

Cineplex Inc.

Interim Condensed Consolidated Balance Sheets (Unaudited)

(expressed in thousands of Canadian dollars)

	September 30, 2022	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	\$ 28,854	\$ 26,938
Trade and other receivables	63,138	80,679
Income taxes receivable	2,077	1,984
Inventories	35,001	24,899
Prepaid expenses and other current assets	19,384	13,365
Fair value of interest rate swap agreements	5,500	—
	<u>153,954</u>	<u>147,865</u>
Non-current assets		
Property, equipment and leaseholds	430,521	464,439
Right-of-use assets (note 3)	778,455	768,675
Fair value of interest rate swap agreements	4,190	—
Interests in joint ventures and associates	3,695	7,423
Intangible assets	80,662	81,651
Goodwill	636,245	635,545
Derivative financial instrument (note 6)	2,010	9,240
	<u>\$ 2,089,732</u>	<u>\$ 2,114,838</u>

COVID-19 business impacts, risks and liquidity (note 2)

Subsequent events (note 15)

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)

	September 30, 2022	December 31, 2021
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 143,966	\$ 157,950
Income taxes payable	1,823	1,945
Deferred revenue and other (note 7)	209,045	293,206
Lease obligations (note 8)	92,454	101,058
Fair value of interest rate swap agreements	—	8,063
	<u>447,288</u>	<u>562,222</u>
Non-current liabilities		
Share-based compensation (note 5)	3,906	4,940
Long-term debt (note 6)	825,043	739,211
Fair value of interest rate swap agreements	—	6,160
Lease obligations (note 8)	1,019,226	1,004,465
Post-employment benefit obligations	9,258	9,973
Other liabilities	7,026	7,590
	<u>1,864,459</u>	<u>1,772,339</u>
Total liabilities	<u>2,311,747</u>	<u>2,334,561</u>
Shareholders' deficit		
Share capital (note 9)	852,661	852,465
Deficit	(1,161,449)	(1,151,394)
Hedging reserves and other	(131)	(131)
Contributed surplus	85,059	80,027
Cumulative translation adjustment	1,845	(690)
Total shareholders' deficit	<u>(222,015)</u>	<u>(219,723)</u>
	<u>\$ 2,089,732</u>	<u>\$ 2,114,838</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
For the three and nine months ended September 30, 2022 and 2021
(Unaudited)

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Revenues (note 7)				
Box office	\$ 124,700	\$ 94,114	\$ 341,024	\$ 110,430
Food service	105,193	79,971	284,218	99,754
Media	25,224	14,060	67,175	32,535
Amusement	69,607	53,319	185,754	89,377
Other	15,113	8,916	40,267	24,622
	<u>339,837</u>	<u>250,380</u>	<u>918,438</u>	<u>356,718</u>
Expenses and other income				
Film cost	66,356	45,838	175,330	52,684
Cost of food service	24,839	16,362	65,031	20,641
Depreciation - right-of-use assets	23,277	25,151	72,026	77,206
Depreciation and amortization - other assets	26,079	28,297	79,622	85,541
(Gain) loss on disposal of assets (note 7)	(49,848)	22	(54,341)	(29,859)
Other costs (note 10)	185,048	139,527	500,141	281,584
Share of loss (income) of joint ventures and associates	673	(930)	371	2,536
Interest expense - lease obligations	15,946	14,842	45,389	43,942
Interest expense - other	16,303	17,990	40,198	49,554
Interest income	(84)	(68)	(152)	(202)
Foreign exchange	(1,239)	(529)	(1,628)	66
Loss (gain) on financial instruments recorded at fair value (note 6)	1,630	(2,570)	7,230	(3,370)
	<u>308,980</u>	<u>283,932</u>	<u>929,217</u>	<u>580,323</u>
Income (loss) before income taxes	<u>30,857</u>	<u>(33,552)</u>	<u>(10,779)</u>	<u>(223,605)</u>
Income tax (recovery) expense (note 4)				
Current	—	—	(724)	3,339
Net income (loss)	<u>\$ 30,857</u>	<u>\$ (33,552)</u>	<u>\$ (10,055)</u>	<u>\$ (226,944)</u>
Net income (loss) per share - basic (note 11)	<u>\$ 0.49</u>	<u>\$ (0.53)</u>	<u>\$ (0.16)</u>	<u>\$ (3.58)</u>
Net income (loss) per share - diluted (note 11)	<u>\$ 0.43</u>	<u>\$ (0.53)</u>	<u>\$ (0.16)</u>	<u>\$ (3.58)</u>

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)
For the three and nine months ended September 30, 2022 and 2021
(Unaudited)

(expressed in thousands of Canadian dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Net income (loss)	<u>\$ 30,857</u>	<u>\$ (33,552)</u>	<u>\$ (10,055)</u>	<u>\$ (226,944)</u>
Other comprehensive income (loss)				
<i>Items that will be reclassified subsequently to net income:</i>				
Foreign currency translation adjustment	<u>2,035</u>	<u>861</u>	<u>2,535</u>	<u>(47)</u>
Other comprehensive income (loss)	<u>2,035</u>	<u>861</u>	<u>2,535</u>	<u>(47)</u>
Comprehensive income (loss)	<u>\$ 32,892</u>	<u>\$ (32,691)</u>	<u>\$ (7,520)</u>	<u>\$ (226,991)</u>

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Cineplex Inc.

Interim Condensed Consolidated Statements of Changes in Equity
For the nine months ended September 30, 2022 and 2021
(Unaudited)

(expressed in thousands of Canadian dollars)

	Share capital	Contributed surplus	Hedging reserves and other	Cumulative translation adjustment	Deficit	Total
January 1, 2022	\$ 852,465	\$ 80,027	\$ (131)	\$ (690)	\$ (1,151,394)	\$ (219,723)
Net loss	—	—	—	—	(10,055)	(10,055)
Other comprehensive income (page 4)	—	—	—	2,535	—	2,535
Total comprehensive loss	—	—	—	2,535	(10,055)	(7,520)
Share option expense	—	1,242	—	—	—	1,242
PSU/RSU expense	—	3,873	—	—	—	3,873
Issuance of shares on exercise of options	196	(83)	—	—	—	113
September 30, 2022	\$ 852,661	\$ 85,059	\$ (131)	\$ 1,845	\$ (1,161,449)	\$ (222,015)
January 1, 2021	\$ 852,379	\$ 75,882	\$ (131)	\$ (502)	\$ (903,394)	\$ 24,234
Net loss	—	—	—	—	(226,944)	(226,944)
Other comprehensive loss (page 4)	—	—	—	(47)	—	(47)
Total comprehensive loss	—	—	—	(47)	(226,944)	(226,991)
Share option expense	—	1,380	—	—	—	1,380
PSU/RSU expense	—	1,683	—	—	—	1,683
Settlement for cancelled options	—	(60)	—	—	—	(60)
Issuance of shares on exercise of options	77	(77)	—	—	—	—
September 30, 2021	\$ 852,456	\$ 78,808	\$ (131)	\$ (549)	\$ (1,130,338)	\$ (199,754)

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Cineplex Inc.

Interim Condensed Consolidated Statements of Cash Flows
For the three and nine months ended September 30, 2022 and 2021
(Unaudited)

(expressed in thousands of Canadian dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Cash provided by (used in)				
Operating activities				
Net income (loss)	\$ 30,857	\$ (33,552)	\$ (10,055)	\$ (226,944)
Adjustments to reconcile net income (loss) to net cash provided by operating activities				
Depreciation and amortization - other assets	26,079	28,297	79,622	85,541
Depreciation - right-of-use assets	23,277	25,151	72,026	77,206
Unrealized foreign exchange	(1,028)	(479)	(1,364)	(23)
Interest rate swap agreements - non-cash interest	(4,277)	(2,071)	(21,398)	(7,448)
Accretion of convertible debentures and notes payable	4,622	4,050	13,832	11,809
Other non-cash interest	114	188	460	812
(Gain) loss on disposal of assets	(49,848)	22	(54,341)	(29,859)
Non-cash share-based compensation	1,419	1,246	5,115	3,064
Change in fair value of financial instruments	1,630	(2,570)	7,230	(3,370)
Net change in interests in joint ventures and associates	(1,219)	(899)	(1,589)	3,893
Changes in operating assets and liabilities (note 12)	(25,815)	32,640	(42,012)	118,843
Net cash provided by operating activities	5,811	52,023	47,526	33,524
Investing activities				
Proceeds from disposal of assets, net	152	3,231	1,822	63,147
Purchases of property, equipment and leaseholds	(14,618)	(4,834)	(36,758)	(18,575)
Intangible assets additions	(3,638)	(2,130)	(8,419)	(7,208)
Tenant inducements	3,581	1,359	4,186	7,024
Net cash received from CDCP	—	—	5,318	—
Net cash (used in) provided by investing activities	(14,523)	(2,374)	(33,851)	44,388
Financing activities				
Borrowings (repayments) under credit facilities, net (note 6)	38,000	(26,000)	72,000	(247,000)
Repayments of lease obligations - principal	(26,330)	(24,191)	(83,025)	(62,734)
Exercise of cash option	—	—	113	—
Issuance of notes payable, net (note 6)	—	—	—	243,996
Financing fees	(542)	—	(542)	(321)
Net cash provided by (used in) financing activities	11,128	(50,191)	(11,454)	(66,059)
Effect of exchange rate differences on cash	(146)	(189)	(305)	364
Increase (decrease) in cash and cash equivalents	2,270	(731)	1,916	12,217
Cash and cash equivalents - Beginning of period	26,584	29,202	26,938	16,254
Cash and cash equivalents - End of period	\$ 28,854	\$ 28,471	\$ 28,854	\$ 28,471
Supplemental information				
Cash paid for interest - lease obligation	\$ 15,682	\$ 15,355	\$ 44,475	\$ 42,127
Cash paid for interest - other	\$ 17,095	\$ 10,796	\$ 50,634	\$ 32,308
Cash received for income taxes, net	\$ (652)	\$ (8,814)	\$ (688)	\$ (62,329)

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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.

Cineworld Transaction and Bankruptcy Filing

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

On June 12, 2020, Cineworld delivered a notice (the “Termination Notice”) to Cineplex purporting to terminate the Arrangement Agreement. In the Termination Notice, Cineworld alleged that Cineplex took certain actions that constituted breaches of Cineplex’s covenants under the Arrangement Agreement including failing to operate its business in the ordinary course. In addition, Cineworld alleged that a material adverse effect had occurred with respect to Cineplex. Cineworld’s repudiation of the Arrangement Agreement was acknowledged by Cineplex and the Cineworld Transaction did not proceed. Cineplex vigorously denied Cineworld’s allegations.

On July 3, 2020, Cineplex announced that it had commenced an action in the Ontario Superior Court of Justice (the “Court”) against Cineworld and 1232743 B.C. Ltd. seeking damages arising from what Cineplex claimed was a wrongful repudiation of the Arrangement Agreement. The claim sought damages, including the approximately \$2,180,000 that Cineworld would have paid upon the closing of the Cineworld Transaction for Cineplex’s securities, reduced by the value of the Cineplex securities retained by its security holders, as well as compensation for other losses including the loss to Cineplex of expected synergies, the failure of Cineworld to repay or refinance Cineplex’s approximately \$664,000 in debt, and transaction expenses. Cineplex also advanced alternative claims for damages for the loss of benefits to its security holders, and to require Cineworld to disgorge the benefits it improperly received by wrongfully repudiating the Cineworld Transaction.

A trial of the action commenced before the Court on September 13, 2021 and continued until November 4, 2021.

On December 14, 2021, the Court released its decision in the action. The Court held that Cineplex did not breach any of its covenants in the Arrangement Agreement, and that Cineworld had no basis for terminating the Arrangement Agreement. The Court held that Cineworld breached the Arrangement Agreement and repudiated the transaction to acquire Cineplex, which actions precluded Cineplex from seeking specific performance and entitled Cineplex to monetary damages. The Court awarded damages for breach of contract to Cineplex in the amount of \$1,240,000 on account of lost synergies, and \$5,500 for transaction costs, exclusive of pre-judgment interest (the “Judgment”). The Court also held that Cineplex’s shareholders did not have any rights under the Arrangement Agreement to enforce the agreement or sue Cineworld for any breach. The Court also denied Cineworld’s counterclaim against Cineplex.

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 originally scheduled to be heard on October 12 and 13, 2022. On September 7, 2022, Cineworld and certain of its subsidiaries (the “Cineworld Parties”) filed a petition in the United States Bankruptcy Court for the Southern District of Texas, (the “U.S. Bankruptcy

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Court”), commencing bankruptcy proceedings under Chapter 11 of the United States Bankruptcy Code (“Chapter 11”). On September 8, 2022, the U.S. Bankruptcy Court granted relief requested by the Cineworld Parties in the Chapter 11 proceedings, including an order confirming and enforcing a worldwide stay of all enforcement proceedings by Cineworld’s creditors. Cineworld took the position that the Appeal was therefore stayed. On September 9, 2022, Cineplex filed an emergency motion with the U.S. Bankruptcy Court, seeking to lift the stay with respect to the Appeal. Cineplex’s emergency motion was heard on September 28, 2022, at which time the U.S. Bankruptcy Court declined Cineplex’s requested relief, without prejudice to Cineplex’s ability to seek such relief at a later date. On September 30, 2022, on consent of counsel for Cineplex and Cineworld, the Court of Appeal for Ontario adjourned the Appeal until a date to be determined. Accordingly, the hearing of Appeal has been delayed.

Cineplex continues to evaluate and advance all options against Cineworld to maximize and monetize the value of the Judgment. As part of these ongoing efforts, Cineplex has engaged Moelis & Company, a leading global investment bank with significant expertise in these areas, as financial advisors, and Goodmans LLP, as lead counsel. Cineplex has also been appointed as a member of the unsecured creditors’ committee in the Cineworld Parties’ Chapter 11 proceedings.

While the Judgment and next steps are a key focus for Cineplex and its advisors, due to uncertainties inherent in appeals and Cineworld’s insolvency proceedings, it is not possible for Cineplex to predict the timing or final outcome of the Appeal. Further, even if the Appeal by Cineworld is not successful, Cineworld may not have the ability to pay the full amount of any damages or costs awarded by the Court. Therefore, no amount has been accrued as a receivable.

The Board of Directors approved these consolidated financial statements on November 9, 2022.

2. COVID-19 business impacts, risks and liquidity

In early 2020, the outbreak of COVID-19 was confirmed in multiple countries throughout the world and on March 11, 2020, it was declared a global pandemic by the World Health Organization (“WHO”). In response, Cineplex immediately introduced enhanced cleaning protocols and reduced theatre capacities to promote social distancing. By mid-March 2020, each of Canada’s provinces and territories had declared a state of emergency resulting in, among other things, the mandated closure of non-essential businesses, restrictions on public gatherings and quarantining of people who may have been exposed to the virus. On March 16, 2020, Cineplex announced the temporary closure of all of its theatres and LBE venues across Canada, as well as substantially all route locations operated by P1AG. On August 21, 2020, Cineplex reopened its entire circuit of theatres and LBE venues, however, theatre operations and LBE venues were continuously impacted by additional government mandated restrictions and closures over the next several quarters.

As of July 17, 2021, Cineplex had reopened its entire circuit of theatres subject to capacity restrictions, in some cases after months of extended closure periods. The reopening included Cineplex’s then 161 theatre locations, encompassing 1,656 screens across Canada including 18 VIP Cinemas locations. As restrictions were temporarily eased in markets in which Cineplex operated, Cineplex also reopened its LBE venues across Canada as well as route locations operated by P1AG. All theatres, LBE venues and P1AG route locations continue to operate with enhanced safety and cleaning measures to ensure the safety of Cineplex’s employees and customers.

Effective December 18, 2021, due to the rise of the Omicron variant, capacity restrictions were reinstated in Ontario, Cineplex’s largest market, limiting indoor capacity to 50% along with prohibiting the consumption of concessions in theatres. Theatres in Quebec were also mandated to temporarily close effective December 20, 2021. During the beginning of the first quarter of 2022, social gathering restrictions were further modified or reinstated in several key markets in which Cineplex operates, resulting in theatre closures in Ontario. Cineplex was also required to temporarily close or reduce capacity in other provinces. Effective January 29, 2022, January 31, 2022 and February 7, 2022, theatres in New Brunswick, Ontario and Quebec were permitted to reopen at reduced capacity levels, respectively. During the second quarter of 2022, all remaining capacity restrictions and mask mandates were

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removed in all markets in which Cineplex operates theatres and LBE venues across Canada. Cineplex is currently operating at full capacity but is prepared to react to any government directives affecting operations.

Liquidity measures:

- June 2020: entered into the First Credit Agreement Amendment with The Bank of Nova Scotia as administrative agent of Cineplex's seventh amended and restated credit agreement (as amended, the "Credit Facilities") providing certain financial covenant relief in light of the COVID-19 pandemic and its impact on Cineplex's business (note 6, Long-term debt);
- July 2020: issued convertible unsecured subordinated debentures (the "Debentures") for net proceeds of \$303,000, (note 6, Long-term debt)
- November 2020: entered into the Second Credit Agreement Amendment providing further financial covenant relief (note 6, Long-term debt);
- December 2020: entered into an agreement to enhance and expand the SCENE loyalty program receiving \$60,000 with respect to the reorganization;
- January 2021: completed the sale and leaseback of Cineplex's head office buildings located at 1303 Yonge Street and 1257 Yonge Street, Toronto, Ontario for gross proceeds of \$57,000, (note 6, Long-term debt);
- January 2021: filed tax returns for the 2020 taxation year claiming a \$62,624 recovery of income taxes paid in prior periods (all of which had been received by December 31, 2021);
- February 2021: entered into the Third Credit Agreement Amendment providing further financial covenant relief (note 6, Long-term debt);
- February 2021: issued 7.50% senior secured second lien notes due February 26, 2026 (the "Notes Payable") for net proceeds of \$243,266, (note 6, Long-term debt);
- December 2021: entered into the Fourth Credit Agreement Amendment providing further financial covenant relief (note 6, Long-term debt); and
- August 2022: entered into the Fifth Credit Agreement Amendment providing further financial covenant relief (note 6, Long-term debt).

Cost reduction and subsidy measures:

- temporary layoffs of all part-time and full-time hourly employees as well as a number of full-time employees who chose a temporary layoff rather than a salary reduction during the second quarter of 2020, and additional temporary layoffs of part-time employees beginning in December 2021 and further expanding into the first quarter of 2022;
- reduced full-time employee salaries by agreement with such employees during the second and third quarters of 2020;
- suspended or deferred current capital spending, reviewing all capital projects to consider either deferral or cancellation;
- reduced non-essential discretionary operational expenditures (such as spending on marketing, travel and entertainment);
- implemented a more stringent review and approval process for all outgoing procurement and payment requests;
- continued negotiations with landlords for cash payments in exchange for the sale of contractual rights or negotiating rent relief, including abatements, reductions and deferrals;
- worked with major suppliers and other business partners to modify the timing and quantum of certain contractual payments;
- reviewed and applied for government subsidy programs where available, including municipal and provincial property tax and energy rebates or subsidies;
- applied for the ongoing Canada Emergency Wage Subsidy ("CEWS"), which was launched by the Government of Canada, providing a variable subsidy for employee wages incurred from March 2020 to October 23, 2021;
- applied for the ongoing Canada Emergency Rent Subsidy ("CERS"), which was launched by the Government of Canada as a result of government mandated lockdowns, providing a variable subsidy for rent and other occupancy-related costs incurred from September 27, 2020 through October 23, 2021;

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- applied for Canada's Tourism and Hospitality Recovery Program ("THRPP") which began on October 24, 2021 and provided wage and rent subsidies for businesses that have faced revenue losses, with a subsidy rate of up to 75% until March 12, 2022 and 37.5% until May 7, 2022;
- continued evaluation of Cineplex's eligibility under other relief programs; and
- continued the suspension of dividends.

Since the closure of its theatres and LBE venues in March 2020, Cineplex diligently prepared for their safe reopening, carefully re-examining all of its buildings and processes and implementing an industry-leading program with end-to-end health and safety protocols. In June 2021, Cineplex introduced its VenueSafe program, which encompasses all of Cineplex's health and safety protocols, in accordance with Canada's public health guidelines.

Canada's vaccination rate has made tremendous progress with a high percentage of the eligible population receiving at least two doses of a COVID-19 vaccine. The Canadian government accelerated the rollout of COVID-19 vaccine booster doses providing extra protection against COVID-19 and its variants. As a result of the declining hospitalizations related to COVID-19, high vaccination rate and wide availability of COVID-19 vaccines, the Canadian government removed all remaining proof of vaccination requirements and mask mandates during the second quarter of 2022. With the uncertainty of future government-imposed restrictions and the potential long-term effect that the pandemic may have on Cineplex's businesses, COVID-19 may continue to have a prolonged material negative impact on Cineplex's operations and return to profitability.

As at September 30, 2022, Cineplex had a cash balance of \$28,854 and \$199,614 available under its Revolving Facility subject to the liquidity covenants set forth in the Credit Facilities as amended (note 6, Long-term debt).

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.

While no specific triggering events were noted, in light of significant interest rate increases and the impact on film production, post-production and marketing and scheduling into 2022, on September 30, 2022 Cineplex reassessed the underlying key assumptions and inputs used during the impairment testing completed at December 31, 2021 and determined that there were no material changes in conclusions.

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3. Right-of-use-assets

The following tables present right-of-use assets for Cineplex for the nine months ended September 30, 2022 and 2021.

Right-of-use assets consists of:

	<u>Property</u>	<u>Equipment</u>	<u>Total</u>
At September 30, 2022			
Cost	\$ 1,194,021	\$ 24,311	\$ 1,218,332
Accumulated depreciation	(423,324)	(16,553)	(439,877)
Net book value	<u>\$ 770,697</u>	<u>\$ 7,758</u>	<u>\$ 778,455</u>
Nine months ended September 30, 2022			
Balance - December 31, 2021	\$ 757,197	\$ 11,478	\$ 768,675
Additions	4,212	384	4,596
Extensions and modifications	78,160	(1,141)	77,019
Disposals	(119)	—	(119)
Foreign exchange rate changes	309	1	310
Depreciation for the period	(69,062)	(2,964)	(72,026)
Closing net book value	<u>\$ 770,697</u>	<u>\$ 7,758</u>	<u>\$ 778,455</u>
At September 30, 2021			
Cost	\$ 1,112,100	\$ 19,411	\$ 1,131,511
Accumulated depreciation	(331,629)	(12,455)	(344,084)
Net book value	<u>\$ 780,471</u>	<u>\$ 6,956</u>	<u>\$ 787,427</u>
Nine months ended September 30, 2021			
Balance - December 31, 2020	\$ 871,741	\$ 9,677	\$ 881,418
Additions	10,428	30	10,458
Extensions and modifications	(27,981)	632	(27,349)
Disposals	129	—	129
Foreign exchange rate changes	(23)	—	(23)
Depreciation for the period	(73,823)	(3,383)	(77,206)
Closing net book value	<u>\$ 780,471</u>	<u>\$ 6,956</u>	<u>\$ 787,427</u>

COVID-19 resulted in closures of substantially all leased properties and the suspension of the use of most equipment for the first quarter of 2021 continuing into the second quarter of 2021. The rise of the Omicron variant in December 2021 resulted in theatre closures in Ontario and capacity and food service restrictions reinstated in other provinces for a certain period of time during the first quarter of 2022. During the second quarter of 2022, all remaining capacity restrictions were removed and proof of vaccination programs ended.

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Beginning in the third quarter of 2020, Cineplex agreed to a variety of arrangements with landlords to reduce or defer payments. The effect of those reductions or deferrals reduced both lease obligations and right-of-use assets by approximately \$1,018 and \$4,037 for the three months ended September 30, 2022 and 2021 and \$8,448 and \$31,849 for the nine months ended September 30, 2022 and 2021, respectively.

4. 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:

	September 30, 2022	December 31, 2021
Deferred income tax assets		
Property, equipment and leaseholds and deferred tenant inducements - difference between net carrying value and undepreciated capital cost	\$ 13,442	\$ 11,653
Accounting provisions not currently deductible	90,376	93,663
Deferred revenue	1,987	15,929
Interest rate swap agreements	(2,667)	3,614
Income tax credits available	3,789	3,789
Operating losses available for carry-forward	105,061	81,844
Other	10,009	8,909
Total gross deferred income tax assets	<u>221,997</u>	<u>219,401</u>
Future deferred tax liabilities		
Intangible assets	(10,099)	(9,854)
Goodwill	(31,891)	(29,909)
Convertible debentures	(23,976)	(23,961)
Total gross deferred income tax liabilities	<u>(65,966)</u>	<u>(63,724)</u>
Net deferred income tax recognized	<u>\$ —</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. As Cineplex's 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 has not recognized any deferred tax assets and has not reversed any previously derecognized deferred tax assets as at September 30, 2022.

The 2022 current tax recovery represents losses reported on the 2021 tax returns that have been carried back to offset prior period taxable income, in excess of the 2021 tax provision.

Cineplex's combined statutory income tax rate at September 30, 2022 was 26.3% (2021 - 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

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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.

5. 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 3,709,066 provided that no more than 1,904,538 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 September 30, 2022, 1,100,952 Shares are available to be issued under the Incentive Plan (2021 - 1,462,182).

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.

Cineplex recognized employee benefits expense of \$326 and \$1,242 with respect to the options during the three and nine months ended September 30, 2022 (2021 - \$536 and 1,380, respectively). In the first quarter of 2021, 165,146 stock options issued under the Legacy Plan were cancelled for total consideration of \$60 as part of a voluntary stock option cancellation program that was initiated in the fourth quarter of 2020.

The fair value of options granted during the period ended September 30, 2022 and 2021 were determined using the Black-Scholes valuation model using the following significant inputs:

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	September 30, 2022	September 30, 2021
Number of options granted	223,578	459,501
Share price	\$ 13.39	\$12.41 - \$12.87
Exercise price	\$ 13.39	\$12.41 - \$12.87
Expected option life (years)	4.0	4.0
Volatility	49.39 %	47.00 %
Dividend yield	— %	— %
Annual risk-free rate	1.58 %	0.68% - 0.72%
Fair value of options granted	\$ 5.33	\$3.70 - \$3.83

Upon cashless exercises, the options exercised in excess of Shares issued are cancelled and returned to the pool available for future grants. At September 30, 2022, 602,447 (2021 - 1,711,033) options are available for grant.

A summary of option activities in 2022 and 2021 is as follows:

	Weighted average remaining contractual life (years)	2022		2021	
		Number of underlying shares	Weighted average exercise price	Number of underlying shares	Weighted average exercise price
Options outstanding, January 1	7.44	2,198,805	\$ 21.48	2,042,019	\$ 25.37
Granted		223,578	13.39	459,501	12.69
Cancelled		—	—	(188,303)	43.90
Exercised		(26,309)	8.25	(24,220)	8.25
Forfeited		(285,371)	35.75	(67,280)	17.32
Options outstanding, September 30	7.26	<u>2,110,703</u>	\$ 18.86	<u>2,221,717</u>	\$ 21.60
Options vested and exercisable		<u>1,276,369</u>		<u>940,935</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
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
2020 LTIP awards granted in Q3 2020	284,214	277,105	—	568,428

During the first quarter of 2022, Cineplex issued 284,661 equity settled RSUs with a fair value \$13.39 per unit (total fair value of \$3,812 on issuance) and 177,973 equity settled PSUs with a fair value of \$13.39 per unit (total fair

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value of \$2,383 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 2024.

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 \$1,082 and \$3,966 for the three and nine months ended September 30, 2022 (2021 - \$747 and \$2,057, respectively) under the Incentive Plan relating to RSU and PSU awards. At September 30, 2022, \$301 (2021 - \$757) was included in share-based compensation liability, and \$6,649 in contributed surplus (2021 - \$2,070).

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 September 30, 2022, Cineplex recognized compensation recovery of \$(907) and \$(1,698) during the three and nine months ended September 30, 2022 (2021 - recovery of \$(581) and expense of \$1,208, respectively) associated with the deferred equity units. At September 30, 2022, \$3,606 (2021 - \$4,659) was included in share-based compensation liability.

6. Long-term debt

Long-term debt consists of the following as at September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
Credit Facilities	\$ 332,000	\$ 260,000
Convertible Debentures	247,469	234,472
Notes Payable	245,574	244,739
Total	<u>\$ 825,043</u>	<u>\$ 739,211</u>

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.

The Credit Facilities bear interest at a floating rate based on the Canadian dollar prime rate, U.S. Base Rate, SOFR or bankers' acceptances rates plus, in each case, an applicable margin to those rates. The Revolving Facility matures in November 2023. Borrowings on the Revolving Facility can be made in either Canadian or US dollars.

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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 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 June 29, 2020, Cineplex entered into the First Credit Agreement Amendment, following which, on November 12, 2020 Cineplex entered into the Second Credit Agreement Amendment, on February 8, 2021 Cineplex entered into the Third Credit Agreement Amendment, on December 30, 2021 Cineplex entered into the Fourth Credit Agreement Amendment, and on August 10, 2022 Cineplex entered into the Fifth Credit Agreement Amendment. The amendments provided certain financial covenant relief in light of the COVID-19 pandemic and its effects on Cineplex's businesses, while applying additional restrictive covenants and required repayments in certain circumstances.

On December 30, 2021, Cineplex entered into the Fourth Credit Agreement Amendment, which, among other things, extended the suspension of financial covenant testing until the second quarter of 2022 and liquidity covenant requirement until June 30, 2022. The following is a summary of the key terms of the Fourth Credit Agreement Amendment that are updated from the First, Second and Third Credit Agreement Amendments (certain of which have been modified further by the Fifth Credit Agreement Amendment described below):

- The suspension of financial covenant testing was extended until the second quarter of 2022. On resumption of financial covenant testing in the second quarter of 2022:
 - for the second quarter of 2022, testing was based on an annualized calculation of Adjusted EBITDA (as further adjusted in accordance with the Credit Agreement definitions) based on the actual results for such quarter multiplied by 4;
 - for the quarter ending on September 30, 2022, testing will be based on an annualized calculation of Adjusted EBITDA based on actual results for the second quarter of 2022 and the third quarter of 2022 multiplied by 2; and
 - for the quarter ending on December 31, 2022, testing will be based on an annualized calculation of Adjusted EBITDA based on the actual results of the second quarter of 2022, the third quarter of 2022 and the fourth quarter of 2022 multiplied by 4/3.
- Thereafter, testing will be based on an annualized calculation of the cumulative Adjusted EBITDA on a trailing four fiscal quarter basis;
- The Total Leverage Ratio of 3.75x will apply when financial covenants are reinstated, and will be reduced quarterly by 0.25x until the first quarter of 2023 at which point it will reach a level of 3.00x;
- The liquidity covenant will continue and be amended requiring available liquidity (as defined) to be maintained at all times at no less than \$100,000;
- The Senior Leverage Ratio to be based on annualized Adjusted EBITDA and set at 1.0x lower than the Total Leverage Ratio. Senior Leverage Ratio is defined as (i) Total Debt (as defined in the Credit Agreement) less any Notes Payable to (ii) Adjusted EBITDA; and
- From and after April 1, 2022, a fixed charge coverage ratio of greater than 1.25x will apply.

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On August 10, 2022 Cineplex entered into a fifth amending agreement to the Credit Agreement, (the “Fifth Credit Agreement Amendment”), which among other things, extended the suspension of financial covenant testing until the fourth quarter of 2022 and liquidity covenant requirement until March 2023. The following is a summary of the key terms of the Fifth Credit Agreement Amendment:

- The suspension of financial covenant testing was extended until the fourth quarter of 2022. On resumption of financial covenant testing in the fourth quarter of 2022:
 - for the fourth quarter of 2022, testing will be based on an annualized calculation of Adjusted EBITDA (as further adjusted in accordance with the Credit Agreement definitions) based on the actual results for the fourth quarter multiplied by 4;
 - for the quarter ending on March 31, 2023, testing will be based on an annualized calculation of Adjusted EBITDA based on actual results for the fourth quarter of 2022 and the first quarter of 2023 multiplied by 2; and
 - for the quarter ending on June 30, 2023, testing will be based on an annualized calculation of Adjusted EBITDA based on the actual results of the fourth quarter of 2022, the first quarter of 2023 and the second quarter of 2023 multiplied by 4/3.
- Thereafter, testing will be based on an annualized calculation of the cumulative Adjusted EBITDA on a trailing four fiscal quarter basis;
- The Total Leverage Ratio of 3.75x will apply when financial covenants are reinstated, and will be reduced quarterly by 0.25x until the third quarter of 2023 at which point it will reach a level of 3.00x;
- The liquidity covenant will continue and be amended requiring available liquidity (as defined) to be maintained at all times until March 31, 2023 at no less than \$100,000;
- The Senior Leverage Ratio to be based on annualized Adjusted EBITDA and set at 1.0x lower than the Total Leverage Ratio. Senior Leverage Ratio is defined as (i) Total Debt (as defined in the Credit Agreement) less any Notes Payable to (ii) Adjusted EBITDA; and
- A fixed charge coverage ratio of greater than 1.25x will continue to apply.

This summary of the Fifth Credit Agreement 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 and Fifth Credit Agreement Amendment were filed on SEDAR on June 30, 2020, November 13, 2020, February 8, 2021, January 4, 2022, and August 10, 2022, respectively, for each of Credit Agreement Amendments.

Following the Fifth Credit Agreement Amendment, including mandatory repayments, the Credit Facilities consist of the following:

- a) a five-year, \$541,668 senior secured Revolving Facility; \$332,000 that has been drawn; \$10,054 reserved and \$199,614 remaining available balance.

During the first quarter of 2021, Cineplex completed a sale-leaseback transaction for its head office buildings located at 1303 Yonge Street and 1257 Yonge Street, Toronto Ontario for gross proceeds of \$57,000, recognizing a gain of \$30,061. Net proceeds from the sale, in addition to net proceeds from the issuance of the Notes Payable (discussed below) were used to repay the Credit Facilities, a portion of which was permanent. As a result, Cineplex permanently repaid the remaining \$50,000 balance of its outstanding Term Facility.

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Convertible debentures

Convertible debentures outstanding as of September 30, 2022 and December 31, 2021 are as follows:

	September 30, 2022	December 31, 2021
Face value of convertible debentures outstanding	\$ 316,250	\$ 316,250
Unaccreted deferred financing fees and discount	(68,781)	(81,778)
Convertible debentures	<u>\$ 247,469</u>	<u>\$ 234,472</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 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. Cineplex recorded cash interest expense on the Debentures during the quarter and year to date period of \$4,559 (2021 - \$4,558) and \$13,602 (2021 - \$13,551), respectively. Furthermore, Cineplex recorded accretion expense during the quarter and year to date period of \$4,467 (2021 - \$3,857) and \$12,997 (2021 - \$11,259), respectively, both of which are included as part of the interest expense in the consolidated statement of operations. As at September 30, 2022, 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.

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Notes payable

Notes Payable outstanding as of September 30, 2022 and December 31, 2021 are as follows:

	September 30, 2022	December 31, 2021
Face value of Notes Payable	\$ 250,000	\$ 250,000
Unaccreted deferred financing fees and discount	(4,426)	(5,261)
Notes Payable	<u>\$ 245,574</u>	<u>\$ 244,739</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.

Cineplex recorded cash interest expense on the Notes Payable during the quarter and year to date period of \$4,803 (2021 - \$4,726) and \$14,024 (2021 - \$11,096), respectively. Furthermore, Cineplex recorded accretion expense during the quarter and year to date period of \$155 (2021 \$217) and \$835 (2021 - \$550), respectively, both of which are included as part of interest expense in the consolidated statement of operations. As at September 30, 2022, 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 \$2,010 as at September 30, 2022, which is presented on the consolidated balance sheets as a derivative financial instrument.

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.

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7. Revenue

The following tables disclose the changes in deferred revenue and other for the nine months ended September 30, 2022 and 2021:

	December 31, 2021	Additions	Recognized	September 30, 2022
Gift cards	\$ 169,380	\$ 34,473	\$ 51,253	\$ 152,600
SCENE loyalty program	47,997	—	18,338	29,659
Advances, deposits and other	75,829	19,548	68,591	26,786
	<u>\$ 293,206</u>	<u>\$ 54,021</u>	<u>\$ 138,182</u>	<u>\$ 209,045</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, 2020	Additions	Recognized	September 30, 2021
Gift cards	\$ 164,025	\$ 8,709	\$ 18,246	\$ 154,488
SCENE loyalty program	36,109	25,111	14,876	46,344
Advances, deposits and other	19,849	11,526	14,237	17,138
	<u>\$ 219,983</u>	<u>\$ 45,346</u>	<u>\$ 47,359</u>	<u>\$ 217,970</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, Cineplex completed specific non-financial milestones and as 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 \$7,000 remains in advances, deposits and other and will be recognized as future performance obligations are completed. Approximately \$2,500 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 and nine months ended September 30, 2022 and 2021:

Box revenues	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Box office revenues	<u>\$ 124,700</u>	<u>\$ 94,114</u>	<u>\$ 341,024</u>	<u>\$ 110,430</u>

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Food service revenues	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Food service - theatres	\$ 92,520	\$ 70,945	\$ 249,325	\$ 82,506
Food delivery - theatres	2,285	2,599	7,924	10,053
Food service - location-based entertainment	10,373	6,402	26,910	7,089
Food delivery - location-based entertainment	15	25	59	106
Total food service revenues	\$ 105,193	\$ 79,971	\$ 284,218	\$ 99,754

Media revenues	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Cinema media	\$ 15,097	\$ 6,640	\$ 42,046	\$ 10,951
Digital place-based media	10,127	7,420	25,129	21,584
Total media revenues	\$ 25,224	\$ 14,060	\$ 67,175	\$ 32,535

Amusement revenues	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Amusement solutions excluding exhibition and LBE	\$ 45,541	\$ 35,473	\$ 125,477	\$ 68,478
Amusement solutions - exhibition	3,910	2,709	9,249	2,980
Amusement solutions - location based entertainment	20,156	15,137	51,028	17,919
Total amusement revenues	\$ 69,607	\$ 53,319	\$ 185,754	\$ 89,377

Other revenues	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Other revenues	\$ 15,113	\$ 8,916	\$ 40,267	\$ 24,622

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8. Lease obligation

The following table presents lease obligations for Cineplex for the nine months ended September 30, 2022 and 2021:

	<u>Property</u>	<u>Equipment</u>	<u>Total</u>
Nine months ended September 30, 2022			
Opening balance	\$ 1,092,674	\$ 12,849	\$ 1,105,523
Additions	4,212	384	4,596
Extensions and modifications	79,251	(1,141)	78,110
Tenant inducements	5,326	—	5,326
Lease payments	(125,962)	(1,723)	(127,685)
Interest expense	44,949	440	45,389
Foreign exchange rate changes	421	—	421
Closing lease obligations	1,100,871	10,809	1,111,680
Less: current portion	88,315	4,139	92,454
Non-current portion of lease obligations	<u>\$ 1,012,556</u>	<u>\$ 6,670</u>	<u>\$ 1,019,226</u>
	<u>Property</u>	<u>Equipment</u>	<u>Total</u>
Nine months ended September 30, 2021			
Opening balance	\$ 1,160,849	\$ 10,076	\$ 1,170,925
Additions	25,146	30	25,176
Extensions and modifications	(21,546)	632	(20,914)
Tenant inducements	6,580	—	6,580
Lease payments	(101,468)	(3,209)	(104,677)
Interest expense	43,697	245	43,942
Foreign exchange rate changes	(27)	—	(27)
Closing lease obligations	\$ 1,113,231	\$ 7,774	\$ 1,121,005
Less: current portion	102,544	3,167	105,711
Non-current portion of lease obligations	<u>\$ 1,010,687</u>	<u>\$ 4,607</u>	<u>\$ 1,015,294</u>

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9. 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 September 30, 2022 and 2021 and transactions during the periods are as follows:

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	18,415	196	196
Balance - September 30, 2022	63,362,713	\$ 852,661	\$ 852,661

2021	Number of common shares issued and outstanding	Amount	
		Common shares	Total
Balance - December 31, 2020	63,333,238	\$ 852,379	\$ 852,379
Issuance of shares on exercise of options	9,875	77	77
Balance - September 30, 2021	63,343,113	\$ 852,456	\$ 852,456

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10. Other costs

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Employee wages, salaries and benefits	\$ 70,416	\$ 48,432	\$ 183,976	\$ 92,359
Rent	1,027	(1,679)	(991)	(13,575)
Realty and occupancy taxes and maintenance fees	18,222	16,738	51,705	41,630
Utilities	8,912	6,831	22,968	13,671
Purchased services	16,359	12,511	44,143	25,280
Other inventories consumed, including amusement and digital place-based media	21,281	19,189	67,888	41,921
Venue revenue share	15,041	10,993	39,264	19,419
Repairs and maintenance	10,541	6,896	27,700	15,211
Advertising and promotion	7,501	4,121	19,920	6,922
Office and operating supplies	3,286	2,182	8,141	3,278
Licenses and franchise fees	3,684	3,850	12,216	10,766
Insurance	1,754	1,638	5,283	4,865
Professional and consulting fees	2,772	4,986	6,438	12,769
Telecommunications and data	1,483	1,154	4,169	3,582
Bad debts	133	74	(434)	(61)
Equipment rental	396	409	1,166	878
Other costs	2,240	1,202	6,589	2,669
	<u>\$ 185,048</u>	<u>\$ 139,527</u>	<u>\$ 500,141</u>	<u>\$ 281,584</u>

During the third quarter, Cineplex operated at full capacity during the entire period, compared to the prior year period that was subject to capacity restrictions, in some cases after months of extended closure periods. This resulted in an increase in other costs during the current period. Cineplex recorded the following subsidies which have all been offset against their related costs during the three and nine months ended September 30, 2022 and 2021:

Subsidies	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Wage subsidy (CEWS and THRP)	\$ 88	\$16,206	\$ 21,583	\$ 46,706
Rent subsidy (CERS and THRP)	—	705	3,461	12,553
Realty tax subsidy	—	973	3,731	11,487
Utility subsidy	—	665	2,069	4,553
Total	\$ 88	\$ 18,549	\$ 30,844	\$ 75,299

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11. Net income (loss) loss per share

Basic

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Net income (loss)	\$ 30,857	\$ (33,552)	\$ (10,055)	\$ (226,944)
Weighted average number of shares outstanding	63,362,713	63,342,557	63,356,694	63,339,070
Basic EPS	\$ 0.49	\$ (0.53)	\$ (0.16)	\$ (3.58)

Diluted

Diluted EPS is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the outstanding shares for the period), based on the monetary value of the rights attached to the potentially dilutive shares. The number of shares calculated above is compared with the number of shares that would have been issued assuming exercise of conversions, exchanges or options. For the third quarter, dilutive shares that have been included in the current period were 104,560 potential shares that would have been 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. For the year to date period, the options and debentures are anti-dilutive and the anti-dilutive shares that have been excluded were 171,083 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 for both the third quarter and year to date period of 2021, as applicable.

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Net income (loss)	\$ 30,857	\$ (33,552)	\$ (10,055)	\$ (226,944)
Adjustments for convertible debentures	9,025	—	—	—
Diluted net income (loss)	\$ 39,882	\$ (33,552)	\$ (10,055)	\$ (226,944)
Weighted average number of shares outstanding	63,362,713	63,342,557	63,356,694	63,339,070
Adjustments for stock options	104,560	—	—	—
Adjustments for convertible debentures	28,907,678	—	—	—
Weighted average number of shares for diluted EPS	92,374,951	63,342,557	63,356,694	63,339,070
Diluted EPS	\$ 0.43	\$ (0.53)	\$ (0.16)	\$ (3.58)

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12. Changes in operating assets and liabilities

The following summarizes the changes in operating assets and liabilities:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Trade and other receivables	\$ 3,992	\$ (4,218)	\$ 19,314	\$ 5,324
Inventories	(4,246)	(3,157)	(8,962)	(2,482)
Prepaid expenses and other current assets	(3,838)	(667)	(5,727)	(1,884)
Accounts payable and accrued liabilities	(143)	40,034	(4,744)	54,859
Income taxes receivable	651	8,814	(73)	65,657
Deferred revenue	(21,671)	(7,034)	(39,355)	(2,030)
Post-employment benefit obligations	52	22	(714)	(844)
Share-based compensation	(691)	(542)	(1,263)	1,583
Other liabilities	79	(612)	(488)	(1,340)
	<u>\$ (25,815)</u>	<u>\$ 32,640</u>	<u>\$ (42,012)</u>	<u>\$ 118,843</u>

Property, equipment and leasehold purchases are included in accounts payable and accrued liabilities as at September 30, 2022, in the amount of \$6,590 (2021 - \$531).

13. Operating segments

Cineplex has four reportable segments; Film Entertainment and Content, Media, Amusement and Leisure and Location-Based Entertainment. The reportable segments are business units offering differing products and services and managed separately due to their distinct natures. These four reportable segments have been determined by Cineplex's chief operating decision makers. The Film Entertainment and Content reporting segment does not charge an access fee to the Media reporting segment. All other inter-segment transactions are eliminated in the Corporate and other category, which includes all corporate general and administrative costs not directly associated with a segment. Cineplex reports the total of its segments which is considered an other financial measure in accordance with National Instrument 52-112, *Non-GAAP and Other Financial Measures*. The total segments measure includes a non-GAAP measure, adjusted EBITDAaL and is described below.

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

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Amusement and Leisure

The Amusement and Leisure reporting segment includes the amusement solutions operating segment. Amusement solutions is comprised of revenues and costs associated with operating and distributing amusement, gaming and vending equipment. Previously reported periods included results for eSports in the Amusement and Leisure segment.

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 (gain) on disposal of assets, foreign exchange, the equity (income) loss 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. During the year, Cineplex agreed to a variety of arrangements with landlords to reduce or defer cash rent paid or payable as a result of the impact of COVID-19.

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.

The following tables disclose the results of the Film Entertainment and Content, Media, Amusement and Leisure and Location-Based Entertainment segments for the three and nine months ended September 30, 2022 and 2021:

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Three months ended September 30, 2022	Film Entertainment and Content (i)	Media (i)	Amusement and Leisure	Location- Based Entertainment	Corporate and other (iii)	Consolidated
Major product and service lines						
Box office	\$ 124,700	\$ —	\$ —	\$ —	\$ —	\$ 124,700
Food service	94,805	—	—	10,388	—	105,193
Media	—	24,953	—	271	—	25,224
Amusement	3,909	—	45,541	20,156	—	69,606
Other	14,890	—	—	223	—	15,113
Total revenues	\$ 238,304	\$ 24,953	\$ 45,541	\$ 31,038	\$ —	\$ 339,836
Primary geographical markets						
Canada	\$ 238,304	\$ 22,466	\$ 16,739	\$ 31,038	\$ —	\$ 308,547
United States and other countries	—	2,487	28,802	—	—	31,289
Total revenues	\$ 238,304	\$ 24,953	\$ 45,541	\$ 31,038	\$ —	\$ 339,836
Timing of revenue recognition						
Transferred at a point in time	\$ 238,304	\$ 3,897	\$ 45,541	\$ 31,038	\$ —	\$ 318,780
Transferred over time	—	21,056	—	—	—	21,056
Total revenues	\$ 238,304	\$ 24,953	\$ 45,541	\$ 31,038	\$ —	\$ 339,836
Adjusted EBITDAaL	\$ 10,690	\$ 12,001	\$ 9,001	\$ 8,989	\$ (20,251)	\$ 20,430
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.						(3,441)
Other adjustments (ii)						(49,284)
Depreciation and amortization - other assets						26,079
Interest expense - other						16,303
Interest income						(84)
Net Income						\$ 30,857
Other operating segment disclosures						
Depreciation - right-of-use assets	\$ 20,974	\$ 649	\$ 659	\$ 886	\$ 110	\$ 23,278
Depreciation and amortization - other assets	\$ 15,773	\$ 1,268	\$ 4,502	\$ 4,536	\$ —	\$ 26,079
Interest expense - lease obligations	\$ 14,129	\$ 146	\$ 161	\$ 1,299	\$ 211	\$ 15,946
Goodwill balance	\$ 413,915	\$ 206,385	\$ 15,945	\$ —	\$ —	\$ 636,245

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Three months ended September 30, 2021	Film Entertainment and Content (i)	Media (i)	Amusement and Leisure	Location- Based Entertainment	Corporate and other (iii)	Consolidated
Major product and service lines						
Box office	\$ 94,114	\$ —	\$ —	\$ —	\$ —	\$ 94,114
Food service	73,544	—	—	6,427	—	79,971
Media	—	13,901	—	159	—	14,060
Amusement	2,709	—	35,473	15,137	—	53,319
Other	8,863	—	—	53	—	8,916
Total revenues	\$ 179,230	\$ 13,901	\$ 35,473	\$ 21,776	\$ —	\$ 250,380
Primary geographical markets						
Canada	\$ 179,230	\$ 11,669	\$ 10,895	\$ 21,776	\$ —	\$ 223,570
United States and other countries	—	2,232	24,578	—	—	26,810
Total revenues	\$ 179,230	\$ 13,901	\$ 35,473	\$ 21,776	\$ —	\$ 250,380
Timing of revenue recognition						
Transferred at a point in time	\$ 179,230	\$ 2,929	\$ 35,473	\$ 21,776	\$ —	\$ 239,408
Transferred over time	—	10,972	—	—	—	10,972
Total revenues	\$ 179,230	\$ 13,901	\$ 35,473	\$ 21,776	\$ —	\$ 250,380
Adjusted EBITDAaL	\$ 8,840	\$ 6,025	\$ 7,011	\$ 8,009	\$ (19,123)	\$ 10,762
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.						2,064
Other adjustments (ii)						(3,969)
Depreciation and amortization - other assets						28,297
Interest expense - other						17,990
Interest income						(68)
Net loss						\$ (33,552)
Other operating segment disclosures						
Depreciation - right-of-use assets	\$ 22,694	\$ 614	\$ 837	\$ 914	\$ 92	\$ 25,151
Depreciation and amortization - other assets	\$ 16,843	\$ 1,199	\$ 5,951	\$ 4,304	\$ —	\$ 28,297
Interest expense - lease obligations	\$ 13,086	\$ 78	\$ 124	\$ 1,330	\$ 224	\$ 14,842
Goodwill balance	\$ 413,915	\$ 206,385	\$ 15,288	\$ —	\$ —	\$ 635,588

(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)/gain on disposal of assets, CDCP equity income/(loss), 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.

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Nine months ended September 30, 2022	Film Entertainment and Content (i)	Media (i)	Amusement and Leisure	Location- Based Entertainment	Corporate and other (iii)	Consolidated
Major product and service lines						
Box office	\$ 341,024	\$ —	\$ —	\$ —	\$ —	\$ 341,024
Food service	257,249	—	—	26,969	—	284,218
Media	—	66,547	—	628	—	67,175
Amusement	9,249	—	125,477	51,028	—	185,754
Other	39,687	—	—	580	—	40,267
Total revenues	\$ 647,209	\$ 66,547	\$ 125,477	\$ 79,205	\$ —	\$ 918,438
Primary geographical markets						
Canada	\$ 647,209	\$ 60,443	\$ 40,982	\$ 79,205	\$ —	\$ 827,839
United States and other countries	—	6,104	84,495	—	—	90,599
Total revenues	\$ 647,209	\$ 66,547	\$ 125,477	\$ 79,205	\$ —	\$ 918,438
Timing of revenue recognition						
Transferred at a point in time	\$ 647,209	\$ 10,191	\$ 125,477	\$ 79,205	\$ —	\$ 862,082
Transferred over time	—	56,356	—	—	—	56,356
Total revenues	\$ 647,209	\$ 66,547	\$ 125,477	\$ 79,205	\$ —	\$ 918,438
Adjusted EBITDAaL	\$ 25,697	\$ 31,419	\$ 22,104	\$ 22,912	\$ (51,657)	\$ 50,475
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.						(9,618)
Other adjustments (ii)						(48,796)
Depreciation and amortization - other assets						79,622
Interest expense - other						40,198
Interest income						(152)
Provision for income taxes						(724)
Net loss						\$ (10,055)
Other operating segment disclosures						
Depreciation - right-of-use assets	\$ 65,503	\$ 2,210	\$ 1,313	\$ 2,687	\$ 313	\$ 72,026
Depreciation and amortization - other assets	\$ 49,152	\$ 3,570	\$ 13,648	\$ 13,252	\$ —	\$ 79,622
Interest expense - lease obligations	\$ 40,004	\$ 427	\$ 401	\$ 3,915	\$ 642	\$ 45,389
Goodwill balance	\$ 413,915	\$ 206,385	\$ 15,945	\$ —	\$ —	\$ 636,245

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Nine months ended September 30, 2021	Film Entertainment and Content (i)	Media (i)	Amusement and Leisure	Location- Based Entertainment	Corporate and other (iii)	Consolidated
Major product and service lines						
Box office	\$ 110,430	\$ —	\$ —	\$ —	\$ —	\$ 110,430
Food service	92,559	—	—	7,195	—	99,754
Media	—	32,370	—	165	—	32,535
Amusement	2,980	—	68,478	17,919	—	89,377
Other	24,541	—	—	81	—	24,622
Total revenues	\$ 230,510	\$ 32,370	\$ 68,478	\$ 25,360	\$ —	\$ 356,718
Primary geographical markets						
Canada	\$ 230,510	\$ 24,533	\$ 16,837	\$ 25,360	\$ —	\$ 297,240
United States and other countries	—	7,837	51,641	—	—	59,478
Total revenues	\$ 230,510	\$ 32,370	\$ 68,478	\$ 25,360	\$ —	\$ 356,718
Timing of revenue recognition						
Transferred at a point in time	\$ 230,510	\$ 8,721	\$ 68,478	\$ 25,360	\$ —	\$ 333,069
Transferred over time	—	23,649	—	—	—	23,649
Total revenues	\$ 230,510	\$ 32,370	\$ 68,478	\$ 25,360	\$ —	\$ 356,718
Adjusted EBITDAaL	\$ (70,488)	\$ 8,252	\$ 4,758	\$ 1,629	\$ (48,644)	\$ (104,493)
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.						14,971
Other adjustments (ii)						(30,752)
Depreciation and amortization - other assets						85,541
Interest expense - other						49,554
Interest income						(202)
Provision for income taxes						3,339
Net loss						\$ (226,944)
Other operating segment disclosures						
Depreciation - right-of-use assets	\$ 69,366	\$ 2,133	\$ 2,377	\$ 2,840	\$ 490	\$ 77,206
Depreciation and amortization - other assets	\$ 52,448	\$ 3,523	\$ 17,865	\$ 11,705	\$ —	\$ 85,541
Interest expense - lease obligations	\$ 38,894	\$ 261	\$ 403	\$ 3,883	\$ 501	\$ 43,942
Goodwill balance	\$ 413,915	\$ 206,385	\$ 15,288	\$ —	\$ —	\$ 635,588

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

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

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

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14. Basis of presentation and accounting standards

Basis of preparation and measurement

Cineplex prepares its unaudited interim condensed consolidated financial statements in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”), defined as International Financial Reporting Standards (“IFRS”) as set out in the CPA Canada Handbook. The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires that management exercise judgment in applying Cineplex’s accounting policies. These unaudited interim condensed consolidated financial statements are presented in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*. The disclosures contained in these unaudited interim condensed consolidated financial statements do not contain all requirements of Canadian GAAP for annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2021. 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, 2021.

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.

The following amendments are currently 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.

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

In January 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.

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.

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15. Subsequent events

CDCP expects to distribute its assets to its partners in 2022 and Cineplex will recognize a return of capital under IAS 28, *Investments in Associates and Joint Ventures*. Cineplex expects to recognize a gain of \$4,200 on the dissolution of its investment in CDCP.