

In response to risks to theatre attendance, Cineplex continues to pursue other revenue opportunities including media in the form of in-theatre and out of home advertising, amusement and leisure, promotions and alternative uses of its theatres during non-peak hours. Amusement and leisure includes amusement solutions offered by PIAG, 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

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customers, the loss of which could impact Cineplex's results. There is no guarantee that Cineplex could replace the revenues generated by these large customers if their business was lost.

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

Amusement and Leisure Risk

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

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

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

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

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

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

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

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

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

Technology Risk

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

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

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

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

Information Management Risk

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

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

At select times during the normal course of business, Cineplex and its subsidiary and joint venture partners store sensitive data, including intellectual property, proprietary business information including data with respect to suppliers, employees and business partners, as well as some personally identifiable information on their customers

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and employees. Further, Cineplex regularly works with third party suppliers in the delivery of services to their customers and employees where such data is provided in the normal course of the commercial relationship. The secure processing, maintenance and transmission of this information is critical to Cineplex's operations and business strategies. As such Cineplex adheres to industry standards for the payment card industry ("PCI") data security standard ("DSS") compliance, as well as undertaking commercially reasonable efforts for non-financial data.

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

Real Estate Risk

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

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

Sourcing Risk

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

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

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

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

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

Human Resources Risk

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

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

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

Health and Safety Risk

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

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

Environment/Sustainability Risk

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

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Integration Risk

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

Financial and Markets Risk

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

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

Foreign Currency Risk

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

Interest Rate Risk

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

Legal, Regulatory, Taxation and Accounting Risk

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

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

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

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

14. CONTROLS AND PROCEDURES

14.1 DISCLOSURE CONTROLS AND PROCEDURES

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

14.2 INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

15. SUBSEQUENT EVENTS

Subsequent to September 30, 2020, the shareholders of Cineplex approved the new Omnibus Incentive Plan (the "Incentive Plan"). The Incentive Plan consists of stock options, restricted share units ("RSU") and performance share units ("PSU"). The aggregate number of Shares that may be issued 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. The base Share equivalents attract compounding notional dividends at the same rate as outstanding Shares. Options issued under the Incentive Plan may be exercised for cash on a cash-less basis, both of which result in the issuance of Shares from treasury. Options will be accounted for as treasury-settled. 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. The accounting treatment PSU and RSU awards in the third quarter of 2020 has not yet been determined and is currently accounted as cash-settled representing the past practice of Cineplex.

Awards granted under the existing Share-based incentive plans continue to be outstanding and governed by the terms of those plans.

On November 12, 2020, Cineplex entered into the Second Credit Agreement Amendment which provides Cineplex with certain financial covenant relief in light of the COVID-19 pandemic and its effects on Cineplex's business (See Section 6.4, Credit Facilities).

16. OUTLOOK

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

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

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

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

Cineplex gradually reopened theatre and LBE locations throughout July and August as government mandated closures were reduced in markets in which Cineplex operates. On August 21, 2020, Cineplex became the first of all the major film exhibitors in the world to reopen its entire circuit of theatres with all 164 Cineplex theatres and 1,687 screens across Canada were reopened, including 22 VIP Cinemas locations, as well as 10 location-based entertainment venues. Subsequent to September 30, 2020, social gathering restrictions were reinstituted in several key markets that Cineplex operates including select regions in Ontario, and Quebec. The restrictions resulted in the closure of certain Cineplex theatres and LBE locations, and the timing of reopening is currently uncertain.

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

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

FINANCIAL OUTLOOK

On June 29, 2020, Cineplex and Cineplex Entertainment Limited Partnership entered into the First Credit Agreement Amendment with The Bank of Nova Scotia, as administrative agent, and the lenders from time to time named therein, to the seventh amended and restated credit agreement with a syndicate of lenders. The First Credit Agreement Amendment provides Cineplex with certain financial covenant relief in light of the COVID-19 pandemic and its effects on Cineplex's businesses (see Section 6.4 Credit Facilities).

On July 15, 2020, Cineplex completed the Offering of the Debentures, allowing it to meet the conditions of the First Credit Agreement Amendment and providing additional liquidity for the recovery period. In addition, a restructuring undertaken in July 2020 reduced headcount by approximately 130 positions, resulting in annual saving of approximately \$12.0 million in employee costs, approximately half of which relates to corporate overhead functions.

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On November 10, 2020, Cineplex and Cineplex Entertainment Limited Partnership entered into the Second Credit Agreement Amendment to the Credit Facilities. Without the provisions of the Second Credit Agreement Amendment, management's internal forecasts indicated a potential breach of the financial covenants as of December 31, 2020.

Management continues to focus on reducing costs including the elimination of future capital expenditures and the termination of its partnership with Topgolf during the third quarter of 2020. With the issuance of the Debentures, certain planned asset sales, and income tax recoveries, management believes that it has adequate liquidity to fund operations for the foreseeable future.

17. NON-GAAP MEASURES

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

17.1 EBITDA, ADJUSTED EBITDA AND ADJUSTED EBITDAaL

Management defines EBITDA as earnings before interest income and expense, income taxes and depreciation and amortization expense. Adjusted EBITDA excludes the change in fair value of financial instrument, (gain) loss on disposal of assets, foreign exchange, impairment of long-lived assets and goodwill, the equity loss (income) of CDCP, the non-controlling interests' share of adjusted EBITDA of TG-CPX Limited Partnership, and depreciation, amortization, interest and taxes of Cineplex's other joint ventures and associates. Adjusted EBITDAaL modifies adjusted EBITDA to deduct current period cash rent paid or payable related to lease obligations net of quantified savings 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):

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	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Net (loss) income from continuing operations	\$ (121,209)	\$ 15,100	\$ (393,598)	\$ 31,848
Depreciation and amortization - other	30,375	31,712	96,096	95,748
Depreciation - right-of-use assets	30,539	36,456	100,257	109,475
Interest expense - lease obligations	11,854	12,091	34,885	36,780
Interest expense - other	15,503	6,244	42,108	17,453
Interest income	(20)	(75)	(149)	(208)
Current income tax expense (recovery)	146	7,932	(7,719)	16,345
Deferred income tax recovery	(49,685)	(2,435)	(126,227)	(6,762)
EBITDA from continuing operations	\$ (82,497)	\$ 107,025	\$ (254,347)	\$ 300,679
Loss on disposal of assets	(14,113)	303	(12,818)	896
CDCP equity loss (income) (i)	1,820	(790)	5,194	(3,024)
Foreign exchange loss (gain)	166	(449)	(702)	569
Impairment of long-lived assets and goodwill	65,634	—	238,688	—
Non-controlling interest adjusted EBITDA	—	2	5	20
Depreciation and amortization - joint ventures and associates (ii)	18	23	62	76
Taxes and interest of joint ventures and associates (ii)	44	18	149	41
Adjusted EBITDA from continuing operations	\$ (28,928)	\$ 106,132	\$ (23,769)	\$ 299,257
Cash rent paid/payable related to lease obligations (iii)	(8,180)	(43,466)	(96,060)	(131,391)
Negotiated lease-related cash savings for the period (iii) (iv)	(9,253)	—	2,598	—
Cash rent paid not pertaining to current period (v)	(364)	(354)	364	353
Adjusted EBITDAaL (iv)	\$ (46,725)	\$ 62,312	\$ (116,867)	\$ 168,219
(i) CDCP equity loss (income) not included in adjusted EBITDA as CDCP is a limited-life financing vehicle that is funded by virtual print fees collected from distributors.				
(ii) Includes the joint ventures with the exception of CDCP (see (i) above).				
(iii) The cash rent paid or payable includes negotiated lease obligation savings of \$31, 365 through September 30, 2020.				
(iv) See Section 17, Non-GAAP measures.				
(v) Includes amounts pre-paid or deferred to future periods, to better reflect the current period EBITDAaL.				

Throughout the second and third quarters of 2020, Cineplex negotiated arrangements with its landlords in response to the impacts of COVID-19 on the availability, use and profitability of leased property. The negotiated savings through June 30, 2020 of \$11.9 million were reflected as an adjustment in calculating the second quarter adjusted EBITDAaL. Actual rent obligation savings for the second quarter upon completion of negotiations were \$17.2 million, plus \$2.0 million of other lease-related costs that positively affected EBITDA. Additionally, Cineplex negotiated \$1.3 million in rent obligation savings related to the first quarter of 2020. The net of the actual negotiated savings for the first and second quarter and the estimated savings of \$11.9 million presented in the second quarter, are included in the \$96.1 million cash rent paid/payable related to lease obligations presented for the nine months ended September 30, 2020.

Rent obligation savings negotiated for the third quarter were \$12.9 million, and lease-related savings of \$1.4 million positively impacted EBITDA in the third quarter. Total rent obligation savings of \$31.4 million and expense abatements of \$3.3 million have been recognized in the financial statements through September 30, 2020.

Additional rent obligation savings of and expense abatements of \$2.6 million have been negotiated subsequent to September 30, 2020, and have been presented as negotiated lease-related cash savings for the period in adjusted EBITDAaL. The current quarter adjustment of \$9.3 million reflects the third quarter negotiated savings of \$2.6 million, net of the the reversal of the second quarter's \$11.9 million which is reflected in the third quarter cash rent paid/payable related to lease obligations of \$8.2 million.

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Cineplex also has negotiated deferrals of certain lease payments to later periods not extending beyond 2021. The deferrals do not affect adjusted EBITDAaL.

17.2 ADJUSTED FREE CASH FLOW

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

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Cash provided by operating activities	\$ (86,558)	\$ 77,760	\$ (45,273)	\$ 197,532
Less: Total capital expenditures net of proceeds on sale of assets	9,502	(34,905)	(42,392)	(94,919)
Standardized free cash flow	(77,056)	42,855	(87,665)	102,613
Add/(Less):				
Changes in operating assets and liabilities (i)	34,894	3,666	(24,079)	31,943
Changes in operating assets and liabilities of joint ventures and associates (i)	372	(411)	(1,770)	666
Principal component of lease obligations	(24,811)	(31,836)	(59,623)	(95,900)
Principal portion of cash rent paid not pertaining to current period	(357)	(345)	357	346
Growth capital expenditures and other (ii)	(10,119)	30,580	38,184	77,463
Share of income of joint ventures and associates, net of non-cash depreciation	(255)	(189)	(659)	(335)
Non-controlling interests	—	2	5	20
Net cash received from CDCP (iii)	—	3,910	3,910	12,512
Adjusted free cash flow	\$ (77,332)	\$ 48,232	\$ (131,340)	\$ 129,328
Average number of Shares outstanding	63,333,238	63,333,238	63,333,238	63,333,238
Adjusted free cash flow per Share	\$ (1.221)	\$ 0.762	\$ (2.074)	\$ 2.042
Dividends declared	\$ —	\$ 0.450	\$ 0.150	\$ 1.330
(i) Changes in operating assets and liabilities are not considered a source or use of adjusted free cash flow.				
(ii) Growth capital expenditures and other represent expenditures on Board approved projects, exclude maintenance capital expenditures, and are net of proceeds on asset sales. The Revolving Facility (discussed in Section 6.4, Credit Facilities) is available to Cineplex to fund Board approved projects.				
(iii) Excludes the share of income of CDCP, as CDCP is a limited-life financing vehicle funded by virtual print fees collected from distributors. Cash invested into CDCP, as well as cash distributions received from CDCP, are considered to be uses and sources of adjusted free cash flow.				

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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,	
	2020	2019	2020	2019
Net income from continuing operations	\$ (121,209)	\$ 15,100	\$ (393,598)	\$ 31,848
Adjust for:				
Depreciation and amortization - other	30,375	31,712	96,096	95,748
Depreciation - right-of-use assets	30,539	36,456	100,257	109,475
Loss on disposal of assets	(14,113)	303	(12,818)	896
Non-cash interest (i)	4,512	200	16,484	(82)
Non-cash foreign exchange	245	(169)	(445)	389
Impairment of long-lived assets and goodwill	65,634	—	238,688	—
Share of loss (income) of CDCP (ii)	1,820	(790)	5,194	(3,024)
Non-controlling interests	—	2	5	20
Non-cash depreciation of joint ventures and associates	18	23	62	76
Deferred income tax recovery	(49,685)	(2,435)	(126,227)	(6,762)
Taxes and interest of joint ventures and associates	44	18	149	41
Maintenance capital expenditures	(617)	(4,325)	(4,208)	(17,456)
Principal component of finance lease obligations	(24,811)	(31,836)	(59,623)	(95,900)
Principal portion of cash rent paid not pertaining to current period	(357)	(345)	357	346
Net cash received from CDCP (ii)	—	3,910	3,910	12,512
Non-cash items:				
Non-cash Share-based compensation	273	408	4,377	1,201
Adjusted free cash flow	\$ (77,332)	\$ 48,232	\$ (131,340)	\$ 129,328
(i) Non-cash interest includes amortization of deferred financing costs on the long-term debt, accretion expense on the convertible debentures and other non-cash interest expense items.				
(ii) Excludes the share of income of CDCP, as CDCP is a limited-life financing vehicle funded by virtual print fees collected from distributors. Cash invested into CDCP, as well as cash distributions received from CDCP, are considered to be uses and sources of adjusted free cash flow.				

17.3 OTHER NON-GAAP MEASURES MONITORED BY MANAGEMENT

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

Earnings per Share Metrics

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

Per Patron Revenue Metrics

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

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

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

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

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

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

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

Same Theatre Analysis

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

Same theatre metrics are calculated by removing the results for all theatres that have been opened, acquired, closed or otherwise disposed of subsequent to the start of the prior year comparative period. For the three months ended September 30, 2020 the impact of one locations that has been opened or acquired and two locations that have been closed or otherwise disposed of have been excluded, resulting in 163 theatres being included in the same theatre metrics. For the nine months ended September 30, 2020 the impact of the two locations that have been opened or acquired and three locations that have been closed or otherwise disposed of have been excluded, resulting in 162 theatres being included in the same theatre metrics.

Cost of sales percentages

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

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

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

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

P1AG Adjusted EBITDAaL

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

P1AG Adjusted EBITDAaL Margin

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

Adjusted Store Level EBITDAaL Metrics

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

Adjusted Store Level EBITDAaL Margin

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

Lease-related cash saving

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

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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	2020	
	Q3	Q2
Adjusted EBITDAaL	\$ (46,725)	\$ (72,532)
Cash interest expense excluding lease obligations	(11,317)	(7,782)
Provision for income taxes	16,497	34,440
Net capital expenditures	(8,198)	(8,019)
Total net cash burn	\$ (49,743)	\$ (53,893)
Average monthly net cash burn	\$ (16,581)	\$ (17,964)

18. RECONCILIATION: WORLD GAMING NETWORK LP

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. Cineplex has measured, presented and disclosed the financial information of WGN as a discontinued operation in accordance with IFRS 5, *Non-current assets held for sale and discontinued operations*. As a result, prior period figures have been retroactively restated to exclude the results related to discontinued operations in order to provide comparability to the current year period.

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

Other operating expenses	Restated 2019	
	Q1	Q2
Theatre payroll	\$ 36,710	\$ 41,072
Theatre operating expenses	28,562	30,225
Media	16,742	21,185
PIAG	40,965	40,529
LBE (i)	11,148	13,957
LBE pre-opening (ii)	691	673
SCENE	5,038	4,060
Marketing	2,851	4,192
Other (iii)	8,174	7,892
Other operating expenses including cash lease payments	\$ 150,881	\$ 163,785
Cash rent related to lease obligations (iv)	(4,312)	(4,652)
Other operating expenses from continuing operations as reported	\$ 146,569	\$ 159,133
Other operating expenses from discontinued operations as reported	1,614	2,525
Total other operating expenses	\$ 148,183	\$ 161,658
(i) Includes operating costs of LBE. Overhead relating to management of LBE portfolio are included in the 'Other' line.		
(ii) Includes pre-opening costs of LBE.		
(iii) Other category includes overhead costs related to LBE and other Cineplex internal departments.		
(iv) Cash rent that has been reallocated to offset the lease obligations.		

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

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

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

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

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

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

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

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

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