

Cineplex Inc.

Interim Condensed Consolidated Balance Sheets
(Unaudited)

(expressed in thousands of Canadian dollars)

	Notes	March 31, 2023	December 31, 2022
Assets			
Current assets			
Cash and cash equivalents		\$ 19,699	\$ 34,674
Trade and other receivables		73,405	107,088
Income taxes receivable		2,117	2,033
Inventories		37,634	36,916
Prepaid expenses and other current assets		18,279	15,659
Fair value of interest rate swap agreements		7,538	8,993
		<u>158,672</u>	<u>205,363</u>
Non-current assets			
Property, equipment and leaseholds		437,699	449,495
Right-of-use assets	2	756,345	772,978
Fair value of interest rate swap agreements		1,534	2,426
Interests in joint ventures and associates		2,451	650
Intangible assets		79,987	80,428
Goodwill	10	636,127	636,134
Derivative financial instrument	5	2,710	2,980
		<u>\$ 2,075,525</u>	<u>\$ 2,150,454</u>

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

Cineplex Inc.

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

(expressed in thousands of Canadian dollars)

	Notes	March 31, 2023	December 31, 2022
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 147,127	\$ 195,296
Income taxes payable		4,839	3,736
Deferred revenue and other	6	204,001	220,527
Lease obligations	7	99,574	96,093
		<u>455,541</u>	<u>515,652</u>
Non-current liabilities			
Share-based compensation	4	4,162	3,752
Long-term debt	5	859,169	824,888
Lease obligations	7	981,427	1,004,546
Post-employment benefit obligations		6,372	6,970
Other liabilities		6,456	6,460
Deferred income taxes	3	2,307	—
		<u>1,859,893</u>	<u>1,846,616</u>
Total liabilities		<u>2,315,434</u>	<u>2,362,268</u>
Shareholders' deficit			
Share capital	8	852,719	852,697
Deficit		(1,179,143)	(1,148,970)
Contributed surplus		85,082	83,006
Cumulative translation adjustment		1,433	1,453
Total shareholders' deficit		<u>(239,909)</u>	<u>(211,814)</u>
		<u>\$ 2,075,525</u>	<u>\$ 2,150,454</u>

Approved by the Board of Directors

“Phyllis Yaffe”
Director

“Janice Fukakusa”
Director

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Operations and Comprehensive Loss

For the three months ended March 31, 2023 and 2022

(Unaudited)

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

	Notes	2023	2022
Revenues	6		
Box office		\$ 123,338	\$ 79,952
Food service		101,076	68,388
Media		22,296	15,545
Amusement		75,763	50,424
Other		18,484	14,414
		<u>340,957</u>	<u>228,723</u>
Expenses			
Film cost		66,074	39,016
Cost of food service		24,237	14,857
Depreciation - right-of-use assets		22,199	24,263
Depreciation and amortization - other assets		26,006	26,892
Loss on disposal of assets		744	157
Other costs	9	186,617	138,352
Share of loss (income) of joint ventures and associates		1,419	(686)
Interest expense - lease obligations		16,333	14,704
Interest expense - other		23,506	10,083
Interest income		(211)	(30)
Foreign exchange		14	234
Loss on financial instruments recorded at fair value	5	270	3,830
		<u>367,208</u>	<u>271,672</u>
Loss before income taxes		<u>(26,251)</u>	<u>(42,949)</u>
Income tax expense	3		
Current		1,615	(724)
Deferred		2,307	—
		<u>3,922</u>	<u>(724)</u>
Net loss		<u>\$ (30,173)</u>	<u>\$ (42,225)</u>
Other comprehensive loss			
<i>Items that will be reclassified subsequently to net loss:</i>			
Foreign currency translation adjustment		(20)	(417)
Other comprehensive loss		<u>(20)</u>	<u>(417)</u>
Comprehensive loss		<u>\$ (30,193)</u>	<u>\$ (42,642)</u>
Net loss per share - basic and diluted	11	<u>\$ (0.48)</u>	<u>\$ (0.67)</u>

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Cineplex Inc.

Interim Condensed Consolidated Statements of Changes in Equity
For the three months ended March 31, 2023 and 2022
(Unaudited)

(expressed in thousands of Canadian dollars)

	Share capital	Contributed surplus	Hedging reserves and other	Cumulative translation adjustment	Deficit	Total
January 1, 2023	\$ 852,697	\$ 83,006	\$ —	\$ 1,453	\$ (1,148,970)	\$ (211,814)
Net loss	—	—	—	—	(30,173)	(30,173)
Other comprehensive loss	—	—	—	(20)	—	(20)
Total comprehensive loss	—	—	—	(20)	(30,173)	(30,193)
Share option expense	—	335	—	—	—	335
PSU/RSU expense	—	1,763	—	—	—	1,763
Issuance of shares on exercise of options	22	(22)	—	—	—	—
March 31, 2023	\$ 852,719	\$ 85,082	\$ —	\$ 1,433	\$ (1,179,143)	\$ (239,909)
January 1, 2022	\$ 852,465	\$ 80,027	\$ (131)	\$ (690)	\$ (1,151,394)	\$ (219,723)
Net loss	—	—	—	—	(42,225)	(42,225)
Other comprehensive loss (page 3)	—	—	—	(417)	—	(417)
Total comprehensive loss	—	—	—	(417)	(42,225)	(42,642)
Share option expense	—	517	—	—	—	517
PSU/RSU expense	—	1,620	—	—	—	1,620
Issuance of shares on exercise of options	110	(76)	—	—	—	34
March 31, 2022	\$ 852,575	\$ 82,088	\$ (131)	\$ (1,107)	\$ (1,193,619)	\$ (260,194)

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Cineplex Inc.

Interim Condensed Consolidated Statements of Cash Flows
For the three months ended March 31, 2023 and 2022
(Unaudited)

(expressed in thousands of Canadian dollars)

	Notes	2023	2022
Cash provided by (used in)			
Operating activities			
Net loss		\$ (30,173)	\$ (42,225)
Adjustments to reconcile net loss to net cash provided by operating activities			
Depreciation and amortization - other assets		26,006	26,892
Depreciation - right-of-use assets		22,199	24,263
Unrealized foreign exchange		13	152
Interest rate swap agreements - non-cash interest		2,619	(10,357)
Accretion of convertible debentures and notes payable		5,281	4,600
Other non-cash interest		103	170
Loss on disposal of assets		744	157
Deferred income taxes	3	2,307	—
Non-cash share-based compensation		2,099	2,137
Change in fair value of financial instruments		270	3,830
Net change in interests in joint ventures and associates		665	21
Changes in operating assets and liabilities	12	(28,998)	(15,077)
Net cash provided by (used in) operating activities		<u>3,135</u>	<u>(5,437)</u>
Investing activities			
Proceeds from disposal of assets, net		4	17
Purchases of property, equipment and leaseholds		(16,489)	(9,602)
Intangible assets additions		(2,831)	(2,173)
Tenant inducements		2,575	562
Investment in joint ventures and associates		(2,466)	—
Net cash used in investing activities		<u>(19,207)</u>	<u>(11,196)</u>
Financing activities			
Borrowings under credit facilities, net	5	29,000	43,000
Repayments of lease obligations - principal		(27,532)	(29,267)
Exercise of cash option		—	34
Financing fees		(406)	—
Net cash provided by financing activities		<u>1,062</u>	<u>13,767</u>
Effect of exchange rate differences on cash		35	22
Decrease in cash and cash equivalents		(14,975)	(2,844)
Cash and cash equivalents - Beginning of period		<u>34,674</u>	<u>26,938</u>
Cash and cash equivalents - End of period		<u>\$ 19,699</u>	<u>\$ 24,094</u>
Supplemental information			
Cash paid for interest - lease obligation		\$ 16,497	\$ 14,367
Cash paid for interest - other		\$ 24,545	\$ 25,719
Cash paid for income taxes, net		\$ 572	\$ —

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Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022
(Unaudited)

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

1. General information

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

The Board of Directors approved these consolidated financial statements on May 11, 2023.

Cineworld Transaction and Bankruptcy Filing

On December 15, 2019, Cineplex entered into an agreement (the “**Arrangement Agreement**”) with Cineworld Group plc (“**Cineworld**”) pursuant to which it agreed to acquire Cineplex for \$34.00 per share.

On June 12, 2020, Cineworld delivered a notice purporting to terminate the Arrangement Agreement. On July 3, 2020, Cineplex announced that it commenced an action against Cineworld in the Ontario Superior Court of Justice (the “**Court**”), seeking damages from what Cineplex claimed was a wrongful repudiation of the Arrangement Agreement. A trial of the action commenced on September 13, 2021.

On December 14, 2021, the Court ruled that Cineworld had no basis for terminating the Arrangement Agreement and breached the Arrangement Agreements, The Court awarded damages for breach of contract to Cineplex in the amount of approximately \$1,240,000.

On January 12, 2022, Cineworld filed a Notice of Appeal with the Court of Appeal for Ontario and on January 27, 2022, Cineplex filed its Notice of Cross Appeal (the “**Appeal**”). The Appeal was scheduled to be heard on October 12 and 13, 2022. On September 7, 2022, Cineworld filed a petition in the United States Bankruptcy Court for the Southern District of Texas, commencing bankruptcy proceedings (the “**Cineworld Bankruptcy Proceedings**”) under Chapter 11 of the United States Bankruptcy Code (“**Chapter 11**”). As a result of the Cineworld Bankruptcy Proceedings, the Appeal was adjourned indefinitely.

On April 2, 2023, Cineworld entered into a restructuring agreement, with some of its lenders, regarding a proposed restructuring transaction pursuant to the Cineworld Bankruptcy Proceedings and, on April 11, 2023, Cineworld filed its proposed plan of reorganization (the “**Cineworld Chapter 11 Plan**”). The Cineworld Chapter 11 Plan contemplates holders of general unsecured claim (which includes Cineplex’s claim of \$1,240,000), to the extent such claims are allowed claims in the Cineworld Bankruptcy Proceedings, receiving, in aggregate, (i) USD \$10,000 in cash and (ii) interests in a litigation trust representing a right to recover amounts relating to certain class actions against credit card issuers (collectively, the “**Recovery Pool**”). While at this time the expected distribution in respect of Cineplex’s claim is not known, Cineplex does not anticipate that its recovery will be material. Given the uncertainty to date as to any potential recovery in respect of Cineplex’s claim, no amount has been accrued as a receivable in Cineplex’s financial statements.

The Cineworld Chapter 11 Plan remains subject to creditor and court approval. If approved and implemented, the Cineworld Chapter 11 Plan will be binding on all affected parties, and Cineplex’s only entitlement in respect of its judgment against Cineworld will be to its allocated portion of the Recovery Pool.

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022
(Unaudited)

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2. Right-of-use-assets

The following tables present right-of-use assets for Cineplex for the three months ended March 31, 2023 and 2022:

	<u>Property</u>	<u>Equipment</u>	<u>Total</u>
At March 31, 2023			
Cost	\$ 1,205,730	\$ 23,981	\$ 1,229,711
Accumulated depreciation	(455,520)	(17,846)	(473,366)
Net book value	<u>\$ 750,210</u>	<u>\$ 6,135</u>	<u>\$ 756,345</u>
Three months ended March 31, 2023			
Balance - December 31, 2022	\$ 766,167	\$ 6,811	\$ 772,978
Extensions and modifications	5,571	—	5,571
Foreign exchange rate changes	(5)	—	(5)
Depreciation for the period	(21,523)	(676)	(22,199)
Closing net book value	<u>\$ 750,210</u>	<u>\$ 6,135</u>	<u>\$ 756,345</u>
	<u>Property</u>	<u>Equipment</u>	<u>Total</u>
At March 31, 2022			
Cost	\$ 1,124,188	\$ 25,154	\$ 1,149,342
Accumulated depreciation	(376,949)	(14,867)	(391,816)
Net book value	<u>\$ 747,239</u>	<u>\$ 10,287</u>	<u>\$ 757,526</u>
Three months ended March 31, 2022			
Balance - December 31, 2021	\$ 757,197	\$ 11,478	\$ 768,675
Additions	3,389	381	3,770
Extensions and modifications	9,803	(282)	9,521
Disposals	(119)	—	(119)
Foreign exchange rate changes	(58)	—	(58)
Depreciation for the period	(22,973)	(1,290)	(24,263)
Closing net book value	<u>\$ 747,239</u>	<u>\$ 10,287</u>	<u>\$ 757,526</u>

Cineplex Inc.

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3. 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:

	March 31, 2023	December 31, 2022
Deferred income tax assets		
Property, equipment and leaseholds and deferred tenant inducements - difference between net carrying value and undepreciated capital cost	\$ 7,422	\$ 3,690
Accounting provisions not currently deductible	89,422	92,391
Deferred revenue	1,985	1,985
Income tax credits available	4,010	4,010
Operating losses available for carry-forward	119,947	113,730
Other	10,519	10,935
Total gross deferred income tax assets	<u>233,305</u>	<u>226,741</u>
Future deferred tax liabilities		
Intangible assets	(10,276)	(10,208)
Interest rate swap agreements	(2,505)	(3,121)
Goodwill	(33,122)	(32,460)
Convertible debentures	(23,976)	(23,976)
Total gross deferred income tax liabilities	<u>(69,879)</u>	<u>(69,765)</u>
Net deferred income tax	\$ 163,426	\$ 156,976
Deferred income tax asset not recognized	165,733	156,976
Net deferred income tax liability recognized	<u>\$ (2,307)</u>	<u>\$ —</u>

At December 31, 2020 the recoverability of the net deferred income tax assets in the normal course of business was uncertain and accordingly the net deferred tax assets were derecognized. Cineplex will evaluate the likelihood of recoverability in the ordinary course of business at each balance sheet date, and will recognize net deferred tax assets when and if appropriate. Current and deferred income taxes have been recognized for one Canadian subsidiary that is generating taxable income. As Cineplex's other businesses continue to recover and return to profitability, deferred income tax assets and liabilities may be recognized, and reversal of previously recognized impairments may be appropriate. Cineplex had \$435,895 of available non-capital losses available at December 31, 2022.

Cineplex's combined statutory income tax rate at March 31, 2023 was 26.3% (2022 - 26.3%).

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

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022
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4. Share-based compensation

Omnibus Incentive Plan

On November 12, 2020, the Board of Directors approved an Omnibus Incentive Plan (the “Incentive Plan”). This plan supersedes the former incentive plans (collectively, the “Legacy Plan”) that included Options, Performance Share Units (“PSUs”) and Restricted Share Units (“RSUs”). All employees and consultants are eligible to participate in the Incentive Plan. The Incentive Plan consists of stock options, RSUs and PSUs. Awards of RSUs and PSUs granted during a service year will be subject to a service period as determined by management at the time of issuance. The aggregate number of Shares that may be issued under the Incentive Plan is 3,732,018 provided that no more than 1,893,445 Shares may be issued in aggregate pursuant to the settlement of RSUs and PSUs. Options that were issued under the Legacy Plan and are subsequently cancelled will be available to be issued under the Incentive Plan. The base Share equivalents granted as RSU and PSU awards attract compounding notional dividends at the same rate as outstanding Shares, which are notionally re-invested as additional base Share equivalents. PSU and RSU awards may be settled in Shares issued from treasury, cash, or a mix of Shares and cash, at Cineplex’s option at the time of settlement. Awards outstanding under prior plans shall remain in full force and effect under the prior plans according to their respective terms. Under the prior plans, the effects of changes in estimates of performance results are recognized in the year of change. As at March 31, 2023, 499,374 (2022 - 875,889) Shares are available to be issued under the Incentive Plan.

Stock Options

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

During the period ended March 31, 2023, Cineplex recorded \$335 (2022 - \$517) of employee benefits expense with respect to the options.

The fair value of options granted during the period ended March 31, 2023 and 2022 were determined using the Black-Scholes valuation model using the following significant inputs:

	March 31, 2023	March 31, 2022
Number of options granted	461,786	223,578
Share price	\$ 8.71	\$ 13.39
Exercise price	\$ 8.71	\$ 13.39
Expected option life (years)	4.0	4.0
Volatility	51.31 %	49.39 %
Annual risk-free rate	3.19 %	1.58 %
Fair value of options granted	\$ 2.90	\$ 5.33

Upon cashless exercises, the options exercised in excess of Shares issued are cancelled and returned to the pool available for future grants. At March 31, 2023, 238,774 options (2022 - 377,384) are available for grant.

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022
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A summary of option activities in 2023 and 2022 is as follows:

	Weighted average remaining contractual life (years)	2023		2022	
		Number of underlying shares	Weighted average exercise price	Number of underlying shares	Weighted average exercise price
Options outstanding, January 1	7.00	2,102,818	\$ 18.90	2,198,805	\$ 21.48
Granted		461,786	8.71	223,578	13.39
Exercised		(7,126)	8.25	(24,098)	8.25
Forfeited		(84,936)	18.28	(61,752)	20.57
Options outstanding, March 31	7.37	<u>2,472,542</u>	\$ 17.05	<u>2,336,533</u>	\$ 20.87
Options vested and exercisable		<u>1,512,468</u>		<u>1,253,874</u>	

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

RSU and PSU awards

The grants of Share equivalents were as follows:

	PSU Share equivalents granted	RSU Share equivalents granted	PSU Share equivalents minimum payout	PSU Share equivalents maximum payout
2023 LTIP awards granted in Q1 2023	307,551	477,254	—	615,102
2022 LTIP awards granted in Q1 2022	177,973	284,661	—	355,946
2021 LTIP awards granted in Q2 2021	167,546	315,619	—	335,092

During the first quarter of 2023, Cineplex issued 477,254 equity settled RSUs with a fair value \$8.71 per unit (total fair value of \$4,157 on issuance) and 307,551 equity settled PSUs with a fair value of \$8.71 per unit (total fair value of \$2,679 on issuance). The fair value was assessed based on Cineplex's closing Share price on the grant date. The RSU and PSU awards issued will vest in the fourth quarter of 2025.

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

Incentive Plan costs are estimated at the grant date based on expected performance results then accrued and recognized on a graded basis over the vesting period. Forfeitures are estimated to be nominal, based on historical forfeiture rates. Cineplex recognized compensation expense of \$1,779 for the three months ended March 31, 2023 (2022 - \$1,703) under the Incentive Plan relating to RSU and PSU awards. At March 31, 2023, \$337 (2022 - \$291) was included in share-based compensation liability, and \$6,169 in contributed surplus (2022 - \$4,396).

Cineplex Inc.

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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 period ended March 31, 2023, Cineplex recognized compensation expense of \$166 (2022 - \$38) associated with the deferred equity units. At March 31, 2023, \$3,825 (2022 - \$4,999) was included in share-based compensation liability.

5. Long-term debt

Long-term debt consists of the following as at March 31, 2023 and December 31, 2022:

	March 31, 2023		December 31, 2022	
	Book Value	Face Value	Book Value	Face Value
Credit Facilities	\$ 356,000	\$ 356,000	\$ 327,000	\$ 327,000
Convertible Debentures (i)	256,936	316,250	252,078	316,250
Notes Payable	246,233	250,000	245,810	250,000
Total	<u>\$ 859,169</u>	<u>\$ 922,250</u>	<u>\$ 824,888</u>	<u>\$ 893,250</u>

(i) Represents the carrying value of the debt component.

Credit facilities

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

At March 31, 2023, the Credit Facilities consisted of the following, subject to amendments described below pursuant to the Credit Agreement Amendments described below:

	Available	Drawn	Reserved	Remaining
Revolving Facility	\$ 541,200	\$ 356,000	\$ 7,800	\$ 177,400

Letters of credit outstanding at March 31, 2023 of \$7,800 are reserved against the Revolving Facility.

The Credit Facilities bear interest at a floating rate based on the Canadian dollar prime rate, U.S. Base Rate, SOFR (Secured Overnight Financing Rate) or bankers’ acceptances rates plus, in each case, an applicable margin to those rates. The Revolving Facility matures in November 2024. Borrowings on the Revolving Facility can be made in either Canadian or US dollars.

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

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Revolving Facility is drawn upon and repaid on a regular basis and as such is presented on a net basis in the Statement of Cash Flows.

On March 28, 2023, Cineplex entered into the Seventh Credit Agreement Amendment (the “Seventh Amendment”) revising certain of the financial covenants throughout the remainder of 2023. The table below is a summary of the financial covenant amendments:

Financial Covenant	Amendment	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024 and thereafter
Total Leverage Ratio	Commencing Q1 2023 through to and including Q3 2023 testing is suspended and amended as follows:	—	—	—	3.25x	3.00x
Senior Leverage Ratio	Amended as follows:	3.25x	2.75x	2.50x	2.25x	2.00x
Fixed Charge Coverage Ratio	Amended as follows:	1.10x	1.10x	1.10x	1.25x	1.25x

This summary of the Seventh Amendment is qualified in its entirety by reference to the provisions of the Credit Agreement which contains a complete statement of those terms and conditions. The Credit Agreement and each of the First, Second, Third, Fourth, Fifth, Sixth and Seventh Amendments were filed on SEDAR on June 30, 2020, November 13, 2020, February 8, 2021, January 4, 2022, August 10, 2022, December 22, 2022 and March 28, 2023, respectively.

One of the key financial covenants in the Credit Facilities is the Total Leverage Ratio which is calculated in accordance with IFRS in effect at November 13, 2018, which excludes the impact of the adoption of IFRS 16 on Cineplex’s financial reporting. The definition of debt in the Credit Facilities for the purposes of the Total Leverage Ratio includes the Credit Facilities, financing leases, Notes Payable and letters of credit but does not include Debentures, the lease obligations arising on the adoption of IFRS 16 or a reduction for cash on hand. The definition of debt for the purposes of the Senior Leverage Ratio includes the Credit Facilities, financing leases and letters of credit but does not include Notes Payable, Debentures, the lease obligations arising on the adoption of IFRS 16 or a reduction for cash on hand. For the purpose of the Credit Facilities definition, EBITDA is adjusted for certain non-cash, non-recurring items, excluded subsidiaries and the annualized impact of new operating locations or acquisitions. As at March 31, 2023, Cineplex’s Senior Leverage Ratio was 2.86x, as compared to a covenant not to exceed 3.25x. Cineplex’s fixed charge coverage ratio was 1.16x, as compared to a minimum covenant requirement of 1.10x.

Convertible debentures

Convertible debentures outstanding as of March 31, 2023 and December 31, 2022 are as follows:

	March 31, 2023	December 31, 2022
Face value of convertible debentures outstanding	\$ 316,250	\$ 316,250
Unaccreted deferred financing fees and discount	(59,314)	(64,172)
Convertible debentures	<u>\$ 256,936</u>	<u>\$ 252,078</u>

On July 17, 2020, Cineplex issued \$316,250 aggregate principal amount of convertible unsecured subordinated debentures, which mature on September 30, 2025 (the “Maturity Date”) and bear interest at a rate of 5.75% per annum, payable semi-annually in arrears on September 30 and March 31 in each year.

The Debentures are not redeemable by Cineplex prior to September 30, 2023. On or after September 30, 2023 and prior to September 30, 2024, Cineplex may, at its option, redeem the Debentures in whole or in part from time to time provided that the volume weighted average trading price of the Shares on the Toronto Stock Exchange during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022
(Unaudited)

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

is given is not less than 125% of the conversion price. On or after September 30, 2024, the Debentures may be redeemed in whole or in part from time to time at the option of Cineplex at a price equal to their principal amount plus accrued and unpaid interest. Redemption may be in the form of cash or in the form of Shares, at the option of Cineplex.

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

The fair value of the liability component of the Debentures was assessed at inception based on an estimated market discount rate of 14.1% less the pro-rata portion of transaction costs, and will be accreted to the full face value over the term of the Debentures. During the period ended March 31, 2023, Cineplex recorded accretion and cash interest expense on the Debentures of \$4,858 (2022 - \$4,199) and \$4,509 (2022 - \$4,509), respectively, both of which are included as part of the interest expense in the consolidated statement of operations. As at March 31, 2023, Cineplex has \$316,250 principal amount of Debentures outstanding. The residual value was allocated to the equity component less the pro-rata portion of transaction costs as prescribed by IFRS 9, *Financial instruments* and IAS 32, *Financial instruments: Presentation*.

The foregoing is a summary of the key terms of the Debentures. This summary is qualified in its entirety by reference to the provisions of the Debentures trust indenture which contains a complete statement of those terms and conditions. The Debenture trust indenture was filed on SEDAR on July 15, 2020.

Notes payable

Notes Payable outstanding as of March 31, 2023 and December 31, 2022 are as follows:

	March 31, 2023	December 31, 2022
Face value of Notes Payable	\$ 250,000	\$ 250,000
Unaccreted deferred financing fees and discount	(3,767)	(4,190)
Notes Payable	<u>\$ 246,233</u>	<u>\$ 245,810</u>

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

During the period ended March 31, 2023, Cineplex recorded accretion and cash interest expense on the Notes Payable of \$423 (2022 - \$401) and \$4,546 (2022 - \$4,546), respectively, both of which are included as part of interest expense in the consolidated statement of operations. As at March 31, 2023, Cineplex has \$250,000 principal amount of Notes Payable outstanding. Cineplex's derivative financial instrument on the Notes Payable relates to the early prepayment option that fluctuates in value based on market interest rates. The fair value of the embedded derivative was determined using an option pricing model with observable market inputs and is consistent with accepted methods for valuing financial instruments. Cineplex has estimated the fair value of this embedded derivative at \$2,710 as at March 31, 2023 (2022 - \$5,410), which is presented on the consolidated balance sheets as a derivative financial instrument.

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022
(Unaudited)

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

The foregoing is a summary of the key terms of the Notes Payable. This summary is qualified in its entirety by reference to the provisions of the Notes Payable trust indenture which contain a complete statement of those terms and conditions. The Notes Payable trust indenture was filed on SEDAR on February 26, 2021.

6. Revenue

The following tables disclose the changes in deferred revenue and other for the three months ended March 31, 2023 and 2022:

	December 31, 2022	Additions	Recognized	March 31, 2023
Gift cards	\$ 172,615	\$ 11,900	\$ 27,115	\$ 157,400
SCENE loyalty program	22,445	—	82	22,363
Advances, deposits and other	25,467	12,580	13,809	24,238
	<u>\$ 220,527</u>	<u>\$ 24,480</u>	<u>\$ 41,006</u>	<u>\$ 204,001</u>

SCENE loyalty program deferred revenue balance relates to SCENE point obligations issued up to December 12, 2021. New Scene+ points issued are recognized as advertising and promotion in other costs in the Consolidated Statement of Operations.

	December 31, 2021	Additions	Recognized	March 31, 2022
Gift cards	\$ 169,380	\$ 4,288	\$ 14,668	\$ 159,000
SCENE loyalty program	47,997	—	8,589	39,408
Advances, deposits and other	75,829	14,168	12,789	77,208
	<u>\$ 293,206</u>	<u>\$ 18,456</u>	<u>\$ 36,046</u>	<u>\$ 275,616</u>

In December 2020, Cineplex received \$60,000 from its existing partner with respect to the agreement to reorganize the program and reposition it for future growth. During the third quarter of 2022, Cineplex completed specific non-financial milestones and as a result recognized a gain of \$50,100 (classified under gain (loss) on disposal of assets on the Consolidated Statement of Operations) related to the reorganization of Scene LP, realizing \$50,500 of advances, deposits and other. Approximately \$2,000 remains in advances, deposits and other and will be recognized as future performance obligations are completed. Approximately \$1,400 remains in accounts payable and accrued liabilities, and will be recognized as funding occurs. Recognition for both items is expected to occur in 2023.

The following tables provide the disaggregation of revenue into categories by nature for the three months ended March 31, 2023 and 2022:

Box revenues

	2023	2022
Box office revenues	<u>\$ 123,338</u>	<u>\$ 79,952</u>

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022
(Unaudited)

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

Food service revenues

	2023	2022
Food service - theatres	\$ 86,444	\$ 58,759
Food delivery - theatres	2,295	3,249
Food service - location-based entertainment	12,337	6,380
Total food service revenues	<u>\$ 101,076</u>	<u>\$ 68,388</u>

Media revenues

	2023	2022
Cinema media	\$ 14,293	\$ 8,249
Digital place-based media	8,003	7,296
Total media revenues	<u>\$ 22,296</u>	<u>\$ 15,545</u>

Amusement revenues

	2023	2022
Amusement solutions excluding exhibition and LBE	\$ 49,602	\$ 34,839
Amusement solutions - exhibition	3,926	2,091
Amusement solutions - location based entertainment	22,235	13,494
Total amusement revenues	<u>\$ 75,763</u>	<u>\$ 50,424</u>

Other revenues

	2023	2022
Other revenues	<u>\$ 18,484</u>	<u>\$ 14,414</u>

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022
(Unaudited)

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

7. Lease obligation

The following table presents lease obligations for Cineplex for the three months ended March 31, 2023 and 2022:

	<u>Property</u>	<u>Equipment</u>	<u>Total</u>
Three months ended March 31, 2023			
Opening balance	\$ 1,091,282	\$ 9,357	\$ 1,100,639
Extensions and modifications	5,571	—	5,571
Tenant inducements	2,268	—	2,268
Lease payments	(42,870)	(935)	(43,805)
Interest expense	16,211	122	16,333
Foreign exchange rate changes	(5)	—	(5)
Closing lease obligations	1,072,457	8,544	1,081,001
Less: current portion	95,619	3,955	99,574
Non-current portion of lease obligations	<u>\$ 976,838</u>	<u>\$ 4,589</u>	<u>\$ 981,427</u>
	<u>Property</u>	<u>Equipment</u>	<u>Total</u>
Three months ended March 31, 2022			
Opening balance	\$ 1,092,674	\$ 12,849	\$ 1,105,523
Additions	3,389	381	3,770
Extensions and modifications	9,985	(282)	9,703
Tenant inducements	602	—	602
Lease payments	(42,945)	(689)	(43,634)
Interest expense	14,568	136	14,704
Foreign exchange rate changes	(82)	—	(82)
Closing lease obligations	\$ 1,078,191	\$ 12,395	\$ 1,090,586
Less: current portion	94,165	4,178	98,343
Non-current portion of lease obligations	<u>\$ 984,026</u>	<u>\$ 8,217</u>	<u>\$ 992,243</u>

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022
(Unaudited)

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

8. 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, 2023 and 2022 and transactions during the periods are as follows:

2023	Number of common shares issued and outstanding	Amount	
		Common shares	Total
Balance - December 31, 2022	63,375,400	\$ 852,697	\$ 852,697
Issuance of shares on exercise of options	240	22	22
Balance - March 31, 2023	63,375,640	\$ 852,719	\$ 852,719

2022	Number of common shares issued and outstanding	Amount	
		Common shares	Total
Balance - December 31, 2021	63,344,298	\$ 852,465	\$ 852,465
Issuance of shares on exercise of options	8,066	110	\$ 110
Balance - March 31, 2022	63,352,364	\$ 852,575	\$ 852,575

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022
(Unaudited)

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

9. Other costs

	Three months ended March 31,	
	2023	2022
Employee wages, salaries and benefits	\$ 75,232	\$ 43,921
Rent	477	(2,339)
Realty and occupancy taxes and maintenance fees	19,524	14,882
Utilities	9,148	6,952
Purchased services	17,910	12,634
Other inventories consumed, including amusement and digital place-based media	14,734	25,701
Venue revenue share	15,324	10,900
Repairs and maintenance	11,168	8,498
Advertising and promotion	7,341	4,769
Office and operating supplies	2,779	2,170
Licenses and franchise fees	3,894	4,201
Insurance	2,357	1,924
Professional and consulting fees	2,385	1,270
Telecommunications and data	1,381	1,430
Bad debts	376	(517)
Equipment rental	371	470
Other costs	2,216	1,486
	<u>\$ 186,617</u>	<u>\$ 138,352</u>

Cineplex operated at full capacity during the entirety of the first quarter of 2023, compared to the first quarter of 2022 that was impacted by capacity and operating restrictions in select provinces. Cineplex recognized nominal subsidies during the first quarter of 2023 compared to material subsidies recognized during the first quarter of 2022, summarized below.

Subsidies	Three months ended March 31,	
	2022	
Wage subsidy (CEWS and THRP)	\$	20,130
Rent subsidy (CERS and THRP)		2,996
Realty tax subsidy		3,806
Utility subsidy		2,184
Total	\$	29,116

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022
(Unaudited)

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

10. Impairment of long-lived assets

Cineplex generally performs its annual test for impairment of goodwill and indefinite-lived intangible assets in the fourth quarter, in accordance with the policy described in its annual consolidated financial statements. Assessment of impairment for long-lived assets, including property, equipment, leaseholds, right-of-use assets, intangible assets and goodwill is performed more frequently as specific events or circumstances dictate triggering events and changes in circumstances indicate that the carrying amount of the asset group may not be fully recoverable. In addition, for assets other than goodwill and indefinite-lived intangible assets, indicators are assessed considering whether an impairment loss previously recognized may no longer exist or may have decreased.

On March 31, 2023, Cineplex reassessed the underlying key assumptions and inputs used during the impairment testing completed at December 31, 2022 and determined that there were no material changes in those key judgments and conclusions. No reversal or impairment of long-lived assets were recognized during the period ended March 31 2023 and 2022.

See note 11, Impairment of long-lived assets in Cineplex's 2022 annual consolidated financial statements for further details.

11. Net loss per share

Basic

Basic loss per share is calculated by dividing the net loss by the weighted average number of shares outstanding during the period.

	<u>2023</u>	<u>2022</u>
Net loss	\$ (30,173)	\$ (42,225)
Weighted average number of shares outstanding	<u>63,375,471</u>	<u>63,346,444</u>
Basic loss per share	<u>\$ (0.48)</u>	<u>\$ (0.67)</u>

Diluted

Diluted loss per share 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. For the period ended March 31, 2023, the options and debentures are anti-dilutive and the anti-dilutive shares that have been excluded were 1,401 potential shares that would be issued under the treasury stock method and 28,907,678 potential shares that would have been issued under the if-converted method relating to debenture units outstanding. The options and debentures are anti-dilutive in 2023 and 2022, as applicable.

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022
(Unaudited)

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

	<u>2023</u>	<u>2022</u>
Net loss	\$ (30,173)	\$ (42,225)
Weighted average number of shares for diluted EPS	<u>63,375,471</u>	<u>63,346,444</u>
Diluted loss per share	<u>\$ (0.48)</u>	<u>\$ (0.67)</u>

12. Changes in operating assets and liabilities

The following summarizes the changes in operating assets and liabilities:

	<u>2023</u>	<u>2022</u>
Trade and other receivables	\$ 33,366	\$ 21,203
Inventories	(716)	(4,434)
Prepaid expenses and other current assets	(2,623)	(566)
Accounts payable and accrued liabilities	(43,284)	(11,692)
Income taxes receivable	1,016	(724)
Deferred revenue	(16,524)	(17,550)
Post-employment benefit obligations	(599)	(811)
Share-based compensation	410	121
Other liabilities	(44)	(624)
	<u>\$ (28,998)</u>	<u>\$ (15,077)</u>

Property, equipment and leasehold purchases included in accounts payable and accrued liabilities as at March 31, 2023, are \$6,812 (2022 - \$3,102).

13. Operating segments

Cineplex has four reportable segments; Film Entertainment and Content, Media, Amusement Solutions 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 businesses. Cinema media consists of all in-theatre advertising revenues and costs, including pre-show, showtime and lobby advertising. Digital place-based media is comprised of revenues and costs associated

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022
(Unaudited)

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

with the design, installation and operations of digital signage networks, along with advertising on certain networks. Aggregation of these operating segments is based on the segments having similar economic characteristics.

Amusement Solutions

Amusement Solutions is comprised of revenues and costs associated with operating and distributing amusement, gaming and vending equipment.

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 income of CDCP, and impairment, depreciation, amortization, interest and taxes of Cineplex's other joint ventures and associates. Adjusted EBITDAaL modifies adjusted EBITDA to deduct current period cash rent paid or payable related to lease obligations.

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.

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.

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022
(Unaudited)

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

The following tables disclose the results of the Film Entertainment and Content, Media, Amusement Solutions and Location-Based Entertainment segments for the three months ended March 31, 2023 and 2022:

Three months ended March 31, 2023	Film Entertainment and Content (i)	Media (i)	Amusement Solutions	Location- Based Entertainment	Corporate and other (iii)	Consolidated
Major product and service lines						
Box office	\$ 123,338	\$ —	\$ —	\$ —	\$ —	\$ 123,338
Food service	88,739	—	—	12,337	—	101,076
Media	—	22,153	—	143	—	22,296
Amusement	3,926	—	49,602	22,235	—	75,763
Other	18,116	—	—	368	—	18,484
Total revenues	\$ 234,119	\$ 22,153	\$ 49,602	\$ 35,083	\$ —	\$ 340,957
Primary geographical markets						
Canada	\$ 234,119	\$ 19,831	\$ 19,274	\$ 35,083	\$ —	\$ 308,307
United States and other countries	—	2,322	30,328	—	—	32,650
Total revenues	\$ 234,119	\$ 22,153	\$ 49,602	\$ 35,083	\$ —	\$ 340,957
Timing of revenue recognition						
Transferred at a point in time	\$ 234,119	\$ 3,037	\$ 49,602	\$ 35,083	\$ —	\$ 321,841
Transferred over time	—	19,116	—	—	—	19,116
Total revenues	\$ 234,119	\$ 22,153	\$ 49,602	\$ 35,083	\$ —	\$ 340,957
Adjusted EBITDAaL	\$ 10,746	\$ 9,128	\$ 8,866	\$ 10,482	\$ (18,979)	\$ 20,243
Difference between the sum of depreciation of right-of-use assets and interest expense related to the lease obligations as compared to the cash rent paid or payable related to lease obligations with respect to the current period:						(3,990)
Other adjustments (ii)						1,183
Depreciation and amortization - other assets						26,006
Interest expense - other						23,506
Interest income						(211)
Provision for income taxes						3,922
Net loss						\$ (30,173)
Other operating segment disclosures						
Depreciation - right-of-use assets	\$ 19,815	\$ 593	\$ 666	\$ 1,015	\$ 110	\$ 22,199
Depreciation and amortization - other assets	\$ 16,597	\$ 1,461	\$ 3,133	\$ 4,815	\$ —	\$ 26,006
Interest expense - lease obligations	\$ 14,576	\$ 118	\$ 182	\$ 1,256	\$ 201	\$ 16,333
Goodwill balance	\$ 413,915	\$ 206,385	\$ 15,827	\$ —	\$ —	\$ 636,127

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022
(Unaudited)

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

Three months ended March 31, 2022	Film Entertainment and Content (i)	Media (i)	Amusement Solutions	Location- Based Entertainment	Corporate and other (iii)	Consolidated
Major product and service lines						
Box office	\$ 79,952	\$ —	\$ —	\$ —	\$ —	\$ 79,952
Food service	62,008	—	—	6,380	—	68,388
Media	—	15,440	—	105	—	15,545
Amusement	2,091	—	34,839	13,494	—	50,424
Other	14,350	—	—	64	—	14,414
Total revenues	\$ 158,401	\$ 15,440	\$ 34,839	\$ 20,043	\$ —	\$ 228,723
Primary geographical markets						
Canada	\$ 158,401	\$ 13,657	\$ 10,507	\$ 20,043	\$ —	\$ 202,608
United States and other countries	—	1,783	24,332	—	—	26,115
Total revenues	\$ 158,401	\$ 15,440	\$ 34,839	\$ 20,043	\$ —	\$ 228,723
Timing of revenue recognition						
Transferred at a point in time	\$ 158,401	\$ 2,990	\$ 34,839	\$ 20,043	\$ —	\$ 216,273
Transferred over time	—	12,450	—	—	—	12,450
Total revenues	\$ 158,401	\$ 15,440	\$ 34,839	\$ 20,043	\$ —	\$ 228,723
Adjusted EBITDAaL	\$ (6,285)	\$ 5,260	\$ 4,985	\$ 6,404	\$ (16,083)	\$ (5,719)
Difference between the sum of depreciation of right-of-use assets and interest expense related to the lease obligations as compared to the cash rent paid or payable related to lease obligations with respect to the current period:						(3,227)
Other adjustments (ii)						3,512
Depreciation and amortization - other assets						26,892
Interest expense - other						10,083
Interest income						(30)
Income taxes recovery						(724)
Net loss						\$ (42,225)
Other operating segment disclosures						
Depreciation - right-of-use assets	\$ 22,298	\$ 832	\$ 134	\$ 907	\$ 92	\$ 24,263
Depreciation and amortization - other assets	\$ 16,960	\$ 1,148	\$ 4,605	\$ 4,179	\$ —	\$ 26,892
Interest expense - lease obligations	\$ 12,928	\$ 134	\$ 119	\$ 1,308	\$ 215	\$ 14,704
Goodwill balance	\$ 413,915	\$ 206,385	\$ 15,121	\$ —	\$ —	\$ 635,421

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

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

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

14. Basis of presentation and accounting standards

Basis of preparation and measurement

Cineplex prepares its unaudited interim condensed consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*. The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022
(Unaudited)

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

also requires that management exercise judgment in applying Cineplex's accounting policies. 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, 2022. 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, 2022, with the exception of accounting standards issued in the current quarter.

The International Accounting Standards Board ("IASB") has published a number of amendments to existing accounting standards effective for years beginning on or after January 1, 2023. Cineplex continues to evaluate the impact of the amended accounting standards on Cineplex's consolidated financial statements and has not early adopted any amendments to existing accounting standards.

Accounting standards issued

The following amendments have been adopted or are being evaluated by Cineplex:

IAS 12, Deferred taxes related to assets and liabilities arising from a single transaction

In May 2021, the IASB issued deferred tax related to assets and liabilities arising from a single transaction. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. Cineplex has determined that the changes have no material impact on Cineplex's consolidated financial statements.

IAS 8, Definition of accounting estimates

In February 2021, the IASB issued definition of accounting estimates, which amended IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. Cineplex has determined that the changes have no material impact on Cineplex's consolidated financial statements.

IAS 1, Classification of liabilities as current or non-current

In December 2020 the IASB issued classification of liabilities as current or non-current (2020 amendments). The 2020 amendments clarified aspects of how entities classify liabilities as current or non-current. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. Cineplex has not applied the accounting pronouncement issued.