MANAGEMENT'S DISCUSSION AND ANALYSIS

August 10, 2022

The following management's discussion and analysis ("MD&A") of Cineplex Inc. ("Cineplex") financial condition and results of operations should be read together with the consolidated financial statements and related notes of Cineplex (see Section 1, Overview of Cineplex). These financial statements, presented in Canadian dollars, were prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), defined as International Financial Reporting Standards ("IFRS") as set out in the Handbook of the Canadian Institute of Chartered Professional Accountants.

Unless otherwise specified, all information in this MD&A is as of June 30, 2022 and all amounts are in Canadian dollars.

MANAGEMENT'S DISCUSSION AND ANALYSIS CONTENTS

Non-GAAP and Other Financial Measures
Cineplex reports on certain non-GAAP measures, non-GAAP ratios, supplementary financial measures and total segments measures that are used by management to evaluate the performance of Cineplex. In addition, non-GAAP measures are used in measuring compliance with debt covenants. Non-GAAP measures do not have standardized meaning under GAAP and may not be comparable to similar measures provided by other issuers. Cineplex includes these measures because management believes that they assist investors in assessing financial performance. The definition, calculation and reconciliation of non-GAAP measures are provided in Section 17, Non-GAAP and other financial measures.

Forward-Looking Statements
Certain information included in this MD&A contains forward-looking statements within the meaning of applicable securities laws. These forward-looking statements include, among others, statements with respect to Cineplex's objectives, goals and strategies to achieve those objectives and goals, as well as statements with respect to Cineplex's beliefs, plans, objectives, expectations, anticipations, estimates and intentions. The words "may", "will", "could", "should", "would", "suspect", "outlook", "believe", "plan", "anticipate", "estimate", "expect", "intend", "forecast", "objective" and "continue" (or the negative thereof), and words and expressions of similar import, are intended to identify forward-looking statements. Forward-looking statements also include, statements pertaining to:

- *Cineplex's outlook, goals, expectations and projected results of operations, including factors and assumptions underlying Cineplex's projections regarding the duration and impact of a novel strain of coronavirus ("COVID-19") pandemic on Cineplex, the movie exhibition industry and the economy in general, as well as Cineplex's response to the pandemic related to the closure or operational restrictions of its theatres and location-based entertainment ("LBE") venues, employee reductions and other cost-cutting initiatives and increased expenses relating to safety measures taken at its facilities to protect the health and well-being of guests and employees;*
- *Cineplex's expectations with respect to liquidity and capital expenditures, including its ability to meet its ongoing capital, operating and other obligations, and anticipated needs for, and sources of, funds; and*
- *Cineplex's ability to execute cost-cutting and revenue enhancement initiatives in response to the COVID-19 pandemic.*

The COVID-19 pandemic has had an unprecedented impact on Cineplex, along with the rest of the movie exhibition industry and other industries in which Cineplex operates, including material decreases in revenues, results of operations and cash flows. The situation continues to evolve and the social and economic effects are widespread. As an entertainment and media company that operates spaces where guests gather in close proximity, Cineplex's business has been significantly impacted by the actions taken to control the spread of COVID-19. These actions included, among other things, the introduction of vaccine passports or proof of vaccination mandates, social distancing measures and restrictions including those on capacity. During the second quarter of 2022, as COVID-19 cases declined across the country, restrictions relating to capacity limits, vaccine passports and mask mandates were lifted in all of the markets in which Cineplex operates, providing clearer visibility for Cineplex's business and the return to normalcy. Cineplex is actively monitoring the situation and is adapting its business strategies as the impact of the COVID-19 pandemic evolves.

By their very nature, forward-looking statements involve inherent risks and uncertainties, including those described in Cineplex's Annual Information Form ("AIF"), and MD&A for the year ended December 31, 2021 ("Annual MD&A") and in this MD&A. Those risks and uncertainties, both general and specific, give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements. Cineplex cautions readers not to place undue reliance on these statements, as a number of important factors, many of which are beyond Cineplex's control, could cause actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to the movie exhibition industry and the economy in general, as well as Cineplex's response to the COVID-19 pandemic as it related to the closure or capacity restrictions of its theatres and LBE venues, employee reductions and other cost-cutting initiatives, and increased expenses relating to safety measures taken at its facilities to protect the health and well-

being of customers and employees; Cineplex's expectations with respect to liquidity and capital expenditures, including its ability to meet its ongoing capital, operating and other obligations, and anticipated needs for, and sources of, funds; Cineplex's ability to execute cost-cutting and revenue enhancement initiatives in response to the COVID-19 pandemic; risks generally encountered in the relevant industry, competition, customer, legal, taxation and accounting matters; the outcome of the litigation surrounding the termination of the Cineworld transaction (described below); and diversion of management time on litigation related to the Cineworld transaction.

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

Cineplex does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable Canadian securities law. Additionally, Cineplex undertakes no obligation to comment on analyses, expectations or statements made by third parties in respect of Cineplex, its financial or operating results or its securities. All forward-looking statements in this MD&A are made as of the date hereof and are qualified by these cautionary statements. Additional information, including Cineplex's AIF, can be found on SEDAR at www.sedar.com.

1. OVERVIEW OF CINEPLEX

Cineplex (TSX:CGX) is a top-tier Canadian brand that operates in the Film Entertainment and Content, Amusement and Leisure, and Media sectors. Cineplex offers a unique escape from the everyday to millions of guests through its circuit of 172 movie theatres and location-based entertainment venues. In addition to being Canada's largest and most innovative film exhibitor, the company operates Canada's favourite destination for 'Eats & Entertainment' (*The Rec Room*) and complexes specially designed for teens and families (*Playdium*). It also operates successful businesses in digital commerce (CineplexStore.com), alternative programming (Cineplex Events), cinema media (Cineplex Media), digital place-based media (Cineplex Digital Media "CDM") and amusement solutions (Player One Amusement Group "P1AG"). Providing even more value for its guests, Cineplex is a partner in Scene LP, the operator of the Scene+ loyalty program, Canada's largest entertainment and lifestyle loyalty program.

Cineplex's theatre circuit is concentrated in major metropolitan and mid-sized markets. As of June 30, 2022, Cineplex owned, leased or had a joint venture interest in 1,640 screens in 159 theatres from coast to coast as well as 13 LBE venues in six provinces.

Cineplex
Theatre locations and screens at June 30, 2022

Province	Locations	Screens	3D Digital Screens	UltraAVX	IMAX Screens (i)	VIP Auditoriums	D-BOX Auditoriums	Recliner Auditoriums	Other Screens (ii)
Ontario	66	710	350	41	13	48	48	108	11
Quebec	17	220	88	10	3	9	7	17	1
British Columbia	25	236	125	16	3	20	16	43	1
Alberta	20	213	114	20	2	16	16	83	6
Nova Scotia	11	90	43	1	1	—	2	—	1
Saskatchewan	6	54	28	3	1	3	3	16	1
Manitoba	5	49	26	1	1	3	2	—	1
New Brunswick	5	41	20	2	—	—	2	—	—
Newfoundland & Labrador	2	14	9	—	1	—	1	—	—
Prince Edward Island	2	13	6	—	—	—	1	—	—
TOTALS	**159**	**1,640**	**809**	**94**	**25**	**99**	**98**	**267**	**22**
Percentage of screens			49 %	6 %	2 %	6 %	6 %	16 %	1 %

(i) All IMAX screens are 3D enabled. Total 3D screens including IMAX screens are 834 screens or 51% of the circuit.

(ii) Other screens includes 4DX, *Cineplex Clubhouse* and ScreenX.

Cineplex - Theatres, screens and premium offerings in the last eight quarters

	2022		2021				2020	
	Q2	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Theatres	159	159	160	161	160	161	162	164
Screens	1,640	1,640	1,652	1,656	1,651	1,657	1,667	1,687
3D Digital Screens	809	810	815	816	816	816	819	826
UltraAVX Screens	94	94	94	94	94	94	94	94
IMAX Screens	25	24	25	25	25	25	25	25
VIP Auditoriums	99	99	99	94	89	84	84	84
D-BOX Locations	98	98	98	98	98	98	98	99
Recliner Screens	267	267	267	262	258	253	253	221
Other Screens	22	22	22	19	19	19	19	19

Cineplex - LBE - at June 30, 2022 and 2021	2022		2021	
Province	***The Rec Room***	***Playdium***	***The Rec Room***	***Playdium***
Ontario	4	2	3	2
Alberta	3	—	3	—
Manitoba	1	—	1	—
Newfoundland & Labrador	1	—	1	—
British Columbia	1	—	—	—
Nova Scotia	—	1	—	1
TOTALS	**10**	**3**	**8**	**3**

1.1 RECENT DEVELOPMENTS

COVID-19 business impacts, risks and liquidity

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

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

Effective December 18, 2021, due to the rise of the Omicron variant, capacity restrictions were reinstated in Ontario, Cineplex's largest market, limiting indoor capacity to 50% along with prohibiting the consumption of concessions in theatres. Theatres in Quebec were also mandated to temporarily close effective December 20, 2021. During the beginning of the first quarter of 2022, social gathering restrictions were further modified or reinstituted in several key markets in which Cineplex operates, resulting in theatre closures in Ontario. Cineplex was also required to temporarily close or reduce capacity in other provinces. Effective January 29, 2022, January 31, 2022 and February 7, 2022, theatres in New Brunswick, Ontario and Quebec were permitted to reopen at reduced capacity levels, respectively. During the second quarter of 2022, all remaining capacity restrictions and mask mandates were removed in all markets in which Cineplex operates theatres and LBE venues across Canada. Cineplex is currently operating at full capacity but is continuously monitoring for any government directives on operating capacities.

To mitigate the negative impact of COVID-19 and support its long-term stability, Cineplex has undertaken a variety of measures including:

Liquidity measures:

- June 2020: entered into the First Credit Agreement Amendment with The Bank of Nova Scotia as administrative agent of Cineplex's seventh amended and restated credit agreement (as amended, the "Credit Facilities") providing certain financial covenant relief in light of the COVID-19 pandemic and its impact on Cineplex's business (Section 6.4, Long-term debt);
- July 2020: issued convertible unsecured subordinated debentures (the "Debentures") for net proceeds of $303.3 million (Section 6.4, Long-term debt);
- November 2020: entered into the Second Credit Agreement Amendment providing further financial covenant relief (Section 6.4, Long-term debt);
- December 2020: entered into an agreement to enhance and expand the SCENE loyalty program receiving $60.0 million with respect to the reorganization;
- January 2021: completed the sale and leaseback transaction of Cineplex's head office buildings located at 1303 Yonge Street and 1257 Yonge Street, Toronto, Ontario for gross proceeds of $57.0 million;
- January 2021: filed tax returns for the 2020 taxation year claiming a $62.6 million recovery of income taxes paid in prior periods (all of which had been received by December 31, 2021);
- February 2021: entered into the Third Credit Agreement Amendment providing further financial covenant relief (Section 6.4, Long-term debt);
- February 2021: issued 7.50% senior secured second lien notes due February 26, 2026 (the "Notes Payable") for net proceeds of $243.3 million (Section 6.4, Long-term debt);
- December 2021: entered into the Fourth Credit Agreement Amendment providing further financial covenant relief (Section 6.4, Long-term debt); and
- August 2022: entered into the Fifth Credit Agreement Amendment providing further financial covenant relief (Section 15, Subsequent events).

Cost reduction and subsidy measures:

- temporary layoffs of all part-time and full-time hourly employees as well as a number of full-time employees who chose a temporary layoff rather than a salary reduction during the second quarter of 2020, and additional temporary layoffs of part-time employees beginning in December 2021 and further expanding into the first quarter of 2022;
- reduced full-time employee salaries by agreement with such employees during the second and third quarters of 2020;
- suspended or deferred current capital spending, reviewing all capital projects to consider either deferral or cancellation;
- reduced non-essential discretionary operational expenditures (such as spending on marketing, travel and entertainment);
- implemented a more stringent review and approval process for all outgoing procurement and payment requests;
- continued negotiations with landlords for cash payments in exchange for the sale of contractual rights or negotiating rent relief, including abatements, reductions and deferrals;
- worked with major suppliers and other business partners to modify the timing and quantum of certain contractual payments;
- reviewed and applied for government subsidy programs where available, including municipal and provincial property tax and energy rebates or subsidies;
- applied for the ongoing Canada Emergency Wage Subsidy ("CEWS"), which was launched by the Government of Canada, providing a variable subsidy for employee wages incurred from March 2020 to October 23, 2021;
- applied for the ongoing Canada Emergency Rent Subsidy ("CERS"), which was launched by the Government of Canada as a result of government mandated lockdowns, providing a variable subsidy for rent and other occupancy-related costs incurred from September 27, 2020 through October 23, 2021;
- applied for Canada's Tourism and Hospitality Recovery Program ("THRP") which began on October 24, 2021 and provided wage and rent subsidies for businesses that have faced revenue losses, with a subsidy rate of up to 75% until March 12, 2022 and 37.5% until May 7, 2022;
- continued evaluation of Cineplex's eligibility under other relief programs; and

- continued the suspension of dividends.

As some of Cineplex's largest expenses, such as film cost and cost of food services, are fully variable, during the closure of its theatres and LBE venues Cineplex focused on reducing its largest fixed and semi-fixed expenses, including those attributed to theatre and LBE payroll and occupancy. While remaining government-mandated capacity restrictions were removed during the second quarter of 2022, Cineplex qualified for additional subsidies in the current period and received wage and rent subsidies of $1.4 million and $0.5 million, respectively. Cineplex remains focused on identifying opportunities to extract value under its existing lease agreements.

Since the closure of its theatres and LBE venues in March 2020, Cineplex diligently prepared for their safe reopening, carefully re-examining all of its buildings and processes and implementing an industry-leading program with end-to-end health and safety protocols. In June 2021, Cineplex introduced its VenueSafe program, which encompasses all of Cineplex's health and safety protocols, in accordance with Canada's public health guidelines. With the VenueSafe seal of approval, Cineplex believes that guests can feel confident in the company's commitment to provide a safe and comfortable environment to be entertained in both our theatres and other entertainment venues.

While the specific protocols will evolve over time, VenueSafe will remain across all of Cineplex's venues as health and safety remain a top priority and top of mind for our guests. For further details refer to www.cineplex.com/Global/health-and-safety, www.therecroom.com/healthandsafety and www.playdium.com/healthandsafety.

With the uncertainty of future government-imposed restrictions and the potential long-term effect that the pandemic may have on Cineplex's businesses, COVID-19 may continue to have a prolonged material negative impact on Cineplex's operations and return to profitability.

The release of Marvel's highly anticipated *Spider-Man: No Way Home* in December 2021 generated the second biggest North American opening weekend of all time and the biggest December opening weekend of all-time grossing $260.1 million and earning $804.8 million in North America and $1.9 billion globally since its release up to June 30, 2022, as reported. The box office momentum continued into the second quarter of 2022 with the release of Marvel's *Doctor Strange in the Multiverse of Madness* in May 2022, generating $187.4 million during its North American opening weekend and earning $410.2 million in North America since its release up to June 30, 2022, as reported. *Top Gun: Maverick* exceeded box office expectations, becoming just the eleventh film to exceed $600 million in North America and the eighth largest domestic film of all-time, earning $1.2 billion globally up to June 30, 2022, as reported.

As at June 30, 2022, Cineplex had a cash balance of $26.6 million and $237.6 million available under its Revolving Facility subject to the liquidity covenants set forth in the Credit Facilities as amended (Section 6.4, Long-term debt and Section 15, Subsequent events). Combined with the continued focus on reducing costs and capital expenditures, management believes that it has adequate liquidity to fund operations in the regions in which Cineplex operates.

Cineworld Transaction

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

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

On July 3, 2020, Cineplex announced that it had commenced an action in the Ontario Superior Court of Justice (the "Court") against Cineworld and 1232743 B.C. Ltd. seeking damages arising from what Cineplex claimed was a wrongful repudiation of the Arrangement Agreement. The claim sought damages, including the approximately $2.18 billion that Cineworld would have paid upon the closing of the Cineworld Transaction for Cineplex's securities, reduced by the value of the Cineplex securities retained by its security holders, as well as compensation for other losses including the loss to Cineplex of expected synergies, the failure of Cineworld to repay or refinance Cineplex's approximately $664 million in debt, and transaction expenses. Cineplex also advanced alternative claims for damages for the loss of benefits to its security holders, and to require Cineworld to disgorge the benefits it improperly received by wrongfully repudiating the Cineworld Transaction.

On July 6, 2020, Cineworld announced that it would defend Cineplex's claim, and on September 2, 2020, filed its Statement of Defence and Counterclaim in which it denied Cineplex's claims and advanced a counterclaim seeking reimbursement of £32 million for costs incurred with respect to the transaction and an unspecified amount for punitive damages. Cineplex responded to Cineworld's defence and counterclaim on September 15, 2020, denying all claims levied by Cineworld.

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

On December 14, 2021, the Court released its decision in the action (the "Decision"). The Court held that Cineplex did not breach any of its covenants in the Arrangement Agreement, and that Cineworld had no basis for terminating the Arrangement Agreement. The Court held that Cineworld breached the Arrangement Agreement and repudiated the transaction to acquire Cineplex, which actions precluded Cineplex from seeking specific performance and entitled Cineplex to monetary damages. The Court awarded damages for breach of contract to Cineplex in the amount of $1.24 billion on account of lost synergies, and $5.5 million for transaction costs, exclusive of pre-judgment interest. The Court also held that Cineplex's shareholders did not have any rights under the Arrangement Agreement to enforce the agreement or sue Cineworld for any breach. The Court also denied Cineworld's counterclaim against Cineplex.

On January 12, 2022, Cineworld filed a Notice of Appeal with the Court of Appeal for Ontario and on January 27, 2022, Cineplex filed its Notice of Cross Appeal. The Ontario Court of Appeal will hear Cineworld's Appeal and Cineplex's Cross Appeal during the hearing scheduled for October 12 to 13, 2022.

Cineplex continues to evaluate and advance all options against Cineworld to maximize and monetize the value of the judgment. As part of these ongoing efforts, Cineplex has engaged Moelis & Company, a leading global investment bank with significant expertise in these areas as financial advisors and Goodmans LLP, as lead counsel.

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

1.2 FINANCIAL HIGHLIGHTS

Financial highlights	Second Quarter			Year to Date		
(in thousands of dollars, except theatre attendance in thousands of patrons and per Share and per patron amounts)	2022	2021	Change (i)	2022	2021	Change (i)
Total revenues	$ 349,878	$ 64,926	438.9%	$ 578,601	$ 106,338	444.1%
Theatre attendance	11,092	1,148	866.2%	17,753	1,563	NM
Net income (loss) (ii)	$ 1,313	$ (103,704)	NM	$ (40,912)	$ (193,392)	-78.8%
Net income (loss) as a percentage of sales (ii)	0.4 %	(159.7)%	160.1%	(7.1)%	(181.9)%	174.8%
Cash provided by (used in) operating activities	$ 47,152	$ 17,133	175.2%	$ 41,715	$ (18,499)	NM
Box office revenues per patron ("BPP") (iii)	$ 12.29	$ 10.89	12.9%	$ 12.19	$ 10.44	16.8%
Concession revenues per patron ("CPP") (iii)	$ 8.84	$ 7.86	12.5%	$ 8.83	$ 7.40	19.3%
Adjusted EBITDA (iv)	$ 77,939	$ (16,902)	NM	$ 114,414	$ (47,007)	NM
Adjusted EBITDAaL (ii) (iv)	$ 35,764	$ (53,165)	NM	$ 30,045	$ (115,255)	NM
Adjusted EBITDAaL margin (ii) (v)	10.2 %	(81.9)%	92.1%	5.2 %	(108.4)%	113.6%
Adjusted free cash flow (iv)	$ 21,844	$ (65,947)	NM	$ 99	$ (144,732)	NM
Adjusted free cash flow per Share (v)	$ 0.345	$ (1.041)	NM	$ 0.002	$ (2.285)	NM
Earnings per Share ("EPS") - basic and diluted (ii)	$ 0.02	$ (1.64)	NM	$ (0.65)	$ (3.05)	-78.7%

(i) Throughout this MD&A, changes in percentage amounts are calculated as 2022 value less 2021 value.

(ii) 2022 includes expenses related to the Cineworld Transaction and associated litigation and claims recovery in the amount of $1.2 million (2021 - $2.6 million) for the second quarter and $1.5 million (2021 - $5.0 million) for the year-to-date.

(iii) Represents a supplementary financial measure. See Section 17, Non-GAAP and other financial measures.

(iv) Represents a non-GAAP financial measure. See Section 17, Non-GAAP and other financial measures.

(v) Represents a non-GAAP ratio. See Section 17, Non-GAAP and other financial measures.

Total revenues for the second quarter of 2022 increased by 438.9%, or $285.0 million to $349.9 million as compared to the prior year period. In the prior year, the majority of Cineplex's businesses were closed or operating under strict capacity restrictions as a result of significant increases in daily COVID-19 case counts. During substantially all of the second quarter of 2022, Cineplex's entire circuit of theatres and LBE venues were open and operating without capacity restrictions for the first time since the inception of the pandemic, resulting in increases in revenue across all of Cineplex's businesses as compared to the prior year period. The release of highly anticipated films during the second quarter of 2022 including *Doctor Strange in the Multiverse of Madness* and *Top Gun: Maverick* contributed to the significant theatre attendance increase of 9.9 million to 11.1 million as compared to 1.1 million in the prior year period which was heavily impacted by government mandated closures and capacity restrictions. Cineplex reported box office revenues of $136.4 million in the second quarter of 2022 and a second quarter record BPP of $12.29, food service revenues of $110.6 million and a second quarter CPP of $8.84, an all-time quarterly record.

Food service revenues consist of theatre food service revenue of $98.0 million, home delivery revenues of $2.4 million and LBE food service revenues of $10.2 million. Media revenues of $26.4 million were mainly from cinema media and network management and services. Amusement revenues increased by 196.3% or $43.5 million to an all-time quarterly record of $65.7 million generated in the second quarter, primarily from P1AG route operations including family entertainment centres ("FEC") locations and theatres in the United States and Canada.

Cineplex's adjusted EBITDAaL improved from a prior year second quarter loss of $53.2 million to a positive position of $35.8 million in the current period and adjusted free cash flow per Share was a loss in the prior year period of $1.041 compared to an earning per share of $0.345 in the current period. Cineplex's income increased from a reported loss of $103.7 million in the prior year period to an income position of $1.3 million, with net income per share increasing from a $1.64 loss in the prior year period to an earnings per share of $0.02 in the current period.

Reflecting the strong reopening of Cineplex's businesses at increased capacity levels, total revenues for the year to date period increased by 444.1%, or $472.3 million to $578.6 million as compared to the prior year period. Adjusted EBITDAaL for the year to date period was $30.0 million as compared to a loss of $115.3 million recognized in the prior year period and adjusted free cash flow per Share was a loss in the prior year period of $2.285 compared to positive $0.002 during the year to date period. Cineplex's net loss decreased from a reported loss of $193.4 million in the prior year period to a loss of $40.9 million in the year to date period, with a net loss per share decreasing from $3.05 in the prior year period to a net loss of $0.65 during the year to date period.

The reorganization of SCENE in December 2020 resulted in the cost of Scene+ points issued being recognized as marketing costs, not reductions of revenue. During the second quarter, Cineplex recognized an increase in box office and concession revenues of $2.6 million and $2.5 million, respectively ($5.1 million total). During the year to date period, Cineplex recognized an increase in box office and concession revenues of $4.1 million and $4.0 million, respectively ($8.1 million total). The change in revenue recognition led to an increase in both BPP and CPP of approximately $0.24 and $0.22 during the second quarter and an increase of $0.23 and $0.22 during the year to date period. There was a corresponding increase in marketing costs during the second quarter and year to date period of $5.1 million and $8.1 million, respectively, including other sales transactions with respect to the Scene+ points issued, resulting in no impact on Cineplex's net income (loss).

1.3 KEY DEVELOPMENTS IN THE SECOND QUARTER OF 2022

The following describes certain key business initiatives undertaken and results achieved during 2022 in each of Cineplex's core business areas:

FILM ENTERTAINMENT AND CONTENT

Theatre Exhibition

- Reported second quarter box office revenues of $136.4 million, a $123.9 million increase from 2021 as a result of increased theatre attendance compared to theatre closures that remained in effect for a majority of the prior year period due to government mandated restrictions.
- BPP was $12.29, a second quarter record, which increased by $1.40 or 12.9% when compared to the prior year period, primarily due to an increase in premium offerings in the current period as compared to the prior period which had no 3D or ScreenX performances, in addition to the VIP auditoriums being closed for the majority of the second quarter of 2021.
- Introduced an online booking fee on June 15, 2022 that applies to tickets purchased through Cineplex's mobile app and website that will contribute to Cineplex's further investment in its digital infrastructure.

Theatre Food Service

- Reported second quarter theatre food service revenues of $98.0 million, an increase of $89.0 million compared to the prior year period primarily due to a significant increase in theatre attendance.
- CPP was $8.84, an all-time quarterly record, representing an increase of $0.98 or 12.5% when compared to the prior year period, primarily due to an increase in food service sales at VIP auditoriums which drive a higher CPP and modest price increases.

Alternative Programming

- During the second quarter, Cineplex hosted the global exclusive free fan event finale of *Star Wars Obi-Wan Kenobi* with a live broadcast to an additional nine locations from the Scotiabank Theatre in Toronto. This event also included a special question and answer session featuring Canadian director Deborah Chow and Canadian actor, Hayden Christensen.
- Alternative Programming (Cineplex Events) in the second quarter of 2022 included the anime feature *Jujutsu Kaisen 0, Turandot* and *Hamlet* from The Metropolitan Opera, a concert from Twenty One Pilots, the anime feature *Seventeen Power of Love* and a two-night event for *WWE Wrestlemania 38*.

Digital Commerce

- Total registered users for Cineplex Store increased 10% from the prior year period, reaching over 2.2 million registered users.

MEDIA

- Reported second quarter media revenues of $26.4 million, an increase of $17.0 million or 180.9% as compared to the prior year period.

Cinema Media

- Reported second quarter cinema media revenues of $18.7 million, an increase of $16.3 million or 675.4% over the prior year period, due to increases in cinema advertising as a result of reopened theatres and new film releases.

Digital Place-Based Media

- Reported second quarter revenues of $7.7 million, an increase of $0.7 million or 10.3% due to higher project installation revenues.

AMUSEMENT AND LEISURE

Amusement Solutions

- Reported all-time record revenues in the second quarter of $65.7 million, an increase of $43.5 million or 196.3% compared to the prior year period primarily due to increases in P1AG amusement revenues from US and Canada route locations at FEC's and theatres, and increases in amusement revenues from LBE businesses.

Location-based Entertainment

- Reported all-time record revenues in the second quarter of $28.1 million, including a second quarter record for food service revenues of $10.2 million, all-time record for amusement revenues of $17.4 million and $0.5 million of media and other revenues, an increase of $26.0 million compared to the prior year period. The increase was primarily due to all LBE venues being open without capacity restrictions compared to closures that remained in effect for a majority of the prior year period.

LOYALTY

- Membership in the Scene+ loyalty program remained flat during the period ended June 30, 2022.
- Announced updates to the Scene+ program, welcoming Empire Company Limited as a co-owner of Scene+, providing members with increased opportunities to earn and redeem points. Empire will rollout Scene+ across their family of brands in Atlantic Canada in August 2022, and by early 2023, will be launched across Canada.

CORPORATE

- Celebrated Pride Month with a collection of films available on the Cineplex Store aiming to recognize and amplify LGBTQ2IA+ voices, with a portion of the proceeds donated to support local Pride celebrations across Canada.
- Partnered with imagineNATIVE, the world's largest presenter of Indigenous screen content to curate a Cineplex Store collection to raise awareness of the rich culture, history and experiences of Indigenous people, with a portion of the proceeds donated to charitable causes.

2. CINEPLEX'S BUSINESS AND STRATEGY

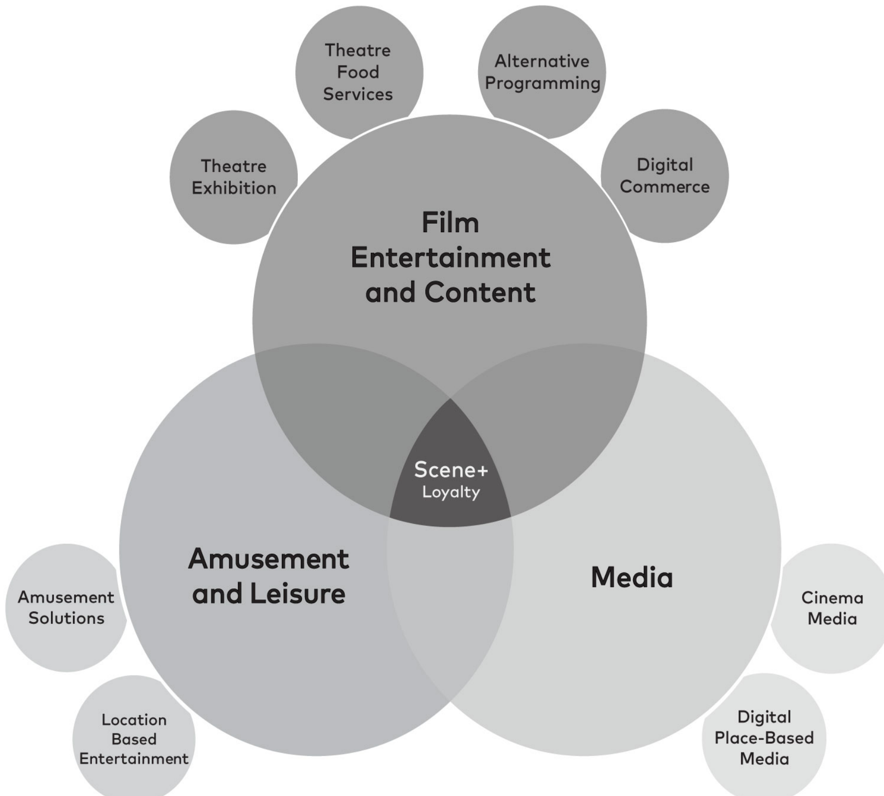
Cineplex's mission statement is "Passionately delivering exceptional experiences." All of its efforts are focused on this mission and it is Cineplex's goal to consistently provide guests and customers with exceptional experiences.

Cineplex's operations are primarily conducted in four main areas: film entertainment and content, media, amusement and leisure, and location-based entertainment, all supported by the Scene+ loyalty program. Cineplex's key strategic areas of focus include the following:

- Continue to enhance and expand Cineplex's presence as an entertainment destination for Canadians in-theatre, at-home and on-the-go;
- Capitalize on core media strengths and infrastructure to provide continued growth of Cineplex's media business both inside and outside theatres;
- Develop and scale amusement and leisure concepts by extending existing capabilities and infrastructure;
- Drive growth within businesses by leveraging opportunities to optimize value, realize synergies, implement customer-centric technology and leverage big data across the Cineplex ecosystems; and
- Pursue opportunities that capitalize on Cineplex's core strengths.

Cineplex uses the Scene+ loyalty program and database as a strategic asset to link these areas of focus and drive customer acquisition and spending across all lines of business.

Diversified Entertainment and Media Company



Key elements of this strategy include going beyond movies to reach customers in new ways and maximizing revenue per patron. Cineplex has implemented in-theatre initiatives to improve the overall entertainment experience, including increased premium offerings, enhanced in-theatre services, alternative pricing strategies, continued development of the Scene+ loyalty and CineClub subscription programs, and initiatives in theatre food service such as optimizing and adding product offerings and improving service execution. The ultimate goal of these in-theatre customer service initiatives is to maximize revenue per patron and increase the frequency of movie-going at Cineplex's theatres.

While box office revenues (which include alternative programming) typically account for the largest portion of Cineplex's revenues, Cineplex has diversified its revenue streams through expanded theatre food service offerings, cinema media, digital place-based media, amusement and leisure, the Cineplex Store, promotions and other revenue streams which have increased as a share of total revenues.

3. OVERVIEW OF OPERATIONS

Revenues

Cineplex generates revenues primarily from box office and food service sales. These revenues are affected primarily by theatre attendance levels and by changes in BPP and CPP. Box office revenue represented 39.0% of revenue in the second quarter of 2022.

The following table presents the revenue mix for comparative years:

Revenue mix % by period	Q2 2022	Q2 2021	Q2 2020	Q2 2019	Q2 2018
Box office	**39.0 %**	19.2 %	0.1 %	43.2 %	45.8 %
Food service	**31.6 %**	20.4 %	14.8 %	29.5 %	29.9 %
Media	**7.5 %**	14.5 %	35.8 %	11.2 %	9.9 %
Amusement	**18.8 %**	34.2 %	17.0 %	13.2 %	11.9 %
Other	**3.1 %**	11.7 %	32.3 %	2.9 %	2.5 %
Total	**100.0 %**	100.0 %	100.0 %	100.0 %	100.0 %

Cineplex has four reportable segments, film entertainment and content, media, amusement and leisure and location-based entertainment. The reportable segments are business units offering differing products and services and are managed separately due to their distinct natures and are based on the information used by Cineplex's chief operating decision makers. The revenue mix percentages for the four reportable segments during the period continue to be impacted by the impact of the COVID-19 pandemic on Cineplex's theatres and LBE businesses.

Revenue mix % by year	Second Quarter		Year to Date	
	2022	2021	2022	2021
Film Entertainment and Content	71.6 %	50.8 %	70.7 %	48.2 %
Media	7.5 %	14.5 %	7.2 %	17.4 %
Amusement and Leisure	12.9 %	31.5 %	13.8 %	31.0 %
LBE	8.0 %	3.2 %	8.3 %	3.4 %
Total	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**

A key component of Cineplex's business strategy is to position itself as the leading exhibitor in the Canadian market by focusing on providing customers with an exceptional entertainment experience. For periods in 2020 and 2021, Cineplex focused on optimizing revenues during the COVID-19 closures by offering a catalog of classic film products along with new releases and expanding product offerings through the Cineplex Store. In addition, prior to COVID-19, as a result of Cineplex's focus on diversifying the business beyond the traditional movie exhibition model, its revenue mix has shifted from box office revenue to other revenue sources.

The commercial appeal of the films and alternative content released during a given period, and the success of marketing as well as promotion for those films by film studios, distributors and content providers all drive theatre attendance. BPP is affected by the mix of film and alternative content product that appeals to certain audiences (such as children or seniors who pay lower ticket prices), ticket prices during a given period and the appeal of available premium priced product that increases BPP. While BPP was impacted by CineClub, the Cineplex Tuesdays program and the Scene+ loyalty program, these programs are designed to increase theatre attendance frequency at Cineplex's theatres. Cineplex's main focus is to drive incremental visits to theatres, to employ a ticket price strategy which takes into account the local demographics at each individual theatre and to maximize BPP through premium offerings.

Food service revenues are comprised primarily of concession revenues, arising from food and beverage sales at theatre locations, as well as food and beverage sales at LBE venues including *The Rec Room* and *Playdium*. In addition, food service revenues include home delivery serviced by Uber Eats and by Skip the Dishes. CPP represents theatre food service revenues divided by theatre attendance, and is impacted by the theatre food service product mix, theatre food service prices, film genre, promotions, discounts for CineClub members, and the Scene+ loyalty program. CPP can fluctuate from quarter to quarter depending on the genre of film product playing. Prior to the launch of Scene+, the SCENE points on theatre food service purchases decreased food service revenues on individual purchases. Cineplex believes the Scene+ and CineClub programs drive incremental purchase incidence, increasing overall revenues. Cineplex focuses primarily on growing CPP by optimizing the product offerings, improving operational excellence and strategic pricing to increase purchase incidence and transaction value. Food service revenues from LBE include food and beverage revenues from the various bars and restaurants located throughout the venues.

Media revenues include both cinema media (Cineplex Media) and digital place-based media (Cineplex Digital Media) revenues. Cineplex Media generates revenues primarily from selling pre-show and show-time advertising in Cineplex's theatres as well as other circuits through representation sales agreements. Cineplex's media advertising arrangements are impacted by theatre attendance levels which drive impressions and ultimately impact media revenue generated by Cineplex. Additionally, Cineplex Media sells media placements throughout Cineplex's circuit including digital poster cases, as well as sponsorship and advertising in LBE venues. Cineplex Media also sells digital advertising for cineplex.com, the Cineplex mobile app and on third party networks operated by Cineplex Digital Media. Cineplex Digital Media designs, installs, maintains and operates digital signage networks in four verticals including digital out of home ("DOOH") (in public spaces such as shopping malls and office towers), quick service restaurants, financial institutions and retailers. Cineplex Digital Media revenue can be impacted by mall attendance which affect impressions and revenue generated.

Amusement revenues include amusement solutions revenues from P1AG, which supplies and services all the games in Cineplex's theatre circuit while also supplying equipment to third party arcades, amusement parks and centres, bowling alleys and theatre circuits across Canada and the United States, in addition to owning and operating FECs. Additionally, included in amusement revenues are revenues generated by Cineplex's XSCAPE Entertainment Centres and game rooms in theatres as well as revenues generated at LBE venues.

Cineplex generates other revenues from the Cineplex Store, online booking fees, promotional activities, screenings, private parties, corporate events and breakage on gift card sales.

Cost of Sales and Expenses

Film cost represents the film rental fees paid to distributors for films exhibited in Cineplex's theatres. Film costs are calculated as a percentage of box office revenue and are dependent on various factors including the performance of the film. Film costs are accrued on the related box office receipts at either mutually agreed-upon terms established prior to the opening of a film, or estimated terms where a mutually agreed settlement is reached upon conclusion of a film's run, depending upon the film licensing arrangement. There can be significant variances in film cost percentage between quarters due to, among other things, the concentration of box office revenues amongst the top films in the period with stronger performing films typically having a higher film cost percentage.

Cost of food service represents the cost of concession items and other theatre food service items sold, and varies with changes in concession and other theatre food service revenues as well as the quantity and mix of concession and other food service offerings sold. Cost of food and beverages sold at LBE is also included in cost of food service.

Depreciation - right-of-use assets, represents the depreciation of Cineplex's right-of-use assets related to leases. Depreciation is calculated on a straight-line basis from the date of commencement of the lease to the earlier of the end of the useful life of the asset or the end of the lease term.

Depreciation and amortization - other, represents the depreciation and amortization of Cineplex's property, equipment and leaseholds, as well as certain of its intangible assets. Depreciation and amortization are calculated on a straight-line basis over the useful lives of the assets.

Loss (gain) on disposal of assets represents the gain recognized on assets or components of assets that were sold or otherwise disposed.

Other costs are comprised of theatre occupancy expenses, other operating expenses and general and administrative expenses. These categories are described below.

Theatre occupancy expenses include lease related expenses, percentage rent, property related taxes, business related taxes and insurance and exclude cash rent accounted for as obligations or interest under IFRS 16, *Leases*.

Other operating expenses consist of fixed and variable expenses, with the largest component being theatre salaries and wages. Although theatre salaries and wages net of subsidies (CEWS and THRP) include a fixed cost component, these expenses vary in relation to revenues as theatre staffing levels are adjusted to handle fluctuations in theatre attendance. Other components of this category include marketing which includes the cost of Scene+ points issued, advertising, media, amusement and leisure (including P1AG and LBE), loyalty, digital commerce, supplies and services, utilities and maintenance. To the extent these costs are variable, they can be managed with changes in business volumes.

General and administrative expenses are primarily costs associated with managing Cineplex's business, including film buying, marketing and promotions, operations and theatre food service management, accounting and financial reporting, legal, treasury, design and construction, real estate development, communications and investor relations, information systems and administration. Included in these costs are payroll (including Cineplex's Omnibus Incentive Plan costs), occupancy costs related to Cineplex's corporate offices, professional fees (such as public accountant and legal fees) and travel and related costs. Cineplex maintains general and administrative staffing and associated costs at a level that it deems appropriate to manage and support the size and nature of its theatre and LBE portfolio and its business activities.

Accounting for Joint Arrangements

The financial statements incorporate the operating results of joint arrangements in which Cineplex has an interest using either the equity accounting method (for joint ventures and associates) or recognizing Cineplex's share of the assets, liabilities, revenues and expenses in Cineplex's consolidated results (for joint operations).

Under IFRS 11, Cineplex's 50% share of one IMAX auditorium in Ontario, its 78.2% interest in the Canadian Digital Cinema Partnership ("CDCP"), 50% interest in *YoYo's Yogurt Cafe* ("YoYo's"), and 50% economic interest in Scene+ are classified as joint ventures or associates. Through equity accounting, Cineplex's share of the results of operations for these joint ventures and associates are reported as a single item in the statements of operations, 'Share of income of joint ventures and associates'. Theatre attendance for the IMAX auditorium held in a joint venture is not reported in Cineplex's consolidated theatre attendance as the line-by-line results of the joint venture are not included in the relevant lines in the statement of operations.

As part of the ongoing reorganization of Scene GP ("SCENE") which began in December 2020, Cineplex and its loyalty partner launched Scene+ on December 13, 2021 and as a result, Cineplex began equity accounting for its 50% economic interest in Scene LP, the operator of the Scene+ loyalty program.

In addition to the joint ventures which are equity accounted, Cineplex consolidates its 50% share of assets, liabilities, revenues and expenses of its joint operation, which includes Scene GP, and up to December 12, 2021, Scene LP.

In the fourth quarter of 2020, Cineplex announced that it had entered into an agreement with its existing partner Scotiabank to enhance and expand the SCENE loyalty program. Cineplex received $60.0 million in December 2020 from its existing partner with respect to the agreement to reorganize the program and reposition it for future growth. In conjunction with the agreement, Cineplex's ownership in Scene+, was reduced to 33.3%. Cineplex continues to be entitled to and responsible for 50% of the economic benefits and obligations until specific non-financial milestones are met, resulting in the deferral of the recognition of the proceeds in deferred revenue and other. As a result of the December 13, 2021 step in the reorganization, Cineplex will no longer consolidate 50% of the results of Scene LP, but will continue to consolidate 50% of Scene GP which subsequent to December 12, 2021 holds the deferred revenue obligation for SCENE points issued up to December 12, 2021.Subsequent to period end, Empire Company Limited will become a one-third partner of Scene+ and Cineplex will continue to maintain a 33% interest in Scene+.

4. RESULTS OF OPERATIONS

4.1. SELECTED FINANCIAL DATA

The following table presents summarized financial data for Cineplex for the three and six months ended June 30, 2022 and 2021 (expressed in thousands of dollars except Shares outstanding, per Share data and per patron data, unless otherwise noted):

	Three months ended June 30, 2022	Three months ended June 30, 2021	Variance (%)	Six months ended June 30, 2022	Six months ended June 30, 2021	Variance (%)
Box office revenues	$ 136,372	$ 12,498	991.2 %	$ 216,324	$ 16,316	NM
Food service revenues	110,637	13,258	734.5 %	179,025	19,783	804.9 %
Media revenues	26,406	9,401	180.9 %	41,951	18,475	127.1 %
Amusement revenues	65,723	22,184	196.3 %	116,147	36,058	222.1 %
Other revenues	10,740	7,585	41.6 %	25,154	15,706	60.2 %
Total revenues	**349,878**	**64,926**	**438.9 %**	**578,601**	**106,338**	**444.1 %**
Film cost	69,958	5,611	NM	108,974	6,846	NM
Cost of food service	25,335	2,867	783.7 %	40,192	4,279	839.3 %
Depreciation - right-of-use assets	24,486	25,737	-4.9 %	48,749	52,055	-6.4 %
Depreciation and amortization - other assets	26,651	27,735	-3.9 %	53,543	57,244	-6.5 %
(Gain) loss on disposal of assets	(4,650)	179	NM	(4,493)	(29,881)	-85.0 %
Other costs (a)	176,741	73,352	140.9 %	315,093	142,057	121.8 %
Costs of operations	**318,521**	**135,481**	**135.1 %**	**562,058**	**232,600**	**141.6 %**
Net income (loss)	$ 1,313	$ (103,704)	NM	$ (40,912)	$ (193,392)	-78.8 %
Adjusted EBITDA (i) (v)	$ 77,939	$ (16,902)	NM	$ 114,414	$ (47,007)	NM
Adjusted EBITDAaL (i) (v)	$ 35,764	$ (53,165)	NM	$ 30,045	$ (115,255)	NM
(a) Other costs include:						
Theatre occupancy expenses	17,398	5,349	225.3 %	29,160	12,131	140.4 %
Other operating expenses	144,021	53,790	167.7 %	254,527	101,596	150.5 %
General and administrative expenses (v)	15,322	14,213	7.8 %	31,406	28,330	10.9 %
Total other costs	**$ 176,741**	**$ 73,352**	**140.9 %**	**$ 315,093**	**$ 142,057**	**121.8 %**
Net loss per share - basic and diluted (v)	$ 0.02	$ (1.64)	NM	$ (0.65)	$ (3.05)	-78.7 %
Total assets	$ 2,036,274	$ 2,156,237	-5.6 %	$ 2,036,274	$ 2,156,237	-5.6 %
Long-term debt (iv)	$ 782,421	$ 755,996	3.5 %	$ 782,421	$ 755,996	3.5 %
Shares outstanding at period end	63,362,713	63,342,186	— %	63,362,713	63,342,186	— %
Adjusted free cash flow per Share (ii)	$ 0.345	$ (1.041)	NM	$ 0.002	$ (2.285)	NM
Box office revenue per patron (iii)	$ 12.29	$ 10.89	12.9 %	$ 12.19	$ 10.44	16.8 %
Concession revenue per patron (iii)	$ 8.84	$ 7.86	12.5 %	$ 8.83	$ 7.40	19.3 %
Film cost as a percentage of box office revenues	51.3%	44.9%	6.4 %	50.4%	42.0%	8.4 %
Theatre attendance (in thousands of patrons) (iii)	11,092	1,148	866.2 %	17,753	1,563	NM
Theatre locations (at period end)	159	160	-0.6 %	159	160	-0.6 %
Theatre screens (at period end)	1,640	1,651	-0.7 %	1,640	1,651	-0.7 %

(i) Represents a non-GAAP financial measure. See Section 17, Non-GAAP and other financial measures.

(ii) Represents a non-GAAP ratio. See Section 17, Non-GAAP and other financial measures.

(iii) Represents a supplementary financial measure. See Section 17, Non-GAAP and other financial measures.

(iv) Represents the principal component as presented on the financial statements net of any equity component and unamortized costs of long-term debt, Debentures, and Notes Payable. Excludes share-based compensation, lease obligations, fair value of interest rate swap agreements, post-employment benefit obligations and other liabilities.

(v) 2022 includes expenses related to the Cineworld Transaction and associated litigation and claims recovery in the amount of $1.2 million (2021 - $2.6 million) for the second quarter and $1.5 million (2021 - $5.0 million) for the year-to-date.

4.2. OPERATING RESULTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022

Total revenues

Total revenues for the three months ended June 30, 2022 increased $285.0 million (438.9%) to $349.9 million as compared to the prior year period. Total revenues for the six months ended June 30, 2022 increased $472.3 million (444.1%) to $578.6 million as compared to the prior year period. A discussion of the factors affecting the changes in box office, food service, media, amusement and other revenues for the period is provided below.

Non-GAAP and other financial measures discussed throughout this MD&A, including adjusted EBITDA, adjusted EBITDAaL, adjusted store level EBITDAaL, adjusted EBITDAaL margin, adjusted store level EBITDAaL margin, adjusted free cash flow, theatre attendance, BPP, premium priced product, same theatre metrics, CPP, film cost percentage, food service cost percentage and concession margin per patron are defined and discussed in Section 17, Non-GAAP and other financial measures.

Box office revenues

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

Box office revenues	Second Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Box office revenues	$ 136,372	$ 12,498	991.2%	$ 216,324	$ 16,316	NM
Theatre attendance (i)	11,092	1,148	866.2%	17,753	1,563	NM
Box office revenue per patron (i)	$ 12.29	$ 10.89	12.9%	$ 12.19	$ 10.44	16.8%
BPP excluding premium priced product (i)	$ 10.51	$ 10.09	4.2%	$ 10.50	$ 9.73	7.9%
Same theatre box office revenues (i)	$ 134,709	$ 12,484	979.1%	$ 213,587	$ 16,296	NM
Same theatre attendance (i)	11,013	1,146	861.0%	17,622	1,560	NM
% Total box from premium priced product (i)	42.4%	22.8%	19.6%	40.2 %	20.2 %	20.0%

(i) Represents a supplementary financial measure. See Section 17, Non-GAAP and other financial measures.

Box office continuity	Second Quarter		Year to Date	
	Box Office	Theatre Attendance	Box Office	Theatre Attendance
2021 as reported	$ 12,498	1,148	$ 16,316	1,563
Same theatre attendance change	107,460	9,868	167,732	16,062
Impact of same theatre BPP change	12,294	—	25,680	—
New and acquired theatres (i)	1,663	78	2,722	129
Disposed and closed theatres (i)	(14)	(2)	(4)	(1)
Scene+ points issued presented as marketing costs	2,471	—	3,878	—
2022 as reported	**$ 136,372**	**11,092**	**$ 216,324**	**17,753**

(i) See Section 17, Non-GAAP and other financial measures. Represents theatres opened, acquired, disposed or closed subsequent to the start of the prior year comparative period and is used to report on Cineplex's supplementary financial measures.

	Second Quarter 2022 Top Cineplex Films	3D	% Box		Second Quarter 2021 Top Cineplex Films	3D	% Box
1	Top Gun: Maverick		21.1 %	1	F9: The Fast Saga		17.3 %
2	Doctor Strange In The Multiverse of Madness	✔	20.0 %	2	A Quiet Place Part II		16.0 %
3	Jurassic World Dominion	✔	10.4 %	3	The Conjuring: The Devil Made Me Do It		10.2 %
4	Sonic The Hedgehog 2		6.9 %	4	Godzilla Vs. Kong		8.2 %
5	Fantastic Beasts: The Secrets of Dumbledore		5.1 %	5	Cruella		7.9 %

	Year to Date 2022 Top Cineplex Films	3D	% Box		Year to Date 2021 Top Cineplex Films	3D	% Box
1	Top Gun: Maverick		13.3 %	1	F9: The Fast Saga		16.2 %
2	Doctor Strange In The Multiverse of Madness	✔	12.6 %	2	A Quiet Place Part II		15.0 %
3	The Batman		11.5 %	3	The Conjuring: The Devil Made Me Do It		9.6 %
4	Spider-Man: No Way Home	✔	7.7 %	4	Godzilla Vs. Kong		7.7 %
5	Jurassic World Dominion	✔	6.6 %	5	Cruella		7.4 %

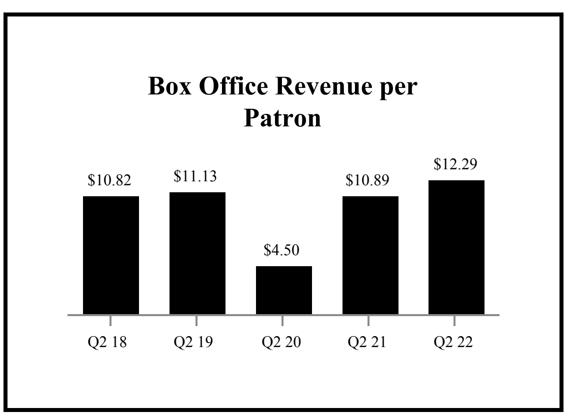
Second Quarter and Year to Date

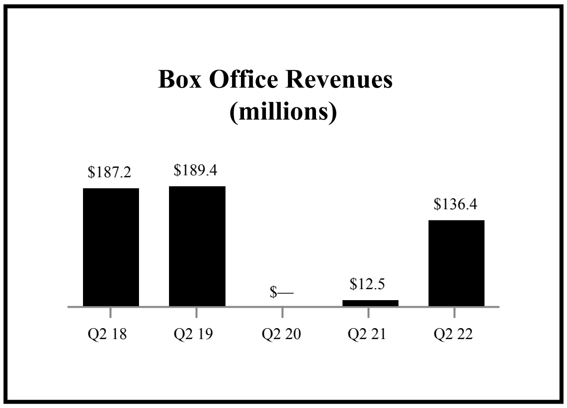
Box office revenues increased $123.9 million to $136.4 million during the second quarter of 2022, compared to $12.5 million recorded in the same period in 2021. This increase was mainly due to a 9.9 million increase in theatre attendance, as Cineplex's theatre circuit was open during the quarter at full operating capacity, compared to operating restrictions or closure requirements that remained in effect for a majority of the prior year period. The release of highly anticipated films also contributed to the significant increase in box office revenues including *Doctor Strange in the Multiverse of Madness* and *Top Gun: Maverick* which reported a North American gross of $126.7 million during its opening weekend and has become the ninth biggest all-time grossing film in North America.

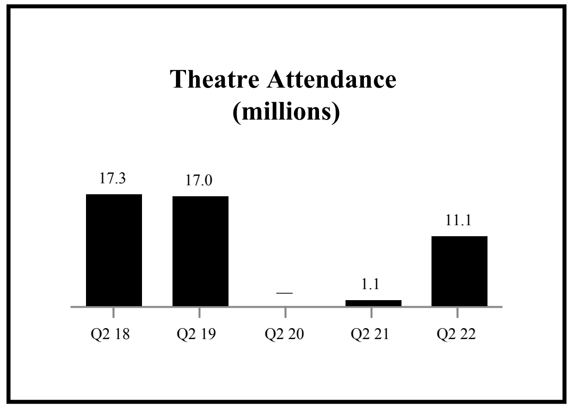
BPP for the three months ended June 30, 2022 was $12.29, a second quarter record, representing an increase of $1.40 or 12.9% from $10.89 reported in the prior year period. This increase was due to increased revenue from premium priced offerings, accounting for 42.4% of Cineplex's box office revenues in the second quarter of 2022, as compared to 22.8% in the prior year period. In the prior year period, there were no 3D or ScreenX performances, and VIP auditoriums were closed for the majority of the second quarter of 2021. The reorganization of SCENE resulted in a change in revenue recognition leading to higher box office revenues during the quarter of $2.6 million, a BPP increase of $0.24 with a corresponding increase in marketing costs of $2.6 million, with respect to Scene+ points issued on box office transactions.

For the year to date period, box office revenues increased $200.0 million to $216.3 million, compared to $16.3 million recorded in the prior year period. This increase was primarily due to a 16.2 million increase in theatre attendance as Cineplex's theatre circuit was open for the entire period with increased operating capacity, compared to operating restrictions or closure requirements that remained in effect for a majority of the prior year period.

BPP during the year to date period was $12.19, which increased $1.75 or 16.8% from $10.44 reported in the prior year period. This increase was due to higher percentage of box office revenue from premium priced offerings, which accounted for 40.2% of Cineplex's box office revenues in the six months ended June 30, 2022, as compared to 20.2% in the prior year period. The reorganization of SCENE resulted in a change in revenue recognition leading to higher box office revenues during the year to date period of $4.1 million, a BPP increase of $0.23 with a corresponding increase in marketing costs of $4.1 million, with respect to Scene+ points issued on box office transactions.







Food service revenues

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

Food service revenues	Second Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Food service - theatres	$ 98,046	$ 9,022	986.7 %	$ 156,805	$ 11,561	NM
Food delivery - theatres	2,390	3,676	-35.0 %	5,639	7,454	-24.4 %
Food service - LBE	10,178	516	NM	$ 16,537	687	NM
Food delivery - LBE	23	44	-48.1 %	44	81	-45.9 %
Total food service revenues	**$ 110,637**	**$ 13,258**	**734.5%**	**$ 179,025**	**$ 19,783**	**804.9 %**
Theatre attendance (i)	11,092	1,148	866.2 %	17,753	1,563	NM
CPP (i) (ii)	$ 8.84	$ 7.86	12.5 %	$ 8.83	$ 7.40	19.3 %
Same theatre food service revenues (i)	$ 96,446	$ 9,006	970.9 %	$ 154,113	$ 11,537	NM
Same theatre attendance (i)	11,013	1,146	861.0 %	17,622	1,560	NM

(i) Represents a supplementary financial measure. See Section 17, Non-GAAP and other financial measures.
(ii) Food service revenue from LBE and delivery is not included in the CPP calculation.

Theatre food service revenue continuity	Second Quarter		Year to Date	
	Theatre Food Service	Theatre Attendance	Theatre Food Service	Theatre Attendance
2021 as reported	$ 9,022	1,148	$ 11,561	1,563
Same theatre attendance change	77,523	9,868	118,748	16,062
Impact of same theatre CPP change	7,642	—	20,113	—
New and acquired theatres (i)	1,601	78	2,692	129
Disposed and closed theatres (i)	(16)	(2)	(24)	(1)
Scene+ points issued presented as marketing costs	2,274	—	3,715	—
2022 as reported	**$ 98,046**	**11,092**	**$ 156,805**	**17,753**

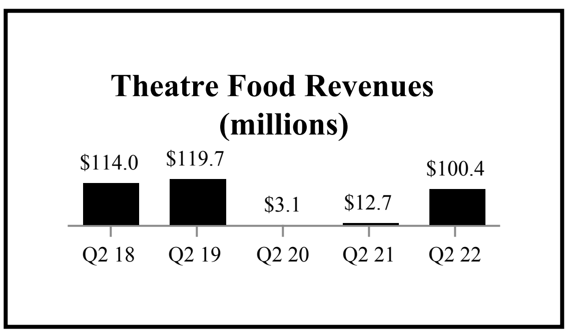
(i) See Section 17, Non-GAAP and other financial measures. Represents theatres opened, acquired, disposed or closed subsequent to the start of the prior year comparative period and is used to report on Cineplex's supplementary financial measures.

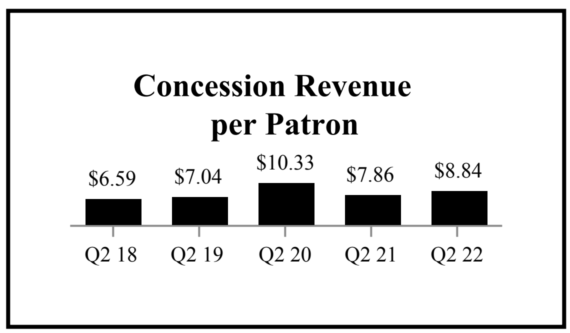
Second Quarter and Year to Date

Food service revenues are comprised primarily of concession revenues, which includes food service sales at theatre locations and through delivery services including Uber Eats and Skip the Dishes. Food service revenues also include food and beverage sales at *The Rec Room* and *Playdium.*

Food service revenues increased by $97.4 million during the second quarter primarily due to the $89.0 million increase in theatre food service revenues to $98.0 million in the quarter. During the current period, Cineplex's theatre circuit and LBE businesses operated without government mandated capacity restrictions and proof of vaccination programs compared to ongoing capacity restrictions or mandated closure requirements enforced during the prior year period. Food service revenues from LBE businesses which had two additional locations as compared to the prior year period, increased by $9.7 million during the second quarter from $0.5 million to $10.2 million, further contributing to the increase in food service revenue. However, as a result of staffing availability, certain LBE venues were unable to operate at full operating levels, restricting the ability to book group events, reduced operating hours, and not operating the dining areas at full capacity. CPP for three months ended June 30, 2022 was an all-time quarterly record of $8.84, which increased by $0.98 or 12.5%. Modest prices increases to Cineplex's core food service products, two additional VIP theatre locations and film product that appealed to first-run viewers who tend to have a higher concession spend contributed to the increase in CPP, as compared to the prior year period. VIP auditoriums which drive higher CPP were closed for the majority of second quarter of 2021. The reorganization of SCENE resulted in a change in revenue recognition leading to higher concession revenues during the quarter of $2.5 million, a CPP increase of $0.22 with a corresponding increase in marketing costs of $2.5 million, with respect to Scene+ points issued on concession transactions.

For the year to date period, food service revenues increased by $159.2 million, primarily due to a $145.2 million increase in theatre food service revenues. The increase in theatre food service revenues is primarily due to increases in theatre attendance which increased by 16.2 million to 17.8 million. The prior year period was materially impacted by government mandated theatre and LBE venues closures, restrictions on indoor dining and operating restrictions. Contributing to the increase in total food service, food service revenues from LBE businesses increased $15.9 million during the year to date period from $0.7 million to $16.5 million. CPP during the year to date period was $8.83, which increased by $1.43 or 19.3%. During the prior year period, government mandated closure requirements and restrictions limited consumer spend resulting in minimal premium purchases which historically generate higher CPP, contributing to a lower CPP recognized. The reorganization of SCENE resulted in a change in revenue recognition leading to higher concession revenues during the year to date period of $4.0 million, a BPP increase of $0.22 with a corresponding increase in marketing costs of $4.0 million, with respect to Scene+ points issued on concession transactions.





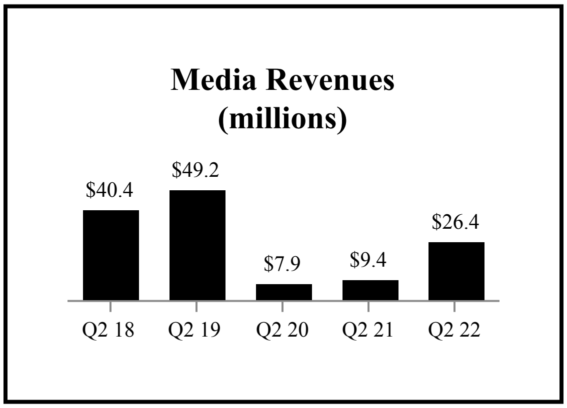
Media revenues

The following table highlights the movement in media revenues for the quarter and the year to date (in thousands of dollars):

Media revenues	Second Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Cinema media	$ 18,700	$ 2,412	675.3 %	$ 26,949	$ 4,311	525.1 %
Digital place-based media	7,706	6,989	10.3 %	15,002	14,164	5.9 %
Total media revenues	**$ 26,406**	**$ 9,401**	**180.9%**	**$ 41,951**	**$ 18,475**	**127.1%**

Second Quarter and Year to Date

Total media revenues increased $17.0 million or 180.9% to $26.4 million during the second quarter of 2022 compared to the prior year period. For the year to date period, total media revenues increased $23.5 million or 127.1% to $42.0 million. The increase during both periods was due to an increase in Cinema media due to significant increases in pre-show and show-time advertising revenues, resulting in a quarterly and year to date increase of $16.3 million and $22.6 million, respectively. During the prior year periods, theatre closures or operating restrictions remained in effect for a majority of the prior year period negatively impacting media revenues. Cineplex's cinema media arrangements are impacted by theatre attendance levels which drive impressions and ultimately impact media revenue generated by Cineplex. Accordingly, the increase in cinema media revenue reflects the increase in attendance levels when compared to the prior period. During the second quarter and year to date periods, digital placed-based media revenues increased $0.7 million and $0.8 million, respectively, compared to the prior year periods as a result of higher project installation revenues.



The following table shows a breakdown of the nature of digital place-based media revenues for the quarter and the year to date (in thousands of dollars):

Digital place-based media revenues	Second Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Project revenues (i)	$ 3,181	$ 2,505	27.0 %	$ 6,160	$ 4,820	27.8 %
Other revenues (ii)	4,525	4,484	0.9 %	8,842	9,344	-5.4 %
Total digital place-based media revenues	**$ 7,706**	**$ 6,989**	**10.3%**	**$ 15,002**	**$ 14,164**	**5.9%**

(i) Project revenues include hardware sales and professional services.
(ii) Other revenues include sales of software and its support as well as media advertising.

Amusement revenues

The following table highlights the movement in amusement revenues for the quarter and the year to date (in thousands of dollars):

Amusement revenues	Second Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Amusement - P1AG excluding Cineplex exhibition and LBE (i)	$ 45,097	$ 20,446	120.6 %	$ 79,936	$ 33,005	142.2 %
Amusement - Cineplex exhibition (i)	3,248	199	NM	5,339	271	NM
Amusement - LBE	17,378	1,539	NM	30,872	2,782	NM
Total amusement revenues	**$ 65,723**	**$ 22,184**	**196.3%**	**$ 116,147**	**$ 36,058**	**222.1%**

(i) Cineplex receives a venue revenue share on games revenues earned at in-theatre game rooms and XSCAPE Entertainment Centres. Amusement - Cineplex exhibition reports the total of this venue revenue share which is consistent with the historical presentation of Cineplex's amusement revenues. Amusement - P1AG excluding Cineplex exhibition and LBE reflects P1AG's gross amusement revenues, net of the venue revenue share paid to Cineplex reflected in Amusement - Cineplex exhibition above.

Second Quarter and Year to Date

Amusement revenues increased $43.5 million or 196.3% to an all-time quarterly record of $65.7 million during the second quarter as compared to the prior year period. The increase was primarily due to a $24.7 million increase in P1AG amusement revenues from US and Canada route locations at FEC's and theatres. The increase was also attributable to a $15.8 million increase in LBE amusement revenues, resulting in an all-time quarterly record of $17.4 million for LBE amusement revenues. During the period, increased operating activities at P1AG US and Canada route locations at FEC's and theatres, as well as LBE businesses, compared to the government mandated closure requirements or capacity restrictions that remained in effect for a majority of the prior year period, contributed to significant increases in amusement revenues.

For the year to date period, amusement revenues increased $80.1 million or 222.1% to $116.1 million. The increase was primarily due to a $46.9 million increase in P1AG amusement revenues from US and Canada route locations at FEC's and theatres. Further contributing to the increase was a $28.1 million increase in LBE amusement revenues. The current period also includes two additional locations of *The Rec Room,* resulting in increased LBE amusement revenues as compared to the prior year period. The increase is also attributable to increased operating activities as operating restrictions and mandatory closure requirements were lifted, compared to the government mandated closure requirements or capacity restrictions that remained in effect for a majority of the prior year period.

The following table presents the adjusted EBITDAaL for the quarter and the year to date for P1AG (in thousands of dollars):

P1AG Summary	Second Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Amusement revenues	**$ 45,097**	**$ 20,446**	**120.6%**	**$ 79,936**	**$ 33,005**	**142.2%**
Operating Expenses	35,993	18,770	91.8 %	64,852	33,124	95.8 %
Cash rent related to lease obligations (i)	986	917	7.5 %	1,981	2,133	-7.1 %
Total adjusted operating expenses	**$ 36,979**	**$ 19,687**	**87.8%**	**$ 66,833**	**$ 35,257**	**89.6%**
P1AG adjusted EBITDAaL (ii)	**$ 8,118**	**$ 759**	**969.6%**	**$ 13,103**	**$ (2,252)**	**NM**
P1AG adjusted EBITDAaL Margin (iii)	**18.0 %**	**3.7 %**	**14.3%**	**16.4 %**	**(6.8)%**	**23.2%**

(i) Cash rent that has been reallocated to offset the lease obligations.
(ii) Represents a non-GAAP financial measure. See Section 17, Non-GAAP and other financial measures.
(iii) Represents a non-GAAP ratio. See Section 17, Non-GAAP and other financial measures.

When compared to the prior year period, P1AG's adjusted EBITDAaL margins improved for both the quarter and year to date periods due to increased revenues from the resumption of P1AG US and Canadian route locations at FEC's and theatres at increased operating capacity levels. Government mandated restrictions were entirely lifted during the current period resulting in strong operating activity with amusement revenues increasing by $24.7 million to $45.1 million during the quarter and $46.9 million to $79.9 million during the year to date period, contributing to the increase in margins and adjusted EBITDAaL. P1AG adjusted EBITDAaL margin increased from 3.7% recognized in the prior year comparative quarter to 18.0% in the current period. For the year to date period, P1AG adjusted EBITDAaL margin increased from a deficit of 6.8% to 16.4%. P1AG adjusted EBITDAaL during the second quarter was an all-time quarterly record of $8.1 million and was $13.1 million year to date, representing an increase of $7.3 million and $15.4 million, respectively. Continued management of operating expenses, including realizing the benefits of subsidy programs where available, allowed for the growth in margins when compared to the prior year period. Payroll costs were reduced by the CEWS and THRP wage subsidy programs for the year to date period by $0.8 million (2021 - $2.2 million).

The following table presents the adjusted store level EBITDAaL for the quarter and the year to date for LBE (in thousands of dollars):

LBE Summary	**Second Quarter**			**Year to Date**		
	2022	**2021**	**Change**	**2022**	**2021**	**Change**
Food service revenues	$ 10,201	$ 560	NM	$ 16,581	$ 768	NM
Amusement revenues	17,378	1,539	NM	30,872	2,782	NM
Media and other revenues	545	—	NM	714	35	NM
Total revenues	**$ 28,124**	**$ 2,099**	**NM**	**$ 48,167**	**$ 3,585**	**NM**
Cost of food service	2,888	181	NM	4,709	260	NM
Operating expenses before adjustments (i)	14,299	1,893	655.4 %	22,763	4,015	466.9 %
Cash rent related to lease obligations (ii)	2,586	2,046	26.4 %	5,244	3,742	40.1 %
Total adjusted costs	**$ 19,773**	**$ 4,120**	**379.9 %**	**$ 32,716**	**$ 8,017**	**308.1 %**
Adjusted store level EBITDAaL (iii)	**$ 8,351**	**$ (2,021)**	**NM**	**$ 15,451**	**$ (4,432)**	**NM**
Adjusted store level EBITDAaL Margin (iv)	**29.7 %**	**(96.3)%**	**126.0 %**	**32.1 %**	**(123.6)%**	**155.7 %**

(i) Includes operating costs of LBE. Pre-opening costs relating to LBE and overhead relating to management of LBE portfolio are not included as they are non-recurring costs.

(ii) Cash rent that has been reallocated to offset the lease obligations.

(iii) Represents a non-GAAP financial measure. See Section 17, Non-GAAP and other financial measures.

(iv) Represents a non-GAAP ratio. See Section 17, Non-GAAP and other financial measures.

During the second quarter of 2022, revenues increased by $26.0 million to an all-time quarterly record of $28.1 million when compared to the prior year period. Revenues for the year to date period increased by $44.6 million to $48.2 million when compared to the prior year period. The increase in revenues during both periods is due to increased operating capacity levels as remaining government mandated restrictions were lifted during the second quarter. During the prior year period, Cineplex's LBE businesses were closed or operating at significantly reduced capacity levels for a majority of the period. The opening of two additional *The Rec Room* locations subsequent to the second quarter of 2021 also contributed to the increase in revenues as compared to the prior year period.

Adjusted EBITDAaL for the second quarter of 2022 was a second quarter record of $8.4 million and adjusted EBITDAaL for the year to date period was $15.5 million. The increase in adjusted EBITDAaL is consistent with the increase in amusement revenues, which have historically contributed the highest margin to LBE locations. Cineplex's LBE venues were closed or operating at significantly reduced capacity levels in the prior period leading to negative adjusted EBITDAaL and margins. Management was able to reduce costs where applicable including the receipt of funds under the CEWS and THRP wage subsidy programs, CERS rent subsidy program, utility and realty tax subsidy programs for total cost reductions during the year to date period of $2.7 million (2021 - $3.9 million).

Other revenues

The following table highlights the other revenues which includes revenues from the Cineplex Store, online booking fees, promotional activities, screenings, private parties, corporate events, breakage on gift card sales and revenues from management fees for the quarter and the year to date (in thousands of dollars):

Other revenues	Second Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Total other revenues	$ 10,740	$ 7,585	41.6%	$ 25,154	$ 15,706	60.2%

Second Quarter and Year to Date

The increase in other revenues during the second quarter of 2022 and year to date period is primarily due to breakage revenues relating to higher gift card redemptions and an online booking fee that applies to tickets purchased through Cineplex’s mobile app and website which was implemented on June 15, 2022.

Film cost

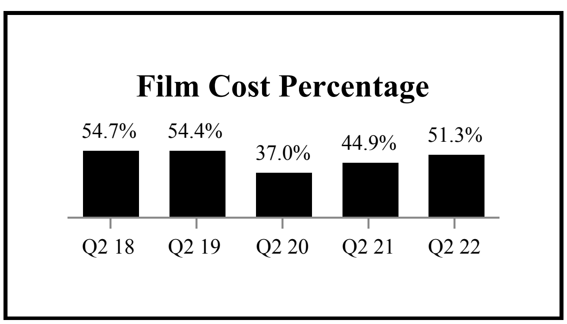
The following table highlights the movement in film cost and the film cost percentage for the quarter and the year to date (in thousands of dollars, except film cost percentage):

Film cost	Second Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Film cost	$ 69,958	$ 5,611	NM	$ 108,974	$ 6,846	NM
Film cost percentage (i)	51.3%	44.9%	6.4%	50.4%	42.0%	8.4%
(i) Represents a supplementary financial measure. See Section 17, Non-GAAP and other financial measures.						

Second Quarter and Year to Date

Film cost varies primarily with box office revenues and can vary from quarter to quarter usually based on the relative strength of the titles exhibited during the period, impacted by film cost terms which vary by title and distributor.

The increase in film cost and film cost percentage in the second quarter of 2022 and year to date over the prior year periods is due to the release of first run film product including *Doctor Strange in the Multiverse of Madness* and *Top Gun: Maverick.* Film cost percentage increased 6.4% and 8.4% for the second quarter and year to date as compared to the prior year periods due to the top films in second quarter of 2022 having higher settlement rates and making up a larger percentage of box office revenues.



Cost of food service

The following table highlights the movement in cost of food service and food service cost as a percentage of food service revenues ("concession cost percentage") for both theatres and LBE for the quarter and the year to date (in thousands of dollars, except percentages and margins per patron):

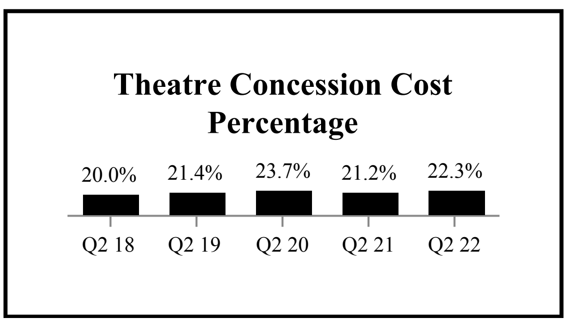
Cost of food service	Second Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Cost of food service - theatre	$ 22,447	$ 2,686	735.8 %	$ 35,483	$ 4,019	783.0 %
Cost of food service - LBE	2,888	181	NM	4,709	260	NM
Total cost of food service	**$ 25,335**	**$ 2,867**	**783.7 %**	**$ 40,192**	**$ 4,279**	**839.3%**
Theatre concession cost percentage (i)	22.3%	21.2%	1.1 %	21.8%	21.1%	0.7 %
LBE food cost percentage (i)	28.3%	32.3%	-4.0 %	28.4%	33.9%	-5.5 %
Theatre concession margin per patron (i)	$ 6.86	$ 6.20	10.6 %	$ 6.90	$ 5.83	18.4 %

(i) Represents a supplementary financial measure. See Section 17, Non-GAAP and other financial measures.

Second Quarter and Year to Date

Cost of food service at the theatres varies primarily with theatre attendance, the cost of food and materials purchases as well as the quantity and mix of offerings sold. Cost of food service at LBE venues varies primarily with the volume of guests who visit the location as well as the quantity and mix between food and beverage items sold.

The increase in cost of food service during the second quarter of 2022 and year to date period is positively correlated to the increase in food service revenues recognized during the quarter and year to date period as Cineplex's theatre circuit and LBE businesses were open and operating for the entire period, compared to closures or capacity restrictions that remained in effect for a majority of the prior year period. Theatre concession cost percentage for the second quarter and year to date period remained flat when compared to the prior year period. LBE food cost percentage decreased for both the second quarter and year to date period when compared to the prior year period which focused primarily on food delivery service with lower margins.



Depreciation and amortization

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

Depreciation and amortization expenses	Second Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Depreciation of property, equipment and leaseholds	$ 23,865	$ 25,197	-5.3 %	$ 48,132	$ 51,980	-7.4 %
Amortization of intangible assets and other	2,786	2,538	9.8 %	5,411	5,264	2.8 %
Sub-total - depreciation and amortization - other assets	**$ 26,651**	**$ 27,735**	**-3.9%**	**$ 53,543**	**$ 57,244**	**-6.5%**
Depreciation - right-of-use assets	24,486	25,737	-4.9 %	48,749	52,055	-6.4 %
Total depreciation and amortization	**$ 51,137**	**$ 53,472**	**-4.4%**	**$ 102,292**	**$ 109,299**	**-6.4%**

Second Quarter and Year to Date

Depreciation of property, equipment and leaseholds decreased by $1.3 million, or 5.3% during the quarter compared to the prior year period, and by $3.8 million or 7.4% for the year to date period compared to the prior year period. The decrease was primarily due to fully depreciated property, equipment and leaseholds.

The quarterly and year to date increase in amortization of intangible assets and other as compared to the prior year period is due to software developments and additions.

Depreciation of right-of-use decreased by $1.3 million and $3.3 million during the quarter and year to date period, respectively. The decrease is primarily due to modifications to lease agreements as a result of COVID-19 which reduced the corresponding right-of-use asset and related depreciation recognized.

(Gain) loss on disposal of assets

The following table shows the movement in the loss on disposal of assets during the quarter and the year to date (in thousands of dollars):

(Gain) loss on disposal of assets	Second Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
(Gain) loss on disposal of assets	$ (4,650)	$ 179	NM	$ (4,493)	$ (29,881)	-85.0%

Second Quarter and Year to Date

The change in the (gain) loss on disposal of assets for the second quarter as compared to the prior year period was due to the sale of certain restrictive lease rights for total proceeds of $5.4 million completed during the second quarter, compared to nominal activity in the prior year period.

The change in the (gain) loss on disposal of assets for the year to date period as compared to the prior year period was due to the sale of Cineplex's head office buildings for gross proceeds of $57.0 million completed during the first quarter of 2021.

Other costs

Other costs include three main sub-categories of expenses: theatre occupancy expenses, which capture associated occupancy costs for Cineplex's theatre operations; other operating expenses, which include the costs related to running Cineplex's film entertainment and content, media, as well as amusement and leisure; and general and administrative expenses, which includes costs related to managing Cineplex's operations, including head office expenses. Please see the discussions below for more details on these categories.

The following table highlights the movement in other costs for the quarter and the year to date (in thousands of dollars):

Other costs	Second Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Theatre occupancy expenses	$ 17,398	$ 5,349	225.3 %	$ 29,160	$ 12,131	140.4 %
Other operating expenses	144,021	53,790	167.7 %	254,527	101,596	150.5 %
General and administrative expenses	15,322	14,213	7.8 %	31,406	28,330	10.9 %
Total other costs	**$ 176,741**	**$ 73,352**	**140.9%**	**$ 315,093**	**$ 142,057**	**121.8%**

Theatre occupancy expenses

The following table highlights the movement in theatre occupancy expenses for the quarter and the year to date (in thousands of dollars):

Theatre occupancy expenses	Second Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Cash rent paid/payable (i)	$ 36,931	$ 25,530	44.7 %	$ 72,763	$ 47,752	52.4 %
Other occupancy	18,259	12,204	49.6 %	33,159	26,511	25.1 %
One-time items (ii)	(678)	(2,237)	-69.7 %	(1,283)	(3,219)	-60.1 %
Total theatre occupancy including cash lease payments	**$ 54,512**	**$ 35,497**	**53.6%**	**$ 104,639**	**$ 71,044**	**47.3%**
Cash rent paid/payable related to lease obligations (iii)	(37,114)	(30,148)	23.1 %	(75,479)	(58,913)	28.1 %
Theatre occupancy as reported	**$ 17,398**	**$ 5,349**	**225.3%**	**$ 29,160**	**$ 12,131**	**140.4%**

(i) Represents the cash payments for theatre rent paid or payable during the quarter.

(ii) One-time items include amounts related to both theatre rent and other theatre occupancy costs including real estate taxes, business taxes and common area maintenance. They are isolated here to illustrate Cineplex's theatre rent and other theatre occupancy costs excluding these one-time, non-recurring items.

(iii) Cash rent paid/payable that has been reallocated to offset the lease obligations.

Theatre occupancy continuity	Second Quarter Occupancy	Year to Date Occupancy
2021 as reported	$ 5,349	$ 12,131
Impact of new and acquired theatres	353	673
Impact of disposed theatres	133	570
Same store rent change (i)	6,878	16,317
One-time items	1,558	1,936
Decrease in subsidies	9,313	13,647
Other	781	452
Impact of IFRS 16:		
Cash rent related to lease obligations	(6,967)	(16,566)
2022 as reported	**$ 17,398**	**$ 29,160**

(i) Represents a supplementary financial measure. See Section 17, Non-GAAP and other financial measures.

Second Quarter and Year to Date

Theatre occupancy expenses increased $12.0 million or 225.3% during the second quarter of 2022 compared to the prior year period. This increase was primarily due to the reduction in subsidies received as a result of the reopening of Cineplex's businesses. The increase was also attributable to higher theatre rent related expenses including common area maintenance and taxes incurred as Cineplex's theatres were open during the period. During the prior year period, Cineplex recognized lower theatre occupancy expenses as a majority of theatres were closed or operating at far below normal capacity levels. Same-store rent increased $6.9 million primarily due to rent relief measures negotiated with landlord partners which were $6.7 million higher in the prior year period. Cineplex was able to reduce theatre occupancy expenses through the recognition of realty tax and rent subsidies of $0.4 million (2021 - $9.9 million).

For the year to date period, theatre occupancy expenses increased $17.0 million or 140.4% compared to the prior year. This increase was primarily due to increased theatre rent related expenses, including common area maintenance and taxes, as Cineplex's theatres were permitted to operate in the current period at a greater capacity compared to the prior year period. During the prior year period, Cineplex recognized lower theatre occupancy expenses as a majority of theatres were closed or operating at far below normal capacity levels. Same-store rent increased $16.3 million primarily due to rent relief measures negotiated with landlord partners, which were $17.4 million higher in the prior year period. Similarly, due to the reopening of Cineplex's businesses, Cineplex received a lower amount of subsidy relief when compared to the prior year period and recognized realty tax and rent subsidies of $6.9 million (2021 - $20.8 million).

Other operating expenses

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

Other operating expenses	Second Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Theatre payroll	$ 37,175	$ 5,473	579.2 %	$ 53,472	$ 9,108	487.1 %
Theatre operating expenses	26,184	8,078	224.2 %	48,539	17,431	178.5 %
Media	12,017	7,959	51.0 %	22,196	16,243	36.7 %
P1AG	36,979	19,687	87.8 %	66,833	35,257	89.6 %
LBE (i)	16,885	3,939	328.7 %	28,007	7,757	261.1 %
LBE pre-opening (ii)	—	678	NM	—	906	NM
SCENE	4,663	5,654	-17.5 %	18,504	10,398	78.0 %
Marketing	2,458	1,123	118.9 %	3,820	2,240	70.5 %
Scene+ point issuance	5,126	—	100.0 %	8,121	—	100.0 %
Other (iii)	6,621	5,630	17.6 %	13,549	11,150	21.5 %
Other operating expenses including cash lease payments	**$ 148,105**	**$ 58,221**	**154.4%**	**$ 263,043**	**$ 110,490**	**138.1%**
Cash rent paid/payable related to lease obligations (iv)	(4,084)	(4,431)	-7.8 %	(8,516)	(8,894)	-4.3 %
Total other operating expenses	**$ 144,021**	**$ 53,790**	**167.7%**	**$ 254,527**	**$ 101,596**	**150.5%**

(i) Includes operating costs of LBE locations. Overhead relating to management of LBE portfolio are included in the ‘Other’ line.
(ii) Includes pre-opening costs of LBE.
(iii) Other category includes overhead costs related to LBE and other Cineplex internal departments.
(iv) Cash rent paid/payable that has been reallocated to offset the lease obligations.

Other operating expenses continuity	Second Quarter	Year to Date
2021 as reported	$ 53,790	$ 101,596
Impact of new and acquired theatres	1,043	1,601
Impact of disposed theatres	(116)	(161)
Same theatre payroll change (i)	30,979	43,344
Same theatre operating expenses change (i)	17,974	30,805
Media operating expenses change	4,058	5,954
P1AG operating expenses change	17,292	31,576
LBE operating expenses change	12,946	20,250
LBE pre-opening change	(678)	(906)
SCENE change	(991)	8,106
Marketing change	1,335	1,580
Scene+ point issuance change	5,126	8,121
Other	916	2,283
<u>Impact of IFRS 16:</u>		
Cash rent related to lease obligations	347	$ 378
2022 as reported	**$ 144,021**	**$ 254,527**

(i) See Section 17, Non-GAAP and other financial measures. These are measures included as part of Cineplex’s supplementary financial measure calculations.

Second Quarter and Year to Date

Other operating expenses increased $90.2 million or 167.7% during the second quarter of 2022 compared to the prior year period. The increase was primarily driven by increases in same store theatre payroll and theatre operating expenses of $31.0 million and $18.0 million, respectively, as Cineplex's theatres were permitted to operate for the entire period as compared to extended closures in effect during the prior year period. Cineplex also recognized P1AG other operating expenses of $37.0 million, an increase of $17.3 million when compared to the prior year period. During the second quarter of 2022, government mandated closure requirements and capacity restrictions were lifted, resulting in increased operating activities at P1AG US and Canadian route locations at FEC's and theatres. The lifting of government-imposed restrictions also resulted in increased operations at LBE businesses leading to a $12.9 million increase in LBE other operating expenses when compared to the prior year period. Cineplex also recognized a $1.0 million decrease in SCENE operating costs, and a $5.1 million increase in marketing expenses relating to the presentation of the cost of issuance of Scene+ points. Despite the lifting of government mandated restrictions in the current period, Cineplex received $1.2 million (2021 - $15.8 million) of subsidies, which offset theatre payroll, non-theatre rent, realty tax and utilities.

For the year to date, the overall increase in other operating expenses from the prior year resulted from the reopening of Cineplex's theatres, LBE businesses and P1AG US and Canada route locations at FEC's and theatres as compared to the closure requirements and capacity restrictions that remained in effect for a majority of the prior year period. The increase was primarily driven by increases in same theatre payroll and theatre operating expenses of $44.4 million and $31.1 million, respectively, as Cineplex's theatres operated for the entire period as compared to government mandated restrictions and closures in the prior year. Similarly, due to increased operating activities at P1AG US and Canadian route locations at FEC's and theatres, Cineplex also recognized P1AG other operating expenses of $66.8 million, an increase of $31.6 million when compared to the prior year. LBE businesses were permitted to operate at increased capacity due to the lifting of government mandated restrictions, resulting in a $20.3 million increase in LBE other operating expenses when compared to the prior year. Cineplex also recognized a $8.1 million increase in SCENE operating costs, and a $8.1 million increase in marketing expenses relating to the presentation of the cost of issuance of Scene+ points. Cineplex received $21.9 million (2021 - $30.2 million) of subsidies in the current period, comprised of $19.5 million (2021 - $24.7 million) of payroll subsidies of which $14.6 million (2021 - $13.1 million) was offset against theatre payroll, and $2.4 million (2021 - $5.5 million) of non-theatre rent, realty tax and utility subsidies.

General and administrative expenses

The following table highlights the movement in general and administrative ("G&A") expenses during the quarter and the year to date, including share-based compensation costs, and G&A net of these costs (in thousands of dollars):

G&A expenses	**Second Quarter**			**Year to Date**		
	2022	**2021**	**Change**	**2022**	**2021**	**Change**
G&A excluding the following items	$ 13,916	$ 9,924	40.2 %	$ 26,604	$ 20,082	32.5 %
Restructuring	12	16	-25.0 %	1,453	476	205.3 %
Transaction / Litigation costs	1,235	2,591	-52.3 %	1,489	5,021	-70.3 %
LTIP (i)	352	1,795	-80.4 %	2,093	3,099	-32.5 %
Option plan	399	445	-10.3 %	916	844	8.5 %
G&A expenses including cash lease payments	**$ 15,914**	**$ 14,771**	**7.7%**	**$ 32,555**	**$ 29,522**	**10.3%**
Cash rent paid/payable included as part of lease obligations (ii)	(592)	(558)	6.1 %	(1,149)	(1,192)	-3.6 %
G&A expenses as reported	**$ 15,322**	**$ 14,213**	**7.8%**	**$ 31,406**	**$ 28,330**	**10.9%**

(i) LTIP includes the expense for RSUs and PSUs, as well as the expense for the executive and Board deferred share unit plans.
(ii) Cash rent paid/payable that has been reallocated to offset the lease obligations.

Second Quarter and Year to Date

G&A expenses increased $1.1 million during the second quarter of 2022 compared to the prior year period. Cineplex recognized $2.8 million of labour subsidies in the second quarter of 2021, and none in the second quarter of 2022, contributing to a net increase of $3.4 million in head office payroll expenses. Cineplex incurred $1.2 million (2021 - $2.6 million) of expenses related to litigation and claims recovery arising from the Cineworld Transaction during the quarter (Section 1.1, Cineworld Transaction).

G&A expenses for the year to date period increased $3.1 million compared to the prior year period. The change was primarily due to $7.5 million higher head office payroll expenses due to $3.7 million lower labour subsidies received. Cineplex received $2.0 million of labour subsidies in 2022, compared to $5.7 million received in 2021. Cineplex incurred year to date costs relating to litigation and claims recovery arising from the Cineworld Transaction of $1.5 million (2021 - $5.0 million) (Section 1.1, Cineworld Transaction).

Share of loss (income) of joint ventures and associates

Cineplex's joint ventures and associates include its 78.2% interest in CDCP (2021 - 78.2%), 50% economic interest in Scene+, 50% interest in one IMAX screen in Ontario (2021 - 50%) and a 50% interest in YoYo's (2021 - 50%).

The following table highlights the components of share of (income) loss of joint ventures and associates during the quarter and the year to date (in thousands of dollars):

Share of loss (income) of joint ventures and associates	**Second Quarter**			**Year to Date**		
	2022	**2021**	**Change**	**2022**	**2021**	**Change**
Share of loss (income) of CDCP	$ 332	$ 1,043	-68.2 %	$ (522)	$ 3,281	NM
Share of loss of Scene LP	21	—	NM	168	—	NM
Share of loss of other joint ventures and associates	31	9	244.4 %	52	185	-71.9%
Total loss (income) of joint ventures and associates	**$ 384**	**$ 1,052**	**-63.5%**	**$ (302)**	**$ 3,466**	**NM**

Second Quarter and Year to Date

During the second quarter of 2022, CDCP stopped charging distributors virtual print fees as part of the planned end of the limited life financing entity. Cineplex recorded a loss from CDCP of $0.3 million during the second quarter and income of $0.5 million for the year to date period. CDCP expects to distribute its assets to its partners during the third quarter 2022, and Cineplex will recognize a return of capital under IAS 28*, Investments in Associates and Joint Ventures.* Any difference between the carrying value of Cineplex's equity interest in CDCP and the fair value of the assets received will be recognized in income.

Interest expense

The following table highlights the movement in interest expense during the quarter and the year to date (in thousands of dollars):

Interest expense	**Second Quarter**			**Year to Date**		
	2022	**2021**	**Change**	**2022**	**2021**	**Change**
Interest expense on long-term debt	$ 15,932	$ 15,701	1.5 %	$ 31,737	$ 28,808	10.2 %
Lease interest expense	14,597	14,590	— %	29,166	28,529	2.2 %
Financing fees	—	—	NM	—	321	NM
Sub-total - cash interest expense	**$ 30,529**	**$ 30,291**	**0.8%**	**$ 60,903**	**$ 57,658**	**5.6%**
Deferred financing fee accretion and other non-cash interest, net	176	177	-0.6 %	346	624	-44.6 %
Accretion expense on Debentures and Notes Payable	4,610	4,021	14.6 %	9,210	7,759	18.7 %
Interest rate swap - non-cash	(6,764)	(1,849)	265.8 %	(17,121)	(5,377)	218.4 %
Sub-total - non-cash interest expense	**(1,978)**	**2,349**	**NM**	**(7,565)**	**3,006**	**NM**
Total interest expense	**$ 28,551**	**$ 32,640**	**-12.5%**	**$ 53,338**	**$ 60,664**	**-12.1%**
Total cash interest paid	**$ 22,246**	**$ 20,085**	**10.8%**	**$ 62,332**	**$ 48,284**	**29.1%**

Second Quarter and Year to Date

Total interest expense decreased $4.1 million for the quarter when compared to the prior year period. The decrease was caused by changes in the fair value of the interest rate swap resulting in a $4.9 million decrease in non-cash interest expense. Cash interest expense relating to the issuance of Notes Payable (Section 6.4, Long-term debt) completed in the first quarter of 2021 and Debentures (Section 6.4, Long-term debt) during the third quarter of 2020, resulted in Notes Payable cash interest expense of $4.7 million (2021 - $4.7 million) and Debentures cash interest of $4.6 million (2021 - $4.5 million). Cineplex recognized accretion expense relating to the issuance of Notes Payable and Debentures of $0.3 million (2021 - $0.3) and $4.3 million (2021 - $3.7 million), respectively.

For the year to date, interest expense decreased $7.3 million compared to the prior year period. The decrease was due to changes in the fair value of the interest rate swap resulting in a $11.7 million decrease in non-cash interest expense. This was partially offset by a $3.0 million increase in cash interest expense primarily relating to the issuance of Notes Payable (Section 6.4, Long-term debt) completed in the first quarter of 2021 and Debentures (Section 6.4, Long-term debt) during the third quarter of 2020, resulting in a Notes Payable cash interest expense of $9.2 million (2021 - $6.4 million) and a Debentures cash interest of $9.0 million (2021 - $9.0 million). Lease interest expense increased by $0.6 million when compared to the prior period as a result of higher incremental borrowing rates due to lease modifications negotiated with landlord partners. Cineplex recognized an accretion expense relating to the issuance of Notes Payable and Debentures of $0.7 million (2021 - $0.4 million) and $8.5 million (2021 - $7.4 million), respectively.

Interest income

Interest income during the quarter and the year to date was as follows (in thousands of dollars):

Interest income	Second Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Interest income	$ 38	$ 108	-64.8%	$ 68	$ 134	-49.3%

Foreign exchange

The following table highlights the movement in foreign exchange during the second quarter of 2022 and the six months ended June 30, 2022 (in thousands of dollars):

Foreign exchange	Second Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Foreign exchange (gain) loss	$ (623)	$ 365	NM	$ (389)	$ 595	-165.4%

Second Quarter and Year to Date

The movement in the foreign exchange during the quarter was due to the change in the CAD/USD foreign exchange month end rate from 1.2496 at March 31, 2022 to 1.2866 at June 30, 2022.

For the six months ended June 30, 2022, the movement in the foreign exchange was due to the increase in the CAD/USD foreign exchange month end rate from 1.2678 at December 31, 2021 to 1.2886 at June 30, 2022.

Change in fair value of financial instruments

The following table highlights the movement in change in fair value of financial instruments during the quarter and the year to date (in thousands of dollars):

Change in fair value of financial instruments	Second Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Loss (gain) on financial instruments recorded at fair value	$ 1,770	$ (800)	NM	$ 5,600	$ (800)	NM

Second Quarter and Year to Date

The loss on financial instruments recorded at fair value in the current period was due to the revaluation of Cineplex's call option relating to the Notes Payable that were issued in the first quarter of 2021 (Section 6.4, Long-term debt).

Income taxes

The following table highlights the movement in current and deferred income tax expense during the quarter and the year to date (in thousands of dollars):

Income taxes	Second Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Provision for income taxes	$ —	$ —	NM	$ (724)	$ 3,339	NM

Second Quarter and Year to Date

At December 31, 2020 the recoverability of the net deferred income tax assets in the normal course of business was uncertain and accordingly the net deferred tax assets were derecognized. Cineplex will evaluate the likelihood of recoverability in the ordinary course of business at each balance sheet date, and will recognize net deferred tax assets when and if appropriate. Cineplex has not recognized any deferred tax assets and has not reversed any previously derecognized deferred tax assets as at June 30, 2022.

The 2022 current tax recovery represents the expected tax refund as a result of losses realized in 2021 that have been carried back to offset prior period taxable income, in excess of the 2021 tax provision.

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

By Notice of Reassessment ("NOR") dated January 22, 2019, the Canada Revenue Agency ("CRA"), disallowed the deduction of $26.6 million 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 $8.6 million, 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.

4.3. NET INCOME (LOSS), EBITDA AND ADJUSTED EBITDAaL (see Section 17, Non-GAAP and other financial measures)

The following table presents net loss, EBITDA, adjusted EBITDA and adjusted EBITDAaL for the six months ended June 30, 2022 as compared to the prior year period (expressed in thousands of dollars, except adjusted EBITDAaL margin):

NET INCOME (LOSS), EBITDA AND ADJUSTED EBITDAaL	Second Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Net income (loss)	$ 1,313	$(103,704)	NM	$ (40,912)	$(193,392)	-78.8%
Net income (loss) as a percentage of sales	0.4 %	(159.7)%	160.1%	(7.1)%	(181.9)%	174.8%
EBITDA	$ 80,963	$ (17,700)	NM	$ 113,926	$ (20,224)	NM
Adjusted EBITDA	$ 77,939	$ (16,902)	NM	$ 114,414	$ (47,007)	NM
Adjusted EBITDAaL	$ 35,764	$ (53,165)	NM	$ 30,045	$(115,255)	NM
Adjusted EBITDAaL margin	10.2 %	(81.9)%	92.1%	5.2 %	(108.4)%	113.6%

Second Quarter and Year to Date

Net income and adjusted EBITDAaL for the second quarter of 2022 was $1.3 million and $35.8 million, respectively, as compared to a net loss of $103.7 million and an adjusted EBITDAaL loss of $53.2 million, respectively, in the prior year period. The removal of operating restrictions on Cineplex's theatres and LBE venues across Canada, resulted in significantly improved performance when compared to the prior year period.

Net loss and adjusted EBITDAaL for the six months ended June 30, 2022 was $40.9 million and $30.0 million, respectively, as compared to a net loss of $193.4 million and an adjusted EBITDAaL loss of $115.3 million, respectively, in the prior year period. The movement in both net loss and adjusted EBITDAaL was due to the removal of operating restrictions on Cineplex theatres and LBE venues across Canada, compared to operating restrictions that remained in effect for a majority of the prior year period.

5. BALANCE SHEETS

The following sets out significant changes to Cineplex's consolidated balance sheets during the six months ended June 30, 2022 as compared to December 31, 2021 (in thousands of dollars):

	June 30, 2022	December 31, 2021	Change ($)	Change (%)
Assets				
Current assets				
Cash and cash equivalents	$ 26,584	$ 26,938	$ (354)	-1.3%
Trade and other receivables	66,498	80,679	(14,181)	-17.6%
Income taxes receivable	2,713	1,984	729	36.7%
Inventories	29,893	24,899	4,994	20.1%
Prepaid expenses and other current assets	15,322	13,365	1,957	14.6%
Fair value of interest rate swap agreements	482	—	482	NM
	141,492	147,865	(6,373)	-4.3%
Non-current assets				
Property, equipment and leaseholds	435,462	464,439	(28,977)	-6.2%
Right-of-use assets	733,166	768,675	(35,509)	-4.6%
Fair value of interest rate swap agreements	3,482	—	3,482	NM
Interests in joint ventures	2,475	7,423	(4,948)	-66.7%
Intangible assets	80,871	81,651	(780)	-1.0%
Goodwill	635,686	635,545	141	—%
Derivative financial instrument	3,640	9,240	(5,600)	-60.6%
	$ 2,036,274	$ 2,114,838	$ (78,564)	-3.7%
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	$ 146,399	$ 157,950	$ (11,551)	-7.3%
Income taxes payable	1,923	1,945	(22)	-1.1%
Deferred revenue and other	275,598	293,206	(17,608)	-6.0%
Lease obligations	98,354	101,058	(2,704)	-2.7%
Fair value of interest rate swap agreements	—	8,063	(8,063)	-100.0%
	522,274	562,222	(39,948)	-7.1%
Non-current liabilities				
Share-based compensation	4,597	4,940	(343)	-6.9%
Long-term debt	782,421	739,211	43,210	5.8%
Fair value of interest rate swap agreements	—	6,160	(6,160)	-100.0%
Lease obligations	967,191	1,004,465	(37,274)	-3.7%
Post-employment benefit obligations	9,206	9,973	(767)	-7.7%
Other liabilities	6,911	7,590	(679)	-8.9%
	2,292,600	2,334,561	(41,961)	-1.8%
Shareholders' deficit				
Total shareholders' deficit	(256,326)	(219,723)	(36,603)	16.7%
	$ 2,036,274	$ 2,114,838	$ (78,564)	-3.7%

Cash and cash equivalents. Cash and cash equivalents includes operations petty cash and outstanding deposits and fluctuates with business activities.

Trade and other receivables. The decrease in trade and other receivables is primarily due to the collection of receivables from the sales of gift cards, vouchers and media sales from the 2021 holiday period. December represents the highest volume month for gift card and voucher sales is one of the strongest months for media during the year.

Income taxes receivable. The increase in income taxes receivable is primarily due to expected tax refunds resulting from loss carrybacks realized in 2021 to offset taxable income in prior years.

Inventories. The increase in inventories is primarily due to higher business volumes resulting from the entire circuit of theatres and LBE venues operating at full capacity without restrictions.

Prepaid expenses and other current assets. The increase in prepaid expenses and other current assets is primarily due to technology service contracts extending into the next period and real estate and business taxes that are paid in the first and second quarters and expensed over the applicable period.

Property, equipment and leaseholds. The decrease in property, equipment and leaseholds is due to amortization expense ($48.1 million), asset dispositions ($0.2 million), and foreign exchange impact ($0.3 million). This is offset by additions to new build and other capital expenditures ($11.8 million) and maintenance capital expenditures ($7.3 million). As Cineplex's businesses continue to recover and return to profitability, reversal of previously recognized impairments may be appropriate.

Right-of-use assets. The decrease in right-of-use assets is due to amortization expense ($48.7 million), asset dispositions ($0.1 million), and foreign exchange impact ($0.1 million), partially offset by lease additions ($4.6 million), and lease modifications ($8.7 million). As Cineplex's businesses continue to recover and return to profitability, reversal of previously recognized impairments may be appropriate.

Interests in joint ventures. The decrease in interest in joint ventures is primarily due to $5.3 million cash received from CDCP during the second quarter of 2022. This was partially offset by the $0.3 million equity income realized from its investment in joint ventures.

Intangible assets. The decrease in intangible assets is due to amortization expense ($5.4 million), partially offset by the capitalization of software development costs ($4.6 million).

Derivative financial instrument. The decrease in derivative financial instrument is due to the change in fair value of the Notes Payable prepayment option.

Accounts payable and accrued expenses. The decrease in accounts payable and accrued liabilities is primarily due to the settlement of year end liabilities.

Share-based compensation. The decrease in share-based compensation is primarily due to the decrease in Share price, which was $10.81 per Share at June 30, 2022 as compared to $13.61 at December 31, 2021 (see Section 8, Share activity).

Income taxes payable. The decrease in income taxes payable reflects the effects of changes in exchange rates.

Deferred revenue and other. The deferred revenue decrease is primarily due to the redemption of gift cards and vouchers in excess of current period sales. In addition, as a result of the SCENE reorganization, Scene+ point issuances are no longer proportionately consolidated as of December 2021.

Lease obligations. The decrease in lease obligations is primarily due to the payment of lease obligations, partially offset by additions and lease modifications.

Fair value of interest rate swap agreements. Represents the fair values of Cineplex's outstanding interest rate swap agreements (see Section 6.4, Long-term debt).

Long-term debt. Long-term debt consists of the Credit Facilities, Debentures and Notes Payable. The increase in long-term debt is primarily due to an increase in borrowings under the Credit Facilities and the accretion of the Debentures and Notes Payable (Section 6.4, Long-term debt).

6. LIQUIDITY AND CAPITAL RESOURCES

6.1. OPERATING ACTIVITIES

Cash flow is generated primarily from film entertainment (the sale of admission tickets and food service sales), media sales and services, amusement and leisure (amusement and food service sales) and other revenues. Generally, this provides Cineplex with positive working capital, since certain cash revenues are normally collected in advance of the payment of certain expenses. Box office revenues are directly related to the success and appeal of the film product produced and distributed by the studios. The following table highlights the movements in cash from operating activities for the three and six months ended June 30, 2022 and 2021 (in thousands of dollars):

Cash flows provided by (used in) operating activities	**Second Quarter**			**Year to Date**		
	2022	**2021**	**Change**	**2022**	**2021**	**Change**
Net income (loss) from operations	$ 1,313	$ (103,704)	$ 105,017	$ (40,912)	$ (193,392)	$ 152,480
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation and amortization of other assets (i)	26,651	27,735	(1,084)	53,543	57,244	(3,701)
Depreciation of right-of-use assets	24,486	25,737	(1,251)	48,749	52,055	(3,306)
Unrealized foreign exchange	(488)	245	(733)	(336)	456	(792)
Interest rate swap agreements - non-cash interest	(6,764)	(1,849)	(4,915)	(17,121)	(5,377)	(11,744)
Accretion of convertible debentures	4,610	4,021	589	9,210	7,759	1,451
Other non-cash interest (ii)	176	177	(1)	346	624	(278)
(Gain) loss on disposal of assets	(4,650)	179	(4,829)	(4,493)	(29,881)	25,388
Non-cash Share-based compensation	1,559	1,194	365	3,696	1,818	1,878
Change in fair value of financial instrument	1,770	(800)	2,570	5,600	(800)	6,400
Net change in interests in joint ventures and associates	(391)	1,576	(1,967)	(370)	4,792	(5,162)
Changes in operating assets and liabilities	(1,120)	62,622	(63,742)	(16,197)	86,203	(102,400)
Net cash provided by (used in) operating activities	**$ 47,152**	**$ 17,133**	**$ 30,019**	**$ 41,715**	**$ (18,499)**	**$ 60,214**
(i) Includes depreciation of property, equipment and leaseholds and amortization of intangible assets.						
(ii) Includes accretion of asset retirement obligations and non-cash interest costs on lease obligations.						

Second Quarter

Cash provided by operating activities during the second quarter of 2022 was $47.2 million as compared to $17.1 million in the prior year period. The movement was primarily due to Cineplex's improved operating results arising from Cineplex's theatre and LBE venues operating at full capacity as remaining government mandated closure requirements and capacity restrictions were lifted. In contrast, a majority of Cineplex's theatres and LBE venues were closed or were operating at significantly reduced capacity levels in the prior year comparative period.

Year to Date

Cash provided by operating activities during the six months ended June 30, 2022 was $41.7 million as compared to cash used by operating activities of $18.5 million in the prior year period. The increase was primarily due to significant increases in revenues from box office and food service sales as a result of increased operations, compared to closures or operating restrictions that remained in effect for a majority of the prior year comparative period.

6.2. INVESTING ACTIVITIES

The following table highlights the movements in cash used in investing activities for the three and six months ended June 30, 2022 and 2021 (in thousands of dollars):

Cash flows (used in) provided by investing activities	Second Quarter 2022	Second Quarter 2021	Second Quarter Change	Year to Date 2022	Year to Date 2021	Year to Date Change
Proceeds from disposal of assets, net	$ 1,653	$ 3,252	$ (1,599)	$ 1,670	$ 59,916	$ (58,246)
Purchases of property, equipment and leaseholds	(12,538)	(5,026)	(7,512)	(22,140)	(13,741)	(8,399)
Intangible assets additions	(2,608)	(1,992)	(616)	(4,781)	(5,078)	297
Tenant inducements	43	2,005	(1,962)	605	5,665	(5,060)
Net cash received from joint ventures and associates	5,318	—	5,318	5,318	—	5,318
Net cash (used in) provided by investing activities	**$ (8,132)**	**$ (1,761)**	**$ (6,371)**	**$ (19,328)**	**$ 46,762**	**$ (66,090)**

Second Quarter

Cash used in investing activities during the second quarter of 2022 was $8.1 million, as compared to $1.8 million in the prior year period. The movement was primarily due to increased capital spend on previously committed projects, which was partially offset by cash received from CDCP.

Year to Date

Cash used in investing activities during the six months ended June 30, 2022 was $19.3 million as compared to cash provided by investing activities of $46.8 million. The decrease was primarily due to cash proceeds received in the prior year period from the sale of Cineplex's head office building, which was partially offset by cash received from CDCP.

Cineplex's management continues to focus on managing capital expenditures and believes that it has adequate liquidity to fund operations for the anticipated duration of the pandemic in the regions in which Cineplex operates. Components of capital expenditures include (in thousands of dollars):

Capital expenditures	Second Quarter 2022	Second Quarter 2021	Second Quarter Change	Year to Date 2022	Year to Date 2021	Year to Date Change
Gross capital expenditures	$ 12,538	$ 5,026	$ 7,512	$ 22,140	$ 13,741	$ 8,399
Less: tenant inducements	(43)	(2,005)	1,962	(605)	(5,665)	5,060
Net capital expenditures	**$ 12,495**	**$ 3,021**	**$ 9,474**	**$ 21,535**	**$ 8,076**	**$ 13,459**
Net capital expenditures consists of:						
Growth and acquisition capital expenditures (i)	$ 6,711	$ 2,739	$ 3,972	$ 8,824	$ 8,435	$ 389
Tenant inducements	(43)	(2,005)	1,962	(605)	(5,665)	5,060
Media growth capital expenditures	—	1,151	(1,151)	770	1,189	(419)
Premium formats (ii)	1,306	(10)	1,316	1,631	(151)	1,782
Amusement and leisure growth capital expenditures (excluding LBE build expenditures)	413	54	359	548	301	247
Maintenance capital expenditures	4,807	483	4,324	7,338	737	6,601
Other (iii)	(699)	609	(1,308)	3,029	3,230	(201)
	$ 12,495	**$ 3,021**	**$ 9,474**	**$ 21,535**	**$ 8,076**	**$ 13,459**

(i) Growth and acquisition capital expenditures include expenditures on the construction of new locations (including VIP cinemas) and other Board approved growth projects with the exception of premium formats, media growth, and amusement gaming and leisure growth capital expenditures.

(ii) Premium formats include capital expenditures for recliner seating, IMAX, UltraAVX, 3D, 4DX and ScreenX.

(iii) Primary component of Other is the impact of the timing of cash payments relating to the purchases of property, equipment and leaseholds.

6.3. FINANCING ACTIVITIES

The following table highlights the movements in cash from financing activities for the three and six months ended June 30, 2022 and 2021 (in thousands of dollars):

Cash flows used in financing activities	Second Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
(Repayments) borrowings under credit facility, net	$ (9,000)	$ 13,000	$ (22,000)	34,000	(221,000)	$ 255,000
Repayments of lease obligations - principal	(27,428)	(19,086)	(8,342)	(56,695)	(38,543)	(18,152)
Exercise of cash option	79	—	79	113	—	113
Insurance of notes payable, net	—	—	—	—	243,996	(243,996)
Financing fees	—	—	—	—	(321)	321
Net cash used in financing activities	**$ (36,349)**	**$ (6,086)**	**$ (30,263)**	**$ (22,582)**	**$ (15,868)**	**$ (6,714)**

Second Quarter

Cash flows used in financing activities were $36.3 million during the second quarter of 2022, as compared to $6.1 million in the prior year period. The movement was mainly due to repayments under the Credit Facilities and higher rent payments due to lower abatements received from landlords.

Year to Date

Cash flows used in financing activities for the six months ended June 30, 2022 was $22.6 million, as compared to $15.9 million in the prior year period. The movement is due to increased rent payments in the current period due to lower abatements received from landlords. This was partially offset by increased borrowings in the current period. In the prior year period, the proceeds of the Notes Payable were used to repay the Credit Facilities ($100.0 million of which was a permanent repayment).

In response to the impact of the COVID-19 pandemic, Cineplex is closely monitoring its liquidity. Details with respect to its ongoing measures to maximize liquidity are detailed in Section 1.1, COVID-19 business impacts, risks and liquidity.

6.4. LONG-TERM DEBT

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, 2022, the Credit Facilities consisted of the following (in millions of dollars), subject to amendments described below pursuant to the Credit Agreement Amendments described below:

	Available	Drawn	Reserved	Remaining
Revolving Facility	$ 541.7	$ 294.0	$ 10.1	$ 237.6
Letters of credit outstanding at June 30, 2022 of $10.1 million 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, LIBOR or bankers' acceptances rates plus, in each case, an applicable margin to those rates. The Revolving Facility matures in November 2023. Borrowings on the Revolving Facility can be made in either Canadian or US dollars.

Cineplex's Credit Facilities contain restrictive covenants that limit the discretion of Cineplex's management with respect to certain business matters. These covenants place limits and restrictions on, among other things, the ability of Cineplex to create liens or other encumbrances, to pay dividends or make certain other payments, minimum liquidity covenants, anti-hoarding provisions, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. The Credit Facilities are secured by all of Cineplex's assets. The Revolving Facility is drawn upon and repaid on a regular basis and as such is presented on a net basis in the Statement of Cash flows.

On June 29, 2020, Cineplex entered into the First Credit Agreement Amendment, following which, on November 12, 2020 Cineplex entered into the Second Credit Agreement Amendment, on February 8, 2021 Cineplex entered into the Third Credit Agreement Amendment, on December 30, 2021 Cineplex entered into the Fourth Credit Agreement Amendment and on August 10, 2022 Cineplex entered into the Fifth Credit Agreement Amendment (Section 15, Subsequent events). The amendments provided certain financial covenant relief in light of the COVID-19 pandemic and its effects on Cineplex's businesses, while applying additional restrictive covenants and required repayments in certain circumstances.

The following is a summary of the key terms of the Third Credit Agreement Amendment entered into on February 8, 2021 that are updated from the First and Second Credit Agreement Amendments (certain of which have been modified further by the Fourth Credit Agreement Amendment described below):

- The following amendments to the Credit Facilities became effective upon the completion of the issuance of $250.0 million Notes Payable during the first quarter of 2021:

    - The suspension of financial covenant testing was extended until the fourth quarter of 2021. On resumption of financial covenant testing in the fourth quarter of 2021:
        - for the fourth quarter of 2021, testing was based on an annualized calculation of Adjusted EBITDA (as further adjusted in accordance with the Credit Agreement definitions) based on the actual results for such quarter;
        - for the quarter ended on March 31, 2022, testing was based on an annualized calculation of Adjusted EBITDA based on actual results for the fourth quarter of 2021 and the first quarter of 2022 multiplied by 2; and
        - for the quarter ended on June 30, 2022, testing was based on an annualized calculation of Adjusted EBITDA for the fourth quarter of 2021, the first quarter of 2022 and the second of 2022 multiplied by 4/3.
    - Thereafter, testing will be based on an annualized calculation of the cumulative Adjusted EBITDA on a trailing four fiscal quarter basis;
    - The Total Leverage Ratio of 3.75x will apply when financial covenants are reinstated, and will be reduced until the third quarter of 2022 at which point it will reach a level of 3.00x;
    - The liquidity covenant will continue and be amended and extended beginning in February 2021, through to and including December 2021, requiring available liquidity as defined on a monthly basis (November 1, 2020 through January 31, 2021 - $100.0 million; February 2021 - $75.0 million; March 2021 - $60.0 million; April 1, 2021 through December 31, 2021 - $100.0 million);
    - The addition of a Senior Leverage Ratio to be based on annualized Adjusted EBITDA and set at 1.0x lower than the Total Leverage Ratio. Senior Leverage Ratio to be defined as (i) Total Debt (as defined in the Credit Agreement) less any Notes Payable to (ii) Adjusted EBITDA;
    - Effective with the fourth quarter of 2021, additional growth capital expenditures will be subject to pro-forma Total Leverage covenant of 2.75x (both prior to and immediately after giving effect to any such growth capital expenditure) based on actual last 12 months' EBITDA; and
    - Distributions continue to be blocked during the extended financial covenant suspension period and only permitted when the Total Leverage ratio is less than 2.75x (both prior to and immediately after giving effect to any such distribution).

On December 30, 2021, Cineplex entered into the Fourth Credit Agreement Amendment, which, among other things, extended the suspension of financial covenant testing until the second quarter of 2022 and liquidity covenant requirement until June 30, 2022. The following is a summary of the key terms of the Fourth Credit Agreement Amendment:

- The suspension of financial covenant testing was extended until the second quarter of 2022. On resumption of financial covenant testing in the second quarter of 2022:
    - for the second quarter of 2022, testing was based on an annualized calculation of Adjusted EBITDA (as further adjusted in accordance with the Credit Agreement definitions) based on the actual results for such quarter multiplied by 4;
    - for the quarter ending on September 30, 2022, testing will be based on an annualized calculation of Adjusted EBITDA based on actual results for the second quarter of 2022 and the third quarter of 2022 multiplied by 2; and
    - for the quarter ending on December 31, 2022, testing will be based on an annualized calculation of Adjusted EBITDA based on the actual results of the second quarter of 2022, the third quarter of 2022 and the fourth quarter of 2022 multiplied by 4/3.
- Thereafter, testing will be based on an annualized calculation of the cumulative Adjusted EBITDA on a trailing four fiscal quarter basis;
- The Total Leverage Ratio of 3.75x will apply when financial covenants are reinstated, and will be reduced quarterly by 0.25x until the first quarter of 2023 at which point it will reach a level of 3.00x;
- The liquidity covenant will continue and be amended requiring available liquidity (as defined) to be maintained at all times at no less than $100.0 million;
- The Senior Leverage Ratio to be based on annualized Adjusted EBITDA and set at 1.0x lower than the Total Leverage Ratio. Senior Leverage Ratio is defined as (i) Total Debt (as defined in the Credit Agreement) less any Notes Payable to (ii) Adjusted EBITDA; and
- From and after April 1, 2022, a fixed charge coverage ratio of greater than 1.25x will apply.

During the first quarter of 2021, Cineplex completed a sale-leaseback transaction for its head office buildings located at 1303 Yonge Street and 1257 Yonge Street, Toronto, Ontario for gross proceeds of $57.0 million, recognizing a gain of $30.1 million. Net proceeds from the sale, in addition to the net proceeds from the issuance of the Notes Payable (discussed below) were used to repay the Credit Facilities, a portion of which was permanent. As a result, Cineplex permanently repaid the remaining $50.0 million balance of its outstanding Term Facility.

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

Additional transactions focused on enhancing Cineplex's liquidity included amendments to the Credit Facilities that have provided Cineplex with financial covenant relief in light of the COVID-19 pandemic and its effects on Cineplex's businesses, and the issuance of Notes Payable for gross proceeds of $250.0 million. Cineplex used the net proceeds from the issuance of the Notes Payable to permanently repay $50.0 million of its Revolving Facility and $50.0 million of its Term Facility. Cineplex remains focused on exploring other measures to maintain adequate liquidity for the duration of the pandemic and beyond.

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 and letters of credit but does not include Debentures, Notes Payable, the lease obligations arising on the adoption of IFRS 16 or a reduction for cash on hand. For the purposes of the Credit Facilities definition, EBITDA is adjusted for certain non-cash, non-recurring items, excluded subsidiaries and the annualized impact of new operating locations or acquisitions. As at June 30, 2022, Cineplex's Total Leverage Ratio was 3.24x, as compared to a covenant of 3.75x. Cineplex's Senior Leverage Ratio was 1.79x, as compared to a covenant of 2.75x. Cineplex's fixed charge coverage ratio was 1.43x, as compared to a minimum covenant requirement of 1.25x (Section 15, Subsequent events).

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.

The following table outlines Cineplex's current interest rate swap agreements as of June 30, 2022:

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 14, 2025	2.898 %

Cineplex ceased the use of hedge accounting for the interest rate swaps during the fourth quarter of 2019 as a result of the terms of the Arrangement Agreement. The interest rate swaps are 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.

Despite the termination of the Arrangement Agreement, the swaps can only be re-designated on a prospective basis for hedge accounting treatment.

Based on the Credit Agreement in effect at June 30, 2022 Cineplex's effective cost of borrowing on the $450.0 million hedged borrowings was 6.904% (June 30, 2021 - $450.0 million hedged borrowings - 6.904%).

Convertible debentures

On July 17, 2020, Cineplex issued $316.3 million aggregate principal amount of convertible unsecured subordinated debentures, which mature on September 30, 2025 (the "Maturity Date") and bear interest at a rate of 5.75% per annum, payable semi-annually in arrears on September 30 and March 31 in each year.

The Debentures are not redeemable by Cineplex prior to September 30, 2023. On or after September 30, 2023 and prior to September 30, 2024, Cineplex may, at its option, redeem the Debentures in whole or in part from time to time provided that the volume weighted average trading price of the Share 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 $4.6 million (2021 - $4.5 million) and $9.0 million (2021 - $9.0 million), respectively. Furthermore, Cineplex recorded accretion expense during the quarter and year to date period of $4.3 million (2021 - $3.7 million) and $8.5 million (2021 - $7.4 million), respectively, both of which are included as part of the interest expense in the consolidated statement of operations. As at June 30, 2022, Cineplex has $316.3 million 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

On February 26, 2021, Cineplex completed the $250.0 million 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 $4.7 million (2021 - $4.7 million) and $9.2 million (2021 - $6.4 million), respectively. Furthermore, Cineplex recorded accretion expense during the quarter and year to date period of $0.3 million (2021 $0.3 million) and $0.7 million (2021 - $0.4 million), respectively, both of which are included as part of interest expense in the consolidated statement of operations As at June 30, 2022, Cineplex has $250.0 million principal amount of Notes Payable outstanding. Cineplex's derivative financial instrument 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 $3.6 million as at June 30, 2022, which is presented on the consolidated balance sheets.

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.

6.5. FUTURE OBLIGATIONS

Cineplex has aggregate gross capital commitments of $64.7 million ($49.6 million net of tenant inducements) related to the completion of construction of five operating locations including both theatres and location-based entertainment locations.

As a result of the negative impact of COVID-19 on its business, Cineplex continues to focus on reducing capital expenditures and believes that it has adequate liquidity to fund operations. Management will continue to assess its future capital spending taking into consideration its legal commitments, restrictions imposed by the Credit Facilities (as amended) and requirements of the business on a short and long-term basis.

Cineplex conducts a significant part of its operations in leased premises. Cineplex's leases generally provide for minimum rent and a number of the leases also include percentage rent based primarily upon sales volume. Cineplex's leases may also include escalation clauses, guarantees and certain other restrictions, and generally require it to pay a portion of the real estate taxes and other property operating expenses. Initial lease terms generally range from 15 to 20 years and contain various renewal options, generally in intervals of five to ten years. Effective December 18, 2021, due to the rise of the Omicron variant, capacity restrictions were reinstated in Ontario, Cineplex's largest market, limiting indoor capacity to 50% along with prohibiting the consumption of concessions in theatres. Theatres in Quebec were also mandated to temporarily close effective December 20, 2021. During the beginning of the first quarter of 2022, social gathering restrictions were further modified or reinstituted in several key markets in which Cineplex operates, resulting in theatre closures in Ontario. Cineplex was also required to temporarily close or reduce capacity in other provinces. Effective January 29, 2022, January 31, 2022 and February 7, 2022, theatres in New Brunswick, Ontario and Quebec were permitted to reopen at reduced capacity levels, respectively. During the second quarter of 2022, all remaining capacity restrictions and mask mandates were removed in all markets in which Cineplex operates theatres and LBE venues across Canada. Cineplex is currently operating at full capacity but is continuously monitoring for any government directives on operating capacities.

Cineplex is guarantor under the leases for the remainder of the lease terms for certain theatres that it has sold in the event that the purchaser of the theatres does not fulfill its obligations under the respective lease; nine or fewer of those theatres are still operated by a third-party lease under which Cineplex arguably could be responsible as a guarantor. Cineplex has assessed the fair value of the lease guarantees and determined that the fair value of these guarantees at June 30, 2022 is nominal. As such, no additional amounts have been provided in the consolidated financial statements for these guarantees. Should the purchasers of the theatres fail to fulfill their lease commitment obligations, Cineplex could face a substantial financial burden, which could be mitigated by Cineplex operating any theatres under default.

7. ADJUSTED FREE CASH FLOW AND DIVIDENDS (see Section 17, Non-GAAP and other financial measures)

Cineplex's dividend policy is subject to the discretion of the Board and may vary depending on, among other things, Cineplex's results of operations, cash requirements, financial condition, contractual restrictions, business opportunities, provisions of applicable law and other factors that the Board may deem relevant. As a result of the Arrangement Agreement, Cineplex stopped paying dividends after the monthly dividend that was paid on February 28, 2020. Cineplex does not expect to return to paying dividends until the negative impact of the COVID-19 crisis has been addressed, the contractual restrictions imposed by the terms of its long-term debt agreements permit, and liquidity has improved. Cineplex hereby currently designates all dividends paid or deemed to be paid as "eligible dividends" for purposes of subsection 89(14) of the *Income Tax Act* (Canada), and similar provincial and territorial legislation, unless indicated otherwise.

7.1. ADJUSTED FREE CASH FLOW

Prior to the monthly dividend that was paid on February 28, 2020, Cineplex distributed cash to its shareholders on a monthly basis. The following table illustrates adjusted free cash flow per Share for the three and six months ended June 30, 2022 and 2021 and measures relevant to the discussion of adjusted free cash flow per Share (expressed in thousands of dollars except Shares outstanding):

	Second Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Cash flows provided by (used in) operations	$ 47,152	$ 17,133	175.2%	$ 41,715	$ (18,499)	NM
Net income (loss)	$ 1,313	$ (103,704)	NM	$ (40,912)	$ (193,392)	-78.8%
Standardized free cash flow (i)	$ 36,267	$ 12,141	198.7%	$ 21,245	$ (32,206)	NM
Adjusted free cash flow (i)	$ 21,844	$ (65,947)	NM	$ 99	$ (144,732)	NM
Average number of Shares outstanding	63,360,746	63,339,618	—%	63,353,634	63,337,300	—%
Adjusted free cash flow per Share (i)	$ 0.345	$ (1.041)	NM	$ 0.002	$ (2.285)	NM
(i) Represents a non-GAAP financial measure. See Section 17, Non-GAAP and other financial measures.						

Adjusted free cash flow per Share for the second quarter of 2022 and year to date period increased mainly due to significantly improved operating results with the easing of COVID-19 restrictions on Cineplex's theatres and LBE businesses. During the current period, Cineplex's businesses were permitted to operate at increased capacity levels as remaining government restrictions were lifted, compared to extended closure periods that remained in effect for a majority of the prior year resulting in significantly reduced operations.

7.2. DIVIDENDS

Cineplex has not paid any dividends after the monthly dividend that was paid on February 28, 2020 and is currently restricted from paying any dividends under the Credit Facilities.

The following table outlines Cineplex's distribution and dividend history:

Distribution and dividend history	
Effective Date	**Monthly Distribution/Dividend per Unit/Share**
January 2004 (i)	$0.0958
May 2007	$0.1000
May 2008	$0.1050
May 2011	$0.1075
May 2012	$0.1125
May 2013	$0.1200
May 2014	$0.1250
May 2015	$0.1300
May 2016	$0.1350
May 2017	$0.1400
May 2018	$0.1450
May 2019 - January 2020	$0.1500

(i) Cineplex Galaxy Income Fund, the predecessor to Cineplex ("The Fund") declared and paid distributions at a rate of $0.1050 per month from May 2008 until December 2010. The Fund converted to a corporation on January 1, 2011, at which time distributions ceased and dividends began at the same rate of $0.1050 per month.

8. SHARE ACTIVITY

Share capital at June 30, 2022 and the transactions during the second quarter of 2022 are as follows (expressed in thousands of dollars except Share amounts):

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

	Shares	Amount	
	Number of common shares issued and outstanding	**Common shares**	**Total**
Balance - December 31, 2020	63,333,238	$ 852,379	$ 852,379
Issuance of convertible debentures	8,948	69	69
Balance - June 30, 2021	**63,342,186**	**$ 852,448**	**$ 852,448**

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 3,602,145 provided that no more than 1,904,538 Shares may be issued in aggregate pursuant to the settlement of RSUs and PSUs. Options that were issued under the Legacy Plan and are subsequently cancelled will be available to be issued under the Incentive

Plan. The base Share equivalents granted as RSU and PSU awards attract compounding notional dividends at the same rate as outstanding Shares, which are notionally re-invested as additional base Share equivalents. PSU and RSU awards may be settled in Shares issued from treasury, cash, or a mix of Shares and cash, at Cineplex's option at the time of settlement. Awards outstanding under prior plans shall remain in full force and effect under the prior plans according to their respective terms. Under the prior plans, the effects of changes in estimates of performance results are recognized in the year of change. As at June 30, 2022, 978,703 Shares are available to be issued under the Incentive Plan (2021 - 1,411,853).

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 $0.4 million and $0.9 million with respect to the options during the three and six months ended June 30, 2022 (2021 - $0.4 million and $0.8 million, respectively). In the first quarter of 2021, 165,146 stock options issued under the Legacy Plan were cancelled for total consideration of $60 thousand as part of a voluntary stock option cancellation program that was initiated in the fourth quarter of 2020.

A summary of option activities for the six months ended June 30, 2022 and 2021 is as follows:

	2022			2021	
	Weighted average remaining contractual life (years)	Number of underlying Shares	Weighted average exercise price	Number of underlying Shares	Weighted average exercise price
Options outstanding - January 1	7.44	2,198,805	$ 21.48	2,042,019	25.37
Granted		223,578	13.39	459,501	12.69
Cancelled		—	—	(188,303)	43.90
Forfeited		(163,122)	33.40	(38,620)	21.87
Exercised		(26,309)	8.25	(21,761)	8.25
Options outstanding – end of period	7.35	2,232,952	$ 19.96	2,252,836	$ 21.46

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, 2022, 480,198 options are available for grant.

RSU and PSU awards

	PSU Share equivalents granted	RSU Share equivalents granted	PSU Share equivalents minimum payout	PSU Share equivalents maximum payout
2022 LTIP awards granted in Q1 2022	177,973	284,661	—	355,946
2021 LTIP awards granted in Q2 2021	167,546	315,619	—	335,092
2020 LTIP award granted in Q3 2020	284,214	277,105	—	568,428

During the first quarter of 2022, Cineplex issued 284,661 equity settled RSUs with a fair value $13.39 per unit (total fair value of $3.8 million on issuance) and 177,973 equity settled PSUs with a fair value of $13.39 per unit (total fair value of $2.4 million on issuance). The fair value was assessed based on Cineplex's closing Share price on the grant date. The RSU and PSU awards issued will vest in the fourth quarter of 2024.

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

Incentive Plan costs are estimated at the grant date based on expected performance results then accrued and recognized on a graded basis over the vesting period. Forfeitures are estimated to be nominal, based on historical forfeiture rates. Cineplex recognized compensation expense of $1.2 million and $2.9 million for the three and six month period ended June 30, 2022 (2021 - $0.9 million and $1.3 million, respectively) under the Incentive Plan relating to RSU and PSU awards. At June 30, 2022, $0.3 million (2021 - $0.7 million) was included in share-based compensation liability, and $5.6 million in contributed surplus (2021 - $1.4 million).

Deferred equity units

Members of the Board of Directors and certain officers of Cineplex may elect to defer a portion of their compensation in the form of deferred equity units. For the period ended June 30, 2022, Cineplex recognized compensation recovery of $(0.8) million and $(0.8) million during the three and six month period ended June 30, 2022 (2021 - expense of $0.9 million and $1.8 million, respectively) associated with the deferred equity units. At June 30, 2022, $4.3 million (2021 - $5.0 million) was included in share-based compensation liability.

9. SEASONALITY AND QUARTERLY RESULTS

Historically, Cineplex's revenues have been seasonal, coinciding with the timing of major film releases as the most marketable motion pictures were traditionally released during the summer and holiday seasons in Canada. This caused changes from quarter to quarter in theatre attendance, affecting theatre exhibition and Cinema Media revenues and operating cash flows. The seasonality of theatre attendance has become less pronounced as film studios have have trended to releasing content more evenly throughout the year, but the unexpected emergence of a hit film can impact seasonality results. The timing, quantity, and quality of film releases can have a significant impact on Cineplex's results of operations, and the results of one period are not necessarily indicative of future results. COVID-19 has also impacted the timing of major film releases due to unforeseen production delays related to government imposed restrictions in different countries. Cineplex's diversification into other businesses such as digital media and amusement and leisure, which are not dependent on motion picture content, has contributed to reduce the impact of this seasonality on Cineplex's consolidated results. To meet working capital requirements during lower revenue quarters, Cineplex can draw upon the Revolving Facility, which had $294.0 million drawn and $237.6 million available as of June 30, 2022, subject to restrictions under the Credit Facilities including the liquidity covenant described above (Section 6.4, Long-term debt). In response to the impact of the COVID-19 pandemic, Cineplex is closely monitoring its liquidity. Details with respect to its ongoing measures are detailed in Section 1.1, COVID-19 business impacts, risks and liquidity.

Summary of Quarterly Results (in thousands of dollars except per Share, per patron, theatre attendance and theatre location and screen data, unless otherwise noted):

	2022		2021				2020	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues								
Box office revenues	**$136,372**	$ 79,952	$125,890	$ 94,114	$ 12,498	$ 3,818	$ 7,260	$ 14,531
Food service revenues	**110,637**	68,388	87,244	79,971	13,258	6,525	10,543	15,468
Media revenues	**26,406**	15,545	32,795	14,060	9,401	9,074	12,496	12,825
Amusement revenues	**65,723**	50,424	45,096	53,319	22,184	13,874	13,597	13,236
Other revenues	**10,740**	14,414	8,926	8,916	7,585	8,121	8,556	4,962
	349,878	228,723	299,951	250,380	64,926	41,412	52,452	61,022
Expenses								
Film cost	**69,958**	39,016	61,990	45,838	5,611	1,235	3,151	7,261
Cost of food service	**25,335**	14,857	21,042	16,362	2,867	1,412	3,989	3,680
Depreciation - right-of-use assets	**24,486**	24,263	25,041	25,151	25,737	26,318	28,136	30,539
Depreciation and amortization - other	**26,651**	26,892	27,501	28,297	27,735	29,509	28,750	30,375
(Gain) loss on disposal of assets	**(4,650)**	157	1,576	22	179	(30,060)	(283)	(14,113)
Other costs	**176,741**	138,352	157,970	139,527	73,352	68,705	77,213	78,754
Impairment of long-lived assets and goodwill	**—**	—	3,717	—	—	—	56,175	65,634
	318,521	243,537	298,837	255,197	135,481	97,119	197,131	202,130
Income (loss) before income taxes	**$31,357**	$(14,814)	$ 1,114	$ (4,817)	$(70,555)	$(55,707)	$(144,679)	$(141,108)
Adjusted EBITDA (i)	**$77,939**	$ 36,475	$ 58,328	$ 48,606	$(16,902)	$(30,105)	$(32,097)	$(28,928)
Adjusted EBITDAaL (i)	**$35,764**	$ (5,719)	$ 20,198	$ 10,762	$(53,165)	$(62,090)	$(65,948)	$(46,725)
Net income (loss)	**$ 1,313**	$(42,225)	$(21,778)	$(33,552)	$(103,704)	$(89,688)	$(230,403)	$(121,209)
EPS - basic and diluted	**$ 0.02**	$ (0.67)	$ (0.34)	$ (0.53)	$ (1.64)	$ (1.42)	$ (3.64)	$ (1.91)
Cash provided by (used in) operating activities	**$47,152**	$ (5,437)	$ 27,480	$ 52,023	$ 17,133	$(35,632)	$(61,041)	$(86,558)
Cash (used in) provided by investing activities	**(8,132)**	(11,196)	(3,937)	(2,374)	(1,761)	48,523	50,492	11,384
Cash (used in) provided by financing activities	**(36,349)**	13,767	(25,067)	(50,191)	(6,086)	(9,782)	12,977	74,252
Effect of exchange rate differences on cash	**(181)**	22	(9)	(189)	413	140	650	292
Net change in cash	**$ 2,490**	$ (2,844)	$ (1,533)	$ (731)	$ 9,699	$ 3,249	$ 3,078	$ (630)
BPP (ii)	**$ 12.29**	$ 12.00	$ 12.29	$ 11.38	$ 10.89	$ 9.20	$ 9.23	$ 9.30
CPP (ii)	**$ 8.84**	$ 8.82	$ 7.49	$ 8.58	$ 7.86	$ 6.12	$ 9.06	$ 7.37
Film cost percentage (ii)	**51.3 %**	48.8 %	49.2 %	48.7 %	44.9 %	32.3 %	43.4 %	50.0 %
Theatre attendance (in thousands of patrons) (ii)	**11,092**	6,661	10,245	8,272	1,148	415	786	1,563
Theatre locations (at period end)	**159**	159	160	161	160	161	162	164
Theatre screens (at period end)	**1,640**	1,640	1,652	1,656	1,651	1,657	1,667	1,687

(i) Represents a non-GAAP financial measure. See Section 17, Non-GAAP and other financial measures.

(ii) Represents a supplementary financial measure. See Section 17, Non-GAAP and other financial measures.

Summary of adjusted free cash flow by quarter

Management calculates adjusted free cash flow per Share as follows (see Section 17, Non-GAAP and other financial measures, for a discussion of adjusted free cash flow) (in thousands of dollars except per Share data and number of Shares outstanding):

	2022		2021				2020	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Cash (used in) provided by operating activities	**$ 47,152**	$ (5,437)	$ 27,480	$ 52,023	$ 17,133	$ (35,632)	$ (61,041)	$ (86,558)
Less: Total capital expenditures net of proceeds on sale of assets	**(10,885)**	(9,585)	(4,985)	(1,603)	(4,992)	(8,715)	(10,099)	(11,418)
Standardized free cash flow	**36,267**	(15,022)	22,495	50,420	12,141	(44,347)	(71,140)	(97,976)
Add/(Less):								
Changes in operating assets and liabilities	**1,120**	15,077	1,405	(32,640)	(62,622)	(23,581)	67,257	34,894
Changes in operating assets and liabilities of joint ventures	**775**	(707)	307	(31)	(524)	(802)	(2,699)	372
Principal component of lease obligations	**(27,428)**	(29,267)	(25,525)	(24,191)	(19,086)	(19,457)	(32,323)	(24,811)
Principal portion of cash rent paid not pertaining to current period	**(381)**	1,143	(737)	—	(369)	1,106	(357)	(357)
Growth capital expenditures and other	**6,078**	7,054	(350)	736	4,511	8,461	8,928	10,801
Share of income of joint ventures, net of non-cash depreciation	**95**	(23)	(622)	(47)	2	(165)	(196)	(255)
Net cash received from CDCP	**5,318**	—	1,995	—	—	—	—	—
Adjusted free cash flow	**$ 21,844**	$ (21,745)	$ (1,032)	$ (5,753)	$ (65,947)	$ (78,785)	$ (30,530)	$ (77,332)
Average number of Shares outstanding	**63,360,746**	63,346,444	63,343,223	63,342,557	63,339,618	63,334,317	63,333,238	63,333,238
Adjusted free cash flow per Share	**$ 0.345**	$ (0.343)	$ (0.016)	$ (0.091)	$ (1.041)	$ (1.244)	$ (0.482)	$ (1.221)

10. RELATED PARTY TRANSACTIONS

Cineplex may have transactions in the normal course of business with entities whose management, directors or trustees are also directors of Cineplex. Any such transactions are in the normal course of operations and are measured at market-based exchange amounts. Unless otherwise noted, these transactions are not considered related party transactions for financial statement purposes.

11. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTIES

Cineplex makes estimates and assumptions concerning the future that may not equal actual results. The following are the estimates and judgments applied by management that most significantly impact Cineplex's consolidated financial statements. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Goodwill and long lived assets- recoverable amount

Cineplex tests at least annually whether goodwill suffered any impairment. Assessment of impairment for long-lived assets, including property, equipment, leaseholds, right-of-use assets, intangible assets and goodwill is performed more frequently as specific events or circumstances dictate triggering events and changes in circumstances indicate that the carrying amount of the asset group may not be fully recoverable. Management makes key assumptions and estimates in determining the recoverable amount of its long lived assets and groups of CGUs' goodwill, including attendance and the related revenue growth rates, variable and fixed cash flows, operating margins and discount rates.

At the end of each future reporting period Cineplex will assess whether there are indications that the impairment loss recognized for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Company will estimate the recoverable amount of that asset and may reverse previously recorded impairment.

Financial instruments - fair value of over-the-counter derivatives

Cineplex's over-the-counter derivatives include interest rate swaps used to economically hedge exposure to variable cash flows associated with interest payments on Cineplex's borrowings. Management estimates the fair values of these derivatives as the present value of expected future cash flows to be received or paid, based on available market data, which includes market yields and counterparty credit spreads. Cineplex also has a prepayment option on the Notes Payable. The fair market value of prepayment option on Notes Payable was determined using an option pricing model with observable market inputs consistent with accepted methods for valuing financial instruments.

Revenue recognition - gift cards

Management estimates the value of gift cards that are not expected to be redeemed by customers, based on the terms of the gift cards and historical redemption patterns, including industry data. The estimates are reviewed annually, or when evidence indicates the existing estimate is not valid.

Revenue recognition - Scene+

The timing and number of points redeemed by Scene+ members affects the timing and amount of both revenue and cost of redemptions recognized by Cineplex. If the number of points actually redeemed by members is lower than Cineplex's estimate of points expected to be redeemed, the estimate of average revenue per point will be prospectively revised, and net income would be higher over time.

Income taxes

The timing of reversal of timing differences and the expected income allocation to various tax jurisdictions within Canada affect the effective income tax rate used to compute the deferred income tax asset. Management will assess the recoverability of deferred tax assets as economic conditions improve. There are material uncertainties relating to the recoverability of losses incurred in the current year. Accordingly, no deferred tax assets were recognized in the current period. Management estimates the reversals and income allocation based on historical and budgeted operating results and income tax laws existing at the consolidated balance sheet dates. In addition, management occasionally estimates the current or future deductibility of certain expenditures, affecting current or deferred income tax balances and expenses.

Fair value of identifiable assets acquired and liabilities assumed in business combinations

Significant judgment is required in the identifying tangible and intangible assets and liabilities of the acquired businesses, as well as determining their fair values.

Share-based compensation

Management is required to make certain assumptions and to estimate future financial performance to estimate the fair value of share-based awards at each consolidated balance sheet date. The LTIP and Incentive Plan requires management to estimate future non-GAAP earnings measures, future revenue growth relative to specified industry peers, and total shareholder return, both absolutely and relative to specified industry peers. Future non-GAAP earnings are estimated based on current projections, updated at least annually, taking into account actual performance since the grant of the award. Future revenue growth relative to peers is based on historical performance and current projections, updated at least annually for actual performance since the grant of the award by Cineplex and its peers. Total shareholder return for Cineplex and its peers is updated at each consolidated balance sheet date based on financial models, taking into account financial market observable inputs.

Lease terms

Some leases of property contain extension options exercisable by Cineplex up to one year before the end of the non-cancellable contract period. Where practicable, Cineplex seeks to include extension options in new leases to provide operational flexibility. In determining the lease term, Cineplex considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed upon a trigger by a significant event or a significant change in circumstances.

12. ACCOUNTING POLICIES

Basis of preparation and measurement

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

Accounting standards issued

IFRS 16, Leases ("IFRS 16") - Amendment

The International Accounting Standards Board ("IASB") extended by one year, the application period of the practical expedient in IFRS 16, *Leases,* for COVID-19 related rent concessions. The IASB has extended the relief by one year to cover rent concessions that reduce only lease payments due on or before June 30, 2022. The amendment is effective for annual reporting periods beginning on or after April 1, 2021.

Cineplex will not apply the practical expedient to lease concessions.

13. RISKS AND UNCERTAINTIES

Cineplex is exposed to a number of risks and uncertainties in the normal course of business that have the potential to affect operating performance. Cineplex has operating and risk management strategies and insurance programs to help minimize these operating risks and uncertainties. In addition, Cineplex has entity level controls and governance procedures including a corporate code of business conduct and ethics, whistle blowing procedures, clearly articulated corporate values and detailed policies outlining the delegation of authority within Cineplex.

Cineplex conducts an annual enterprise risk management assessment which is overseen by Cineplex's executive management team and the Audit Committee, and is reported to the Board. The enterprise risk management framework sets out principles and tools for identifying, evaluating, prioritizing and managing risk effectively and consistently across Cineplex. On an annual basis, all members of senior management participate in a detailed review of enterprise risk in four major categories: environment risks, process risks, information risks and business unit risks. The results of such analysis are presented to the Audit Committee for their review and then reviewed with the whole of the Board. In addition, Cineplex monitors risks and changing economic conditions on an ongoing basis and adapts its operating strategies as required.

This section describes the principal risks and uncertainties that could have a material adverse effect on Cineplex's business and financial results. The risks and uncertainties described below are not the only risks that may impact Cineplex's business. Additional risks not currently known to Cineplex or that management currently believes are immaterial may also have a material adverse effect on future business and operations. Any discussion about risks should be read in conjunction with "Forward-Looking Statements".

Impact of COVID-19 on the Business, Financial Condition and Results of Operations of Cineplex

The outbreak of the COVID-19 pandemic has had an unprecedented impact on all of Cineplex's business segments. As an entertainment company that operates in spaces where guests gather in close proximity, including theatres and LBE venues, Cineplex has been significantly impacted by the actions taken to control the spread of COVID-19. On March 16, 2020, Cineplex announced the temporary closure of all of its theatres and LBE venues across Canada, as well as substantially all route locations operated by P1AG. On April 1, 2020, in response to applicable government directives and guidance from Canadian public health authorities, Cineplex announced that the closure of its theatres and LBE venues across Canada would remain in effect and that the reopening of such locations would be reassessed as further guidance was provided by Canadian public health authorities and applicable government authorities. Although restrictions on social gatherings were temporarily lifted in many of the markets in which Cineplex operated over the summer and into the fall of 2020, social gathering restrictions were reinstituted in the late fall and winter with the increased number of COVID-19 cases and the onset of a third wave in the latter half of the first quarter of 2021, involving more transmissible variants. As of July 17, 2021, Cineplex had reopened its entire circuit of theatres after months of extended closure periods, subject to capacity limitations. The reopening included Cineplex's then 161 theatre locations, encompassing 1,656 screens across Canada including 18 VIP Cinemas locations. However, during the fourth quarter of 2021, capacity restrictions were reinstated in Ontario, Cineplex's largest market, limiting indoor capacity to 50% along with prohibiting the consumption of concessions in theatres effective December 18, 2021. Theatres in Quebec were also mandated to temporarily close effective December 20, 2021. During the beginning of the first quarter of 2022, social gathering restrictions were further modified or reinstituted in several key markets that Cineplex operates, resulting in theatre closures and prohibiting indoor dining in Ontario, Newfoundland and New Brunswick. Effective January 29, 2022, January 31, 2022 and February 7, 2022, theatres in New Brunswick, Ontario and Quebec were permitted to reopen at reduced capacity levels, respectively. During the second quarter of 2022, all remaining operating restrictions were removed. The potential of future government imposed mandatory closure requirements or restrictions will negatively impact Cineplex's business operations and delay Cineplex's return to profitability.

Additional significant impacts on Cineplex's business caused by the COVID-19 pandemic may include, among others:

- lack of availability of films in the short or long-term, including as a result of (i) potential delays in film releases; (ii) release of scheduled films on alternative channels, (iii) disruptions or suspensions of film production, or (iv) the reduction or elimination of the theatrical exclusive release window including the introduction of a premium video on demand ("PVOD") window and direct to streaming services releases;
- increased operating costs resulting from additional regulatory requirements enacted in response to the COVID-19 pandemic and from precautionary measures it voluntarily takes at Cineplex's locations for the health and well being of its guests and employees;
- unavailability of employees and/or their inability or unwillingness to conduct work;
- reductions and delays associated with planned operating and capital expenditures;
- Cineplex's inability to generate significant cash flow from operations if Cineplex's theatres continue to operate at significantly lower than historical levels, which could, in the long-term, lead to a substantial increase in indebtedness and may negatively impact Cineplex's ability to comply with the financial covenants in the Credit Facilities;
- Cineplex's inability to further access lending, capital markets and other sources of liquidity, if needed, on reasonable terms, or at all, or obtain amendments, extensions and waivers of financial maintenance or other material terms;
- Cineplex's inability to effectively meet short-term and long-term obligations which it does not have the ability to eliminate or reduce (including interest payments, critical maintenance capital expenditures and compensation and benefits payments);
- Cineplex's inability to service its existing and future indebtedness;

- decreased attendance at Cineplex's theatres and LBE locations after they reopen, including due to (i) continued health and safety concerns or (ii) a change in consumer behaviour in favour of alternative forms of entertainment; and
- reduction of government support programs as the government phases out COVID-19 support measures.

The COVID-19 pandemic, including future outbreaks may continue to negatively impact Cineplex's business, financial conditions and results of operations. Cineplex cannot guarantee that it will recover as rapidly as other industries, or as other operators within the movie exhibition industry, due to its strong footprint in densely populated areas. If Canada experiences new outbreaks of COVID-19 or variants thereof, governmental officials may order new closures, impose restrictions on travel or introduce social distancing measures such as limiting the number of people allowed in a theatre or other venue at any given time.

While Cineplex has eliminated certain variable costs and reduced fixed costs to the extent possible, Cineplex continues to incur significant expenses, including interest payments, critical maintenance capital expenditures, occupancy costs, and compensation and benefits payments. If there are further shutdowns, Cineplex cannot be certain that it will have access to sufficient liquidity to meet its obligations for the time required to allow its operations to resume or normalize. Cineplex may not be able to obtain additional liquidity and any relief provided by lenders, governmental agencies and business partners may not be adequate or may include onerous terms.

Cineplex continues to actively monitor all aspects of its business and operations in order to minimize the impact of COVID-19 on its operations wherever possible. However, the outbreak of COVID-19 has caused significant disruptions to Cineplex's ability to generate profitability and cash flows. Cineplex will continue to monitor the ongoing COVID-19 pandemic. The events and circumstances resulting from the COVID-19 and any future pandemics could have a material negative impact on its business, financial condition and results for the remainder of 2022 and potentially longer.

Litigation Arising Out of the Cineworld Transaction

Cineplex commenced an action against Cineworld as a result of Cineworld's repudiation of the Arrangement Agreement. Cineworld filed a counterclaim against Cineplex for an unspecified amount of costs that it incurred as a result of Cineplex's alleged breaches of the Arrangement Agreement (Section 1.1, Cineworld Transaction).

On December 14, 2021, the Court released its Decision. The Court held that Cineplex did not breach any of its covenants in the Arrangement Agreement, and that Cineworld had no basis for terminating the Arrangement Agreement. The Court held that Cineworld breached the Arrangement Agreement and repudiated the transaction to acquire Cineplex, which actions precluded Cineplex from seeking specific performance and entitled Cineplex to monetary damages. The Court awarded damages for breach of contract to Cineplex in the amount of $1.24 billion on account of lost synergies, and $5.5 million for transaction costs, exclusive of pre-judgment interest. The Court also held that Cineplex's shareholders did not have any rights under the Arrangement Agreement to enforce the agreement or sue Cineworld for any breach. The Court also denied Cineworld's counterclaim against Cineplex.

On January 12, 2022, Cineworld filed a Notice of Appeal with the Court of Appeal for Ontario and on January 27, 2022, Cineplex filed its Notice of Cross Appeal. The Ontario Court of Appeal will hear Cineworld's Appeal and Cineplex's Cross Appeal during the hearing scheduled for October 12 to 13, 2022.

Cineplex continues to evaluate and advance all options against Cineworld to maximize and monetize the value of the judgment. As part of these ongoing efforts, Cineplex has engaged Moelis & Company, a leading global investment bank with significant expertise in these areas as financial advisors and Goodmans LLP, as lead counsel.

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

General Economic Conditions

Entertainment companies compete for guests' entertainment time and spending, and as such can be sensitive to global, national or regional economic conditions and any changes in the economy may either adversely influence these revenues in times of an economic downturn or positively influence these revenue streams should economic conditions improve. Historical data shows that movie theatre attendance has not been negatively affected by economic downturns over the past 25 years. Cineplex has never previously experienced a sustained complete halt of its operations across Canada and, as a result, its ability to predict the impact of such a halt on its operations and future prospects is uncertain.

Business Continuity Risk

Cineplex's primary sources of revenues are derived from providing an out of home entertainment experience. Business results could be significantly impacted by a terrorist threat, severe weather incidents, and have been by the outbreak of a pandemic or general fear of community gatherings that may cause people to stay away from public places including movie theatres, malls and amusement and leisure locations. Cineplex operates in locations spread throughout North America which mitigates the risk to a specific location or locations. Cineplex has procedures to manage such events should they occur. These procedures identify risks, prioritize key services, plan for large staff absences and clarify communication and public relations processes. However, should there be a large-scale threat or occurrence, it is uncertain to what extent Cineplex could mitigate this risk and the costs that may be associated with any such crises. Further, Cineplex purchases insurance coverage from third-party insurance companies to cover certain operational risks, and is self-insured for other matters.

There is a risk that locations may operate at significantly lower levels than prior to the COVID-19 pandemic and as a result this may negatively impact the ability of Cineplex to meet its financial covenants, access debt or equity capital markets for sources of additional liquidity on reasonable terms, or at all, and meet its short and long-term obligations.

Customer Risk

In its consumer-facing entertainment businesses, Cineplex competes for the leisure time and disposable income of all potential customers. All other forms of entertainment are substantial competitors to the movie-going experience including home and online consumption of content, sporting events, streaming services, gaming, live music concerts, live theatre, other entertainment venues and restaurants. Cineplex aims to deliver value to its guests through a wide variety of entertainment experiences and price points. However, the COVID-19 pandemic has created supply shortages and imbalances in the supply and demand of products causing commodity prices to increase, escalating the risk of inflation to which consumers will be exposed. Significant price increases may deter consumer spending on entertainment options to other alternatives which will negatively impact Cineplex's business operations. Cineplex monitors pricing in all markets to ensure that it offers a reasonably priced out of home experience compared to other entertainment alternatives. If Cineplex is too aggressive in raising ticket prices or concession prices, there may be an adverse effect on theatre attendance and food service revenues.

To mitigate this risk, Cineplex offers CineClub membership, providing members with benefits accessible across Cineplex's businesses nationwide including Cineplex theatres, the Cineplex Store and LBE venues. Cineplex also offers the Scene+ loyalty program, which rewards guests for their patronage with special offers as well as the ability to earn and redeem points. However, loyalty programs also carry a risk that customers may not be satisfied with the offering or any change in offerings. As a result, there is a risk of customer migration to other subscription or loyalty programs. There also exists a risk of saturation of loyalty programs in a market or the inability to further grow membership such that the program may generate costs in excess of the benefits. Cineplex monitors customer needs to try and ensure that its entertainment experiences meet the anticipated needs of key demographic groups. Cineplex is differentiating the movie-going experience by providing premium alternatives such as UltraAVX, VIP, 4DX, ScreenX, Cineplex Clubhouse and D-BOX seating. Cineplex also includes XSCAPE Entertainment Centres in select theatres and provides alternative programming which appeals to specific demographic groups.

In the event that consumer preferences change, Cineplex may need to incur further capital expenditures to redevelop or upgrade existing locations. Cineplex continues to improve the quality of its theatre assets through ongoing renovations and theatre recliner retrofits. If Cineplex's execution of processes does not consistently meet or exceed customer expectations due to poor customer service or poor quality of assets, movie theatre attendance may be adversely affected. Cineplex monitors customer satisfaction through surveys and focus groups and maintains a guest services department to address customer concerns. Guest satisfaction is tied to performance measures for theatre management ensuring alignment between corporate and operational objectives.

In spite of government restrictions being fully lifted, it is unclear how quickly customers will return to Cineplex's theatres and location-based entertainment venues, which may be a function of continued concerns over safety and social distancing and/or depressed consumer sentiment due to adverse economic conditions. If COVID-19 case counts increase, this could result in the reintroduction of safety protocols, including capacity restrictions, additional costs and temporary closures. If Cineplex does not respond appropriately to the COVID-19 pandemic, or if customers do not perceive its response to be adequate, Cineplex could suffer damage to its reputation, which could significantly adversely affect its business, financial condition and results of operations.

There is the potential for misinformation to be spread virally through social media relating to Cineplex's assets as well as the quality of its customer service. In response to this risk, Cineplex monitors commentary on social media in order to respond quickly to potential social media misinformation or service issues.

Cineplex developed its Cineplex Store in response to the risk created by in-home and on-the-go entertainment offerings. Certain components of offerings through the Cineplex Store of transactional video-on-demand ("TVOD") movies are delivered online via third-party technology platforms. Technological issues relating to online delivery of content could negatively impact customer satisfaction. Cineplex monitors performance metrics for electronic delivery in order to proactively manage any potential customer satisfaction issues.

Regarding its media sales businesses, certain of Cineplex's media customers have signed contracts of finite lengths or that allow for early termination. There is a risk that these customers could choose not to renew these contracts at their maturity, or take steps to terminate them prior to maturity, which would have adverse effects on Cineplex's media revenues.

In its digital place-based media and amusement solutions businesses, Cineplex engages with multiple businesses where it provides products and services. These arrangements include the risk that businesses could decide to source the same products or similar services from a competitor, delay the timing of contract fulfillment or curtail spending due to economic conditions, which would have a negative impact on Cineplex's results.

Film Entertainment and Content Risk

Cineplex's ability to operate successfully depends upon the availability, diversity and appeal of filmed content, the ability of Cineplex to license films and the performance of these films in Cineplex's markets. Cineplex primarily licenses first-run films, the success of which is dependent upon their quality, as well as on the marketing efforts of film studios and distributors. To mitigate this risk, Cineplex continues to diversify its entertainment offerings. Nonetheless, Cineplex is highly dependent on film product and film performance, including the number and success of blockbuster films. A reduction in quality or quantity of both 2D and 3D film product, any disruption or delay in the production or release of films, the introduction of new delivery platforms for first run product, a strike or threat of a strike in film production, a reduction in the marketing efforts of film studios and distributors or a significant change in film release patterns, would have a negative effect on movie theatre attendance and adversely affect Cineplex's business and results of operations.

The impact of COVID-19 has led to less film productions by studios, delayed film releases, reductions to the exclusive theatrical release window, introduction of PVOD and redirection of a limited number of theatrical releases to streaming services. Certain film studios have also launched their own streaming services resulting in a change in release strategies.

Cineplex's box office revenues depend upon movie production and its relationships with film distributors, including a number of major Hollywood and Canadian distributors. In 2019, the last full year of unrestricted operations, seven major film distributors accounted for approximately 86% of Cineplex's box office revenues, which is consistent with industry standards. Deterioration in Cineplex's relationships with any of the major film distributors or an increase in studio concentration or consolidation could affect its ability to negotiate film licenses on favourable terms or its ability to obtain commercially successful films. Cineplex actively works on maintaining good relations with these distributors, as this affects its ability to negotiate commercially favourable licensing terms for first-run films or to obtain licenses at all. In addition, a change in the type and breadth of movies offered by studios may adversely affect the demographic base of moviegoers.

Cineplex competes with other consumption platforms, including cable, satellite, internet television, and Blu-rays, as well as TVOD, subscription video-on-demand ("SVOD") and other over the top operators via the Internet. The release date of a film in other channels of distribution such as over the top internet streaming, pay television and SVOD is at the discretion of each distributor and day and date release or earlier release windows for these or new alternative channels including the recent pilots by certain studios with PVOD models could have a negative impact on Cineplex's business.

Exhibition Industry Risk

Cineplex operates in each of its local markets with other forms of entertainment, as well as in some of its markets with national and regional film exhibition circuits and independent film exhibitors. In respect of other film exhibitors, Cineplex primarily competes with respect to film licensing, attracting guests and acquiring and developing new theatre sites and acquiring existing theatres. Movie-goers are generally not brand conscious and usually choose a theatre based on its location, the films showing, showtimes available and the theatre's amenities. As a result, the building of new theatres, renovations or upgrades to existing theatres, or the addition of screens to existing theatres by competitors in areas in which Cineplex operates theatres may result in reduced theatre attendance levels at Cineplex's theatres.

In response to this risk, management continually reviews and upgrades its existing locations. Cineplex also fosters strong ties with the real estate and development communities and monitors potential development sites. Most prime locations in larger markets have been developed such that significant further development would be generally uneconomical. In addition, the exhibition industry is capital intensive with high operating costs and long-term contractual commitments. Significant increases in construction and real estate costs could make it increasingly difficult to develop new sites profitably.

In response to risks to theatre attendance, Cineplex continues to pursue other revenue opportunities including media in the form of in-theatre and out of home advertising, amusement and leisure, promotions and alternative uses of its theatres during non-peak hours. Amusement and leisure includes amusement solutions offered by P1AG, in-theatre gaming locations, XSCAPE Entertainment Centres and in-theatre at select Cineplex locations and location-based entertainment including *The Rec Room* and *Playdium*. Cineplex's ability to achieve its business objectives may depend in part on its ability to successfully increase these revenue streams.

Media Risk

Media revenue has been shown to be particularly sensitive to economic conditions and any changes in the economy may either adversely influence this revenue stream in times of a downturn or positively influence this revenue stream should economic conditions improve. Cineplex has numerous large media and digital place-based media customers, the loss of which could impact Cineplex's results. There is no guarantee that Cineplex could replace the revenues generated by these large customers if their business was lost.

The majority of Cineplex's advertising revenue is earned at Cineplex theatres. There is a risk of decreased attendance at theatres during the reopening phase and beyond as a result of continued health and safety concerns and depressed consumer sentiment due to adverse economic conditions, arising from the impact of COVID-19 pandemic. This could result in media customers electing to reduce their spending in cinemas and advertise through alternative channels. Cineplex's media advertising arrangements are impacted by theatre attendance levels which drive impressions and ultimately impact media revenue generated by Cineplex.

Amusement and Leisure Risk

Cineplex's amusement and leisure operations compete against other offerings for guests' entertainment spending. In each of the local markets in which Cineplex operates and will operate, it faces competition from local, national or international brands that also offer a wide variety of restaurant and/or amusement and gaming experiences, including sporting events, bowling alleys, entertainment centres, nightclubs and restaurants. Competition for guests' entertainment time and spending also extends to in-home entertainment such as internet or video gaming and other in-home leisure activities. Cineplex's inability to compete favourably in these markets could have a material adverse effect on Cineplex's business, results of operations and financial condition.

Any new Cineplex location-based entertainment locations may not meet or exceed the performance of its existing locations or its performance targets. New locations may even operate at a loss, which could have a significant adverse effect on the overall operating results.

Cineplex's results of operations are subject to fluctuations due to the timing of location-based entertainment openings which may result in significant fluctuations in our quarterly performance. Cineplex typically incurs most cash pre-opening costs for a new location within the two months immediately preceding, and the month of, the location's opening. In addition, the labor and operating costs for a newly opened store during the first three to six months of operation are materially greater than what can be expected after that time, both in aggregate dollars and as a percentage of revenues. Additionally, a portion of a current fiscal year new location capital expenditures is related to locations that are not expected to open until the following fiscal year.

To mitigate these risks, Cineplex leverages its core competencies in food service execution, its partnership in Scene+ and its knowledge of the trends in amusement and gaming via its P1AG operations to continuously update its amusement and leisure offerings in order to provide guests with the most compelling offerings available in Canada.

Any future outbreaks of the COVID-19 pandemic or variants thereof could lead to a decrease in guests and corporate events frequenting LBE locations. Cineplex's LBE venues have a larger guest-facing footprint and higher levels of customer traffic than other concepts in the dining and entertainment industry. The effects of the COVID-19 pandemic as a result of continued concerns over safety and social distancing and/or depressed consumer sentiment due to adverse economic conditions could have an adverse effect on Cineplex's business, financial conditional and results of operations.

P1AG's procurement of games and amusement offerings is dependent upon a few suppliers, the ability to continue to procure new games, amusement offerings and other entertainment-related equipment. To the extent that the number of suppliers declines, P1AG could be subject to the risk of distribution delays, pricing pressure, lack of innovation and other associated risks. In addition, any increase in cost or decrease in availability of new amusement offerings that appeal to customers could have a negative impact on Cineplex's revenues from its amusement and leisure businesses.

P1AG competes with other providers of amusement and gaming services across North America. P1AG manages the risk of customers switching gaming providers by continually monitoring the performance of its amusement solutions and reacting quickly to replace underperforming solutions with newer or more relevant equipment. P1AG's expertise and experience in the industry and proven success maximizing revenue for its customers helps mitigate this switching risk. A material amount of P1AG's revenue is dependent on customer traffic in venues in which it operates. The COVID-19 pandemic in North America resulted in extended closure periods of venues in which P1AG operates gaming equipment which materially impacted its results of operations. There is a risk that these venues could have long term decreased customer traffic. Any reduction in traffic or permanent shutdown of venues could have a material impact on its business.

Technology Risk

Technological advances have made it easier to create, transmit and electronically share unauthorized high-quality copies of films during theatrical release. Some consumers may choose to obtain unauthorized copies of films rather than attending the theatre which may have an adverse effect on Cineplex's business. In addition, as home entertainment technology becomes more sophisticated and additional technologies become available to consume content, consumers may choose other technology options rather than attending a theatre.

To mitigate these risks, Cineplex continues to enhance the out of home experience through the addition of new technologies and experiences including 3D, VIP, UltraAVX, D-BOX, 4DX, ScreenX and digital projection in order to further differentiate the theatrical product from the home product. Cineplex has also diversified its offerings to customers by operating the Cineplex Store which sells TVOD movies in order to participate in the in-home and on-the-go entertainment markets.

Changing platform technologies and new emerging technologies in the digital commerce industry, and specifically relating to the delivery of TVOD and SVOD services, present a risk to the Cineplex Store's operations. Should Cineplex's supplier cease operations or have its technology platform rendered obsolete, Cineplex's sales of TVOD products could be jeopardized.

Cineplex relies on various information technology solutions to provide its services to guests and customers, as well in running its operations from its various office locations. Cineplex may be subject to information technology malfunctions, outages, thefts or other unlawful acts that could result in loss of communication, unauthorized access to data, change in data, or loss of data which could compromise Cineplex's operations and/or the privacy of Cineplex's guests, customers and suppliers.

Cyber Security and Information Management Risk

Cineplex needs effective information technology infrastructure including hardware, networks, software, people and processes to effectively support the current and future needs of the business in an efficient, cost-effective and well-controlled fashion. To mitigate this risk, Cineplex is continually upgrading systems and infrastructure to meet business needs.

Cineplex requires relevant and reliable information to support the execution of its business model and reporting on performance. The integrity, reliability and security of information are critical to Cineplex's daily and strategic operations. Inaccurate, incomplete or unavailable information or inappropriate access to information could lead to incorrect financial or operational reporting, poor decisions, privacy breaches or inappropriate disclosure of sensitive information. To mitigate this risk, Cineplex continues to strengthen general information technology controls by developing operating policies and procedures in the areas of change management, computer operations and security access.

At select times during the normal course of business, Cineplex and its joint venture partners including Scene+, store sensitive data, including intellectual property, point balances and gift card and certificate balances, proprietary business information including data with respect to suppliers, employees and business partners, as well as some personally identifiable information of their customers and employees. Further, Cineplex regularly works with third party suppliers in the delivery of services to its customers and employees where such data is provided in the normal course of the commercial relationship. The secure processing, maintenance and transmission of this information is critical to Cineplex's operations and business strategies. As such Cineplex adheres to industry standards for the payment card industry ("PCI") data security standard ("DSS") compliance, as well as undertaking commercially reasonable efforts to safeguard non-financial data.

Cineplex recognizes that security breaches of the information systems of Cineplex, its joint venture partners including Scene+, or any one of its third-party suppliers could compromise this information and expose Cineplex to liability, which could cause its businesses or reputation to suffer. Despite security measures, information technology and infrastructure may be vulnerable to unforeseen attacks by hackers or breached due to employee error, malfeasance, computer viruses, malware, phishing, denial of service attacks, unauthorized access to confidential, proprietary or sensitive information, industrial espionage or other disruptions. Any such breach could compromise networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disrupt operations and the services provided to customers, damage reputation and cause a loss of confidence in products and services, which could adversely affect business, financial condition, results of operations and cash flows. In response to these risks, Cineplex has a team of technology and cybersecurity professionals whose role is to monitor information technology and processes and collaborate with joint venture partners and third-party suppliers to ensure appropriate security and controls are in place. Cineplex continues to place an increased focus on its cybersecurity environment through analysis of internal and external threats and alerting of suspicious incidents to its technology environment. Currently, as the majority of Cineplex's corporate employees have moved to a work-from-home platform, there is an increased risk to Cineplex's technology systems. In response, Cineplex has implemented additional security measures, including training, monitoring and testing and contingency plans, to protect systems.

Real Estate Risk

The acquisition and development of potential operating locations by Cineplex is dependent on the ability of Cineplex to identify, acquire and develop suitable sites for these locations with favourable economic terms in both new and existing markets, while competing with other entertainment and non-entertainment companies for site locations. The cost to develop a new building is substantial and its success is not assured. The negative economic impact of the COVID-19 pandemic magnifies inflationary risks and consequently impacts Cineplex's capital expenditures to generate future economic benefits. The inflationary risks increases the costs to execute planned capital investments and the timing of investments which will delay Cineplex's return to profitability. While Cineplex is diligent in selecting sites, the significant time lag from identifying a new site to opening can result in a change in local market circumstances and could negatively impact the location's chance of success. In addition, building new operating locations may draw audiences away from existing sites operated by Cineplex. Cineplex considers the overall return for the theatres in a geographic area when making the decision to build new locations. The majority of Cineplex's operating sites are subject to long-term leases. In accordance with the terms of these leases, Cineplex is responsible for costs associated with property maintenance, utilities consumed at the location and property taxes associated with the location. Cineplex has no control over these costs and these costs have been increasing over the last number of years. Furthermore, due to the outbreak of the COVID-19 pandemic, Cineplex continued its negotiations with landlord partners with respect to reductions in rent payments for current and future periods. While Cineplex works hard to maintain positive relationships with its landlords, we cannot guarantee continued reductions in future rent payments and there exists a potential for a default on existing lease obligations should the pandemic continue.

Cineplex continues to be liable for obligations under theatre leases in respect of certain divested theatres. If the transferee of any such theatres fails to satisfy the obligations under such leases, Cineplex may be required to assume the lease obligations.

Sourcing Risk

Cineplex relies on a small number of companies for the distribution of a substantial portion of its concession supplies. If these distribution relationships were disrupted, Cineplex could be forced to negotiate a number of substitute arrangements with alternative distributors that could, in the aggregate, be less favourable to Cineplex than the current arrangements.

Substantially all of Cineplex's non-alcohol beverage concessions are products of one major beverage company. If this relationship was disrupted, Cineplex may be forced to negotiate a substitute arrangement that could be less favourable to Cineplex than the current arrangement. Any such disruptions could therefore increase the cost of concessions and harm Cineplex's operating margins, which would adversely affect its business and results of operations.

Cineplex relies on one major supplier to source popcorn seed, and has entered contracts with this supplier to guarantee a fixed supply. As crop yields can be affected by drought or other environmental factors, the supplier may be unable to fulfill the whole of its contractual commitments, such that Cineplex would need to source the remaining needed corn product from other suppliers at a potentially higher cost.

In order to minimize these operating risks, Cineplex actively monitors and manages its relationships with its key suppliers.

The economic impacts of COVID-19 may have a negative impact on Cineplex's suppliers, and as a result, its suppliers may not be able to sustain operations after the pandemic or be forced to increase costs to combat inflationary risks associated with input materials. The COVID-19 pandemic has caused supply chain disruptions across the globe substantially increasing production and transportation costs as well as delaying and curtailing the production of products potentially effecting the procurement of services that are impacted by the delays. A reduction in the number of suppliers, the loss of critical suppliers, or delays in supplier production may result in increased costs or the inability to find satisfactory replacement goods and services in the short or long-term which will negatively impact Cineplex's operating margins and cash flows.

Human Resources Risk

Cineplex's success depends upon the retention of senior executive management, including its Chief Executive Officer, Ellis Jacob. The loss of services of one or more members of the management team could adversely affect Cineplex's business, results of operations and Cineplex's ability to effectively pursue its business strategy. Cineplex does not maintain key-man life insurance for any of its employees but does provide long-term incentive programs to retain key personnel and undertakes a comprehensive succession planning program.

Cineplex typically employs approximately over 10,000 people, of whom approximately 90% are hourly workers whose compensation is based on the prevailing provincial minimum wages with incremental adjustments as required to match market conditions. Wage inflation and any increase in minimum wages will have an adverse effect on employee related costs. In order to mitigate the impact of the proposed increases, Cineplex works to expand automation, take advantage of technological efficiencies and continually reviews pricing. Approximately 6% of Cineplex's employees are represented by unions, located primarily in the province of Quebec. Because of the small percentage of employees represented by unions, the impact of labour disruption nationally is low.

As a result of previous government mandated closures and capacity restrictions due to the impact of the COVID-19 pandemic, Cineplex had to temporarily lay off some or all of its part-time staff members. There is a risk that Cineplex may not be able to rehire enough staff to sustain operations due to their unavailability, inability, unwillingness to rejoin the workforce. There is also a risk that Cineplex will have a shortage of staff in the short-term due to employee illnesses caused by COVID-19.

Health and Safety Risk

Cineplex is subject to risks associated with food safety, alcohol consumption by guests, product handling and the operation of machinery. Cineplex is in compliance with health and safety legislation and conducts employee awareness and training programs on a regular basis. Health and safety issues related to our guests such as pandemics and bedbug concerns are risks that may deter people from attending places of public gathering, potentially including movie theatres, gaming centres, malls and dining locations. For those risks that it can control, Cineplex has programs in place to mitigate its exposure. Cineplex will investigate further methods in order to keep guests and employees safe at both locations and corporate offices.

There is a risk that concerns over health and safety as a result of COVID-19 will be long lasting and will have an adverse impact on Cineplex's business. In order to help mitigate these risks, Cineplex has made changes to its operations including promoting cashless transactions where possible and by cleaning and disinfecting surfaces on a regular basis.

Environment/Sustainability Risk

Cineplex's approach to environmental, social and governance factors ("ESG") has its foundation in three key pillars: Good Governance, Environmental Sustainability and Business & Social Responsibility. Cineplex's ESG practices permit positive social, cultural and environmental changes at the national and local levels, benefiting Cineplex's employees, guests, partners and drives and creates value for shareholders.

Cineplex's business is primarily a service and retail business which delivers guest experiences rather than physical commercial products and thus does not have substantial environmental risk. Cineplex operates multiple locations in major urban markets and does not anticipate any significant changes to operations due to climate change. Should legislation change to require more stringent management of carbon emissions or more stringent reporting of environmental impacts, Cineplex anticipates this will result in minimal cost increases or changes to operating procedures. Severe weather incidents (as a result of environmental changes or otherwise) have potential to negatively impact Cineplex's operation. See "Business Continuity Risk" above.

Integration Risk

While Cineplex has successfully integrated businesses acquired in the past, there can be no assurance that all acquisitions, including recent acquisitions, will be successfully integrated or that Cineplex will be able to realize expected operating and economic efficiencies from such acquisitions.

Financial and Markets Risk

Cineplex requires efficient access to capital in order to fuel growth, execute strategies and generate future financial returns. For this reason Cineplex entered into the Revolving Facility. Cineplex hedges interest rates up to $450 million of the Revolving Facility, thereby minimizing the impact of significant fluctuations in the market rates. Cineplex's exposure to currency and commodity risk is minimal as the majority of its transactions are in Canadian dollars and commodity costs are not a significant component of the overall cost structure. Counter party risk on the interest rate swap agreements is minimized through entering into these transactions with Cineplex's lenders. Upon the maturity of the Credit Facilities, there is a risk that Cineplex may not be able to renegotiate under favourable terms in the then current economic environment.

If there is an unexpected prolonged impact of COVID-19, Cineplex may not have sufficient funds available under its current financing sources to fund operations on a short and/or long-term basis. The effects of COVID-19 on the financial markets could significantly impact Cineplex's ability to raise capital and could increase the cost of borrowing. There is a risk that Cineplex may not be able to find timely sources of financing, which could have an adverse effect on its business, financial condition and results of operations.

Foreign Currency Risk

Cineplex is exposed to foreign currency risk related to transactions in its normal course of business that are denominated in currencies other than the Canadian dollar. Cineplex's largest foreign currency exposure is to the US dollar, as its amusement solutions and digital place-based media all operate in the United States and represented 10.3% of Cineplex's revenues in 2019 (the last full year not impacted by the COVID-19 pandemic). These revenues are naturally hedged by Cineplex's US-based operating costs.

Interest Rate Risk

Cineplex is exposed to risk on the interest rates applicable on its Credit Facilities. To mitigate this risk, Cineplex has entered into interest rate swap agreements as outlined in Section 6.4, Long-term debt.

Cineplex is exposed to the risk of refinancing its debt obligations at higher interest rates, negatively impacting its future cash flows.

Inflation Risk

Cineplex is exposed to inflation risk, limiting customer purchasing power on forms of entertainment. To mitigate this risk, Cineplex actively monitors the prices of its products and services to provide competitive pricing to its customers.

Legal, Regulatory, Taxation and Accounting Risk

Changes to any of the various international, federal, provincial and municipal laws, tariffs, treaties, rules and regulations related to Cineplex's business could have a material impact on its financial results. Compliance with any changes could also result in significant cost to Cineplex. Failure to fully comply with various laws, rules and regulations may expose Cineplex to proceedings which may materially affect its performance.

On an ongoing basis, Cineplex may be involved in various judicial, administrative, regulatory and litigation proceedings concerning matters arising in the ordinary course of business operations, including but not limited to, personal injury claims, landlord-tenant disputes, alcohol-related incidents, commercial disputes, tax disputes, employment disputes and other contractual disputes. Many of these proceedings seek an indeterminate amount of damages.

To mitigate these risks, Cineplex promotes a strong ethical culture through its values and code of conduct. Cineplex employs in-house counsel and uses third party tax and legal experts to assist in structuring significant transactions and contracts. Cineplex has systems and controls that ensure efficient and orderly operations. Cineplex also has systems and controls that ensure the timely production of financial information in order to meet contractual and regulatory requirements and has implemented disclosure controls and internal controls over financial reporting which are tested for effectiveness on an ongoing basis. In situations where management believes that a loss arising from a proceeding is probable and can be reasonably estimated, Cineplex records the amount of the probable loss. As additional information becomes available, any potential liability related to these proceedings is assessed and the estimates are revised, if necessary.

14. CONTROLS AND PROCEDURES

14.1. DISCLOSURE CONTROLS AND PROCEDURES

Cineplex's management is responsible for establishing and maintaining disclosure controls and procedures for Cineplex as defined under National Instrument 52-109 issued by the Canadian Securities Administrators. Management has designed such disclosure controls and procedures, or caused them to be designed under its supervision, to provide reasonable assurance that material information relating to Cineplex, including its consolidated subsidiaries, is made known to the Chief Executive Officer and the Chief Financial Officer by others within those entities, particularly during the period in which the annual filings are being prepared.

14.2. INTERNAL CONTROLS OVER FINANCIAL REPORTING

Cineplex's management is responsible for designing and evaluating the effectiveness of internal controls over financial reporting for Cineplex as defined under National Instrument 52-109 issued by the Canadian Securities Administrators. Management has designed such internal controls over financial reporting using the Integrated Control - Integrated Framework: 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission, or caused them to be designed under its supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with GAAP.

There has been no change in Cineplex's internal controls over financial reporting that occurred during the most recently completed interim period that has materially affected, or is reasonably likely to materially affect, Cineplex's internal control over financial reporting.

15. SUBSEQUENT EVENTS

CDCP expects to distribute its assets to its partners in 2022, and Cineplex will recognize a return of capital under IAS 28*, Investments in Associates and Joint Ventures.* Any difference between the carrying value of Cineplex's equity interest in CDCP and the fair value of the assets received will be recognized in income.

Subsequent to June 30, 2022, Cineplex recognized a gain on its 2020 sale of a third of its 50% interest in Scene LP. The gain was deferred until the economic and contractual obligations of the transfer were met.

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

- The suspension of financial covenant testing was extended until the fourth quarter of 2022. On resumption of financial covenant testing in the fourth quarter of 2022:
    - for the fourth quarter of 2022, testing will be based on an annualized calculation of Adjusted EBITDA (as further adjusted in accordance with the Credit Agreement definitions) based on the actual results for the fourth quarter multiplied by 4;
    - for the quarter ending on March 31, 2023, testing will be based on an annualized calculation of Adjusted EBITDA based on actual results for the fourth quarter of 2022 and the first quarter of 2023 multiplied by 2; and
    - for the quarter ending on June 30, 2023, testing will be based on an annualized calculation of Adjusted EBITDA based on the actual results of the fourth quarter of 2022, the first quarter of 2023 and the second quarter of 2023 multiplied by 4/3.
- Thereafter, testing will be based on an annualized calculation of the cumulative Adjusted EBITDA on a trailing four fiscal quarter basis;
- The Total Leverage Ratio of 3.75x will apply when financial covenants are reinstated, and will be reduced quarterly by 0.25x until the third quarter of 2023 at which point it will reach a level of 3.00x;
- The liquidity covenant will continue and be amended requiring available liquidity (as defined) to be maintained at all times until March 31, 2023 at no less than $100.0 million;
- The Senior Leverage Ratio to be based on annualized Adjusted EBITDA and set at 1.0x lower than the Total Leverage Ratio. Senior Leverage Ratio is defined as (i) Total Debt (as defined in the Credit Agreement) less any Notes Payable to (ii) Adjusted EBITDA; and
- A fixed charge coverage ratio of greater than 1.25x will continue to apply.

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

16. OUTLOOK

The following discussion is qualified in its entirety by the caution regarding forward-looking statements at the beginning of this MD&A and Section 13, Risks and uncertainties.

The outlook for Cineplex's businesses is contingent on its ability to navigate any future impact of COVID-19 on its businesses. Canada's vaccination rate has made tremendous progress with a high percentage of the eligible population receiving at least two doses of a COVID-19 vaccine and an increasing number having received three or four doses. The Canadian government has also accelerated the rollout of COVID-19 vaccine booster doses providing extra protection against COVID-19 and its variants. As a result of the declining hospitalizations related to COVID-19, high vaccination rate and wide availability of COVID-19 vaccines, provinces across Canada have lifted COVID-19 related measures. Capacity restrictions in provinces across Canada have been lifted, with masks and proof of vaccination requirements no longer being mandatory.

FILM ENTERTAINMENT AND CONTENT

Theatre Exhibition

Cineplex reported a second quarter record BPP and a increase of 991.2% in box office revenue as compared to the prior year period.

The release of Marvel's highly anticipated *Spider-Man: No Way Home* in December 2021 generated the second biggest North American opening weekend of all time and the biggest December opening weekend of all-time grossing $260.1 million and earning $804.8 million in North America and $1.9 billion globally since its release up to June 30, 2022, as reported. The box office momentum continued into the second quarter of 2022 with the release of Marvel's *Doctor Strange in the Multiverse of Madness* in May 2022, generating $187.4 million during its North American opening weekend and earning $410.2 million in North America since its release up to June 30, 2022, as reported. *Top Gun: Maverick* exceeded box office expectations, became just the eleventh film to exceed $600 million in North America, becoming the eighth largest domestic film of all-time, as well as, earning $1.2 billion globally, as reported. Upcoming film releases for the year include the following: *Minions, The Rise of Gru, Thor: Love and Thunder, Nope, DC League of Super-Pets, Easter Sunday, Bullet Train, Beast, Halloween Ends, Black Adam, Ticket to Paradise, Black Panther: Wakanda Forever, Strange World, Avatar: The Way of Water, Puss in Boots: The Last Wish, Shazam! Fury of the Gods, A Man Called Otto* and *Babylon.* The negative impact of COVID-19 has resulted in significant shifts in product releases, delaying the release of highly anticipated feature films.

Cineplex continues to focus on providing guests with a variety of premium viewing options through which to enjoy the theatre experience. These premium-priced offerings, which include UltraAVX, VIP Cinemas, IMAX, D-BOX, 3D, 4DX, Cineplex Clubhouse and ScreenX generate higher revenues per patron and expand the customer base. Cineplex believes that these premium formats provide an enhanced guest experience and will continue to charge a ticket price premium for films and events presented in these formats. Cineplex offers CineClub membership, providing members with benefits accessible across Cineplex's businesses nationwide including Cineplex theatres, the Cineplex Store and LBE venues.

Cineplex is also focused on providing guests with a variety of premium viewing options, including recliner seating, through which to enjoy the theatre experience, and will continue to expand premium viewing options throughout its circuit in 2022 and beyond. VIP Cinemas and other premium viewing options are a key component to Cineplex's theatre exhibition strategy, and have been well received by audiences. Cineplex announced plans for *Junxion*, a new entertainment concept which will feature a cinema with reclining seats and in-seat food service, a space for outdoor screenings, an open lobby and stage for events and performances, amusement gaming and a food hall.

Cineplex plans to open its first *Junxion* location in Winnipeg, Manitoba during the fourth quarter of 2022 and a second location at the *Erin Mills Town Centre* in Mississauga, Ontario scheduled to open during the second quarter of 2023. Cineplex plans to open a new Cineplex Cinema, *Royalmount* in Montreal, Quebec which is expected to open in 2024.

Based on how the exhibition industry has historically performed during depressed economic environments, Cineplex believes, but cannot guarantee, that the industry will continue to recover as consumer demand for the theatrical experience combined with a build-up of anticipated content will help drive visitation as people look to return to normalcy. The reopening of theatres and easing of restrictions has resulted in increases in box office revenues. When comparing 2022 monthly box office revenues to 2019 levels, box office performance as a percentage of pre-pandemic levels has gradually increased as depicted in the below table. Cineplex remains confident that the strong slate of upcoming film releases for the year coupled with pent up consumer demand will result in strong box office performance as its business returns to pre-pandemic levels. As mentioned previously, Cineplex expects the delay in film releases due to COVID related production delays to impact the latter half of the third quarter's box office results.

Month	2019 Box office (i)	2022 Box office (i)	2022 as a percentage of 2019
January	$52,034	$11,220	22%
February	$41,892	$25,054	60%
March	$62,571	$43,678	70%
April	$63,759	$35,994	56%
May	$68,698	$49,546	72%
June	$56,914	$50,832	89%
(i) Balances are in thousands of dollars.			

However, the significance of the COVID-19 pandemic, including the adverse impact on Cineplex's business, financial condition and results of operations will be dictated by the duration of the pandemic and the effect on the economy and of responsive governmental directives, all of which are currently unknown. Cineplex's business could also be significantly negatively impacted by changes in consumer behaviors as a result of COVID-19 (such as social distancing) or further revisions to the theatrical release window. Further, the effect of COVID-19 on financial markets could significantly impact the ability to raise capital and increase the cost of borrowing. There are limitations on Cineplex's ability to mitigate the adverse financial impact of the foregoing. The COVID-19 pandemic also creates challenges for Cineplex in predicting future performance of its businesses or its liquidity needs in the near term.

Theatre Food Service

Cineplex reported an all-time quarterly record CPP in the current quarter. Although pricing impacts CPP, Cineplex's core focus is on operational execution, promotions and providing the optimal product mix to provide further growth in this area. As part of this strategy, Cineplex continues to expand its product offering through its in-house brands across the circuit, as well as leveraging digital menu board technologies which provide guests with more interactive messaging during visits to the theatre food service locations, and expanding VIP cinema menu offerings. Cineplex also leverages mobile technology to enhance the food service experience in its theatres and has VIP in seat ordering. Cineplex continues to expand its home delivery services of concessions in partnership with Uber Eats and Skip The Dishes.

Alternative Programming

Cineplex offers a wide variety of alternative programming, including international film programming, the popular Metropolitan Opera live in HD series, sports programming and various concert performances by popular recording artists. Cineplex continues to look for compelling content to offer as alternative content to attract a wider audience to its locations, in addition to adding dedicated event screens. Cineplex Pictures focuses on the acquisition of feature film rights for both theatrical release and in home in Canada.

Digital Commerce

As at-home and on-the-go content distribution and consumption continue to grow and evolve, Cineplex believes it is well positioned to take advantage of this market with its transactional TVoD digital commerce platform, the Cineplex Store, which offers thousands of movies that can be rented or purchased digitally and viewed on multiple devices. The Cineplex Store supports a wide range of devices in Canada on which to buy or rent digital movies, and continues to add new transactional storefronts on connected devices. The wide range of device integration and the breadth of our content offering provides exciting opportunities for Cineplex in this market.

MEDIA

Cinema Media

Cineplex believes that no other medium engages viewers like the cinema experience: engaged moviegoers, sitting in a darkened theatre, ready to be entertained and fully focused on the screen. Research has shown that cinema media advertising reaches the most sought-after demographics, as well as Canada’s high-income households and educated populations. In addition to its successful show-time and pre-show advertising opportunities, Cineplex believes its cinema media business will continue to grow through its innovative media opportunities within Cineplex’s theatres, including digital signage within theatre lobbies. Cineplex also sells media for Cineplex Digital Media clients and LBE. Consistent with prior experience of box office declines, Cineplex Media revenues have lagged the return of exhibition audiences.

Digital Place-Based Media

Cineplex’s digital place-based media business will continue to roll out its world-class solutions in quick service restaurants, financial service and retail sectors as well as immersive digital place-based media networks. Cineplex will continue to explore opportunities outside of Canada, in order to better service its current customer base and to attract new clients. Cineplex believes that the strengths of its digital place-based media business will make Cineplex a leader in the indoor digital signage industry and will provide a platform for significant growth throughout Canada and the United States. The lifting of government restrictions has resulted in increases of greater than 50% mall traffic in Canada. However, advertising revenues have lagged the return of mall traffic, consistent with expectations.

AMUSEMENT AND LEISURE

Amusement Solutions

P1AG supplies and services all of the games in Cineplex’s theatre circuit and LBE venues, while also supplying equipment to third party arcades, amusement centres, bowling alleys, amusement parks and theatre circuits, in addition to owning and operating family entertainment centres. P1AG continues to expand its operations throughout both Canada and the United States.

Cineplex’s amusement businesses have resumed operations at full capacity levels resulting in significant increases in revenues, adjusted EBITDAaL and adjusted EBITDAaL margins that are consistent with or exceed 2019 pre-pandemic levels, largely in part to the removal of government mandated restrictions and pent up consumer demand for Cineplex’s entertainment offerings.

Location Based Entertainment

Cineplex’s LBE business features entertainment destination locations that cater to a wide range of guests. *The Rec Room*, a social entertainment destination targeting millennials featuring a wide range of entertainment options including an attractions area featuring recreational gaming, a live entertainment venue and high definition screens for watching a wide range of entertainment programming. This entertainment is complemented with an upscale casual dining environment, as well as an expansive bar with a wide range of digital monitors and a large screen above the bar for watching events. Cineplex plans to open a location in Vancouver, British Columbia during the third quarter of 2023, as well as a location in Montreal, Quebec in 2024.

Playdium is an entertainment concept targeting families and teens, which has been rolled out in mid-sized communities across Canada.

LOYALTY

The Scene+ loyalty program enrollment remained flat during the period ended June 30, 2022. During the fourth quarter of 2021, Cineplex and Scotiabank launched Scene+ to bring together the full benefits of SCENE with Scotia Rewards, Scotiabank's flexible customer loyalty program. During the second quarter of 2022, Cineplex announced updates to the Scene+ program, welcoming Empire Company Limited as a co-owner of Scene+, providing members with increased opportunities to earn and redeem points. Empire will rollout Scene+ across their family of brands in Atlantic Canada in August 2022, and by early 2023, will be launched across Canada.

FINANCIAL OUTLOOK

Cineplex's management continues to focus on managing capital expenditures and believes that it has adequate liquidity to fund operations for the anticipated duration of the pandemic in the regions in which Cineplex operates.

On December 14, 2021, the Court made a decision with respect to Cineplex's trial of its action against Cineworld. The Court held that Cineplex did not breach any of its covenants in the Arrangement Agreement, and that Cineworld had no basis for terminating the Arrangement Agreement. The Court held that Cineworld breached the Arrangement Agreement. The Court awarded damages for breach of contract to Cineplex in the amount of $1.24 billion on account of lost synergies, and $5.5 million for transaction costs, however, no assurance can be given on the collection of damages awarded (Section 1.1, Cineworld Transaction).

17. NON-GAAP AND OTHER FINANCIAL MEASURES

National Instrument 52-112, *Non-GAAP and Other Financial Measures Disclosure* ("NI 52-112") imposes obligations regarding disclosure of non-GAAP financial measures, non-GAAP ratios, and other financial measures. Cineplex reports on certain non-GAAP measures, non-GAAP ratios, supplementary financial measures and total segment measures that are used by management to evaluate Cineplex's performance. The following measures included in this MD&A do not have a standardized meaning under GAAP and may not be comparable to similar measures provided by other issuers. Cineplex includes these measures because its management believes that they assist investors in assessing financial performance. These non-GAAP and other financial measures are used throughout this report and are defined below.

NON-GAAP FINANCIAL MEASURES
Non-GAAP financial measures are defined in 52-112 as a financial measure disclosed that (a) depicts the historical or expected future financial performance, financial position or cash flow of an entity, (b) with respect to its composition, excludes an amount that is included in, or includes an amount that is excluded from, the composition of the most directly comparable financial measure disclosed in the primary financial statements of the entity, (c) is not disclosed in the financial statements of the entity, and (d) is not a ratio, fraction, percentage or similar representation.

NON-GAAP RATIOS
A non-GAAP ratio is defined by 52-112 as a financial measure disclosed that (a) is in the form of a ratio, fraction, percentage or similar representation, (b) has a non-GAAP financial measure as one or more of its components, and (c) is not disclosed in the financial statements.

The below are non-GAAP financial measures or non-GAAP ratios that are reported by Cineplex.

17.1 EBITDA, ADJUSTED EBITDA AND ADJUSTED EBITDAaL

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, gain on disposal of assets, foreign exchange, the equity income (loss) of CDCP, and impairment, depreciation, amortization, interest and taxes of Cineplex's other joint ventures and associates. Adjusted EBITDAaL modifies adjusted EBITDA to deduct current period cash rent paid or payable related to lease obligations. During the year, Cineplex agreed to a variety of arrangements with landlords to reduce or defer cash rent paid or payable as a result of the impact of COVID-19.

Subsequent to the adoption of IFRS 16, *Leases*, by Cineplex effective January 1, 2019, the calculation of EBITDA no longer includes a charge for amounts paid or payable with respect to leased property and equipment. Given the majority of Cineplex's businesses are carried on in leased premises, Cineplex introduced the measure of adjusted EBITDAaL which includes a deduction for cash rent paid/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. Management calculates adjusted EBITDAaL margin by dividing adjusted EBITDAaL by total revenues.

EBITDA, adjusted EBITDA and adjusted EBITDAaL are non-GAAP measures generally used as an indicator of financial performance and they should not be seen as a measure of liquidity or a substitute for comparable metrics prepared in accordance with GAAP. Cineplex's EBITDA, adjusted EBITDA and adjusted EBITDAaL may differ from similar calculations as reported by other entities and accordingly may not be comparable to EBITDA, adjusted EBITDA or adjusted EBITDAaL as reported by other entities.

<u>P1AG Adjusted EBITDAaL</u>

Calculated as amusement revenues of P1AG less the total operating expenses of P1AG, which excludes foreign exchange.

<u>P1AG Adjusted EBITDAaL Margin</u>

Calculated as P1AG Adjusted EBITDAaL divided by total amusement revenues for P1AG for the period.

<u>Adjusted Store Level EBITDAaL Metrics</u>

Cineplex reviews and reports adjusted EBITDAaL at the location level for the LBE which is calculated as total LBE revenues from all locations less the total of operating expenses of LBE, which excludes pre-opening costs and overhead relating to the management of LBE.

<u>Adjusted Store Level EBITDAaL Margin</u>

Calculated as adjusted store level EBITDAaL divided by total revenues for LBE for the period.

The following represents management's calculation of EBITDA, adjusted EBITDA, and adjusted EBITDAaL (expressed in thousands of dollars):

Reconciliation of reported net income (loss) to adjusted EBITDAaL	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Net income (loss)	**$ 1,313**	**$ (103,704)**	**$ (40,912)**	**$ (193,392)**
Depreciation and amortization - other	26,651	27,735	53,543	57,244
Depreciation - right-of-use assets	24,486	25,737	48,749	52,055
Interest expense - lease obligations	14,739	14,741	29,443	29,100
Interest expense - other	13,812	17,899	23,895	31,564
Interest income	(38)	(108)	(68)	(134)
Current income tax (recovery) expense	—	—	(724)	3,339
EBITDA	**$ 80,963**	**$ (17,700)**	**$ 113,926**	**$ (20,224)**
(Gain) loss on disposal of assets	(4,650)	179	(4,493)	(29,881)
Loss (gain) on financial instruments recorded at fair value	1,770	(800)	5,600	(800)
CDCP equity loss (income) (i)	332	1,043	(522)	3,281
Foreign exchange (gain) loss	(623)	365	(389)	595
Depreciation and amortization - joint ventures and associates (ii)	133	—	264	—
Taxes and interest of joint ventures and associates (ii)	14	11	28	22
Adjusted EBITDA	**$ 77,939**	**$ (16,902)**	**$ 114,414**	**$ (47,007)**
Cash rent paid/payable related to lease obligations (iii)	(41,791)	(35,137)	(85,144)	(68,998)
Negotiated lease-related cash savings for the period (iii) (iv)	—	(751)	—	—
Cash rent paid not pertaining to current period	(384)	(375)	775	750
Adjusted EBITDAaL (iv)	**$ 35,764**	**$ (53,165)**	**$ 30,045**	**$ (115,255)**

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

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

(iii) The cash rent paid or payable includes negotiated lease obligation savings of $0.8 million (2021 - $18.2 million) through June 30, 2022. The negotiated lease obligation savings represent forgiveness of lease payments.

(iv) See Section 17, Non-GAAP and other financial measures.

17.2 ADJUSTED FREE CASH FLOW

Free cash flow is a non-GAAP measure generally used by Canadian corporations as an indicator of financial performance and it should not be viewed as a measure of liquidity or a substitute for comparable metrics prepared in accordance with GAAP. Standardized free cash flow adjusts the amount of cash from operating activities to deduct capital expenditures net of proceeds on sale of assets in ordinary business operations. Standardized free cash flow is a non-GAAP measure recommended by the CICA in its 2008 interpretive release, *Improved Communication with Non-GAAP Financial Measures: General Principles and Guidance for Reporting EBITDA and Free Cash Flow*, and is designed to enhance comparability. Adjusted free cash flow is also a non-GAAP measure used by Cineplex to modify standardized free cash flow to exclude certain cash flow activities and to measure the amount available for activities such as repayment of debt, dividends to owners and investments in future growth through acquisitions. Beginning with the MD&A for the three months ending March 31, 2019, Adjusted free cash flow included repayments of lease obligations that represented the principal portion of rent expenses that were included in net income calculation prior to the adoption of accounting standard IFRS 16, *Leases,* by Cineplex effective January 1, 2019. Given that the materiality of the principal portion of the rent expenses and comparability of adjusted free cash flow disclosure for comparative periods, adjusted free cash flow also adjusts standard free cash flow to deduct principal amount of repayment of lease obligation.

Cineplex presents standardized free cash flow and adjusted free cash flow per Share because they are key measures used by investors to value and assess Cineplex. Management of Cineplex defines adjusted free cash flow as standardized free cash flow adjusted for certain items, and considers adjusted free cash flow the amount available for distribution to Shareholders. Standardized free cash flow is defined by the CICA as cash from operating activities as reported in the GAAP financial statements, less total capital expenditures minus proceeds from the disposition of capital assets other than those of discontinued operations, as reported in the GAAP financial statements; and dividends, when stipulated, unless deducted in arriving at cash flows from operating activities. The standardized free cash flow calculation excludes common dividends and others that are declared at the Board's discretion.

Management calculates adjusted free cash flow per Share as follows (expressed in thousands of dollars except Shares outstanding and per Share data):

Reconciliation of reported cash provided by (used in) operating activities to adjusted free cash flow per share	**Three months ended June 30,**		**Six months ended June 30,**	
	2022	**2021**	**2022**	**2021**
Cash provided by (used in) operating activities	$ 47,152	$ 17,133	$ 41,715	$ (18,499)
Less: Total capital expenditures net of proceeds on sale of assets	(10,885)	(4,992)	(20,470)	(13,707)
Standardized free cash flow	**36,267**	**12,141**	**21,245**	**(32,206)**
Add/(Less):				
Changes in operating assets and liabilities (i)	1,120	(62,622)	16,197	(86,203)
Changes in operating assets and liabilities of joint ventures and associates (i)	775	(524)	68	(1,326)
Repayments of lease obligations - principal	(27,428)	(19,086)	(56,695)	(38,543)
Principal portion of cash rent paid not pertaining to current period	(381)	(369)	762	737
Growth capital expenditures and other (ii)	6,078	4,511	13,132	12,972
Share of loss (income) of joint ventures and associates, net of non-cash depreciation	95	2	72	(163)
Net cash received from CDCP (iii)	5,318	—	5,318	—
Adjusted free cash flow	**$ 21,844**	**$ (65,947)**	**$ 99**	**$ (144,732)**
Average number of Shares outstanding	63,360,746	63,339,618	63,353,634	63,337,300
Adjusted free cash flow per Share	**$ 0.345**	**$ (1.041)**	**$ 0.002**	**$ (2.285)**

(i) Changes in operating assets and liabilities are not considered a source or use of adjusted free cash flow. Refer to Note 26 of Cineplex's 2021 Annual Consolidated Financial Statements for further details.

(ii) Growth capital expenditures and other represent expenditures on Board approved projects, exclude maintenance capital expenditures and are net of proceeds on asset sales. The Revolving Facility (discussed above in Section 6.4 Credit Facilities) is available to Cineplex to fund Board approved projects.

(iii) Excludes the share of loss of CDCP, as CDCP is a limited-life financing vehicle funded by virtual print fees collected from distributors. Cash invested into CDCP, as well as distributions received from CDCP, are considered to be uses and sources of adjusted free cash flow.

Alternatively, the calculation of adjusted free cash flow using the income statement as a reference point would be as follows (expressed in thousands of dollars):

Reconciliation of reported net income (loss) to adjusted free cash flow	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Net income (loss)	$ 1,313	$ (103,704)	$ (40,912)	$ (193,392)
Adjust for:				
Depreciation and amortization - other	26,651	27,735	53,543	57,244
Depreciation - right-of-use assets	24,486	25,737	48,749	52,055
Change in fair value of financial instrument	1,770	(800)	5,600	(800)
(Gain) loss on disposal of assets	(4,650)	179	(4,493)	(29,881)
Non-cash interest (i)	(1,978)	2,349	(7,565)	3,006
Non-cash foreign exchange	(488)	245	(336)	456
Share of loss (income) of CDCP (ii)	332	1,043	(522)	3,281
Non-cash depreciation of joint ventures and associates	133	—	264	—
Taxes and interest of joint ventures and associates	14	11	28	22
Maintenance capital expenditures	(4,807)	(481)	(7,338)	(735)
Repayments of lease obligations - principal	(27,428)	(19,086)	(56,695)	(38,543)
Principal portion of cash rent paid not pertaining to current period	(381)	(369)	762	737
Net cash received from CDCP (ii)	5,318	—	5,318	—
Non-cash items:				
Non-cash Share-based compensation	1,559	1,194	3,696	1,818
Adjusted free cash flow	**$ 21,844**	**$ (65,947)**	**$ 99**	**$ (144,732)**

(i) Non-cash interest includes amortization of deferred financing costs on the long-term debt, accretion expense on the convertible debentures, and other non-cash interest expense items.

(ii) Excludes the share of income of CDCP, as CDCP is a limited-life financing vehicle funded by virtual print fees collected from distributors. Cash invested into CDCP, as well as cash distributions received from CDCP, are considered to be uses and sources of adjusted free cash flow.

SUPPLEMENTARY FINANCIAL MEASURES

Supplementary financial measures are financial measures that are not (a) presented in the financial statements and (b) is, or is intended to be, disclosed periodically to depict the historical or expected future financial performance, financial position or cash flow, that is not a non-GAAP financial measure or a non-GAAP ratio as defined in the instrument. The below are supplementary financial measures that Cineplex uses to depict its financial performance, financial position or cash flows.

Earnings per Share Metrics

Cineplex has presented basic and diluted earnings per share net of this item to provide a more comparable earnings per share metric between the current periods and prior year periods. In the non-GAAP and other financial measure, earnings is defined as net income or net loss attributable to Cineplex excluding the change in fair value of financial instruments.

Per Patron Revenue Metrics

Cineplex reviews per patron metrics as they relate to box office revenue and theatre food service revenue such as BPP, CPP, BPP excluding premium priced product, and concession margin per patron, as these are key measures used by investors to value and assess Cineplex's performance, and are widely used in the theatre exhibition industry. Management of Cineplex defines these metrics as follows:

Theatre attendance: Theatre attendance is calculated as the total number of paying patrons that frequent Cineplex's theatres during the period.

BPP: Calculated as total box office revenues divided by total paid theatre attendance for the period.

BPP excluding premium priced product: Calculated as total box office revenues for the period, less box office revenues from 3D, 4DX, UltraAVX, VIP, ScreenX and IMAX product; divided by total paid theatre attendance for the period, less paid theatre attendance for 3D, 4DX, UltraAVX, VIP, ScreenX and IMAX product.

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

Premium priced product: Defined as 3D, 4DX, UltraAVX, IMAX, ScreenX and VIP film product.

Theatre concession margin per patron: Calculated as total theatre food service revenues less total theatre food service cost, divided by theatre attendance for the period.

Same Theatre Analysis

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

Same theatre metrics are calculated by removing the results for all theatres that have been opened, acquired, closed or otherwise disposed of subsequent to the start of the prior year comparative period. For the three months ended June 30, 2022 the impact of two locations that have been opened or acquired and four locations that have been closed or otherwise disposed of have been excluded, resulting in 153 theatres being included in the same theatre metrics. For the six months ended June 30, 2022 the impact of one location that has been opened or acquired and five locations that have been closed or otherwise disposed of have been excluded, resulting in 153 theatres being included in the same theatre metrics.

Cost of sales percentages

Cineplex reviews and reports cost of sales percentages for its two largest revenue sources, box office revenues and food service revenues as these measures are widely used in the theatre exhibition industry. These measures are reported as film cost percentage and concession cost percentage, respectively, and are calculated as follows:

Film cost percentage: Calculated as total film cost expense divided by total box office revenues for the period.

Theatre concession cost percentage: Calculated as total theatre food service costs divided by total theatre food service revenues for the period.

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

Lease-related cash saving

Quantified savings negotiated with landlords as a result of the COVID-19 disclosures.