



2019

FIRST QUARTER

March 31, 2019

LETTER TO SHAREHOLDERS

Dear fellow shareholders,

During the quarter, we continued to execute our diversification strategy and were encouraged by the results from our new businesses, which included first quarter records for media revenue, amusement revenue and other revenue.

The quarter's expected weaker film product in January and February 2019, combined with a lack of strong carry over films from the prior year, all contributed to a soft box office quarter. As a result, total revenue decreased 6.6% to \$364.9 million, due to a 13.7% decrease in box office and an 11.9% decrease in food service. In addition, the tough comparator with last year's record success of the film *Black Panther*, resulted in a 15.6% decline in theatre attendance, which drove the decreases in box office and food service revenue.

As we continue to grow our diversified businesses, partially offsetting the exhibition business decreases was a 17.2% increase in amusement revenue to an all-time quarterly record of \$58.5 million, as a result of P1AG and *The Rec Room*; and a 7.7% increase in total media revenue to a first quarter record of \$35.0 million, largely due to a 21.9% increase in digital place-based media revenue as a result of higher project installation revenue. First quarter records were also achieved for box office per patron of \$10.44 and concession per patron of \$6.35.

In addition, first quarter results were impacted by the adoption of International Financial Reporting Standards ("IFRS") 16 – Leases. In order to avoid any confusion and to assist with the comparability of prior periods, we have introduced a new non-GAAP measure, Adjusted EBITDA after Leases or "EBITDAaL" to address these issues. Primarily as a result of the soft box office results and the theatre attendance decline, first quarter Adjusted EBITDAaL decreased 30.6% to \$34.3 million.

Key accomplishments during the quarter included the opening of our sixth location of *The Rec Room* in Mississauga, Ontario; the expansion of alcohol beverage service to an additional 19 theatre locations, totaling 54 locations; and our SCENE loyalty program reached 9.7 million members. We were also pleased to announce a 3.4% dividend increase to \$1.80 per share on an annual basis from the current \$1.74 per share. We believe the increase sends an important statement to shareholders that highlights our confidence in the business today and into the future.

As we look ahead to the second quarter and beyond, we are encouraged by the recent record-breaking performance of *Avengers: Endgame*, which had the largest global opening weekend ever, and are confident in the strong film product scheduled for the remainder of the year. We are confident in our strategic direction as we continue to build scale in our other businesses, prudently manage our costs and execute on Cineplex's diversification strategy for future growth.

Sincerely,



Ellis Jacob
President and CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 8, 2019

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

Unless otherwise specified, all information in this MD&A is as of March 31, 2019 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 16, Non-GAAP measures.

Forward-Looking Statements

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

By their very nature, forward-looking statements involve inherent risks and uncertainties, including those described in Cineplex's Annual Information Form ("AIF"), its MD&A for the year ended December 31, 2018 ("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, risks generally encountered in the relevant industry, competition, customer, legal, taxation and accounting matters.

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

Cineplex does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable Canadian securities law. Additionally, 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. A leading entertainment and media company, Cineplex welcomes over 70 million guests annually through its circuit of theatres and location-based entertainment venues across the country. In addition to being Canada's largest and most innovative film exhibitor, Cineplex also operates successful businesses in digital commerce (CineplexStore.com), food service, alternative programming (Cineplex Events), cinema media (Cineplex Media), digital place-based media (Cineplex Digital Media), amusement solutions (Player One Amusement Group ("PIAG")) and an online esports platform for competitive and passionate gamers (WorldGaming.com ("WGN")). Additionally, Cineplex operates a location-based entertainment business through Canada's newest destination for 'Eats & Entertainment' (*The Rec Room*), and will also be opening new complexes specially designed for teens and families (*Playdium*) as well as exciting new sports and entertainment venues across Canada (*Topgolf*). Cineplex is a joint venture partner in SCENE, Canada's largest entertainment loyalty program.

Cineplex Inc.

Management's Discussion and Analysis

Cineplex's theatre circuit is concentrated in major metropolitan and mid-sized markets. As of March 31, 2019, Cineplex owned, leased or had a joint venture interest in 1,692 screens in 165 theatres from coast to coast.

Cineplex									
Theatre locations and screens at March 31, 2019									
Province	Locations	Screens	3D Digital Screens	UltraAVX	IMAX Screens (i)	VIP Auditoriums	D-BOX Auditoriums	Recliner Auditoriums	Other Screens (ii)
Ontario	68	732	359	41	13	43	45	96	3
Quebec	20	250	98	10	3	4	6	—	—
British Columbia	25	232	123	15	3	11	14	32	—
Alberta	19	210	111	18	2	11	14	35	1
Nova Scotia	12	91	44	1	1	—	2	—	—
Saskatchewan	6	54	28	2	1	3	2	10	—
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	165	1,692	824	90	25	75	89	173	4
Percentage of screens			49%	5%	1%	4%	5%	10%	—%
(i) All IMAX screens are 3D enabled. Total 3D screens including IMAX screens are 849 screens or 50% of the circuit.									
(ii) Other screens includes 4DX, <i>Cineplex Clubhouse</i> and ScreenX.									

Cineplex - Theatres, screens, and premium offerings in the last eight quarters								
	2019	2018				2017		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Theatres	165	164	165	164	163	163	163	164
Screens	1,692	1,686	1,696	1,683	1,676	1,676	1,676	1,677
3D Digital Screens	824	821	826	816	811	811	811	799
UltraAVX Screens	90	90	90	88	87	87	86	85
IMAX Screens	25	25	25	25	24	24	23	23
VIP Auditoriums	75	75	75	63	63	63	63	63
D-BOX Auditoriums	89	89	89	86	82	82	81	80
Recliner Auditoriums	173	173	173	155	149	130	108	82
Other Screens	4	4	3	2	1	1	1	1

Cineplex - Location Based Entertainment at March 31, 2019		
Province	<i>The Rec Room</i>	<i>Playdium</i>
Ontario	3	1
Alberta	3	—
TOTALS	6	1

1.1 FINANCIAL HIGHLIGHTS

Financial highlights (in thousands of dollars, except theatre attendance in thousands of patrons and per Share and per patron amounts)	First Quarter		
	2019	2018	Change (i)
Total revenues	\$ 364,938	\$ 390,872	-6.6%
Theatre attendance	14,988	17,765	-15.6%
Net (loss) income	\$ (7,360)	\$ 15,226	NM
Box office revenues per patron ("BPP") (ii)	\$ 10.44	\$ 10.21	2.3%
Concession revenues per patron ("CPP") (ii)	\$ 6.35	\$ 6.09	4.3%
Adjusted EBITDA (ii)	\$ 77,442	\$ 53,532	44.7%
Adjusted EBITDAaL (ii) (iii)	\$ 34,331	\$ 49,458	-30.6%
Adjusted EBITDAaL margin (ii) (iii)	9.4%	12.7%	-3.3%
Adjusted free cash flow (ii)	\$ 29,106	\$ 38,598	-24.6%
Adjusted free cash flow per common share of Cineplex ("Share") (ii)	\$ 0.460	\$ 0.609	-24.5%
Earnings per Share ("EPS") - basic	\$ (0.12)	\$ 0.24	NM
EPS - diluted	\$ (0.12)	\$ 0.24	NM
(i) Throughout this MD&A, changes in percentage amounts are calculated as 2019 value less 2018 value.			
(ii) See Section 16, Non-GAAP measures.			
(iii) Prior period figures have been revised to conform to current period presentation. See Section 17, IFRS 16 transition for further details.			

On January 1, 2019, Cineplex adopted the new accounting standard IFRS 16, *Leases* ("IFRS 16"). The new standard has a significant impact on the balance sheet, statement of operations and statement of cash flows. Under the provisions of this standard, substantially all of Cineplex's leases are recorded on the balance sheet as right-of-use assets and corresponding lease obligations. Depreciation and interest expense related to the right-of-use asset and lease obligations are deducted in computing net income. As a result, there is a significant impact on EBITDA, as well as impacts on net income and earnings per share. There is no impact on adjusted free cash flow.

Cineplex has applied IFRS 16 using the modified retrospective approach and as a result the standard has been applied prospectively and comparative historical information has not been restated. Accordingly, new non-GAAP measures including adjusted EBITDAaL and associated adjusted EBITDAaL margin have been introduced to ensure comparability of periods. Adjusted EBITDAaL represents adjusted EBITDA as previously calculated reduced by current period cash rent which is allocated between interest expense and a reduction of the lease obligation under IFRS 16 (see Section 16, Non-GAAP measures). Presentation of prior period results have been revised to provide a similar comparator to the current period.

Total revenues for the first quarter of 2019 decreased 6.6%, or \$25.9 million as compared to the prior year period. A 15.6% decrease in theatre attendance from a weaker film slate resulted in lower box office and theatre food service revenues. First quarter records BPP of \$10.44 and CPP of \$6.35 partially offset the impact of the theatre attendance decline. The prior period was a tough comparator due to the success of *Black Panther*, which went on to become the third highest grossing film of all-time in North America. Partially offsetting these decreases were a 17.2% or \$8.6 million increase in amusement revenues to an all-time quarterly record of \$58.5 million due to higher route and distribution revenues from P1AG and *The Rec Room*. Digital place-based media revenues increased 21.9% or \$2.4 million as a result of higher project installation revenues. As a result of the lower film entertainment results, adjusted EBITDAaL decreased \$15.1 million or 30.6% to \$34.3 million and adjusted free cash flow per Share decreased 24.5% to \$0.460 per Share.

1.2 KEY DEVELOPMENTS IN THE FIRST QUARTER OF 2019

The following describes certain key business initiatives undertaken and results achieved during the first quarter of 2019 in each of Cineplex's core business areas:

FILM ENTERTAINMENT AND CONTENT

Theatre Exhibition

- Reported first quarter box office revenues of \$156.5 million, a decrease of \$24.9 million (13.7%) from \$181.4 million reported in the prior year period due to a 15.6% decrease in theatre attendance from 17.8 million in 2018 to 15.0 million in the first quarter of 2019 due to a weaker film slate.
- BPP was \$10.44, a first quarter record for Cineplex, an increase of \$0.23 (2.3%) over the prior year period BPP of \$10.21.

Theatre Food Service

- Reported first quarter theatre food service revenues of \$95.2 million, a decrease of \$13.1 million (12.1%) from \$108.2 million reported in the prior year period as a result of the decrease in theatre attendance.
- CPP was \$6.35 for the period, a first quarter record for Cineplex, and \$0.26 (4.3%) higher than the prior year period.
- During the quarter, Cineplex added alcohol beverage service to an additional 19 theatres, now totalling 54 (excluding VIP).

Alternative Programming

- Alternative Programming (Cineplex Events) in the first quarter of 2019 included the release of *Dragon Ball Super: Broly*, *Carmen* from The Metropolitan Opera and the concert event *BTS World Tour: Love Yourself in Seoul*.
- Cineplex international film for the first quarter of 2019 included strong performances from *The Wandering Earth* and *Gully Boy*.

Digital Commerce

- Total registered users for Cineplex Store increased by 42% in the first quarter of 2019 as compared to the prior year period.
- Online and mobile ticketing represented 30% of total admission during the first quarter, up from 26% in the prior year period.
- Cineplex Store registered a 107% increase in device activation over the prior year period.
- Monthly active users of The Cineplex Store increased by 57% as compared to the prior year period.

MEDIA

- Reported a first quarter record for total media revenues of \$35.0 million, an increase of \$2.5 million, or 7.7% as compared to the prior year period.

Cinema Media

- First quarter cinema media revenues of \$21.4 million increased nominally from \$21.3 million in the prior year period despite the significant theatre attendance decline.

Digital Place-Based Media

- Reported a first quarter record with revenues of \$13.6 million, an increase of \$2.4 million (21.9%) compared to the prior year period due to higher project installation revenues.

AMUSEMENT AND LEISURE

Amusement Solutions

- Reported an all-time quarterly record with revenues of \$50.5 million (\$2.8 million from Cineplex theatre gaming and \$47.7 million from all other sources of revenues), an increase of \$7.5 million (17.4%) over the prior year period. The increase was primarily due to an increase in distribution sales and increased route revenues in the United States.

Location Based Entertainment

- *The Rec Room* reported first quarter revenues of \$16.4 million which included food service revenues of \$7.9 million and amusement revenues of \$8.0 million.

Cineplex Inc.

Management's Discussion and Analysis

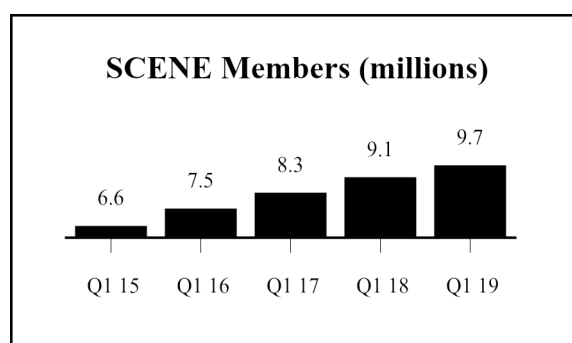
- On March 18, 2019, opened *The Rec Room* at *Square One Shopping Centre* in Mississauga, Ontario, the sixth location of *The Rec Room*.
- During the quarter, Cineplex announced plans to open Atlantic Canada's first *Playdium* location in Dartmouth, Nova Scotia at the *Dartmouth Crossing Shopping Centre*, scheduled to open in 2020.

Esports

- On March 24, 2019, WGN hosted the Madden 19 Canadian Challenge held at Live Nations's *The Lounge* in Toronto.
- During the first quarter, WGN hosted the Winnipeg Jets *NHL 19* Tournament with the finals held at the *Bell MTS Place* in Winnipeg on February 18, 2019.

LOYALTY

- Membership in the SCENE loyalty program increased by 0.1 million members in the period, reaching 9.7 million members at March 31, 2019.



CORPORATE

- During the quarter, Cineplex was named by Waterstone Human Capital one of Canada's 10 Most Admired Corporate Cultures in the large enterprise category for 2018, the third time that Cineplex has won the award that celebrates best-in-class Canadian organizations.

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.

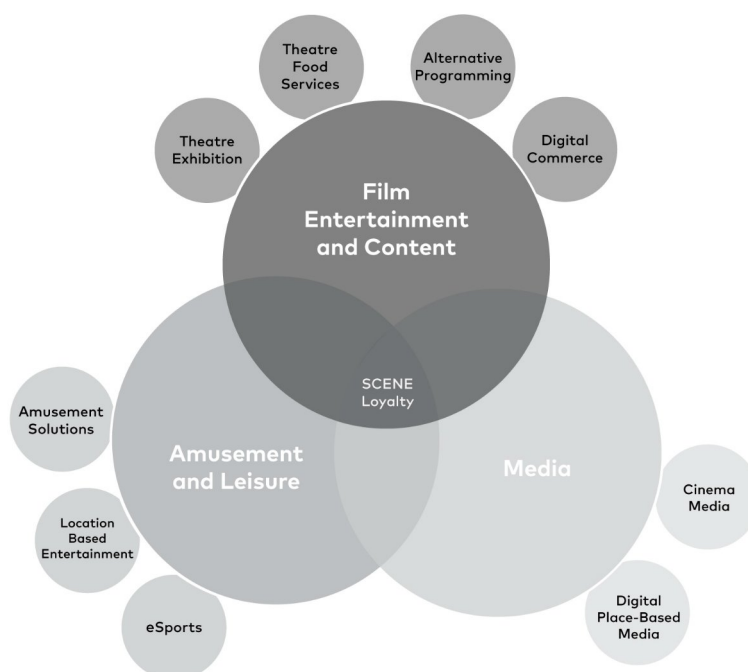
Cineplex's operations are primarily conducted in three main areas: film entertainment and content, media and amusement and leisure, all supported by the SCENE loyalty program. Cineplex's key strategic areas of focus include the following:

- 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 Inc.

Management's Discussion and Analysis

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.



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 is committed to diversifying its revenue streams outside of the traditional theatre exhibition model through its media and amusement and leisure businesses.

Although Cineplex focuses on growth initiatives, management remains vigilant in controlling costs without compromising experiences. Cineplex will continue to invest in new revenue generating activities, as it has in prior years.

A detailed discussion of Cineplex's businesses and business strategy can be found in Cineplex's Annual MD&A. These have not changed materially during the first quarter of 2019.

3. OVERVIEW OF OPERATIONS

Revenues

Cineplex generates revenues primarily from box office and food service sales. These revenues are affected primarily by theatre attendance levels and by changes in BPP and CPP. Box office revenue represented 42.9% of revenue in the first quarter of 2019 and continues to represent Cineplex's largest revenue component.

Revenue mix % by period	Q1 2019	Q1 2018	Q1 2017	Q1 2016	Q1 2015
Box office	42.9%	46.4%	49.6%	52.4%	55.1%
Food service	28.2%	29.9%	28.9%	29.6%	31.3%
Media	9.6%	8.3%	8.6%	8.7%	10.0%
Amusement	16.0%	12.8%	10.5%	6.9%	0.7%
Other	3.3%	2.6%	2.4%	2.4%	2.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Cineplex has three reportable segments, film entertainment and content, media and amusement and leisure. The reportable segments are business units offering differing products and services and managed separately due to their distinct natures. These three reportable segments have been determined by Cineplex's chief operating decision makers.

Revenue mix % by year	First Quarter	
	2019	2018
Film Entertainment and Content	72.9%	77.3%
Media	9.5%	8.0%
Amusement and Leisure	17.6%	14.7%
Total	100.0%	100.0%

A key component of Cineplex's business strategy is to position itself as the leading exhibitor in the Canadian market by focusing on providing customers with an exceptional entertainment experience. Cineplex's share of the Canadian theatre exhibition market was approximately 75% based on Canadian industry box office revenues for the quarter ended March 31, 2019. 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 *The Rec Room*. 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 *The Rec Room* include food and beverage revenues from the various bars and restaurants located throughout the venues.

Media revenues include both cinema media and digital place-based media revenues. Cinema 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, cinema media sells media placements throughout Cineplex's circuit including digital poster cases, the Interactive Media Zone ("IMZ") in select Cineplex theatre lobbies, as well as sponsorship and advertising for esports, events both in-theatre and online, and in *The Rec Room*. Cinema media also sells digital advertising for cineplex.com, the Cineplex mobile app and on third party networks operated by Cineplex Digital Media. Digital place-based 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 *The Rec Room*.

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 *The Rec Room* 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 excluding rent, property and business related taxes and insurance.

Other operating expenses consist of fixed and variable expenses, with the largest component being theatre salaries and wages. Although theatre salaries and wages include a fixed cost component, these expenses vary in relation to revenues as theatre staffing levels are adjusted to handle fluctuations in theatre attendance. Other components of this category include marketing and advertising, media, amusement and leisure (including P1AG, *The Rec Room* and WGN), loyalty including SCENE, digital commerce, supplies and services, utilities and maintenance.

General and administrative expenses are primarily costs associated with managing Cineplex's business, including film buying, marketing and promotions, operations and 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.

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 Inc. ("VRstudios") are classified as joint ventures or associates. Through equity accounting, Cineplex's share of the results of operations for these joint ventures and associates are reported as a single item in the statements of operations, 'Share of income of joint ventures and associates'. Theatre attendance for the IMAX auditorium held in a joint venture is not reported in Cineplex's consolidated theatre attendance as the line-by-line results of the joint venture are not included in the relevant lines in the statement of operations.

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

4. RESULTS OF OPERATIONS

4.1 SELECTED FINANCIAL DATA

The following table presents summarized financial data for Cineplex for the three months ended March 31, 2019 and 2018 (expressed in thousands of dollars except Shares outstanding, per Share data and per patron data, unless otherwise noted):

	Three months ended March 31, 2019	Three months ended March 31, 2018	Variance (%)
Box office revenues	\$ 156,496	\$ 181,380	-13.7%
Food service revenues	103,058	116,948	-11.9%
Media revenues	35,013	32,513	7.7%
Amusement revenues	58,500	49,905	17.2%
Other revenues	11,871	10,126	17.2%
Total revenues	364,938	390,872	-6.6%
Film cost	78,721	95,204	-17.3%
Cost of food service	23,436	24,776	-5.4%
Depreciation - right-of-use assets	36,462	—	NM
Depreciation and amortization - other assets	32,855	31,194	5.3%
Loss on disposal of assets	477	210	127.1%
Other costs (a)	185,442	217,454	-14.7%
Costs of operations	357,393	368,838	-3.1%
Net (loss) income	\$ (7,360)	\$ 15,226	NM
Adjusted EBITDA (i)	\$ 77,442	\$ 53,532	44.7%
Adjusted EBITDAaL (i) (ii)	\$ 34,331	\$ 49,458	-30.6%
(a) Other costs include:			
Theatre occupancy expenses	18,407	51,898	-64.5%
Other operating expenses	148,183	147,407	0.5%
General and administrative expenses	18,852	18,149	3.9%
Total other costs	\$ 185,442	\$ 217,454	-14.7%
EPS - basic	\$ (0.12)	\$ 0.24	NM
EPS - diluted	\$ (0.12)	\$ 0.24	NM
Total assets	\$ 3,067,333	\$ 1,793,161	71.1%
Total long-term financial liabilities (iii)	\$ 606,000	\$ 582,500	4.0%
Shares outstanding at period end	63,333,238	63,330,446	—%
Cash dividends declared per Share	\$ 0.435	\$ 0.420	3.6%
Adjusted free cash flow per Share (i)	\$ 0.460	\$ 0.609	-24.5%
Box office revenue per patron (i)	\$ 10.44	\$ 10.21	2.3%
Concession revenue per patron (i)	\$ 6.35	\$ 6.09	4.3%
Film cost as a percentage of box office revenues	50.3%	52.5%	-2.2%
Theatre attendance (in thousands of patrons) (i)	14,988	17,765	-15.6%
Theatre locations (at period end)	165	163	1.2%
Theatre screens (at period end)	1,692	1,676	1.0%
(i) See Section 16, Non-GAAP measures, for the definition of non-GAAP measures reported by Cineplex.			
(ii) Prior period figures have been revised to conform to current period presentation. See Section 17, IFRS 16 transition for further details.			
(iii) Comprised of the principal component of long-term debt. Excludes share-based compensation, lease obligations, fair value of interest rate swap agreements, post-employment benefit obligations, other liabilities and deferred financing fees net against long-term debt and convertible debentures.			

4.2 OPERATING RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2019

Total revenues

Total revenues for the three months ended March 31, 2019 decreased \$25.9 million (6.6%) to \$364.9 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 16, Non-GAAP measures.

Box office revenues

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

Box office revenues	First Quarter		
	2019	2018	Change
Box office revenues	\$ 156,496	\$ 181,380	-13.7%
Theatre attendance (i)	14,988	17,765	-15.6%
Box office revenue per patron (i)	\$ 10.44	\$ 10.21	2.3%
BPP excluding premium priced product (i)	\$ 9.03	\$ 8.79	2.7%
Canadian industry revenues (ii)			-13.1%
Same theatre box office revenues (i)	\$ 152,958	\$ 180,279	-15.2%
Same theatre attendance (i)	14,700	17,684	-16.9%
% Total box from premium priced product (i)	40.9%	41.1%	-0.2%
(i) See Section 16, Non-GAAP measures.			
(ii) Source: Gross box office receipts (inclusive of all taxes) from The Movie Theatre Association of Canada industry data adjusted for calendar quarter dates.			

Box office continuity	First Quarter	
	Box Office	Theatre Attendance
2018 as reported	\$ 181,380	17,765
Same theatre attendance change	(30,426)	(2,985)
Impact of same theatre BPP change	3,105	—
New and acquired theatres (i)	3,538	288
Disposed and closed theatres (i)	(1,101)	(80)
2019 as reported	\$ 156,496	14,988
(i) See Section 16, Non-GAAP measures. Represents theatres opened, acquired, disposed or closed subsequent to the start of the prior year comparative period.		

First Quarter 2019 Top Cineplex Films		3D	% Box	First Quarter 2018 Top Cineplex Films		3D	% Box
1	Captain Marvel	✓	16.3%	1	Black Panther	✓	22.2%
2	How To Train Your Dragon: The Hidden World	✓	7.2%	2	Jumanji: Welcome To The Jungle	✓	10.1%
3	Aquaman	✓	7.0%	3	Star Wars: The Last Jedi	✓	5.8%
4	The Lego Movie 2: The Second Part	✓	5.1%	4	Peter Rabbit		3.8%
5	Spider-Man: Into The Spider-Verse	✓	4.3%	5	Fifty Shades Freed		3.3%

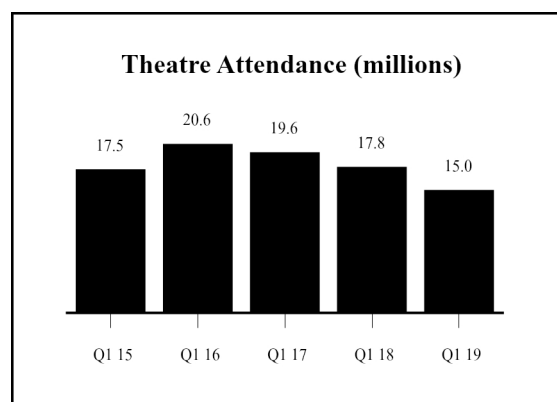
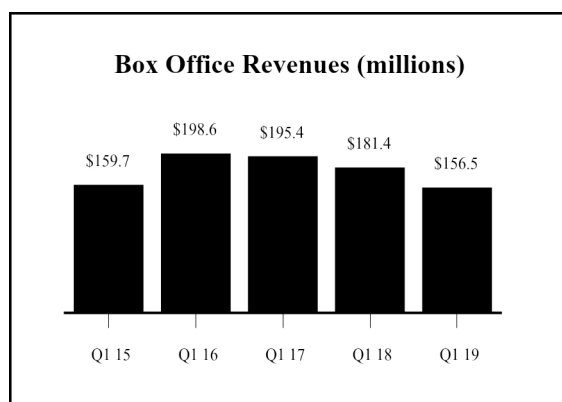
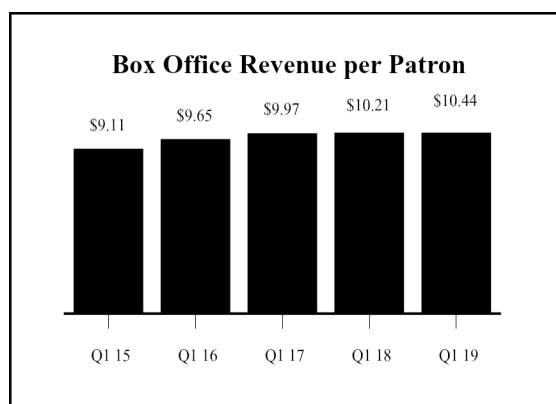
Box office revenues decreased \$24.9 million, or 13.7%, to \$156.5 million during the first quarter of 2019, compared to \$181.4 million reported in the same period in 2018. The decrease was due to the 15.6% decrease in theatre attendance to 15.0 million guests, partially offset by higher BPP. The theatre attendance decrease was due to the weaker film slate in the first quarter of 2019 compared to the first quarter of 2018. The prior year

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period is a tough comparator due to the success of *Black Panther* which became the third highest grossing film of all-time in North America, and the carryover strength of *Star Wars: The Last Jedi* and *Jumanji: Welcome To The Jungle* from the fourth quarter of 2017.

BPP for the three months ended March 31, 2019 was \$10.44, a \$0.23 increase (2.3%) from the prior year period, and a first quarter record for Cineplex. The increase in BPP was due to price increases in selective markets as compared to the prior year.



Food service revenues

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

Food service revenues	First Quarter		
	2019	2018	Change
Food service - theatres	\$ 95,172	\$ 108,230	-12.1%
Food service - <i>The Rec Room</i>	7,886	8,718	-9.5%
Total food service revenues	\$ 103,058	\$ 116,948	-11.9%
Theatre attendance (i)	14,988	17,765	-15.6%
CPP (i) (ii)	\$ 6.35	\$ 6.09	4.3%
Same theatre food service revenues (i)	\$ 92,309	\$ 107,551	-14.2%
Same theatre attendance (i)	14,700	17,684	-16.9%
(i) See Section 16, Non-GAAP measures.			
(ii) Food service revenue from <i>The Rec Room</i> is not included in the CPP calculation.			

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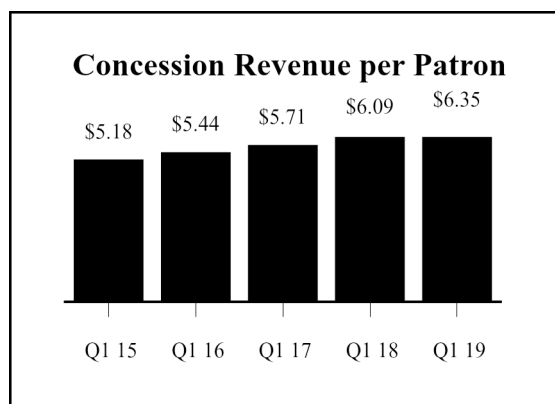
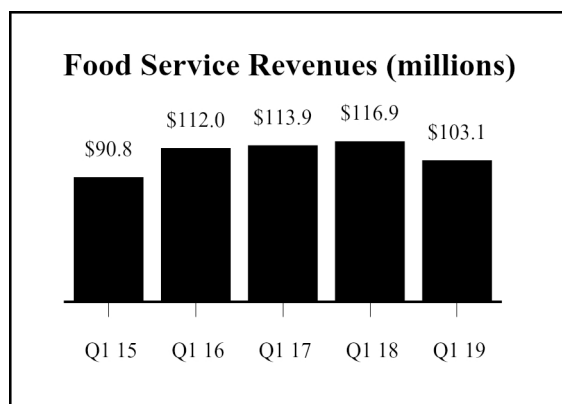
Management's Discussion and Analysis

Theatre food service revenue continuity	First Quarter	
	Theatre Food Service	Theatre Attendance
2018 as reported	\$ 108,230	17,765
Same theatre attendance change	(18,152)	(2,985)
Impact of same theatre CPP change	2,909	—
New and acquired theatres (i)	2,863	288
Disposed and closed theatres (i)	(678)	(80)
2019 as reported	\$ 95,172	14,988
(i) See Section 16, Non-GAAP measures. Represents theatres opened, acquired, disposed or closed subsequent to the start of the prior year comparative period.		

Food service revenues are comprised primarily of concession revenues, which includes food service sales at theatre locations. Food service revenues also include food and beverage sales at *The Rec Room*. Food service revenues decreased \$13.9 million, or 11.9% mainly as a result of the \$13.1 million (12.1%) decrease in theatre food service revenue. The decrease in theatre food service revenue resulted from the 15.6% decrease in theatre attendance, partially offset by the 4.3% (\$0.26) increase in CPP to \$6.35. Food service revenue from *The Rec Room* is not included in the CPP calculation.

Food services revenues from *The Rec Room* decreased \$0.8 million (9.5%) compared to the prior year period to \$7.9 million as bad winter weather conditions in the first quarter reduced evening business at several locations resulting in the food service decline. In addition, locations which have been opened for 12 to 24 months begin to move past the honeymoon phase and begin to settle into their expected long-term run-rate levels. Newer locations of *The Rec Room* typically experience higher sales volumes in the first year of operations.

CPP of \$6.35 is a first quarter record for Cineplex. Expanded offerings outside of core food service products, including offerings at Cineplex's VIP Cinemas and *Outtakes* locations, have contributed to increased visitation and higher average transaction values, resulting in the record CPP in the period.



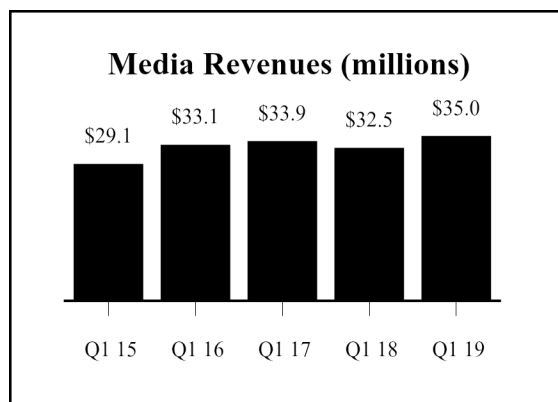
Media revenues

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

Media revenues	First Quarter		
	2019	2018	Change
Cinema media	\$ 21,383	\$ 21,332	0.2%
Digital place-based media	13,630	11,181	21.9%
Total media revenues	\$ 35,013	\$ 32,513	7.7%

Total media revenues increased \$2.5 million (7.7%) compared to the prior year period to a first quarter record of \$35.0 million. Cinema media revenues increased nominally (0.2%) compared to the prior year period despite

the significant theatre attendance decline. This increase was due to a 21.9% or \$2.4 million increase in digital place-based media revenues as a result of higher project installation revenues. During the quarter, digital place-based media added 345 new locations for a total of 13,847 locations (an increase of 5% over the prior year period).



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

Digital place-based media revenues	First Quarter		
	2019	2018	Change
Project revenues (i)	\$ 5,221	\$ 2,537	105.8%
Other revenues (ii)	8,409	8,644	-2.7%
Total digital place-based media revenues	\$ 13,630	\$ 11,181	21.9%
(i) Project revenues include hardware sales and professional services.			
(ii) Other revenues include sales of software and its support as well as media advertising.			

Amusement revenues

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

Amusement revenues	First Quarter		
	2019	2018	Change
Amusement - P1AG excluding Cineplex exhibition and <i>The Rec Room</i> (i)	\$ 47,673	\$ 40,238	18.5%
Amusement - Cineplex exhibition (i)	2,784	2,737	1.7%
Amusement - <i>The Rec Room</i>	8,043	6,930	16.1%
Total amusement revenues	\$ 58,500	\$ 49,905	17.2%
(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 and <i>The Rec Room</i> reflects P1AG's gross amusement revenues, net of the venue revenue share paid to Cineplex reflected in Amusement - Cineplex exhibition above.			

Amusement revenues increased 17.2%, or \$8.6 million, to an all-time quarterly record of \$58.5 million in the first quarter of 2019 compared to the prior year period. The growth was due to an increase in distribution sales as well as in route revenues in the United States in part due to the Cinemark agreement signed in the second quarter of 2018. The additional location of *The Rec Room* in the current year contributed to an increase of \$1.1 million to amusement revenues.

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The following table presents the adjusted EBITDAaL for the quarter for P1AG (in thousands of dollars) with the prior period presentation revised to provide the comparability to the impact of the transition to IFRS 16:

P1AG Summary	First Quarter		
	2019	Revised 2018	Change
Amusement revenues	\$ 47,673	\$ 40,238	18.5%
Operating Expenses	39,492	35,698	10.6%
Non-cash rent (i) (iii)	—	21	NM
Cash rent related to lease obligations (ii)	1,473	—	NM
Total adjusted operating expenses	\$ 40,965	\$ 35,719	14.7%
P1AG Adjusted EBITDAaL (iii)	\$ 6,708	\$ 4,519	48.4%
P1AG Adjusted EBITDAaL Margin (iii)	14.1%	11.2%	2.9%
(i) Non-cash rent included in the 2018 balances in the previous reporting period. See Section 17, IFRS 16 transition for a reconciliation of previously reported figures.			
(ii) Cash rent that has been reallocated to offset the lease obligations.			
(iii) See Section 16, Non-GAAP measures.			

Margins for P1AG increased during 2019 compared to 2018 as a result of the increase in equipment sales and route revenues in the United States. A reduction in operating and payroll expenses, as well as favorable changes in the foreign exchange rate also contributed to the increase in adjusted EBITDAaL margin.

The following table presents the adjusted store level EBITDAaL for the quarter for *The Rec Room* with the prior period presentation revised to provide comparability to the impact of the transition to IFRS 16 (in thousands of dollars):

The Rec Room Summary	First Quarter		
	2019	Revised 2018	Change
Food service revenues	\$ 7,886	\$ 8,718	-9.5%
Amusement revenues	8,043	6,930	16.1%
Media and other revenues	490	483	1.4%
Total revenues	\$ 16,419	\$ 16,131	1.8%
Cost of food service	2,165	2,340	-7.5%
Operating expenses before adjustments (i)	9,939	10,486	-5.2%
Non-cash rent (ii) (iv)	—	54	NM
Cash rent related to lease obligations (iii)	1,209	—	NM
Total adjusted costs	\$ 13,313	\$ 12,880	3.4%
Store level Adjusted EBITDAaL (iv)	\$ 3,106	\$ 3,251	-4.5%
Store level Adjusted EBITDAaL Margin (iv)	18.9%	20.2%	-1.3%
(i) Includes operating costs of <i>The Rec Room</i> locations. Pre-opening costs relating to <i>The Rec Room</i> locations and overhead relating to management of <i>The Rec Room</i> portfolio are not included.			
(ii) Non-cash rent included in the 2018 balances in the previous reporting period. See Section 17, IFRS 16 transition for a reconciliation of previously reported figures.			
(iii) Cash rent that has been reallocated to offset the lease obligations.			
(iv) See Section 16, Non-GAAP measures.			

Other revenues

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

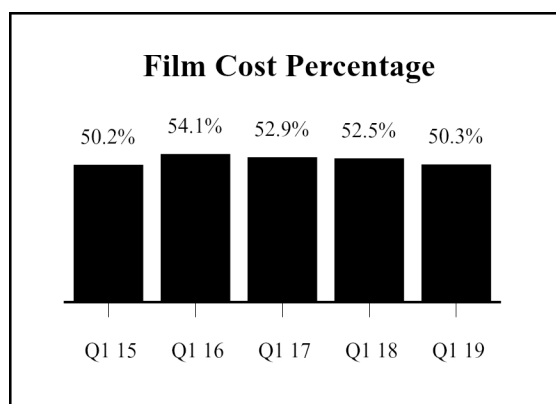
Other revenues	First Quarter		
	2019	2018	Change
Other revenues	\$ 11,871	\$ 10,126	17.2%

Film cost

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

Film cost	First Quarter		
	2019	2018	Change
Film cost	\$ 78,721	\$ 95,204	-17.3%
Film cost percentage (i)	50.3%	52.5%	-2.2%
(i) See Section 16, Non-GAAP measures.			

Film cost varies primarily with box office revenues, and can vary from quarter to quarter based on the relative strength of the titles exhibited during the period. This is due to film cost terms varying by title and distributor. Film cost percentage during the first quarter of 2019 was 50.3%, a 2.2% decrease from the prior year period. The decrease in film cost percentage is attributable to the reduced concentration of box office revenues from a few titles, with the top five film in the current period accounting for only 39.9% of box office revenues in the period (2018 - 45.2%). Top films tend to have higher settlement rates than the other films in the slate due to their strong performance.



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 *The Rec Room* for the quarter (in thousands of dollars, except percentages and margins per patron):

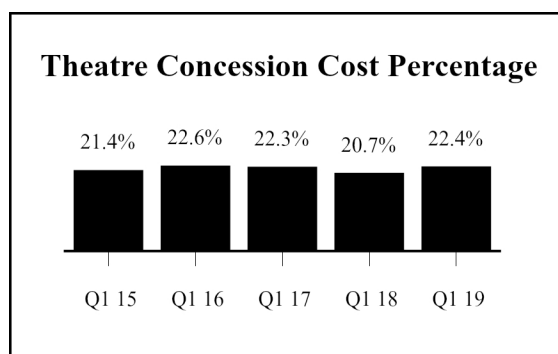
Cost of food service	First Quarter		
	2019	2018	Change
Cost of food service - theatre	\$ 21,271	\$ 22,436	-5.2%
Cost of food service - <i>The Rec Room</i>	2,165	2,340	-7.5%
Cost of food service	\$ 23,436	\$ 24,776	-5.4%
Theatre concession cost percentage (i)	22.4%	20.7%	1.7%
<i>The Rec Room</i> food cost percentage (i)	27.5%	26.8%	0.7%
Theatre concession margin per patron (i)	\$ 4.93	\$ 4.83	2.1%
(i) See Section 16, Non-GAAP measures			

Cost of food service at the theatres varies primarily with theatre attendance as well as the quantity and mix of offerings sold. Cost of food service at *The Rec Room* varies primarily with the volume of guests who visit the locations as well as the quantity and mix of food and beverage items sold.

The decrease in the theatre cost of food service compared to the prior year period was due to the lower theatre food service revenues which was partly offset by the increase in the theatre concession cost percentage from 20.7% in the prior year period to 22.4% in 2019.

The theatre concession margin per patron increased 2.1% from \$4.83 in the first quarter of 2018 to \$4.93 in the same period in 2019, reflecting the impact of the higher CPP during the period.

The decrease in *The Rec Room* cost of food service as compared to the prior year period was due to the lower food service revenues.



Depreciation and amortization

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

Depreciation and amortization expenses	First Quarter		
	2019	2018	Change
Depreciation of property, equipment and leaseholds	\$ 28,857	\$ 27,259	5.9%
Amortization of intangible assets and other	3,998	3,935	1.6%
Sub-total - depreciation and amortization - other assets	\$ 32,855	\$ 31,194	5.3%
Depreciation - right-of-use assets	36,462	—	NM
Total depreciation and amortization	\$ 69,317	\$ 31,194	122.2%

The quarterly increase in depreciation of property, equipment and leaseholds of \$1.6 million (5.9%) is primarily due to investments in the amusement and leisure businesses, including the opening of *The Rec Room* at the *Square One Shopping Centre*.

The increase of \$0.1 million (1.6%) in the amortization of intangible assets was primarily due to internally developed software for digital products including the Cineplex mobile app and website platform.

The quarterly increase in depreciation of right-of-use assets was as a result of the adoption of IFRS 16 (Section 12, Accounting policies). The right-of-use assets are depreciated over the lease term. The current quarter expense represents the depreciation charge for the quarter.

Loss on disposal of assets

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

Loss on disposal of assets	First Quarter		
	2019	2018	Change
Loss on disposal of assets	\$ 477	\$ 210	127.1%

Other costs

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

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

Other costs	First Quarter		
	2019	2018	Change
Theatre occupancy expenses (i)	\$ 18,407	\$ 51,898	-64.5%
Other operating expenses (i)	148,183	147,407	0.5%
General and administrative expenses (i)	18,852	18,149	3.9%
Total other costs	\$ 185,442	\$ 217,454	-14.7%
(i) See Section 12, Accounting policies.			

Theatre occupancy expenses

The following table highlights the movement in theatre occupancy expenses for the quarter (in thousands of dollars) with the prior period presentation revised to provide comparability to the impact of the transition to IFRS 16:

Theatre occupancy expenses	First Quarter		
	2019	Revised 2018	Change
Cash rent - theatre (i) (vii)	\$ 39,879	\$ 38,470	3.7%
Other occupancy	18,418	18,667	-1.3%
One-time items (ii)	(179)	(1,272)	-85.9%
Total theatre occupancy including cash lease payments	\$ 58,118	\$ 55,865	4.0%
Non-cash rent (iii) (vi)	—	(2,978)	NM
Rent previously recognized as a finance lease (iv)	—	(989)	NM
Cash rent related to lease obligations (v)	(39,711)	—	NM
Theatre occupancy as reported	\$ 18,407	\$ 51,898	-64.5%
(i) Represents the cash payments for theatre rent during the quarter. See Section 17, IFRS 16 transition for a reconciliation from previously reported figures.			
(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) Non-cash rent included in the 2018 balances in the previous reporting period. See Section 17, IFRS 16 transition for a reconciliation of previously reported figures.			
(iv) Rent payments that were charged to the finance lease obligations in the previous reporting period. See Section 17, IFRS 16 transition for a reconciliation of previously reported figures.			
(v) Cash rent that has been reallocated to offset the lease obligations.			
(vi) See Section 16, Non-GAAP measures.			
(vii) The 2019 balance includes \$1.1 million of cash rent paid not pertaining to the current period. See Section 16, Non-GAAP measures.			

Theatre occupancy continuity	First Quarter Occupancy
2018 as reported	\$ 51,898
Impact of new and acquired theatres	750
Impact of disposed theatres	(535)
Same theatre rent change (i)	1,178
One-time items	1,093
Other	(233)
Impact of IFRS 16 adoption:	
Impact of non-cash rent in prior period	2,978
Rent previously recognized as a finance lease	989
Cash rent related to lease obligations	(39,711)
2019 as reported	\$ 18,407
(i) See Section 16, Non-GAAP measures	

Theatre occupancy expenses as reported decreased \$33.5 million (64.5%) during the first quarter of 2019 compared to the prior year period. This decrease was primarily due to the impact of the adoption of IFRS 16 partially offset by the impact of non-cash rent in the prior period.

Total theatre occupancy including cash lease payments increased \$2.2 million (4.0%) during the first quarter of 2019 compared to the prior year period. This increase was primarily due to a \$1.2 million increase in same theatre rent and a \$1.1 million decrease in one-time credits. The increase in same-theatre rent was due to the inclusion of the up front payments of annual rent at one theatre location in the first quarter of 2019 in cash rent-theatre. In comparison, the prior year period includes one quarter of rent expense for the location.

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Other operating expenses

The following table highlights the movement in other operating expenses during the quarter (in thousands of dollars) with the prior period presentation revised to provide comparability to the impact of the transition to IFRS 16:

Other operating expenses	First Quarter		
	2019	Revised 2018	Change
Theatre payroll	\$ 36,710	\$ 38,293	-4.1%
Theatre operating expenses	28,562	29,419	-2.9%
Media (i)	16,742	16,421	2.0%
PIAG (i)	40,965	35,719	14.7%
<i>The Rec Room</i> (i) (ii)	11,148	10,540	5.8%
Location-based entertainment pre-opening (i) (iii)	691	290	138.3%
SCENE	5,038	4,217	19.5%
Marketing	2,851	4,408	-35.3%
Other (iv)	9,809	8,205	19.5%
Other operating expenses including cash lease payments	\$ 152,516	\$ 147,512	3.4%
Non-cash rent (v) (vi)	—	(105)	NM
Cash rent related to lease obligations (vii)	(4,333)	—	NM
Other operating expenses as reported	\$ 148,183	147,407	0.5%
(i) Prior period balances were revised to exclude non-cash rent. See Section 17, IFRS 16 transition for changes from previously reported figures.			
(ii) Includes operating costs of <i>The Rec Room</i> locations. Overhead relating to management of <i>The Rec Room</i> portfolio are included in the 'Other' line.			
(iii) Includes pre-opening costs of <i>The Rec Room</i> and <i>Playdium</i> locations			
(iv) Other category includes overhead costs related to <i>The Rec Room</i> , operating costs of WGN and other Cineplex internal departments.			
(v) Non-cash rent included in the 2018 balances in the previous reporting period. See Section 17, IFRS 16 transition for a reconciliation of previously reported figures.			
(vi) See Section 16, Non-GAAP measures.			
(vii) Cash rent that has been reallocated to offset the lease obligations.			

Other operating continuity	First Quarter Other Operating
2018 as reported	\$ 147,407
Impact of new and acquired theatres	2,069
Impact of disposed theatres	(429)
Same theatre payroll change (i)	(2,679)
Same theatre operating expenses change (i)	(1,369)
Media operating expenses change	321
PIAG operating expenses change	5,246
<i>The Rec Room</i> operating expenses change	608
Location-based entertainment pre-opening change	401
SCENE change	821
Marketing change	(1,556)
Other	1,571
<u>Impact of IFRS 16 adoption:</u>	
Non-cash rent in prior period	105
Cash rent related to lease obligations	(4,333)
2019 as reported	\$ 148,183
(i) See Section 16, Non-GAAP measures	

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Other operating expenses during the first quarter of 2019 increased \$0.8 million or 0.5% compared to the prior year period. The increase was primarily due to higher amusement and leisure costs related to P1AG due to higher distribution sales as well as the impact of new and acquired theatres. These were partially offset by the \$2.7 million decrease in same theatre payroll and the \$1.4 million decrease in same theatre operating expenses as a result of the lower business volumes for theatre exhibition, a \$1.6 million decrease in marketing due to the timing of campaigns and \$4.3 million of cash rent related to the lease obligations arising upon the adoption of IFRS 16.

General and administrative expenses

The following table highlights the movement in general and administrative (“G&A”) expenses during the quarter, including Share-based compensation costs, and G&A expenses net of these costs (in thousands of dollars) with the prior period presentation revised to provide comparability to the impact of the transition to IFRS 16:

G&A expenses	First Quarter		
	2019	Revised 2018	Change
G&A excluding LTIP and option plan expense (i)	\$ 17,828	\$ 17,773	0.3%
Restructuring	—	996	NM
LTIP (i)	762	(1,049)	NM
Option plan	389	431	-9.7%
G&A expenses including cash lease payments	\$ 18,979	\$ 18,151	4.6%
Non-cash rent (iii) (iv)	—	(2)	NM
Cash rent included as part of lease obligations (v)	(127)	—	NM
G&A expenses as reported	\$ 18,852	\$ 18,149	3.9%
(i) Prior period balance was revised to exclude non-cash rent. See Section 17, IFRS 16 transition for changes from previously reported figures.			
(ii) LTIP includes the expense for the LTIP program as well as the expense for the executive and Board deferred share unit plans.			
(iii) Non-cash rent included in the 2018 balances in the previous reporting period. See Section 17, IFRS 16 transition for a reconciliation of previously reported figures.			
(iv) See Section 16, Non-GAAP measures.			
(v) Cash rent that has been reallocated to offset the lease obligations.			

G&A expenses increased \$0.7 million (4.6%) during the first quarter of 2019 compared to the prior year period primarily due to a \$1.8 million increase in LTIP expense. LTIP in the first quarter reflected ongoing regular vesting and a relatively flat share price during the period, compared to a significant price decrease in the prior year period resulting in an expense recovery. Professional fees increased by \$0.8 million due in part to an increase in consulting work including the software upgrade undertaken for IFRS 16.

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 (in thousands of dollars):

Share of income of joint ventures and associates	First Quarter		
	2019	2018	Change
Share of income of CDCP	\$ (317)	\$ (818)	-61.2%
Share of income of other joint ventures and associates	(52)	(79)	-34.2%
Total income of joint ventures and associates	\$ (369)	\$ (897)	-58.9%

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Interest expense

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

Interest expense	First Quarter		
	2019	2018	Change
Long-term debt interest expense	\$ 5,949	\$ 4,314	37.9%
Convertible debenture interest expense	—	1,192	NM
Lease interest expense (i)	11,687	157	NM
Sub-total - cash interest expense	17,636	5,663	211.4%
Deferred financing fee accretion and other non-cash interest	559	100	459.0%
Convertible debenture accretion	—	601	NM
Interest rate swap - non-cash	(558)	120	NM
Sub-total - non-cash interest expense	1	821	-99.9%
Total interest expense	\$ 17,637	\$ 6,484	172.0%
(i) See Section 12, Accounting policies			

Interest expense increased \$11.2 million for the quarter compared to the prior year period. The quarterly increase was primarily due to lease interest expense as a result of the adoption of IFRS 16, as well as, higher cash interest due to the higher average borrowing on Cineplex's revolving facility (see Section 6.4, Credit Facilities). This was partially offset by the decrease in the convertible debenture interest expense as the convertible debentures matured and were repaid on December 31, 2018.

Interest income

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

Interest income	First Quarter		
	2019	2018	Change
Interest income	\$ 74	\$ 87	-14.9%

Foreign exchange

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

Foreign exchange	First Quarter		
	2019	2018	Change
Foreign exchange loss (gain)	541	\$ (765)	NM

The movement in the quarterly foreign exchange was due to a decrease in the CAD/USD foreign exchange month end rate from 1.3642 at December 31, 2018 to 1.3363 at March 31, 2019.

Income taxes

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

Income taxes	First Quarter		
	2019	2018	Change
Current income tax expense	\$ 408	\$ 2,035	-80.0%
Deferred income tax expense	(3,238)	38	NM
Provision for income taxes	\$ (2,830)	\$ 2,073	-236.5%

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The decrease in provision for income taxes was due to lower taxable income versus the prior year period and 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.

In October 2018, the company received a proposal letter from the Canada Revenue Agency ("CRA") proposing to deny a portion of the losses of AMC Ventures Inc. ("AMC"), which was acquired by Cineplex in 2012. Subsequent to year end, the CRA issued a notice of reassessment ("NOR") denying the use of \$26.6 million of losses by Cineplex, which offset taxable income generated in 2014, thereby increasing taxes and interest payable by approximately \$8.6 million, 50% of which was payable immediately. Cineplex disagrees with the CRA's position and has filed a notice of objection in respect of the NOR. 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 March 31, 2019 was 26.9% (2018 - 26.9%).

Net (loss) income

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

Net (loss) income	First Quarter		
	2019	2018	Change
Net (loss) income	\$ (7,360)	\$ 15,226	NM

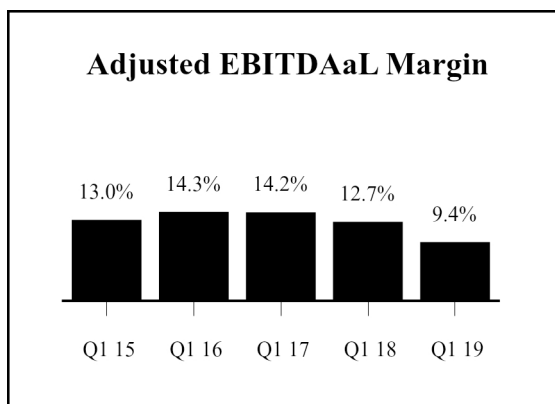
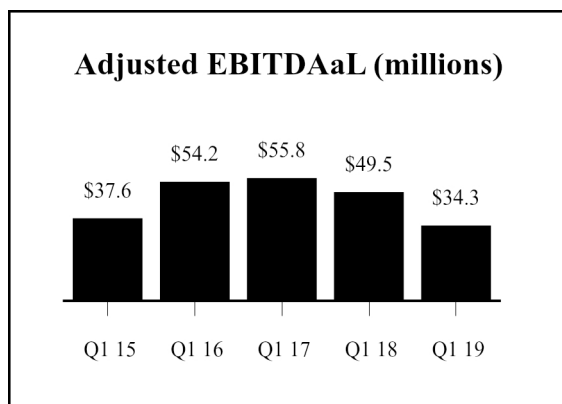
4.3 EARNINGS BEFORE INTEREST, INCOME TAXES, DEPRECIATION AND AMORTIZATION ("EBITDA") (see Section 16, Non-GAAP measures)

The following table presents EBITDA, adjusted EBITDA and adjusted EBITDAaL for the three months ended March 31, 2019 as compared to the prior year period (expressed in thousands of dollars, except adjusted EBITDAaL margin):

EBITDA	First Quarter		
	2019	2018	Change
EBITDA	\$ 76,690	\$ 54,890	39.7%
Adjusted EBITDA	\$ 77,442	\$ 53,532	44.7%
Adjusted EBITDAaL (i)	\$ 34,331	\$ 49,458	-30.6%
Adjusted EBITDAaL margin (i)	9.4%	12.7%	-3.3%

(i) Prior period figures have been revised to conform to current period presentation. See Section 17, IFRS 16 transition for further details.

Adjusted EBITDAaL for the first quarter of 2019 decreased \$15.1 million, or 30.6%, as compared to the prior year period. The decrease compared to the prior year period was primarily due to a decline in box office and theatre food service revenues as a result of reduced attendance. Adjusted EBITDAaL margin, calculated as Adjusted EBITDAaL divided by total revenues, was 9.4%, a decrease of 3.3% from 12.7% in the prior year period due to lower theatre exhibition revenues and higher contributions from lower margin businesses including amusement and leisure.



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5. BALANCE SHEETS

The following sets out significant changes to Cineplex's consolidated balance sheets during the three months ended March 31, 2019 as compared to December 31, 2018 (in thousands of dollars):

	March 31, 2019	December 31, 2018	Change (\$)	Change (%)
Assets				
Current assets				
Cash and cash equivalents	\$ 23,877	\$ 25,242	\$ (1,365)	-5.4%
Trade and other receivables	90,135	165,586	(75,451)	-45.6%
Income taxes receivable	11,042	4,944	6,098	123.3%
Inventories	29,738	30,592	(854)	-2.8%
Prepaid expenses and other current assets	16,132	13,862	2,270	16.4%
Fair value of interest rate swap agreements	1,094	1,457	(363)	-24.9%
	172,018	241,683	(69,665)	-28.8%
Non-current assets				
Property, equipment and leaseholds	623,937	634,354	(10,417)	-1.6%
Right-of-use assets (i)	1,307,829	—	1,307,829	NM
Deferred income taxes	13,885	13,444	441	3.3%
Fair value of interest rate swap agreements	887	2,063	(1,176)	-57.0%
Interests in joint ventures	35,123	38,912	(3,789)	-9.7%
Intangible assets	96,609	108,758	(12,149)	-11.2%
Goodwill	817,045	817,235	(190)	—%
	\$ 3,067,333	\$ 1,856,449	\$ 1,210,884	65.2%
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	\$ 168,540	\$ 186,407	\$ (17,867)	-9.6%
Share-based compensation	2,261	4,862	(2,601)	-53.5%
Dividends payable	9,183	9,183	—	—%
Income taxes payable	1,007	12,167	(11,160)	-91.7%
Deferred revenue	179,324	214,016	(34,692)	-16.2%
Lease obligations	107,705	3,058	104,647	3,422.1%
Fair value of interest rate swap agreements	1,630	1,184	446	37.7%
	469,650	430,877	38,773	9.0%
Non-current liabilities				
Share-based compensation	9,317	8,210	1,107	13.5%
Long-term debt	606,000	580,000	26,000	4.5%
Fair value of interest rate swap agreements	12,989	7,674	5,315	69.3%
Lease obligations (i)	1,304,634	10,789	1,293,845	11,992.3%
Post-employment benefit obligations	9,120	9,250	(130)	-1.4%
Other liabilities	11,699	119,110	(107,411)	-90.2%
Deferred income taxes	6,616	11,528	(4,912)	-42.6%
	2,430,025	1,177,438	1,252,587	106.4%
Equity				
Equity attributable to owners of Cineplex	637,370	679,096	(41,726)	-6.1%
Non-controlling interests	(62)	(85)	23	-27.1%
Total equity	637,308	679,011	(41,703)	-6.1%
	\$ 3,067,333	\$ 1,856,449	\$ 1,210,884	65.2%

(i) See Section 12, Accounting policies for recognition of right-of-use assets and lease obligations upon adoption of IFRS 16.

Trade and other receivables. The decrease in trade and other receivables is primarily due to the collection of receivables from the sales of gift cards, vouchers and media sales from the 2018 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.

Inventories. The decrease in inventories is primarily due to lower amusement solutions and digital placed-based media inventories as a result of increase distribution sales and increase in project installations.

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Income taxes receivable. The increase in income taxes receivable represents the income tax installments paid by several taxable entities in Cineplex's consolidated group to various tax authorities in excess of their income tax provisions, in addition to \$3.9 million representing 50% of the disputed tax reassessment of Cineplex's 2014 tax return.

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

Property, equipment and leaseholds. The decrease in property, equipment and leaseholds is due to new build and other capital expenditures (\$26.8 million) and maintenance capital expenditures (\$4.7 million), offset by amortization expenses (\$28.9 million), asset dispositions (\$0.4 million), foreign exchange impact (\$1.0 million) and the reallocation of property, equipment and leasehold assets to the opening right-of-use assets in accordance with IFRS 16 (\$11.2 million for finance lease assets and \$0.4 million for asset retirement obligation). See Section 12, Accounting policies for further details.

Right-of-use assets. The increase in right-of-use assets is due to the adoption of IFRS 16. See Section 12, Accounting policies for further details.

Intangible assets. The decrease in intangible assets is primarily due to the reallocation of fair-value rent assets at December 31, 2018 to the opening right-of-use asset balance in accordance with IFRS 16. See Section 12, Accounting policies for further details.

Goodwill. The increase in goodwill is due to the impact of foreign exchange.

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

Income taxes payable. The decrease in income taxes payable represents the amount paid by Cineplex during the first quarter of 2019 for taxes due based on its 2018 operations, offset by liabilities for current income tax expense relating to the first quarter of 2019 in excess of tax installments paid for certain taxable entities in the consolidated group.

Deferred revenue. Deferred revenue decreased primarily due to the redemption of gift cards and vouchers sold during the 2018 holiday season.

Lease obligations. The increase in lease obligations is due to the adoption of IFRS 16. See Section 12, Accounting policies for further details.

Long-term debt. The increase in long-term debt relates to increased net borrowings under the Revolving Facility (defined and discussed in Section 6.4, Credit Facilities).

Other liabilities. The decrease in other liabilities is primarily due to the reallocation of fair-value rent, deferred tenant inducements, straight-line rent averaging and density rights accounts at December 31, 2018 to the opening right-of-use asset balance in accordance with IFRS 16. See Section 12, Accounting policies for further details.

6. LIQUIDITY AND CAPITAL RESOURCES

6.1 OPERATING ACTIVITIES

Cash flow is generated primarily from film entertainment (the sale of admission tickets and food service sales), media sales and services, amusement and leisure (amusement and food service sales) and other revenues. Generally, this provides Cineplex with positive working capital, since certain cash revenues are normally collected in advance of the payment of certain expenses. Box office revenues are directly related to the success and appeal of the film product produced and distributed by the studios. The following table highlights the movements in cash from operating activities for the three months ended March 31, 2019 and 2018 (in thousands of dollars):

Cash flows provided by operating activities	First Quarter		
	2019	2018	Change
Net (loss) income	\$ (7,360)	\$ 15,226	\$ (22,586)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of other assets (i)	32,855	31,194	1,661
Depreciation of right-of-use assets	36,462	—	36,462
Other depreciation and amortization amounts (ii)	—	(3,085)	3,085
Unrealized foreign exchange	429	—	429
Interest rate swap agreements - non-cash interest	(558)	120	(678)
Accretion of convertible debentures	—	601	(601)
Other non-cash interest (iii)	559	101	458
Loss on disposal of assets	477	210	267
Deferred income taxes	(3,238)	38	(3,276)
Non-cash Share-based compensation	389	431	(42)
Net change in interests in joint ventures and associates	(1,686)	(1,205)	(481)
Changes in operating assets and liabilities	2,251	919	1,332
Net cash provided by operating activities	\$ 60,580	\$ 44,550	\$ 16,030
(i) Includes depreciation of property, equipment and leaseholds and amortization of intangible assets.			
(ii) Includes amortization of tenant inducements and rent averaging liabilities. This accounting treatment was applied under IAS 17 <i>Leases</i> ("IAS 17") in 2018 but not applicable under IFRS 16 in 2019. See Section 17, IFRS 16 transition.			
(iii) Includes accretion of debt issuance and other non-cash interest costs.			

Cash generated in operating activities increased \$16.0 million in the first quarter of 2019 compared to the prior year period, primarily due to the impact of IFRS 16 as a result of cash rent no longer being deducted under operating activities offset by lower business volumes for theatre exhibition. Tenant inducements have been reclassified from operating to investing activities.

6.2 INVESTING ACTIVITIES

The following table highlights the movements in cash used in investing activities for the three months ended March 31, 2019 and 2018 (in thousands of dollars):

Cash flows used in investing activities	First Quarter		
	2019	2018	Change
Proceeds from sale of assets	\$ —	\$ 182	\$ (182)
Purchases of property, equipment and leaseholds	(32,362)	(25,511)	(6,851)
Intangible assets additions	(1,612)	(1,355)	(257)
Tenant inducements (i)	615	1,876	(1,261)
Net cash received from joint ventures	5,474	684	4,790
Net cash used in investing activities	\$ (27,885)	\$ (24,124)	\$ (3,761)
(i) Prior period figures have been reclassified to conform to current period presentation. See Section 17, IFRS 16 transition for further details.			

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Cash used in investing activities during the first quarter of 2019 increased \$3.8 million as compared to the prior year period due to an increase in expenditures for new *The Rec Room* locations including *Square One Shopping Centre* in Mississauga, Ontario and *Avalon* in St John's, Newfoundland. Theatre construction for *Cineplex Cinemas Park Royal and VIP* in Vancouver, British Columbia also contributed to the increase in cash used in investing activities. These were partially offset by the net cash received from CDGP during the period. Tenant inducements have been reclassified from operating to investing activities.

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

Capital expenditures	First Quarter		
	2019	2018	Change
Gross capital expenditures	\$ 32,362	\$ 25,511	\$ 6,851
Less: tenant inducements	(615)	(1,876)	1,261
Net capital expenditures	\$ 31,747	\$ 23,635	\$ 8,112
Net capital expenditures consists of:			
Growth and acquisition capital expenditures (i)	\$ 24,346	\$ 18,774	\$ 5,572
Tenant inducements	(615)	(1,876)	1,261
Media growth capital expenditures	95	401	(306)
Amusement and leisure growth capital expenditures (excluding <i>The Rec Room</i> build expenditures)	407	687	(280)
Premium formats (ii)	2,000	2,109	(109)
Maintenance capital expenditures	4,670	5,287	(617)
Other (iii)	844	(1,747)	2,591
	\$ 31,747	\$ 23,635	\$ 8,112
(i) Growth and acquisition capital expenditures include expenditures on the construction of new theatre buildings (including VIP auditoriums) and other Board approved projects including <i>The Rec Room</i> build expenditures with the exception of premium formats (discussed below), media growth capital expenditures and amusement and leisure capital expenditures.			
(ii) Premium formats include capital expenditures for IMAX, UltraAVX, 4DX, ScreenX, <i>Cineplex Clubhouse</i> , 3D and recliner seating upgrades.			
(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 new theatre capital expenditures.

6.3 FINANCING ACTIVITIES

The following table highlights the movements in cash from financing activities for the three months ended March 31, 2019 and 2018 (in thousands of dollars):

Cash flows used in financing activities	First Quarter		
	2019	2018	Change
Dividends paid	\$ (27,550)	\$ (26,599)	\$ (951)
Borrowings under credit facilities, net	26,000	6,000	20,000
Repayments of lease obligations - principal	(32,484)	(832)	(31,652)
Financing fees	(243)	—	(243)
Net cash used in financing activities	\$ (34,277)	\$ (21,431)	\$ (12,846)

Cash flows used in financing activities were \$34.3 million in the first quarter of 2019, as compared to the cash flow of \$21.4 million used in financing activities in the prior year period, primarily due to the impact of IFRS 16 which resulted in repayments of lease obligations being recorded under financing activities. The repayments represent cash rent which was included in operating activities in the prior year period. This was partially offset by higher net borrowings in the current period.

Cineplex believes that it will be able to meet its future cash obligations with its cash and cash equivalents, cash flows from operations and funds available under the Credit Facilities as described in Section 6.4, Credit Facilities.

6.4 CREDIT FACILITIES

Cineplex increased and extended its bank credit facilities effective November 13, 2018 (the "Credit Facilities"). At March 31, 2019, the Credit Facilities consisted of the following (in millions of Canadian dollars):

	Available	Drawn	Reserved	Remaining
(i) a five-year senior secured revolving credit facility ("Revolving Facility")	\$ 650.0	\$ 456.0	\$ 8.7	\$ 185.3
(ii) a seven-year senior secured non-revolving term facility ("Term Facility")	\$ 150.0	\$ 150.0	\$ —	\$ —

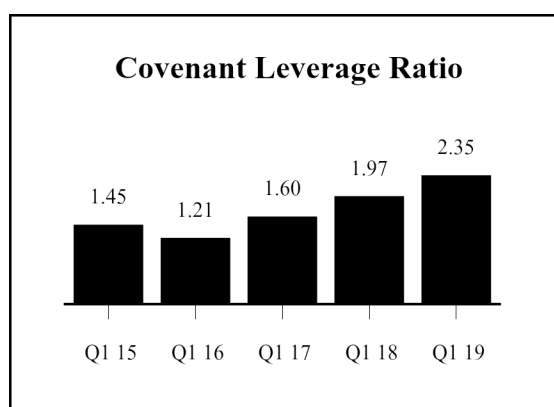
Letters of credit outstanding at March 31, 2019 of \$8.7 million are reserved against the Revolving Facility.

There are provisions to increase the amount of either the Revolving Facility commitment or Term Facility commitment amount by an additional \$150.0 million (the combined aggregate of both Facilities) with the consent of the lenders.

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 the Term Facility matures in November 2025, 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.

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. As at March 31, 2019, Cineplex's leverage ratio as calculated in accordance with the Credit Facilities definition was 2.35, as compared to a covenant of 3.75x. The definition of debt in the Credit Facilities includes long-term debt, financing leases and letters of credit but does not include 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.



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

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

The following table outlines Cineplex's current interest rate swap agreements as of March 31, 2019:

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.

Based on the leverage ratio covenant in effect at March 31, 2019, Cineplex's effective cost of borrowing on the \$450.0 million hedged borrowings was 3.929% (March 31, 2018 - \$200.0 million hedged borrowings - 3.983%).

6.5 FUTURE OBLIGATIONS

Cineplex has aggregate gross capital commitments of \$221.4 million (\$145.0 million net of tenant inducements) related to the completion of construction of 21 operating locations including both theatres and location-based entertainment locations, in addition to the ongoing rollout of expanded entertainment offerings at select theatres and location-based entertainment locations, over the next four years.

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

Cineplex is 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 March 31, 2019 is nominal. As such, no additional amounts have been provided in the consolidated financial statements for these guarantees. Should the purchasers of the theatres fail to fulfill their lease commitment obligations, Cineplex could face a substantial financial burden, which could be mitigated by Cineplex operating any theatres under default.

7. ADJUSTED FREE CASH FLOW AND DIVIDENDS (see Section 16, Non-GAAP measures)

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

7.1 ADJUSTED FREE CASH FLOW

Cineplex distributes cash to its shareholders on a monthly basis. The following table illustrates adjusted free cash flow per Share, dividends paid per Share, and the payout ratio of dividends relative to adjusted free cash flow for the three months ended March 31, 2019 and 2018:

Adjusted free cash flow	First Quarter		
	2019	2018	Change
Adjusted free cash flow per Share	\$ 0.460	\$ 0.609	-24.5%
Dividends declared per Share	\$ 0.435	\$ 0.420	3.6%
Payout ratio - 12 months ended March 31	65.2%	72.6%	-7.0%

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

	First Quarter		
	2019	2018	Change
Cash flows provided by operations	\$ 60,580	\$ 46,426	30.5%
Net (loss) income	\$ (7,360)	\$ 15,226	-148.3%
Standardized free cash flow	\$ 28,218	\$ 21,097	33.8%
Adjusted free cash flow	\$ 29,106	\$ 38,598	-24.6%
Cash dividends declared	\$ 27,549	\$ 26,599	3.6%
Weighted average number of Shares outstanding	63,333,238	63,330,446	—%

7.2 DIVIDENDS

Subject to the discretion of the Board, dividends are typically declared on a monthly basis to common shareholders of record on the last business day of each month. For the three months ended March 31, 2019 and 2018, Cineplex declared dividends totaling \$0.435 per Share and \$0.420 per Share, respectively.

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

Subsequent to the period end, the Board approved an increase in the monthly dividend to \$0.150 per Share (\$1.80 on an annual basis), effective with the May 2019 dividend which will be paid in June 2019.

8. SHARE ACTIVITY

Share capital balances at December 31, 2018 and March 31, 2019 is as follows (expressed in thousands of dollars except Share amounts):

	Shares	Amount	
	Number of common shares issued and outstanding	Common shares	Total
Balance - December 31, 2018 and March 31, 2019	63,333,238	\$ 852,379	\$ 852,379

Officers and key employees are eligible to participate in the LTIP. Beginning with the 2018 awards, each annual LTIP grant is for a three-year service period beginning October 1. The LTIP award consists of a restricted stock unit ("RSU") plan awarding base Share equivalents which may decrease or increase subject to certain market conditions and a phantom share unit ("PSU") plan awarding Share equivalents which may decrease or increase subject to certain performance and market conditions. The base Share equivalents attract compounding notional dividends at the same rate as outstanding Shares, which are notionally re-invested as additional base Share equivalents. The awards will be settled in cash at the end of the service period, within 30 days of the approval of the annual consolidated financial statements by the Board.

LTIP awards granted in 2019 and 2018 consist of a PSU 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, within 30 days of the approval of the annual consolidated financial statements by the Board.

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
2019 LTIP award	100,535	50,264	22,341	201,070
2018 LTIP award	79,089	39,549	—	158,178
2017 LTIP award	129,136	—	49,976	236,104

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

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 March 31, 2019, 3.1 million Share options were outstanding under the Share option plan. Upon cashless exercise, the Share options exercised in excess of Shares issued are canceled and returned to the pool available for future grants. At March 31, 2019, 1.1 million Share options were available for grant under the plan.

Cineplex Inc.

Management's Discussion and Analysis

A summary of option activities for the three months ended March 31, 2019 and 2018 is as follows:

	2019			2018	
	Weighted average remaining contractual life (years)	Number of underlying Shares	Weighted average exercise price	Number of underlying Shares	Weighted average exercise price
Options outstanding - January 1	7.37	2,433,589	\$ 42.84	2,157,589	\$ 45.50
Granted		709,092	25.05	559,703	33.59
Forfeited		(26,751)	42.11	(5,099)	49.51
Exercised		—	—	—	—
Options outstanding – end of period	9.05	3,115,930	\$ 38.79	2,712,193	\$ 43.03

9. SEASONALITY AND QUARTERLY RESULTS

Historically, Cineplex's revenues have been seasonal, coinciding with the timing of major film releases. The most marketable motion pictures were traditionally released during the summer and the late-November through December holiday season. This caused changes from quarter to quarter in theatre attendance, affecting theatre exhibition reported results. The seasonality of theatre attendance has become less pronounced as film studios have expanded the historical summer and holiday release windows and increased the number of heavily marketed films released during traditionally weaker periods. Cineplex's diversification into other businesses such as digital media and amusement and leisure, which are not dependent on motion picture content, has contributed to reduce the impact of this seasonality on Cineplex's consolidated results. To meet working capital requirements during lower revenue quarters, Cineplex can draw upon the Revolving Facility, which had \$456.0 million drawn and \$185.3 million available as of March 31, 2019.

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

Cineplex Inc.

Management's Discussion and Analysis

	2019	2018				2017		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues								
Box office revenues	\$ 156,496	\$ 182,352	\$ 173,278	\$ 187,234	\$ 181,380	\$ 185,048	\$ 164,493	\$ 170,710
Food service revenues	103,058	120,726	115,557	122,270	116,948	119,514	107,029	101,398
Media revenues	35,013	58,218	33,487	40,791	32,513	61,519	39,862	36,581
Amusement revenues	58,500	53,473	53,838	48,577	49,905	49,300	48,940	45,700
Other revenues	11,871	13,414	10,555	10,181	10,126	10,912	10,124	9,694
	364,938	428,183	386,715	409,053	390,872	426,293	370,448	364,083
Expenses								
Film cost	78,721	91,562	90,213	102,346	95,204	98,734	83,268	91,468
Cost of food service	23,436	26,138	24,257	25,020	24,776	26,935	23,669	23,180
Depreciation - right-of-use assets (i)	36,462	—	—	—	—	—	—	—
Depreciation and amortization - other	32,855	34,799	33,599	32,260	31,194	31,390	30,613	29,646
Loss on disposal of assets	477	1,064	783	640	210	369	275	36
Other costs	185,442	228,565	218,944	213,772	217,454	220,930	204,762	211,456
	357,393	382,128	367,796	374,038	368,838	378,358	342,587	355,786
Income from operations	7,545	46,055	18,919	35,015	22,034	47,935	27,861	8,297
Adjusted EBITDA (ii)	77,442	81,637	53,356	67,840	53,532	79,614	58,811	38,055
Adjusted EBITDAaL (ii) (iii)	34,331	78,325	49,783	63,737	49,458	75,763	55,379	34,662
Net (loss) income	\$ (7,360)	\$ 27,154	\$ 10,209	\$ 24,367	\$ 15,226	\$ 28,786	\$ 17,219	\$ 1,376
EPS - basic	\$ (0.12)	\$ 0.43	\$ 0.16	\$ 0.38	\$ 0.24	\$ 0.45	\$ 0.27	\$ 0.02
EPS - diluted (iv)	\$ (0.12)	\$ 0.43	\$ 0.16	\$ 0.38	\$ 0.24	\$ 0.45	\$ 0.27	\$ 0.02
Cash provided by operating activities (iii)	60,580	81,980	38,366	28,917	44,550	118,151	35,111	12,400
Cash used in investing activities (iii)	(27,885)	(22,550)	(30,343)	(22,225)	(24,124)	(44,986)	(44,924)	(80,307)
Cash (used in) provided by financing activities	(34,277)	(66,646)	(9,412)	(12,695)	(21,431)	(51,461)	7,320	48,170
Effect of exchange rate differences on cash	217	(104)	(173)	589	(54)	146	(184)	(253)
Net change in cash	\$ (1,365)	\$ (7,320)	\$ (1,562)	\$ (5,414)	\$ (1,059)	\$ 21,850	\$ (2,677)	\$ (19,990)
BPP (ii)	\$ 10.44	\$ 10.73	\$ 10.07	\$ 10.82	\$ 10.21	\$ 10.54	\$ 9.81	\$ 10.36
CPP (ii)	\$ 6.35	\$ 6.53	\$ 6.25	\$ 6.59	\$ 6.09	\$ 6.29	\$ 6.01	\$ 6.03
Film cost percentage (ii)	50.3%	50.2%	52.1%	54.7%	52.5%	53.4%	50.6%	53.6%
Theatre attendance (in thousands of patrons) (ii)	14,988	16,992	17,208	17,307	17,765	17,551	16,766	16,484
Theatre locations (at period end)	165	164	165	164	163	163	163	164
Theatre screens (at period end)	1,692	1,686	1,696	1,683	1,676	1,676	1,676	1,677

(i) See Section 12, Accounting policies.

(ii) See Section 16, Non-GAAP measures.

(iii) Prior period figures have been revised to conform to current period presentation. See Section 17, IFRS 16 transition for further details.

(iv) Excludes the conversion of convertible debentures as such conversion would be anti-dilutive for all quarters.

Cineplex Inc.

Management's Discussion and Analysis

Summary of adjusted free cash flow by quarter

Management calculates adjusted free cash flow per Share as follows (see Section 16, Non-GAAP measures, for a discussion of adjusted free cash flow) (expressed in thousands of dollars except per Share data and number of Shares outstanding):

	2019	2018				2017		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Cash provided by operating activities (i)	\$ 60,580	\$ 81,980	\$ 38,366	\$ 28,917	\$ 44,550	\$ 118,151	\$ 35,111	\$ 12,400
Less: Total capital expenditures net of proceeds on sale of assets	(32,362)	(24,447)	(30,538)	(27,876)	(25,329)	(44,205)	(47,869)	(50,240)
Standardized free cash flow	28,218	57,533	7,828	1,041	19,221	73,946	(12,758)	(37,840)
Add/(Less):								
Changes in operating assets and liabilities	(2,251)	(15,969)	(234)	20,679	(919)	(60,319)	12,675	14,533
Changes in operating assets and liabilities of joint ventures	1,317	(1,518)	1,012	(411)	308	506	(1,657)	317
Principal component of lease obligations	(32,484)	(878)	(863)	(847)	(832)	(817)	(802)	(788)
Principal portion of cash rent paid not pertaining to current period	1,037	—	—	—	—	—	—	—
Growth capital expenditures and other	27,692	19,871	26,105	22,923	20,042	37,553	38,149	41,025
Share of income of joint ventures, net of non-cash depreciation	92	(306)	2	(75)	94	(80)	62	55
Non-controlling interests	11	25	53	—	—	—	—	21
Net cash received from CDCP	5,474	684	2,606	292	684	550	2,246	685
Adjusted free cash flow	\$ 29,106	\$ 59,442	\$ 36,509	\$ 43,602	\$ 38,598	\$ 51,339	\$ 37,915	\$ 18,008
Average number of Shares outstanding	63,333,238	63,333,137	63,332,946	63,332,067	63,330,446	63,350,216	63,508,418	63,520,645
Adjusted free cash flow per Share	\$ 0.460	\$ 0.939	\$ 0.576	\$ 0.688	\$ 0.609	\$ 0.810	\$ 0.597	\$ 0.283

(i) Prior period figures have been revised to conform to current period presentation. See Section 17, IFRS 16 transition 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") serves as a member of the Board. During the three months ended March 31, 2019, Cineplex incurred theatre occupancy expenditures for theatres under lease commitments with RioCan in the amount of \$10.9 million (2018 - \$11.2 million).

11. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTIES

Cineplex makes estimates and assumptions concerning the future that may not equal actual results. These estimates and assumptions are outlined in Section 12 of the Annual MD&A. These estimates and assumptions have not changed materially since December 31, 2018, except addition of the following:

Critical Judgments in Determining Lease Terms

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

12. ACCOUNTING POLICIES

ACCOUNTING STANDARDS ADOPTED IN THE CURRENT YEAR

IFRS 16, Leases

Cineplex conducts a significant part of its operations in leased premises. Leased premises include leases for theatre locations, location-based entertainment venues, route operation locations, warehouses and offices. Cineplex also leases equipment for use in its theatre operations and offices. Leases for premises generally provide for minimum rentals and, in certain situations, percentage rentals based on sales volume or other identifiable targets; and may require the tenant to pay a portion of realty taxes and other property operating expenses. Property lease terms generally range from 15 to 20 years and contain various renewal options, generally, in intervals of five to ten years. Equipment lease terms generally range from one to five years and may contain renewal options.

On January 13, 2016, the IASB issued IFRS 16, which replaced IAS 17. The new standard is mandatorily effective for fiscal years beginning on or after January 1, 2019. Under the new standard, all leases are reported on lessees' balance sheets, except those that meet limited exception criteria. Cineplex has applied IFRS 16 using the modified retrospective approach and as a result comparative information has not been restated and will continue to be reported under IAS 17 and IFRIC 4, *Determining Whether an Agreement Contains a Lease*. Cineplex has identified and reviewed relevant contracts from all lines of its business to assess if they fall within the scope of IFRS 16, in whole or in part and to quantify lease and non-lease components. In assessing whether a contract is, or contains a lease, Cineplex applies the definition of a lease and related guidance set out in IFRS 16 for all lease contracts entered into or modified. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Cineplex recognized lease obligations and right-of-use assets at the date of adoption of IFRS 16. The lease obligations are measured at the present value of the future lease payments during the lease terms which is a weighted average of approximately 11 years for all Cineplex leases at the date of adoption, discounted using incremental borrowing rates which, in most instances, are similar to Cineplex's average interest rate on borrowings under Cineplex's credit facility. Lease terms include the non-cancellable period, a rent free period if applicable, and any extension options which are reasonably certain to be exercised unless the lease agreement contains a bilateral termination clause. For leases entered into after January 1, 2019, the commencement date of the lease begins on the date on which the lessor makes the underlying asset available for use to Cineplex.

Lease payments included in the measurement of the lease obligation are comprised of the following:

- i. Fixed lease payments, including in-substance fixed payments;
- ii. Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- iii. Amounts expected to be payable under a residual value guarantee; and
- iv. The exercise price of purchase options that Cineplex is reasonably certain to exercise, lease payments in an option renewal period if Cineplex is reasonably certain to exercise the extension option, and penalties for early termination of the lease unless Cineplex is reasonably certain not to terminate early; and
- v. Less any lease incentives receivable.

Variable payments for leases that do not depend on an index or rate are not included in the measurement of the lease liability. The variable payments are recognized as an expense in the period in which they are incurred and are included in the consolidated statement of operations.

Cineplex accounts for any lease and associated non-lease components separately, as opposed to a single arrangement, which is permitted under IFRS 16. Cineplex records non-lease components such as common area maintenance as an expense in the period in which they are incurred and are included in the consolidated statement of operations.

At January 1, 2019, the right-of-use assets have been initially calculated at an amount equal to the initial value of the lease obligations adjusted for specific balance sheet items at December 31, 2018 which are no longer

permitted under IFRS 16. There is no impact on retained earnings. For leases entered into, on or after January 1, 2019, the right-of-use asset will be initially calculated at an amount equal to the initial value of the lease liability less any lease payments made or lease incentives received at or before the commencement date, plus any initial direct costs incurred, an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and lease obligation at January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

For short-term leases of equipment that have a lease term of 12 months or less and low-value assets, Cineplex has elected to not recognize a lease obligation and right-of-use asset and instead will recognize a lease expense as permitted under IFRS 16 in the consolidated statement of operations. Cineplex has recorded a lease obligation and right-of-use asset for all property leases including those with a term of 12 months or less.

Interest on the lease obligations is calculated using the effective interest method with rent payments reducing the liability. The lease obligation is remeasured whenever a lease contract is modified and the lease modification is not accounted for as a separate lease, or there is a change in the assessment of the exercise of an extension option. The lease obligation is remeasured by discounting the revised lease payments using a revised discount rate resulting in a corresponding adjustment to the right-of-use asset or is recorded in gain or loss if the carrying amount of the right-of-use asset has been reduced to zero or the modification results in a reduction in the scope of the lease.

The right-of-use assets will be depreciated using the straight-line from the date of adoption to the earlier of the end of the useful life of the asset or the end of the lease term as determined under IFRS 16. For leases entered into after January 1, 2019, the right-of-use assets will be depreciated from the date of commencement to the earlier of the end of the useful life of the asset or the end of the lease term.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36, *Impairment of Assets* which replaces the previous requirement to recognize a provision for onerous lease contracts under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

On transition, Cineplex recognized \$1,342,593 of right-of-use assets and \$1,441,856 of lease obligations.

When measuring lease liabilities, Cineplex discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 3.5%.

The following table reconciles Cineplex's operating lease obligations at December 31, 2018, as previously disclosed in Cineplex's consolidated financial statements, to the lease obligations recognized on initial application of IFRS 16 at January 1, 2019:

	January 1, 2019
Operating lease commitments for leased premises at December 31, 2018	\$ 1,200,073
Discounted using the incremental borrowing rate at January 1, 2019	<u>1,000,221</u>
Extension options reasonably certain to be exercised	408,511
Finance lease obligations recognized at December 31, 2018	13,847
Equipment and other leases recognized at January 1, 2019	<u>19,277</u>
Lease obligations recognized at January 1, 2019	<u><u>\$ 1,441,856</u></u>

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Management's Discussion and Analysis

The following table shows the impact on each individual line item on the balance sheet as of December 31, 2018 resulting from the adoption of IFRS 16 on January 1, 2019. Line items that were not affected by the changes have not been included. As a result, the sub totals and totals disclosed cannot be recalculated from the numbers provided.

	December 31, 2018	Finance lease (i)	Asset retirement obligation (ii)	Fair-value rent (iii)	Deferred tenant inducement (iv)	Rent averaging (v)	Density right (vi)	PVLP (vii)	Balances post IFRS 16 adoption
Assets									
Non-current assets									
Property, equipment and leaseholds	634,354	(11,239)	(405)	—	—	—	—	—	622,710
Right-of-use assets	—	11,239	1,167	(3,631)	(56,610)	(36,490)	(1,091)	1,428,009	1,342,593
Intangible assets	108,758	—	—	(9,689)	—	—	—	—	99,069
Total assets	\$ 1,856,449	\$ —	\$ 762	\$ (13,320)	\$ (56,610)	\$ (36,490)	\$ (1,091)	\$ 1,428,009	\$ 3,177,709
Liabilities									
Current liabilities									
Lease obligations	3,058	(3,058)	—	—	—	—	—	106,892	106,892
Total current liabilities	430,877	(3,058)	—	—	—	—	—	106,892	534,711
Non-current liabilities									
Lease obligations	10,789	3,058	—	—	—	—	—	1,321,117	1,334,964
Other liabilities	119,110	—	762	(13,320)	(56,610)	(36,490)	(1,091)	—	12,361
Total liabilities	\$ 1,177,438	\$ —	\$ 762	\$ (13,320)	\$ (56,610)	\$ (36,490)	\$ (1,091)	\$ 1,428,009	\$ 2,498,698
(i) Property, equipment and leaseholds associated with finance lease assets were reallocated to right-of-use assets, and finance lease liabilities were reallocated to lease obligations upon adoption of IFRS 16.									
(ii) Asset retirement obligation ("ARO") assets were reallocated to right-of-use assets, and ARO liabilities were re-valued based on the lease term and incremental borrowing rate upon adoption of IFRS 16.									
(iii) Fair-value rent assets and liabilities were reallocated to right-of-use assets upon adoption of IFRS 16.									
(iv) Deferred tenant inducements were reallocated to right-of-use assets upon adoption of IFRS 16.									
(v) Straight-line rent averaging liabilities were reallocated to right-of-use assets upon adoption of IFRS 16.									
(vi) Density right deferred gains were reallocated to right-of-use assets upon adoption of IFRS 16.									
(vii) Cineplex recognized right-of-use assets and lease obligations equal to the present value of future lease payments ("PVLP") upon adoption of IFRS 16 using the modified retrospective method.									

IFRIC 23, Uncertainty over Income Tax Treatments ("IFRIC 23")

IFRIC 23 clarifies how to apply the recognition and measurement requirements in IAS 12, *Income Taxes* when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this interpretation. IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019 and did not have any impact on Cineplex's balance sheet and statement of operations.

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".

Customer Risk

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

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

In the event that consumer preferences change, Cineplex may need to incur further capital expenditures to redevelop 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.

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

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

Regarding its media sales businesses, certain of Cineplex's media customers are signed to contracts of finite lengths or 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, or delay the timing of contract fulfillment, 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 in the production or release of films, the introduction of new delivery platforms for first run product, a strike or threat of a strike in film production, a reduction in the marketing efforts of film studios and distributors or a significant change in film release patterns, would have a negative effect on movie theatre attendance and adversely affect Cineplex's business and results of operations.

Cineplex box office revenues depend upon movie production and its relationships with film distributors, including a number of major Hollywood and Canadian distributors. In 2018, seven major film distributors accounted for approximately 88% 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, DVDs 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 TVOD, 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 potential premium video on demand ("PVID") models could have a negative impact on Cineplex's business.

Information Management Risk

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

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

At select times during the normal course of business, Cineplex and its subsidiary and joint venture partners store sensitive data, including intellectual property, proprietary business information including data with respect to

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

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

Media Risk

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

General Economic Conditions

Entertainment companies compete for guests' entertainment 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. Further, to mitigate this risk, Cineplex continues to innovate and pursue cost savings in order to deliver an affordable out of home entertainment experience.

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. With respect to 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 including recliner seating. Cineplex also fosters strong ties with the real estate and development community and monitors potential development sites. Most prime locations in larger markets have been developed such that significant further development would be generally uneconomical. In addition, the exhibition industry is capital intensive with high operating costs and long-term contractual commitments. Significant construction and real estate costs make it increasingly difficult to develop new sites profitably.

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

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.

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

P1AG competes with other providers of amusement and gaming services across North America. P1AG manages the risk of customers switching gaming providers by continually monitoring the performance of its amusement solutions and reacting quickly to replace underperforming solutions with newer or more relevant equipment. P1AG's expertise and experience in the industry and proven success maximizing revenue for its customers helps mitigate this switching risk. Certain of P1AG's revenue is dependent on the customer traffic of the venues in which they operate. Any reduction in traffic could have a material impact on their business.

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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.

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.

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 and ScreenX 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.

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

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Term Facility and \$250 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. Cineplex believes that it has sufficient financial resources to meet its ongoing requirements for capital expenditures, investments in working capital and dividends. However, Cineplex's needs may change and in such event Cineplex's ability to satisfy its obligations will be dependent upon future financial performance, which in turn will be subject to financial, tax, business and other factors, including elements beyond Cineplex's control.

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.

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, digital place-based media and esports businesses all operate in the United States and which represent 10.5% of Cineplex's revenues. These revenues are naturally hedged by Cineplex's US-based operating costs

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 matters. 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.

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

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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.

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 88% 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 plans to expand automation, take advantage of technological efficiencies and review 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.

Sourcing Risk

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

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

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

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

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.

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. See additional information in Cineplex's AIF on its approach to Corporate Social Responsibility including environmental sustainability risk as discussed in the AIF. Severe weather incidents (as a result of environmental changes or otherwise) have potential to negatively impact Cineplex's operation. See "Business Continuity Risk" above.

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. 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.

FILM ENTERTAINMENT AND CONTENT

Theatre Exhibition

Cineplex box office revenues decreased 13.7% in the first quarter as compared to the prior year period due to a 15.6% drop in theatre attendance despite recording a record first quarter BPP. Box office revenues are and will remain highly dependent on the marketability, quality and appeal of the film product released by major motion picture studios. Looking forward to the balance of 2019 there is a strong slate of films scheduled for release including *Avengers: Endgame*, *Aladdin*, *Godzilla*, *King of the Monsters*, *Dark Phoenix*, *The Secret Life of Pets 2*, *Men in Black*, *Toy Story 4*, *Spider-Man: Far from Home*, *The Lion King*, *Once Upon a Time in Hollywood*, *Hobbs and Shaw*, *Artemis Fowl*, *IT: Chapter 2*, *Joker*, *You Are My Friend*, *Frozen 2*, *Jumanji 2* and *Star Wars: Episode IX*.

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Cineplex continues to focus on providing guests with a variety of premium viewing options through which to enjoy the theatre experience. These premium-priced offerings, which include UltraAVX, VIP Cinemas, IMAX, D-BOX, 3D, 4DX, *Cineplex Clubhouse* and ScreenX generate higher revenues per patron and expand the customer base. Cineplex believes that these premium formats provide an enhanced guest experience and will continue to charge a ticket price premium for films and events presented in these formats. In 2018, Cineplex entered into an exclusive expansion agreement that allows Cineplex to expand the 4DX experience across Canada. In April 2019, Cineplex announced an agreement to expand ScreenX to an additional 20 locations across Canada.

Over the next few years, Cineplex plans to open on average two to three new theatres per year. Cineplex is also focused on providing guests with a variety of premium viewing options, including recliner seating, through which to enjoy the theatre experience, and will continue to expand premium viewing options throughout its circuit in 2019 and beyond. VIP Cinemas and other premium viewing options are a key component to Cineplex's theatre exhibition strategy, and have been well received by audiences. Additionally, Cineplex is looking to expand its entertainment options and experiences in its theatres beyond filmed content.

Cineplex has also installed Virtual Reality ("VR") experiences in theatre locations and expects to expand VR offerings in the future.

Theatre Food Service

Cineplex reported a record first quarter CPP in the current quarter. Although pricing impacts CPP, Cineplex's core focus is on operational execution, promotions and providing the optimal product mix to provide further growth in this area. As part of this strategy, Cineplex continues to expand its product offering through its in-house brands across the circuit; as well as leveraging digital menu board technologies which provide guests with more interactive messaging during visits to the theatre food service locations, and expanding VIP cinema menu offerings. Cineplex will also leverage mobile technology to enhance the food service experience in its theatres and has launched VIP in seat ordering with the release of new Cineplex mobile app. Cineplex also continues to expand home delivery services of concessions in partnership with UberEats. In provinces where legislation allows, Cineplex continues to expand its alcohol offerings throughout entire theatres.

Alternative Programming

Cineplex offers a wide variety of alternative programming, including international film programming, the popular Metropolitan Opera live in HD series, sports programming and various concert performances by popular recording artists. Live stage performances captured in London and New York are seeing increased growth with more productions. Cineplex continues to look for compelling content to offer as alternative content to attract a wider audience to its locations, in addition to adding dedicated event screens.

Digital Commerce

As at-home and on-the-go content distribution and consumption continue to grow and evolve, Cineplex believes it is well positioned to take advantage of this market with its digital commerce platform, the Cineplex Store, which offers thousands of movies that can be rented or purchased digitally and viewed on multiple devices. The Cineplex Store supports a wide range of devices in Canada on which to buy or rent digital movies, and continues to add new transactional storefronts on connected devices. The wide range of device integration and the breadth of our content offering provides exciting opportunities for Cineplex in this market.

In addition to continuing to develop and improve the Cineplex Store user interface, Cineplex will continue to offer promotions to grow Cineplex Store revenues including tie-ins with the SCENE loyalty program and Uber Eats digital combos with an expanded device ecosystem for TVoD sales.

MEDIA

Cinema Media

Cineplex believes that no other medium engages viewers like the cinema experience: engaged moviegoers, sitting in a darkened theatre, ready to be entertained and fully focused on the screen. Research has shown that cinema media advertising reaches the most sought-after demographics, as well as Canada's high-income households and educated populations. In addition to its successful show-time and pre-show advertising opportunities, Cineplex believes its cinema media business will continue to grow through its innovative media opportunities within Cineplex's theatres, including digital signage within theatre lobbies, the IMZs in select theatres and Timeplay, a third-party app that allows Cineplex to sell media integrated into real-time content on the big screen. Cineplex also sells media for Cineplex Digital Media clients, *The Rec Room* and sponsorship for esports.

Digital Place-Based Media

Cineplex's digital place-based media business will continue to roll out its world-class solutions in quick service restaurants, financial service and retail sectors as well as immersive digital place-based media networks. Cineplex will continue to explore opportunities outside of Canada, in order to better service its current customer base and to attract new clients. Cineplex believes that the strengths of its digital place-based media business will make Cineplex a leader in the indoor digital signage industry and will provide a platform for significant growth throughout Canada, United States and internationally.

AMUSEMENT AND LEISURE

Amusement Solutions

The acquisition of P1AG has allowed Cineplex to complete the vertical integration of its gaming business. P1AG supplies and services all of the games in Cineplex's circuit and location-based entertainment venues, while also supplying equipment to third party arcades, amusement centres, bowling alleys, amusement parks and theatre circuits, in addition to owning and operating family entertainment centres. P1AG continues to integrate its acquisitions into its North American operations, recognizing synergies while expanding P1AG's brand presence throughout both Canada and the United States.

In 2018, Cineplex entered into a partnership with VRstudios and acquired a 34.7% interest in the largest provider of turn-key, location-based virtual reality solutions. The VRstudios agreement will allow Cineplex to supply virtual reality solutions in Cineplex's theatres and location-based entertainment locations, and to provide expansion opportunities in other third-party locations throughout North America and internationally using P1AG as a distributor. During 2018 Cineplex also announced a new exclusive expansion agreement with The VOID, a state-of-the-art VR experience which combines VR technology with physical stages and multi-sensory effects. The VOID agreement will allow Cineplex to open new VOID experiences across Canada.

Location Based Entertainment

Cineplex's location-based entertainment business features entertainment destination locations that cater to a wide range of guests. In 2016, Cineplex launched *The Rec Room*, a social entertainment destination targeting millennials featuring a wide range of entertainment options including an attractions area featuring recreational gaming, a live entertainment venue and a theatre-sized high definition screen for watching a wide range of entertainment programming. This entertainment is complemented with an upscale casual dining environment, as well as an expansive bar with a wide range of digital monitors and a large screen above the bar for watching events.

The first location of *The Rec Room* opened in Edmonton, Alberta in 2016 with subsequent openings in 2017 in Toronto, Ontario, Edmonton and Calgary, Alberta, in 2018, London, Ontario and Mississauga, Ontario in 2019. Additional locations will open in 2019 in St. John's, Newfoundland and Winnipeg, Manitoba. Two new locations, in Burnaby, British Columbia and Barrie, Ontario, will open in 2020.

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Cineplex has announced its plans to relaunch the *Playdium* brand concept targeting families and teens, rolling them out in mid-sized communities across Canada, with locations planned in Whitby and Brampton, Ontario which are scheduled to open in 2019 and a location in Dartmouth, Nova Scotia scheduled to open in 2020.

With the recent announcement of Cineplex's joint venture with *Topgolf*, Cineplex intends to open multiple venues in markets across the country during the next several years.

Esports

WGN has created a community that connects live online gaming with unique in-theatre tournament experiences held in Cineplex theatres across the country.

In 2019, WGN will invite gamers to compete in a number of online tournaments across the most popular gaming titles, leading to regional qualifiers at Cineplex and third-party locations, and will continue to work with strategic partners to grow the business.

LOYALTY

The SCENE loyalty program continues to grow its membership base, with approximately 9.7 million members at March 31, 2019. Cineplex continues to integrate SCENE elements into various film and other promotion campaigns, applying the data accumulated in the SCENE database to provide members targeted offers. Cineplex expects these programs to encourage increased frequency of visitation and spend by SCENE members and additional revenue opportunities through the use of the database. In addition, SCENE is implementing programs to drive consumer behavior through marketing automation initiatives. On October 30, 2018, SCENE launched a pilot of a new premium SCENE Gold loyalty card in Edmonton, Alberta at six participating theatre locations, offering bigger and better rewards for entertainment lovers.

As SCENE continues to grow its membership and reach, it continually works to develop strategic marketing partnerships.

FINANCIAL OUTLOOK

During the 12 months ended March 31, 2019, Cineplex generated adjusted free cash flow per Share of \$2.663, compared to \$2.306 in the prior 12 month period. Cineplex declared dividends per Share of \$1.735 and \$1.675, respectively, in each 12 month period. The payout ratios for these periods were 65.2% and 72.6%, respectively.

Subsequent to the period end, Cineplex announced a dividend increase to \$1.80 per Share on an annual basis from the current \$1.74 per Share. This increase will become effective with the May 2019 dividend which will be paid in June 2019. This increase represents Cineplex's ninth dividend increase since converting to a corporation on January 1, 2011.

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

16. 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 management believes that they assist investors in assessing financial performance.

16.1 EBITDA, ADJUSTED EBITDA AND ADJUSTED EBITDAaL

Management defines EBITDA as earnings before interest income and expense, income taxes and depreciation and amortization expense. Adjusted EBITDA excludes the change in fair value of financial instrument, loss on disposal of assets, foreign exchange gain, the equity 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 related to lease obligations. Prior year adjusted EBITDAaL deducts rent previously recognized as a reduction in finance lease obligations, and non-cash rent previously presented as amortization of tenant inducements, rent averaging liabilities, density rights and fair-value lease contract liabilities.

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 March 31,	
	2019	2018
Net (loss) income	\$ (7,360)	\$ 15,226
Depreciation and amortization - other	32,855	31,194
Depreciation - right-of-use assets	36,462	—
Interest expense - lease obligations	12,220	157
Interest expense - other	5,417	6,327
Interest income	(74)	(87)
Current income tax expense	408	2,035
Deferred income tax (recovery) expense	(3,238)	38
EBITDA	\$ 76,690	\$ 54,890
Loss on disposal of assets	477	210
CDCP equity income (i)	(317)	(818)
Foreign exchange loss (gain)	541	(765)
Non-controlling interest adjusted EBITDA	11	—
Depreciation and amortization - joint ventures and associates (ii)	29	2
Taxes and interest of joint ventures and associates (ii)	11	13
Adjusted EBITDA	\$ 77,442	\$ 53,532
Cash rent related to lease obligations (iii)	(44,171)	—
Cash rent paid not pertaining to current period	1,060	—
Rent previously recognized as a finance lease (iv)	—	(989)
Non-cash rent (v) (vi)	—	(3,085)
Adjusted EBITDAaL (vi) (vii)	\$ 34,331	\$ 49,458
(i) CDCP equity income not included in adjusted EBITDA as CDCP is a limited-life financing vehicle that is funded by virtual print fees collected from distributors.		
(ii) Includes the joint ventures with the exception of CDCP (see (i) above).		
(iii) Balance of cash rents that have been reallocated to offset the lease obligations.		
(iv) Rent payments that were charged to the finance lease obligations in the previous reporting period. See Section 17, IFRS 16 transition for a reconciliation of previously reported figures.		
(v) Non-cash rent included in the 2018 balances in the previous reporting period. See Section 17, IFRS 16 transition for a reconciliation of previously reported figures.		
(vi) See Section 16, Non-GAAP measures.		
(vii) Prior period figures have been revised to conform to current period presentation. See Section 17, IFRS 16 transition for further details.		

16.2 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.

Cineplex Inc.

Management's Discussion and Analysis

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 March 31,	
	2019	2018
Cash provided by operating activities (i)	60,580	44,550
Less: Total capital expenditures net of proceeds on sale of assets	(32,362)	(25,329)
Standardized free cash flow	28,218	19,221
Add/(Less):		
Changes in operating assets and liabilities (ii)	(2,251)	(919)
Changes in operating assets and liabilities of joint ventures and associates (ii)	1,317	308
Principal component of lease obligations	(32,484)	(832)
Principal portion of cash rent paid not pertaining to current period	1,037	—
Growth capital expenditures and other (iii)	27,692	20,042
Share of income of joint ventures and associates, net of non-cash depreciation	92	94
Non-controlling interests	11	—
Net cash received from CDCP (iv)	5,474	684
Adjusted free cash flow	\$ 29,106	\$ 38,598
Average number of Shares outstanding	63,333,238	63,330,446
Adjusted free cash flow per Share	\$ 0.460	\$ 0.609
Dividends declared	\$ 0.435	\$ 0.420
(i) Prior period figures have been revised to conform to current period presentation. See Section 17, IFRS 16 transition for further details.		
(ii) Changes in operating assets and liabilities are not considered a source or use of adjusted free cash flow.		
(iii) 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.		
(iv) 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.		

Cineplex Inc.

Management's Discussion and Analysis

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 March 31,	
	2019	2018
Net (loss) income	\$ (7,360)	\$ 15,226
Adjust for:		
Depreciation and amortization - other	32,855	31,194
Depreciation - right-of-use assets	36,462	—
Loss on disposal of assets	477	210
Non-cash interest (i)	1	822
Foreign exchange on non-cash interest	429	—
Share of income of CDCP (ii)	(317)	(818)
Non-controlling interests	11	—
Non-cash depreciation of joint ventures and associates	29	2
Deferred income tax (recovery) expense	(3,238)	38
Taxes and interest of joint ventures and associates	11	13
Maintenance capital expenditures	(4,670)	(5,287)
Principal component of finance lease obligations	(32,484)	(832)
Principal portion of cash rent paid not pertaining to current period	1,037	—
Net cash received from CDCP (ii)	5,474	684
Non-cash items:		
Amortization of tenant inducements, rent averaging liabilities and fair value lease contract assets	—	(3,085)
Non-cash Share-based compensation	389	431
Adjusted free cash flow	\$ 29,106	\$ 38,598
(i) Non-cash interest includes amortization of deferred financing costs on 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.		

16.3 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 and IMAX product; divided by total paid theatre attendance for the period, less paid theatre attendance for 3D, 4DX, UltraAVX, VIP and IMAX product.

Cineplex Inc.

Management's Discussion and Analysis

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 and VIP film product.

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

Same Theatre Analysis

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

Same theatre metrics are calculated by removing the results for all theatres that have been opened, acquired, closed or otherwise disposed of subsequent to the start of the prior year comparative period. For the three months ended March 31, 2019 the impact of the four locations that have been opened or acquired and two locations that have been closed or otherwise disposed of have been excluded, resulting in 161 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.

The Rec Room food cost percentage: Calculated as total *The Rec Room* food costs divided by total *The Rec Room* food service revenues for the period.

P1AG Adjusted EBITDAaL

Calculated as amusement revenues of P1AG less the total operating expenses, cash rent related to lease obligations and non-cash rent of P1AG, which excludes foreign exchange.

P1AG Adjusted EBITDAaL Margin

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

Adjusted Store Level EBITDAaL Metrics

Cineplex reviews and reports adjusted EBITDAaL at the location level for the *The Rec Room* which is calculated as total *The Rec Room* revenues from all locations less the total of operating expenses, cash rent related to lease obligations and non-cash rent of *The Rec Room*, which excludes pre-opening costs and overhead relating to the management of *The Rec Room*.

Adjusted Store Level EBITDAaL Margin

Calculated as adjusted store level EBITDAaL divided by total revenues for *The Rec Room* for the period.

Non-cash rent

Calculated as the total amortization of tenant inducements, rent averaging liabilities, density rights and fair-value lease contract liabilities. This accounting treatment was applicable under IAS 17 in 2018 but not applicable under IFRS 16 in 2019 and onwards.

17. IFRS 16 TRANSITION

As disclosed in Section 12, Accounting policies, Cineplex has adopted the new accounting standard, IFRS 16 as at January 1, 2019. Cineplex has applied IFRS 16 using the modified retrospective approach and as a result the standard has been applied prospectively. Prior period figures have been revised in the MD&A in order to provide comparability to the current year period.

The following table discloses the revised theatre occupancy expenses for each quarter in 2018:

Theatre occupancy expenses	Revised 2018			
	Q1	Q2	Q3	Q4
Cash rent - theatre (i)	\$ 38,470	\$ 38,747	\$ 38,704	\$ 38,624
Other occupancy	18,667	18,706	18,484	17,578
One-time items (ii)	(1,272)	(608)	(346)	(550)
Total theatre occupancy including cash lease payments	\$ 55,865	\$ 56,845	\$ 56,842	\$ 55,652
Non-cash rent (iii) (vi)	(2,978)	(3,068)	(2,692)	(2,672)
Rent previously recognized as a finance lease (iv)	(989)	(989)	(989)	(989)
Cash rent related to lease obligations (v)	—	—	—	—
Theatre occupancy as reported	\$ 51,898	\$ 52,788	\$ 53,161	\$ 51,991
(i) Represents the cash payments for theatre rent during the quarter. See below for reconciliation from previously reported figures.				
(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) Non-cash rent included in the 2018 balances in the previous reporting period.				
(iv) Rent payments that were charged to the finance lease obligation in the previous reporting period.				
(v) Cash rent that has been reallocated to offset the lease obligations.				
(vi) See Section 16, Non-GAAP measures				

The following table shows the changes to the previously disclosed balances in the theatre occupancy expenses table for each quarter in 2018:

Rent - theatre reconciliation	Revised 2018			
	Q1	Q2	Q3	Q4
Rent- theatre as previously reported	\$ 34,503	\$ 34,690	\$ 35,023	\$ 34,963
Non-cash rent included as in Rent - theatre	2,978	3,068	2,692	2,672
Cash rent previously charged to the finance lease obligations	989	989	989	989
Cash rent - theatre as revised	\$ 38,470	\$ 38,747	\$ 38,704	\$ 38,624

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The following table discloses the changes to the other operating expenses for each quarter in 2018:

Other operating expenses	Revised 2018			
	Q1	Q2	Q3	Q4
Theatre payroll	\$ 38,293	\$ 37,506	\$ 38,003	\$ 38,663
Theatre operating expenses	29,419	28,913	29,152	29,940
Media (i)	16,421	17,288	14,235	18,881
P1AG (i)	35,719	36,140	38,603	40,096
<i>The Rec Room</i> (i) (ii)	10,540	11,461	11,067	11,665
Location-based entertainment pre-opening (i) (iii)	290	848	209	(87)
SCENE	4,217	3,173	3,168	6,889
Marketing	4,408	3,495	5,393	6,663
Business interruption insurance proceeds	—	(3,700)	—	(1,749)
Other (iv)	8,205	8,086	7,813	12,486
Other operating expenses including cash lease payments	\$ 147,512	\$ 143,210	\$ 147,643	\$ 163,447
Non-cash rent (v) (vi)	(105)	(48)	107	348
Cash rent related to lease obligations (vii)	—	—	—	—
Other operating expenses as reported	\$ 147,407	143,162	147,750	163,795
(i) Prior period balances were revised to exclude non-cash rent. See below for changes from previously reported figures.				
(ii) Includes operating costs of <i>The Rec Room</i> locations. Overhead relating to management of <i>The Rec Room</i> portfolio are included in the 'Other' line.				
(iii) Includes pre-opening costs of <i>The Rec Room</i> and <i>Playdium</i> locations				
(iv) Other category includes overhead costs related to <i>The Rec Room</i> , operating costs of WGN and other Cineplex internal departments.				
(v) Non-cash rent included in the 2018 balances in the previous reporting period. See below for a reconciliation of previously reported figures.				
(vi) See Section 16, Non-GAAP measures.				
(vii) Cash rent that has been reallocated to offset the lease obligations.				

The following tables show the changes to the previously disclosed balances for Media operating expenses, P1AG operating expenses, *The Rec Room* operating expenses and location-based entertaining pre-opening expenses for each quarter in 2018:

Media operating expenses reconciliation	Revised 2018			
	Q1	Q2	Q3	Q4
Media operating expenses as previously reported	\$ 16,409	\$ 17,275	\$ 14,223	\$ 18,869
Non-cash rent included as part of the operating expenses	12	13	12	12
Media operating expenses as revised	\$ 16,421	\$ 17,288	\$ 14,235	\$ 18,881

P1AG operating expenses reconciliation	Revised 2018			
	Q1	Q2	Q3	Q4
P1AG operating expenses as previously reported	\$ 35,698	\$ 36,119	\$ 38,583	\$ 40,076
Non-cash rent included as part of the operating expenses	21	21	20	20
P1AG operating expenses as revised	\$ 35,719	\$ 36,140	\$ 38,603	\$ 40,096

<i>The Rec Room</i> operating expenses reconciliation	Revised 2018			
	Q1	Q2	Q3	Q4
<i>The Rec Room</i> operating expenses as previously reported	\$ 10,486	\$ 11,406	\$ 11,011	\$ 11,609
Non-cash rent included as part of the operating expenses	54	55	56	56
<i>The Rec Room</i> operating expenses as revised	\$ 10,540	\$ 11,461	\$ 11,067	\$ 11,665

Location-based entertainment pre-opening expenses	Revised 2018			
	Q1	Q2	Q3	Q4
Location-based entertainment pre-opening expenses as previously reported	\$ 272	\$ 889	\$ 405	\$ 349
Non-cash rent included as part of the operating expenses	18	(41)	(195)	(436)
Location-based entertainment pre-opening expenses as previously revised	\$ 290	\$ 848	\$ 209	\$ (87)

Cineplex Inc.

Management's Discussion and Analysis

The following table discloses the changes to G&A expenses for each quarter in 2018:

G&A expenses	Revised 2018			
	Q1	Q2	Q3	Q4
G&A excluding LTIP and option plan expense (i)	\$ 17,773	\$ 14,772	\$ 14,586	\$ 13,437
Restructuring	996	2,803	1,021	1,022
LTIP (i)	(1,049)	(242)	2,020	(2,076)
Option plan	431	487	405	395
G&A expenses including cash lease payments	\$ 18,151	\$ 17,820	\$ 18,032	\$ 12,778
Non-cash rent (iii) (iv)	(2)	2	1	1
Cash rent included as part of lease obligations (v)	—	—	—	—
G&A expenses as reported	\$ 18,149	\$ 17,822	\$ 18,033	\$ 12,779
(i) Prior period balance was revised to exclude non-cash rent. See below for changes from previously reported figures.				
(ii) LTIP includes the expense for the LTIP program as well as the expense for the executive and Board deferred share unit plans.				
(iii) Non-cash rent included in the 2018 balances in the previous reporting period. See below for a reconciliation of previously reported figures.				
(iv) See Section 16, Non-GAAP measures.				
(v) Cash rent that has been reallocated to offset the lease obligations.				

The following table shows the changes to the previously disclosed balances in the G&A expenses table for each quarter in 2018:

G&A excluding LTIP and option plan expense operating expenses reconciliation	Revised 2018			
	Q1	Q2	Q3	Q4
G&A excluding LTIP and option plan as previously reported	\$ 17,771	\$ 14,774	\$ 14,587	\$ 13,438
Non-cash rent included as part of the expense	2	(2)	(1)	(1)
G&A excluding LTIP and option plan as revised	\$ 17,773	\$ 14,772	\$ 14,586	\$ 13,437

The following table shows the calculation of adjusted EBITDAaL from adjusted EBITDA previously disclosed for each quarter in 2017 and 2018.

Adjusted EBITDAaL	2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Adjusted EBITDA as previously reported	\$ 81,637	\$ 53,356	\$ 67,840	\$ 53,532	\$ 79,614	\$ 58,811	\$ 38,055	\$ 59,449
Rent previously recognized as a finance lease	(989)	(989)	(989)	(989)	(989)	(989)	(989)	(989)
Non-cash rent (i)	(2,323)	(2,584)	(3,114)	(3,085)	(2,862)	(2,443)	(2,404)	(2,653)
Adjusted EBITDAaL	\$ 78,325	\$ 49,783	\$ 63,737	\$ 49,458	\$ 75,763	\$ 55,379	\$ 34,662	\$ 55,807
(i) See Section 16, Non-GAAP measures.								

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 each quarter in 2017 and 2018. The changes reflected the reclassification of tenant inducements received from operating cash flows to cash flows from investing activities.

Cash provided by (used in) operating activities	Revised 2018				Revised 2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Cash provided by (used in) operating activities as previously reported	\$ 85,093	\$ 41,847	\$ 35,289	\$ 46,426	\$118,833	\$ 37,705	\$ 12,489	\$(14,675)
Tenant inducements previously included as part of operating cash flow	(3,113)	(3,481)	(6,372)	(1,876)	(682)	(2,594)	(89)	(309)
Cash provided by (used in) operating activities as revised	\$ 81,980	\$ 38,366	\$ 28,917	\$ 44,550	\$118,151	\$ 35,111	\$ 12,400	\$(14,984)

Cash used in investing activities	Revised 2018				Revised 2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Cash used in investing activities as previously reported	\$(25,663)	\$(33,824)	\$(28,597)	\$(26,000)	\$(45,668)	\$(47,518)	\$(80,396)	\$(25,965)
Tenant inducements previously included as part of operating cash flow	3,113	3,481	6,372	1,876	682	2,594	89	309
Cash used in investing activities as revised	\$(22,550)	\$(30,343)	\$(22,225)	\$(24,124)	\$(44,986)	\$(44,924)	\$(80,307)	\$(25,656)

Cineplex Inc.

Interim Condensed Consolidated Balance Sheets (Unaudited)

(expressed in thousands of Canadian dollars)

	March 31, 2019	December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	\$ 23,877	\$ 25,242
Trade and other receivables	90,135	165,586
Income taxes receivable	11,042	4,944
Inventories	29,738	30,592
Prepaid expenses and other current assets	16,132	13,862
Fair value of interest rate swap agreements	1,094	1,457
	<u>172,018</u>	<u>241,683</u>
Non-current assets		
Property, equipment and leaseholds (note 2)	623,937	634,354
Right-of-use assets (notes 2)	1,307,829	—
Deferred income taxes	13,885	13,444
Fair value of interest rate swap agreements	887	2,063
Interests in joint ventures and associates	35,123	38,912
Intangible assets (note 2)	96,609	108,758
Goodwill	817,045	817,235
	<u>\$ 3,067,333</u>	<u>\$ 1,856,449</u>

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

Cineplex Inc.Interim Condensed Consolidated Balance Sheets...continued
(Unaudited)

(expressed in thousands of Canadian dollars)

	March 31, 2019	December 31, 2018
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 168,540	\$ 186,407
Share-based compensation (note 3)	2,261	4,862
Dividends payable	9,183	9,183
Income taxes payable	1,007	12,167
Deferred revenue (note 4)	179,324	214,016
Lease obligations (note 2)	107,705	3,058
Fair value of interest rate swap agreements	1,630	1,184
	<u>469,650</u>	<u>430,877</u>
Non-current liabilities		
Share-based compensation (note 3)	9,317	8,210
Long-term debt	606,000	580,000
Fair value of interest rate swap agreements	12,989	7,674
Lease obligations (note 2)	1,304,634	10,789
Post-employment benefit obligations	9,120	9,250
Other liabilities (note 2)	11,699	119,110
Deferred income taxes	6,616	11,528
	<u>1,960,375</u>	<u>746,561</u>
Total liabilities	<u>2,430,025</u>	<u>1,177,438</u>
Equity		
Share capital (note 5)	852,379	852,379
Deficit	(214,621)	(179,721)
Hedging reserves and other	(9,379)	(3,678)
Contributed surplus	8,204	7,815
Cumulative translation adjustment	787	2,301
	<u>637,370</u>	<u>679,096</u>
Total equity attributable to owners of Cineplex	<u>637,370</u>	<u>679,096</u>
Non-controlling interests	<u>(62)</u>	<u>(85)</u>
Total equity	<u>637,308</u>	<u>679,011</u>
	<u>\$ 3,067,333</u>	<u>\$ 1,856,449</u>

Approved by the Board of Directors

“Ian Greenberg”
Director

“Janice Fukakusa”
Director

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Operations

For the three months ended March 31, 2019 and 2018

(Unaudited)

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

	2019	2018
Revenues (note 4)		
Box office	\$ 156,496	\$ 181,380
Food service	103,058	116,948
Media	35,013	32,513
Amusement	58,500	49,905
Other	11,871	10,126
	<u>364,938</u>	<u>390,872</u>
Expenses		
Film cost	78,721	95,204
Cost of food service	23,436	24,776
Depreciation - right-of-use assets	36,462	—
Depreciation and amortization - other assets	32,855	31,194
Loss on disposal of assets	477	210
Other costs (note 6)	185,442	217,454
Share of income of joint ventures and associates	(369)	(897)
Interest expense - lease obligations	12,220	157
Interest expense - other	5,417	6,327
Interest income	(74)	(87)
Foreign exchange	541	(765)
	<u>375,128</u>	<u>373,573</u>
(Loss) income before income taxes	<u>(10,190)</u>	<u>17,299</u>
Provision for income taxes		
Current	408	2,035
Deferred	(3,238)	38
	<u>(2,830)</u>	<u>2,073</u>
Net (loss) income	<u>\$ (7,360)</u>	<u>\$ 15,226</u>
Attributable to:		
Owners of Cineplex	\$ (7,350)	\$ 15,226
Non-controlling interests	(10)	—
Net (loss) income	<u>\$ (7,360)</u>	<u>\$ 15,226</u>
Basic net (loss) income per share attributable to owners of Cineplex (note 7)	\$ (0.12)	\$ 0.24
Diluted net (loss) income per share attributable to owners of Cineplex (note 7)	\$ (0.12)	\$ 0.24

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2019 and 2018

(Unaudited)

(expressed in thousands of Canadian dollars)

	2019	2018
Net (loss) income	<u>\$ (7,360)</u>	<u>\$ 15,226</u>
Other comprehensive (loss) income		
<i>Items that will be reclassified subsequently to net income:</i>		
(Loss) income on hedging instruments	(7,794)	776
Associated deferred income taxes recovery (expense)	2,093	(211)
Foreign currency translation adjustment	<u>(1,514)</u>	<u>1,507</u>
Other comprehensive (loss) income	<u>(7,215)</u>	<u>2,072</u>
Comprehensive (loss) income	<u>\$ (14,575)</u>	<u>\$ 17,298</u>
Attributable to:		
Owners of Cineplex	\$ (14,565)	\$ 17,298
Non-controlling interests	<u>(10)</u>	<u>—</u>
Comprehensive (loss) income	<u>\$ (14,575)</u>	<u>\$ 17,298</u>

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Changes in Equity

For the three months ended March 31, 2019 and 2018

(Unaudited)

(expressed in thousands of Canadian dollars)

	Share capital	Contributed surplus	Hedging reserves and other	Cumulative translation adjustment	Deficit	Non- controlling interests	Total
January 1, 2019	\$ 852,379	\$ 7,815	\$ (3,678)	\$ 2,301	\$ (179,721)	\$ (85)	\$ 679,011
Net loss	—	—	—	—	(7,350)	(10)	(7,360)
Other comprehensive loss (page 4)	—	—	(5,701)	(1,514)	—	—	(7,215)
Total comprehensive loss	—	—	(5,701)	(1,514)	(7,350)	(10)	(14,575)
Dividends declared	—	—	—	—	(27,550)	—	(27,550)
Share option expense	—	389	—	—	—	—	389
TGLP non-controlling interests capital contribution	—	—	—	—	—	33	33
March 31, 2019	\$ 852,379	\$ 8,204	\$ (9,379)	\$ 787	\$ (214,621)	\$ (62)	\$ 637,308
January 1, 2018	\$ 856,761	\$ 1,647	\$ 1,332	\$ (2,817)	\$ (148,060)	\$ —	\$ 708,863
Net income	—	—	—	—	15,226	—	15,226
Other comprehensive income (page 4)	—	—	565	1,507	—	—	2,072
Total comprehensive income	—	—	565	1,507	15,226	—	17,298
Dividends declared	—	—	—	—	(26,599)	—	(26,599)
Share option expense	—	431	—	—	—	—	431
March 31, 2018	\$ 856,761	\$ 2,078	\$ 1,897	\$ (1,310)	\$ (159,433)	\$ —	\$ 699,993

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

CINEPLEX INC.

2019 FIRST QUARTER REPORTS - CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(5)

Cineplex Inc.

Interim Condensed Consolidated Statements of Cash Flows

For the three months ended March 31, 2019 and 2018

(Unaudited)

(expressed in thousands of Canadian dollars)

	2019	2018
Cash provided by (used in)		
Operating activities		
Net (loss) income	\$ (7,360)	\$ 15,226
Adjustments to reconcile net (loss) income to net cash provided by operating activities		
Depreciation and amortization of property, equipment and leaseholds, and intangible assets	32,855	31,194
Depreciation of right-of-use assets	36,462	—
Amortization of tenant inducements, rent averaging liabilities and fair value lease contract liabilities	—	(3,085)
Unrealized foreign exchange	429	—
Interest rate swap agreements - non-cash interest	(558)	120
Accretion of convertible debentures	—	601
Other non-cash interest	559	101
Loss on disposal of assets	477	210
Deferred income taxes	(3,238)	38
Non-cash share-based compensation	389	431
Net change in interests in joint ventures and associates	(1,686)	(1,205)
Changes in operating assets and liabilities (note 8)	2,251	919
Net cash provided by operating activities	60,580	44,550
Investing activities		
Proceeds from disposal of assets	—	182
Purchases of property, equipment and leaseholds	(32,362)	(25,511)
Intangible assets additions	(1,612)	(1,355)
Tenant inducements (note 10)	615	1,876
Net cash received from CDCP	5,474	684
Net cash used in investing activities	(27,885)	(24,124)
Financing activities		
Dividends paid	(27,550)	(26,599)
Borrowings under credit facilities, net	26,000	6,000
Repayments of lease obligations - principal	(32,484)	(832)
Financing fees	(243)	—
Net cash used in by financing activities	(34,277)	(21,431)
Effect of exchange rate differences on cash	217	(54)
Decrease in cash and cash equivalents	(1,365)	(1,059)
Cash and cash equivalents - Beginning of period	25,242	40,597
Cash and cash equivalents - End of period	\$ 23,877	\$ 39,538
Supplemental information		
Cash paid for interest - lease obligation	\$ 11,687	\$ 157
Cash paid for interest - other	\$ 5,895	\$ 6,773
Cash paid for income taxes, net	\$ 17,861	\$ 7,072

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

CINEPLEX INC.

2019 FIRST QUARTER REPORTS - CONSOLIDATED STATEMENTS OF CASH FLOWS

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2019 and 2018

(Unaudited)

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

1. General information

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

The Board of Directors approved these consolidated financial statements on May 8, 2019.

2. Basis of presentation and accounting standards changes

Basis of preparation and measurement

Cineplex prepares its unaudited interim condensed consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), defined as International Financial Reporting Standards ("IFRS") as set out in the 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, 2018. 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, 2018, with the exception of the accounting standards adopted in the current year.

Accounting standards adopted in the current year

IFRS 16, Leases ("IFRS 16")

Cineplex conducts a significant part of its operations in leased premises. Leased premises include leases for theatre locations, location-based entertainment venues, route operation locations, warehouses and offices. Cineplex also leases equipment for use in its theatre operations and offices. Leases for premises generally provide for minimum rentals and, in certain situations, percentage rentals based on sales volume or other identifiable targets; and may require the tenant to pay a portion of realty taxes and other property operating expenses. Property lease terms generally range from 15 to 20 years and contain various renewal options, generally, in intervals of five to ten years. Equipment lease terms generally range from one to five years and may contain renewal options.

On January 13, 2016, the IASB issued IFRS 16, which replaced IAS 17, *Leases* ("IAS 17"). The new standard is mandatorily effective for fiscal years beginning on or after January 1, 2019. Under the new standard, all leases are reported on lessees' balance sheets, except those that meet limited exception criteria. Cineplex has applied IFRS 16 using the modified retrospective approach and as a result comparative information has not

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements

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been restated and will continue to be reported under IAS 17 and IFRIC 4, *Determining Whether an Agreement Contains a Lease*. Cineplex has identified and reviewed relevant contracts from all lines of its business to assess if they fall within the scope of IFRS 16, in whole or in part and to quantify lease and non-lease components. In assessing whether a contract is, or contains a lease, Cineplex applies the definition of a lease and related guidance set out in IFRS 16 for all lease contracts entered into or modified. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Cineplex recognized lease obligations and right-of-use assets at the date of adoption of IFRS 16. The lease obligations are measured at the present value of the future lease payments during the lease terms which is a weighted average of approximately 11 years for all Cineplex leases at the date of adoption, discounted using incremental borrowing rates which, in most instances, are similar to Cineplex's average interest rate on borrowings under Cineplex's credit facility. Lease terms include the non-cancellable period, a rent free period if applicable, and any extension options which are reasonably certain to be exercised unless the lease agreement contains a bilateral termination clause. For leases entered into after January 1, 2019, the commencement date of the lease begins on the date on which the lessor makes the underlying asset available for use to Cineplex.

Lease payments included in the measurement of the lease obligation are comprised of the following:

- i. Fixed lease payments, including in-substance fixed payments;
- ii. Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- iii. Amounts expected to be payable under a residual value guarantee; and
- iv. The exercise price of purchase options that Cineplex is reasonably certain to exercise, lease payments in an option renewal period if Cineplex is reasonably certain to exercise the extension option, and penalties for early termination of the lease unless Cineplex is reasonably certain not to terminate early; and
- v. Less any lease incentives receivable.

Variable payments for leases that do not depend on an index or rate are not included in the measurement of the lease liability. The variable payments are recognized as an expense in the period in which they are incurred, and they are included in rent, realty and occupancy taxes and maintenance fees, and insurance which are presented as other costs (note 6).

Cineplex accounts for any lease and associated non-lease components separately, as opposed to a single arrangement, which is permitted under IFRS 16. Cineplex records non-lease components such as common area maintenance as an expense in the period in which they are incurred, and the non-lease components are included in realty and occupancy taxes and maintenance fees, and utilities presented as other costs (note 6).

At January 1, 2019, the right-of-use assets have been initially calculated at an amount equal to the initial value of the lease obligations adjusted for specific balance sheet items at December 31, 2018 which are no longer permitted under IFRS 16. There is no impact on retained earnings. For leases entered into, on or after January 1, 2019, the right-of-use asset will be initially calculated at an amount equal to the initial value of the lease liability less any lease payments made or lease incentives received at or before the commencement date, plus any initial direct costs incurred, an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and lease obligation at January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

For short-term leases of equipment that have a lease term of 12 months or less and low-value assets, Cineplex has elected to not recognize a lease obligation and right-of-use asset and instead will recognize a lease expense as permitted under IFRS 16. The short-term leases are recorded in equipment rental which is presented as other costs (note 6). Cineplex has recorded a lease obligation and right-of-use asset for all property leases including those with a term of 12 months or less.

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements

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(Unaudited)

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

Interest on the lease obligations is calculated using the effective interest method with rent payments reducing the liability. The lease obligation is remeasured whenever a lease contract is modified and the lease modification is not accounted for as a separate lease, or there is a change in the assessment of the exercise of an extension option. The lease obligation is remeasured by discounting the revised lease payments using a revised discount rate resulting in a corresponding adjustment to the right-of-use asset or is recorded in gain or loss if the carrying amount of the right-of-use asset has been reduced to zero or the modification results in a reduction in the scope of the lease.

The right-of-use assets will be depreciated using the straight-line from the date of adoption to the earlier of the end of the useful life of the asset or the end of the lease term as determined under IFRS 16. For leases entered into after January 1, 2019, the right-of-use assets will be depreciated from the date of commencement to the earlier of the end of the useful life of the asset or the end of the lease term.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36, *Impairment of Assets* which replaces the previous requirement to recognize a provision for onerous lease contracts under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

On transition, Cineplex recognized \$1,342,593 of right-of-use assets and \$1,441,856 of lease obligations.

The following table presents right-of-use assets for Cineplex for the three months ended March 31, 2019:

	Property	Equipment	Total
At March 31, 2019			
Cost	\$ 1,324,838	\$ 19,457	\$ 1,344,295
Accumulated depreciation	(35,208)	(1,258)	(36,466)
Net book value	<u>\$ 1,289,630</u>	<u>\$ 18,199</u>	<u>\$ 1,307,829</u>
Three months ended March 31, 2019			
Opening net book value upon adoption of IFRS 16	\$ 1,323,187	\$ 19,406	\$ 1,342,593
Additions, net of modifications	1,906	53	1,959
Foreign exchange rate changes	(259)	(2)	(261)
Depreciation for the period	(35,204)	(1,258)	(36,462)
Closing net book value	<u>\$ 1,289,630</u>	<u>\$ 18,199</u>	<u>\$ 1,307,829</u>

When measuring lease liabilities, Cineplex discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 3.5%.

The following table reconciles Cineplex's operating lease obligations at December 31, 2018, as previously disclosed in Cineplex's consolidated financial statements, to the lease obligations recognized on initial application of IFRS 16 at January 1, 2019:

	January 1, 2019
Operating lease commitments for leased premises at December 31, 2018	\$ 1,200,073
Discounted using the incremental borrowing rate at January 1, 2019	<u>1,000,221</u>
Extension options reasonably certain to be exercised	408,511
Finance lease obligations recognized at December 31, 2018	13,847
Equipment and other leases recognized at January 1, 2019	<u>19,277</u>
Lease obligations recognized at January 1, 2019	<u>\$ 1,441,856</u>

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2019 and 2018

(Unaudited)

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

The following table presents lease obligations for Cineplex for the three months ended March 31, 2019:

	Property	Equipment	Total
Three months ended March 31, 2019			
Opening balance	\$ 1,422,579	\$ 19,277	\$ 1,441,856
Additions, net of modifications	1,906	53	1,959
Tenant inducement	734	—	734
Lease payment	(42,869)	(1,302)	(44,171)
Interest expense	12,063	157	12,220
Foreign exchange rate changes	(258)	(1)	(259)
Closing lease obligations	\$ 1,394,155	\$ 18,184	\$ 1,412,339
Less: current portion	103,059	4,646	107,705
Non-current portion of lease obligations	<u>\$ 1,291,096</u>	<u>\$ 13,538</u>	<u>\$ 1,304,634</u>

The following table discloses the undiscounted cash flow for lease obligations as of March 31, 2019:

Less than one year	\$ 175,718
One to five years	661,802
More than five years	<u>888,727</u>
Total undiscounted lease obligations	<u>\$ 1,726,247</u>

The following table provides the lease amounts recognized in the statement of operations for the period ended March 31, 2019:

	2019
Depreciation expense on right-of-use assets	\$ 36,462
Interest expense on lease obligations	\$ 12,220
Expense relating to variable lease payments not included in the measurement of the lease obligations (i)	\$ 14,111

(i) Variable lease payments include realty taxes and insurance.

Cineplex records the landlord's share of amusement revenue under venue revenue share (note 6). This balance consists of all variable rental payments paid to landlords. Certain contracts may contain a lease under the definition in IFRS 16, however no obligation is recorded because the payment is variable. Venue revenue share also includes fixed payments where Cineplex has concluded the contract does not contain a lease under IFRS 16.

Some of the property leases in which Cineplex is the lessee contain fixed lease payments and variable lease payments that are derived from sales or attendance generated from the leased properties. Variable payments related to these leases for the three months ended March 31, 2019 were not material.

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2019 and 2018

(Unaudited)

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

The following table shows the impact on each individual line item on the balance sheet as of December 31, 2018 resulting from the adoption of IFRS 16 on January 1, 2019. Line items that were not affected by the changes have not been included. As a result, the sub totals and totals disclosed cannot be recalculated from the numbers provided.

	December 31, 2018	Finance lease (i)	Asset retirement obligation (ii)	Fair-value rent (iii)	Deferred tenant inducement (iv)	Rent averaging (v)	Density right (vi)	PVLP (vii)	Balances post IFRS 16 adoption
Assets									
Non-current assets									
Property, equipment and leaseholds	634,354	(11,239)	(405)	—	—	—	—	—	622,710
Right-of-use assets	—	11,239	1,167	(3,631)	(56,610)	(36,490)	(1,091)	1,428,009	1,342,593
Intangible assets	108,758	—	—	(9,689)	—	—	—	—	99,069
Total assets	\$ 1,856,449	\$ —	\$ 762	\$ (13,320)	\$ (56,610)	\$ (36,490)	\$ (1,091)	\$ 1,428,009	\$ 3,177,709
Liabilities									
Current liabilities									
Lease obligations	3,058	(3,058)	—	—	—	—	—	106,892	106,892
Total current liabilities	430,877	(3,058)	—	—	—	—	—	106,892	534,711
Non-current liabilities									
Lease obligations	10,789	3,058	—	—	—	—	—	1,321,117	1,334,964
Other liabilities	119,110	—	762	(13,320)	(56,610)	(36,490)	(1,091)	—	12,361
Total liabilities	\$ 1,177,438	\$ —	\$ 762	\$ (13,320)	\$ (56,610)	\$ (36,490)	\$ (1,091)	\$ 1,428,009	\$ 2,498,698
(i) Property, equipment and leaseholds associated with finance lease assets were reallocated to right-of-use assets, and finance lease liabilities were reallocated to lease obligations upon adoption of IFRS 16.									
(ii) Asset retirement obligation (“ARO”) assets were reallocated to right-of-use assets, and ARO liabilities were re-valued based on the lease term and incremental borrowing rate upon adoption of IFRS 16.									
(iii) Fair-value rent assets and liabilities were reallocated to right-of-use assets upon adoption of IFRS 16.									
(iv) Deferred tenant inducements were reallocated to right-of-use assets upon adoption of IFRS 16.									
(v) Straight-line rent averaging liabilities were reallocated to right-of-use assets upon adoption of IFRS 16.									
(vi) Density right deferred gains were reallocated to right-of-use assets upon adoption of IFRS 16.									
(vii) Cineplex recognized right-of-use assets and lease obligations equal to the present value of future lease payments (“PVLP”) upon adoption of IFRS 16 using the modified retrospective method.									

Critical Judgments in Determining Lease Terms

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

IFRIC 23, Uncertainty over Income Tax Treatments (“IFRIC 23”)

IFRIC 23 clarifies how to apply the recognition and measurement requirements in IAS 12 *Income Taxes* (“IAS 12”) when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this interpretation. IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019 and did not have any impact on Cineplex’s balance sheet and statement of operations.

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2019 and 2018

(Unaudited)

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

3. Share-based compensation

Option plan

Cineplex recorded \$389 in employee benefits expense with respect to share options during the three months ended March 31, 2019 (2018 - \$431).

Cineplex granted options in 2019 and 2018 as follows:

	2019		2018	
Number of options granted	709,092		559,703	
Share price	\$	25.05	\$	33.59
Exercise price	\$	25.05	\$	33.59
Expected option life (years)	4.0		4.5	
Volatility	16%		17%	
Dividend yield	3.38%		5.00%	
Annual risk-free rate	2.06%		1.55%	
Fair value of options granted	\$	2.34	\$	2.74

Upon cashless exercises, the options exercised in excess of shares issued are cancelled and returned to the pool available for future grants. At March 31, 2019, 1,071,005 options are available for grant.

A summary of option activities for the three months ended 2019 and 2018 is as follows:

		2019		2018	
	Weighted average remaining contractual life (years)	Number of underlying shares	Weighted average exercise price	Number of underlying shares	Weighted average exercise price
Options outstanding, January 1	7.37	2,433,589	\$ 42.84	2,157,589	\$ 45.50
Granted		709,092	25.05	559,703	33.59
Forfeited		(26,751)	42.11	(5,099)	49.51
Exercised		—	—	—	—
Options outstanding, March 31	9.05	3,115,930	\$ 38.79	2,712,193	\$ 43.03
Options vested and exercisable, March 31		1,703,001		1,398,413	

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements

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(Unaudited)

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

Long-term incentive plan ("LTIP")

Officers and key employees are eligible to participate in the LTIP. Beginning with the 2018 awards, each annual LTIP grant is for a three-year service period beginning October 1. The LTIP award consists of a restricted stock unit ("RSU") plan awarding base Share equivalents which may decrease or increase subject to certain market conditions and a phantom share unit ("PSU") plan awarding Share equivalents which may decrease or increase subject to certain performance and market conditions. The base Share equivalents attract compounding notional dividends at the same rate as outstanding Shares, which are notionally re-invested as additional base Share equivalents. The awards will be settled in cash at the end of the service period, within 30 days of the approval of the annual consolidated financial statements by the Board.

LTIP awards granted in 2019 and 2018 consist of a PSU 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, within 30 days of the approval of the annual consolidated financial statements by the Board.

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
2019 LTIP award	100,535	50,264	22,341	201,070
2018 LTIP award	79,089	39,549	—	158,178
2017 LTIP award	129,136	—	49,976	236,104

LTIP costs are estimated at the grant date based on expected performance results then accrued and recognized on a graded basis over the vesting period. The effects of changes in estimates of performance results are recognized in the year of change. Forfeitures are estimated at \$nil. Cineplex recognized compensation costs of \$992 under the LTIP for the three months ended March 31, 2019 (2018 - \$318). At March 31, 2019, \$4,224 (2018 - \$5,099) was included in share-based compensation liability.

Deferred equity units

Members of the Board of Directors and certain officers of Cineplex may elect to defer a portion of their compensation in the form of deferred equity units. For the three months ended March 31, 2019, Cineplex recognized compensation expense recoveries of \$230 associated with the deferred equity units (2018 - recovery of \$1,367). At March 31, 2019, \$7,354 (2018 - \$8,390) was included in share-based compensation liability.

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2019 and 2018

(Unaudited)

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

4. Revenue

The following tables disclose the changes in deferred revenue for the periods ended March 31, 2019 and 2018:

	December 31, 2018	Additions	Revenue Recognized	March 31, 2019
Gift cards	\$ 172,301	\$ 16,057	\$ 46,349	\$ 142,009
SCENE loyalty program	24,893	10,866	11,765	23,994
Advances and deposits	16,822	12,996	16,497	13,321
	<u>\$ 214,016</u>	<u>\$ 39,919</u>	<u>\$ 74,611</u>	<u>\$ 179,324</u>

	December 31, 2017	Additions	Revenue Recognized	March 31, 2018
Gift cards	\$ 157,169	\$ 24,770	\$ 52,053	\$ 129,886
SCENE loyalty program	22,465	11,143	10,119	23,489
Advances and deposits	16,174	8,949	12,395	12,728
	<u>\$ 195,808</u>	<u>\$ 44,862</u>	<u>\$ 74,567</u>	<u>\$ 166,103</u>

The following tables provide the disaggregation of revenue into categories by nature for the three months ended March 31, 2019 and 2018:

Box revenues	2019	2018
Box office revenues	<u>\$ 156,496</u>	<u>\$ 181,380</u>
Food service revenues	2019	2018
Food service - theatres	\$ 95,172	\$ 108,230
Food service - location-based entertainment	7,886	8,718
Total food service revenues	<u>\$ 103,058</u>	<u>\$ 116,948</u>
Media revenues	2019	2018
Cinema media	\$ 21,383	\$ 21,332
Digital place-based media	13,630	11,181
Total media revenues	<u>\$ 35,013</u>	<u>\$ 32,513</u>
Amusement revenues	2019	2018
Amusement solutions excluding exhibition	\$ 47,673	\$ 40,238
Amusement solutions - exhibition	2,784	2,737
Amusement solutions - location based entertainment	8,043	6,930
Total amusement revenues	<u>\$ 58,500</u>	<u>\$ 49,905</u>
Other revenues	2019	2018
Other revenues	<u>\$ 11,871</u>	<u>\$ 10,126</u>

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2019 and 2018

(Unaudited)

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

5. Share capital

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

Share capital balances at March 31, 2019 and December 31, 2018 is as follows:

	Amount		
Number of common shares issued and outstanding	Common shares	Equity component of convertible debentures	Total
63,333,238	\$ 852,379	\$ —	\$ 852,379

Share capital balances at March 31, 2018 and December 31, 2017 is as follows:

	Amount		
Number of common shares issued and outstanding	Common shares	Equity component of convertible debentures	Total
63,330,446	\$ 852,290	\$ 4,471	\$ 856,761

6. Other costs

	2019	2018
Employee salaries and benefits	\$ 75,097	\$ 78,018
Rent (note 2)	850	38,012
Realty and occupancy taxes and maintenance fees (note 2)	18,931	17,796
Utilities (note 2)	8,498	8,769
Purchased services (note 2)	16,097	15,296
Other inventories consumed, including amusement and digital place-based media	22,368	14,713
Venue revenue share (note 2)	12,847	11,405
Repairs and maintenance	8,169	7,942
Advertising and promotion	4,591	6,500
Office and operating supplies	3,288	4,114
Licences and franchise fees	4,816	4,100
Insurance (note 2)	1,180	1,438
Professional and consulting fees	2,535	2,050
Telecommunications and data	1,633	1,959
Bad debts	167	177
Equipment rental (note 2)	287	752
Other costs (note 2)	4,088	4,413
	<u>\$ 185,442</u>	<u>\$ 217,454</u>

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2019 and 2018

(Unaudited)

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

7. Net (loss) income per share

Basic

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

	<u>2019</u>	<u>2018</u>
Net (loss) income attributable to owners of Cineplex	\$ (7,350)	\$ 15,226
Weighted average number of shares outstanding	<u>63,333,238</u>	<u>63,330,446</u>
Basic EPS	<u>\$ (0.12)</u>	<u>\$ 0.24</u>

Diluted

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

	<u>2019</u>	<u>2018</u>
Net (loss) income attributable to shareholders of Cineplex	\$ (7,350)	\$ 15,226
Weighted average number of shares outstanding	63,333,238	63,330,446
Adjustments for stock options	<u>1,438</u>	<u>12,132</u>
Weighted average number of shares for diluted EPS	<u>63,334,676</u>	<u>63,342,578</u>
Diluted EPS	<u>\$ (0.12)</u>	<u>\$ 0.24</u>

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2019 and 2018

(Unaudited)

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

8. Changes in operating assets and liabilities

The following summarizes the changes in operating assets and liabilities:

	2019	2018
Trade and other receivables	\$ 75,320	\$ 72,282
Inventories	867	(1,965)
Prepaid expenses and other current assets	(2,270)	(4,480)
Accounts payable and accrued liabilities	(16,838)	(23,566)
Income taxes payable	(17,318)	(5,064)
Deferred revenue	(34,708)	(29,705)
Post-employment benefit obligations	(129)	(163)
Share-based compensation	(1,988)	(5,708)
Other liabilities	(685)	(712)
	<u>\$ 2,251</u>	<u>\$ 919</u>

Property, equipment and leasehold purchases that are included in accounts payable and accrued liabilities as at March 31, 2019, are \$16,949 (2018 - \$1,747).

9. Operating segments

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

Film Entertainment and Content

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

Media

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

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(Unaudited)

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

Amusement and Leisure

The Amusement and Leisure reporting segment is comprised of the aggregation of three operating segments, amusement solutions, location-based entertainment and eSports. Amusement solutions is comprised of revenues and costs associated with operating and distributing amusement, gaming and vending equipment. Location-based entertainment is comprised of the social entertainment destinations featuring gaming, entertainment and dining. eSports is comprised of the revenues and costs related to facilitating tournaments, leagues and gaming ladders for the competitive gaming community.

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

Management defines EBITDA as earnings before interest income and expense, income taxes and depreciation and amortization expense. Adjusted EBITDA excludes the change in fair value of financial instrument, loss on disposal of assets, foreign exchange gain, the equity 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 related to lease obligations. Prior year adjusted EBITDAaL deducts rent previously recognized as a reduction in finance lease obligations, and non-cash rent previously presented as amortization of tenant inducements, rent averaging liabilities, density rights and fair-value lease contract liabilities.

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.

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(Unaudited)

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

The following tables disclose the results of the Film Entertainment and Content, Media and Amusement and Leisure segments for the three months ended March 31, 2019, and March 31, 2018:

Three months ended March 31, 2019	Film Entertainment and Content	Media	Amusement and Leisure	Corporate and other (iii)	Consolidated
Major product and service lines					
Box office	\$ 156,496	\$ —	\$ —	\$ —	\$ 156,496
Food service	95,172	—	7,886	—	103,058
Media	—	34,483	530	—	35,013
Amusement	2,784	—	55,716	—	58,500
Other	11,597	—	274	—	11,871
Total revenues	\$ 266,049	\$ 34,483	\$ 64,406	\$ —	\$ 364,938
Primary geographical markets					
Canada	\$ 266,049	\$ 30,411	\$ 30,119	\$ —	\$ 326,579
United States and other countries	—	4,072	34,287	—	38,359
Total revenues	\$ 266,049	\$ 34,483	\$ 64,406	\$ —	\$ 364,938
Timing of revenue recognition					
Transferred at a point in time	\$ 266,049	\$ 8,048	\$ 64,406	\$ —	\$ 338,503
Transferred over time	—	26,435	—	—	26,435
Total revenues	\$ 266,049	\$ 34,483	\$ 64,406	\$ —	\$ 364,938
Adjusted EBITDAaL (i)	29,825	17,357	6,128	(18,979)	34,331
Difference between the sum of depreciation of right-of-use assets and interest expense related to the lease obligations as compared to the cash rent related to lease obligations paid with respect to the current period.					5,571
Other adjustments (ii)					752
Depreciation and amortization - other assets					32,855
Interest expense - other					5,417
Interest income					(74)
Income taxes expense					(2,830)
Net loss					\$ (7,360)
Other operating segment disclosures					
Depreciation - right-of-use assets	\$ 32,644	\$ 902	\$ 2,759	\$ 157	\$ 36,462
Depreciation and amortization - other assets	\$ 18,843	\$ 3,608	\$ 10,404	\$ —	\$ 32,855
Interest expense - lease obligations	\$ 11,268	\$ 122	\$ 819	\$ 11	\$ 12,220

Cineplex Inc.

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(Unaudited)

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

Three months ended March 31, 2018	Film Entertainment and Content	Media	Amusement and Leisure	Corporate and other (iii)	Consolidated
Major product and service lines					
Box office	\$ 181,380	\$ —	\$ —	\$ —	\$ 181,380
Food service	108,230	—	8,718	—	116,948
Media	—	31,157	1,356	—	32,513
Amusement	2,737	—	47,168	—	49,905
Other	9,677	—	449	—	10,126
Total revenues	\$ 302,024	\$ 31,157	\$ 57,691	\$ —	\$ 390,872
Primary geographical markets					
Canada	\$ 302,024	\$ 29,576	\$ 30,507	\$ —	\$ 362,107
United States and other countries	—	1,581	27,184	—	28,765
Total revenues	\$ 302,024	\$ 31,157	\$ 57,691	\$ —	\$ 390,872
Timing of revenue recognition					
Transferred at a point in time	\$ 302,024	\$ 5,322	\$ 57,691	\$ —	\$ 365,037
Transferred over time	—	25,835	—	—	25,835
Total revenues	\$ 302,024	\$ 31,157	\$ 57,691	\$ —	\$ 390,872
Adjusted EBITDAaL (i)	47,595	14,735	5,279	(18,151)	49,458
Non-cash rent - included in rent expense (iv)					(3,085)
Cash rent previously recognized as a finance lease (v)					(989)
Other adjustments (ii)					(1,358)
Depreciation and amortization - other assets excluding depreciation related to finance lease					31,194
Interest expense - lease obligations					157
Interest expense - other					6,327
Interest income					(87)
Income taxes expense					2,073
Net income					\$ 15,226
Other operating segment disclosures					
Depreciation and amortization - other assets	\$ 20,985	\$ 2,735	\$ 7,474	\$ —	\$ 31,194
Interest expense - lease obligations	\$ 157	\$ —	\$ —	\$ —	\$ 157

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

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

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

(iv) Calculated as the total amortization of tenant inducements, rent averaging liabilities and fair-value lease contract liabilities. This accounting treatment was applicable under IAS 17 *Leases* in 2018 but not applicable under IFRS 16 *Leases* in 2019.

(v) Rent payments that were charged to the finance lease obligations in the previous reporting period.

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

10. Comparative figures

Certain 2018 consolidated financial statement comparative figures have been reclassified to conform to the current year's presentation.

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