



FOR IMMEDIATE RELEASE

**CINEPLEX INC.**  
**Reports First Quarter Results and Announces Dividend Increase**

**TORONTO, Canada**, May 8, 2014 (TSX: CGX) - Cineplex Inc. ("Cineplex") today released its financial results for the three months ended March 31, 2014.

**First Quarter Results**

	<b>2014</b>	<b>2013</b>	<b>Period over Period Change (i)</b>
<b>Total Revenues</b>	\$ 280.0 million	\$ 248.1 million	12.9%
<b>Attendance</b>	17.3 million	16.2 million	6.7%
<b>Net Income</b>	\$ 5.1 million	\$ 8.8 million	-42.5%
<b>Box office revenues per patron ("BPP") (ii)</b>	\$ 9.04	\$ 8.97	0.8%
<b>Concession revenues per patron ("CPP") (ii)</b>	\$ 5.05	\$ 4.69	7.7%
<b>Adjusted EBITDA (ii)</b>	\$ 30.9 million	\$ 31.7 million	-2.6%
<b>Adjusted EBITDA Margin (ii)</b>	11.0 %	12.8 %	-1.8%
<b>Adjusted Free Cash Flow per Share (ii)</b>	\$ 0.2921	\$ 0.3838	-23.9%
<b>Earnings per Share ("EPS") - Basic</b>	\$ 0.08	\$ 0.14	-42.9%
<b>EPS - Diluted</b>	\$ 0.08	\$ 0.14	-42.9%

- i. Period over period change calculated based on thousands of dollars except percentage and per share values. Changes in percentage amounts are calculated as 2014 value less 2013 value.
- ii. Adjusted EBITDA, adjusted EBITDA margin, adjusted free cash flow per common share of Cineplex, BPP and CPP are measures that do not have a standardized meaning under generally accepted accounting principles ("GAAP"). These measures as well as other non-GAAP financial measures reported by Cineplex are defined in the 'Non-GAAP Financial Measures' section at the end of this news release.

"Total revenues for the first quarter of 2014 increased 12.9%, or \$31.9 million compared to the prior year, due largely to the contributions from our 2013 acquisitions of 24 Empire theatres and digital media company EK3 Technologies Inc., subsequently renamed Cineplex Digital Networks," said Ellis Jacob, President and CEO, Cineplex Entertainment. "Media revenues increased 49.3% year over year primarily due to the acquisition of EK3 and a 13.0% increase in pre-show and showtime advertising. New first quarter records were established for BPP of \$9.04 and CPP of \$5.05 exceeding the records of \$8.97 and \$4.69 set in the prior year period. The CPP of \$5.05 set a new all-time record."

"Weaker film product during the quarter, combined with extreme weather conditions in several areas of the country, and our continued investment in new initiatives and increased promotional activity were the primary factors behind adjusted EBITDA decreasing 2.6% to \$30.9 million. In other areas of the business, our SCENE loyalty program added 300,000 members to reach 5.6 million during the quarter, the Cineplex Mobile app has now been downloaded more than 9 million times, and we announced a national partnership with Tim Hortons to launch TimsTV in 2,200 existing Tim Hortons locations."

"Cineplex's strong balance sheet, continued investment in the enhancement of the exhibition experience and the diversification of our business model positions us well for the future. As such, we are pleased to announce a 4.2% dividend increase to \$1.50 per share on an annual basis from the current \$1.44 per share. This increase will be effective with the May 2014 dividend which will be paid in June 2014. Cineplex has increased its dividend every year since the company converted to a corporation."

## **KEY DEVELOPMENTS IN THE THREE MONTHS ENDED MARCH 31, 2014**

The following describes certain key business initiatives and results undertaken and achieved during the first quarter of 2014 in each of Cineplex's core business areas:

### **THEATRE EXHIBITION**

- Reported first quarter box office revenues of \$156.2 million, an increase of \$11.1 million over the \$145.2 million reported in the prior year period, primarily due to the impact of the Atlantic Theatres.
- BPP was \$9.04 for the period, a first quarter record for Cineplex, \$0.07 higher than the previous record set in the prior year period.
- Opened Cineplex's popular VIP Cinema concept at *Cineplex Cinemas Queensway and VIP*, which includes a licensed lounge and valet parking.

### **MERCHANDISING**

- Reported first quarter food service revenues of \$87.1 million, an increase of \$11.3 million over the \$75.9 million reported in the prior year period, primarily due to the impact of the Atlantic Theatres.
- CPP was \$5.05 for the period, the first time Cineplex's CPP has exceeded \$5.00 in a quarter, and \$0.36 higher than the previous first quarter record of \$4.69 set in 2013.
- Cineplex announced the acquisition of a 50% stake in YoYo's Yogurt Cafe ("YoYo's"), a London, Ontario-based self-serve frozen yogurt chain with stores throughout the province. Cineplex plans to open new YoYo's franchises in a number of new and existing theatres and standalone locations in the future.

### **MEDIA**

- Reported first quarter Cineplex Media revenues of \$16.0 million, which exceeded the prior year media revenues by \$1.8 million (13.0%), with showtime and pre-show revenues accounting for the increase.
- Cineplex Digital Media revenues were \$8.4 million, \$6.2 million higher than the prior year period due to the acquisition of CDN in the third quarter of 2013, which contributed revenues of \$6.3 million in the current period.
- CDN and Tim Hortons announced national launch plans for TimsTV, one of the largest digital programming networks in the Canadian restaurant and retail sectors: an in-restaurant television channel showcasing Tim Hortons content in a creative, informative and entertaining manner, broadcast to 2,200 existing Tim Hortons restaurants in Canada and most new Tim Hortons restaurants currently in development. Cineplex Media will be selling the advertising to be shown on the TimsTV circuit when the circuit is launched in the latter half of 2014.
- Cineplex and the Bank of Nova Scotia ("Scotiabank") announced an expanded sponsorship agreement, pursuant to which Scotiabank will be the presenting sponsor for Cineplex VIP Cinemas, as well as expanding naming rights for Scotiabank Theatres to three additional locations.
- Announced an expansion of Cineplex TimePlay as part of the pre-show to include 725 auditoriums across all ten provinces in Canada.

## **ALTERNATIVE PROGRAMMING**

- Alternative programming in the first quarter of 2014 included strong performances from the Metropolitan Opera: Live in HD series, ethnic film programming, performances from the National Theatre in London, sports programming as well as the performance of *Moulin Rouge* performed by the Royal Winnipeg Ballet and broadcast at select Cineplex theatres across the country.

## **INTERACTIVE**

- Cineplex.com registered a 7% increase in page views, a 16% increase in unique visitors and a 12% increase in visits during the first quarter of 2014 compared to the prior year period.
- At March 31, 2014, the Cineplex app had been downloaded 9 million times and recorded 274 million app sessions, ranking it as the 9th most popular mobile brand with a 14.8% penetration of the Canadian mobile market.

## **LOYALTY**

- Membership in the SCENE loyalty program increased 0.3 million members in the period, reaching a membership of 5.6 million at March 31, 2014.

## **CORPORATE**

- Cineplex teamed up with the Canadian Olympic Committee to support its #WeAreWinter Campaign to showcase and tell the stories of Canadian Olympians on Cineplex's screens across Canada. This new collaboration made Cineplex the Official Movie Partner of the Canadian Olympic Team.

Subsequent to the period end, on April 10, 2014, Cineplex committed to acquire the 50% of the issued and outstanding equity of Cineplex Starburst Inc. ("CSI") that Cineplex does not already own, for a minimum of \$17.5 million in cash. After the transaction closes in the third quarter of 2015, Cineplex will own 100% of the issued and outstanding equity of CSI.

## **OPERATING RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2014**

### **Total revenues**

Total revenues for the three months ended March 31, 2014 increased \$31.9 million (12.9%) to \$280.0 million as compared to the prior year period. A discussion of the factors affecting the changes in box office, food service, media and other revenues for the period is provided below.

Non-GAAP measures discussed throughout this news release, including adjusted EBITDA, adjusted free cash flow, attendance, BPP, premium priced product, same store metrics, CPP, film cost percentage, food service cost percentage and concession margin per patron are defined and discussed in the non-GAAP measures section at the end of this news release.

### **Box office revenues**

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

Box office revenues	First Quarter		
	2014	2013	Change
Box office revenues	\$ 156,225	\$ 145,165	7.6 %
Attendance (i)	17,272	16,191	6.7 %
Box office revenue per patron (i)	\$ 9.04	\$ 8.97	0.8 %
BPP excluding premium priced product (i)	\$ 8.20	\$ 8.19	0.1 %
Canadian industry revenues (ii)			-3.1 %
Same store box office revenues (i)	\$ 142,248	\$ 143,398	-0.8 %
Same store attendance (i)	15,567	15,996	-2.7 %
% Total box from premium priced product (i)	38.3 %	35.5 %	2.8 %

(i) See non-GAAP measures section of this news release

(ii) The Movie Theatre Association of Canada reported that the Canadian exhibition industry reported a box office revenue decrease of 2.7% for the period from January 3, 2014 to April 3, 2014 as compared to the period from January 4, 2013 to April 4, 2013. On a basis consistent with Cineplex's calendar reporting period (January 1 to March 31), the Canadian industry box office revenue change is estimated to be a decrease of 3.1%.

Box office continuity	First Quarter	
	Box Office	Attendance
2013 as reported	\$ 145,165	16,191
Same store attendance change	(3,849)	(429)
Impact of same store BPP change	2,699	—
New and acquired theatres (i)	13,785	1,686
Disposed and closed theatres (i)	(1,575)	(176)
2014 as reported	\$ 156,225	17,272

(i) See non-GAAP measures section of this news release. Represents theatres opened, acquired, disposed or closed subsequent to the start of the prior year comparative period.

### First Quarter

First Quarter 2014 Top Cineplex Films				First Quarter 2013 Top Cineplex Films			
	3D	% Box			3D	% Box	
1	X	12.8 %	1	Oz: The Great and Powerful	X	6.8 %	
2	X	5.8 %	2	The Hobbit: An Unexpected Journey	X	6.0 %	
3	X	5.1 %	3	Identity Thief		5.9 %	
4		5.0 %	4	Django Unchained		5.1 %	
5	X	4.7 %	5	Jack the Giant Slayer	X	4.0 %	

Box office revenues increased \$11.1 million, or 7.6%, to \$156.2 million during the first quarter of 2014, compared to \$145.2 million recorded in the same period in 2013. The increase was due to the impact of the Atlantic Theatres, which contributed \$10.8 million to box office revenues during the period, net of a 0.8% decrease in same store box office revenues due to a 2.7% decrease in same store attendance as compared to the prior year period. The Canadian industry under performed as compared to the US industry in the period, as certain films in the current period slate performed stronger in certain regions of the US market than they did in Canada. Also impacting Cineplex's box office revenues was the impact of extreme weather conditions in certain areas of the country in the period, particularly in the Atlantic provinces, where theatre closures, power outages and poor driving conditions deterred guests from visiting the theatres.

BPP for the three months ended March 31, 2014 was \$9.04, a \$0.07 increase from the prior year period. The increase in BPP was due to the impact of premium priced product, which accounted for 38.3% of box office revenues in the current period, compared to 35.5% in the prior year period. The increase in the percentage of box office revenues from premium priced product was positively impacted by additional installations of UltraAVX, 3D, IMAX and VIP

screens since March 31, 2013. The film slate in the current period had four of the top five films screened in 3D, as compared to three in 3D in the prior year period. Cineplex continues to invest in premium priced formats including 3D, UltraAVX, IMAX and VIP thereby positioning itself to benefit from the premiums charged for these offerings. The strong performance of Cineplex's premium-priced product resulted in Cineplex's same-store results declining less than the Canadian industry in the period, with the industry estimated to be down 3.1% in the period compared to Cineplex's same-store decline of 0.8%.

### Food service revenues

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

Food service revenues	First Quarter		
	2014	2013	Change
Food service revenues	\$ 87,143	\$ 75,879	14.8 %
Attendance (i)	17,272	16,191	6.7 %
CPP (i)	\$ 5.05	\$ 4.69	7.7 %
Same store food service revenues (i)	\$ 78,214	\$ 75,248	3.9 %
Same store attendance (i)	15,567	15,996	-2.7 %

(i) See non-GAAP measures section of this news release

Food service revenue continuity	First Quarter	
	Food Service	Attendance
2013 as reported	\$ 75,879	16,191
Same store attendance change	(2,020)	(429)
Impact of same store CPP change	4,986	—
New and acquired theatres (i)	8,877	1,686
Disposed and closed theatres (i)	(579)	(176)
2014 as reported	\$ 87,143	17,272

(i) See non-GAAP measures section of this news release. Represents theatres opened, acquired, disposed or closed subsequent to the start of the prior year comparative period.

### First Quarter

Food service revenues are comprised primarily of concession revenues, which includes food sales at theatre locations as well as non-theatre locations. Food service revenues increased \$11.3 million, or 14.8% as compared to the prior year period primarily due to the acquisition of the Atlantic Theatres, which contributed \$7.5 million to food service revenues in the period, and the CPP increase from \$4.69 in the first quarter of 2013 to \$5.05 in the same period in 2014, a 7.7% increase and a quarterly record for Cineplex. Higher average transaction values led to the higher revenues in the period, as expanded offerings outside of core food service products are driving a higher average order value. Despite a decline in same-store attendance of 2.7% in the period compared to the prior year period, same store food service revenues increased 3.9% due to the record CPP.

While the 10% SCENE discount and SCENE points issued on food service combo purchases reduce individual transaction values which impacts CPP, Cineplex believes that this program drives incremental visits and food service purchases, resulting in higher overall food service revenues.

## Media revenues

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

Media revenues	First Quarter		
	2014	2013	Change
Cineplex Media	\$ 15,951	\$ 14,112	13.0 %
Cineplex Digital Media	8,404	2,198	282.3 %
Total	\$ 24,355	\$ 16,310	49.3 %

Media revenues increased 49.3% to \$24.4 million in the first quarter of 2014 compared to the prior year period. This increase was primarily due to higher Cineplex Digital Media revenues, up \$6.2 million as compared to the prior year period due to the inclusion of CDN's revenues of \$6.3 million. During the period, CDN and Tim Hortons announced national launch plans for TimsTV, which is expected to be deployed in the latter half of 2014.

Cineplex Media revenues exceeded the prior year period by \$1.8 million primarily due to higher showtime and pre-show revenues. While Cineplex sold pre-show and showtime advertising for the Atlantic Theatres prior to their acquisition, the acquisition benefited the current period results as Cineplex now retains 100% of the media revenue where previously only a share was retained.

## Other revenues

The following table highlights the movement in games and other revenues for the quarter (in thousands of Canadian dollars):

Other revenues	First Quarter		
	2014	2013	Change
Games	\$ 1,878	\$ 2,103	-10.7 %
Other	10,418	8,613	21.0 %
Total other revenues	\$ 12,296	\$ 10,716	14.7 %

### *First Quarter*

Other revenues include gaming revenues as well as revenues from the Cineplex Store, promotional activities, screenings, private parties, corporate events, breakage on gift card and voucher sales, revenues from in-theatre guest service initiatives and management fees. Games revenues do not include Cineplex's 50% share of results of CSI, which are included in "Share of income of joint ventures".

Other revenues increased 14.7% to \$12.3 million in the first quarter of 2014 compared to the prior year period. This increase was primarily due to additional revenues arising from enhanced guest service initiatives and new business initiatives, partially offset by a decrease of \$0.2 million in games revenues. The net games revenue decrease is due to a life-to-date one-time increase to games revenues in the 2013 period of \$0.5 million arising from a change in accounting policy regarding the recognition of revenue on the sale of XSCAPE gaming cards. Excluding this one-time amount, games revenues increased \$0.3 million in the 2014 period compared to the same period in 2013.

## Film cost

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

Film cost	First Quarter		
	2014	2013	Change
Film cost	\$ 80,458	\$ 73,389	9.6 %
Film cost percentage (i)	51.5 %	50.6 %	0.9 %
(i) See non-GAAP measures section of this news release			

#### *First Quarter*

Film cost varies primarily with box office revenue, and can vary from quarter to quarter based on the relative strength of the titles exhibited during the period. The increase in the first quarter of 2014 compared to the prior year period was due to the increase in box office revenue and the impact of the 0.9% increase in film cost percentage. The increase in film cost percentage is primarily due to the settlement rate on the top films during the first quarter of 2014 being higher than the average film settlement rate in the 2013 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 the quarter (in thousands of Canadian dollars, except percentages and margins per patron):

Cost of food service	First Quarter		
	2014	2013	Change
Cost of food service	\$ 18,881	\$ 16,274	16.0 %
Concession cost percentage (i)	21.7 %	21.4 %	0.3 %
Concession margin per patron (i)	\$ 3.95	\$ 3.68	7.3 %
(i) See non-GAAP measures section of this news release			

#### *First Quarter*

Cost of food service varies primarily with theatre attendance as well as the quantity and mix of offerings sold. The increase in the cost of food service as compared to the prior year period was due to the higher food service revenues and the 0.3% increase in the concession cost percentage during the period. The concession margin per patron increased from \$3.68 in the first quarter of 2013 to \$3.95 in the same period in 2014, reflecting the impact of the higher CPP during the period.

#### **Depreciation and amortization**

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

Depreciation and amortization expenses	First Quarter		
	2014	2013	Change
Depreciation of property, equipment and leaseholds	\$ 16,830	\$ 13,779	22.1 %
Amortization of intangible assets and other	1,838	3,519	-47.8 %
Depreciation and amortization expenses as reported	\$ 18,668	\$ 17,298	7.9 %

The quarterly increase in depreciation of property, equipment and leaseholds of \$3.1 million is primarily due to the impact of equipment and leasehold improvements relating to assets acquired through acquisitions and new theatre construction.

The decrease in amortization of intangible assets and other in the first quarter of 2014 compared to the prior year periods is due to the amortization of certain trade name assets included in the prior year period that were phased out by Cineplex at the end of 2013. These assets were previously classified as indefinite life assets however during the fourth quarter of 2012 their classification was changed to finite life with amortization recorded through December 31, 2013. The 2014 period includes intangible amortization relating to customer relationships and internally developed software acquired as part of the acquisition of CDN which closed during the third quarter of 2013.

### **(Gain) loss on disposal of assets**

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

<b>(Gain) loss on disposal of assets</b>	<b>First Quarter</b>		
	<b>2014</b>	<b>2013</b>	<b>Change</b>
(Gain) loss on disposal of assets	\$ (56)	\$ 1,062	NM

During the first quarter of 2014, Cineplex recorded a gain of \$0.1 million on the disposal of assets that were sold or otherwise disposed (2012 - loss of \$1.1 million on certain assets that were sold or otherwise disposed of). The current period gain is due to the sale of land that was previously a drive-in theatre which resulted in a gain of \$0.6 million, partially offset by losses on certain assets that were sold or otherwise disposed of.

### **Other costs**

Other costs include three main sub-categories of expenses, including theatre occupancy expenses, which capture the rent and associated occupancy costs for Cineplex's various operations; other operating expenses, which include the costs related to running Cineplex's theatres and ancillary businesses; and general and administrative expenses, which includes costs related to managing Cineplex's operations, including the 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 Canadian dollars):

<b>Other costs</b>	<b>First Quarter</b>		
	<b>2014</b>	<b>2013</b>	<b>Change</b>
Theatre occupancy expenses	\$ 51,024	\$ 46,558	9.6 %
Other operating expenses	84,211	64,468	30.6 %
General and administrative expenses	15,211	16,507	-7.9 %
Total other costs	\$ 150,446	\$ 127,533	18.0 %

### **Theatre occupancy expenses**

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

<b>Theatre occupancy expenses</b>	<b>First Quarter</b>		
	<b>2014</b>	<b>2013</b>	<b>Change</b>
Rent	\$ 33,508	\$ 31,099	7.7 %
Other occupancy	17,793	16,447	8.2 %
One-time items (i)	(277)	(988)	-72.0 %
Total	\$ 51,024	\$ 46,558	9.6 %



- (i) 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.

<b>Theatre occupancy continuity</b>	<b>First Quarter Occupancy</b>
2013 as reported	\$ 46,558
Impact of new and acquired theatres	3,939
Impact of disposed theatres	(479)
Same store rent change (i)	518
One-time items	711
Other	(223)
2014 as reported	\$ 51,024
(i) See non-GAAP measures section of this news release	

### *First Quarter*

Theatre occupancy expenses increased \$4.5 million during the first quarter of 2014 compared to the prior year period. This increase was primarily due to the impact of new and acquired theatres net of disposed theatres (\$3.5 million, of which \$3.1 million relates to the Atlantic Theatres). The remaining increase was due to higher same store rent expenses due to rent increases as certain theatre properties and the impact of one-time items.

### **Other operating expenses**

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

<b>Other operating expenses</b>	<b>First Quarter</b>		
	<b>2014</b>	<b>2013</b>	<b>Change</b>
Theatre payroll	\$ 32,353	\$ 28,016	15.5 %
Media	12,410	5,660	119.3 %
Other	39,448	30,792	28.1 %
Other operating expenses	\$ 84,211	\$ 64,468	30.6 %

<b>Other operating continuity</b>	<b>First Quarter Other Operating</b>
2013 as reported	\$ 64,468
Impact of new and acquired theatres	6,863
Impact of disposed theatres	(509)
Same store payroll change (i)	1,385
Marketing change	1,179
Media acquisitions	6,645
Media change, excluding media acquisitions	105
New business initiatives change	2,752
Other	1,323
2014 as reported	\$ 84,211
(i) See non-GAAP measures section of this news release	

### First Quarter

Other operating expenses during the first quarter of 2014 increased \$19.7 million or 30.6% compared to the prior year period. The major components of the increase were the impact of CDN which was acquired in the third quarter of 2013 (\$6.6 million), the impact of new and acquired theatres net of disposed theatres (\$6.4 million), developing business initiatives including the Cineplex Store (\$2.8 million), higher same-store payroll costs (\$1.4 million) due to in part to minimum wage increases, higher marketing costs (\$1.2 million) due to advertising initiatives undertaken as part of Cineplex's partnership with the Canadian Olympic Committee, and other expenses (\$1.4 million, discussed below).

The major movements in the Other category include the following:

- Higher same-store utility costs (\$0.7 million) due in part to the cold temperatures across parts of the country during the period;
- The increase in 3D attendance due to stronger 3D product and the additional 187 3D screens added since March 31, 2013 resulted in higher 3D royalty costs (\$0.2 million) as well as contributing to the higher cost of projector bulbs (\$0.3 million) as 3D features require bulbs with higher output which significantly reduces the life of the bulbs; and
- Higher credit card service fees due to higher sales volumes (\$0.3 million).

### 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 net of these costs (in thousands of Canadian dollars):

G&A expenses	First Quarter		
	2014	2013	Change
G&A excluding LTIP and option plan expense	\$ 13,729	\$ 12,739	7.8 %
LTIP (i)	1,079	3,360	-67.9 %
Option plan	403	408	-1.2 %
G&A expenses as reported	\$ 15,211	\$ 16,507	-7.9 %

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

### First Quarter

G&A expenses decreased \$1.3 million during the first quarter of 2014 compared to the prior year period due to a \$2.3 million decrease in LTIP expense partially offset by higher head office payroll and higher professional fees. The LTIP decrease is due in part to Cineplex's Share price decreasing from \$44.06 at December 31, 2013 to \$42.07 at March 31, 2014 compared to an increase from \$31.83 at December 31, 2013 to \$34.48 at March 31, 2013. G&A excluding LTIP and option plan expense increased \$1.0 million, primarily due to a \$0.6 million increase in head office payroll due to developing business initiatives and a \$0.2 million increase in professional fees relating to certain business initiatives.

## Share of income of joint ventures

Cineplex's joint ventures in the 2014 period include its 78.2% interest in the Canadian Digital Cinema Partnership ("CDCP"), 50% interest in CSI, 50% interest in one theatre in Quebec, 50% interest in one IMAX screen in Ontario and 50% interest in YoYo's. For the 2013 period, Cineplex's joint ventures included its 78.2% interest in CDCP, 50% interest in CSI, 50% interest in one theatre in Quebec and 50% interest in one IMAX screen in Ontario. The following table highlights the components of share of income of joint ventures during the quarter (in thousands of Canadian dollars):

Share of income of joint ventures	First Quarter		
	2014	2013	Change
Share of loss (income) of CDCP	\$ 55	\$ (333)	NM
Share of (income) of CSI	(163)	(251)	-35.1 %
Share of loss of other joint ventures	53	43	23.3 %
Total (income) of joint ventures	\$ (55)	\$ (541)	-89.8 %

### First Quarter

The decrease from income of \$0.5 million in the first quarter of 2013 to income of \$0.1 million in the current period is due to a \$0.4 million movement in CDCP from income of \$0.3 million to a loss of \$0.1 million, with the decrease due in part to certain films during the period staying on screens for extended periods which decreases the virtual print fee revenues earned by CDCP.

## EARNINGS BEFORE INTEREST, INCOME TAXES, DEPRECIATION AND AMORTIZATION ("EBITDA") (see "Non-GAAP Financial Measures" section of this news release)

The following table presents EBITDA and adjusted EBITDA for the three months ended March 31, 2014 as compared to the three months ended March 31, 2013 (expressed in thousands of Canadian dollars, except adjusted EBITDA margin):

EBITDA	First Quarter		
	2014	2013	Change
EBITDA	\$ 30,345	\$ 30,353	— %
Adjusted EBITDA	\$ 30,881	\$ 31,690	-2.6 %
Adjusted EBITDA margin	11.0 %	12.8 %	-1.8 %

Adjusted EBITDA for the first quarter of 2014 decreased \$0.8 million, or 2.6%, as compared to the prior year period. The decrease as compared to the prior year period was primarily due higher costs relating to acquisitions and Cineplex's new business initiatives, including CDN and the Cineplex Store. Adjusted EBITDA margin, calculated as adjusted EBITDA divided by total revenues, was 11.0% in the current period, down from 12.8% in the prior year period.

## ADJUSTED FREE CASH FLOW

For the first quarter of 2014, adjusted free cash flow per common share of Cineplex was \$0.2921 as compared to \$0.3838 in the prior year period. The declared dividends per common share of Cineplex were \$0.3600 in the first quarter of 2014 and \$0.3375 in the prior year period. During the twelve months ended March 31, 2014, Cineplex generated adjusted free cash flow per Share of \$2.3656, compared to \$1.9784 per Share in the prior year period. Cineplex declared dividends per Share of \$1.4325 and \$1.3450, respectively, in each period. The payout ratios for

these periods were approximately 60.6% and 68.0%, respectively. Adjusted free cash flow per common share and the payout ratios for the 2014 and 2013 periods are positively impacted by Cineplex's use of loss carryforwards acquired through Cineplex's acquisition of AMC Ventures Inc. in 2012, resulting in Cineplex's cash income taxes in 2013 and 2014 being substantially reduced.

## **NON-GAAP FINANCIAL MEASURES**

### **EBITDA and Adjusted Free Cash Flow**

EBITDA and adjusted free cash flow are not measures recognized by GAAP and do not have standardized meanings in accordance with such principles. Therefore, EBITDA and adjusted free cash flow may not be comparable to similar measures presented by other issuers. Management uses adjusted EBITDA and adjusted free cash flow to evaluate performance primarily because of the significant effect certain unusual or non-recurring charges and other items have on EBITDA from period to period.

EBITDA is calculated by adding back to net income, income tax expense, depreciation and amortization expense, and interest expense net of interest income. Adjusted EBITDA is calculated by adjusting EBITDA for gains and losses on disposal of assets, the share of income or loss of CDCP and depreciation, amortization, interest and taxes of Cineplex's other joint ventures. Adjusted EBITDA margin is calculated by dividing adjusted EBITDA by total revenues.

Adjusted free cash flow is a non-GAAP measure generally used by Canadian corporations, as an indicator of financial performance and it should not be seen as a measure of liquidity or a substitute for comparable metrics prepared in accordance with GAAP.

For a detailed reconciliation of net income to EBITDA and adjusted EBITDA and from cash used in operating activities to adjusted free cash flow, please refer to Cineplex's management's discussion and analysis filed on [www.sedar.com](http://www.sedar.com).

### **Per Patron Revenue Metrics**

Cineplex reviews per patron metrics as they relate to box office revenue and concession 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:

**Attendance:** 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 attendance for the period.

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

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

**Premium priced product:** Defined as 3D, UltraAVX, IMAX and VIP film product.

**Concession margin per patron:** Calculated as total concession revenues less total concession cost, divided by attendance for the period.

### **Same Store Analysis**

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

Same store 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, 2014, the impact of the 29 locations that have been opened or acquired and two locations that have been closed or otherwise disposed of have been excluded, resulting in 130 theatres being included in the same store metrics.

### **Cost of sales percentages**

Cineplex reviews and reports cost of sales percentages for its two largest revenue sources, box office revenues and concession 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.

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

*Certain information included in this news release 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") and in this news release. Those risks and uncertainties, both general and specific, give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements. Cineplex cautions readers not to place undue reliance on these statements, as a number of important factors, many of which are beyond Cineplex's control, could cause actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to, risks generally encountered in the relevant industry, competition, customer, legal, taxation and accounting matters.*

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

*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 or the Partnership, their financial or operating results or their securities. All forward-looking statements in*

*this news release are made as of the date hereof and are qualified by these cautionary statements. Additional information, including Cineplex's AIF, can be found on SEDAR at [www.sedar.com](http://www.sedar.com).*

### **About Cineplex Inc.**

Cineplex is one of Canada's leading entertainment companies and operates one of the most modern and fully digitized motion picture circuits in the world. A top-tier Canadian brand, Cineplex operates numerous businesses including theatrical exhibition, food services, gaming, alternative programming (Front Row Centre Events), Cineplex Media, Cineplex Digital Solutions, Cineplex Digital Networks, and the online sale of home entertainment content through CineplexStore.com and on apps embedded in various electronic devices. Cineplex is also a joint venture partner in SCENE - Canada's largest entertainment loyalty program.

Cineplex is headquartered in Toronto, Canada, and operates 162 theatres with 1,639 screens from coast to coast, serving approximately 77 million guests annually through the following theatre brands: Cineplex Odeon, SilverCity, Galaxy Cinemas, Scotiabank Theatres, Cineplex Cinemas and Cineplex VIP Cinemas. Cineplex also owns and operates the UltraAVX, Poptopia, and Outtakes brands. Cineplex trades on the Toronto Stock Exchange under the symbol CGX. More information is available at [www.cineplex.com](http://www.cineplex.com).

Further information can be found in the disclosure documents filed by Cineplex with the securities regulatory authorities, available at [www.sedar.com](http://www.sedar.com).

You are cordially invited to participate in a teleconference call with the management of Cineplex (TSX: CGX) to review our quarterly results. **Ellis Jacob, President and Chief Executive Officer** and **Gord Nelson, Chief Financial Officer**, will host the call. The teleconference call is scheduled for:

**Thursday, May 8, 2014  
10:00 a.m. Eastern Time**

In order to participate in the conference call, **please dial 416-644-3415 or outside of Toronto dial 1-877-974-0445** at least five to ten minutes prior to 10:00 a.m. Eastern Time. Please quote the conference ID 4665019 to access the call.

- If you cannot participate in the live mode, a replay will be available. Please dial 416-640-1917 or 1-877-289-8525 and enter code 4665019#. The replay will begin at 12:00 p.m. Eastern Time on Thursday, May 8, 2014 and end at 11:59 p.m. Eastern Time on Thursday, May 15, 2014.
- Note that media will be participating in the call in listen-only mode.
- Thank you in advance for your interest and participation.

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### **For further information:**

**Gord Nelson**  
**Chief Financial Officer**  
**(416) 323-6602**

**Pat Marshall**  
**Vice President Communications and Investor Relations**  
**(416) 323-6648**

**Cineplex Inc.****Interim Condensed Consolidated Balance Sheets****(Unaudited)****(expressed in thousands of Canadian dollars)**

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	<b>March 31,</b>	<b>December 31,</b>
	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 10,359	\$ 44,140
Trade and other receivables	45,471	100,891
Inventories	6,237	7,234
Prepaid expenses and other current assets	10,482	6,838
	<hr/>	<hr/>
	72,549	159,103
<b>Non-current assets</b>		
Property, equipment and leaseholds	472,698	459,112
Deferred income taxes	16,697	17,635
Fair value of interest rate swap agreements	291	92
Interests in joint ventures	45,689	44,359
Intangible assets	111,763	113,601
Goodwill	797,476	797,476
	<hr/>	<hr/>
	\$ 1,517,163	\$ 1,591,378
	<hr/>	<hr/>

**Cineplex Inc.****Interim Condensed Consolidated Balance Sheets ... continued****(Unaudited)****(expressed in thousands of Canadian dollars)**

	<b>March 31,</b>	<b>December 31,</b>
	<b>2014</b>	<b>2013</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 96,534	\$ 157,333
Share-based compensation	6,100	12,151
Dividends payable	7,556	7,552
Income taxes payable	1,808	2,656
Deferred revenue	109,866	136,373
Finance lease obligations	2,459	2,394
Fair value of interest rate swap agreements	1,075	635
	<u>225,398</u>	<u>319,094</u>
<b>Non-current liabilities</b>		
Share-based compensation	10,971	15,622
Long-term debt	257,297	217,151
Fair value of interest rate swap agreements	328	—
Finance lease obligations	17,066	17,722
Post-employment benefit obligations	6,461	6,522
Other liabilities	171,640	170,125
Convertible debentures	97,341	96,870
	<u>561,104</u>	<u>524,012</u>
<b>Total liabilities</b>	<u>786,502</u>	<u>843,106</u>
<b>Equity</b>		
Share capital	853,668	853,411
Deficit	(124,913)	(107,323)
Accumulated other comprehensive loss	(2,139)	(1,715)
Contributed surplus	4,045	3,899
	<u>730,661</u>	<u>748,272</u>
	<u>\$ 1,517,163</u>	<u>\$ 1,591,378</u>



**Cineplex Inc.****Interim Condensed Consolidated Statements of Operations****(Unaudited)****(expressed in thousands of Canadian dollars, except net income per share)**

	<b>Three months ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>Revenues</b>		
Box office	\$ 156,225	\$ 145,165
Food service	87,143	75,879
Media	24,355	16,310
Other	12,296	10,716
	<u>280,019</u>	<u>248,070</u>
<b>Expenses</b>		
Film cost	80,458	73,389
Cost of food service	18,881	16,274
Depreciation and amortization	18,668	17,298
(Gain) loss on disposal of assets	(56)	1,062
Other costs	150,446	127,533
Share of income of joint ventures	(55)	(541)
Interest expense	5,217	1,716
Interest income	(70)	(78)
	<u>273,489</u>	<u>236,653</u>
<b>Income before income taxes</b>	<u>6,530</u>	<u>11,417</u>
<b>Provision for (recovery of) income taxes</b>		
Current	370	(727)
Deferred	1,089	3,328
	<u>1,459</u>	<u>2,601</u>
<b>Net income</b>	<u>\$ 5,071</u>	<u>\$ 8,816</u>
<b>Basic net income per share</b>	\$ 0.08	\$ 0.14
<b>Diluted net income per share</b>	\$ 0.08	\$ 0.14

**Cineplex Inc.**

**Interim Condensed Consolidated Statements of Comprehensive Income**

**(Unaudited)**

**(expressed in thousands of Canadian dollars)**

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	<b>Three months ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>Net income</b>	\$ 5,071	\$ 8,816
<b>Other comprehensive loss</b>		
<i>Items that will be reclassified subsequently to net income:</i>		
Loss on hedging instruments	(575)	(766)
Associated deferred income taxes recovery	151	111
<b>Other comprehensive loss</b>	<b>(424)</b>	<b>(655)</b>
<b>Comprehensive income</b>	<b>\$ 4,647</b>	<b>\$ 8,161</b>

## Cineplex Inc.

### Interim Condensed Consolidated Statements of Changes in Equity

(Unaudited)

(expressed in thousands of Canadian dollars)

For the three months ended March 31, 2014 and 2013

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	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total
<b>Balance - January 1, 2014</b>	\$ 853,411	\$ 3,899	\$ (1,715)	\$ (107,323)	\$ 748,272
Net income	—	—	—	5,071	5,071
Other comprehensive income	—	—	(424)	—	(424)
<b>Total comprehensive income</b>			<b>(424)</b>	<b>5,071</b>	<b>4,647</b>
Dividends declared	—	—	—	(22,661)	(22,661)
Share option expense	—	403	—	—	403
Issuance of shares on exercise of options	257	(257)	—	—	—
<b>Balance - March 31, 2014</b>	<b>\$ 853,668</b>	<b>\$ 4,045</b>	<b>\$ (2,139)</b>	<b>\$ (124,913)</b>	<b>\$ 730,661</b>
<b>Balance - January 1, 2013</b>	\$ 847,235	\$ 3,768	\$ (1,142)	\$ (102,547)	\$ 747,314
Net income	—	—	—	8,816	8,816
Other comprehensive loss	—	—	(655)	—	(655)
<b>Total comprehensive income</b>			<b>(655)</b>	<b>8,816</b>	<b>8,161</b>
Dividends declared	—	—	—	(21,198)	(21,198)
Long-term incentive plan obligation	248	—	—	—	248
Share option expense	—	409	—	—	409
Issuance of shares on exercise of options	739	(739)	—	—	—
<b>Balance - March 31, 2013</b>	<b>\$ 848,222</b>	<b>\$ 3,438</b>	<b>\$ (1,797)</b>	<b>\$ (114,929)</b>	<b>\$ 734,934</b>

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# Cineplex Inc.

## Interim Condensed Consolidated Statements of Cash Flows

(Unaudited)

(expressed in thousands of Canadian dollars)

	Three months ended March 31,	
	2014	2013
<b>Cash (used in) provided by</b>		
<b>Operating activities</b>		
Net income	\$ 5,071	\$ 8,816
Adjustments to reconcile net income to net cash used in operating activities		
Depreciation and amortization of property, equipment and leaseholds, and intangible assets	18,668	17,298
Amortization of tenant inducements, rent averaging liabilities and fair value lease contract liabilities	(1,400)	(1,569)
Accretion of debt issuance costs and other non-cash interest	1,164	141
(Gain) loss on disposal of assets	(56)	1,062
Deferred income taxes	1,089	3,328
Interest rate swap agreements - non-cash interest	16	(335)
Non-cash share-based compensation	403	656
Accretion of convertible debentures	471	—
Net change in interests in joint ventures	(380)	(708)
Tenant inducements	2,842	2,957
Changes in operating assets and liabilities	(46,405)	(38,443)
Net cash used in operating activities	(18,517)	(6,797)
<b>Investing activities</b>		
Proceeds from sale of assets	404	—
Purchases of property, equipment and leaseholds	(31,470)	(16,897)
Acquisition of business, net of cash acquired	(950)	(3,822)
Net cash invested in CDCP	—	(146)
Net cash used in investing activities	(32,016)	(20,865)
<b>Financing activities</b>		
Dividends paid	(22,657)	(21,191)
Borrowings under credit facility, net	40,000	15,000
Payments under finance leases	(591)	(540)
Net cash provided by (used in) financing activities	16,752	(6,731)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(33,781)</b>	<b>(34,393)</b>
<b>Cash and cash equivalents - Beginning of period</b>	<b>44,140</b>	<b>48,665</b>
<b>Cash and cash equivalents - End of period</b>	<b>\$ 10,359</b>	<b>\$ 14,272</b>
<b>Supplemental information</b>		
Cash paid for interest	\$ 2,403	\$ 1,858
Cash paid for income taxes	\$ 1,218	\$ 12,199

## Cineplex Inc.

### Interim Consolidated Supplemental Information

(Unaudited)

(expressed in thousands of Canadian dollars)

#### Reconciliation to Adjusted EBITDA

	Three months ended March 31,	
	2014	2013
<b>Net income</b>	<b>\$ 5,071</b>	<b>\$ 8,816</b>
Depreciation and amortization	18,668	17,298
Interest expense	5,217	1,716
Interest income	(70)	(78)
Current income tax expense (recovery)	370	(727)
Deferred income tax expense	1,089	3,328
<b>EBITDA</b>	<b>\$ 30,345</b>	<b>\$ 30,353</b>
(Gain) loss on disposal of assets	(56)	1,062
CDCP equity loss (income) (i)	55	(333)
Depreciation and amortization - joint ventures (ii)	520	519
Joint venture taxes and interest (ii)	17	89
<b>Adjusted EBITDA</b>	<b>\$ 30,881</b>	<b>\$ 31,690</b>

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

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

#### Components of Other Costs

Other costs	First Quarter		
	2014	2013	Change
Theatre occupancy expenses	\$ 51,024	\$ 46,558	9.6 %
Other operating expenses	84,211	64,468	30.6 %
General and administrative expenses	15,211	16,507	-7.9 %
Total other costs	\$ 150,446	\$ 127,533	18.0 %

**Cineplex Inc.**

**Interim Consolidated Supplemental Information**

**(Unaudited)**

**(expressed in thousands of Canadian dollars, except number of shares and per share data)**

**Adjusted Free Cash Flow**

	<b>Three months ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
Cash used in operating activities	\$ (18,517)	\$ (6,797)
Less: Total capital expenditures net of proceeds on sale of assets	(31,066)	(16,897)
Standardized free cash flow	(49,583)	(23,694)
Add/(Less):		
Changes in operating assets and liabilities (i)	46,405	38,443
Changes in operating assets and liabilities of joint ventures (i)	325	167
Tenant inducements (ii)	(2,842)	(2,957)
Principal component of finance lease obligations	(591)	(540)
Growth capital expenditures and other (iii)	24,047	12,034
Share of income of joint ventures, net of non-cash depreciation (iv)	623	800
Net cash invested in CDCP (iv)	—	(146)
<b>Adjusted free cash flow</b>	<b>\$ 18,384</b>	<b>\$ 24,107</b>
Average number of Shares outstanding	62,941,405	62,803,716
<b>Adjusted free cash flow per Share</b>	<b>\$ 0.2921</b>	<b>\$ 0.3838</b>

- (i) Changes in operating assets and liabilities are not considered a source or use of adjusted free cash flow.
- (ii) Tenant inducements received are for the purpose of funding new theatre capital expenditures and are not considered a source of adjusted free cash flow.
- (iii) Growth capital expenditures and other represent expenditures on Board approved projects as well as any expenditures for digital equipment that was contributed to CDCP, exclude maintenance capital expenditures, and are net of proceeds on asset sales. Cineplex's revolving facility is available to fund Board approved projects.
- (iv) Excludes the share of (loss) 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.