CINEPLEX

2020

FIRST QUARTER

March 31, 2020

LETTER TO SHAREHOLDERS

Dear fellow shareholders,

These are truly unique and unparalleled times. The social and economic effects of COVID-19 have been widespread and hard-hitting. And like so many other businesses in Canada, as a direct result of the global pandemic, we were required by provincial governments across the country to temporarily close all of our theatres and location based entertainment ("LBE") venues in the middle of March of this year.

Although we had a strong start to the first quarter with total revenue up approximately 6% for January and February, our full quarter results were heavily impacted by the global pandemic, resulting in decreases in revenue, operations and cash flows. With capacity restrictions and mandated closures in the month of March, our total revenue for the first quarter ended up down 22.4% and this impacted all other financial metrics.

As a result of COVID-19 and the closures, we took swift action and focused on immediate cash and expense mitigation strategies to lessen the negative impact and support the long-term stability of the company. We focused on partner support, including government programs and service-level reductions, cessations and abatements from our suppliers. We also proactively negotiated with our landlords for rent relief, including abatements during the closure period and converting fixed rent to variable rent during our ramp-up period. Despite the challenges from the pandemic, we continued to meet all the terms and conditions of the Cineworld Arrangement Agreement. Our agreement was repudiated by Cineworld on June 12, 2020. Since Cineworld's repudiation, we have been working with our financial partners to ensure that our long-term liquidity needs are met.

While we were able to dramatically reduce our cash burn, we also remained committed to growing and supporting the areas of our business which were not as impacted by the shutdowns. We were pleased to report record first quarter results in our digital place-based media business and significant growth in our digital commerce and food delivery businesses, demonstrating that our diversification strategy has continued to serve us well.

As government restrictions continue to lift, we look forward to welcoming our guests back to a safe and comfortable environment. We have already resumed measured operations at some of our locations and will continue to reopen in a phased approach, driven by provincial regulations, the availability of first run film product, social norms around physical distancing and attendance levels at venues once they have reopened. While it is impossible to predict how long this crisis will last and how significant the impact will be on our business, we know guests miss the magic of the big screen and have a new appreciation for shared experiences with friends and family that can't be replicated at home.

Throughout our history, Cineplex has demonstrated its agility and resiliency time and again. We are taking the necessary steps to navigate these uncertain times and remain focused on building a strong, well-positioned company for the future. On behalf of all of us at Cineplex, I hope that each of you and your families are safe and healthy and look forward to seeing you again soon at one of our theatres or entertainment venues.

Sincerely,

Ellis Jacob
President and CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 29, 2020

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

Unless otherwise specified, all information in this MD&A is as of March 31, 2020 and all amounts are in Canadian dollars.

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Non-GAAP Measures
Cineplex reports on certain non-GAAP measures that are used by management to evaluate performance of Cineplex. In addition, non-GAAP measures are used in measuring compliance with debt covenants. Because non-GAAP measures do not have standardized meanings, securities regulations require that non-GAAP measures be clearly defined and qualified, and reconciled to their nearest GAAP measure. The definition, calculation and reconciliation of non-GAAP measures are provided in Section 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, 2019 ("Annual MD&A") and in this MD&A. Those risks and uncertainties, both general and specific, give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements. Cineplex cautions readers not to place undue reliance on these statements, as a number of important factors, many of which are beyond Cineplex's control, could cause actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to, the duration and impact of the COVID-19 pandemic on Cineplex, the movie exhibition industry and the economy in general, as well as Cineplex's response to the COVID-19 pandemic as it relates to the closure of its theatres and location-based entertainment venues, employee reductions and other cost-cutting initiatives, and increased expenses relating to safety measures taken at its facilities to protect the health and well-being of customers and employees; Cineplex's expectations with respect to liquidity and capital expenditures, including its ability to meet its ongoing capital, operating and other obligations, and anticipated needs for, and sources of, funds; Cineplex's ability to execute cost-cutting and revenue enhancement initiatives in response to the COVID-19 pandemic; risks generally encountered in the relevant industry, competition, customer, legal, taxation and accounting matters; the outcome of any litigation surrounding the termination of the Cineworld transaction; and diversion of management time on litigation related to the Cineworld transaction.

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

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

1. OVERVIEW OF CINEPLEX

Cineplex is a top-tier Canadian brand that operates in the film entertainment and content, amusement and leisure, and media sectors. As a leading entertainment and media company, Cineplex welcomes millions of guests annually through its circuit of theatres and location-based entertainment ("LBE") 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 "CDM") and amusement solutions (Player One Amusement Group

"P1AG"). Additionally, Cineplex operates an LBE business through Canada's newest destinations for 'Eats & Entertainment' (*The Rec Room*), and entertainment complexes specifically designed for teens and families (*Playdium*). Cineplex is a joint venture partner in SCENE, Canada's largest entertainment loyalty program.

Cineplex's theatre circuit is concentrated in major metropolitan and mid-sized markets. As of March 31, 2020, Cineplex owned, leased or had a joint venture interest in 1,687 screens in 164 theatres from coast to coast.

Cineplex

Theatre locations and screens at March 31, 2020

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

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

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

Cineplex - Theatres, screens, and premium offerings in the last eight quarters

	2020	2019				2018		
	Q1	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Theatres	164	165	165	165	165	164	165	164
Screens	1,687	1,693	1,695	1,695	1,692	1,686	1,696	1,683
3D Digital Screens	826	826	827	826	824	821	826	816
UltraAVX Screens	94	94	93	93	90	90	90	88
IMAX Screens	25	25	25	25	25	25	25	25
VIP Auditoriums	84	84	79	79	75	75	75	63
D-BOX Auditoriums	99	97	92	92	89	89	89	86
Recliner Auditoriums	221	213	182	182	173	173	173	155
Other Screens	19	17	5	4	4	4	3	2

Cineplex - LBE at March 31, 2020

Province	*The Rec Room*	*Playdium*
Ontario	3	2
Alberta	3	—
Manitoba	1	—
Newfoundland & Labrador	1	—
TOTALS	**8**	**2**

1.1 RECENT DEVELOPMENTS

Cineworld Transaction

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

On June 12, 2020, Cineworld delivered a notice (the "Termination Notice") to Cineplex purporting to terminate the Arrangement Agreement. In the Termination Notice, Cineworld alleged that Cineplex took certain actions that constituted breaches of Cineplex's covenants under the Arrangement Agreement, including failing to operate its business in the ordinary course. In addition, Cineworld alleged that a material averse effect had occurred with respect to Cineplex. Cineworld's repudiation of the Arrangement Agreement has been acknowledged by Cineplex and the Cineworld Transaction will not proceed. Cineplex vigorously denies Cineworld's allegations. The Arrangement Agreement explicitly excludes any "outbreaks of illness or other acts of God" from the definition of material adverse effect and all of Cineworld's allegations stem from an outbreak of illness and act of God (COVID-19). Cineplex believes that Cineworld had no legal basis to terminate the Arrangement Agreement and that Cineworld breached the Arrangement Agreement and its other contractual obligations because, among other failures, it did not use reasonable best efforts to obtain approval under the Investment Canada Act as soon as reasonably practicable ("ICA Approval"). If Cineworld had complied with its obligation to obtain ICA Approval, Cineplex believes the ICA Approval would have been obtained and the Cineworld Transaction would have closed well before the outside date for completion in the Arrangement Agreement. No amounts are due to be paid by Cineplex as a result of Termination Notice and no amounts have been accrued in the financial statements with respect to the Termination Notice. Cineplex expects to file a statement of claim in the Ontario courts in the near term seeking to recover damages arising from Cineworld's repudiation and breaches of the Arrangement Agreement and its other contractual obligations and failure to complete the Transaction at $34.00 per common share.

Response to COVID-19 and Going Concern

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

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

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

- temporary layoffs of all part-time and full-time hourly employees as well as a number of full-time employees who chose a temporary layoff rather than a salary reduction;
- reducing full-time employee salaries by agreement with such employees;
- suspending or deferring current capital spending and reviewing all capital projects to consider either deferral or cancellation;
- reducing non-essential discretionary operational expenditures (such as spending on marketing, travel and entertainment);
- implementing a more stringent review and approval process for all outgoing procurement and payment requests.

- proactively negotiating with landlords for rent relief, including abatements and converting fixed rent to variable rent depending on attendance, until attendance returns to previous levels;
- working with major suppliers and other business partners to modify the timing and quantum of certain contractual payments;
- reviewing and applying for government subsidy programs where available including the Canada Emergency Wage Subsidy;
- continuing the suspension of dividends; and
- focusing on revenue driving opportunities including the expansion of Cineplex Store offerings and expansion of food home delivery from theatres and LBE venues.

Cineplex may take additional mitigation actions in the future in response to COVID-19, such as (i) raising additional capital through financing; (ii) reducing or not making certain payments and/or (iii) further limiting capital spending.

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

As of March 31, 2020, Cineplex was in compliance with all financial covenants under the terms of the five-year senior secured revolving credit facility ("Credit Facilities"). However, management's forecasts indicate a potential breach of its covenants within the next two quarters. Management's forecasts may change materially as the impact of COVID-19 on Cineplex's business is better understood. A violation of its covenants would represent an event of default under the terms of the Credit Facilities, enabling the lenders to demand immediate repayment of all amounts due. See Section 14, Subsequent Events, for a description of certain amendments to the Credit Facilities entered into after quarter end.

As of March 31, 2020, Cineplex had a cash balance of $7.1 million, with $124.7 million available under its Credit Facilities. Cineplex also reported a loss from continuing operations during the quarter of $174.2 million and an accumulated deficit of $452.2 million. Cineplex has entered into an amendment of the credit agreement governing the Credit Facilities obtained to obtain certain financial covenant relief from the syndicate of lenders to its Credit Facilities (See Section 14, Subsequent Events). However, as the terms of the relief from these covenants are conditional on a mandatory permanent repayment of the Credit Facilities from the proceeds of a minimum $250 million new financing by no later than August 31, 2020, there can be no assurance that the extension of the covenant relief will be extended past August 31, 2020. Cineplex is investigating additional sources of financing including potential asset sales, however as of the date of the unaudited interim condensed consolidated financial statements, no financing had been concluded, and there can be no assurance that such financing initiatives will be successful.

Cineplex has prepared its unaudited interim condensed consolidated financial statements on a going concern basis, which presumes it will continue its operations for the foreseeable future, and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business as they become due. While Cineplex currently has sufficient liquidity to satisfy its immediate financial obligations, there can be no assurance that the steps that management is taking will provide sufficient liquidity in the near term to meet its ongoing obligations, nor can it be assured that it will be able to obtain additional financing at favorable terms, or at all. These material uncertainties lend significant doubt about the Company's ability to continue as a going concern and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The unaudited interim condensed consolidated financial statements do not reflect adjustments and classifications of assets, liabilities, revenues and expenses which would be necessary if Cineplex were unable to continue as a going concern. Such adjustments could be material.

1.2 FINANCIAL HIGHLIGHTS

Financial highlights	First Quarter		
(in thousands of dollars, except theatre attendance in thousands of patrons and per Share and per patron amounts)	2020	2019 Restated (i)	Change (ii)
Total revenues (iii)	$ 282,801	$ 364,624	-22.4%
Theatre attendance	10,710	14,988	-28.5%
Net loss from continuing operations (iv)	$ (174,155)	$ (5,329)	NM
Net loss from discontinued operations	$ (4,259)	$ (2,031)	NM
Net loss (iv)	$ (178,414)	$ (7,360)	NM
Box office revenues per patron ("BPP") (v)	$ 10.36	$ 10.44	-0.8%
Concession revenues per patron ("CPP") (v)	$ 6.79	$ 6.35	6.9%
Adjusted EBITDA (v)	$ 46,472	$ 78,742	-41.0%
Adjusted EBITDAaL (i) (iv) (v)	$ 2,390	$ 35,652	-93.3%
Adjusted EBITDAaL margin (i) (iv) (v)	0.8%	9.8%	-9.0%
Adjusted free cash flow (v)	$ (207)	$ 30,050	NM
Adjusted free cash flow per Share (v)	$ (0.003)	$ 0.474	NM
Earnings per Share ("EPS") from continuing operations - basic and diluted (iv)	$ (2.75)	$ (0.09)	NM
EPS from discontinued operations - basic and diluted	$ (0.07)	$ (0.03)	NM
EPS - basic and diluted (iv)	$ (2.82)	$ (0.12)	NM

(i) Certain prior period figures have been restated as applicable per IFRS 5 to conform to current period presentation. See Section 17, Reconciliation for further details.

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

(iii) All amounts are from continuing operations.

(iv) 2020 includes expenses related to the Cineworld Transaction in the amount of $1.3 million.

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

The COVID-19 pandemic has had a material negative effect on all aspects of Cineplex's businesses resulting in material decreases in revenues, results of operations and cash flows. Total revenues for the first quarter of 2020 decreased 22.4%, or $81.8 million as compared to the prior year period. The March 16, 2020 theatre closures led to a 2.9 million (28.5%) decrease in theatre attendance resulting in lower box office and theatre food service. Combined with the impact of a 0.8% decrease in BPP to $10.36, box office revenues decreased $45.5 million (29.1%) as compared to the prior year to $111.0 million.

The closure of theatres and LBE venues resulted in a $23.7 million (23.0%) decrease in food service revenues to $79.4 million, partially offset by a first quarter record CPP of $6.79. Cinema media decreased $3.8 million or 18.1% due to lower in-theatre advertising with the location closures on March 16, 2020. Digital place-based media revenues increased 9.3% or $1.3 million to a first quarter record of $14.9 million as a result of higher project installation revenues. Amusement revenues decreased 19.1% or $11.2 million due to lower route revenues as a result of location closures across Canada and the United States as well as a decrease in distribution sales. As a result of the sweeping impact of COVID-19, adjusted EBITDAaL decreased $33.3 million or 93.3% to $2.4 million and adjusted free cash flow per Share decreased $0.477 to $(0.003) per Share.

1.3 KEY DEVELOPMENTS IN THE FIRST QUARTER OF 2020

The following describes certain key business initiatives undertaken and results achieved during the first quarter of 2020 in each of Cineplex's core business areas:

FILM ENTERTAINMENT AND CONTENT

Theatre Exhibition

- Reported first quarter box office revenues of $111.0 million, a decrease of $45.5 million (29.1%) from $156.5 million reported in the prior year period due to the 28.5% decrease in theatre attendance from 15.0 million in 2019 to 10.7 million in the first quarter of 2020 due mainly to the closure of the theatre circuit in March as a result of COVID-19. The prior year was also a tough comparator due to the success of *Captain Marvel* which was released in the second week of March 2019.
- BPP was $10.36, a decrease of $0.08 (0.8%) versus the prior year period BPP of $10.44.
- Opened two new ScreenX auditoriums: *Scotiabank Theatre Halifax* in Nova Scotia and *CPX Ottawa* in Ontario.

Theatre Food Service

- Reported first quarter theatre food service revenues of $72.7 million, a decrease of $22.5 million (23.6%) from $95.2 million reported in the prior year period as a result of the decrease in theatre attendance.
- CPP was $6.79 for the period, a first quarter record for Cineplex, and $0.44 (6.9%) higher than the prior year period.
- During the quarter, Cineplex expanded alcohol beverage service to an additional four theatres, now totaling 91 (excluding VIP)
- During the quarter, added five additional locations to the Uber Eats delivery platform, and seven additional locations to Skip the Dishes platform.
- Home delivery from the theatres continued despite the theatre closures with 106 locations serviced by Uber Eats and 137 by Skip the Dishes.

Alternative Programming

- First quarter Alternative Programming (Cineplex Events) included the theatrical release of the feature film The Last Full Measure, performances from The Metropolitan Opera and The Bolshoi Ballet. Spotlight events included André Rieu: 70 Years Young, along with the anime features Weathering With You and My Hero Academia: Heroes Rising.
- Cineplex International film programming featured several strong performing Hindi and Punjabi-language titles in select markets across the country. Due to theatres closures in China in late January, the Canadian distribution of several strong holiday Chinese titles were postponed.

Digital Commerce

- With theatre closures and accelerated home entertainment release dates, the Cineplex Store saw a substantial growth in activity with total registered users for Cineplex Store increasing 37% in the first quarter of 2020 as compared to the prior year period.
- Cineplex Store registered a 107% increase in device activation over the prior year period.
- Quarterly active users of the Cineplex Store increased by 43% as compared to the prior year period.

MEDIA

- Reported first quarter media revenues of $32.2 million, a decrease of $2.5 million, or 7.3% as compared to the prior year period.

Cinema Media

- Reported first quarter cinema media revenues of $17.3 million, a decrease of $3.8 million (18.1%) compared to the prior year period primarily due to lower show-time and pre-show advertising as a result of the theatre closures.

Digital Place-Based Media

- Reported a first quarter record with revenues of $14.9 million, an increase of $1.3 million (9.3%) compared to the prior year period due to higher project installation revenues and recurring revenue.

AMUSEMENT AND LEISURE

Amusement Solutions

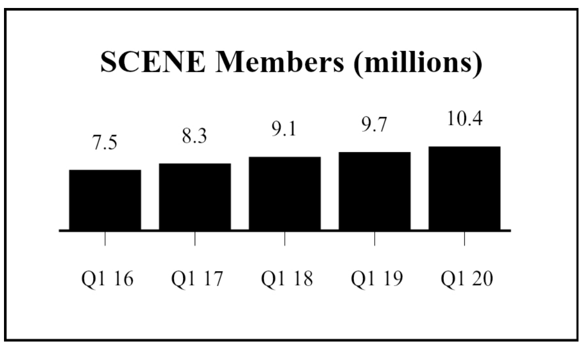
- Reported first quarter revenues of $37.2 million ($2.2 million from Cineplex theatre gaming and $35.0 million from all other sources of revenues), a decrease of $13.3 million (26.4%) as compared to the prior year period. The decrease was due to a drop in route revenues in Canada and the United States as a result of the closure of operating locations and a decrease in equipment sales with the economic shutdown across all markets as a result of COVID-19.

Location Based Entertainment

- *The Rec Room* reported first quarter revenues of $17.7 million which included food service revenues of $6.7 million, amusement revenues of $10.2 million and other revenues of $0.8 million, an increase of $1.3 million (7.7%) as compared to the prior year period. The growth was due to an increase in locations from seven in 2019 to ten in 2020 which was substantially offset by the closure of LBE locations in mid-March as a result of COVID-19.
- Opened *The Rec Room* at *Seasons of Tuxedo* in Winnipeg, Manitoba, on February 18, 2020, the eighth location of *The Rec Room*.
- Began rollout of home delivery from LBE locations via Skip the Dishes in response to the location closures.

LOYALTY

- Membership in the SCENE loyalty program increased by 0.1 million members in the period, reaching 10.4 million members at March 31, 2020.
- Announced a first-of-its-kind partnership between the National Basketball Association (NBA), Tangerine Bank and SCENE that makes SCENE the official entertainment loyalty partner of the NBA in Canada.



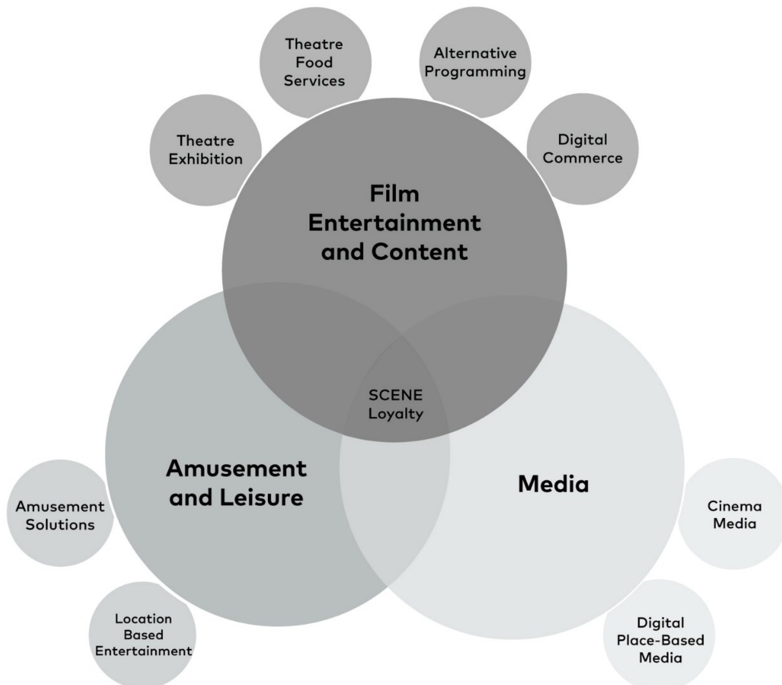
2. CINEPLEX'S BUSINESSES AND STRATEGY

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

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

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

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



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. During the first quarter of 2020, attention has shifted to respond to the impact of COVID-19 on the business (see Section 1.1, Response to COVID-19 and Going Concern).

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 39.3% of revenue in the first quarter of 2020 and continues to represent Cineplex's largest revenue component.

Revenue mix % by period	Q1 2020	Q1 2019	Q1 2018	Q1 2017	Q1 2016
Box office	**39.3%**	42.9%	46.6%	49.7%	50.9%
Food service	**28.1%**	28.3%	30.0%	29.0%	29.6%
Media	**11.4%**	9.5%	8.0%	8.3%	8.6%
Amusement	**16.7%**	16.0%	12.8%	10.5%	6.9%
Other	**4.5%**	3.3%	2.6%	2.4%	3.9%
Total	**100.0%**	100.0%	100.0%	99.9%	99.9%

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

Revenue mix % by year	First Quarter	
	2020	2019
Film Entertainment and Content	70.1%	72.9%
Media	11.2%	9.5%
Amusement and Leisure	12.4%	13.1%
Location-Based Entertainment	6.3%	4.5%
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 74% based on Canadian industry box office revenues for the quarter ended March 31, 2020. As a result of Cineplex's focus on diversifying the business beyond the traditional movie exhibition model, its revenue mix has shifted from box office revenue to other revenue sources.

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

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

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

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

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

Cost of Sales and Expenses

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

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

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

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

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

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

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

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

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

Accounting for Joint Arrangements

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

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

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

4. RESULTS OF OPERATIONS

4.1 SELECTED FINANCIAL DATA

The following table presents summarized financial data for Cineplex for the three months ended March 31, 2020 and 2019 (expressed in thousands of dollars except Shares outstanding, per Share data and per patron data, unless otherwise noted):

	Three months ended March 31, 2020	Three months ended March 31, 2019 Restated	Variance (%)
Box office revenues	$ 111,002	$ 156,496	-29.1%
Food service revenues	79,365	103,058	-23.0%
Media revenues	32,157	34,706	-7.3%
Amusement revenues	47,337	58,500	-19.1%
Other revenues	12,940	11,864	9.1%
Total revenues	282,801	364,624	-22.4%
Film cost	56,500	78,721	-28.2%
Cost of food service	22,209	23,436	-5.2%
Depreciation - right-of-use assets	35,533	36,462	-2.5%
Depreciation and amortization - other assets	33,962	31,633	7.4%
Loss on disposal of assets	817	477	71.3%
Other costs (a) (ii)	157,548	183,828	-14.3%
Impairment of long-lived assets and goodwill	173,054	—	NM
Costs of operations	479,623	354,557	35.3%
Net loss from continuing operations	$ (174,155)	$ (5,329)	NM
Net loss from discontinued operations	(4,259)	(2,031)	109.7%
Net loss	$ (178,414)	$ (7,360)	NM
Adjusted EBITDA (i) (iv)	$ 46,472	$ 78,742	-41.0%
Adjusted EBITDAaL (i) (ii) (iv)	$ 2,390	$ 35,652	-93.3%
(a) Other costs include:			
Theatre occupancy expenses	17,971	18,407	-2.4%
Other operating expenses	134,548	146,569	-8.2%
General and administrative expenses (iv)	5,029	18,852	-73.3%
Total other costs	$ 157,548	$ 183,828	-14.3%
EPS from continuing operations - basic and diluted (iv)	$ (2.75)	$ (0.09)	NM
EPS from discontinued operations - basic and diluted	$ (0.07)	$ (0.03)	-133.3%
EPS - basic and diluted (iv)	$ (2.82)	$ (0.12)	NM
Total assets	$ 2,815,118	$ 3,067,333	-8.2%
Total long-term financial liabilities (iii)	$ 665,000	$ 606,000	9.7%
Shares outstanding at period end	63,333,238	63,333,238	—%
Cash dividends declared per Share	$ 0.150	$ 0.435	-65.5%
Adjusted free cash flow per Share (i)	$ (0.003)	$ 0.474	NM
Box office revenue per patron (i)	$ 10.36	$ 10.44	-0.8%
Concession revenue per patron (i)	$ 6.79	$ 6.35	6.9%
Film cost as a percentage of box office revenues	50.9%	50.3%	0.6%
Theatre attendance (in thousands of patrons) (i)	10,710	14,988	-28.5%
Theatre locations (at period end)	164	165	-0.6%
Theatre screens (at period end)	1,687	1,692	-0.3%

(i) See Section 16, Non-GAAP measures, for the definition of non-GAAP measures reported by Cineplex.

(ii) Certain prior period figures have been restated as applicable per IFRS 5 to conform to current period presentation. See Section 17, Reconciliation for further details.

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

(iv) Includes expenses related to the Cineworld Transaction in the amount of $1.3 million in 2020.

4.2 OPERATING RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2020

Total revenues

Total revenues for the three months ended March 31, 2020 decreased $81.8 million (22.4%) to $282.8 million as compared to the prior year period. A discussion of the factors affecting the changes in box office, food service, media, amusement and other revenues for the period is provided below.

Non-GAAP measures discussed throughout this MD&A, including adjusted EBITDA, adjusted EBITDAaL, adjusted store level EBITDAaL, adjusted EBITDAaL margin, adjusted store level EBITDAaL margin, adjusted free cash flow, theatre attendance, BPP, premium priced product, same theatre metrics, CPP, film cost percentage, food service cost percentage and concession margin per patron are defined and discussed in Section 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 2020	First Quarter 2019	Change
Box office revenues	$ 111,002	$ 156,496	-29.1%
Theatre attendance (i)	10,710	14,988	-28.5%
Box office revenue per patron (i)	$ 10.36	$ 10.44	-0.8%
BPP excluding premium priced product (i)	$ 9.33	$ 9.03	3.3%
Canadian industry revenues (ii)			-36.0%
Same theatre box office revenues (i)	$ 109,347	$ 155,888	-29.9%
Same theatre attendance (i)	10,580	14,917	-29.1%
% Total box from premium priced product (i)	28.7%	40.9%	-12.2%

(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	First Quarter Theatre Attendance
2019 as reported	$ 156,496	14,988
Same theatre attendance change	(45,331)	(4,338)
Impact of same theatre BPP change	(1,209)	—
New and acquired theatres (i)	1,654	130
Disposed and closed theatres (i)	(608)	(70)
2020 as reported	$ 111,002	10,710

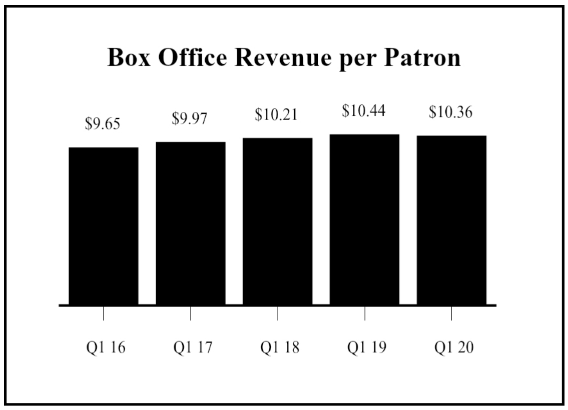
(i) See Section 16, Non-GAAP measures. Represents theatres opened, acquired, disposed or closed subsequent to the start of the prior year comparative period.

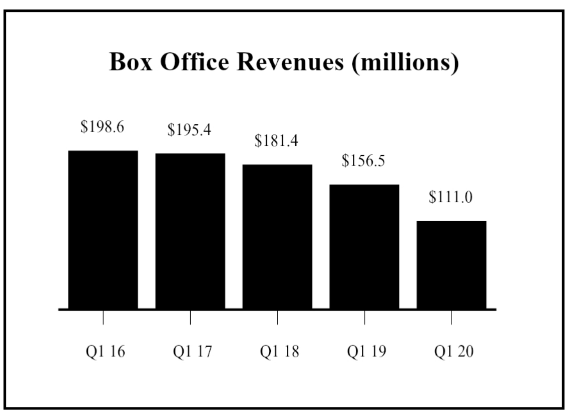
	First Quarter 2020 Top Cineplex Films	3D	% Box		First Quarter 2019 Top Cineplex Films	3D	% Box
1	1917		9.7%	1	Captain Marvel	✔	16.3%
2	Star Wars: The Rise Of Skywalker	✔	9.2%	2	How To Train Your Dragon: The Hidden World	✔	7.2%
3	Jumanji: The Next Level	✔	9.1%	3	Aquaman	✔	7.0%
4	Bad Boys For Life		8.7%	4	The Lego Movie 2: The Second Part	✔	5.1%
5	Sonic The Hedgehog		6.4%	5	Spider-Man: Into The Spider-Verse	✔	4.3%

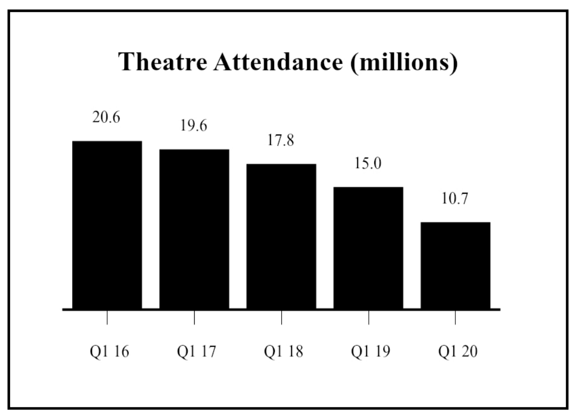
Box office revenues decreased $45.5 million, or 29.1%, to $111.0 million during the first quarter of 2020, compared to $156.5 million reported in the same period in 2019. The decrease was due to the 28.5% decrease in theatre attendance to 10.7 million guests and the impact of lower BPP. The theatre attendance decrease was due to the temporary closures of all theatres on March 16, 2020 as a result of COVID-19. The week prior to the temporary closure of all theatres, Cineplex also reduced the maximum allowable capacity of theatres by a minimum of 50%.

During the first two months of the quarter, Cineplex attendance exceeded the prior year period due in part to the success of *1917* and the carryover strength of *Star Wars: The Rise Of Skywalker* and *Jumanji: The Next Level* from the fourth quarter of 2019. March 2019 would have been a tough comparator without the theatre closures due to a lack of high profile movies originally scheduled to open in March 2020 while the prior year included the highly successful *Captain Marvel*.

BPP for the three months ended March 31, 2020 was $10.36, a $0.08 decrease (0.8%) from the prior year period. The decrease in BPP was primarily due to a lower percentage of box office revenue from premium priced offerings as compared to the prior year period. In the prior year period, all of the top five films were available in the 3D format, whereas only two films in the current year period were available in the 3D format. The BPP excluding premium priced product increased 3.3% from $9.03 to $9.33 due to ticket price increases in select markets.







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		
	2020	2019	Change
Food service - theatres	$ 72,681	$ 95,172	-23.6%
Food service - LBE	6,684	7,886	-15.2%
Total food service revenues	$ 79,365	$ 103,058	-23.0%
Theatre attendance (i)	10,710	14,988	-28.5%
CPP (i) (ii)	$ 6.79	$ 6.35	6.9%
Same theatre food service revenues (i)	$ 71,518	$ 94,761	-24.5%
Same theatre attendance (i)	10,580	14,917	-29.1%

(i) See Section 16, Non-GAAP measures.
(ii) Food service revenue from LBE is not included in the CPP calculation.

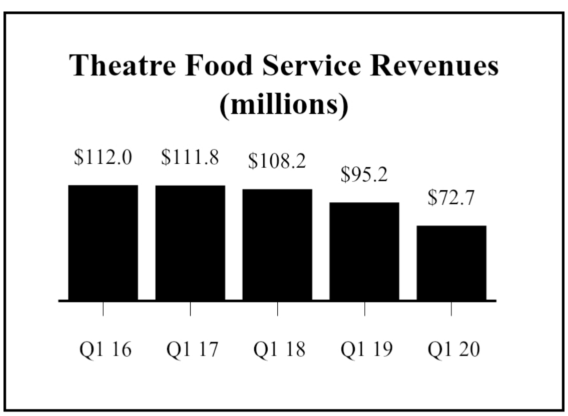
Theatre food service revenue continuity	First Quarter	
	Theatre Food Service	Theatre Attendance
2019 as reported	$ 95,172	14,988
Same theatre attendance change	(27,556)	(4,338)
Impact of same theatre CPP change	4,312	—
New and acquired theatres (i)	1,164	130
Disposed and closed theatres (i)	(411)	(70)
2020 as reported	$ 72,681	$ 10,710

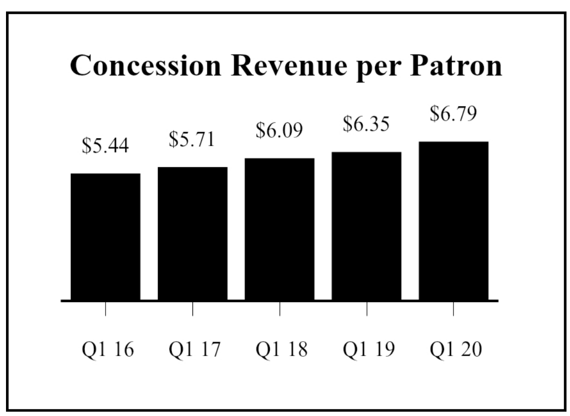
(i) See Section 16, Non-GAAP measures. Represents theatres opened, acquired, disposed or closed subsequent to the start of the prior year comparative period.

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 $23.7 million, or 23.0% mainly as a result of the $22.5 million (23.6%) decrease in theatre food service revenue. The decrease in theatre food service revenue resulted from the 28.5% decrease in theatre attendance, partially offset by the 6.9% ($0.44) increase in CPP to $6.79. Food services revenues from location-based entertainment locations decreased $1.2 million (15.2%) compared to the prior year period to $6.7 million. The decrease in revenues was due to the temporary closures of all theatres and LBE venues across Canada as a result of COVID-19.

Despite the closures, Cineplex has focused on its expanded home delivery service of concession products and alcohol. Cineplex will continue to optimize food service products and offerings on the restaurant side of the location-based entertainment business upon the re-opening of locations.

CPP of $6.79 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 and expanded beverage service, have contributed to increased visitation and higher average transaction values, resulting in the record CPP in the period.





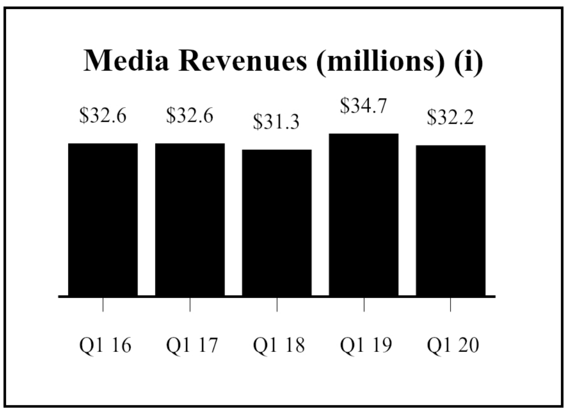
Media revenues

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

Media revenues	First Quarter		
	2020	2019 Restated	Change
Cinema media	$ 17,262	$ 21,076	-18.1%
Digital place-based media	14,895	13,630	9.3%
Total media revenues from continuing operations	$ 32,157	$ 34,706	-7.3%
Media revenues from discontinued operations	382	$ 307	24.4%
Total media revenues	$ 32,539	$ 35,013	-7.1%

Total media revenues from continuing operations decreased $2.5 million (7.3%) compared to the prior year period to $32.2 million. Cinema media revenues decreased $3.8 million(18.1%) compared to the prior year period primarily due to lower show-time and pre-show revenues in the month of March as a result of the temporary closures of all theatres as a result of COVID-19. This decrease was partially offset by a 9.3% or $1.3 million increase in digital place-based media revenues to a first quarter record of $14.9 million as a result of higher project installation revenues occurring prior to the shutdown of businesses in North America impacting the digital media client base and recurring revenue from software and network management services.

Digital place-based media had a total of 15,285 locations as of March 31, 2020.



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

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

Digital place-based media revenues	First Quarter		
	2020	2019	Change
Project revenues (i)	$ 5,815	$ 5,221	11.4%
Other revenues (ii)	9,080	8,409	8.0%
Total digital place-based media revenues	$ 14,895	$ 13,630	9.3%

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

Amusement revenues

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

Amusement revenues	First Quarter 2020	First Quarter 2019	Change
Amusement - P1AG excluding Cineplex exhibition and LBE (i)	$ 34,961	$ 47,673	-26.7%
Amusement - Cineplex exhibition (i)	2,196	2,784	-21.1%
Amusement - LBE	10,180	8,043	26.6%
Total amusement revenues	$ 47,337	$ 58,500	-19.1%

(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 LBE reflects P1AG's gross amusement revenues, net of the venue revenue share paid to Cineplex reflected in Amusement - Cineplex exhibition above.

Amusement revenues decreased 19.1%, or $11.2 million, to $47.3 million in the first quarter of 2020 compared to the prior year period. The decrease was due to the temporary closures of P1AG route locations, Cineplex theatres and location-based entertainment locations as well as a decline in equipment sales in March 2020 as third parties were impacted by the COVID-19 closures. This decrease was partially offset by an increase in location-based entertainment amusement revenues as a result of additional operating locations during the first quarter of 2020 (ten locations) as compared to the prior year period (seven locations).

Prior to the temporary closures, P1AG was reporting growth in period over period results for Family Entertainment Centres ("FEC") route locations in North America, and theatre locations in Canada.

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

P1AG Summary	First Quarter 2020	First Quarter 2019	Change
Amusement revenues	$ 34,961	$ 47,673	-26.7%
Operating Expenses	32,995	39,492	-16.5%
Cash rent related to lease obligations (i)	1,427	1,473	-3.1%
Total adjusted operating expenses	$ 34,422	$ 40,965	-16.0%
P1AG Adjusted EBITDAaL (ii)	$ 539	$ 6,708	-92.0%
P1AG Adjusted EBITDAaL Margin (ii)	1.5%	14.1%	-12.6%

(i) Cash rent that has been reallocated to offset the lease obligations.
(ii) See Section 16, Non-GAAP measures.

Margins for P1AG decreased in 2020 compared to 2019 as a result of the temporary closure of substantially all route locations, resulting in nominal revenue in the second half of March. Certain operating expenses, such as rent, utilities and business taxes, are fixed in nature and therefore could not be reduced before the end of March despite the business closures, contributing to the lower adjusted EBITDAaL margin in the first quarter of 2020.

The following table presents the adjusted store level EBITDAaL for the quarter for LBE:

LBE Summary	First Quarter		
	2020	2019	Change
Food service revenues	$ 6,684	$ 7,886	-15.2%
Amusement revenues	10,180	8,043	26.6%
Media and other revenues	826	490	68.6%
Total revenues	$ 17,690	$ 16,419	7.7%
Cost of food service	2,008	2,165	-7.3%
Operating expenses before adjustments (i)	11,312	9,939	13.8%
Cash rent related to lease obligations (ii)	1,764	1,209	45.9%
Total adjusted costs	$ 15,084	$ 13,313	13.3%
Store level Adjusted EBITDAaL (iii)	$ 2,606	$ 3,106	-16.1%
Store level Adjusted EBITDAaL Margin (iii)	14.7%	18.9%	-4.2%

(i) Includes operating costs of LBE. Pre-opening costs relating to LBE and overhead relating to management of LBE portfolio are not included.
(ii) Cash rent that has been reallocated to offset the lease obligations.
(iii) See Section 16, Non-GAAP measures.

Revenues from LBE increased $1.3 million (7.7%) to $17.7 million in the first quarter of 2020 compared to the prior year period as a result of increased locations. Margins for LBE decreased in 2020 compared to 2019 as a result of the temporary closure of all locations as a result of COVID-19, resulting in no revenue in the second half of March. Certain operating expenses such as full-time staff payroll and occupancy are fixed in nature which also contributed to the decrease in the margins.

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		
	2020	2019 Restated	Change
Other revenues from continuing operations	$ 12,940	$ 11,864	9.1%
Other revenues from discontinued operations	$ 199	$ 7	NM
Total other revenues	$ 13,139	$ 11,871	10.7%

Other revenues from continuing operations increased 9.1% in the first quarter of 2020 compared to the prior year period due primarily to higher volume of digital commerce sales, partially offset by a decrease in venue rental revenue.

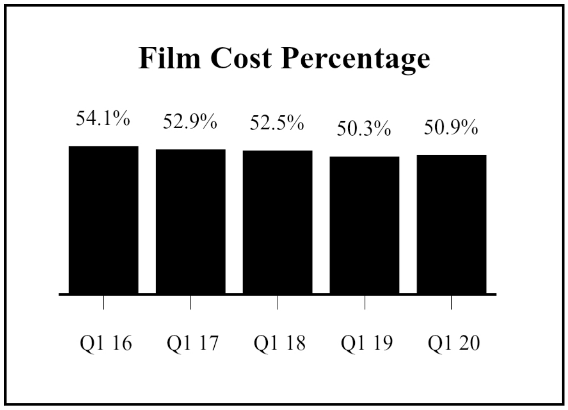
Film cost

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		
	2020	2019	Change
Film cost	$ 56,500	$ 78,721	-28.2%
Film cost percentage (i)	50.9%	50.3%	0.6%

(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 2020 was 50.9%, a 0.6% increase from the prior year period.



Cost of food service

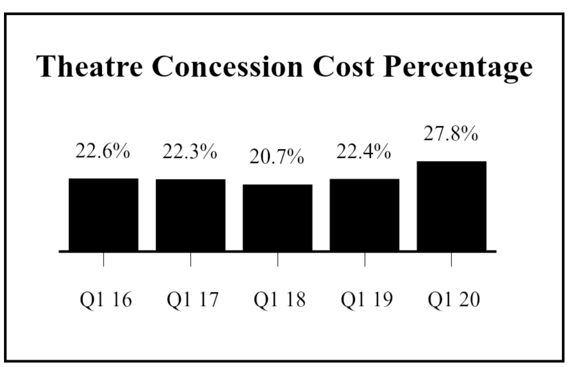
The following table highlights the movement in cost of food service and food service cost as a percentage of food service revenues ("concession cost percentage") for both theatres and LBE for the quarter (in thousands of dollars, except percentages and margins per patron):

Cost of food service	First Quarter		
	2020	2019	Change
Cost of food service - theatre	$ 20,201	$ 21,271	-5.0%
Cost of food service - LBE	2,008	2,165	-7.3%
Cost of food service	$ 22,209	$ 23,436	-5.2%
Theatre concession cost percentage (i)	27.8%	22.4%	5.4%
LBE food cost percentage (i)	30.0%	27.5%	2.5%
Theatre concession margin per patron (i)	$ 4.90	$ 4.93	-0.6%
(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 LBE 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 theatres and location-based entertainment cost of food was due to lower food service revenues for both segments as a result of the temporary closure of venues in March 2020 as a result of COVID-19. With the closure of locations, Cineplex donated perishable food items that it would be unable to use to those in need, including local food banks. This resulted in increased costs in the quarter with theatre concession cost percentage increasing from 22.4% to 27.8% and the LBE food cost percentage from 27.5% to 30.0%.

The theatre concession margin per patron decreased 0.6% from $4.93 in the first quarter of 2019 to $4.90 in the same period in 2020.



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		
	2020	2019	Change
Depreciation of property, equipment and leaseholds	$ 30,689	$ 28,766	6.7%
Amortization of intangible assets and other	3,273	2,867	14.2%
Sub-total - depreciation and amortization - other assets	$ 33,962	$ 31,633	7.4%
Depreciation - right-of-use assets	35,533	36,462	-2.5%
Total depreciation and amortization from continuing operations	$ 69,495	$ 68,095	2.1%
Total depreciation and amortization from discontinued operations	—	1,222	-100.0%
Total depreciation and amortization	$ 69,495	$ 69,317	0.3%

The quarterly increase in depreciation of property, equipment and leaseholds from continuing operations of $1.9 million (6.7%) is primarily due to investments in the amusement and leisure businesses.

The increase of $0.4 million (14.2%) in the amortization of intangible assets from continuing operations was primarily due to internally developed software for digital products including the Cineplex mobile app and website platform.

Impairment of long-lived assets and goodwill

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

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

The closure of its operations on March 16, 2020 as a result of the declaration of a global pandemic, was identified as a triggering event for purposes of testing long-lived assets and goodwill for impairment. Carrying values of assets were tested for recoverability measured as the fair value based on internal budgets which reflect the negative impact of COVID-19 on Cineplex's current and future results. Where the carrying value of assets at March 31, 2020 was assessed as exceeding the recoverable value of those assets at that point in time, an impairment has been recognized. Because impairments are measured at a point in time, the impact of COVID-19 on the 2020 results, which will be reflected in the results of operations in 2020, has also impacted the measurement of recoverable value, and is therefore included in the impairment calculation. Where an impairment has been recorded with respect to a long-lived asset, it will be reversed when and if the recoverable value of the related asset increases . Management will monitor and re-assess the recoverable value of the impaired assets, reversing the impairments where it increases. Impairments recorded with respect to goodwill cannot be reversed.

Impairment of intangible assets - discontinued operations

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

Impairment of intangible assets - discontinued operations	First Quarter		
	2020	2019	Change
Impairment of intangible assets - discontinued operations	$ 5,135	$ —	NM

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

Loss on disposal of assets

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

Loss on disposal of assets	First Quarter		
	2020	2019	Change
Loss on disposal of assets	$ 817	$ 477	71.3%

Other costs

Other costs include three main sub-categories of expenses; theatre occupancy expenses, which capture the rent and associated occupancy costs for Cineplex's theatre operations; other operating expenses, which include the costs related to running Cineplex's film entertainment and content, media, as well as amusement and leisure; and general and administrative expenses, which include 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):

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

Other costs	First Quarter		
	2020	2019 Restated	Change
Theatre occupancy expenses	$ 17,971	$ 18,407	-2.4%
Other operating expenses	134,548	146,569	-8.2%
General and administrative expenses	5,029	18,852	-73.3%
Total other costs from continuing operations	$ 157,548	$ 183,828	-14.3%
Other costs from discontinued operations	1,606	1,614	-0.5%
Total other costs	$ 159,154	$ 185,442	-14.2%

Theatre occupancy expenses

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

Theatre occupancy expenses	First Quarter		
	2020	2019	Change
Cash rent - theatre (i) (iv)	$ 40,356	$ 39,879	1.2%
Other occupancy	18,437	18,418	0.1%
One-time items (ii)	(580)	(179)	224.0%
Total theatre occupancy including cash lease payments	$ 58,213	$ 58,118	0.2%
Cash rent related to lease obligations (iii)	(40,242)	(39,711)	1.3%
Theatre occupancy as reported	$ 17,971	$ 18,407	-2.4%

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

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

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

(iv) The 2020 balance includes $1.1 million (2019 - $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
2019 as reported	$ 18,407
Impact of new and acquired theatres	677
Impact of disposed theatres	(235)
Same theatre rent change (i)	62
One-time items	(400)
Other	(9)
Impact of IFRS 16:	
Cash rent related to lease obligations	(531)
2020 as reported	$ 17,971
(i) See Section 16, Non-GAAP measures	

Theatre occupancy expenses as reported decreased $0.4 million (2.4%) during the first quarter of 2020 compared to the prior year period. This decrease was primarily due to one-time occupancy related credits recognized in the first quarter of 2020.

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 restated to provide comparability to the impact of application of IFRS 5:

Other operating expenses	First Quarter 2020	First Quarter 2019 Restated	Change
Theatre payroll	$ 31,430	$ 36,710	-14.4%
Theatre operating expenses	26,489	28,562	-7.3%
Media	18,911	16,742	13.0%
P1AG	34,422	40,965	-16.0%
LBE (i)	13,076	11,148	17.3%
LBE pre-opening (ii)	745	691	7.8%
SCENE	2,573	5,038	-48.9%
Marketing	2,921	2,851	2.5%
Other (iii)	8,735	8,174	6.9%
Other operating expenses including cash lease payments	$ 139,302	$ 150,881	-7.7%
Cash rent related to lease obligations (iv)	(4,754)	(4,312)	10.3%
Other operating expenses from continuing operations	$ 134,548	$ 146,569	-8.2%
Other operating expenses from discontinued operations	1,606	1,614	-0.5%
Total other operating expenses	$ 136,154	148,183	-8.1%

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

Other operating continuity from continuing operations	First Quarter Other Operating
2019 as reported	$ 146,569
Impact of new and acquired theatres	779
Impact of disposed theatres	(269)
Same theatre payroll change (i)	(5,680)
Same theatre operating expenses change (i)	(2,183)
Media operating expenses change	2,169
P1AG operating expenses change	(6,543)
LBE operating expenses change	1,928
LBE pre-opening change	54
SCENE change	(2,465)
Marketing change	70
Other	560
Impact of IFRS 16:	
Cash rent related to lease obligations	(441)
2020 as reported	$ 134,548
(i) See Section 16, Non-GAAP measures	

Other operating expenses from continuing operations during the first quarter of 2020 decreased $12.0 million or 8.2% compared to the prior year period. The overall decrease was as a result of the temporary closure of theatres and P1AG route locations leading to a decrease in business volumes in March 2020. The decreases were partially offset by an increase in LBE, media and other expenses. The growth in LBE operating expenses was due to an increase in the number of operating locations (with ten locations operating as compared to seven in the prior year period), partially offset by the closure of all LBE locations in March 2020 as a result of COVID-19. The growth in Media expenses was due to increased Cineplex Digital Media project installations rolled out prior to widespread business closures. The increase in other expenses was mainly due to higher digital commerce business volumes. Same theatre payroll expenses decreased as a result of the temporary layoff of theatre staff with the theatre closures in March. The reduction was partially offset by a voluntary lump-sum payment made to laid off staff to bridge the period until government programs including employment insurance, were available to them.

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):

G&A expenses	First Quarter		
	2020	2019	Change
G&A excluding LTIP and option plan expense	$ 17,254	$ 17,828	-3.2%
Restructuring	360	—	NM
Transaction costs (i)	1,271	—	NM
LTIP (ii)	(11,437)	762	NM
Option plan	(2,241)	389	NM
G&A expenses including cash lease payments	$ 5,207	$ 18,979	-72.6%
Cash rent included as part of lease obligations (iii)	(178)	(127)	40.2%
G&A expenses as reported	$ 5,029	$ 18,852	-73.3%

(i) Transaction costs include out-of-pocket expenses.
(ii) LTIP includes the expense for the LTIP program as well as the expense for the executive and Board deferred share unit plans.
(iii) Cash rent that has been reallocated to offset the lease obligations.

G&A expenses decreased $13.8 million (72.6%) during the first quarter of 2020 compared to the prior year period primarily due to a $12.2 million decrease in LTIP expense and a $2.6 million decrease in Option plan expense. The impact of the COVID-19 pandemic on Cineplex's business led to a sharp decline in the Share price. Share based compensation reflects the fair value of the share price which fell to $11.70 per Share at March 31, 2020. With the termination of the Arrangement Agreement, options have been reclassified to being accounted for as equity-settled and both LTIP and option expenses have been accounted for over their former vesting period. Transaction costs of $1.3 million were incurred during the quarter with respect to the Cineworld Transaction.

Share of loss (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 loss (income) of joint ventures and associates during the quarter (in thousands of dollars):

Share of income of joint ventures and associates	**First Quarter**		
	2020	**2019**	**Change**
Share of loss (income) of CDCP	$ 590	$ (317)	NM
Share of loss (income) of other joint ventures and associates	145	(52)	NM
Total loss (income) of joint ventures and associates	$ 735	$ (369)	NM

CDCP revenues were negatively impacted by the closure of theatres in March, resulting in a $0.9 million decrease in share of loss (income) from CDCP.

Interest expense

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

Interest expense	**First Quarter**		
	2020	**2019**	**Change**
Long-term debt interest expense	$ 7,474	$ 5,949	25.6%
Lease interest expense	11,355	11,687	-2.8%
Sub-total - cash interest expense	$ 18,829	$ 17,636	6.8%
Deferred financing fee accretion and other non-cash interest	$ 349	$ 559	-37.6%
Interest rate swap - non-cash	9,386	(558)	NM
Sub-total - non-cash interest expense	$ 9,735	$ 1	NM
Total interest expense	$ 28,564	$ 17,637	62.0%

Interest expense increased $10.9 million for the quarter compared to the prior year period. The quarterly increase was primarily due to higher cash interest due to the higher average borrowing on Cineplex's revolving facility (see Section 6.4, Credit Facilities) and the movement in the mark-to-mark valuations for the interest rate swaps. The change in fair value of the interest rate swaps has been recorded in the statement of operations as of December 31, 2019 as a result of terms of the Arrangement Agreement. The termination of the Arrangement Agreement does not change accounting treatment as the swaps require re-designation on a prospective basis to qualify for hedge accounting.

Interest income

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

Interest income	**First Quarter**		
	2020	**2019**	**Change**
Interest income	$ 72	$ 74	-2.7%

Foreign exchange

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

Foreign exchange	First Quarter		
	2020	2019	Change
Foreign exchange (gain) loss from continuing operations	$ (1,927)	$ 361	NM
Foreign exchange (gain) loss from discontinued operations	$ (208)	$ 180	NM
Total foreign exchange (gain) loss	$ (2,135)	$ 541	NM

The movement in the quarterly foreign exchange was due to a decrease in the CAD/USD foreign exchange month end rate from 1.2988 at December 31, 2019 to 1.4187 at March 31, 2020.

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		
	2020	2019	Change
Current income tax (recovery) expense	$ (233)	$ 766	NM
Deferred income tax recovery	(49,734)	(2,925)	1,600.3%
Provision for income taxes from continuing operations	$ (49,967)	$ (2,159)	2,214.4%
Provision for income taxes from discontinued operations	(1,693)	(671)	152.3%
Total provision for income taxes	$ (51,660)	$ (2,830)	1,725.4%

The decrease in the first quarter provision for income taxes was primarily due to taxable losses realized for the quarter as a result of the temporary closure of theatre, location-based entertainment and P1AG route locations as a result of COVID-19. The remaining change relate to the impact of differences in the timing of deductions for tax as compared to accounting in the current period as compared to the prior year period. A deferred taxes of $34.4 million recovery has been recognized with respect to the impairment of long-lived assets and goodwill.

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

Cineplex's combined statutory income tax rate tax rate at March 31, 2020 was 26.8% (2019 - 26.8%).

Net loss

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

Net loss	First Quarter		
	2020	2019	Change
Net loss from continuing operations	$ (174,155)	$ (5,329)	3168.1%
Net loss from discontinued operations	(4,259)	(2,031)	109.7%
Net loss	$ (178,414)	$ (7,360)	2324.1%

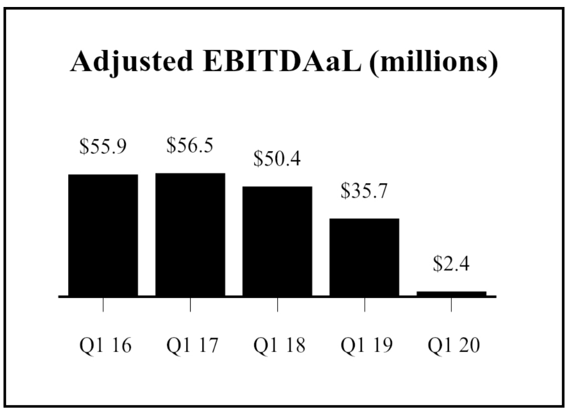
4.3 EARNINGS BEFORE INTEREST, INCOME TAXES, DEPRECIATION AND AMORTIZATION ("EBITDA") (see Section 16, Non-GAAP measures)

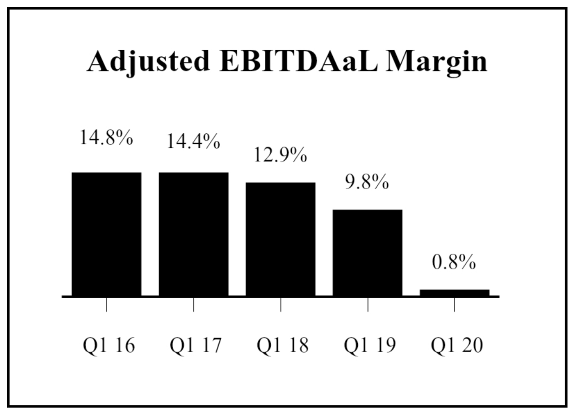
The following table presents EBITDA, adjusted EBITDA and adjusted EBITDAaL for the three months ended March 31, 2020 as compared to the prior year period (expressed in thousands of dollars, except adjusted EBITDAaL margin):

EBITDA	**First Quarter**		
	2020	**2019 Restated**	**Change**
EBITDA	$ (126,135)	$ 78,170	NM
Adjusted EBITDA	$ 46,472	$ 78,742	-41.0%
Adjusted EBITDAaL (i)	$ 2,390	$ 35,652	-93.3%
Adjusted EBITDAaL margin (i)	0.8%	9.8%	-9.0%

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

Adjusted EBITDAaL for the first quarter of 2020 decreased $33.3 million, or 93.3%, as compared to the prior year period. The decrease compared to the prior year period was primarily due to the impact of the COVID-19 government imposed restrictions and resulting closure of substantially all of Cineplex businesses in March 2020. Adjusted EBITDAaL margin, calculated as Adjusted EBITDAaL divided by total revenues, was 0.8% in the current period, a decrease of 9.0% from 9.8% in the prior year period.





5. BALANCE SHEETS

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

	March 31, 2020	December 31, 2019	Change ($)	Change (%)
Assets				
Current assets				
Cash and cash equivalents	$ 7,144	$ 26,080	$ (18,936)	-72.6%
Trade and other receivables	80,273	168,065	(87,792)	-52.2%
Income taxes receivable	5,860	9,757	(3,897)	-39.9%
Inventories	30,631	30,995	(364)	-1.2%
Prepaid expenses and other current assets	14,317	14,226	91	0.6%
Fair value of interest rate swap agreements	—	1,022	(1,022)	-100.0%
Assets held for sale - current	985	6,573	(5,588)	-85.0%
	139,210	256,718	(117,508)	-45.8%
Non-current assets				
Property, equipment and leaseholds	627,526	662,798	(35,272)	-5.3%
Right-of-use assets	1,143,062	1,232,849	(89,787)	-7.3%
Deferred income taxes	63,984	14,197	49,787	350.7%
Fair value of interest rate swap agreements	—	472	(472)	-100.0%
Interests in joint ventures	23,203	28,221	(5,018)	-17.8%
Intangible assets	89,022	88,367	655	0.7%
Goodwill	729,111	816,790	(87,679)	-10.7%
	$ 2,815,118	$ 3,100,412	$ (285,294)	-9.2%
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	$ 143,871	$ 220,188	$ (76,317)	-34.7%
Share-based compensation	2,463	25,681	(23,218)	-90.4%
Dividends payable	—	9,500	(9,500)	-100.0%
Income taxes payable	1,017	1,183	(166)	-14.0%
Deferred revenue	195,659	222,998	(27,339)	-12.3%
Lease obligations	115,032	106,352	8,680	8.2%
Fair value of interest rate swap agreements	3,335	1,874	1,461	78.0%
Liabilities related to assets held for sale	978	2,808	(1,830)	-65.2%
	462,355	590,584	(128,229)	-21.7%
Non-current liabilities				
Share-based compensation	5,595	—	5,595	NM
Long-term debt	665,000	625,000	40,000	6.4%
Fair value of interest rate swap agreements	17,228	10,837	6,391	59.0%
Lease obligations	1,231,864	1,261,243	(29,379)	-2.3%
Post-employment benefit obligations	10,469	10,678	(209)	-2.0%
Other liabilities	9,066	9,813	(747)	-7.6%
Deferred income taxes	1,411	1,263	148	11.7%
	2,402,988	2,509,418	(106,430)	-4.2%
Equity				
Equity attributable to owners of Cineplex	412,240	591,103	(178,863)	-30.3%
Non-controlling interests	(110)	(109)	(1)	0.9%
Total equity	412,130	590,994	(178,864)	-30.3%
	$ 2,815,118	$ 3,100,412	$ (285,294)	-9.2%

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

Trade and other receivables. The decrease in trade and other receivables is primarily due to the collection of receivables from the sales of gift cards, vouchers and media sales from the 2019 holiday period. December represents the highest volume month for gift card and voucher sales and is one of the strongest months for media sales during the year.

Inventories. The decrease in inventories is primarily due to lower theatre and location-based entertainment inventories as a result of the temporary shutdown of locations in mid March. The impact of the decrease in inventories at theatre and LBE locations due to the closures, was partially offset by inventories acquired in advance of the usually busy March break period at P1AG route and FEC locations.

Income taxes receivable. The decrease in income taxes receivable is the result of the reallocation of excess corporate income tax installments to offset other corporate tax liabilities. The excess corporate income tax installments resulted from installments paid by several taxable entities in Cineplex's consolidated group to various tax authorities in excess of their expected income tax liabilities in 2019.

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

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

Assets held for sale. The decrease in assets held for sale was due to the write down of intangible assets that are included in the assets held for sale to their expected net realizable value.

Property, equipment and leaseholds. The decrease in property, equipment and leaseholds is due to amortization expense ($30.1 million) and asset dispositions ($0.7 million) as well as an impairment charge ($33.9 million). This was offset by additions to new build and other capital expenditures ($22.5 million), maintenance capital expenditures ($3.0 million), foreign exchange impact ($3.8 million) and a reclass from assets held for sale to continuing operations ($0.8 million).

Right-of-use assets. The decrease in right-of-use assets is due to new tenant inducements recognized for certain locations and amortization of the right-of-use assets as well as an impairment charge ($50.6 million), partially offset by new leases entered into in the first quarter of 2020 and the impact of foreign exchange.

Deferred income tax assets. The increase in deferred income tax assets is due to higher taxable loss carry-forwards resulting from the temporary closure of locations during the quarter, in addition to the deferred tax asset recognized with respect to the impairment charges recognized ($34.4 million).

Intangible assets. The increase in intangible assets is due to internal software development and the impact of foreign exchange. This was offset by regular amortization of intangible assets.

Goodwill. The decrease in goodwill is due to the impact of foreign exchange ($0.8 million) and an impairment charge ($88.5 million).

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

Share-based compensation. The decrease in share-based compensation is due to the decrease in Share price, which fell to $11.70 per Share at March 31, 2020 decreasing the fair value of the compensation liability, and the reclassification of the liability with respect to options to equity (See Section 8, Share Activity).

Dividends Payable. The decrease in dividend payable is due to the continued suspension of dividends due to the Arrangement Agreement with Cineworld.

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

Deferred revenue. Deferred revenue decreased primarily due to the redemption of gift cards and vouchers sold during the 2019 holiday season.

Lease obligations. The decrease in lease obligations is due to payments on leases during the quarter.

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).

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, 2020 and 2019 (in thousands of dollars):

Cash flows provided by operating activities	**First Quarter**		
	2020	**2019 Restated**	**Change**
Net loss	$ (174,155)	$ (5,329)	$ (168,826)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of other assets (i)	33,962	31,633	2,329
Depreciation of right-of-use assets	35,533	36,462	(929)
Unrealized foreign exchange	(1,429)	250	(1,679)
Interest rate swap agreements - non-cash interest	9,386	(558)	9,944
Other non-cash interest (ii)	349	559	(210)
Loss on disposal of assets	817	477	340
Deferred income taxes	(49,734)	(2,925)	(46,809)
Non-cash Share-based compensation	3,944	389	3,555
Impairment of long-lived assets and goodwill	173,054	—	173,054
Net change in interests in joint ventures and associates	1,891	(1,686)	3,577
Changes in operating assets and liabilities	(10,428)	2,155	(12,583)
Net cash provided by operating activities	**$ 23,190**	**$ 61,427**	**$ (38,237)**

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

Cash generated in operating activities decreased $38.2 million in the first quarter of 2020 compared to the prior year period, primarily due to the weaker operating results for the first quarter due to the economic effects of COVID-19 and the closure of theatres and LBE locations in mid March, in addition to an increase in year-end liabilities settled as compared to the first quarter of 2019.

6.2 INVESTING ACTIVITIES

The following table highlights the movements in cash used in investing activities for the three months ended March 31, 2020 and 2019 (in thousands of dollars):

Cash flows used in investing activities		First Quarter		
		2020	2019 Restated	Change
Purchases of property, equipment and leaseholds (i)	$	(37,503) $	(32,361)	(5,142)
Intangible assets additions (i)		(3,721)	(1,496)	(2,225)
Tenant inducements		11,877	615	11,262
Net cash received from joint ventures		3,128	5,474	(2,346)
Net cash used in investing activities	**$**	**(26,219) $**	**(27,768) $**	**1,549**

(i) Prior period figures have been restated to conform to current period presentation. See Section 17, Reconciliation for further details.

Cash used in investing activities during the first quarter of 2020 decreased $1.5 million as compared to the prior year period, primarily due to an increase in tenant inducements received for construction of theatres and LBE locations, partially offset by the increased capital spending on property, equipment and leaseholds.

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

Capital expenditures		First Quarter		
		2020	2019 Restated	Change
Gross capital expenditures	$	37,503 $	32,361 $	5,142
Less: tenant inducements		(11,877)	(615)	(11,262)
Net capital expenditures	$	25,626 $	31,746 $	(6,120)
Net capital expenditures consists of:				
Growth and acquisition capital expenditures (i)	$	20,056 $	24,346 $	(4,290)
Tenant inducements		(11,877)	(615)	(11,262)
Media growth capital expenditures		58	95	(37)
Amusement and leisure growth capital expenditures (excluding LBE build expenditures)		400	407	(7)
Premium formats (ii)		1,994	2,000	(6)
Maintenance capital expenditures		2,977	4,669	(1,692)
Other (iii)		12,018	844	11,174
	$	25,626 $	31,746 $	(6,120)

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

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

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

Cineplex funds maintenance capital expenditures through internally generated cash flow and cash on hand. Cineplex's Revolving Facility (defined and discussed in Section 6.4, Credit Facilities) is available to fund 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, 2020 and 2019 (in thousands of dollars):

Cash flows used in financing activities		First Quarter		
		2020	2019	Change
Dividends paid	$	(19,000) $	(27,550) $	8,550
Borrowings under credit facilities, net		40,000	26,000	14,000
Repayments of lease obligations - principal		(33,819)	(32,484)	(1,335)
Financing fees		—	(243)	243
Net cash used in financing activities	**$**	**(12,819) $**	**(34,277) $**	**21,458**

Cash flows used in financing activities during the first quarter decreased $21.5 million, as compared to the prior year period, primarily due to increased borrowings in response mainly to the economic effects of COVID-19, as well as decreased dividend payments as a result of the suspension of dividends under the terms of the Arrangement Agreement after the dividend paid on February 28, 2020.

In response to the impact of the COVID-19 pandemic, Cineplex is closely monitoring its liquidity. Details with respect to its ongoing undertakings are detailed in Section 1.1 Response to COVID-19 and Going Concern and Section 14, Subsequent Events.

6.4 CREDIT FACILITIES

Cineplex increased and extended its bank credit facilities effective November 13, 2018 (the "Credit Facilities"). At March 31, 2020, the Credit Facilities consisted of the following (in millions of Canadian dollars):

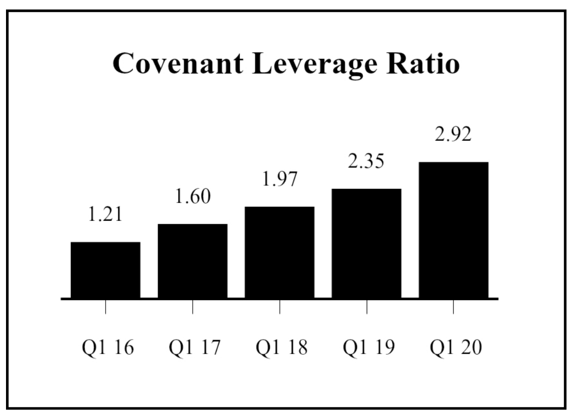
	Available	Drawn	Reserved	Remaining
(i) a five-year senior secured revolving credit facility ("Revolving Facility")	$ 650.0	$ 515.0	$ 10.3	$ 124.7
(ii) a seven-year senior secured non-revolving term facility ("Term Facility")	$ 150.0	$ 150.0	$ —	$ —
Letters of credit outstanding at March 31, 2020 of $10.3 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 which excludes the impact of the adoption of IFRS 16 on Cineplex's financial reporting. As at March 31, 2020, Cineplex's leverage ratio as calculated in accordance with the Credit Facilities definition was 2.92, 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 the lease obligations arising on the adoption of IFRS 16 or a reduction for cash on hand. For the purposes of the Credit Facilities definition, EBITDA is adjusted for certain non-cash, non-recurring items and the annualized impact of new operating locations or acquisitions.



As of March 31, 2020, Cineplex was in compliance with all financial covenants under the terms of the Credit Facilities. However, management's forecasts indicate a potential breach of its covenants within the next two quarters. Management's forecasts may change materially as the impact of COVID-19 on Cineplex's business is better understood. A violation of its covenants would represent an event of default under the terms of the Credit Facilities, enabling the lenders to demand immediate repayment of all amounts due. See Section 14, Subsequent Events for description of certain amendments to the Credit Facilities entered into after quarter end.

As of March 31, 2020, Cineplex had a cash balance of $7.1 million, with $124.7 million available under its Credit Facility. Cineplex also reported a loss from continuing operations during the quarter of $174.2 million and an accumulated deficit of $452.2 million. See Section 1.1, Response to COVID-19 and Going Concern and Section 14, Subsequent Events for a description of certain amendments to the Credit Facilities entered into after quarter end.

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, 2020:

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

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

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

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

Based on the leverage ratio covenant in effect at March 31, 2020, Cineplex's effective cost of borrowing on the $450.0 million hedged borrowings was 3.509% (March 31, 2019 - $450.0 million hedged borrowings - 3.929%).

6.5 FUTURE OBLIGATIONS

Cineplex has aggregate gross capital commitments of $99.0 million ($57.8 million net of tenant inducements) related to the completion of construction of 13 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.

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

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

Despite the closures, Cineplex remains liable for all amounts due under the terms of its leases. Management is working with Cineplex's landlords to manage payment terms during the closures while investigating other sources of financing including government funding programs.

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, 2020 is nominal. As such, no additional amounts have been provided in the consolidated financial statements for these guarantees. Should the purchasers of the theatres fail to fulfill their lease commitment obligations, Cineplex could face a substantial financial burden, which could be mitigated by Cineplex operating any theatres under default.

7. ADJUSTED FREE CASH FLOW AND DIVIDENDS (see Section 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. As a result of the Arrangement Agreement, Cineplex did not pay any further dividends after the monthly dividend that was paid on February 28, 2020. Cineplex does not expect to return to paying dividends until the negative impact of the COVID-19 crisis has been addressed and liquidity improved. Cineplex hereby currently designates all dividends paid or deemed to be paid as "eligible dividends" for purposes of subsection 89(14) of the *Income Tax Act* (Canada), and similar provincial and territorial legislation, unless indicated otherwise.

7.1 ADJUSTED FREE CASH FLOW

Prior to February 28, 2020, Cineplex distributed cash to its shareholders on a monthly basis. The following table illustrates adjusted free cash flow per Share, dividends paid per Share, and the payout ratio of dividends relative to adjusted free cash flow for the three months ended March 31, 2020 and 2019:

Adjusted free cash flow	**First Quarter**		
	2020	**2019**	**Change**
Adjusted free cash flow per Share	$ (0.003)	$ 0.474	NM
Dividends declared per Share	$ 0.150	$ 0.435	-65.5%
Payout ratio - 12 months ended March 31	68.7%	63.3%	5.4%

Adjusted free cash flow per Share for the first quarter of 2020 decreased mainly due to weaker operating results in response to the economic effects of COVID-19 and the closure of theatres and LBE locations and P1AG route locations in mid March, despite stronger operating results for January and February than in comparative period last year.

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		
	2020	**2019**	**Change**
Cash flows provided by continuing operations (i)	$ 23,190	$ 61,427	-62.2%
Net loss from continuing operations	$ (174,155)	$ (5,329)	3,168.1%
Standardized free cash flow (i)	$ (14,313)	$ 29,066	NM
Adjusted free cash flow	$ (207)	$ 30,050	NM
Cash dividends declared	$ 9,500	$ 27,550	-65.5%
Average number of Shares outstanding	63,333,238	63,333.238	—%
(i) Prior period figures have been restated to confirm to current period presentation.			

7.2 DIVIDENDS

Cineplex has not paid any dividends after the monthly dividend was that paid on February 28, 2020 and does not expect to return to paying dividends until the negative impact of the COVID-19 crisis has been addressed and liquidity improved. For the three months ended March 31, 2020 and 2019, Cineplex declared dividends totaling $0.150 per Share and $0.435 per Share, respectively.

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

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

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

8. SHARE ACTIVITY

Share capital balances at December 31, 2019 and March 31, 2020 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, 2019 and March 31, 2020	63,333,238	$ 852,379	$ 852,379

Officers and key employees are eligible to participate in the LTIP. Each annual LTIP grant is for a three-year service period beginning October 1. On December 15, 2019, the estimated vesting period was revised to March 31, 2020, resulting in the associated expense being recognized over a shorter period. With the Termination Notice delivered by Cineworld on June 12, 2020 to terminate the Arrangement Agreement, Cineplex adjusted the vesting period as originally determined in each annual LTIP grant and has recognized the associated expense over the original vesting period for the first quarter of 2020. 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.

The grants of Share equivalents were as follows:

	PSU Share equivalents granted	RSU Share equivalents granted	PSU Share equivalents minimum payout	PSU Share equivalents maximum payout
2020 LTIP award	—	—	—	—
2019 LTIP award	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. No LTIP grants have been made in 2020.

Cineplex has an incentive Share option plan for certain employees. The aggregate number of Shares that may be issued under the option plan is limited to 5.3 million Shares. All of the options must be exercised over specified periods not to exceed ten years from the date granted. As of March 31, 2020, 3.1 million Share options were outstanding under the Share option plan. Upon cashless exercise, the Share options exercised in excess of Shares issued are canceled and returned to the pool available for future grants. At March 31, 2020, 1.1 million Share options were available for grant under the plan.

A summary of option activities for the three months ended March 31, 2020 and 2019 is as follows:

	2020			2019	
	Weighted average remaining contractual life (years)	Number of underlying Shares	Weighted average exercise price	Number of underlying Shares	Weighted average exercise price
Options outstanding - January 1	6.67	3,123,521	$ 38.62	2,433,589	$ 42.84
Granted		—	—	709,092	25.05
Forfeited		(28,784)	36.77	(26,751)	42.11
Exercised		—	—	—	—
Options outstanding – end of period	6.41	3,094,737	$ 38.64	3,115,930	$ 38.79

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

No options have been granted in 2020.

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 $515.0 million drawn and $124.7 million available as of March 31, 2020. In response to the impact of the COVID-19 pandemic, Cineplex is closely monitoring its liquidity. Details with respect to its ongoing undertakings are detailed in Section 1.1 Response to COVID-19 and Going Concern.

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):

	2020	2019				2018		
	Q1	Q4	Q3	Q2 Restated	Q1 Restated	Q4 Restated	Q3 Restated	Q2 Restated
Revenues								
Box office revenues	**$ 111,002**	$ 181,789	$ 177,865	$ 189,371	$ 156,496	$ 182,352	$ 173,278	$ 187,234
Food service revenues	**79,365**	125,159	125,550	129,563	103,058	120,726	115,557	122,270
Media revenues	**32,157**	69,545	43,308	49,196	34,706	57,907	33,162	40,414
Amusement revenues	**47,337**	53,471	58,143	58,117	58,500	53,473	53,838	48,577
Other revenues	**12,940**	13,256	13,582	12,608	11,864	13,385	10,554	10,161
	282,801	443,220	418,448	438,855	364,624	427,843	386,389	408,656
Expenses								
Film cost	**56,500**	93,925	93,735	103,005	78,721	91,562	90,213	102,346
Cost of food service	**22,209**	27,701	27,439	28,247	23,436	26,138	24,257	25,020
Depreciation - right-of-use assets	**35,533**	36,471	36,456	36,557	36,462	—	—	—
Depreciation and amortization - other	**33,962**	33,135	31,712	32,403	31,633	33,680	32,483	31,149
Loss on disposal of assets	**817**	868	303	116	477	1,064	783	624
Other costs	**157,548**	214,922	190,955	192,988	183,828	226,510	217,003	211,628
Impairment of long-lived assets and goodwill	**173,054**	—	—	—	—	—	—	—
	479,623	407,022	380,600	393,316	354,557	378,954	364,739	370,767
(Loss) Income from operations	**(196,822)**	$ 36,198	$ 37,848	$ 45,539	$ 10,067	$ 48,889	$ 21,650	$ 37,889
Adjusted EBITDA (i)	**46,472**	$ 106,529	$ 106,132	$ 114,383	$ 78,742	$ 83,351	$ 54,971	$ 69,587
Adjusted EBITDAaL (i) (ii)	**2,390**	$ 62,327	$ 62,312	$ 70,255	$ 35,652	$ 80,039	$ 51,398	$ 65,484
Net (loss) income from continuing operations	**$ (174,155)**	$ 4,668	$ 15,100	$ 22,077	$ (5,329)	$ 29,262	$ 12,342	$ 26,630
Net loss from discontinued operations	**(4,259)**	(1,196)	(1,718)	(2,680)	(2,031)	(2,108)	(2,133)	(2,263)
Net (loss) income	**$ (178,414)**	$ 3,472	$ 13,382	$ 19,397	$ (7,360)	$ 27,154	$ 10,209	$ 24,367
EPS - basic and diluted from continuing operations	**$ (2.75)**	$ 0.08	$ 0.24	$ 0.35	$ (0.09)	$ 0.46	$ 0.19	$ 0.42
EPS - basic and diluted from discontinued operations	**(0.07)**	(0.02)	(0.03)	(0.04)	(0.03)	(0.03)	(0.03)	(0.04)
EPS - basic and diluted	**$ (2.82)**	$ 0.06	$ 0.21	$ 0.31	$ (0.12)	$ 0.43	$ 0.16	$ 0.38
Cash provided by operating activities (ii)	**23,190**	$ 124,133	77,760	58,346	61,426	$ 82,928	39,147	30,387
Cash used in investing activities (ii)	**(26,219)**	(46,443)	(25,791)	(24,851)	(27,768)	(22,462)	(30,128)	(22,101)
Cash used in financing activities	**(12,819)**	(84,850)	(52,336)	(24,447)	(34,277)	(66,646)	(9,412)	(12,695)
Effect of exchange rate differences on cash	**(950)**	345	(158)	235	61	137	(204)	647
Net change in cash	**$ (16,798)**	$ (6,815)	$ (525)	$ 9,283	$ (558)	$ (6,043)	$ (597)	$ (3,762)
Cash flows (used in) provided by discontinued operations	**$ (2,138)**	$ 2,821	$ (1,441)	$ (1,120)	$ (807)	$ (1,277)	$ (965)	$ (1,652)
BPP (i)	**$ 10.36**	$ 10.79	$ 10.16	$ 11.13	$ 10.44	$ 10.73	$ 10.07	$ 10.82
CPP (i)	**$ 6.79**	$ 6.81	$ 6.68	$ 7.04	$ 6.35	$ 6.53	$ 6.25	$ 6.59
Film cost percentage (i)	**50.9%**	51.7%	52.7%	54.4%	50.3%	50.2%	52.1%	54.7%
Theatre attendance (in thousands of patrons) (i)	**10,710**	16,849	17,512	17,011	14,988	16,992	17,208	17,307
Theatre locations (at period end)	**164**	165	165	165	165	164	165	164
Theatre screens (at period end)	**1,687**	1,693	1,695	1,695	1,692	1,686	1,696	1,683

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

(ii) Prior period figures have been revised to conform to current period presentation. See Section 17, Reconciliation for further details.

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):

	2020	2019				2018		
	Q1	Q4	Q3	Q2 Restated	Q1 Restated	Q4 Restated	Q3 Restated	Q2 Restated
Cash provided by operating activities (i)	**$ 23,190**	$ 124,133	$ 77,760	$ 58,346	$ 61,426	$ 82,928	$ 39,147	$ 30,387
Less: Total capital expenditures net of proceeds on sale of assets	**(37,503)**	(51,448)	(34,905)	(27,653)	(32,361)	(24,433)	(30,538)	(27,877)
Standardized free cash flow	**(14,313)**	72,685	42,855	30,693	29,065	58,495	8,609	2,510
Add/(Less):								
Changes in operating assets and liabilities	**10,428**	(40,670)	3,666	30,432	(2,155)	(15,531)	239	20,622
Changes in operating assets and liabilities of joint ventures	**(1,156)**	(131)	(411)	(240)	1,317	(1,518)	1,012	(411)
Principal component of lease obligations	**(33,819)**	(32,352)	(31,836)	(31,580)	(32,484)	(878)	(863)	(847)
Principal portion of cash rent paid not pertaining to current period	**1,071**	(346)	(345)	(346)	1,037	—	—	—
Growth capital expenditures and other	**34,526**	37,202	30,580	19,190	27,693	19,872	26,105	22,923
Share of income of joint ventures, net of non-cash depreciation	**(73)**	(147)	(189)	(238)	92	(306)	2	(75)
Non-controlling interests	**1**	4	2	7	11	25	53	—
Net cash received from CDCP	**3,128**	2,882	3,910	3,128	5,474	684	2,606	292
Adjusted free cash flow	**$ (207)**	$ 39,127	$ 48,232	$ 51,046	$ 30,050	$ 60,843	$ 37,763	$ 45,014
Average number of Shares outstanding	**63,333,238**	63,333,238	63,333,238	63,333,238	63,333,238	63,333,137	63,332,946	63,332,067
Adjusted free cash flow per Share	**$ (0.003)**	$ 0.618	$ 0.762	$ 0.806	$ 0.474	$ 0.961	$ 0.596	$ 0.711

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

10. RELATED PARTY TRANSACTIONS

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

The Chief Executive Officer of RioCan Real Estate Investment Trust ("RioCan") served as a member of the Board until May 5, 2020. During the three months ended March 31, 2020, Cineplex incurred theatre occupancy expenditures for theatres under lease commitments with RioCan in the amount of $10.1 million (2019 - $10.9 million).

11. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTIES

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

12. RISKS AND UNCERTAINTIES

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

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

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

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

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

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

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

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

- increased risks related to employee matters, including increased employment litigation and claims relating to terminations or leaves of absence caused by the suspension of operations;
- reductions and delays associated with planned operating and capital expenditures;
- Cineplex's inability to generate significant cash flow from operations if Cineplex's theatres continue to operate at significantly lower than historical levels, which could, in the long-term, lead to a substantial increase in indebtedness and may negatively impact Cineplex's ability to comply with the financial covenants in the 2018 Credit Facilities;
- Cineplex's inability to access lending, capital markets and other sources of liquidity, if needed, on reasonable terms, or at all, or obtain amendments, extensions and waivers of financial maintenance or other material terms;
- Cineplex's inability to effectively meet short-term and long-term obligations which it does not have the ability to eliminate or reduce (including interest payments, taxes, critical maintenance capital expenditures and compensation and benefits payments); and
- Cineplex's inability to service its existing and future indebtedness.

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

While Cineplex has eliminated certain variable costs and reduce fixed costs to the extent possible, Cineplex continues to incur significant expenses, including interest payments, taxes, critical maintenance capital expenditures, and compensation and benefits payments. Cineplex cannot be certain that it will have access to sufficient liquidity to meet its obligations for the time required to allow its operations to resume or normalize. Further, Cineplex may not be able to obtain additional liquidity and any relief provided by lenders, governmental agencies, and business partners may not be adequate or may include onerous terms.

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

Litigation Arising Out of the Cineworld Transaction

Cineplex expects to be involved in litigation with Cineworld as a result of Cineworld's termination of the Arrangement Agreement. While Cineplex vigorously denies Cineworld's allegations and believes that Cineworld (a) had no legal basis to terminate the Arrangement Agreement, and (b) breached the Arrangement Agreement and its other contractual obligations, the outcome of such litigation cannot be predicted with certainty. Cineplex will incur additional expenses in connection with this litigation, and there can be no assurance that it will be successful in obtaining any financial remedy, and Cineworld may seek damages from Cineplex. As well, the litigation process could take away from management's time and effort which could be spent on running Cineplex's business and there can be no assurance that the proceedings, and associated costs, will not have a material adverse impact on Cineplex's financial performance, cash flow and results of operations.

General Economic Conditions

Entertainment companies compete for guests' entertainment time and spending, and as such can be sensitive to global, national or regional economic conditions and any changes in the economy may either adversely influence these revenues in times of an economic downturn or positively influence these revenue streams should economic conditions improve. Historical data shows that movie theatre attendance has not been negatively affected by economic downturns over the past 25 years. However, COVID-19 has significantly increased economic uncertainty, which could lead to a long lasting recession in Canada, which will further adversely affect Cineplex's business, and such adverse effects may be material.

Cineplex has never previously experienced a complete halt of its operations across Canada, and as a result, its ability to predict the impact of such a halt on its operations and future prospects is uncertain.

Business Continuity Risk

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

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

Customer Risk

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

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

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

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

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

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

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

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

Film Entertainment and Content Risk

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

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

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

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

Exhibition Industry Risk

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

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

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

Media Risk

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

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

Amusement and Leisure Risk

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

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

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

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

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

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

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

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

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

Technology Risk

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

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

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

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

Information Management Risk

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

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

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

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

Real Estate Risk

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

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

Sourcing Risk

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

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

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

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

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

Human Resources Risk

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

Cineplex employs approximately 13,000 people, of whom approximately 82% are hourly workers whose compensation is based on the prevailing provincial minimum wages with incremental adjustments as required to match market conditions. Any increase in these minimum wages will increase employee related costs. Any increase in minimum wages will impact employee-related costs. In order to mitigate the impact of the proposed increases, Cineplex works to expand automation, take advantage of technological efficiencies and continually reviews pricing.

Approximately 6% of Cineplex's employees are represented by unions, located primarily in the province of Quebec. Because of the small percentage of employees represented by unions, the impact of labour disruption nationally is low.

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

Health and Safety Risk

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

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

Environment/Sustainability Risk

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

Integration Risk

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

Financial and Markets Risk

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

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

Foreign Currency Risk

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

Interest Rate Risk

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

Legal, Regulatory, Taxation and Accounting Risk

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

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

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

13. CONTROLS AND PROCEDURES

13.1 DISCLOSURE CONTROLS AND PROCEDURES

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

13.2 INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

14. SUBSEQUENT EVENTS

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

On June 12, 2020, Cineworld delivered the Termination Notice to Cineplex purporting to terminate the Arrangement Agreement (See Section 1.1, Cineworld Transaction).

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

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

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

On June 29, 2020, Cineplex completed the sale of WGN, pursuant to a share purchase agreement for nominal proceeds.

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 12, Risks and uncertainties.

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

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

FILM ENTERTAINMENT AND CONTENT

Theatre Exhibition

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.

Theatrical exhibition has seen new movie releases originally planned throughout 2020 delayed to the second half of 2020 and into 2021. The ripple effect of these rescheduled releases, which continue to be updated, will, in combination of the impact of the restrictions on theatre re-opening plans, determine the results for the remainder of the year for this business.

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.

Theatre Food Service

Cineplex reported a first quarter record 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. Cineplex also continues to expand home delivery services of concessions in partnership with Uber Eats and Skip The Dishes. 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 transactional TVoD 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 experience, Cineplex will continue to offer promotions to grow Cineplex Store revenues including tie-ins with the SCENE loyalty program, Uber Eats and Skip the Dishes 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 Interactive Media Zones 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 and LBE. However, Cinema media revenues are closely tied to the exhibition business and as a result of theatre closures and the delay of content, media campaigns have shifted in timing and in some cases to other formats and venues.

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. However, as a result of the economic impact of COVID-19 pandemic, there may be a delay in expansion by current and to new customers. 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, the United States and internationally.

AMUSEMENT AND LEISURE

Amusement Solutions

P1AG supplies and services all of the games in Cineplex's theatre circuit and LBE 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 expand its operations throughout both Canada and the United States. It is expected that the ramp of operations for P1AG will be impacted across all locations in varying ways as a result of COVID-19 pandemic.

Recently enacted legislation in Quebec, allowing for redemption gaming in the province for the first time, will increase business opportunities for P1AG in the province. In addition, the law will allow for expanded gaming choices at Cineplex's recently announced plans to open Quebec's first *The Rec Room* location in Montreal, Quebec in 2022.

Location Based Entertainment

Cineplex's LBE 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 high definition screens 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.

Subsequent to the first location of *The Rec Room* opening in Edmonton, Alberta in 2016, Cineplex opened three locations in Toronto, Ontario, Edmonton and Calgary, Alberta in 2017, one location in London, Ontario in 2018 and two locations in Mississauga, Ontario, St. John's, Newfoundland in 2019 and in Winning, Manitoba in 2020. Cineplex will open two locations in Burnaby, British Columbia and Barrie, Ontario in 2020, one location in Vancouver, British Columbia in 2021 as well as one location in Montreal, Quebec in 2022.

Cineplex has relaunched the *Playdium* brand concept targeting families and teens, rolling them out in mid-sized communities across Canada. The first location opened in Brampton, Ontario in the third quarter of 2019 with the second location in Whitby, Ontario which opened in the fourth quarter of 2019 and locations in Dartmouth, Nova Scotia and Brossard, Quebec expected to open in 2020.

LOYALTY

The SCENE loyalty program continues to grow its membership base, with approximately 10.4 million members at March 31, 2020. 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.

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

FINANCIAL OUTLOOK

As of March 31, 2020, Cineplex was in compliance with all financial covenants under the terms of the Credit Facilities. However, management's forecasts indicate a potential breach of its covenants within the next two quarters. Management's forecasts may change materially as the impact of COVID-19 on Cineplex's business is better understood. A violation of its covenants would represent an event of default under the terms of the Credit Facilities, enabling the lenders to demand immediate repayment of all amounts due. See Section 1.1, Response to COVID-19 and Going Concern and Section 14, Subsequent Events, for a description of certain amendments to the Credit Facilities entered into after quarter end.

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, impairment of long-lived assets and goodwill, the equity loss (income) of CDCP, the non-controlling interests' share of adjusted EBITDA of TG-CPX Limited Partnership, and depreciation, amortization, interest and taxes of Cineplex's other joint ventures and associates. Adjusted EBITDAaL modifies adjusted EBITDA to deduct current period cash rent related to lease obligations.

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

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

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

	Three months ended March 31,	
	2020	2019 Restated
Net loss from continuing operations	**$ (174,155)**	**$ (5,329)**
Depreciation and amortization - other	33,962	31,633
Depreciation - right-of-use assets	35,533	36,462
Interest expense - lease obligations	11,678	12,220
Interest expense - other	16,886	5,417
Interest income	(72)	(74)
Current income tax (recovery) expense	(233)	766
Deferred income tax recovery	(49,734)	(2,925)
EBITDA from continuing operations	**$ (126,135)**	**$ 78,170**
Loss on disposal of assets	817	477
CDCP equity loss (income) (i)	590	(317)
Foreign exchange (gain) loss	(1,927)	361
Impairment of long-lived assets and goodwill	173,054	—
Non-controlling interest adjusted EBITDA	1	11
Depreciation and amortization - joint ventures and associates (ii)	24	29
Taxes and interest of joint ventures and associates (ii)	48	11
Adjusted EBITDA from continuing operations	**$ 46,472**	**$ 78,742**
Cash rent related to lease obligations (iii)	(45,174)	(44,150)
Cash rent paid not pertaining to current period	1,092	1,060
Adjusted EBITDAaL (iv)	**$ 2,390**	**$ 35,652**

(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) See Section 16, Non-GAAP measures.

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.

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,	
	2020	2019 Restated
Cash provided by operating activities	**23,190**	**61,427**
Less: Total capital expenditures net of proceeds on sale of assets	(37,503)	(32,361)
Standardized free cash flow	(14,313)	29,066
Add/(Less):		
Changes in operating assets and liabilities (i)	10,428	(2,155)
Changes in operating assets and liabilities of joint ventures and associates (i)	(1,156)	1,317
Principal component of lease obligations	(33,819)	(32,484)
Principal portion of cash rent paid not pertaining to current period	1,071	1,037
Growth capital expenditures and other (ii)	34,526	27,692
Share of income of joint ventures and associates, net of non-cash depreciation	(73)	92
Non-controlling interests	1	11
Net cash received from CDCP (iii)	3,128	5,474
Adjusted free cash flow	**$ (207)**	**$ 30,050**
Average number of Shares outstanding	63,333,238	63,333,238
Adjusted free cash flow per Share	**$ (0.003)**	**$ 0.474**
Dividends declared	**$ 0.150**	**$ 0.435**

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

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

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

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

	Three months ended March 31,	
	2020	2019 Restated
Net loss	**$ (174,155)**	**$ (5,329)**
Adjust for:		
Depreciation and amortization - other	33,962	31,633
Depreciation - right-of-use assets	35,533	36,462
Loss on disposal of assets	817	477
Non-cash interest (i)	9,735	1
Foreign exchange on non-cash interest	(1,429)	250
Impairment of long-lived assets and goodwill	173,054	—
Share of income of CDCP (ii)	590	(317)
Non-controlling interests	1	11
Non-cash depreciation of joint ventures and associates	24	29
Deferred income tax recovery	(49,734)	(2,925)
Taxes and interest of joint ventures and associates	48	11
Maintenance capital expenditures	(2,977)	(4,669)
Principal component of finance lease obligations	(33,819)	(32,484)
Principal portion of cash rent paid not pertaining to current period	1,071	1,037
Net cash received from CDCP (ii)	3,128	5,474
Non-cash items:		
Non-cash Share-based compensation	3,944	389
Adjusted free cash flow	**$ (207)**	**$ 30,050**

(i) Non-cash interest includes non-cash swap interest expense, non-cash interest expense on lease obligations 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, ScreenX and IMAX product; divided by total paid theatre attendance for the period, less paid theatre attendance for 3D, 4DX, UltraAVX, VIP, ScreenX and IMAX product.

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

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

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

Same Theatre Analysis

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

Same theatre metrics are calculated by removing the results for all theatres that have been opened, acquired, closed or otherwise disposed of subsequent to the start of the prior year comparative period. For the three months ended March 31, 2020 the impact of the two locations that have been opened or acquired and two locations that have been closed or otherwise disposed of have been excluded, resulting in 163 theatres being included in the same theatre metrics.

Cost of sales percentages

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

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

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

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

P1AG Adjusted EBITDAaL

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

P1AG Adjusted EBITDAaL Margin

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

Adjusted Store Level EBITDAaL Metrics

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

Adjusted Store Level EBITDAaL Margin

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

17. RECONCILIATION

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

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

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

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

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

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

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

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

The following table shows the calculation of adjusted EBITDAaL from adjusted EBITDA as previously disclosed for the first and second quarter in 2019.

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

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

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

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

Cineplex Inc.
Interim Condensed Consolidated Balance Sheets
(Unaudited)

(expressed in thousands of Canadian dollars)

	March 31, 2020	December 31, 2019
Assets		
Current assets		
Cash and cash equivalents	$ 7,144	$ 26,080
Trade and other receivables	80,273	168,065
Income taxes receivable	5,860	9,757
Inventories	30,631	30,995
Prepaid expenses and other current assets	14,317	14,226
Fair value of interest rate swap agreements	—	1,022
Assets held for sale (note 4)	985	6,573
	139,210	256,718
Non-current assets		
Property, equipment and leaseholds (note 3 and 5)	627,526	662,798
Right-of-use assets (note 3 and 6)	1,143,062	1,232,849
Deferred income taxes (note 7)	63,984	14,197
Fair value of interest rate swap agreements	—	472
Interests in joint ventures and associates	23,203	28,221
Intangible assets	89,022	88,367
Goodwill (note 3)	729,111	816,790
	$ 2,815,118	$ 3,100,412

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

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

(expressed in thousands of Canadian dollars)

	March 31, 2020	December 31, 2019
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 143,871	$ 220,188
Share-based compensation (note 8)	2,463	25,681
Dividends payable	—	9,500
Income taxes payable	1,017	1,183
Deferred revenue (note 9)	195,659	222,998
Lease obligations (note 10)	115,032	106,352
Fair value of interest rate swap agreements	3,335	1,874
Liabilities related to assets held for sale (note 4)	978	2,808
	462,355	590,584
Non-current liabilities		
Share-based compensation (note 8)	5,595	—
Long-term debt	665,000	625,000
Fair value of interest rate swap agreements	17,228	10,837
Lease obligations (note 10)	1,231,864	1,261,243
Post-employment benefit obligations	10,469	10,678
Other liabilities	9,066	9,813
Deferred income taxes (note 7)	1,411	1,263
	1,940,633	1,918,834
Total liabilities	2,402,988	2,509,418
Equity		
Share capital (note 11)	852,379	852,379
Deficit	(452,223)	(264,310)
Hedging reserves and other	(131)	(131)
Contributed surplus	7,996	4,052
Cumulative translation adjustment	4,219	(887)
Total equity attributable to owners of Cineplex	412,240	591,103
Non-controlling interests	(110)	(109)
Total equity	412,130	590,994
	$ 2,815,118	$ 3,100,412

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, 2020 and 2019
(Unaudited)

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

		2020		2019 Restated (note 4)
Revenues (note 9)				
Box office	$	111,002	$	156,496
Food service		79,365		103,058
Media		32,157		34,706
Amusement		47,337		58,500
Other		12,940		11,864
		282,801		364,624
Expenses				
Film cost		56,500		78,721
Cost of food service		22,209		23,436
Depreciation - right-of-use assets		35,533		36,462
Depreciation and amortization - other assets		33,962		31,633
Loss on disposal of assets		817		477
Other costs (note 12)		157,548		183,828
Share of loss (income) of joint ventures and associates		735		(369)
Interest expense - lease obligations		11,678		12,220
Interest expense - other		16,886		5,417
Interest income		(72)		(74)
Foreign exchange		(1,927)		361
Impairment of long-lived assets and goodwill (note 3)		173,054		—
		506,923		372,112
Loss from continuing operations before income taxes		(224,122)		(7,488)
Provision for income taxes				
Current		(233)		766
Deferred		(49,734)		(2,925)
		(49,967)		(2,159)
Net loss from continuing operations	$	(174,155)	$	(5,329)
Net loss from discontinued operations, net of taxes (note 4)		(4,259)		(2,031)
Net loss	$	(178,414)	$	(7,360)
Net loss from continuing operations attributable to:				
Owners of Cineplex	$	(174,154)	$	(5,319)
Non-controlling interests		(1)		(10)
Net loss from continuing operations	$	(174,155)	$	(5,329)
Net loss attributable to:				
Owners of Cineplex	$	(178,413)	$	(7,350)
Non-controlling interests		(1)		(10)
Net loss	$	(178,414)	$	(7,360)
Net loss per share attributable to owners of Cineplex - basic and diluted:				
Continuing operations (note 13)	$	(2.75)	$	(0.09)
Discontinued operations (note 4 and 13)		(0.07)		(0.03)
Total operations	$	(2.82)	$	(0.12)

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Comprehensive Loss
For the three months ended March 31, 2020 and 2019
(Unaudited)

(expressed in thousands of Canadian dollars)

	2020	2019 Restated (note 4)
Net loss from continuing operations	$ (174,155)	$ (5,329)
Other comprehensive income (loss) from continuing operations		
Items that will be reclassified subsequently to net income:		
Loss on hedging instruments	—	(7,794)
Associated deferred income taxes recovery	—	2,093
Foreign currency translation adjustment	5,644	(1,557)
Other comprehensive income (loss)	5,644	(7,258)
Comprehensive loss from continuing operations	(168,511)	(12,587)
Net loss from discontinued operations, net of taxes (note 4)	(4,259)	(2,031)
Foreign currency translation adjustment from discontinued operations	(538)	43
Comprehensive loss	$ (173,308)	$ (14,575)
Comprehensive loss from continuing operations attributable to:		
Owners of Cineplex	$ (168,510)	$ (12,577)
Non-controlling interests	(1)	(10)
	$ (168,511)	$ (12,587)
Comprehensive loss attributable to:		
Owners of Cineplex	$ (173,307)	$ (14,565)
Non-controlling interests	(1)	(10)
	$ (173,308)	$ (14,575)

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, 2020 and 2019
(Unaudited)

(expressed in thousands of Canadian dollars)

	Share capital	Contributed surplus	Hedging reserves and other	Cumulative translation adjustment	Deficit	Non-controlling interests	Total
January 1, 2020	$ 852,379	$ 4,052	$ (131)	$ (887)	$ (264,310)	$ (109)	$ 590,994
Net loss	—	—	—	—	(178,413)	(1)	(178,414)
Other comprehensive income (page 4)	—	—	—	5,106	—	—	5,106
Total comprehensive loss	**—**	**—**	**—**	**5,106**	**(178,413)**	**(1)**	**(173,308)**
Dividends declared	—	—	—	—	(9,500)	—	(9,500)
Conversion to equity-settled option plan	—	3,944	—	—	—	—	3,944
March 31, 2020	$ 852,379	$ 7,996	$ (131)	$ 4,219	$ (452,223)	$ (110)	$ 412,130
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 recognized on formation	—	—	—	—	—	33	33
March 31, 2019	$ 852,379	$ 8,204	$ (9,379)	$ 787	$ (214,621)	$ (62)	$ 637,308

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Cash Flows
For the three months ended March 31, 2020 and 2019
(Unaudited)

(expressed in thousands of Canadian dollars)

	2020	2019 Restated (note 4)
Cash provided by (used in)		
Operating activities		
Net loss from continuing operations	$ (174,155)	$ (5,329)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization of property, equipment and leaseholds, and intangible assets	33,962	31,633
Depreciation of right-of-use assets	35,533	36,462
Unrealized foreign exchange	(1,429)	250
Interest rate swap agreements - non-cash interest	9,386	(558)
Other non-cash interest	349	559
Loss on disposal of assets	817	477
Deferred income taxes	(49,734)	(2,925)
Non-cash share-based compensation	3,944	389
Impairment of long-lived assets and goodwill (note 3)	173,054	—
Net change in interests in joint ventures and associates	1,891	(1,686)
Changes in operating assets and liabilities (note 14)	(10,428)	2,155
Net cash provided by operating activities	23,190	61,427
Investing activities		
Purchases of property, equipment and leaseholds	(37,503)	(32,361)
Intangible assets additions	(3,721)	(1,496)
Tenant inducements	11,877	615
Net cash received from CDCP	3,128	5,474
Net cash used in investing activities	(26,219)	(27,768)
Financing activities		
Dividends paid	(19,000)	(27,550)
Borrowings under credit facilities, net	40,000	26,000
Repayments of lease obligations - principal	(33,819)	(32,484)
Financing fees	—	(243)
Net cash used in financing activities	(12,819)	(34,277)
Effect of exchange rate differences on cash	(950)	60
Decrease in cash and cash equivalents from continuing operations	(16,798)	(558)
Cash flows used in discontinued operations (note 4)	(2,138)	(807)
Cash and cash equivalents - Beginning of period	26,080	25,242
Cash and cash equivalents - End of period	$ 7,144	$ 23,877
Supplemental information		
Cash paid for interest - lease obligation	$ 11,355	$ 11,687
Cash paid for interest - other	$ 5,479	$ 5,895
Cash paid for income taxes, net	$ 1,482	$ 17,861

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

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

1. General information

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

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

On June 12, 2020, Cineworld delivered a notice (the "Termination Notice") to Cineplex purporting to terminate the Arrangement Agreement (See note 17 for Subsequent Events).

The Board of Directors approved these consolidated financial statements on June 29, 2020.

2. COVID-19 Business Impacts and Risks and Going Concern

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

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

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

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

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

- working with major suppliers and other business partners to modify the timing and quantum of certain contractual payments;
- reviewing and applying for government subsidy programs where available, including the Canada Emergency Wage Subsidy;
- continuing the suspension of dividends; and
- focusing on revenue driving opportunities including the expansion of Cineplex Store offerings and expansion of food home delivery from theatres and LBE venues.

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

As of March 31, 2020, Cineplex was in compliance with all financial covenants under the terms of the five-year senior secured revolving credit facility ("Credit Facilities"). However, management's forecasts indicate a potential breach of its covenants within the next two quarters. Management's forecasts may change materially as the impact of COVID-19 on Cineplex's business is better understood. A violation of its covenants would represent an event of default under the terms of the Credit Facilities, enabling the lenders to demand immediate repayment of all amounts due. See note 17, Subsequent Events, for a description of certain amendments to the Credit Facilities entered into after quarter end.

As of March 31, 2020, Cineplex had a cash balance of $7,144, with $124,716 available under its Credit Facilities. Cineplex also reported a loss from continuing operations during the quarter of $174,155 and an accumulated deficit of $452,223. Cineplex has entered into an amendment of the credit agreement governing the Credit Facilities obtained to obtain certain financial covenant relief from the syndicate of lenders to its Credit Facilities (See note 17, Subsequent Events). However, as the terms of the relief from these covenants are conditional on a mandatory permanent repayment of the Credit Facilities from the proceeds of a minimum $250,000 new financing by no later than August 31, 2020, there can be no assurance that the extension of the covenant relief will be extended past August 31, 2020. Cineplex is investigating additional sources of financing including potential asset sales, however as of the date of the unaudited interim condensed consolidated financial statements, no financing had been concluded, and there can be no assurance that such financing initiatives will be successful.

Cineplex has prepared its unaudited interim condensed consolidated financial statements on a going concern basis, which presumes it will continue its operations for the foreseeable future, and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business as they become due. While Cineplex currently has sufficient liquidity to satisfy its immediate financial obligations, there can be no assurance that the steps that management is taking will provide sufficient liquidity in the near term to meet its ongoing obligations, nor can it be assured that it will be able to obtain additional financing at favorable terms, or at all. These material uncertainties lend significant doubt about the Company's ability to continue as a going concern and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The unaudited interim condensed consolidated financial statements do not reflect adjustments and classifications of assets, liabilities, revenues and expenses which would be necessary if Cineplex were unable to continue as a going concern. Such adjustments could be material.

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

3. Impairment of long-lived assets and goodwill

Cineplex generally performs its annual test for impairment of goodwill and indefinite-lived intangible assets in the fourth quarter, in accordance with the policy described in its annual Consolidated Financial Statements. Assessment of impairment for long-lived assets, including property, equipment, leaseholds, right-of-use assets, intangible assets and goodwill is performed more frequently as specific events or circumstances dictate and changes in circumstances indicate that the carrying amount of the asset group may not be fully recoverable. In early 2020, in response to the outbreak of COVID-19 pandemic declared by WHO, the government of Canada announced mandated closure of school. public facilities and non-essential businesses. Consequently, effective March 16, 2020 Cineplex temporarily closed all of its theatres and location-based entertainment venues across Canada, resulting in material decreases in revenues, results of operations and cash flows. The COVID-19 pandemic and its adverse impacts on businesses is an indicator to trigger impairment testing for both long-lived assets and goodwill as of March 31, 2020.

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

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

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

Impairment of long-lived assets and goodwill for the periods ended March 31, 2020 and 2019 were as follows:

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

For goodwill, Cineplex concluded there were non-cash impairment losses in the exhibition business within the Film Entertainment and Content segment. Four CGU’s, defined in this segment as theatre districts, recognized impairment losses totaling $88,495. For one group of CGUs in the Film Entertainment and Content segment, if the discount rates were to increase by 0.2%, assuming a constant cash flow margin, the carrying amount of the group of CGUs would

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

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

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

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

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

4. Assets held for sale and discontinued operations

During the quarter ended September 30, 2019, Cineplex initiated a review process of WGN's online esports business, engaging a third party adviser to identify a strategic equity partner. Subsequent to March 31, 2020, Cineplex sold its interest in WGN (See note 17, Subsequent Events).

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

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

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

	March 31, 2020	December 31, 2019
Trade and other receivables	$ 475	$ 607
Prepaid expenses and other current assets	10	11
Property, equipment and leaseholds	—	724
Intangible assets	500	5,231
Assets held for sale	$ 985	$ 6,573
Accounts payable and accrued liabilities	$ 972	$ 1,254
Deferred revenue	80	316
Deferred income taxes	(74)	1,238
Liabilities related to assets held for sale	$ 978	$ 2,808
Net assets held for sale	$ 7	$ 3,765

The following table discloses revenues and expenses for the three months ended March 31:

	2020	2019
Revenues		
Media revenues	$ 382	$ 307
Other revenues	199	7
	581	314
Expenses		
Depreciation and amortization - other assets	—	1,222
Other costs	1,606	1,614
Impairment of intangible assets	5,135	—
Foreign exchange	(208)	180
	6,533	3,016
Loss before income taxes	(5,952)	(2,702)
Recovery of income taxes		
Current	(381)	(358)
Deferred	(1,312)	(313)
	(1,693)	(671)
Net loss from discontinued operations	$ (4,259)	$ (2,031)
Foreign currency translation adjustment from discontinued operations	(538)	43
Other comprehensive loss from discontinued operations	$ (4,797)	$ (1,988)

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

	2020	2019
Net cash used in operating activities	$ (1,296)	$ (847)
Net cash used in investing activities	(244)	(117)
Effect of exchange rate differences on cash	(598)	157
Net cash used in discontinued operations	$ (2,138)	$ (807)

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

5. Property, equipment and leaseholds

Property, equipment and leaseholds consist of:

		Total
At January 1, 2020		
Cost	$	1,730,233
Accumulated depreciation		(1,067,435)
Net book value	$	662,798
Three months ended March 31, 2020		
Opening net book value	$	662,798
Additions, net of transfers		25,485
Reclassification from assets held for sale		718
Disposals		(671)
Foreign exchange rate changes		3,834
Depreciation for the period - continuing operations		(30,689)
Impairment for the period - continuing operations (note 3)		(33,949)
Closing net book value	$	627,526
At March 31, 2020		
Cost	$	1,762,262
Accumulated depreciation		(1,134,736)
Net book value	$	627,526

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

6. Right-of-use assets

The following table presents right-of-use assets for Cineplex for the three months ended March 31, 2020 and 2019:

Right-of-use assets consist of:

	Property	Equipment	Total
At March 31, 2020			
Cost	$ 1,354,891	$ 19,856	$ 1,374,747
Accumulated depreciation	(174,734)	(6,341)	(181,075)
Net book value	$ 1,180,157	$ 13,515	$ 1,193,672
Three months ended March 31, 2020			
Balance - December 31, 2019	$ 1,218,054	$ 14,795	$ 1,232,849
Additions, net of modifications	(4,700)	(4)	(4,704)
Foreign exchange rate changes	1,053	7	1,060
Depreciation for the period	(34,250)	(1,283)	(35,533)
Impairment (note 3)	(50,610)	—	(50,610)
Closing net book value	$ 1,129,547	$ 13,515	$ 1,143,062

	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	$ 1,289,630	$ 18,199	$ 1,307,829
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	$ 1,289,630	$ 18,199	$ 1,307,829

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

7. Deferred income taxes

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

	2020	2019
Deferred income tax assets		
Property, equipment and leaseholds and deferred tenant inducements - difference between net carrying value and undepreciated capital cost	$ 31,028	$ 10,534
Accounting provisions not currently deductible	47,742	46,316
Deferred revenue	935	958
Interest rate swap agreements	5,385	2,882
Income tax credits available	408	381
Operating losses available for carry-forward	30,148	17,022
Total gross deferred income tax assets	115,646	78,093
Future deferred tax liabilities		
Intangible assets	(10,935)	(11,871)
Goodwill	(43,325)	(54,146)
Other	1,187	858
Total gross deferred income tax liabilities	(53,073)	(65,159)
Net deferred income tax asset	$ 62,573	$ 12,934

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

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

8. Share-based compensation

Option plan

Cineplex recorded $(2,354) in employee benefits recovery with respect to share options during the three months ended March 31, 2020 (2019 - $389 expense).

Upon cashless exercises, the options exercised in excess of shares issued are canceled and returned to the pool available for future grants. At March 31, 2020, 1,092,198 options are available for grant.

Until December 15, 2019, the options could only be equity-settled, and were accounted for as equity, not liabilities. Upon cashless exercises, the options exercised in excess of shares issued were cancelled and returned to the pool available for future grants. The expense amount for options was determined at the time of their issuance, recognized

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

over the vesting period of the options. Effective December 15, 2019, as a result of the terms of the Arrangement Agreement, the options were considered cash-settled, and the fair value of the options outstanding in excess of their respective exercise price was recognized as a current share-based compensation liability, and changes in value were reflected in the statement of operations. With the Termination Notice delivered by Cineworld on June 12, 2020 to terminate the Arrangement Agreement, the options have been revalued and accounted for as equity-settled, with expected lives of the lesser of four years and their contractual lives. The value of vested options at March 31, 2020 of $3,944 was reclassified from liability to contributed surplus. Unvested options will be recognized over their remaining vesting periods at the value determined at March 31, 2020. Forfeitures are estimated at nil, based on historical forfeiture rates.

No options have been granted in 2020.

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

		2020		2019	
	Weighted average remaining contractual life (years)	**Number of underlying shares**	**Weighted average exercise price**	**Number of underlying shares**	**Weighted average exercise price**
Options outstanding, January 1	6.67	3,123,521	$ 38.62	2,433,589	$ 42.84
Granted		—	—	709,092	25.05
Forfeited		(28,784)	36.77	(26,751)	42.11
Exercised		—	—	—	—
Options outstanding, March 31	6.41	3,094,737	$ 38.64	3,115,930	$ 38.79
Options vested and exercisable, March 31		2,197,217		1,703,001	

Long-term incentive plan ("LTIP")

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

No LTIP grants have been made in 2020.

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

The grants of Share equivalents were as follows:

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

LTIP costs are estimated at the grant date based on expected performance results then accrued and recognized on a graded basis over the vesting period. The LTIP was accounted for as fully vested at March 31, 2020, consistent with the terms of the Arrangement Agreement. The effects of changes in estimates of performance results are recognized in the period of change. Forfeitures are estimated at $nil. Cineplex recognized compensation expense recoveries of $4,299 under the LTIP for the three months ended March 31, 2020 (2019 - $992 compensation costs). At March 31, 2020, $3,805 (2019 - $4,224) 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, 2020, Cineplex recognized compensation expense recoveries of $7,025 associated with the deferred equity units (2019 - $230). At March 31, 2020, $4,253 (2019 - $7,354) was included in share-based compensation liability.

9. Revenue

The following tables disclose the changes in deferred revenue for the three months ended March 31, 2020 and 2019:

	December 31, 2019	Additions	Revenue Recognized	March 31, 2020
Gift cards	$ 184,755	$ 16,551	$ 38,739	$ 162,567
SCENE loyalty program	21,277	9,193	9,044	21,426
Advances and deposits	16,966	10,966	16,266	11,666
	$ 222,998	$ 36,710	$ 64,049	$ 195,659

	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
	$ 214,016	$ 39,919	$ 74,611	$ 179,324

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

The following tables provide the disaggregation of revenue into categories by nature for the three months ended March 31, 2020 and 2019:

Box revenues

	2020	2019
Box office revenues	$ 111,002	$ 156,496

Food service revenues

	2020	2019
Food service - theatres	$ 72,681	$ 95,172
Food service - location-based entertainment	6,684	7,886
Total food service revenues	$ 79,365	$ 103,058

Media revenues

	2020	2019 Restated (note 4)
Cinema media	$ 17,262	$ 21,076
Digital place-based media	14,895	13,630
Total media revenues	$ 32,157	$ 34,706

Amusement revenues

	2020	2019
Amusement solutions excluding exhibition	$ 34,961	$ 47,673
Amusement solutions - exhibition	2,196	2,784
Amusement solutions - location based entertainment	10,180	8,043
Total amusement revenues	$ 47,337	$ 58,500

Other revenues

	2020	2019 Restated (note 4)
Other revenues	$ 12,940	$ 11,864

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

10. Lease obligations

The following table presents lease obligations for Cineplex for the three months ended March 31, 2020 and 2019:

	Property	Equipment	Total
Three months ended March 31, 2020			
Opening balance	$ 1,352,541	$ 15,054	$ 1,367,595
Additions, net of modifications	(4,673)	(4)	(4,677)
Tenant inducement	16,373	—	16,373
Lease payment	(43,826)	(1,348)	(45,174)
Interest expense	11,557	121	11,678
Foreign exchange rate changes	1,094	7	1,101
Closing lease obligations	$ 1,333,066	$ 13,830	$ 1,346,896
Less: current portion	110,046	4,986	115,032
Non-current portion of lease obligations	$ 1,223,020	$ 8,844	$ 1,231,864

	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	$ 1,291,096	$ 13,538	$ 1,304,634

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

11. Share capital

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

Share capital balances at March 31, 2020 and 2019 and transactions during the periods are as follows:

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

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

12. Other costs

	Three months ended March 31,	
	2020	**2019**
		Restated
		(note 4)
Employee salaries and benefits	$ 53,169	$ 74,248
Rent	572	809
Realty and occupancy taxes and maintenance fees	19,122	18,931
Utilities	7,443	8,498
Purchased services	15,941	15,692
Other inventories consumed, including amusement and digital place-based media	18,161	22,327
Venue revenue share	9,456	12,847
Repairs and maintenance	10,002	8,146
Advertising and promotion	4,007	4,511
Office and operating supplies	3,587	3,286
Licences and franchise fees	4,643	4,804
Insurance	1,314	1,176
Professional and consulting fees	3,435	2,474
Telecommunications and data	1,785	1,627
Bad debts	905	167
Equipment rental	349	287
Other costs	3,657	3,998
	$ 157,548	$ 183,828

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

13. Net loss per share

Basic

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

	2020	2019 Restated (note 4)
Net loss attributable to owners of Cineplex - continuing operations	$ (174,154)	$ (5,319)
Net loss attributable to owners of Cineplex	$ (178,413)	$ (7,350)
Weighted average number of shares outstanding	63,333,238	63,333,238
Basic EPS from continuing operations	$ (2.75)	$ (0.09)
Basic EPS from discontinued operations	(0.07)	(0.03)
Basic EPS	$ (2.82)	$ (0.12)

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.

	2020	2019 Restated (note 4)
Net loss attributable to owners of Cineplex - continuing operations	$ (174,154)	$ (5,319)
Net loss attributable to owners of Cineplex	$ (178,413)	$ (7,350)
Weighted average number of shares outstanding	63,333,238	63,333,238
Adjustments for stock options	—	1,438
Weighted average number of shares for diluted EPS	63,333,238	63,334,676
Diluted EPS from continuing operations	$ (2.75)	$ (0.09)
Diluted EPS from discontinued operations	(0.07)	(0.03)
Diluted EPS	$ (2.82)	$ (0.12)

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

14. Changes in operating assets and liabilities

The following summarizes the changes in operating assets and liabilities:

		2020		2019 Restated (note 4)
Trade and other receivables	$	93,707	$	74,340
Inventories		1,054		867
Prepaid expenses and other current assets		505		(2,120)
Accounts payable and accrued liabilities		(66,080)		(16,339)
Income taxes payable		4,233		(16,960)
Deferred revenue		(27,520)		(34,832)
Post-employment benefit obligations		(209)		(129)
Share-based compensation		(15,341)		(1,988)
Other liabilities		(777)		(684)
	$	(10,428)	$	2,155

Property, equipment and leasehold purchases are included in accounts payable and accrued liabilities as at March 31, 2020, in the amount of $21,141 (2019 - $16,949).

15. Operating segments

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

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

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

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

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

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

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

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

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

The following tables disclose the results of the Film Entertainment and Content, Media, Amusement and Leisure and Location-Based Entertainment segments for the years ended March 31, 2020 and 2019:

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

Three months ended March 31, 2020	Film Entertainment and Content (i)	Media (i)	Amusement and Leisure (restated)	Location-Based Entertainment	Corporate and other (iii)	Consolidated
Major product and service lines						
Box office	$ 111,002	$ —	$ —	$ —	$ —	$ 111,002
Food service	$ 72,681	—	—	6,684	—	79,365
Media	$ —	31,638	—	519	—	32,157
Amusement	$ 2,196	—	34,961	10,180	—	47,337
Other	$ 12,632	—	—	308	—	12,940
Total revenues	$ 198,511	$ 31,638	$ 34,961	$ 17,691	$ —	$ 282,801
Primary geographical markets						
Canada	$ 198,511	$ 25,475	$ 9,099	$ 17,691	$ —	$ 250,776
United States and other countries	—	6,163	25,862	—	—	32,025
Total revenues	$ 198,511	$ 31,638	$ 34,961	$ 17,691	$ —	$ 282,801
Timing of revenue recognition						
Transferred at a point in time	$ 198,510	$ 8,510	$ 34,962	$ 17,172	$ —	$ 259,154
Transferred over time	—	23,128	—	519	—	23,647
Total revenues	$ 198,511	$ 31,638	$ 34,961	$ 17,691	$ —	$ 282,801
Adjusted EBITDAaL	(5,419)	12,790	490	(264)	(5,207)	2,390
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.						3,128
Other adjustments (ii)						(446)
Depreciation and amortization - other assets						33,962
Interest expense - other						16,886
Interest income						(72)
Income taxes recovery						(49,967)
Impairment of long-lived assets and goodwill						173,054
Net loss from continuing operations						$ (174,155)
Net loss from discontinued operations (note 4)						(4,259)
Net loss						$ (178,414)
Other operating segment disclosures						
Depreciation - right-of-use assets	$ 31,655	$ 824	$ 1,362	$ 1,517	$ 175	$ 35,533
Depreciation and amortization - other assets	$ 19,742	$ 3,066	$ 7,435	$ 3,719	$ —	$ 33,962
Interest expense - lease obligations	$ 10,536	$ 117	$ 163	$ 853	$ 9	$ 11,678
Impairment of long-lived assets and goodwill	$ 140,836	$ —	$ —	$ 32,218	$ —	$ 173,054
Goodwill balance	$ 506,455	$ 206,385	$ 16,271	$ —	$ —	$ 729,111

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

Three months ended March 31, 2019	Film Entertainment and Content (i)	Media (i)	Amusement and Leisure (Restated)	Location-Based Entertainment	Corporate and other (iii)	Consolidated
Major product and service lines						
Box office	$ 156,496	$ —	$ —	$ —	$ —	$ 156,496
Food service	95,172	—	—	7,886	—	103,058
Media	—	34,483	—	223	—	34,706
Amusement	2,784	—	47,673	8,043	—	58,500
Other	11,597	—	—	267	—	11,864
Total revenues	$ 266,049	$ 34,483	$ 47,673	$ 16,419	$ —	$ 364,624
Primary geographical markets						
Canada	$ 266,049	$ 30,411	$ 13,386	$ 16,419	$ —	$ 326,265
United States and other countries	—	4,072	34,287	—	—	38,359
Total revenues	$ 266,049	$ 34,483	$ 47,673	$ 16,419	$ —	$ 364,624
Timing of revenue recognition						
Transferred at a point in time	$ 266,049	$ 8,048	$ 47,673	$ 16,196	$ —	$ 337,966
Transferred over time	—	26,435	—	223	—	26,658
Total revenues	$ 266,049	$ 34,483	$ 47,673	$ 16,419	$ —	$ 364,624
Adjusted EBITDAaL	29,825	17,357	6,242	1,207	(18,979)	35,652
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.						5,592
Other adjustments (ii)						572
Depreciation and amortization - other assets						31,633
Interest expense - other						5,417
Interest income						(74)
Income taxes recovery						(2,159)
Net loss from continuing operations						$ (5,329)
Net loss from discontinued operations (note 4)						(2,031)
Net loss						$ (7,360)
Other operating segment disclosures						
Depreciation - right-of-use assets	$ 32,644	$ 902	$ 1,443	$ 1,316	$ 157	$ 36,462
Depreciation and amortization - other assets	$ 18,843	$ 3,608	$ 6,676	$ 2,506	$ —	$ 31,633
Interest expense - lease obligations	$ 11,268	$ 122	$ 192	$ 627	$ 11	$ 12,220
Goodwill balance	$ 594,950	$ 206,385	$ 15,710	$ —	$ —	$ 817,045

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

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

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

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

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

16. Basis of presentation and accounting standards 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, 2019. These unaudited interim condensed consolidated financial statements follow the same accounting policies and methods of application as the audited financial statements for the year ended December 31, 2019.

17. Subsequent Events

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

On June 12, 2020, Cineworld delivered the Termination Notice to Cineplex purporting to terminate the Arrangement Agreement. In the Termination Notice, Cineworld alleged that Cineplex took certain actions that constituted breaches of Cineplex's covenants under the Arrangement Agreement including failing to operate its business in the ordinary course. In addition, Cineworld alleged that a material adverse effect had occurred with respect to Cineplex. Cineworld's repudiation of the Arrangement Agreement has been acknowledged by Cineplex and the Cineworld Transaction will not proceed. Cineplex vigorously denies Cineworld's allegations. The Arrangement Agreement explicitly excludes any "outbreaks of illness or other acts of God" from the definition of material adverse effect and all of Cineworld's allegations stem from an outbreak out illness and act of God (COVID-19). Cineplex believes that Cineworld had no legal basis to terminate the Arrangement Agreement and that Cineworld breached the Arrangement Agreement and its other contractual obligations because, among other failures, it did not use reasonable best efforts to obtain approval under the *Investment Canada Act* as soon as reasonably practicable ("ICA Approval"). If Cineworld had complied with its obligation to obtain ICA Approval, Cineplex believes the ICA Approval would have been obtained and the Cineworld Transaction would have closed well before the outside date for completion in the Arrangement Agreement. No amounts are due to be paid by Cineplex as a result of Termination Notice and no amounts have been accrued in the financial statements with respect to the Termination Notice. Cineplex expects to file a statement of claim in the Ontario courts in the near term seeking to recover damages arising from Cineworld's repudiation and breaches of the Arrangement Agreement and its other contractual obligations and failure to complete the Transaction at $34.00 per common share.

On June 29, 2020, Cineplex and Cineplex Entertainment Limited Partnership entered into an amendment agreement (the "Credit Agreement Amendment") with The Bank of Nova Scotia, as administrative agent, and the lenders from time to time named therein, to the seventh amended and restated credit agreement with a syndicate of lenders. The Credit Agreement Amendment provides Cineplex with certain financial covenant relief in light of the COVID-19

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

pandemic and its effects on Cineplex's businesses. The Credit Agreement provides for a senior secured revolving facility in the maximum amount of $650,000 (the "Revolving Facility"), maturing November 13, 2023, and a senior secured non-revolving credit facility in the maximum amount of $150,000, maturing November 13, 2025 (the "Term Facility", and together with the Revolving Facility, the "Credit Facilities").

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

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

On June 29, 2020, Cineplex completed the sale of WGN, pursuant to a share purchase agreement for nominal proceeds.

18. Comparative figures

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

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