

Cineplex Inc.

Interim Condensed Consolidated Balance Sheets (Unaudited)

(expressed in thousands of Canadian dollars)

	Notes	March 31, 2024	December 31, 2023
Assets			
Current assets			
Cash and cash equivalents		\$ 92,292	\$ 36,666
Trade and other receivables		59,627	97,689
Income taxes receivable		3,503	2,766
Inventories		16,315	17,624
Prepaid expenses and other current assets		13,832	11,481
Fair value of interest rate swap agreements		—	3,217
Assets held for sale	2	—	93,322
		<u>185,569</u>	<u>262,765</u>
Non-current assets			
Property, equipment and leaseholds		388,249	394,382
Right-of-use assets	3	783,113	754,793
Deferred income taxes	4	146,393	146,784
Fair value of interest rate swap agreements		—	1,109
Interests in joint ventures and associates		5,175	4,896
Intangible assets		80,731	80,873
Goodwill		620,300	620,300
Derivative financial instrument	6	12,060	5,590
		<u>\$ 2,221,590</u>	<u>\$ 2,271,492</u>
Contingent liabilities and assets	13		

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, 2024	December 31, 2023
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 177,150	\$ 172,482
Income taxes payable		245	173
Deferred revenue and other	7	180,943	197,329
Lease obligations	8	88,711	85,030
Liabilities related to assets held for sale	2	—	27,241
		<u>447,049</u>	<u>482,255</u>
Non-current liabilities			
Share-based compensation	5	5,394	4,470
Long-term debt	6	731,452	817,439
Lease obligations	8	1,018,576	993,404
Post-employment benefit obligations		6,847	7,114
Other liabilities		6,250	6,245
		<u>1,768,519</u>	<u>1,828,672</u>
Total liabilities		<u>2,215,568</u>	<u>2,310,927</u>
Shareholders' equity (deficit)			
Share capital	9	856,696	856,696
Deficit		(976,813)	(981,973)
Contributed surplus		125,613	85,235
Cumulative translation adjustment		526	607
		<u>6,022</u>	<u>(39,435)</u>
Total shareholders' equity (deficit)		<u>\$ 2,221,590</u>	<u>\$ 2,271,492</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 months ended March 31, 2024 and 2023
(Unaudited)

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

	Notes	2024	2023
	2		(Revised - Note 2)
Revenues	7		
Box office		\$ 125,061	\$ 123,338
Food service		101,826	101,076
Media		22,350	22,296
Amusement		25,776	26,161
Other		19,746	18,484
		<u>294,759</u>	<u>291,355</u>
Expenses			
Film cost		64,827	66,074
Cost of food service		24,504	24,237
Depreciation - right-of-use assets		24,471	21,533
Depreciation and amortization - other assets		21,795	22,873
(Gain) loss on disposal of assets, including businesses		(391)	893
Employee wages, salaries and benefits		71,588	67,774
Other costs	10	86,484	79,287
Share of loss of joint ventures and associates		829	1,419
Interest expense - lease obligations		17,910	16,151
Interest expense - other		19,554	23,503
Interest income		(275)	(211)
Foreign exchange		(236)	729
(Gain) loss on financial instruments recorded at fair value and loss on extinguishment of debt	6	51,946	270
		<u>383,006</u>	<u>324,532</u>
Loss from continuing operations before income taxes		<u>(88,247)</u>	<u>(33,177)</u>
Income tax recovery	4		
Current		(640)	—
Deferred		(24,637)	—
		<u>(25,277)</u>	<u>—</u>
Net loss from continuing operations		<u>(62,970)</u>	<u>(33,177)</u>
Net income from discontinued operations, net of taxes	2	68,130	3,004
Net income (loss)		<u>\$ 5,160</u>	<u>\$ (30,173)</u>

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Cineplex Inc.

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)
For the three months ended March 31, 2024 and 2023
(Unaudited)

(expressed in thousands of Canadian dollars)

		2024	2023
			(Revised - Note 2)
	2		
Net loss from continuing operations		\$ (62,970)	\$ (33,177)
Other comprehensive income (loss)			
<i>Items that will be reclassified subsequently to net income:</i>			
Foreign currency translation adjustment		(81)	1
Comprehensive loss from continuing operations		(63,051)	(33,176)
Net income from discontinued operations, net of taxes	2	68,130	3,004
Foreign currency translation adjustment from discontinued operations	2	—	(21)
Total comprehensive income		\$ 5,079	\$ (30,193)
Loss per share from continuing operations - basic and diluted	11	\$ (0.99)	\$ (0.52)
Earnings per share from discontinued operations - basic and diluted	11	\$ 1.07	\$ 0.04
Earnings (loss) per share - basic and diluted	11	\$ 0.08	\$ (0.48)

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Cineplex Inc.

Interim Condensed Consolidated Statements of Changes in Equity
For the three months ended March 31, 2024 and 2023
(Unaudited)

(expressed in thousands of Canadian dollars)

	Share capital	Contributed surplus	Cumulative translation adjustment	Deficit	Total
January 1, 2024	\$ 856,696	\$ 85,235	\$ 607	\$ (981,973)	\$ (39,435)
Net income	—	—	—	5,160	5,160
Other comprehensive loss	—	—	(81)	—	(81)
Total comprehensive (loss) income	—	—	(81)	5,160	5,079
Share option expense	—	376	—	—	376
PSU/RSU expense	—	483	—	—	483
Fair value of conversion right extinguished (note 6)	—	(14,800)	—	—	(14,800)
Issuance of convertible debentures (note 6)	—	54,319	—	—	54,319
March 31, 2024	\$ 856,696	\$ 125,613	\$ 526	\$ (976,813)	\$ 6,022
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)

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Cineplex Inc.

Interim Condensed Consolidated Statements of Cash Flows
For the three months ended March 31, 2024 and 2023
(Unaudited)

(expressed in thousands of Canadian dollars)

	Notes	2024	2023
	2		(Revised - Note 2)
Cash provided by (used in)			
Operating activities			
Net loss from continuing operations		\$ (62,970)	\$ (33,177)
Adjustments to reconcile net loss to net cash provided by operating activities			
Depreciation and amortization - other assets		21,795	22,873
Depreciation - right-of-use assets		24,471	21,533
Interest rate swap agreements - non-cash interest		(1,020)	2,619
Accretion of Convertible Debentures and notes payable		5,513	5,281
Other non-cash interest		425	55
(Gain) loss on disposal of assets		(391)	893
Deferred income taxes	4	(24,637)	—
Non-cash share-based compensation		858	2,099
(Gain) loss on fair value of financial instruments and extinguishment of debt	6	51,946	270
Financing fees	6	(17,784)	(406)
Net change in interests in joint ventures and associates		921	665
Net cash received from unwinding swap	6	4,583	—
Changes in operating assets and liabilities	12	32,244	(29,770)
Net cash provided by (used in) operating activities from continuing operations		35,954	(7,065)
Net cash provided by operating activities from discontinued operations		2,934	9,794
Net cash provided by operating activities		38,888	2,729
Investing activities			
Proceeds from disposal of assets, including asset related insurance recoveries		803	4
Purchases of property, equipment and leaseholds		(15,357)	(14,808)
Intangible assets additions		(2,181)	(2,831)
Tenant inducements		2,177	2,575
Investment in joint ventures and associates		(1,200)	(2,466)
Net cash used in investing activities from continuing operations		(15,758)	(17,526)
Net cash provided by (used in) investing activities from discontinued operations	2	138,428	(1,681)
Net cash provided by (used in) investing activities		122,670	(19,207)
Financing activities			
(Repayments) borrowings under credit facilities, net	6	(298,000)	29,000
Repayments of lease obligations - principal		(25,769)	(26,487)
Issuance of notes payable	6	575,000	—
Settlement of former notes payable	6	(254,688)	—
Settlement of Convertible Debentures	6	(102,350)	—
Net cash (used in) provided by financing activities from continuing operations		(105,807)	2,513
Net cash used in financing activities from discontinued operations		(297)	(1,045)
Net cash (used in) provided by financing activities		(106,104)	1,468

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Cineplex Inc.

Interim Condensed Consolidated Statements of Cash Flows
For the three months ended March 31, 2024 and 2023
(Unaudited)

(expressed in thousands of Canadian dollars)

	Notes	2024	2023
	2		(Revised - Note 2)
Effect of exchange rate differences on cash from continuing operations		55	34
Effect of exchange rate differences on cash from discontinued operations		117	1
Effect of exchange rate differences on cash		172	35
Increase (decrease) in cash and cash equivalents		55,626	(14,975)
Cash and cash equivalents - Beginning of period		36,666	34,674
Cash and cash equivalents - End of period		\$ 92,292	\$ 19,699
Supplemental information			
Cash paid for interest - lease obligation from continuing operations	\$	17,528	\$ 16,365
Cash paid for interest - lease obligation from discontinued operations	\$	69	\$ 132
Cash paid for interest - lease obligation	\$	17,597	\$ 16,497
Cash paid for interest - other from continuing operations	\$	17,333	\$ 24,540
Cash paid for interest - other from discontinued operations	\$	134	\$ 5
Cash paid for interest - other	\$	17,467	\$ 24,545
Cash paid for income taxes, net from continuing operations	\$	—	\$ —
Cash paid for income taxes, net from discontinued operations	\$	—	\$ 572
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, 2024 and 2023
(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, until February 1, 2024, 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 8, 2024.

2. Assets held for sale and discontinued operations

On November 22, 2023, Cineplex Entertainment Limited Partnership (“CELP”) announced it had entered into a definitive share purchase agreement to sell 100% of the issued and outstanding shares of Player One Amusement Group Inc. (“PIAG”) for cash proceeds of \$155,000, subject to customary post-closing adjustments (the “Sale Transaction”). The Sale Transaction closed on February 1, 2024. On closing of the Sale Transaction, PIAG and CELP entered into a long-term agreement under which PIAG will continue to supply and service amusement games in Cineplex’s theatres and location-based entertainment venues. The proceeds from the Sale Transaction were used to repay bank debt. Cineplex recognized a material gain of \$67,283 in connection with the sale of PIAG during the first quarter of 2024.

The gain on sale of PIAG was comprised of the following:

Initial cash proceeds, after closing adjustments	\$	146,271
Deferred proceeds		2,840
Carrying value of PIAG		(66,423)
Selling costs, including professional services		(6,249)
Gain on sale before income taxes		76,439
Estimated income taxes expense	\$	(9,156)
Gain on sale of PIAG	\$	67,283
Net income from discontinued operations up until date of sale	\$	847
Total net income from discontinued operations, net of taxes	\$	68,130

Cineplex has measured, presented and disclosed financial information of PIAG as a discontinued operation in accordance with IFRS 5, *Non-current assets held for sale and discontinued operations*. Under this standard, Cineplex met the criteria to record PIAG as a discontinued operation effective with the year ended December 31, 2023, and PIAG’s financial performance and cash flows have been presented in these interim consolidated financial statements as discontinued operations on a retroactive basis. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

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Notes to Interim Condensed Consolidated Financial Statements
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Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as after tax profit or loss from discontinued operations in the condensed consolidated statement of operations and comparative periods have been restated.

The major classes of assets and liabilities at December 31, 2023 classified as held for sale were as follows:

Trade and other receivables	\$	11,526
Inventories		22,116
Prepaid expenses and other current assets		2,633
Property, equipment and leaseholds		25,083
Right-of-use assets		7,831
Deferred income taxes		8,515
Goodwill		15,618
Assets held for sale	\$	<u>93,322</u>
Accounts payable and accrued liabilities	\$	10,407
Income taxes payable		2,174
Deferred revenue and other		2,515
Lease obligations		8,895
Other liabilities		14
Deferred income taxes		3,236
Liabilities related to assets held for sale	\$	<u>27,241</u>
Net assets held for sale	\$	<u>66,081</u>

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements
For the three months ended March 31, 2024 and 2023
(Unaudited)

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The following table discloses revenues, expenses, net income and comprehensive income of the discontinued operations for the three months ended March 31, 2024 and 2023:

	2024	2023
Revenues		
Amusement	\$ 14,743	\$ 49,602
Expenses		
Depreciation - right-of-use assets	—	666
Depreciation and amortization - other assets	—	3,133
Gain on disposal of assets	1	(149)
Employee wages, salaries and benefits	2,782	7,458
Other costs	11,086	32,098
Interest expense - lease obligations	69	182
Interest expense - other	134	3
Foreign exchange	(176)	(715)
Gain on disposition of business	(67,283)	—
	<u>(53,387)</u>	<u>42,676</u>
Income before income taxes	<u>68,130</u>	<u>6,926</u>
Income tax expense		
Current	—	1,615
Deferred	—	2,307
	<u>—</u>	<u>3,922</u>
Net income from discontinued operations	<u>\$ 68,130</u>	<u>\$ 3,004</u>
Other comprehensive income		
<i>Items that will be reclassified subsequently to net income:</i>		
Foreign currency translation adjustment from discontinued operations	—	(21)
Comprehensive income from discontinued operations	<u>\$ 68,130</u>	<u>\$ 2,983</u>
Earnings per share from discontinued operations - basic	<u>\$ 1.07</u>	<u>\$ 0.04</u>
Earnings per share from discontinued operations - diluted	<u>\$ 1.07</u>	<u>\$ 0.04</u>

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements
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3. Right-of-use-assets

The following tables present right-of-use assets for Cineplex for the three months ended March 31, 2024 and 2023:

	<u>Property</u>	<u>Equipment</u>	<u>Total</u>
At March 31, 2024			
Cost	\$ 1,263,917	\$ 62,480	\$ 1,326,397
Accumulated depreciation	<u>(527,016)</u>	<u>(16,268)</u>	<u>(543,284)</u>
Net book value	\$ 736,901	\$ 46,212	\$ 783,113
Three months ended March 31, 2024			
Opening net book value	\$ 749,326	\$ 5,467	\$ 754,793
Additions	2,399	43,344	45,743
Extensions and modifications	7,048	—	7,048
Depreciation for the year from continuing operations	<u>(21,872)</u>	<u>(2,599)</u>	<u>(24,471)</u>
Closing net book value	<u>\$ 736,901</u>	<u>\$ 46,212</u>	<u>\$ 783,113</u>
	<u>Property</u>	<u>Equipment</u>	<u>Total</u>
At March 31, 2023			
Cost	\$ 1,205,730	\$ 23,981	\$ 1,229,711
Accumulated depreciation	<u>(455,520)</u>	<u>(17,846)</u>	<u>(473,366)</u>
Net book value	<u>\$ 750,210</u>	<u>\$ 6,135</u>	<u>\$ 756,345</u>
Three months ended March 31, 2023			
Opening net book value	\$ 766,167	\$ 6,811	\$ 772,978
Extensions and modifications	5,571	—	5,571
Foreign exchange rate changes	(5)	—	(5)
Depreciation for the year from continuing operations	(20,859)	(674)	(21,533)
Depreciation for the year from discontinued operations	<u>(664)</u>	<u>(2)</u>	<u>(666)</u>
Closing net book value	<u>\$ 750,210</u>	<u>\$ 6,135</u>	<u>\$ 756,345</u>

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements
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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:

	March 31, 2024	December 31, 2023
Deferred income tax assets		
Property, equipment and leaseholds and deferred tenant inducements - difference between net carrying value and undepreciated capital cost	\$ 8,665	\$ 7,936
Accounting provisions not currently deductible	89,176	88,832
Deferred revenue	1,228	1,240
Income tax credits available	3,763	3,763
Operating losses available for carry-forward	99,581	101,913
Other	7,967	12,512
Total gross deferred income tax assets	<u>210,380</u>	<u>216,196</u>
Future deferred tax liabilities		
Intangible assets	(13,182)	(13,152)
Interest rate swap agreements	(61)	(1,198)
Goodwill	(31,704)	(31,086)
Convertible debentures	(19,040)	(23,976)
Total gross deferred income tax liabilities	<u>(63,987)</u>	<u>(69,412)</u>
Net deferred income tax asset recognized	<u>\$ 146,393</u>	<u>\$ 146,784</u>

At December 31, 2020 the recoverability of the net deferred income tax assets was uncertain and accordingly the net deferred tax assets were derecognized. During the second quarter of 2023, Cineplex assessed the recoverability of net deferred income tax assets and determined that the expected return to profitability provided a reasonable expectation that previously derecognized net deferred income tax assets will be utilized to offset future periods of taxable income, resulting in income tax recovery of approximately \$150,225 in the second quarter of 2023. Cineplex's continuing operation businesses had \$387,551 of non-capital losses available based on income tax returns filed up to tax year 2022 and estimated taxable income for 2023. Cineplex will utilize a portion of its net operating losses against the taxable gain from the sale of PIAG, which resulted in no taxes payable resulting from the disposition.

Cineplex's combined statutory income tax rate at March 31, 2024 was 26.3% (2023 - 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.

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5. Share-based compensation

Omnibus Incentive Plan

Cineplex has an Omnibus Incentive Plan (the “Incentive Plan”) in which all employees and consultants are eligible to participate. The Incentive Plan consists of stock options, RSUs and PSUs. Awards of RSUs and PSUs granted during a service year 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 3,522,717 provided that no more than 696,130 Shares may be issued in aggregate pursuant to the settlement of RSUs and PSUs. 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. As at March 31, 2024, 692,753 (2023 - 499,374) Shares are available to be issued under the Incentive Plan. Options that were issued prior to the Incentive Plan and are subsequently cancelled are available to be issued under the Incentive Plan.

Stock Options

Stock options issued under the Incentive Plan are administered by the Board of Directors which establishes the exercise price at the time each option is granted, which in all cases is not 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 are accounted for as equity-settled.

Cineplex recognized employee benefits expense of \$376 with respect to options during the period ended March 31, 2024 (2023 - \$335).

The fair value of options granted during the period ended March 31, 2024 and 2023 were determined using the Black-Scholes valuation model using the following significant inputs:

	March 31, 2024	March 31, 2023
Number of options granted	641,533	461,786
Share price on grant date	\$ 8.03	\$ 8.71
Exercise price	\$ 8.03	\$ 8.71
Expected option life (years)	4.0	4.0
Volatility	39.85 %	51.31 %
Annual risk-free rate	3.86 %	3.19 %
Fair value of options granted	\$ 2.92	\$ 2.90

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, 2024, 692,753 options (2023 - 238,774) are available for grant.

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A summary of option activities in 2024 and 2023 is as follows:

	Weighted average remaining contractual life (years)	2024		2023	
		Number of underlying shares	Weighted average exercise price	Number of underlying shares	Weighted average exercise price
Options outstanding, January 1	6.71	2,360,605	\$ 16.51	2,102,818	\$ 18.90
Granted		641,533	8.03	461,786	8.71
Exercised				(7,126)	8.25
Forfeited		(94,921)	16.04	(84,936)	18.28
Options outstanding, March 31	7.23	<u>2,907,217</u>	\$ 14.65	<u>2,472,542</u>	\$ 17.05
Options vested and exercisable		<u>1,416,374</u>		<u>1,512,468</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
2024 LTIP awards granted in Q1 2024	381,265	541,347	—	762,530
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

During the first quarter of 2024, Cineplex issued 541,347 cash settled RSUs with a fair value \$8.03 per unit (total fair value of \$4,347 on issuance) and 381,265 cash settled PSUs with a fair value of \$8.03 per unit (total fair value of \$3,062 on issuance). The fair value was initially assessed based on Cineplex's closing Share price on the grant date, and fluctuates with the Share price at each balance sheet date. The value of the award is reflected in non-current share-based compensation liability on the balance sheet.

The RSU and PSU awards issued will vest in the third quarter of 2026. The RSU and PSU awards granted in 2022 and 2023 will be equity settled. The unvested value of the awards is reflected in contributed surplus.

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 \$1,647 for the three months ended March 31, 2024

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(2023 - \$1,779) under the Incentive Plan relating to RSU and PSU awards. At March 31, 2024, \$1,164 (2023 - \$337) was included in share-based compensation liability and \$5,873 in contributed surplus (2023 - \$6,169).

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. Cineplex recognized compensation expense of \$(502) during the three months ended March 31, 2024 (2023 - \$166) associated with the deferred equity units. At March 31, 2024, \$4,230 (2023 - \$3,825) was included in non-current share-based compensation liability.

6. Long-term debt

Long-term debt consists of the following as at March 31, 2024 and December 31, 2023:

	March 31, 2024		December 31, 2023	
	Book Value (i)	Face Value	Book Value (i)	Face Value
Credit Facilities	\$ —	\$ —	\$ 298,000	\$ 298,000
Convertible Debentures - 7.75% due March 1, 2030	156,452	216,250	—	—
Notes Payable - 7.625% due March 31, 2029	575,000	575,000	—	—
Convertible Debentures - 5.75% due September 30, 2025	—	—	272,469	316,250
Notes Payable - 7.5% due February 26, 2026	—	—	246,970	250,000
Total	\$ 731,452	\$ 791,250	\$ 817,439	\$ 864,250

(i) Book value represents the carrying value of the debt component, which is the initial fair value of the instrument, plus cumulative accretion.

Interest expense

	Three months ended March 31,	
	2024	2023
Interest expense on long-term debt	\$ 14,281	\$ 15,155
Lease interest expense (i)	17,529	16,139
Financing fees	736	406
Sub-total - cash interest expense from continuing operations	\$ 32,546	\$ 31,700
Deferred financing fee accretion and other non-cash interest, net	425	55
Accretion expense on Debentures and Notes Payable	5,513	5,280
Interest rate swap - non-cash	(1,020)	2,619
Sub-total - non-cash interest expense from continuing operations	4,918	7,954
Total interest expense from continuing operations	\$ 37,464	\$ 39,654
Total cash interest paid from continuing operations	\$ 34,861	\$ 40,905

(i) Represents total cash interest paid and accrued cash interest related to lease obligations.

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2024 Refinancing

On March 4, 2024, Cineplex completed the 2024 Refinancing. The 2024 Refinancing resulted in cash fees of \$21,525 and loss on fair value of financial instruments of \$53,944.

The following table illustrates the components of the (gain)/ loss on financial instruments recorded at fair value and loss on extinguishment of debt:

Loss on financial instruments recorded at fair value	Three months ended March 31, 2024
Bank Fees and other fees	\$ 1,361
Loss on settlement of notes	12,922
Loss on settlement of debentures	39,661
Loss on 2024 Refinancing	53,944
Remeasurement of financial instruments recognized in profit or loss	(1,998)
Loss on financial instruments recorded at fair value	\$ 51,946

Credit facilities

Former Credit Facilities

Until December 13, 2023, Cineplex had bank facilities with a syndicate of lenders which included 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 between Cineplex, CELP, the guarantors from time to time party thereto, and a syndicate of lenders dated November 13, 2018.

On December 13, 2023, Cineplex entered into the Eighth Amended and Restated Credit Agreement with the same syndicate of lenders, (the “Eighth Amended and Restated Credit Agreement”), which extended the maturity date thereof to November 13, 2025, and governed the Revolving Facility on substantially the same terms, including in respect of the financial covenants.

On March 4, 2024, Cineplex repaid in full and terminated the Eighth Amended and Restated Credit Agreement in connection with the entering into of the 2024 Credit Facility, as described below.

2024 Credit Facility

On March 4, 2024, Cineplex entered into a new credit agreement with a syndicate of banks led by Scotiabank (the “**2024 Credit Agreement**”), terminating and replacing the Eighth Amended and Restated Credit Agreement in its entirety. The 2024 Credit Facility provides for a new \$100 million “covenant-lite” revolving credit facility with a maturity date of March 4, 2027.

At Cineplex’s election, borrowings under the 2024 Credit Agreement will bear interest at a floating rate based on the Canadian dollar prime rate, U.S. Base Rate, SOFR (Secured Overnight Financing Rate) or CORRA (Canadian Overnight Repo Rate Average) plus, in each case, an applicable margin to those rates. Borrowings are available in either Canadian or US dollars.

The 2024 Credit Agreement does not contain financial maintenance covenants, unless borrowings utilized under the agreement (including issued letters of credit) exceed 40% (the “**Utilization Threshold**”) of the total available credit facility measured as at the end of a fiscal quarter of Cineplex. In the event that Utilization Threshold is exceeded,

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Cineplex will be required to maintain a Total Leverage Ratio of not greater than 4.75 to 1 thereafter until the borrowings drop below 40% utilization.

As a so-called “covenant-lite” credit facility, as long as the Utilization Threshold has not been exceeded, the 2024 Credit Agreement does not restrict the discretion of Cineplex’s management with respect to matters such as the payment of dividends or making certain other payments, making investments, loans and guarantees and otherwise being able to sell or dispose of assets. Cineplex’s ability to take such actions when the Utilization Threshold has been exceeded require that Cineplex’s Total Leverage Ratio be less than 4.25 to 1.00, on a pro forma basis after giving effect to such payment or transaction.

The obligations under the 2024 Credit Agreement are guaranteed jointly and severally, by the Corporation and each direct or indirect restricted subsidiary of the Corporation, other than certain excluded immaterial subsidiaries.

This summary of the 2024 Credit Facility is qualified in its entirety by reference to the provisions of the Credit Agreement which contains a complete statement of those terms and conditions, and was filed on SEDAR+ on March 4, 2024.

The 2024 Credit 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.

	Available	Drawn	Reserved	Remaining
Revolving Facility	\$ 100,000	\$ —	\$ 7,965	\$ 92,035

At March 31, 2024, Cineplex was subject to a margin of 2.75% (2023 - 3.00%) on the prime rate and margin of 3.75% (2023 - 4.00% on bankers’ acceptances) on the CORRA advances and SOFR advances, plus a 0.25% (2023 - 0.25%) per annum fee for letters of credit issued. Cineplex pays a commitment fee on the daily unadvanced portion of the 2024 Credit Agreement, which will vary based on the Total Leverage Ratio and was 0.75% at March 31, 2024 (2023 - 1.00%).

Interest Rate Swap Agreements

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

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

Swaps 1 and 2 matured on November 14, 2023, and swap 3 was unwound during the first quarter of 2024. The interest rate swaps were measured at fair market value at each reporting period with changes in fair market value recorded in interest expense - other, in the consolidated statement of operations. Upon the unwinding of swap 3, Cineplex received net cash flows of \$4,583.

Convertible debentures

On July 17, 2020, Cineplex issued \$316,250 aggregate principal amount of convertible unsecured subordinated debentures, which were initially intended to mature on September 30, 2025 and bore interest at a rate of 5.75% per annum, payable semi-annually in arrears on September 30 and March 31 of each year.

On March 4, 2024, in connection with the 2024 Refinancing, the Corporation made certain amendments to the Convertible Debentures, which were approved in writing by holders of approximately 89% of the outstanding Convertible Debentures. The amendments to the Convertible Debentures included:

- the partial redemption of \$100,000 principal value, which was completed on March 11, 2024, following which \$216,250 principal amount of Convertible Debentures remain outstanding;
- an increase in the interest rate from 5.75% to 7.75% effective April 1, 2024;
- a decrease in the conversion price from \$10.94 to \$10.29 per Common Share (representing a conversion rate of 97.1817 Common Shares per \$1,000 principal amount of Convertible Debentures);
- an extension of the maturity date of the Convertible Debentures from September 30, 2025 to March 1, 2030; and
- the remaining Convertible Debentures not being redeemable prior to March 1, 2027; and, at any time after March 1, 2027 and prior to March 1, 2029, Cineplex shall be permitted to redeem the Convertible Debentures, in whole or in part at a price equal to the principal amount thereof plus accrued and unpaid interest as set out in more detail, below. On and after March 1, 2029, the Convertible Debentures would be redeemable at the option of Cineplex at any time at par plus accrued and unpaid interest to the date of redemption.

The amendments were made effective pursuant to a supplemental indenture that was executed on March 4, 2024 (the "Supplemental Indenture"). All of the amendments to the Convertible Debentures were effective as at March 4, 2024, other than the change in interest rate from 5.75% to 7.75% and the re-designation of the Convertible Debentures to be "7.75% convertible unsecured subordinated debentures due March 1, 2030", which become effective as at April 1, 2024.

The Convertible Debentures are not redeemable by Cineplex prior to March 1, 2027. On or after March 1, 2027 and prior to March 1, 2029, Cineplex may, at its option, redeem the Convertible Debentures in whole or in part from time to time provided that the volume weighted average trading price of the share on the TSX 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 March 1, 2029, the Convertible 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

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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 Convertible Debentures may be converted into shares at a conversion price of \$10.29 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 Convertible Debentures, at a conversion price to be determined at the time of pricing. Holders who convert their Convertible 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 Convertible Debentures will result in the issuance of shares from treasury.

The foregoing is a summary of the key terms of the Convertible Debentures. This summary is qualified in its entirety by reference to the provisions of the Convertible Debentures trust indenture which contains a complete statement of those terms and conditions. The trust indenture for the Convertible Debentures and the Supplemental Indenture were filed on SEDAR+ on July 15, 2020 and March 4, 2024, respectively.

Cineplex has accounted for this redemption as an extinguishment of debt, including a derecognition of \$14,800 of fair value of the previous conversion component recognized in contributed surplus.

The fair value of the liability component of the Convertible Debentures was assessed at inception based on an estimated market discount rate of 14.88% , and will be accreted to the full face value of \$216,250 over the term of the Convertible Debentures. The residual value of \$54,319 (\$70,191 net of \$15,872 deferred income taxes) 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 Unaccreted deferred financing fees and discount as at March 31, 2024 related to the 7.75% Convertible Debentures due March 1, 2030 is \$59,798.

During the quarter ended March 31, 2024, Cineplex recorded accretion and cash interest expense on the Convertible Debentures of \$5,125 (2023 - \$4,858) and \$4,194 (2023 - \$4,509), respectively, both of which are included as part of the interest expense in the consolidated statement of operations. As at March 31, 2024, Cineplex has \$216,250 principal amount of Convertible Debentures outstanding.

Notes Outstanding

The 2021 Notes and the 2024 Notes (as applicable) outstanding are as follows:

	March 31, 2024	December 31, 2023
Face value of Notes payable ⁽ⁱ⁾	\$ 575,000	\$ 250,000
Unaccreted deferred financing fees and discount ⁽ⁱⁱ⁾	—	(3,030)
Notes payable	<u>\$ 575,000</u>	<u>\$ 246,970</u>

(i) See descriptions of the 2021 Notes and the 2024 Notes below.

(ii) No accretion of the 2024 Notes is required as the notes were initially recognized at face value. The underwriter's fees and financial asset derivative being had equal values of \$10,063.

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During the quarter ended March 31, 2024, Cineplex recorded accretion and cash interest expense on the 2021 Notes and the 2024 Notes, as applicable, payable of \$385 (2023 - \$423) and \$6,449 (2023 - \$4,546), respectively, both of which are included as part of interest expense in the consolidated statement of operations. As at March 31, 2024, Cineplex has \$575,000 principal amount of 2024 Notes outstanding. Cineplex's derivative financial instrument on the outstanding 2021 Notes and 2024 Notes, as applicable, 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 are consistent with accepted methods for valuing financial instruments. Cineplex has estimated the fair value of this embedded derivative at \$12,060 as at March 31, 2024 (2023 - \$5,590) which is presented on the consolidated balance sheets as a derivative financial instrument.

2021 Notes

On February 26, 2021, Cineplex completed an offering of \$250,000 of aggregate principal amount of 7.5% senior secured second lien notes due February 26, 2026. On March 4, 2024, in connection with the 2024 Refinancing, Cineplex redeemed the 2021 Notes in their entirety. The redemption of all of the 2021 Notes, in an aggregate principal amount of \$250,000, occurred at redemption price equal to 101.875 % of principal, resulting in a cash payment of approximately \$254,688 plus all accrued and unpaid interest to the date of the redemption.

2024 Notes

On March 4, 2024, in connection with the 2024 Refinancing, Cineplex closed a private placement offering of \$575,000 aggregate principal amount of 7.625% senior secured notes due March 31, 2029. The 2024 Notes were issued pursuant to an indenture entered into among Cineplex and TSX Trust Company, as trustee and collateral agent, dated March 4, 2024 (the "2024 Notes Indenture").

The 2024 Notes contain a number of prepayment options, and Cineplex recognized a fair value derivative asset of \$10,063 on issuance. Issuance costs of \$10,063 resulted in the 2024 Notes being presented at face value on the balance sheet, and no non-cash interest will be recognized.

The 2024 Notes are fully and unconditionally guaranteed, jointly and severally, by Cineplex and each direct or indirect restricted subsidiary of Cineplex that is a borrower or guarantees the obligations of Cineplex or any other borrower under the 2024 Credit Facility.

At any time from and after January 31, 2026, Cineplex may, at its option, redeem the 2024 Notes, in whole or in part, at the redemption prices set forth in the 2024 Notes Indenture, plus accrued and unpaid interest thereon to, but excluding, the applicable redemption date. In addition, at any time prior to January 31, 2026, the Company may, at its option, on one or more occasions, redeem up to 40% of the aggregate principal amount of the 2024 Notes at a redemption price equal to 107.625% of the aggregate principal amount thereof redeemed plus accrued and unpaid interest thereon to, but excluding, the applicable redemption date, with the net cash proceeds of one or more equity offerings; provided that (a) the aggregate principal amount of the 2024 Notes outstanding immediately after the occurrence of each such redemption is equal to not less than 60% of the original aggregate principal amount of the 2024 Notes; and (b) each such redemption occurs within 90 days of the date of closing of each such equity offering. If Cineplex sells certain assets without applying the proceeds in a permitted manner within 365 days of receipt thereof, Cineplex must make an offer to each holder of 2024 Notes to purchase all or a portion of its Notes at 100% of the aggregate principal amount of the 2024 Notes so repurchased plus accrued and unpaid interest to, but not including, the date of repurchase. If Cineplex undergoes certain change of control events, Cineplex must make an offer to repurchase the 2024 Notes at a purchase price equal to 101% of the aggregate principal amount of the 2024 Notes so repurchased plus accrued and unpaid interest to, but not including, the date of repurchase.

If Cineplex, any guarantor or other payor is required to withhold or deduct any amount for or on account of taxes from any payment made under or with respect to the 2024 Notes or any guarantee, as the case may be, Cineplex, such guarantor or other payor, as applicable, will pay (together with such payment) such additional amounts as may be necessary so that the net amount received by each holder or beneficial owner of a 2024 Note after such withholding or deduction (including any such withholding or deduction from such additional amounts) will not be

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less than the amount the holder or beneficial owner would have received if such taxes had not been withheld or deducted (subject to certain exceptions).

In addition to the restrictions on asset sales and change of control events described above, the 2024 Notes Indenture contains covenants that restrict, among other things, Cineplex's ability to incur liens other than permitted liens, make restricted payments, incur certain indebtedness and enter into certain transactions with affiliates, in each case, subject to certain conditions.

The 2024 Notes Indenture contains customary events of default substantially similar to those set out in the trust indenture governing the 2021 Notes, and as more specifically set out in the 2024 Notes Indenture. Upon the occurrence of an event of default under the 2024 Notes Indenture, the trustee thereunder, acting on the instruction of the requisite majority of holders of the 2024 Notes, and subject to the Intercreditor Agreement, would be entitled to accelerate all amounts outstanding under the 2024 Notes and, upon such acceleration, to instruct the collateral agent under the Intercreditor Agreement to enforce the security granted to the lenders by Cineplex and the guarantors. Following repayment of the lenders under the 2024 Credit Facility and any other priority lien obligations under the Intercreditor Agreement, the holders of the 2024 Notes would then be repaid from the proceeds of such security, using all available assets. Only after such repayment and the payment of any other secured and unsecured creditors would the holders of Common Shares receive any proceeds from the liquidation of Cineplex's assets.

The foregoing is a summary of the key terms of the 2024 Notes. This summary is qualified in its entirety by reference to the provisions of the 2024 Notes Indenture which contains a complete statement of those terms and conditions. The 2024 Notes Indenture was filed on SEDAR+ on March 4, 2024.

Security and Ranking

The obligations under both the 2024 Credit Facility and the 2024 Notes are secured by charges granted in favour of TSX Trust Company, as collateral agent, over substantially all of the personal and real property owned by Cineplex its subsidiaries that are guarantors of such debt, other than certain excluded immaterial subsidiaries. The priorities of the liens securing the obligations under the 2024 Credit Agreement and the 2024 Notes are governed by the terms of a collateral agent and intercreditor agreement (the "Intercreditor Agreement"). Pursuant to the Intercreditor Agreement and the security granted in connection therewith: (i) the 2024 Notes rank effectively junior, to the extent of the value of the collateral, to Cineplex's and the guarantor's obligations under the 2024 Credit Agreement and any other priority lien debt set out therein; (ii) rank pari passu in right of payment with all existing and future senior indebtedness of Cineplex and the guarantors and senior in right of payment to any future subordinated indebtedness of Cineplex and the guarantors; (iii) rank effectively senior to any existing and future unsecured obligations of Cineplex and the guarantors to the extent of the value of the collateral securing the 2024 Notes (subject to the prior payment of any priority lien debt including under the 2024 Credit Agreement); and (iv) are structurally subordinated to all existing and future indebtedness, claims of holders of preferred stock and other liabilities of subsidiaries of Cineplex that do not guarantee the 2024 Notes.

7. Revenue

The following tables disclose the changes in deferred revenue and other for the three months ended March 31, 2024 and 2023:

	December 31, 2023	Additions	Recognized	March 31, 2024
Gift cards	\$ 161,608	\$ 12,292	\$ 28,868	\$ 145,032
SCENE loyalty program	15,987	—	1,243	14,744
Advances, deposits and other	19,734	10,717	9,284	21,167
	<u>\$ 197,329</u>	<u>\$ 23,009</u>	<u>\$ 39,395</u>	<u>\$ 180,943</u>

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	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 and are not reflected in deferred revenue on the balance sheet.

The following tables provide the disaggregation of revenue into categories by nature for the three months ended March 31, 2024 and 2023:

Box revenues

	2024	2023
Box office revenues	<u>\$ 125,061</u>	<u>\$ 123,338</u>

Food service revenues

	2024	2023
Food service - theatres	\$ 87,852	\$ 86,444
Food delivery - theatres	2,084	2,295
Food service - location-based entertainment	11,890	12,337
Total food service revenues	<u>\$ 101,826</u>	<u>\$ 101,076</u>

Media revenues

	2024	2023
Cinema media	\$ 12,425	\$ 14,293
Digital place-based media	9,925	8,003
Total media revenues	<u>\$ 22,350</u>	<u>\$ 22,296</u>

Amusement revenues

	2024	2023
		(Revised - Note 2)
Amusement revenue - exhibition	\$ 3,798	\$ 3,926
Amusement revenue - LBE	21,978	22,235
Total amusement revenues	<u>\$ 25,776</u>	<u>\$ 26,161</u>

Other revenues

	2024	2023
Other revenues	<u>\$ 19,746</u>	<u>\$ 18,484</u>

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8. Lease obligation

The following table presents lease obligations for Cineplex for the three months ended March 31, 2024 and 2023:

	<u>Property</u>	<u>Equipment</u>	<u>Total</u>
Three months ended March 31, 2024			
Opening balance	\$ 1,072,097	\$ 6,337	\$ 1,078,434
Extensions and modifications	9,527	43,344	52,871
Tenant inducements	1,447	—	1,447
Lease payments	(41,618)	(1,757)	(43,375)
Interest expense from continuing operations	17,174	736	17,910
Closing lease obligations	\$ 1,058,627	\$ 48,660	\$ 1,107,287
Less: current portion	81,059	7,652	88,711
Non-current portion from continuing operations	<u>\$ 977,568</u>	<u>\$ 41,008</u>	<u>\$ 1,018,576</u>
	<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 from continuing operations	16,029	122	16,151
Interest expense from discontinued operations	182	—	182
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>

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 March 31, 2024 and 2023 and transactions during the periods are as follows:

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2024		Amount
	Number of common shares issued and outstanding	Share capital
Balance - December 31, 2023	63,684,281	\$ 856,696
Balance - March 31, 2024	63,684,281	\$ 856,696

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

10. Other costs

	Three months ended March 31,	
	2024	2023
	(Revised - Note 2)	
Variable rent	\$ 591	\$ 454
Realty and occupancy taxes and maintenance fees	19,715	19,223
Utilities	8,427	9,041
Services including operating facilities cleaning, maintenance and security	16,543	16,629
Other inventories consumed, including amusement and digital place-based media	5,973	2,614
Repairs and maintenance	10,740	10,128
Advertising and promotion	8,532	7,317
Office and operating supplies	2,952	2,747
Licenses and franchise fees	3,880	3,742
Insurance	1,499	1,749
Professional and consulting fees	3,929	2,335
Telecommunications and data	1,196	1,183
Bad debts	33	359
Equipment rental	504	354
Other costs	1,970	1,412
	<u>\$ 86,484</u>	<u>\$ 79,287</u>

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11. Earnings (loss) per share

Basic

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

	<u>2024</u>	<u>2023</u>
		(Revised - Note 2)
Net loss from continuing operations	\$ (62,970)	\$ (33,177)
Weighted average number of shares outstanding	<u>63,684,281</u>	<u>63,375,471</u>
Loss per share from continuing operations - basic	\$ (0.99)	\$ (0.52)
Earnings per share from discontinued operations - basic	\$ 1.07	\$ 0.04
Earnings (loss) per share - basic	<u>\$ 0.08</u>	<u>\$ (0.48)</u>

Diluted

Diluted earnings (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, 2024, the options and debentures are anti-dilutive and the anti-dilutive shares that have been excluded in the current period were 21,015,549 potential shares that would be issued under the if-converted method relating to debenture units outstanding. The options and debentures were anti-dilutive in 2023, as applicable.

	<u>2024</u>	<u>2023</u>
		(Revised - Note 2)
Net loss from continuing operations	\$ (62,970)	\$ (33,177)
Weighted average number of shares for diluted EPS	<u>63,684,281</u>	<u>63,375,471</u>
Loss per share from continuing operations - diluted	\$ (0.99)	\$ (0.52)
Earnings per share from discontinued operations - diluted	\$ 1.07	\$ 0.04
Earnings (loss) per share - diluted	<u>\$ 0.08</u>	<u>\$ (0.48)</u>

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12. Changes in operating assets and liabilities

The following summarizes the changes in operating assets and liabilities:

	<u>2024</u>	<u>2023</u>
		(Revised - Note 2)
Trade and other receivables	\$ 40,520	\$ 29,856
Inventories	1,324	183
Prepaid expenses and other current assets	(13,805)	(1,385)
Accounts payable and accrued liabilities	20,615	(42,487)
Income taxes receivable	(640)	—
Deferred revenue	(16,412)	(15,708)
Post-employment benefit obligations	(267)	(599)
Share-based compensation	946	410
Other liabilities	(37)	(40)
	<u>\$ 32,244</u>	<u>\$ (29,770)</u>

Property, equipment and leasehold purchases included in accounts payable and accrued liabilities as at March 31, 2024, are \$7,946 (2023 - \$6,551).

13. Contingent liabilities and assets

Contingent liability: Competition Bureau's Allegation that Cineplex's Online Booking Fee Constitutes Misleading Advertising and Drip Pricing

On May 18, 2023, the Competition Bureau filed a Notice of Application, commencing legal action against Cineplex, alleging that Cineplex's online booking fee is misleading and constitutes "drip pricing". The Competition Bureau is not contesting Cineplex's right to charge the online booking fee; it is only contesting the manner in which the online booking fee is presented to consumers.

The Notice of Application lists various grounds of relief including an administrative penalty and an order requiring the return of online booking fee sums in an amount to be determined. The Notice of Application does not specify a figure or quantum of damages sought. On a finding of contravention, the *Competition Act (Canada)* provides for a wide range of amounts regarding administrative monetary penalties, some of which could be material.

Cineplex strongly denies the allegations and believes that they are without merit. Cineplex believes that the online booking fee fully complies with the letter and spirit of the law. Cineplex filed its response to the Notice of Application on June 30, 2023 and the Competition Bureau filed its reply on July 14, 2023.

The trial of this matter was held in February, 2024.

Cineplex believes that this matter will not have a material adverse effect on its operating results, financial position, or cash flows. No amount has been accrued in Cineplex's consolidated financial statements, and online booking fee revenue continues to be recognized. Cineplex has recognized approximately \$44,000 in online booking fee revenues since inception through March 31, 2024.

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Contingent liability: Class Action Lawsuits regarding Cineplex's Online Booking Fee

In January, 2024, class-action lawsuits were initiated in British Columbia and Quebec with respect to Cineplex's online booking fee. Both lawsuits allege that the online booking fee is misleading and constitutes "drip pricing".

The lawsuits seek to include all Canadians who purchased a Cineplex movie ticket and were charged an online booking fee. Cineplex believes that this matter will not have a material adverse effect on its operating results, financial position, or cash flows, and no amount has been accrued in Cineplex's consolidated financial statements as at March 31, 2024.

Contingent asset: Cineplex's Judgement and Cineworld's Bankruptcy Filing

On July 31, 2023, the post-bankruptcy plan of reorganization, approved by the U.S. Bankruptcy Court with respect to Cineworld Group plc ("Cineworld"), went into effect, effectively putting an end to Cineplex's \$1,240,000 judgement against Cineworld. The plan of reorganization contemplates unsecured creditors (including Cineplex) receiving, in aggregate, (i) USD \$10,000 in cash and (ii) interests in a litigation trust relating to certain class actions (collectively, the "Recovery Pool"). Cineplex's portion of the Recovery Pool is not expected to be material and no amount has been accrued as a receivable in Cineplex's financial statements as at March 31, 2024.

14. Operating segments

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

Film Entertainment and Content

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

Media

The Media reporting segment is comprised of the aggregation of two operating segments, cinema media and digital place-based media 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.

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.

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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.

Amusement Solutions (PIAG)

Through November 22, 2023, Cineplex reported a fourth reportable segment, Amusement Solutions, which was comprised of revenues and costs associated with operating and distributing amusement, gaming and vending equipment.

The following tables disclose the results of the Film Entertainment and Content, Media, and Location-Based Entertainment segments for the three months ended March 31, 2024 and 2023:

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	Film Entertainment and Content (i)	Media (i)	Location- Based Entertainment	Corporate and other (iii)	Consolidated Continuing Operations	Discontinued Operations Amusement Solutions (PIAG)	
Three months ended March 31, 2024							
Major product and service lines							
Box office	\$ 125,061	\$ —	\$ —	\$ —	\$ 125,061		
Food service	89,936	—	11,890	—	101,826		
Media	—	22,082	268	—	22,350		
Amusement	3,798	—	21,978	—	25,776	14,743	
Other	19,385	—	361	—	19,746		
Total revenues	\$ 238,180	\$ 22,082	\$ 34,497	\$ —	\$ 294,759	\$ 14,743	
Primary geographical markets							
Canada	\$ 238,180	\$ 19,941	\$ 34,497	\$ —	\$ 292,618	\$ 4,881	
United States and other countries	—	2,141	—	—	2,141	9,862	
Total revenues	\$ 238,180	\$ 22,082	\$ 34,497	\$ —	\$ 294,759	\$ 14,743	
Timing of revenue recognition							
Transferred at a point in time	\$ 238,180	\$ 3,153	\$ 34,497	\$ —	\$ 275,830	\$ 14,743	
Transferred over time	—	18,929	—	—	18,929	—	
Total revenues	\$ 238,180	\$ 22,082	\$ 34,497	\$ —	\$ 294,759	\$ 14,743	
Adjusted EBITDAaL	\$ 9,221	\$ 8,327	\$ 8,071	\$ (21,034)	\$ 4,585	\$ 508	
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:						231	(298)
Other adjustments (ii)						51,527	(175)
Depreciation and amortization - other assets						21,795	—
Interest expense - other						19,554	134
Interest income						(275)	—
Gain on the sale of discontinued operations						—	(67,283)
Provision for income taxes						(25,277)	—
Net (loss) income from continuing operations and discontinued operations						\$ (62,970)	\$ 68,130
Other operating segment disclosures							
Depreciation - right-of-use assets	\$ 20,408	\$ 2,562	\$ 1,391	\$ 110	\$ 24,471	\$ —	
Depreciation and amortization - other assets	\$ 16,487	\$ 909	\$ 4,399	\$ —	\$ 21,795	\$ —	
Interest expense - lease obligations	\$ 15,223	\$ 724	\$ 1,782	\$ 181	\$ 17,910	\$ 69	
Goodwill balance	\$ 413,915	\$ 206,385	\$ —	\$ —	\$ 620,300	\$ 15,734	

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	Film Entertainment and Content (i)	Media (i)	Location- Based Entertainment	Corporate and other (iii)	Consolidated Continuing Operations	Discontinued Operations Amusement Solutions (PIAG)
Three months ended March 31, 2023						
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	—	22,235	—	26,161	49,602
Other	18,116	—	368	—	18,484	
Total revenues	\$ 234,119	\$ 22,153	\$ 35,083	\$ —	\$ 291,355	\$ 49,602
Primary geographical markets						
Canada	\$ 234,119	\$ 19,831	\$ 35,083	\$ —	\$ 289,033	\$ 19,274
United States and other countries	—	2,322	—	—	2,322	30,328
Total revenues	\$ 234,119	\$ 22,153	\$ 35,083	\$ —	\$ 291,355	\$ 49,602
Timing of revenue recognition						
Transferred at a point in time	\$ 234,119	\$ 3,037	\$ 35,083	\$ —	\$ 272,239	\$ 49,602
Transferred over time	—	19,116	—	—	19,116	—
Total revenues	\$ 234,119	\$ 22,153	\$ 35,083	\$ —	\$ 291,355	\$ 49,602
Adjusted EBITDAaL	\$ 10,746	\$ 9,128	\$ 10,482	\$ (18,979)	\$ 11,377	\$ 8,866
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:					(3,658)	(332)
Other adjustments (ii)					2,047	(864)
Depreciation and amortization - other assets					22,873	3,133
Interest expense - other					23,503	3
Interest income					(211)	—
Provision for income taxes					—	3,922
Net (loss) income from continuing operations and discontinued operations					\$ (33,177)	\$ 3,004
Other operating segment disclosures						
Depreciation - right-of-use assets	\$ 19,815	\$ 593	\$ 1,015	\$ 110	\$ 21,533	\$ 666
Depreciation and amortization - other assets	\$ 16,597	\$ 1,461	\$ 4,815	\$ —	\$ 22,873	\$ 3,133
Interest expense - lease obligations	\$ 14,576	\$ 118	\$ 1,256	\$ 201	\$ 16,151	\$ 182
Goodwill balance	\$ 413,915	\$ 206,385	\$ —	\$ —	\$ 620,300	\$ 15,827

(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.

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15. 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 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, 2023. 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, 2023, with the exception of accounting standards issued in the current quarter.

Accounting standards issued

Management of Cineplex reviews all changes to the IFRS when issued. 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, 2024. The following amendments have been adopted or are being evaluated by Cineplex:

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 determined that the changes have no material impact on Cineplex’s interim condensed consolidated financial statements.