

Cineplex Inc.

Interim Condensed Consolidated Balance Sheets (Unaudited)

(expressed in thousands of Canadian dollars)

	Notes	June 30, 2023	December 31, 2022
Assets			
Current assets			
Cash and cash equivalents		\$ 39,995	\$ 34,674
Trade and other receivables		69,899	107,088
Income taxes receivable		2,834	2,033
Inventories		37,375	36,916
Prepaid expenses and other current assets		18,790	15,659
Fair value of interest rate swap agreements		7,454	8,993
		<u>176,347</u>	<u>205,363</u>
Non-current assets			
Property, equipment and leaseholds		427,492	449,495
Right-of-use assets	2	746,403	772,978
Deferred income taxes	3	158,309	—
Fair value of interest rate swap agreements		3,654	2,426
Interests in joint ventures and associates		4,866	650
Intangible assets		80,104	80,428
Goodwill		635,927	636,134
Derivative financial instrument	5	1,690	2,980
		<u>\$ 2,234,792</u>	<u>\$ 2,150,454</u>
Contingent liabilities			
	12		

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	June 30, 2023	December 31, 2022
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 177,597	\$ 195,296
Income taxes payable		3,045	3,736
Deferred revenue and other	6	189,671	220,527
Lease obligations	7	99,663	96,093
		<u>469,976</u>	<u>515,652</u>
Non-current liabilities			
Share-based compensation	4	4,208	3,752
Long-term debt	5	838,484	824,888
Lease obligations	7	969,613	1,004,546
Post-employment benefit obligations		6,447	6,970
Other liabilities		6,448	6,460
Deferred income taxes	3	2,176	—
		<u>1,827,376</u>	<u>1,846,616</u>
Total liabilities		<u>2,297,352</u>	<u>2,362,268</u>
Shareholders' deficit			
Share capital	8	852,741	852,697
Deficit		(1,002,598)	(1,148,970)
Contributed surplus		86,664	83,006
Cumulative translation adjustment		633	1,453
Total shareholders' deficit		<u>(62,560)</u>	<u>(211,814)</u>
		<u>\$ 2,234,792</u>	<u>\$ 2,150,454</u>

Approved by the Board of Directors

“Phyllis Yaffe”
Director

“Janice Fukakusa”
Director

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)

For the three and six months ended June 30, 2023 and 2022

(Unaudited)

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

	Notes	Three months ended June 30,		Six months ended June 30,	
		2023	2022	2023	2022
Revenues	6				
Box office		\$ 164,491	\$ 136,372	\$ 287,829	\$ 216,324
Food service		131,392	110,637	232,468	179,025
Media		26,100	26,406	48,396	41,951
Amusement		76,883	65,723	152,646	116,147
Other		24,252	10,740	42,736	25,154
		<u>423,118</u>	<u>349,878</u>	<u>764,075</u>	<u>578,601</u>
Expenses					
Film cost		90,471	69,958	156,545	108,974
Cost of food service		30,744	25,335	54,981	40,192
Depreciation - right-of-use assets		22,650	24,486	44,849	48,749
Depreciation and amortization - other assets		24,889	26,651	50,895	53,543
Loss (gain) on disposal of assets		226	(4,650)	970	(4,493)
Other costs	9	199,329	176,741	385,946	315,093
Share of loss (income) of joint ventures and associates		570	384	1,989	(302)
Interest expense - lease obligations		16,488	14,739	32,821	29,443
Interest expense - other		18,230	13,812	41,736	23,895
Interest income		(282)	(38)	(493)	(68)
Foreign exchange		409	(623)	423	(389)
Loss on financial instruments recorded at fair value	5	1,020	1,770	1,290	5,600
		<u>404,744</u>	<u>348,565</u>	<u>771,952</u>	<u>620,237</u>
Income (loss) before income taxes		<u>18,374</u>	<u>1,313</u>	<u>(7,877)</u>	<u>(41,636)</u>
Income tax (recovery) expense	3				
Current		269	—	1,884	(724)
Deferred		(158,440)	—	(156,133)	—
		<u>(158,171)</u>	<u>—</u>	<u>(154,249)</u>	<u>(724)</u>
Net income (loss)		<u>\$ 176,545</u>	<u>\$ 1,313</u>	<u>\$ 146,372</u>	<u>\$ (40,912)</u>
Other comprehensive (loss) income					
<i>Items that will be reclassified subsequently to net income (loss):</i>					
Foreign currency translation adjustment		(800)	917	(820)	500
Other comprehensive (loss) income		<u>(800)</u>	<u>917</u>	<u>(820)</u>	<u>500</u>
Comprehensive income (loss)		<u>\$ 175,745</u>	<u>\$ 2,230</u>	<u>\$ 145,552</u>	<u>\$ (40,412)</u>
Earnings (loss) per share - basic	10	<u>\$ 2.79</u>	<u>\$ 0.02</u>	<u>\$ 2.31</u>	<u>\$ (0.65)</u>
Earnings (loss) per share - diluted	10	<u>\$ 1.99</u>	<u>\$ 0.02</u>	<u>\$ 1.74</u>	<u>\$ (0.65)</u>

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Changes in Equity
For the six months ended June 30, 2023 and 2022
(Unaudited)

(expressed in thousands of Canadian dollars)

	Share capital	Contributed surplus	Hedging reserves and other	Cumulative translation adjustment	Deficit	Total
January 1, 2023	\$ 852,697	\$ 83,006	\$ —	\$ 1,453	\$ (1,148,970)	\$ (211,814)
Net income	—	—	—	—	146,372	146,372
Other comprehensive loss	—	—	—	(820)	—	(820)
Total comprehensive income	—	—	—	(820)	146,372	145,552
Share option expense	—	657	—	—	—	657
PSU/RSU expense	—	3,045	—	—	—	3,045
Issuance of shares on exercise of options	44	(44)	—	—	—	—
June 30, 2023	\$ 852,741	\$ 86,664	\$ —	\$ 633	\$ (1,002,598)	\$ (62,560)
January 1, 2022	\$ 852,465	\$ 80,027	\$ (131)	\$ (690)	\$ (1,151,394)	\$ (219,723)
Net loss	—	—	—	—	(40,912)	(40,912)
Other comprehensive income	—	—	—	500	—	500
Total comprehensive loss	—	—	—	500	(40,912)	(40,412)
Share option expense	—	916	—	—	—	916
PSU/RSU expense	—	2,780	—	—	—	2,780
Issuance of shares on exercise of options	196	(83)	—	—	—	113
June 30, 2022	\$ 852,661	\$ 83,640	\$ (131)	\$ (190)	\$ (1,192,306)	\$ (256,326)

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Cash Flows
For the three and six months ended June 30, 2023 and 2022
(Unaudited)

(expressed in thousands of Canadian dollars)

	Notes	Three months ended June 30,		Six months ended June 30,	
		2023	2022	2023	2022
Cash provided by (used in)					
Operating activities					
Net income (loss)		\$ 176,545	\$ 1,313	\$ 146,372	\$ (40,912)
Adjustments to reconcile net loss to net cash provided by operating activities					
Depreciation and amortization - other assets		24,889	26,651	50,895	53,543
Depreciation - right-of-use assets		22,650	24,486	44,849	48,749
Unrealized foreign exchange		347	(488)	360	(336)
Interest rate swap agreements - non-cash interest		(2,032)	(6,764)	587	(17,121)
Accretion of convertible debentures and notes payable		5,315	4,610	10,596	9,210
Other non-cash interest		58	176	161	346
Loss (gain) on disposal of assets		226	(4,650)	970	(4,493)
Deferred income taxes	3	(158,440)	—	(156,133)	—
Non-cash share-based compensation		1,604	1,559	3,703	3,696
Change in fair value of financial instruments		1,020	1,770	1,290	5,600
Net change in interests in joint ventures and associates		985	(391)	1,650	(370)
Changes in operating assets and liabilities	11	20,052	(1,120)	(8,946)	(16,197)
Net cash provided by operating activities		93,219	47,152	96,354	41,715
Investing activities					
Proceeds from disposal of assets, including asset related insurance recoveries		—	1,653	4	1,670
Purchases of property, equipment and leaseholds		(16,569)	(12,538)	(33,058)	(22,140)
Intangible assets additions		(2,646)	(2,608)	(5,477)	(4,781)
Tenant inducements		1,497	43	4,072	605
Investment in joint ventures and associates		(3,400)	—	(5,866)	—
Net cash received from CDCP		—	5,318	—	5,318
Net cash used in investing activities		(21,118)	(8,132)	(40,325)	(19,328)
Financing activities					
(Repayments) borrowings under credit facilities, net	5	(26,000)	(9,000)	3,000	34,000
Repayments of lease obligations - principal		(25,904)	(27,428)	(53,436)	(56,695)
Exercise of cash option		—	79	—	113
Financing fees		—	—	(406)	—
Net cash used in financing activities		(51,904)	(36,349)	(50,842)	(22,582)
Effect of exchange rate differences on cash		99	(181)	134	(159)
Increase (decrease) in cash and cash equivalents		20,296	2,490	5,321	(354)
Cash and cash equivalents - Beginning of period		19,699	24,094	34,674	26,938
Cash and cash equivalents - End of period		\$ 39,995	\$ 26,584	\$ 39,995	\$ 26,584
Supplemental information					
Cash paid for interest - lease obligation		\$ 16,641	\$ 14,426	\$ 33,138	\$ 28,793
Cash paid for interest - other		\$ 6,465	\$ 7,820	\$ 31,010	\$ 33,539
Cash paid for income taxes, net		\$ 2,658	\$ (36)	\$ 3,230	\$ (36)

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

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements
For the three and six months ended June 30, 2023 and 2022
(Unaudited)

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

1. General information

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

The Board of Directors approved these consolidated financial statements on August 9, 2023.

Cineworld Transaction and Bankruptcy Filing

During the second quarter of 2023, further to Cineworld’s U.S. Chapter 11 bankruptcy filing, Cineworld entered into a restructuring agreement with some of its lenders on April 2, 2023. Cineworld filed a proposed plan of reorganization (the “Chapter 11 Plan”) on April 11, 2023. The Chapter 11 Plan was confirmed by the U.S. Bankruptcy Court on June 28, 2023 and made effective on July 31, 2023. The Chapter 11 Plan contemplates holders of general unsecured claims (which includes Cineplex’s litigation claim of \$1,240,000) receiving, in aggregate, (i) USD \$10,000 in cash and (ii) interests in a litigation trust relating to certain class actions against credit card issuers (collectively, the “Recovery Pool”). Cineplex’s allocated portion of the Recovery Pool is not expected to be a material amount and has not been accrued as a receivable in Cineplex’s financial statements as at June 30, 2023. Please refer to Cineplex’s Annual MD&A for details on Cineplex’s litigation against Cineworld that occurred prior to the second quarter of 2023.

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements
For the three and six months ended June 30, 2023 and 2022
(Unaudited)

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2. Right-of-use-assets

The following tables present right-of-use assets for Cineplex for the six months ended June 30, 2023 and 2022:

	<u>Property</u>	<u>Equipment</u>	<u>Total</u>
At June 30, 2023			
Cost	\$ 1,216,846	\$ 25,351	\$ 1,242,197
Accumulated depreciation	(477,315)	(18,479)	(495,794)
Net book value	<u>\$ 739,531</u>	<u>\$ 6,872</u>	<u>\$ 746,403</u>
Six months ended June 30, 2023			
Balance - December 31, 2022	\$ 766,167	\$ 6,811	\$ 772,978
Extensions and modifications	16,993	1,373	18,366
Foreign exchange rate changes	(92)	—	(92)
Depreciation for the period	(43,537)	(1,312)	(44,849)
Closing net book value	<u>\$ 739,531</u>	<u>\$ 6,872</u>	<u>\$ 746,403</u>
	<u>Property</u>	<u>Equipment</u>	<u>Total</u>
At June 30, 2022			
Cost	\$ 1,125,417	\$ 24,300	\$ 1,149,717
Accumulated depreciation	(400,737)	(15,814)	(416,551)
Net book value	<u>\$ 724,680</u>	<u>\$ 8,486</u>	<u>\$ 733,166</u>
Six months ended June 30, 2022			
Balance - December 31, 2021	\$ 757,197	\$ 11,478	\$ 768,675
Additions	4,212	381	4,593
Extensions and modifications	9,850	(1,141)	8,709
Disposals	(119)	—	(119)
Foreign exchange rate changes	57	—	57
Depreciation for the period	(46,517)	(2,232)	(48,749)
Closing net book value	<u>\$ 724,680</u>	<u>\$ 8,486</u>	<u>\$ 733,166</u>

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements
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3. Deferred income taxes

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

	June 30, 2023	December 31, 2022
Deferred income tax assets		
Property, equipment and leaseholds and deferred tenant inducements - difference between net carrying value and undepreciated capital cost	\$ 8,426	\$ 3,690
Accounting provisions not currently deductible	88,919	92,391
Deferred revenue	1,240	1,985
Income tax credits available	3,763	4,010
Operating losses available for carry-forward	113,261	113,730
Other	11,562	10,935
Total gross deferred income tax assets	<u>227,171</u>	<u>226,741</u>
Future deferred tax liabilities		
Intangible assets	(10,289)	(10,208)
Interest rate swap agreements	(3,039)	(3,121)
Goodwill	(33,734)	(32,460)
Convertible debentures	(23,976)	(23,976)
Total gross deferred income tax liabilities	<u>(71,038)</u>	<u>(69,765)</u>
Net deferred income tax	\$ 156,133	\$ 156,976
Deferred income tax asset not recognized	—	156,976
Net deferred income tax asset recognized	<u>\$ 156,133</u>	<u>\$ —</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. At June 30, 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 taxes recovery of approximately \$158,440. Cineplex had \$427,496 of non-capital losses available based on income tax returns filed up to tax year 2022.

Cineplex's combined statutory income tax rate at June 30, 2023 was 26.3% (2022 - 26.3%).

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

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Notes to Interim Condensed Consolidated Financial Statements
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4. Share-based compensation

Omnibus Incentive Plan

On November 12, 2020, the Board of Directors approved an Omnibus Incentive Plan (the “Incentive Plan”). This plan supersedes the former incentive plans (collectively, the “Legacy Plan”) that included Options, Performance Share Units (“PSUs”) and Restricted Share Units (“RSUs”). All employees and consultants are eligible to participate in the Incentive Plan. The Incentive Plan consists of stock options, RSUs and PSUs. Awards of RSUs and PSUs granted during a service year will be subject to a service period as determined by management at the time of issuance. The aggregate number of Shares that may be issued under the Incentive Plan is 3,765,362 provided that no more than 1,893,445 Shares may be issued in aggregate pursuant to the settlement of RSUs and PSUs. Options that were issued under the Legacy Plan and are subsequently cancelled will be available to be issued under the Incentive Plan. The base Share equivalents granted as RSU and PSU awards attract compounding notional dividends at the same rate as outstanding Shares, which are notionally re-invested as additional base Share equivalents. PSU and RSU awards may be settled in Shares issued from treasury, cash, or a mix of Shares and cash, at Cineplex’s option at the time of settlement. Awards outstanding under prior plans shall remain in full force and effect under the prior plans according to their respective terms. Under the prior plans, the effects of changes in estimates of performance results are recognized in the year of change. As at June 30, 2023, 720,646 (2022 - 978,703) Shares are available to be issued under the Incentive Plan.

Stock Options

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

Cineplex recognized employee benefits expense of \$322 and \$657 with respect to options during the three and six months ended June 30, 2023 (2022 - \$399 and \$916, respectively).

The fair value of options granted during the period ended June 30, 2023 and 2022 were determined using the Black-Scholes valuation model using the following significant inputs:

	June 30, 2023	June 30, 2022
Number of options granted	461,786	223,578
Share price on grant date	\$ 8.71	\$ 13.39
Exercise price	\$ 8.71	\$ 13.39
Expected option life (years)	4.0	4.0
Volatility	51.31 %	49.39 %
Annual risk-free rate	3.19 %	1.58 %
Fair value of options granted	\$ 2.90	\$ 5.33

Upon cashless exercises, the options exercised in excess of Shares issued are cancelled and returned to the pool available for future grants. At June 30, 2023, 313,736 options (2022 - 480,198) are available for grant.

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A summary of option activities in 2023 and 2022 is as follows:

	Weighted average remaining contractual life (years)	2023		2022	
		Number of underlying shares	Weighted average exercise price	Number of underlying shares	Weighted average exercise price
Options outstanding, January 1	7.00	2,102,818	\$ 18.90	2,198,805	\$ 21.48
Granted		461,786	8.71	223,578	13.39
Exercised		(13,877)	8.25	(26,309)	8.25
Forfeited		(154,228)	22.60	(163,122)	33.40
Options outstanding, June 30	7.17	<u>2,396,499</u>	\$ 16.76	<u>2,232,952</u>	\$ 19.96
Options vested and exercisable		<u>1,520,403</u>		<u>1,383,811</u>	

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

RSU and PSU awards

The grants of Share equivalents were as follows:

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

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

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

Incentive Plan costs are estimated at the grant date based on expected performance results then accrued and recognized on a graded basis over the vesting period. Forfeitures are estimated to be nominal, based on historical forfeiture rates. Cineplex recognized compensation expense of \$1,289 and \$3,068 for the three and six months ended June 30, 2023 (2022 - \$1,181 and \$2,884, respectively) under the Incentive Plan relating to RSU and PSU awards. At June 30, 2023, \$0 (2022 - \$312) was included in share-based compensation liability and \$7,451 in contributed surplus (2022 - \$5,556).

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Deferred equity units

Members of the Board of Directors and certain officers of Cineplex may elect to defer a portion of their compensation in the form of deferred equity units. Cineplex recognized compensation expense of \$155 and \$321 during the three and six months ended June 30, 2023 (2022 recovery of \$(829) and \$(791), respectively) associated with the deferred equity units. At June 30, 2023, \$4,208 (2022 - \$4,285) was included in share-based compensation liability.

5. Long-term debt

Long-term debt consists of the following as at June 30, 2023 and December 31, 2022:

	June 30, 2023		December 31, 2022	
	Book Value	Face Value	Book Value	Face Value
Credit Facilities	\$ 330,000	\$ 330,000	\$ 327,000	\$ 327,000
Convertible Debentures (i)	261,950	316,250	252,078	316,250
Notes Payable (i)	246,534	250,000	245,810	250,000
Total	<u>\$ 838,484</u>	<u>\$ 896,250</u>	<u>\$ 824,888</u>	<u>\$ 893,250</u>

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

Interest expense	Second Quarter		Year to Date	
	2023	2022	2023	2022
Interest expense on long-term debt	\$ 14,905	\$ 15,932	\$ 30,065	\$ 31,737
Lease interest expense (i)	16,472	14,597	32,743	29,166
Financing fees	—	—	406	—
Sub-total - cash interest expense	<u>\$ 31,377</u>	<u>\$ 30,529</u>	<u>\$ 63,214</u>	<u>\$ 60,903</u>
Deferred financing fee accretion and other non-cash interest, net	58	176	161	346
Accretion expense on Debentures and Notes Payable	5,315	4,610	10,595	9,210
Interest rate swap - non-cash	(2,032)	(6,764)	587	(17,121)
Sub-total - non-cash interest expense	<u>3,341</u>	<u>(1,978)</u>	<u>11,343</u>	<u>(7,565)</u>
Total interest expense	<u>\$ 34,718</u>	<u>\$ 28,551</u>	<u>\$ 74,557</u>	<u>\$ 53,338</u>
Total cash interest paid	<u>\$ 23,106</u>	<u>\$ 22,246</u>	<u>\$ 64,148</u>	<u>\$ 62,332</u>

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

Cineplex Inc.

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(Unaudited)

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Credit facilities

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

At June 30, 2023, the Credit Facilities consisted of the following, subject to amendments described below pursuant to the Credit Agreement Amendments described below:

	Available	Drawn	Reserved	Remaining
Revolving Facility	\$ 541,200	\$ 330,000	\$ 8,400	\$ 202,800
Letters of credit outstanding at June 30, 2023 of \$8,400 are reserved against the Revolving Facility.				

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

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

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

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

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

Cineplex’s financial covenant ratios were as follows:

Financial Covenant	Q1 2023	Q2 2023
Total Leverage Ratio	N/A	N/A
Senior Leverage Ratio	2.86x	2.03x
Fixed Charge Coverage Ratio	1.16x	1.30x

One of the key financial covenants in the Credit Facilities is the Total Leverage Ratio which is calculated in accordance with IFRS in effect at November 13, 2018, which excludes the impact of the adoption of IFRS 16 on Cineplex’s financial reporting. The definition of debt in the Credit Facilities for the purposes of the Total Leverage Ratio includes the Credit Facilities, financing leases, Notes Payable and letters of credit but does not include Debentures, the lease obligations arising on the adoption of IFRS 16 or a reduction for cash on hand. The definition of debt for the purposes of the Senior Leverage Ratio includes the Credit Facilities, financing leases and letters of credit but does not include Notes Payable, Debentures, the lease obligations arising on the adoption of IFRS 16 or a reduction for cash on hand. For the purpose of the Credit Facilities definition, EBITDA is adjusted for certain non-cash, non-recurring items, excluded subsidiaries and the annualized impact of new operating locations or acquisitions.

Convertible debentures

Convertible debentures outstanding as of June 30, 2023 and December 31, 2022 are as follows:

	June 30, 2023	December 31, 2022
Face value of convertible debentures outstanding	\$ 316,250	\$ 316,250
Unaccreted deferred financing fees and discount	(54,300)	(64,172)
Convertible debentures	<u>\$ 261,950</u>	<u>\$ 252,078</u>

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

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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 \$4,534 (2022 - \$4,534) and \$9,043 (2022 - \$9,043), respectively. Cineplex recorded accretion expense during the quarter and year to date period of \$5,014 (2022 - \$4,331) and \$9,872 (2022 - \$8,530), respectively, both of which are included as part of the interest expense in the consolidated statement of operations. As at June 30, 2023, Cineplex has \$316,250 principal amount of Debentures outstanding. The residual value was allocated to the equity component less the pro-rata portion of transaction costs as prescribed by IFRS 9, *Financial instruments* and IAS 32, *Financial instruments: Presentation*.

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

Notes payable

Notes Payable outstanding as of June 30, 2023 and December 31, 2022 are as follows:

	June 30, 2023	December 31, 2022
Face value of Notes Payable	\$ 250,000	\$ 250,000
Unaccreted deferred financing fees and discount	(3,466)	(4,190)
Notes Payable	<u>\$ 246,534</u>	<u>\$ 245,810</u>

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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 \$4,675 (2022 - \$4,675) and \$9,221 (2022 - \$9,221), respectively. Cineplex recorded accretion expense during the quarter and year to date period of \$301 (2022 - \$279) and \$724 (2022 - \$680), respectively, both of which are included as part of interest expense in the consolidated statement of operations. As at June 30, 2023, Cineplex has \$250,000 principal amount of Notes Payable outstanding. Cineplex's derivative financial instrument on the Notes Payable relates to the early prepayment option that fluctuates in value based on market interest rates. The fair value of the embedded derivative was determined using an option pricing model with observable market inputs and is consistent with accepted methods for valuing financial instruments. Cineplex has estimated the fair value of this embedded derivative at \$1,690 as at June 30, 2023 (2022 - \$3,640), 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.

6. Revenue

The following tables disclose the changes in deferred revenue and other for the six months ended June 30, 2023 and 2022:

	December 31, 2022	Additions	Recognized	June 30, 2023
Gift cards	\$ 172,615	\$ 31,631	\$ 56,970	\$ 147,276
SCENE loyalty program	22,445	—	2,465	19,980
Advances, deposits and other	25,467	22,916	25,968	22,415
	<u>\$ 220,527</u>	<u>\$ 54,547</u>	<u>\$ 85,403</u>	<u>\$ 189,671</u>

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

	December 31, 2021	Additions	Recognized	June 30, 2022
Gift cards	\$ 169,380	\$ 22,620	\$ 33,993	\$ 158,007
SCENE loyalty program	47,997	—	11,723	36,274
Advances, deposits and other	75,829	19,644	14,156	81,317
	<u>\$ 293,206</u>	<u>\$ 42,264</u>	<u>\$ 59,872</u>	<u>\$ 275,598</u>

In December 2020, Cineplex received \$60,000 from its existing partner with respect to the agreement to reorganize the program and reposition it for future growth. During the third quarter of 2022, Cineplex completed specific non-financial milestones and as a result recognized a gain of \$50,100 (classified under gain (loss) on disposal of assets on the Consolidated Statement of Operations) related to the reorganization of Scene LP, realizing \$50,500 of advances, deposits and other. Approximately \$1,400 (2022 - \$7,000) remains in advances, deposits and other and will be recognized as future performance obligations are completed. Approximately \$200 (2022 - \$7,500) remains in

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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 six months ended June 30, 2023 and 2022:

Box revenues	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Box office revenues	\$ 164,491	\$ 136,372	\$ 287,829	\$ 216,324
Food service revenues	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Food service - theatres	\$ 117,958	\$ 98,046	\$ 204,402	\$ 156,805
Food delivery - theatres	2,076	2,390	4,371	5,639
Food service - location-based entertainment	11,358	10,201	23,695	16,581
Total food service revenues	\$ 131,392	\$ 110,637	\$ 232,468	\$ 179,025
Media revenues	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Cinema media	\$ 17,833	\$ 18,700	\$ 32,126	\$ 26,949
Digital place-based media	8,267	7,706	16,270	15,002
Total media revenues	\$ 26,100	\$ 26,406	\$ 48,396	\$ 41,951
Amusement revenues	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Amusement revenue excluding exhibition and LBE	\$ 55,197	\$ 45,097	\$ 104,799	\$ 79,936
Amusement revenue - exhibition	4,492	3,248	8,418	5,339
Amusement revenue - LBE	17,194	17,378	39,429	30,872
Total amusement revenues	\$ 76,883	\$ 65,723	\$ 152,646	\$ 116,147
Other revenues	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Other revenues	\$ 24,252	\$ 10,740	\$ 42,736	\$ 25,154

7. Lease obligation

The following table presents lease obligations for Cineplex for the six months ended June 30, 2023 and 2022:

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	<u>Property</u>	<u>Equipment</u>	<u>Total</u>
Six months ended June 30, 2023			
Opening balance	\$ 1,091,282	\$ 9,357	\$ 1,100,639
Extensions and modifications	16,993	1,373	18,366
Tenant inducements	3,734	—	3,734
Lease payments	(84,161)	(2,020)	(86,181)
Interest expense	32,574	247	32,821
Foreign exchange rate changes	(103)	—	(103)
Closing lease obligations	1,060,319	8,957	1,069,276
Less: current portion	95,828	3,835	99,663
Non-current portion of lease obligations	<u>\$ 964,491</u>	<u>\$ 5,122</u>	<u>\$ 969,613</u>
Six months ended June 30, 2022			
Opening balance	\$ 1,092,674	\$ 12,849	\$ 1,105,523
Additions	4,212	381	4,593
Extensions and modifications	10,938	(1,141)	9,797
Tenant inducements	1,595	—	1,595
Lease payments	(84,344)	(1,144)	(85,488)
Interest expense	29,156	287	29,443
Foreign exchange rate changes	80	2	82
Closing lease obligations	\$ 1,054,311	\$ 11,234	\$ 1,065,545
Less: current portion	94,850	3,504	98,354
Non-current portion of lease obligations	<u>\$ 959,461</u>	<u>\$ 7,730</u>	<u>\$ 967,191</u>

8. Share capital

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

Share capital balances at June 30, 2023 and 2022 and transactions during the periods are as follows:

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	1,321	44
Balance - June 30, 2023	63,376,721	\$ 852,741

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2022		Amount
	Number of common shares issued and outstanding	Share capital
Balance - December 31, 2021	63,344,298	\$ 852,465
Issuance of shares on exercise of options	18,415	\$ 196
Balance - June 30, 2022	63,362,713	\$ 852,661

9. Other costs

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Employee wages, salaries and benefits	\$ 76,937	\$ 69,639	\$ 152,169	\$ 113,560
Rent	689	321	1,166	(2,018)
Realty and occupancy taxes and maintenance fees	18,806	18,601	38,330	33,483
Utilities	6,718	7,104	15,866	14,056
Purchased services	19,302	15,150	37,212	27,784
Other inventories consumed, including amusement and digital place-based media	23,352	20,906	38,086	46,607
Venue revenue share	15,581	13,323	30,905	24,223
Repairs and maintenance	11,437	8,661	22,605	17,159
Advertising and promotion	10,344	7,650	17,685	12,419
Office and operating supplies	2,675	2,685	5,454	4,855
Licenses and franchise fees	4,964	4,331	8,858	8,532
Insurance	1,963	1,605	4,320	3,529
Professional and consulting fees	1,331	2,396	3,716	3,666
Telecommunications and data	1,325	1,256	2,706	2,686
Bad debts	72	(50)	448	(567)
Equipment rental	432	300	803	770
Other costs	3,401	2,863	5,617	4,349
	<u>\$ 199,329</u>	<u>\$ 176,741</u>	<u>\$ 385,946</u>	<u>\$ 315,093</u>

Subsidies	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Wage subsidy (CEWS and THRP)	\$ —	\$ 1,365	\$ —	\$ 21,495
Rent subsidy (CERS and THRP)	—	465	—	3,461
Realty tax subsidy	—	(75)	—	3,731
Utility subsidy	—	(115)	—	2,069
Employee Retention Credit	2,852	—	2,852	—
Total	<u>\$ 2,852</u>	<u>\$ 1,640</u>	<u>\$ 2,852</u>	<u>\$ 30,756</u>

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10. Earnings (loss) per share

Basic

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

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Net income (loss)	\$ 176,545	\$ 1,313	\$ 146,372	\$ (40,912)
Weighted average number of shares outstanding	63,376,043	63,360,746	63,375,758	63,353,634
Earnings (loss) per share - basic	\$ 2.79	\$ 0.02	\$ 2.31	\$ (0.65)

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 second quarter, dilutive shares that have been included in the current period were 78,226 potential shares that would be issued under the treasury stock method and 28,907,678 potential shares that would be issued under the if-converted method relating to debentures outstanding. For the year to date period, dilutive shares that have been included in the current period were 30,622 potential shares that would be issued under the treasury stock method and 28,907,678 potential shares that would be issued under the if-converted method relating to debenture units outstanding. The options are dilutive for the second quarter of 2022 and the options and debentures are anti-dilutive for the year to date period of 2022, as applicable.

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Net income (loss)	\$ 176,545	\$ 1,313	\$ 146,372	\$ (40,912)
Adjustments for convertible debentures	7,036	—	13,939	—
Diluted net income (loss)	\$ 183,581	\$ 1,313	\$ 160,311	\$ (40,912)
Weighted average number of shares outstanding	63,376,043	63,360,746	63,375,758	63,353,634
Adjustments for stock options	78,226	188,047	30,622	—
Adjustments for convertible debentures	28,907,678	—	28,907,678	—
Weighted average number of shares for diluted EPS	92,361,947	63,548,793	92,314,058	63,353,634
Earnings (loss) per share - Diluted	\$ 1.99	\$ 0.02	\$ 1.74	\$ (0.65)

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11. Changes in operating assets and liabilities

The following summarizes the changes in operating assets and liabilities:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Trade and other receivables	\$ 3,250	\$ (5,881)	\$ 36,616	\$ 15,322
Inventories	16	(282)	(700)	(4,716)
Prepaid expenses and other current assets	(598)	(1,323)	(3,221)	(1,889)
Accounts payable and accrued liabilities	34,088	7,091	(9,196)	(4,601)
Income taxes receivable	(2,557)	—	(1,541)	(724)
Deferred revenue	(14,274)	(134)	(30,798)	(17,684)
Post-employment benefit obligations	75	45	(524)	(766)
Share-based compensation	98	(693)	508	(572)
Other liabilities	(46)	57	(90)	(567)
	<u>\$ 20,052</u>	<u>\$ (1,120)</u>	<u>\$ (8,946)</u>	<u>\$ (16,197)</u>

Property, equipment and leasehold purchases included in accounts payable and accrued liabilities as at June 30, 2023, are \$3,167 (2022 - \$3,794).

12. Contingent liabilities

Cineplex's litigation with Cineworld including the damages awarded to Cineplex is discussed in detail in note 1 to the financial statements. Cineplex or a subsidiary of Cineplex is a defendant in various claims and lawsuits arising in the ordinary course of business. From time to time, Cineplex is involved in disputes with landlords, contractors, suppliers, former employees and other third parties. It is the opinion of management that any liability to Cineplex, which may arise as a result of these matters, will not have a material adverse effect on Cineplex's operating results, financial position or cash flows.

Competition Bureau's Allegation that Cineplex's Online Booking Fee constitutes Drip Pricing

On May 18, 2023, the Competition Bureau issued a Notice of Application alleging that Cineplex's online booking fee contravenes the *Competition Act*, Specifically the newly introduced "drip pricing" provision. The Notice of Application lists various grounds of relief including an administrative penalty and an order requiring return of online booking fee sums in amount to be determined. The Notice of Application does not specify a figure or quantum of damages sought. The *Competition Act* provides, on a finding of contravention, for a wide range of amounts regarding administrative monetary penalties, some of which could be material.

Cineplex strongly denies any contravention or wrongdoing whatsoever in its Response, filed on June 30, 2023, and maintains that the Notice of Application is without merit and ought to be dismissed. Cineplex has asked for an expedited process for determination of the matter.

Cineplex believes 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

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revenue continues to be recognized. Cineplex has recognized approximately \$23,900 online booking fee revenues through June 30, 2023.

13. Operating segments

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

Film Entertainment and Content

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

Media

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

Amusement Solutions (PIAG)

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

Location-Based Entertainment

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

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

Management defines EBITDA as earnings before interest income and expense, income taxes and depreciation and amortization expense. Adjusted EBITDA excludes the change in fair value of financial instrument, loss on disposal of assets, foreign exchange, the equity income of CDCP, and impairment, depreciation, amortization, interest and taxes of Cineplex's other joint ventures and associates. Adjusted EBITDAaL modifies adjusted EBITDA to deduct current period cash rent paid or payable related to lease obligations.

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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 Solutions and Location-Based Entertainment segments for the three and six months ended June 30, 2023 and 2022:

Three months ended June 30, 2023	Film Entertainment and Content (i)	Media (i)	Amusement Solutions (PIAG)	Location- Based Entertainment	Corporate and other (iii)	Consolidated
Major product and service lines						
Box office	\$ 164,491	\$ —	\$ —	\$ —	\$ —	\$ 164,491
Food service	120,034	—	—	11,358	—	131,392
Media	—	25,983	—	117	—	26,100
Amusement	4,492	—	55,197	17,194	—	76,883
Other	23,808	—	—	444	—	24,252
Total revenues	\$ 312,825	\$ 25,983	\$ 55,197	\$ 29,113	\$ —	\$ 423,118
Primary geographical markets						
Canada	\$ 312,825	\$ 23,856	\$ 17,884	\$ 29,113	\$ —	\$ 383,678
United States and other countries	—	2,127	37,313	—	—	39,440
Total revenues	\$ 312,825	\$ 25,983	\$ 55,197	\$ 29,113	\$ —	\$ 423,118
Timing of revenue recognition						
Transferred at a point in time	\$ 312,825	\$ 3,102	\$ 55,197	\$ 29,113	\$ —	\$ 400,237
Transferred over time	—	22,881	—	—	—	22,881
Total revenues	\$ 312,825	\$ 25,983	\$ 55,197	\$ 29,113	\$ —	\$ 423,118
Adjusted EBITDAaL	\$ 45,638	\$ 13,575	\$ 13,064	\$ 4,660	\$ (16,679)	\$ 60,258
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.						(2,796)
Other adjustments (ii)						1,843
Depreciation and amortization - other assets						24,889
Interest expense - other						18,230
Interest income						(282)
Provision for income taxes						(158,171)
Net income						\$ 176,545
Other operating segment disclosures						
Depreciation - right-of-use assets	\$ 20,293	\$ 552	\$ 679	\$ 1,015	\$ 111	\$ 22,650
Depreciation and amortization - other assets	\$ 16,379	\$ 1,219	\$ 2,659	\$ 4,632	\$ —	\$ 24,889
Interest expense - lease obligations	\$ 14,760	\$ 122	\$ 175	\$ 1,234	\$ 197	\$ 16,488
Goodwill balance	\$ 413,915	\$ 206,385	\$ 15,627	\$ —	\$ —	\$ 635,927

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements
For the three and six months ended June 30, 2023 and 2022
(Unaudited)

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

Three months ended June 30, 2022	Film Entertainment and Content (i)	Media (i)	Amusement Solutions (PIAG)	Location- Based Entertainment	Corporate and other (iii)	Consolidated
Major product and service lines						
Box office	\$ 136,372	\$ —	\$ —	\$ —	\$ —	\$ 136,372
Food service	100,436	—	—	10,201	—	110,637
Media	—	26,154	—	252	—	26,406
Amusement	3,249	—	45,096	17,378	—	65,723
Other	10,447	—	—	293	—	10,740
Total revenues	\$ 250,504	\$ 26,154	\$ 45,096	\$ 28,124	\$ —	\$ 349,878
Primary geographical markets						
Canada	\$ 250,504	\$ 24,320	\$ 13,735	\$ 28,124	\$ —	\$ 316,683
United States and other countries	—	1,834	31,361	—	—	33,195
Total revenues	\$ 250,504	\$ 26,154	\$ 45,096	\$ 28,124	\$ —	\$ 349,878
Timing of revenue recognition						
Transferred at a point in time	\$ 250,504	\$ 3,304	\$ 45,096	\$ 28,124	\$ —	\$ 327,028
Transferred over time	—	22,850	—	—	—	22,850
Total revenues	\$ 250,504	\$ 26,154	\$ 45,096	\$ 28,124	\$ —	\$ 349,878
Adjusted EBITDAaL	\$ 21,292	\$ 14,158	\$ 8,118	\$ 7,519	\$ (15,323)	\$ 35,764
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.						(2,950)
Other adjustments (ii)						(3,024)
Depreciation and amortization - other assets						26,651
Interest expense - other						13,812
Interest income						(38)
Net income						\$ 1,313
Other operating segment disclosures						
Depreciation - right-of-use assets	\$ 22,232	\$ 729	\$ 520	\$ 894	\$ 111	\$ 24,486
Depreciation and amortization - other assets	\$ 16,419	\$ 1,154	\$ 4,541	\$ 4,537	\$ —	\$ 26,651
Interest expense - lease obligations	\$ 12,947	\$ 147	\$ 121	\$ 1,308	\$ 216	\$ 14,739
Goodwill balance	\$ 413,915	\$ 206,385	\$ 15,386	\$ —	\$ —	\$ 635,686

(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 Inc.

Notes to Interim Condensed Consolidated Financial Statements
For the three and six months ended June 30, 2023 and 2022
(Unaudited)

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

Six months ended June 30, 2023	Film Entertainment and Content (i)	Media (i)	Amusement Solutions (PIAG)	Location- Based Entertainment	Corporate and other (iii)	Consolidated
Major product and service lines						
Box office	\$ 287,829	\$ —	\$ —	\$ —	\$ —	\$ 287,829
Food service	208,773	—	—	23,695	—	232,468
Media	—	48,136	—	260	—	48,396
Amusement	8,418	—	104,799	39,429	—	152,646
Other	41,924	—	—	812	—	42,736
Total revenues	\$ 546,944	\$ 48,136	\$ 104,799	\$ 64,196	\$ —	\$ 764,075
Primary geographical markets						
Canada	\$ 546,944	\$ 43,687	\$ 37,158	\$ 64,196	\$ —	\$ 691,985
United States and other countries	—	4,449	67,641	—	—	72,090
Total revenues	\$ 546,944	\$ 48,136	\$ 104,799	\$ 64,196	\$ —	\$ 764,075
Timing of revenue recognition						
Transferred at a point in time	\$ 546,944	\$ 6,139	\$ 104,799	\$ 64,196	\$ —	\$ 722,078
Transferred over time	—	41,997	—	—	—	41,997
Total revenues	\$ 546,944	\$ 48,136	\$ 104,799	\$ 64,196	\$ —	\$ 764,075
Adjusted EBITDAaL	\$ 56,384	\$ 22,703	\$ 21,930	\$ 15,142	\$ (35,658)	\$ 80,501
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.						(6,786)
Other adjustments (ii)						3,026
Depreciation and amortization - other assets						50,895
Interest expense - other						41,736
Interest income						(493)
Provision for income taxes						(154,249)
Net income						\$ 146,372
Other operating segment disclosures						
Depreciation - right-of-use assets	\$ 40,108	\$ 1,145	\$ 1,345	\$ 2,030	\$ 221	\$ 44,849
Depreciation and amortization - other assets	\$ 32,976	\$ 2,680	\$ 5,792	\$ 9,447	\$ —	\$ 50,895
Interest expense - lease obligations	\$ 29,336	\$ 240	\$ 357	\$ 2,490	\$ 398	\$ 32,821
Goodwill balance	\$ 413,915	\$ 206,385	\$ 15,627	\$ —	\$ —	\$ 635,927

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

Six months ended June 30, 2022	Film Entertainment and Content (i)	Media (i)	Amusement Solutions (PIAG)	Location- Based Entertainment	Corporate and other (iii)	Consolidated
Major product and service lines						
Box office	\$ 216,324	\$ —	\$ —	\$ —	\$ —	\$ 216,324
Food service	162,444	—	—	16,581	—	179,025
Media	—	41,594	—	357	—	41,951
Amusement	5,339	—	79,936	30,872	—	116,147
Other	24,797	—	—	357	—	25,154
Total revenues	\$ 408,904	\$ 41,594	\$ 79,936	\$ 48,167	\$ —	\$ 578,601
Primary geographical markets						
Canada	\$ 408,904	\$ 37,977	\$ 24,243	\$ 48,167	\$ —	\$ 519,291
United States and other countries	—	3,617	55,693	—	—	59,310
Total revenues	\$ 408,904	\$ 41,594	\$ 79,936	\$ 48,167	\$ —	\$ 578,601
Timing of revenue recognition						
Transferred at a point in time	\$ 408,904	\$ 6,294	\$ 79,936	\$ 48,167	\$ —	\$ 543,301
Transferred over time	—	35,300	—	—	—	35,300
Total revenues	\$ 408,904	\$ 41,594	\$ 79,936	\$ 48,167	\$ —	\$ 578,601
Adjusted EBITDAaL	\$ 15,007	\$ 19,418	\$ 13,103	\$ 13,923	\$ (31,406)	\$ 30,045
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.						(6,177)
Other adjustments (ii)						488
Depreciation and amortization - other assets						53,543
Interest expense - other						23,895
Interest income						(68)
Provision for income taxes						(724)
Net loss						\$ (40,912)
Other operating segment disclosures						
Depreciation - right-of-use assets	\$ 44,530	\$ 1,561	\$ 654	\$ 1,801	\$ 203	\$ 48,749
Depreciation and amortization - other assets	\$ 33,379	\$ 2,302	\$ 9,146	\$ 8,716	\$ —	\$ 53,543
Interest expense - lease obligations	\$ 25,875	\$ 281	\$ 240	\$ 2,616	\$ 431	\$ 29,443
Goodwill balance	\$ 413,915	\$ 206,385	\$ 15,386	\$ —	\$ —	\$ 635,686

(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.

14. Basis of presentation and accounting standards

Basis of preparation and measurement

Cineplex prepares its unaudited interim condensed consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements,

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements
For the three and six months ended June 30, 2023 and 2022
(Unaudited)

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

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, 2022. These unaudited interim condensed consolidated financial statements follow the same accounting policies and methods of application as the audited financial statements for the year ended December 31, 2022, with the exception of accounting standards issued in the current quarter.

The International Accounting Standards Board (“IASB”) has published a number of amendments to existing accounting standards effective for years beginning on or after January 1, 2023.

Accounting standards issued

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

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

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

IAS 8, Definition of accounting estimates

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

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

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