CINEPLEX®

2023

# SECOND QUARTER

June 30, 2023

# MANAGEMENT'S DISCUSSION AND ANALYSIS

August 9, 2023

*The following management's discussion and analysis ("MD&A") of Cineplex Inc.'s ("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, 2023 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 Cineplex's performance. 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 16, 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 and goals, and the 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 negatives thereof), and words and expressions of similar import, are intended to identify forward-looking statements.*

*By their very nature, forward-looking statements involve inherent risks and uncertainties, including those described in Cineplex's Annual Information Form for the year ended December 31, 2022 ("AIF"), the management's discussion and analysis for the year ended December 31, 2022 ("Annual MD&A") and in this MD&A, each of which is incorporated herein by reference and available on the System for Electronic Document Analysis and Retrieval Plus ("SEDAR+") (www.sedarplus.ca). These 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, including: Cineplex's expectations with respect to liquidity and capital expenditures; 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; and risks generally encountered in the relevant industry, competition, customer, legal, taxation and accounting matters.*

*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 Cineplex's Annual 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 and Annual MD&A, can be found on SEDAR+ at www.sedarplus.ca.*

## 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 over 170 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), complexes specially designed for teens and families (Playdium), and a newly launched entertainment concept that brings movies, amusement gaming, dining, and live performances together under one roof (Cineplex Junxion). It also operates successful businesses in digital commerce (CineplexStore.com), alternative programming (Cineplex Events), motion picture distribution (Cineplex Pictures), cinema media

(Cineplex Media), digital place-based media (Cineplex Digital Media) and amusement solutions (Player One Amusement Group). Providing even more value for its guests, Cineplex is a partner in Scene+, Canada's largest entertainment and lifestyle loyalty program.

Proudly recognized as having one of the country's Most Admired Corporate Cultures, by Waterstone Human Capital, Cineplex employs over 10,000 people in its offices and venues across Canada and the United States. To learn more, visit [Cineplex.com](Cineplex.com).

As of June 30, 2023, Cineplex owned, leased or had a joint venture interest in 1,631 screens in 158 theatres from coast to coast as well as 13 LBE venues in six provinces.

**Cineplex**

**Theatre locations and screens at June 30, 2023**

| Province | Locations (i) | Screens | 3D Digital Screens | UltraAVX | IMAX Screens (ii) | VIP Auditoriums | D-BOX Auditoriums | Recliner Auditoriums | Other Screens (iii) |
|---|---|---|---|---|---|---|---|---|---|
| Ontario | 67 | 716 | 353 | 42 | 13 | 48 | 49 | 114 | 12 |
| Quebec | 17 | 220 | 88 | 10 | 3 | 9 | 7 | 17 | 3 |
| British Columbia | 25 | 236 | 125 | 16 | 3 | 20 | 16 | 43 | 3 |
| Alberta | 19 | 201 | 111 | 20 | 2 | 16 | 17 | 93 | 6 |
| Nova Scotia | 10 | 87 | 43 | 1 | 1 | — | 2 | — | 1 |
| Saskatchewan | 6 | 54 | 28 | 3 | 1 | 3 | 3 | 16 | 1 |
| Manitoba | 5 | 49 | 26 | 2 | 1 | 3 | 3 | 9 | 1 |
| New Brunswick | 5 | 41 | 20 | 2 | — | — | 2 | — | — |
| Newfoundland & Labrador | 2 | 14 | 9 | — | 1 | — | 1 | — | — |
| Prince Edward Island | 2 | 13 | 6 | — | — | — | 1 | — | — |
| **TOTALS** | **158** | **1,631** | **809** | **96** | **25** | **99** | **101** | **292** | **27** |
| Percentage of screens | | | 50 % | 6 % | 2 % | 6 % | 6 % | 18 % | 2 % |

(i) Includes *Junxion* theatres in Manitoba and Ontario.

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

(iii) Other screens includes 7 4DX screens, 5 *Cineplex Clubhouse* screens and 15 ScreenX screens.

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

| | 2023 | | 2022 | | | | 2021 | |
|---|---|---|---|---|---|---|---|---|
| | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 |
| Theatres | 158 | 157 | 158 | 158 | 159 | 159 | 160 | 161 |
| Screens | 1,631 | 1,625 | 1,637 | 1,637 | 1,640 | 1,640 | 1,652 | 1,656 |
| 3D Digital Screens | 809 | 806 | 809 | 809 | 809 | 810 | 815 | 816 |
| UltraAVX Screens | 96 | 95 | 95 | 94 | 94 | 94 | 94 | 94 |
| IMAX Screens | 25 | 25 | 25 | 25 | 25 | 24 | 25 | 25 |
| VIP Auditoriums | 99 | 99 | 99 | 99 | 99 | 99 | 99 | 94 |
| D-BOX Auditoriums | 101 | 100 | 100 | 98 | 98 | 98 | 98 | 98 |
| Recliner Auditoriums | 292 | 283 | 273 | 267 | 267 | 267 | 267 | 262 |
| Other Screens | 27 | 27 | 27 | 23 | 22 | 22 | 22 | 19 |

| Cineplex - LBE - at June 30, 2023 and 2022 | 2023 | | 2022 | |
|---|---|---|---|---|
| Province | *The Rec Room* | *Playdium* | *The Rec Room* | *Playdium* |
| Ontario | 4 | 2 | 4 | 2 |
| Alberta | 3 | — | 3 | — |
| Manitoba | 1 | — | 1 | — |
| Newfoundland & Labrador | 1 | — | 1 | — |
| British Columbia | 1 | — | 1 | — |
| Nova Scotia | — | 1 | — | 1 |
| **TOTALS** | **10** | **3** | **10** | **3** |

**Cineworld Transaction and Bankruptcy Filing**

During the second quarter of 2023, further to Cineworld's U.S. Chapter 11 bankruptcy filing, Cineworld entered into a restructuring agreement with some of its lenders on April 2, 2023. Cineworld filed a proposed plan of reorganization (the "Chapter 11 Plan") on April 11, 2023. The Chapter 11 Plan was confirmed by the U.S. Bankruptcy Court on June 28, 2023 and made effective on July 31, 2023. The Chapter 11 Plan contemplates holders of general unsecured claims (which includes Cineplex's litigation claim of $1.24 billion) receiving, in aggregate, (i) USD $10 million in cash and (ii) interests in a litigation trust relating to certain class actions against credit card issuers (collectively, the "Recovery Pool"). Cineplex's allocated portion of the Recovery Pool is not expected to be a material amount and has not been accrued as a receivable in Cineplex's financial statements as at June 30, 2023. Please refer to Cineplex's Annual MD&A for details on Cineplex's litigation against Cineworld that occurred prior to the second quarter of 2023.

## 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) | **2023** | **2022** | **Change (i)** | **2023** | **2022** | **Change (i)** |
| Total revenues | $ 423,118 | $ 349,878 | 20.9% | $ 764,075 | $ 578,601 | 32.1% |
| Theatre attendance | 12,806 | 11,092 | 15.5% | 22,573 | 17,753 | 27.2% |
| Net income (loss) (ii) | $ 176,545 | $ 1,313 | NM | $ 146,372 | $ (40,912) | NM |
| Net income (loss) as a percentage of sales (ii) | 41.7 % | 0.4 % | 41.3% | 19.2 % | (7.1)% | 26.2% |
| Cash provided by operating activities | $ 93,219 | $ 47,152 | 97.7% | $ 96,354 | $ 41,715 | 131.0% |
| Box office revenues per patron ("BPP") (iii) | $ 12.84 | $ 12.29 | 4.5% | $ 12.75 | $ 12.19 | 4.6% |
| Concession revenues per patron ("CPP") (iii) | $ 9.21 | $ 8.84 | 4.2% | $ 9.06 | $ 8.83 | 2.6% |
| Adjusted EBITDA (iv) | $ 102,192 | $ 77,939 | 31.1% | $ 164,957 | $ 114,414 | 44.2% |
| Adjusted EBITDAaL (iv) | $ 60,258 | $ 35,764 | 68.5% | $ 80,501 | $ 30,045 | 167.9% |
| Adjusted EBITDAaL margin (v) | 14.2 % | 10.2 % | 4.0% | 10.5 % | 5.2 % | 5.3% |
| Adjusted free cash flow (iv) | $ 39,584 | $ 21,844 | 81.2% | $ 41,210 | $ 99 | NM |
| Adjusted free cash flow per share (v) | $ 0.625 | $ 0.345 | 81.2% | $ 0.650 | $ 0.002 | NM |
| Earnings (loss) per share - basic (ii) | $ 2.79 | $ 0.02 | NM | $ 2.31 | $ (0.65) | NM |
| Earnings (loss) per share - diluted (ii) | $ 1.99 | $ 0.02 | NM | $ 1.74 | $ (0.65) | NM |

(i) Throughout this MD&A, changes in percentage amounts are calculated as 2023 value less 2022 value.

(ii) 2023 includes recovery of approximately $158.4 million related to the recognition of deferred income tax assets recognized during the second quarter and expenses related to the Cineworld transaction and associated litigation and claims recovery in the amount of $0.2 million (2022 - $1.2 million) for the second quarter and $1.1 million (2022 - $1.5 million) for the year to date.

(iii) Represents a supplementary financial measure. See Section 16, Non-GAAP and other financial measures.

(iv) Represents a non-GAAP financial measure. See Section 16, Non-GAAP and other financial measures.

(v) Represents a non-GAAP ratio. See Section 16, Non-GAAP and other financial measures.

Total revenues for the second quarter of 2023 increased by 20.9%, or $73.2 million to $423.1 million as compared to the prior year.

The successful release of *The Super Mario Bros. Movie*, *Guardians of the Galaxy Vol. 3* and *Spider-Man: Across The Spider-Verse*, during the second quarter of 2023, contributed to a theatre attendance increase of 15.5% from

11.1 million to 12.8 million as compared to the prior year. The increase in attendance and demand for premium offerings resulted in a second quarter record BPP of $12.84 and box office revenues of $164.5 million.

Food service revenues increased by 18.8% to an all-time quarterly record of $131.4 million in the second quarter of 2023 as compared to the prior year. The increase in theatre attendance and second quarter CPP of $9.21 resulted in theatre food service revenues of $118.0 million, which increased by $19.9 million or 20.3%.

Amusement revenues increased by $11.2 million or 17.0% to an all-time quarterly record of $76.9 million, primarily from continued strong P1AG route and distribution operations and the results from *The Rec Room* and *Playdium.*

Media revenues decreased 1.2% to $26.1 million, primarily due to a 4.6% decrease in cinema media, which was partially offset by a 7.3% increase in network management and services from digital media.

LBE revenues increased by $1.0 million or 3.5%, from $28.1 million to $29.1 million, a second quarter record. LBE food service revenues increased by $1.2 million or 11.3%, from $10.2 million to $11.4 million, a second quarter record. *The Rec Room* and *Playdium* generated $17.2 million in amusement revenues during the second quarter, compared to $17.4 million in the prior year.

As a result of the growth in total revenue, adjusted EBITDAaL for the current period was $60.3 million compared to $35.8 million in the prior year and adjusted free cash flow per share increased to $0.625 in the current period, compared to $0.345 in the prior year. Cineplex reported net income of $176.5 million in the current period ($2.79 earnings per share - basic and $1.99 earnings per share - diluted), compared to a net income of $1.3 million in the prior year ($0.02 earnings per share - basic and diluted). For the second quarter ended June 30, 2023, Cineplex assessed the recoverability of net deferred income tax assets and determined that the continued strong return to profitability provided a reasonable expectation that previously derecognized net deferred income tax assets will be utilized to offset future periods of taxable income. Cineplex recognized a recovery of approximately $158.4 million related to deferred income tax assets of during the second quarter, or $2.50 per share ($1.71 fully-diluted).

## 1.3 KEY DEVELOPMENTS IN THE SECOND QUARTER OF 2023

The following describes certain key business initiatives undertaken and results achieved during 2023 in each of Cineplex's core business areas:

### FILM ENTERTAINMENT AND CONTENT

*Theatre Exhibition*

- Reported second quarter box office revenues of $164.5 million, an increase of $28.1 million or 20.6% from $136.4 million due to a 15.5% increase in theatre attendance as a result of a strong film slate during the quarter, including *The Super Mario Bros. Movie*, which set a record for the biggest opening for an animated film ever.
- Reported a second quarter record BPP of $12.84, $0.55 or 4.5% higher than the $12.29 reported during the prior year due to a higher percentage of premium ticket sales in the current period as compared to the prior year.
- Opened Cineplex's second *Junxion* location at *Cineplex Junxion Erin Mills* in Mississauga, Ontario on May 17, 2023. *Cineplex Junxion* is an innovative entertainment destination that brings movies, amusement gaming, dining and live performances together for the ultimate guest experience.
- Enhanced the theatre circuit with a retrofit of all recliner seating at three auditoriums at *SilverCity St.Vital Cinemas* in Winnipeg, Manitoba.

*Theatre Food Service*

- Reported second quarter theatre food service revenues of $118.0 million, an increase of $19.9 million or 20.3% compared to the prior year primarily due to a 15.5% increase in theatre attendance.
- Reported a second quarter record CPP of $9.21, an increase of $0.37 or 4.2% compared to the prior year, primarily due to an increase in average spend.

*Alternative Programming and Distribution*

- As part of the theatrical distribution partnership with Lionsgate, during the second quarter, Cineplex's distribution business (Cineplex Pictures) distributed *Are You There God? It's Me, Margaret*, *Sisu*, *About My Father* and *The Blackening*. Additionally, Cineplex Pictures also distributed the feature film *The Wrath of Becky* during the quarter.
- Cineplex represented over 80% of the total North American box office market share for successful international films, including *Annhi Dea Mazaak Ae* (Punjabi), *Godday Godday Chaa* (Punjabi) and *Jodi* (Punjabi).
- Event Cinema presented an assortment of big-screen programs, including the 20th anniversary of *Lord of the Rings: Return of the King*, continued presentations from the Metropolitan Opera with *Don Giovanni* and *Falstaff*, as well as a variety of music events featuring Machine Gun Kelly, one of the members of BTS (Suga), Metallica and Coldplay.

*Digital Commerce*

- Total registered users for Cineplex Store increased 4.0% compared to the prior year, reaching approximately 2.3 million registered users.
- Curated Cineplex Store collections for Asian History Month, National Indigenous Peoples Day and Pride Month to elevate Asian stories, Indigenous people and LGBTQ2IA+ voices.

**MEDIA**

- Reported second quarter media revenues of $26.1 million, a decrease of $0.3 million or 1.2% as compared to the prior year.

*Cinema Media*

- Reported second quarter cinema media revenues of $17.8 million, a decrease of $0.9 million or 4.6% over the prior year.

*Digital Place-Based Media*

- Reported second quarter revenues of $8.3 million, an increase of $0.6 million or 7.3% over the prior year.

**AMUSEMENT SOLUTIONS (P1AG) AND LBE**

- Reported all-time quarterly record revenues of $76.9 million, an increase of $11.2 million or 17.0% compared to the prior year.

*Player One Amusement Group*

- Reported all-time quarterly record revenues of $55.2 million, an increase of $10.1 million or 22.4% compared to the prior year. Adjusted EBITDAaL during the second quarter also was an all-time quarterly record of $13.1 million, an increase of $4.9 million or 60.9% compared to the prior year. The increase in revenues and adjusted EBITDAaL were primarily due to increases in P1AG amusement revenues from US and Canada route locations at FEC's and theatres, along with an increase in distribution sales.

*Location-based Entertainment*

- Reported second quarter record revenues of $29.1 million, an increase of $1.0 million or 3.5% compared to the prior year.
- Reported adjusted store level EBITDAaL of $6.3 million, a decrease of $2.0 million or 24.0% compared to the prior year.

**LOYALTY**

- Membership in the Scene+ loyalty program increased to over 13 million members as at June 30, 2023.

**CORPORATE**

- On May 18, 2023, the Competition Bureau commenced legal action against Cineplex, alleging that Cineplex's online booking fee is misleading and constitutes "drip pricing". Cineplex strongly denies the Competition Bureau's allegations and believes that the online booking fee fully complies with the letter and spirit of the law. Cineplex believes that the Competition Bureau's allegations have no merit Cineplex will seek an early determination of this matter. Cineplex filed its response to the Competition Bureau's allegations on June 30, 2023.

- The CineClub subscription program ("CineClub") reached over 115,000 members, providing members with benefits accessible across Cineplex's businesses nationwide including Cineplex theatres LBE venues and the Cineplex Store.
- Recognized income taxes recovery of approximately $158.4 million on the basis of continued strong return to profitability providing a reasonable expectation that previously derecognized net deferred income tax assets will be utilized to offset future periods of taxable income.

## 2. CINEPLEX'S BUSINESS AND STRATEGY

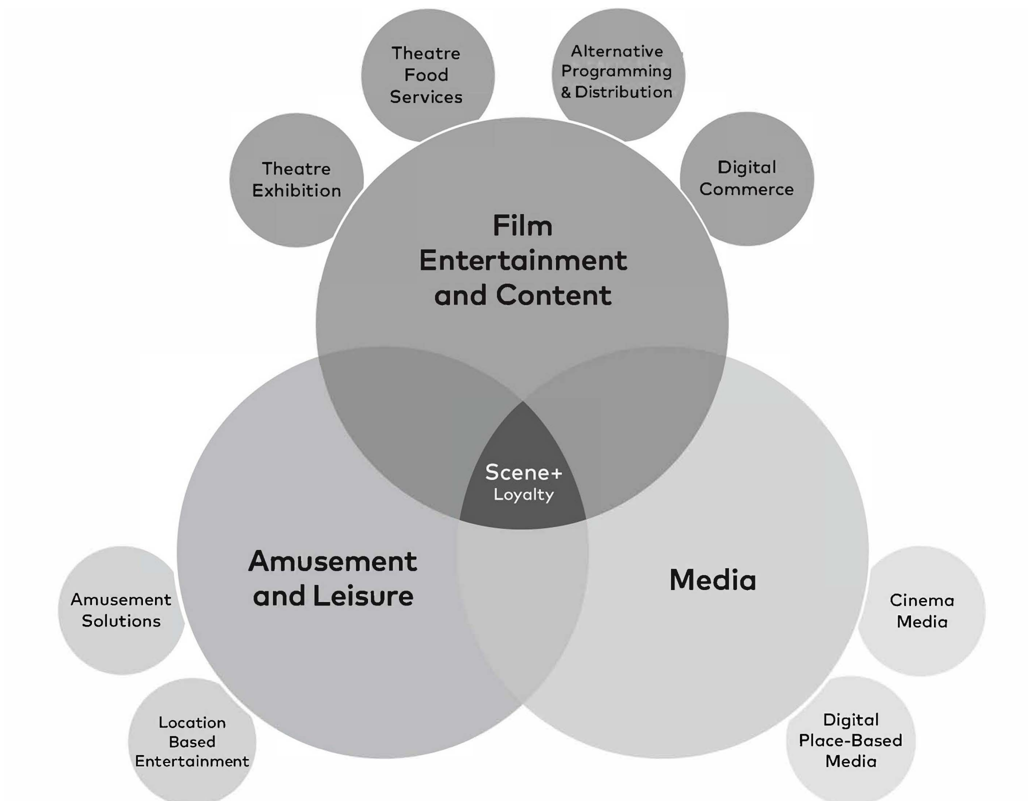
Cineplex's mission statement is "Passionately delivering exceptional experiences." All of its efforts are focused on this mission and it is Cineplex's goal to consistently provide guests and customers with exceptional experiences.

Cineplex's operations are primarily conducted in four main areas: film entertainment and content, media, amusement solutions (P1AG), 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 solution (P1AG) 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 cinema media, digital place-based media, amusement solutions (P1AG), location-based entertainment, 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 38.9% of revenue in the second quarter of 2023.

The following table presents the revenue mix for comparative periods:

| Revenue mix % by period | Q2 2023 | Q2 2022 | Q2 2021 | Q2 2020 | Q2 2019 |
|---|---|---|---|---|---|
| Box office | **38.9 %** | 39.0 % | 19.2 % | 0.1 % | 43.2 % |
| Food service | **31.1 %** | 31.6 % | 20.4 % | 14.8 % | 29.5 % |
| Media | **6.2 %** | 7.5 % | 14.5 % | 35.8 % | 11.2 % |
| Amusement | **18.2 %** | 18.8 % | 34.2 % | 17.0 % | 13.2 % |
| Other | **5.6 %** | 3.1 % | 11.7 % | 32.3 % | 2.9 % |
| Total | **100.0 %** | 100.0 % | 100.0 % | 100.0 % | 100.0 % |

Cineplex has four reportable segments, film entertainment and content, media, amusement solutions (P1AG) 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.

| Revenue mix % by period | Second Quarter | | Year to Date | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Film Entertainment and Content | 73.9 % | 71.6 % | 71.6 % | 70.7 % |
| Media | 6.1 % | 7.5 % | 6.3 % | 7.2 % |
| Amusement and Leisure | 13.1 % | 12.9 % | 13.7 % | 13.8 % |
| LBE | 6.9 % | 8.0 % | 8.4 % | 8.3 % |
| 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 providing customers with an exceptional entertainment experience.

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 is 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 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 including the newly introduced *Junxion* concept, LBE venues including *The Rec Room* and *Playdium*. In addition, food service revenues include home delivery services by Uber Eats and 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. 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. 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 is 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 and prepaid products.

*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, 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 solution (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 33.3% interest in Scene+, 50% share of one IMAX auditorium in Ontario, and 50% interest in *YoYo's Yogurt Cafe* ("YoYo's") are classified as joint ventures or associates. Cineplex's investment in YoYo's is carried at nil value. Cineplex disposed of its 78.2% interest in the Canadian Digital Cinema Partnership ("CDCP") on December 16, 2022. 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.

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, Scene GP.

## 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, 2023 and 2022 (expressed in thousands of dollars except shares outstanding, per share data and per patron data, unless otherwise noted):

| | Three months ended June 30, 2023 | Three months ended June 30, 2022 | Variance (%) | Six months ended June 30, 2023 | Six months ended June 30, 2022 | Variance (%) |
|---|---|---|---|---|---|---|
| Box office revenues | $ 164,491 | $ 136,372 | 20.6 % | $ 287,829 | $ 216,324 | 33.1 % |
| Food service revenues | 131,392 | 110,637 | 18.8 % | 232,468 | 179,025 | 29.9 % |
| Media revenues | 26,100 | 26,406 | (1.2)% | 48,396 | 41,951 | 15.4 % |
| Amusement revenues | 76,883 | 65,723 | 17.0 % | 152,646 | 116,147 | 31.4 % |
| Other revenues | 24,252 | 10,740 | 125.8 % | 42,736 | 25,154 | 69.9 % |
| Total revenues | **423,118** | **349,878** | **20.9 %** | **764,075** | **578,601** | **32.1 %** |
| Film cost | 90,471 | 69,958 | 29.3 % | 156,545 | 108,974 | 43.7 % |
| Cost of food service | 30,744 | 25,335 | 21.3 % | 54,981 | 40,192 | 36.8 % |
| Depreciation - right-of-use assets | 22,650 | 24,486 | -7.5 % | 44,849 | 48,749 | -8.0 % |
| Depreciation and amortization - other assets | 24,889 | 26,651 | -6.6 % | 50,895 | 53,543 | -4.9 % |
| Loss (gain) on disposal of assets | 226 | (4,650) | NM | 970 | (4,493) | NM |
| Other costs (a) | 199,329 | 176,741 | 12.8 % | 385,946 | 315,093 | 22.5 % |
| Costs of operations | **368,309** | **318,521** | **15.6 %** | **694,186** | **562,058** | **23.5 %** |
| Net income (loss) (vi) | $ 176,545 | $ 1,313 | NM | $ 146,372 | $ (40,912) | NM |
| Adjusted EBITDA (i) | $ 102,192 | $ 77,939 | 31.1 % | $ 164,957 | $ 114,414 | 44.2 % |
| Adjusted EBITDAaL (i) | $ 60,258 | $ 35,764 | 68.5 % | $ 80,501 | $ 30,045 | 167.9 % |
| (a) Other costs include: | | | | | | |
| Theatre occupancy expenses | 18,118 | 17,398 | 4.1 % | 37,366 | 29,160 | 28.1 % |
| Other operating expenses | 164,532 | 144,021 | 14.2 % | 312,922 | 254,527 | 22.9 % |
| General and administrative expenses (v) | 16,679 | 15,322 | 8.9 % | 35,658 | 31,406 | 13.5 % |
| Total other costs | **$ 199,329** | **$ 176,741** | **12.8 %** | **$ 385,946** | **$ 315,093** | **22.5 %** |
| Earnings (loss) per share - basic (v) | $ 2.79 | $ 0.02 | NM | $ 2.31 | $ (0.65) | NM |
| Earnings (loss) per share - diluted (v) | $ 1.99 | $ 0.02 | NM | $ 1.74 | $ (0.65) | NM |
| Total assets | $ 2,234,792 | $ 2,036,274 | 9.7 % | $ 2,234,792 | $ 2,036,274 | 9.7 % |
| Long-term debt (iv) | $ 838,484 | $ 782,421 | 7.2 % | $ 838,484 | $ 782,421 | 7.2 % |
| Shares outstanding at period end | 63,376,721 | 63,362,713 | — % | 63,376,721 | 63,362,713 | — % |
| Adjusted free cash flow per share (ii) | $ 0.625 | $ 0.345 | 81.2 % | $ 0.650 | $ 0.002 | NM |
| Box office revenue per patron (iii) | $ 12.84 | $ 12.29 | 4.5 % | $ 12.75 | $ 12.19 | 4.6 % |
| Concession revenue per patron (iii) | $ 9.21 | $ 8.84 | 4.2 % | $ 9.06 | $ 8.83 | 2.6 % |
| Film cost as a percentage of box office revenues | 55.0% | 51.3% | 3.7 % | 54.4% | 50.4% | 4.0 % |
| Theatre attendance (in thousands of patrons) (iii) | 12,806 | 11,092 | 15.5 % | 22,573 | 17,753 | 27.2 % |
| Theatre locations (at period end) | 158 | 159 | -0.6 % | 158 | 159 | -0.6 % |
| Theatre screens (at period end) | 1,631 | 1,640 | -0.5 % | 1,631 | 1,640 | -0.5 % |

(i) Represents a non-GAAP financial measure. See Section 16, Non-GAAP and other financial measures.

(ii) Represents a non-GAAP ratio. See Section 16, Non-GAAP and other financial measures.

(iii) Represents a supplementary financial measure. See Section 16, 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) 2023 includes expenses related to the Cineworld transaction and associated litigation and claims recovery in the amount of $0.2 million (2022 - $1.2 million) for the second quarter and $1.1 million (2022 - $1.5 million) for the year-to-date.

(vi) 2023 includes recovery of approximately $158.4 million related to the recognition of deferred income tax assets recognized during the second quarter and expenses related to the Cineworld transaction and associated litigation and claims recovery in the amount of $0.2 million (2022 - $1.2 million) for the second quarter and $1.1 million (2022 - $1.5 million) for the year to date.

## 4.2. OPERATING RESULTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023

### Total revenues

Total revenues for the three months ended June 30, 2023 increased $73.2 million or 20.9% to $423.1 million as compared to the prior year. Total revenues for the six months ended June 30, 2023 increased $185.5 million or 32.1% to $764.1 million as compared to the prior year. 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 16, 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** | | |
|---|---|---|---|---|---|---|
| | **2023** | **2022** | **Change** | **2023** | **2022** | **Change** |
| Box office revenues | $ 164,491 | $ 136,372 | 20.6% | $ 287,829 | $ 216,324 | 33.1 % |
| Theatre attendance (i) | 12,806 | 11,092 | 15.5% | 22,573 | 17,753 | 27.2 % |
| Box office revenue per patron (i) | $ 12.84 | $ 12.29 | 4.5% | $ 12.75 | $ 12.19 | 4.6 % |
| BPP excluding premium priced product (i) | $ 11.02 | $ 10.51 | 4.9% | $ 10.88 | $ 10.50 | 3.6 % |
| Same theatre box office revenues (i) | $ 162,367 | $ 135,860 | 19.5% | $ 284,742 | $ 215,474 | 32.1 % |
| Same theatre attendance (i) | 12,646 | 11,036 | 14.6% | 22,337 | 17,658 | 26.5 % |
| % Total box from premium priced product (i) | 46.6% | 42.4 % | 4.2% | 47.8 % | 40.2 % | 7.6 % |

(i) Represents a supplementary financial measure. See Section 16, Non-GAAP and other financial measures.

| **Box office continuity** | **Second Quarter** | | **Year to Date** | |
|---|---|---|---|---|
| | **Box Office** | **Theatre Attendance** | **Box Office** | **Theatre Attendance** |
| 2022 as reported | $ 136,372 | 11,092 | $ 216,324 | 17,753 |
| Same theatre attendance change | 19,821 | 1,610 | 57,092 | 4,679 |
| Impact of same theatre BPP change | 6,686 | — | 12,177 | — |
| New and acquired theatres (i) | 2,125 | 160 | 3,083 | 236 |
| Disposed and closed theatres (i) | (513) | (56) | (847) | (95) |
| 2023 as reported | **$ 164,491** | **12,806** | **$ 287,829** | **22,573** |

(i) See Section 16, 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 2023 Top Cineplex Films** | **3D** | **% Box** | | **Second Quarter 2022 Top Cineplex Films** | **3D** | **% Box** |
|---|---|---|---|---|---|---|---|
| 1 | The Super Mario Bros. Movie | ✔ | 24.2 % | 1 | Top Gun: Maverick | | 21.1 % |
| 2 | Guardians of the Galaxy Vol. 3 | ✔ | 13.0 % | 2 | Doctor Strange In The Multiverse of Madness | ✔ | 20.0 % |
| 3 | Spider-Man: Across The Spider-Verse | | 12.1 % | 3 | Jurassic World Dominion | ✔ | 10.4 % |
| 4 | The Little Mermaid | ✔ | 6.5 % | 4 | Sonic The Hedgehog 2 | | 6.9 % |
| 5 | Fast X | | 6.4 % | 5 | Fantastic Beasts: The Secrets of Dumbledore | | 5.1 % |

| | Full Year 2023 Top Cineplex Films | 3D | % Box | | Full Year 2022 Top Cineplex Films | 3D | % Box |
|---|---|---|---|---|---|---|---|
| 1 | The Super Mario Bros. Movie | ✔ | 13.8 % | 1 | Top Gun: Maverick | | 13.3 % |
| 2 | Avatar: The Way of Water | ✔ | 9.6 % | 2 | Doctor Strange In The Multiverse of Madness | ✔ | 12.6 % |
| 3 | Guardians of the Galaxy Vol. 3 | ✔ | 7.4 % | 3 | The Batman | | 11.5 % |
| 4 | Spider-Man: Across The Spider-Verse | | 6.9 % | 4 | Spider-Man: No Way Home | ✔ | 7.7 % |
| 5 | John Wick: Chapter 4 | | 5.5 % | 5 | Jurassic World Dominion | ✔ | 6.6 % |

*Second Quarter*

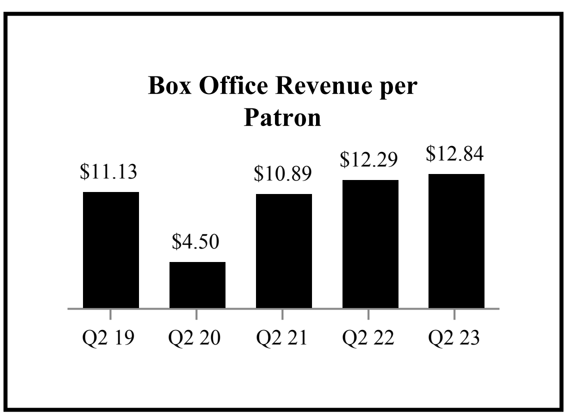
Box office revenues increased by $28.1 million or 20.6% to $164.5 million during the second quarter, compared to $136.4 million recorded in the prior year. This increase was primarily due to a 1.7 million or 15.5% increase in theatre attendance from 11.1 million to 12.8 million. The increase in theatre attendance is attributed to the strong film slate during the second quarter, including the blockbuster performance of *The Super Mario Bros. Movie*, which generated $146.4 million during its North American opening weekend and set a record for the biggest opening for an animated film ever. Additionally, *Spider-Man: Across The Spider-Verse* and *Guardians of the Galaxy Vol. 3,* generated $120.7 million and $118.4 million, respectively, during their North American opening weekends.

BPP for the three months ended June 30, 2023 was $12.84, representing a second quarter record for Cineplex and an increase of $0.55 or 4.5% from $12.29 reported in the prior year. The increase in BPP was primarily due to strong film product, including *The Super Mario Bros. Movie* and S*pider-Man: Across The Spider-Verse*, that positively impacted consumer demand and drew guests to premium experiences. In particular, 3D content released during the second quarter had a positive impact on premium priced products, which accounted for 46.6% of the total box office compared to 42.4% in the prior year.

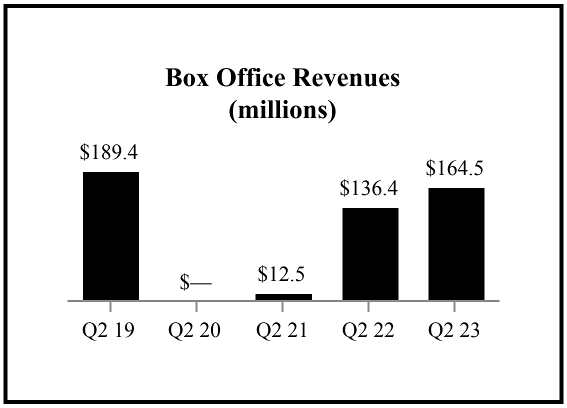
*Year to Date*

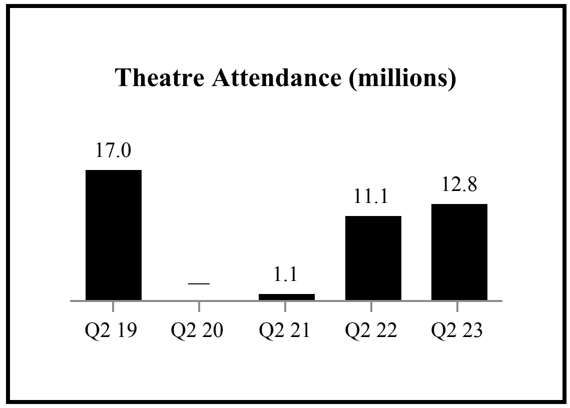
For the year to date period, box office revenues increased by $71.5 million or 33.1% to $287.8 million, compared to $216.3 million recorded in the prior year. The increase was primarily due to a 4.8 million increase in theatre attendance, as a result of strong titles, including *Avatar: The Way of Water*, representing one of Cineplex's highest grossing titles ever.

BPP during the year to date period was $12.75, which increased by $0.56 or 4.6% from $12.19 reported in the prior year. The increase was due to a higher percentage of box office revenues from premium priced offerings, which accounted for 47.8% of Cineplex's box office revenues for the six months ended June 30, 2023, compared to 40.2% in the prior year.




(i) Q2 2020 is not a meaningful metric as a majority of Cineplex's theatres were closed for the period.




(i) Q2 2020 is not a meaningful metric as a majority of Cineplex's theatres were closed for the period.

**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** | | |
|---|---|---|---|---|---|---|
| | **2023** | **2022** | **Change** | **2023** | **2022** | **Change** |
| Food service - theatres | $ 117,958 | $ 98,046 | 20.3 % | $ 204,402 | $ 156,805 | 30.4 % |
| Food delivery - theatres | 2,076 | 2,390 | -13.1 % | 4,371 | 5,639 | -22.5 % |
| Food service - LBE | 11,358 | 10,201 | 11.3 % | 23,695 | 16,581 | 42.9 % |
| Total food service revenues | **$ 131,392** | **$ 110,637** | **18.8 %** | **$ 232,468** | **$ 179,025** | **29.9 %** |
| Theatre attendance (i) | $ 12,806 | $ 11,092 | 15.5 % | 22,573 | 17,753 | 27.2 % |
| CPP (i) (ii) | $ 9.21 | $ 8.84 | 4.2 % | $ 9.06 | $ 8.83 | 2.6 % |
| Same theatre food service revenues (i) | $ 116,242 | $ 97,602 | 19.1 % | $ 201,814 | $ 156,052 | 29.3 % |
| Same theatre attendance (i) | 12,646 | 11,036 | 14.6 % | 22,337 | 17,658 | 26.5 % |

(i) Represents a supplementary financial measure. See Section 16, 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** |
| 2022 as reported | $ 98,046 | 11,092 | $ 156,805 | 17,753 |
| Same theatre attendance change | 14,240 | 1,610 | 41,347 | 4,679 |
| Impact of same theatre CPP change | 4,401 | — | 4,415 | — |
| New and acquired theatres (i) | 1,715 | 160 | 2,582 | 236 |
| Disposed and closed theatres (i) | (444) | (56) | (747) | (95) |
| 2023 as reported | **$ 117,958** | **12,806** | **$ 204,402** | **22,573** |

(i) See Section 16, 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.

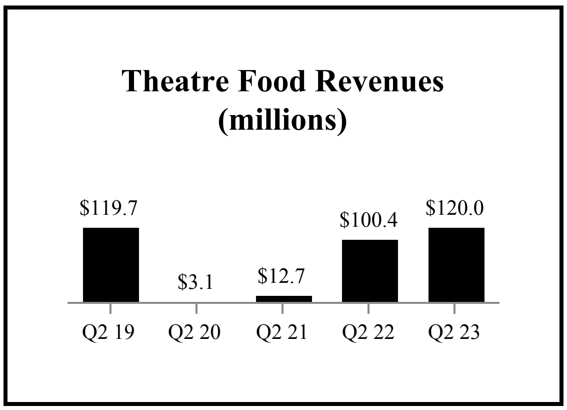
*Second Quarter*

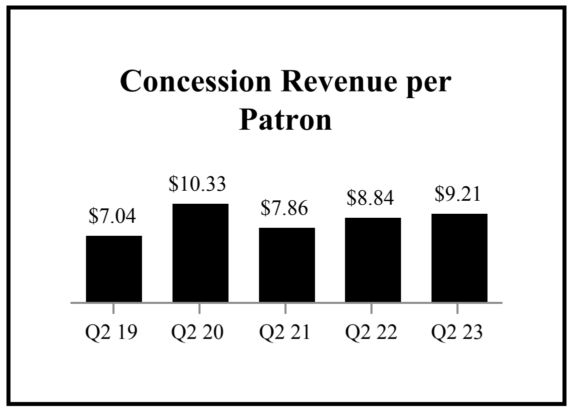
Food service revenues are comprised primarily of concession revenues, which includes food service sales at theatre locations, including the newly introduced *Junxion* concept and through delivery services including Uber Eats and Skip the Dishes. Food service revenues also include food and beverage sales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

Food service revenues increased by $20.8 million or 18.8% to $131.4 million during the second quarter, compared to $110.6 million recorded in the prior year due to both higher theatre and LBE food service revenues. Theatre food service revenues increased by $19.9 million or 20.3% to $118.0 million as compared to the prior year. The increase in theatre food services revenue was primarily due to a 15.5% increase in theatre attendance. Additionally, the increase in theatre food services revenue is also attributed to the an increase in average guest spend compared to the prior year. During the second quarter, CPP increased by $0.37 or 4.2% from $8.84 to a second quarter record of $9.21. LBE food service revenue also increased by $1.2 million or 11.3% to $11.4 million, a second quarter record.

*Year to Date*

For the year to date period, food service revenues increased by $53.4 million or 29.9% to $232.5 million, compared to $179.0 million recorded in the prior year, primarily due to a $47.6 million increase in theatre food services. The increase in theatre food service revenues was primarily due to a 4.8 million increase in theatre attendance. Additionally, there was an increase in average guest spend when compared to the prior year. For the year to date period, CPP increased by $0.23 or 2.6% from $8.83 to $9.06. LBE food service revenue also increased by $7.1 million or 42.9% to $23.7 million.




(i) Q2 2020 is not a meaningful metric as a majority of Cineplex's theatres were closed for the period.

**Media revenues**

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

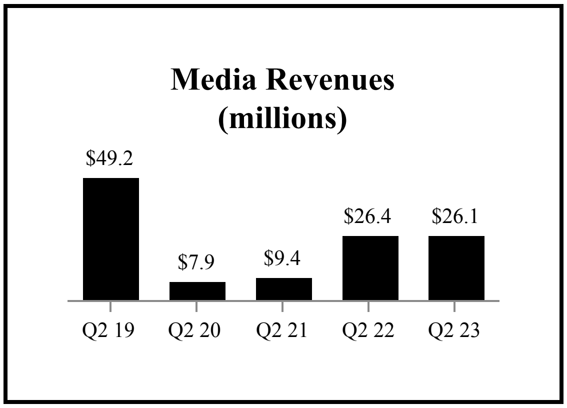
| Media revenues | Second Quarter | | | Year to Date | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | Change | 2023 | 2022 | Change |
| Cinema media | $ 17,833 | $ 18,700 | -4.6 % | $ 32,126 | $ 26,949 | 19.2 % |
| Digital place-based media | 8,267 | 7,706 | 7.3 % | 16,270 | 15,002 | 8.5 % |
| **Total media revenues** | **$ 26,100** | **$ 26,406** | **-1.2%** | **$ 48,396** | **$ 41,951** | **15.4%** |

*Second Quarter*

Total media revenues decreased by $0.3 million or 1.2% to $26.1 million during the second quarter, compared to $26.4 million recorded in the prior year. The decrease during the second quarter was primarily due to the decrease in cinema media. The higher cinema media revenues in the second quarter of 2022 was due to one time delivery owed to a corporate partner that was not delivered during the pandemic due to location closures. Cinema media revenue generated during the second quarter of 2023 increased by $1.5 million or 14% compared to the second quarter of 2022, excluding corporate commitments, and is in line with attendance increases. Digital place-based media revenues, which includes advertising in a variety of sectors at DOOH networks, increased by $0.6 million or 7.3% during second quarter, compared to the prior year.

*Year to Date*

For the year to date period, total media revenues increased by $6.4 million or 15.4% to $48.4 million, compared to $42.0 million recorded in the prior year due to the return of moviegoers with the release of highly anticipated movies in the first quarter particularly. This ultimately resulted in increased advertising opportunities, leading to the increase in cinema advertising from advertisers in a variety of sectors. The increase in total media revenues for the year to date period is also attributable to the $1.3 million or 8.5% increase in digital place-based media revenues as a result of increased mall traffic, leading to increased advertising from advertisers in a variety of sectors at DOOH networks.




(i) Q2 2020 is not a meaningful metric as a majority of Cineplex's theatres were closed for the period.

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 | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | Change | 2023 | 2022 | Change |
| Project revenues (i) | $ 2,672 | $ 3,181 | -16.0 % | $ 5,578 | $ 6,160 | -9.4 % |
| Other revenues (ii) | 5,595 | 4,525 | 23.6 % | 10,692 | 8,842 | 20.9 % |
| Total digital place-based media revenues | **$ 8,267** | **$ 7,706** | **7.3%** | **$ 16,270** | **$ 15,002** | **8.5%** |

(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 | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | Change | 2023 | 2022 | Change |
| Amusement revenue excluding exhibition and LBE | $ 55,197 | $ 45,097 | 22.4 % | $ 104,799 | $ 79,936 | 31.1 % |
| Amusement revenue - exhibition | 4,492 | 3,248 | 38.3 % | 8,418 | 5,339 | 57.7 % |
| Amusement revenue - LBE | 17,194 | 17,378 | -1.1 % | 39,429 | 30,872 | 27.7 % |
| Total amusement revenues | **$ 76,883** | **$ 65,723** | **17.0%** | **$ 152,646** | **$ 116,147** | **31.4%** |

(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*

Compared to the prior year, amusement revenues increased by $11.2 million or 17.0% during the second quarter, to an all-time quarterly record of $76.9 million. The increase was primarily due to a $10.1 million increase in P1AG amusement revenues from US and Canada route locations at FEC's and theatres, along with an increase in distribution sales. LBE amusement revenues also contributed $17.2 million towards total amusement revenues, compared to $17.4 million recorded in the prior year.

*Year to Date*

For the year to date period, amusement revenues increased by $36.5 million or 31.4% compared to the prior year. The increase was primarily due to a $24.9 million increase in P1AG amusement revenues from US and Canada route locations at FEC's and theatres, along with an increase in distribution sales. This contributed to the $8.6 million increase in LBE amusement revenues compared to the prior year.

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** | | |
|---|---|---|---|---|---|---|
| | **2023** | **2022** | **Change** | **2023** | **2022** | **Change** |
| Amusement revenues | **$ 55,197** | **$ 45,097** | **22.4%** | **$ 104,799** | **$ 79,936** | **31.1%** |
| Operating expenses | 40,898 | 35,993 | 13.6 % | 80,454 | 64,852 | 24.1 % |
| Cash rent related to lease obligations (i) | 1,235 | 986 | 25.3 % | 2,415 | 1,981 | 21.9 % |
| Total | **$ 42,133** | **$ 36,979** | **13.9%** | **$ 82,869** | **$ 66,833** | **24.0%** |
| P1AG adjusted EBITDAaL (ii) | **$ 13,064** | **$ 8,118** | **60.9%** | **$ 21,930** | **$ 13,103** | **67.4%** |
| P1AG adjusted EBITDAaL Margin (iii) | **23.7 %** | **18.0 %** | **5.7%** | **20.9 %** | **16.4 %** | **4.5%** |

(i) Cash rent that has been reallocated to offset the lease obligations.
(ii) Represents a non-GAAP financial measure. See Section 16, Non-GAAP and other financial measures.
(iii) Represents a non-GAAP ratio. See Section 16, Non-GAAP and other financial measures.

*Second Quarter*

Compared to the prior year, P1AG's amusement revenues increased by $10.1 million or 22.4% during the second quarter, to an all-time quarterly record of $55.2 million. The increase in revenues is attributed to P1AG US and Canadian route locations at FEC's and theatres. Further contributing to the increase in revenues is the increase in distribution sales, primarily from equipment sales. P1AG adjusted EBITDAaL during the second quarter was an all-time quarterly record of $13.1 million, an increase of $4.9 million compared to the prior year. P1AG adjusted EBITDAaL margin was 23.7% during the second quarter. Operating expenses for the second quarter of 2023 includes a $2.9 million wage subsidy related to Employee Retention Credit filed with respect to 2021 U.S. business activities.

*Year to Date*

For the year to date period, P1AG's amusement revenues increased by $24.9 million or 31.1% to $104.8 million. The increase in revenues is attributed to P1AG US and Canadian route locations at FEC's and theatres. Further contributing to the increase in revenues is the increase in distribution sales, primarily from equipment sales. P1AG adjusted EBITDAaL during the year to date period was $21.9 million, an increase of $8.8 million compared to the prior year. Efficient management of operating expenses and the Employee Retention Credit subsidy in the amount of $2.9 million allowed for the growth in margin during the year to date period compared to the prior year.

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

| LBE Summary | Second Quarter | | | Year to Date | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | Change | 2023 | 2022 | Change |
| Food service revenues | $ 11,358 | $ 10,201 | 11.3 % | $ 23,695 | $ 16,581 | 42.9 % |
| Amusement revenues | 17,194 | 17,378 | -1.1 % | 39,429 | 30,872 | 27.7 % |
| Media and other revenues | 561 | 545 | 2.9 % | 1,072 | 714 | 50.1 % |
| Total revenues | **$ 29,113** | **$ 28,124** | **3.5 %** | **$ 64,196** | **$ 48,167** | **33.3 %** |
| Cost of food service | 3,267 | 2,888 | 13.1 % | 6,751 | 4,709 | 43.4 % |
| Operating expenses before adjustments (i) | 16,756 | 14,299 | 17.2 % | 33,488 | 22,763 | 47.1 % |
| Cash rent related to lease obligations (ii) | 2,742 | 2,586 | 6.0 % | 5,472 | 5,244 | 4.3 % |
| Total | **$ 22,765** | **$ 19,773** | **15.1 %** | **$ 45,711** | **$ 32,716** | **39.7 %** |
| Adjusted store level EBITDAaL (iii) | **$ 6,348** | **$ 8,351** | **-24.0 %** | **$ 18,485** | **$ 15,451** | **19.6 %** |
| Adjusted store level EBITDAaL Margin (iv) | **21.8 %** | **29.7 %** | **-7.9 %** | **28.8 %** | **32.1 %** | **-3.3 %** |

(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 16, Non-GAAP and other financial measures.

(iv) Represents a non-GAAP ratio. See Section 16, Non-GAAP and other financial measures.

*Second Quarter*

During the second quarter, revenues increased by $1.0 million or 3.5% from the prior year to a second quarter record of $29.1 million. The increase in revenue is primarily due to an increase in groups and events bookings during the quarter. Further contributing to the increase in revenues is food service revenues of $11.4 million, a second quarter record. Adjusted store level EBITDAaL for the second quarter was $6.3 million and adjusted store level EBITDAaL margin during the second quarter was 21.8%. Payroll costs were low during the second quarter of 2022 due to general labour shortages resulting in payroll costs lower than historical levels and what is required at optimal operating levels. Furthermore, adjusted store level EBITDAaL and margin are affected by sales mix, with amusement revenues historically contributing higher margins than food service to LBE locations.

*Year to Date*

For the year to date period, revenues increased by $16.0 million or 33.3% from the prior year. The increase in revenue is primarily due to higher groups and events bookings and higher amusement sales during the period. The increase in revenue during the year to date period is also partially attributed to the success of special occasions and holidays including Valentines Day, Family Day and Spring Break. Adjusted store level EBITDAaL for the year to date period was $18.5 million and adjusted store level EBITDAaL margin during the year to date period was 28.8%. The increase in adjusted store level EBITDAaL is due to increased operating capacity compared to restrictions that were still in place in the prior year. The decrease in adjusted store level EBITDAaL margin is due to sales mix and increased staffing levels in anticipation of increased business volumes.

### Other revenues

The following table highlights the other revenues which includes revenues from online booking fees, Cineplex Pictures distribution, the Cineplex Store, 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 | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | Change | 2023 | 2022 | Change |
| Total other revenues | $ 24,252 | $ 10,740 | 125.8% | $ 42,736 | $ 25,154 | 69.9% |

*Second Quarter and Year to Date*

The quarterly and year to date increase in other revenues is primarily due to the implementation of an online booking fee introduced on June 15, 2022 that applies to tickets purchased through Cineplex's mobile app and website. This online booking fee generated $7.0 million during the second quarter and $12.2 million during the year to date period. The increase in other revenues during both periods is also attributed to higher revenues from distribution revenue, venue rentals and breakage related to gift cards and other prepaid products, net of lower Scene revenues.

**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):

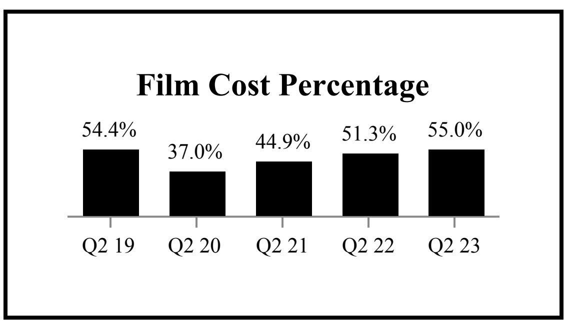
| Film cost | Second Quarter | | | Year to Date | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | Change | 2023 | 2022 | Change |
| Film cost | $ 90,471 | $ 69,958 | 29.3 % | $ 156,545 | $ 108,974 | 43.7 % |
| Film cost percentage (i) | 55.0% | 51.3% | 3.7 % | 54.4% | 50.4% | 4.0 % |

(i) Represents a supplementary financial measure. See Section 16, 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 during the second quarter and year to date over the prior year is positively correlated to the increase in box office revenues recognized during both periods due to the release of strong film titles including *The Super Mario Bros. Movie* and *Guardians of the Galaxy Vol. 3.* Film cost percentage increased 3.7% during both the second quarter and year to date period compared to the prior year due to the top films in both periods having higher settlement rates and making up a larger percentage of box office revenues.




(i) Q2 2020 is not a meaningful metric as a majority of Cineplex's theatres were closed for the period.

## Cost of food service

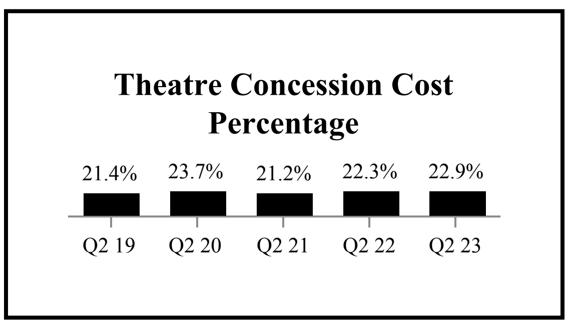
The following table highlights the movement in cost of food service and food service cost as a percentage of food service revenues ("concession cost percentage") for both theatres and LBE for the quarter and the year to date (in thousands of dollars, except percentages and margins per patron):

| **Cost of food service** | **Second Quarter** | | | **Year to Date** | | |
|---|---|---|---|---|---|---|
| | **2023** | **2022** | **Change** | **2023** | **2022** | **Change** |
| Cost of food service - theatre | $ 27,477 | $ 22,447 | 22.4 % | $ 48,230 | $ 35,483 | 35.9 % |
| Cost of food service - LBE | 3,267 | 2,888 | 13.1 % | 6,751 | 4,709 | 43.4 % |
| Total cost of food service | **$ 30,744** | **$ 25,335** | **21.3 %** | **$ 54,981** | **$ 40,192** | **36.8 %** |
| Theatre concession cost percentage (i) | 22.9% | 22.3% | 0.6 % | 23.1% | 21.8% | 1.3 % |
| LBE food cost percentage (i) | 28.8% | 28.3% | 0.5 % | 28.5% | 28.4% | 0.1 % |
| Theatre concession margin per patron (i) | $ 7.10 | $ 6.86 | 3.5 % | $ 6.97 | $ 6.90 | 1.0 % |
| (i) Represents a supplementary financial measure. See Section 16, 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 purchased 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 and year to date period is positively correlated to the increase in food service revenues recognized during the quarter and year to date period. Despite inflationary food and material costs, theatre concession cost percentage remained flat for both the second quarter and year to date period compared to the prior year. Similarly, LBE food cost percentage remained flat during both the second quarter and year to date period compared to the prior year.




(i) Q2 2020 is not a meaningful metric as a majority of Cineplex's theatres were closed for the period.

## 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** | | |
|---|---|---|---|---|---|---|
| | **2023** | **2022** | **Change** | **2023** | **2022** | **Change** |
| Depreciation of property, equipment and leaseholds | $ 22,466 | $ 23,865 | -5.9 % | $ 45,747 | $ 48,132 | -5.0 % |
| Amortization of intangible assets and other | 2,423 | 2,786 | -13.0 % | 5,148 | 5,411 | -4.9 % |
| Sub-total - depreciation and amortization - other assets | **$ 24,889** | **$ 26,651** | **-6.6%** | **$ 50,895** | **$ 53,543** | **-4.9%** |
| Depreciation - right-of-use assets | 22,650 | 24,486 | -7.5 % | 44,849 | 48,749 | -8.0 % |
| Total depreciation and amortization | **$ 47,539** | **$ 51,137** | **-7.0%** | **$ 95,744** | **$ 102,292** | **-6.4%** |

*Second Quarter and Year to Date*

Depreciation of property, equipment and leaseholds decreased by $1.4 million, or 5.9% during the quarter compared to the prior year and by $2.4 million or 5.0% for the year to date period compared to the prior year. The decrease was primarily due to fully depreciated property, equipment and leaseholds.

Amortization of intangible assets and other decreased by $0.4 million, or 13.0% during the quarter compared to the prior year and by $0.3 million or 4.9% for the year to date period compared to the prior year. The decrease was due to fully amortized customer relationship assets, which were partially offset by increases in software development assets.

Depreciation of right-of-use decreased by $1.8 million or 7.5% during the quarter compared to the prior year and by $3.9 million or 8.0% during the year to date period compared to the prior year. The decrease was primarily due to modifications to lease agreements which reduced the related depreciation recognized.

### Loss (gain) on disposal of assets

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

| Loss (gain) on disposal of assets | Second Quarter | | | Year to Date | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | Change | 2023 | 2022 | Change |
| Loss (gain) on disposal of assets | $ 226 | $ (4,650) | -104.9% | $ 970 | $ (4,493) | -121.6% |

*Second Quarter and Year to Date*

The change in the loss (gain) on disposal of assets recognized during the second quarter and year to date period is due to minimal activity on the disposal of Cineplex's assets during the current periods, compared to the sale of certain restrictive lease rights for total proceeds of $5.4 million completed during the second quarter of 2022.

### 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 | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | Change | 2023 | 2022 | Change |
| Theatre occupancy expenses | $ 18,118 | $ 17,398 | 4.1 % | $ 37,366 | $ 29,160 | 28.1 % |
| Other operating expenses | 164,532 | 144,021 | 14.2 % | 312,922 | 254,527 | 22.9 % |
| General and administrative expenses | 16,679 | 15,322 | 8.9 % | 35,658 | 31,406 | 13.5 % |
| Total other costs | **$ 199,329** | **$ 176,741** | **12.8%** | **$ 385,946** | **$ 315,093** | **22.5%** |

### 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 | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | Change | 2023 | 2022 | Change |
| Cash rent paid/payable (i) (ii) | $ 36,140 | $ 36,931 | -2.1 % | $ 74,617 | $ 72,763 | 2.5 % |
| Other occupancy (ii) | 18,359 | 18,259 | 0.5 % | 37,230 | 33,159 | 12.3 % |
| One-time items (iii) | (520) | (678) | -23.3 % | (518) | (1,283) | -59.6 % |
| Total theatre occupancy including cash lease payments | **$ 53,979** | **$ 54,512** | **-1.0%** | **$ 111,329** | **$ 104,639** | **6.4%** |
| IFRS 16 adjustment (iv) | (35,861) | (37,114) | -3.4 % | (73,963) | (75,479) | -2.0 % |
| Theatre occupancy as reported | **$ 18,118** | **$ 17,398** | **4.1%** | **$ 37,366** | **$ 29,160** | **28.1%** |

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

(ii) 2022 includes $3.4 million of rent subsidies included in cash rent paid/payable and $3.5 million of realty tax subsidies included in other occupancy for the year to date period.

(iii) 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.

(iv) Cash rent paid/payable related to lease obligations.

| Theatre occupancy continuity | Second Quarter Occupancy | Year to Date Occupancy |
|---|---|---|
| 2022 as reported | $ 17,398 | $ 29,160 |
| Impact of new and acquired theatres | 436 | 611 |
| Impact of disposed theatres | (269) | (970) |
| Same store rent change (i) | (1,418) | (1,171) |
| One-time items | 159 | 765 |
| Decrease in subsidies | 414 | 6,835 |
| Other | 145 | 620 |
| Impact of IFRS 16: | | |
| Cash rent related to lease obligations | 1,253 | 1,516 |
| 2023 as reported | **$ 18,118** | **$ 37,366** |

(i) Represents a supplementary financial measure. See Section 16, Non-GAAP and other financial measures.

*Second Quarter*

Theatre occupancy expenses increased by $0.7 million or 4.1% during the second quarter compared to the prior year. The increase is partially attributed to higher theatre occupancy related expenses including real estate taxes and common area maintenance. Furthermore, the prior year benefited from realty tax and rent subsidies of $0.4 million.

*Year to Date*

Theatre occupancy expenses increased by $8.2 million or 28.1% during the year to date period. The year to date increase in theatre occupancy expenses is due to the prior year being impacted by gradual reopening plans, which resulted in lower rent related expenses. Furthermore, the prior year to date period benefited from realty tax and rent subsidies of $6.9 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 | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | Change | 2023 | 2022 | Change |
| Theatre payroll (i) | $ 41,920 | $ 37,175 | 12.8 % | $ 77,811 | $ 53,472 | 45.5 % |
| Theatre operating expenses | 28,994 | 26,184 | 10.7 % | 57,296 | 48,539 | 18.0 % |
| Media | 12,408 | 12,017 | 3.3 % | 25,433 | 22,196 | 14.6 % |
| P1AG | 42,133 | 36,979 | 13.9 % | 82,869 | 66,833 | 24.0 % |
| LBE (ii) | 19,498 | 16,885 | 15.5 % | 38,960 | 28,007 | 39.1 % |
| SCENE | 3,575 | 4,663 | -23.3 % | 10,614 | 18,504 | -42.6 % |
| Marketing | 1,946 | 2,458 | -20.8 % | 4,182 | 3,820 | 9.5 % |
| Scene+ point issuance | 7,342 | 5,126 | 43.2 % | 12,116 | 8,121 | 49.2 % |
| Other (iii) | 11,808 | 6,618 | 78.4 % | 13,770 | 13,551 | 1.6 % |
| Other operating expenses including cash lease payments | **$ 169,624** | **$ 148,105** | **14.5%** | **$ 323,051** | **$ 263,043** | **22.8%** |
| IFRS 16 adjustment (iv) | (5,092) | (4,084) | 24.7 % | (10,129) | (8,516) | 18.9 % |
| Total other operating expenses | **$ 164,532** | **$ 144,021** | **14.2%** | **$ 312,922** | **$ 254,527** | **22.9%** |

(i) 2022 includes $1.4 million of theatre payroll subsidies for the second quarter and $14.6 million for the year to date period.

(ii) Includes operating costs of LBE locations. Overhead relating to management of LBE portfolio are included in the 'Other' line.

(iii) Other category includes direct costs of Cineplex Pictures, Cineplex Store and overhead costs related to LBE and other Cineplex internal departments.

(iv) Cash rent paid/payable related to lease obligations.

| Other operating expenses continuity | Second Quarter | Year to Date |
|---|---|---|
| 2022 as reported | $ 144,021 | $ 254,527 |
| Impact of new and acquired theatres | 1,130 | 1,728 |
| Impact of disposed theatres | (416) | (894) |
| Same theatre payroll change (i) | 4,185 | 23,510 |
| Same theatre operating expenses change (i) | 2,761 | 8,909 |
| Media operating expenses change | 391 | 3,237 |
| P1AG operating expenses change | 5,154 | 16,036 |
| LBE operating expenses change | 2,613 | 10,953 |
| SCENE change | (1,088) | (7,890) |
| Marketing change | (512) | 362 |
| Scene+ point issuance change | 2,216 | 3,995 |
| Other | 5,085 | 62 |
| <u>Impact of IFRS 16:</u> | | |
| Cash rent related to lease obligations | (1,008) | $ (1,613) |
| 2023 as reported | **$ 164,532** | **$ 312,922** |

(i) See Section 16, Non-GAAP and other financial measures. These are measures included as part of Cineplex's supplementary financial measure calculations.

*Second Quarter*

Other operating expenses increased by $20.5 million or 14.2% during the second quarter compared to the prior year. The increase in theatre payroll and theatre operating expenses is positively correlated to the increase in box office revenues recognized during the quarter. P1AG operating expenses increased by $5.2 million or 13.9% from the prior year to $42.1 million as a result of increased sales at P1AG US and Canadian route locations at FEC's and theatres, net of $2.8 million wage subsidies recognized in the second quarter of 2023. Similarly, the increase in LBE revenues resulted in a $2.6 million or 15.5% increase in LBE operating expenses compared to the prior year. Cineplex also recognized a $2.2 million or 43.2% increase in marketing expenses relating to the cost of issuance of Scene+ points due to higher box office and food service sales. Lastly, Cineplex recognized $1.2 million of subsidies in the second quarter of 2022, which offset theatre payroll, non-theatre rent and realty tax and utilities. The increase in operating expenses was partially offset by a decrease in SCENE and Marketing costs.

*Year to Date*

Other operating expenses increased by $58.4 million or 22.9% during the year to date period compared to the prior year. The increase in theatre payroll and theatre operating expenses is positively correlated to the increase in box office revenues recognized during the year to date period. P1AG operating expenses increased by $16.0 million or 24.0% from the prior year to $82.9 million as a result of increased sales at P1AG US and Canadian route locations at FEC's and theatres. Similarly, the increase in LBE revenues resulted in a $11.0 million or 39.1% increase in LBE operating expenses compared to the prior year. Cineplex also recognized a $4.0 million or 49.2% increase in marketing expenses relating to the cost of issuance of Scene+ points due to higher box office and food service sales. Lastly, Cineplex recognized $21.9 million of subsidies during the year to date period of 2022, comprised of $19.5 million of payroll subsidies of which $14.6 million was offset against theatre payroll and $2.4 million of non-theatre rent, realty tax and utility subsidies. The increase in operating expenses was partially offset by a decrease in SCENE costs.

**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** | | |
|---|---|---|---|---|---|---|
| | **2023** | **2022** | **Change** | **2023** | **2022** | **Change** |
| G&A excluding the following items (i) | $ 15,305 | $ 13,916 | 10.0 % | $ 30,600 | $ 26,604 | 15.0 % |
| Restructuring | — | 12 | -100.0 % | 1,127 | 1,453 | -22.4 % |
| Transaction / Litigation costs | 192 | 1,235 | -84.5 % | 1,052 | 1,489 | -29.3 % |
| LTIP (ii) | 1,444 | 352 | 310.2 % | 3,389 | 2,093 | 61.9 % |
| Option plan | 322 | 399 | -19.3 % | 657 | 916 | -28.3 % |
| G&A expenses including cash lease payments | **$ 17,263** | **$ 15,914** | **8.5%** | **$ 36,825** | **$ 32,555** | **13.1%** |
| IFRS 16 adjustment (iii) | (584) | (592) | -1.4 % | (1,167) | (1,149) | 1.6 % |
| G&A expenses as reported | **$ 16,679** | **$ 15,322** | **8.9%** | **$ 35,658** | **$ 31,406** | **13.5%** |

(i) 2022 includes $2.0 million of labour subsidies for the year to date period.
(ii) LTIP includes the expense for RSUs and PSUs, as well as the expense for the executive and Board deferred share unit plans.
(iii) Cash rent paid/payable included as part of lease obligations.

*Second Quarter*

G&A expenses increased by $1.4 million or 8.9% during the second quarter compared to the prior year, primarily due to the $1.1 million or 310.2% increase in LTIP expense during the period compared to the prior year. Cineplex incurred $0.2 million (2022 - $1.2 million) of expenses related to litigation and claims recovery arising from the Cineworld transaction during the year to date period (Section 1.1, Cineworld transaction and Bankruptcy Filing).

*Year to Date*

G&A expenses increased by $4.3 million or 13.5% during the year to date period compared to the prior year, primarily attributable to the $1.3 million or 61.9% increase in LTIP expense during the period compared to the prior year. Further contributing to the increase is the $2.0 million of payroll related subsidies that Cineplex recognized in the prior year. Cineplex incurred $1.1 million (2022 - $1.5 million) of expenses related to litigation and claims recovery arising from the Cineworld transaction during the year to date period (Section 1.1, Cineworld transaction and Bankruptcy Filing).

**Share of loss (income) of joint ventures and associates**

Cineplex’s joint ventures and associates include its 33.3% interest in Scene+ (2022 - 50%) and 50% interest in one IMAX screen in Ontario (2022 - 50%). Cineplex wound up its 78.2% interest in CDCP on December 16, 2022.

The following table highlights the components of share of loss (income) 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** | | |
|---|---|---|---|---|---|---|
| | **2023** | **2022** | **Change** | **2023** | **2022** | **Change** |
| Share of loss (income) of CDCP | $ — | $ 332 | -100.0 % | $ — | $ (522) | -100.0% |
| Share of loss of Scene+ | 618 | 21 | NM | 2,017 | 168 | NM |
| Share of (income) loss of other joint ventures and associates | (48) | 31 | NM | (28) | 52 | NM |
| Total loss (income) of joint ventures and associates | **$ 570** | **$ 384** | **48.4%** | **$ 1,989** | **$ (302)** | **NM** |

*Second Quarter and Year to Date*

On December 16, 2022, Cineplex wound up its investment in CDCP, recognizing a return of capital of $4.4 million under IAS 28, *Investment in Associates and Joint Ventures.*

Cineplex’s loss from its joint ventures and associates consisted primarily of a $0.6 million loss during the second quarter and $2.0 million during the year to date period from Scene+, which expects losses through 2023 as it scales to expected operating levels.

**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 | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | Change | 2023 | 2022 | Change |
| Interest expense on long-term debt | $ 14,905 | $ 15,932 | -6.4 % | $ 30,065 | $ 31,737 | -5.3 % |
| Lease interest expense (i) | 16,472 | 14,597 | 12.8 % | 32,743 | 29,166 | 12.3 % |
| Financing fees | — | — | NM | 406 | — | NM |
| **Sub-total - cash interest expense** | **$ 31,377** | **$ 30,529** | **2.8%** | **$ 63,214** | **$ 60,903** | **3.8%** |
| Deferred financing fee accretion and other non-cash interest, net | 58 | 176 | -67.0 % | 161 | 346 | -53.5 % |
| Accretion expense on Debentures and Notes Payable | 5,315 | 4,610 | 15.3 % | 10,595 | 9,210 | 15.0 % |
| Interest rate swap - non-cash | (2,032) | (6,764) | -70.0 % | 587 | (17,121) | NM |
| Sub-total - non-cash interest expense | **3,341** | **(1,978)** | **NM** | **11,343** | **(7,565)** | **NM** |
| Total interest expense | **$ 34,718** | **$ 28,551** | **21.6%** | **$ 74,557** | **$ 53,338** | **39.8%** |
| Total cash interest paid | **$ 23,106** | **$ 22,246** | **3.9%** | **$ 64,148** | **$ 62,332** | **2.9%** |
| (i) Represents total cash interest paid and accrued cash interest related to lease obligations. | | | | | | |

| Lease interest expense breakdown | Second Quarter | | | Year to Date | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | Change | 2023 | 2022 | Change |
| Cash interest paid - lease obligation | $ 16,641 | $ 14,426 | 15.4 % | $ 33,138 | $ 28,793 | 15.1 % |
| Change in accrued interest - lease obligation | (169) | 171 | -198.8 % | (395) | 373 | -205.9 % |
| Total lease interest expense | **$ 16,472** | **$ 14,597** | **12.8%** | **$ 32,743** | **$ 29,166** | **12.3%** |

*Second Quarter*

Total interest expense increased by $6.2 million or 21.6% for the quarter when compared to the prior year, primarily due to changes in the fair value of the interest rate swaps resulting in a $4.7 million increase in non-cash interest expense. Cash interest expense relating to the Notes Payable (Section 6.4, Long-term debt) was $4.7 million (2022 - $4.7 million), Debentures (Section 6.4, Long-term debt) was $4.5 million (2022 - $4.6 million) and Credit Facility (Section 6.4, Long-term debt) was $5.7 million (2022 - $6.7 million). Cineplex recognized accretion expense relating to the issuance of Notes Payable and Debentures of $0.3 million (2022 - $0.3 million) and $5.0 million (2022 - $4.3 million), respectively.

*Year to Date*

Total interest expense increased by $21.2 million or 39.8% for the year to date period when compared to the prior year, primarily due to changes in the fair value of the interest rate swaps resulting in a $17.7 million increase in non-cash interest expense. Cash interest expense relating to the Notes Payable (Section 6.4, Long-term debt) was $9.2 million (2022 - $9.2 million), Debentures (Section 6.4, Long-term debt) was $9.0 million (2022 - $9.0 million) and Credit Facility (Section 6.4, Long-term debt) was $11.7 million (2022 - $13.4 million). Cineplex recognized accretion expense relating to the issuance of Notes Payable and Debentures of $0.7 million (2022 - $0.7 million) and $9.9 million (2022 - $8.5 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 | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | Change | 2023 | 2022 | Change |
| Interest income | $ 282 | $ 38 | 642.1% | $ 493 | $ 68 | 625.0% |

### Foreign exchange

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

| Foreign exchange | Second Quarter | | | Year to Date | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | Change | 2023 | 2022 | Change |
| Foreign exchange loss (gain) | $ 409 | $ (623) | NM | $ 423 | $ (389) | NM |

*Second Quarter*

The movement in the foreign exchange during the quarter was due to the change in the CAD/USD foreign exchange month end rate from 1.3533 at March 31, 2023 to 1.324 at June 30, 2023.

*Year to Date*

For the six months ended June 30, 2023, the movement in the foreign exchange was due to the change in the CAD/USD foreign exchange month end rate from 1.3544 at December 31, 2022 to 1.324 at June 30, 2023.

**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 | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | Change | 2023 | 2022 | Change |
| Loss on financial instruments recorded at fair value | $ 1,020 | $ 1,770 | -42.4% | $ 1,290 | $ 5,600 | -77.0% |

*Second Quarter and Year to Date*

For both the three and six months ended June 30, 2023, the loss on financial instruments recorded at fair value was due to the revaluation of Cineplex's call option relating to the Notes Payable (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 | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | Change | 2023 | 2022 | Change |
| Current income tax expense (recovery) | $ 269 | $ — | NM | $ 1,884 | $ (724) | -360.2% |
| Deferred income tax recovery | (158,440) | — | NM | (156,133) | — | NM |
| Provision for income taxes | $ (158,171) | $ — | NM | $ (154,249) | $ (724) | NM |

*Second Quarter and Year to Date*

At December 31, 2020 the recoverability of the net deferred income tax assets was uncertain and accordingly the net deferred tax assets were derecognized. At June 30, 2023, Cineplex assessed the recoverability of net deferred income tax assets and determined that the expected return to profitability provided a reasonable expectation that previously derecognized net deferred income tax assets will be utilized to offset future periods of taxable income, resulting in income taxes recovery of approximately $158.4 million. Cineplex had $427.5 million of non-capital losses available based on income tax returns filed up to tax year 2022.

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

By Notice of Reassessment ("NOR") dated January 22, 2019, the Canada Revenue Agency ("CRA"), disallowed the deduction of $26.6 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 filed 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 appeal is currently proceeding through the pre-trial steps 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 16, Non-GAAP and other financial measures)

The following table presents net income (loss), EBITDA, adjusted EBITDA and adjusted EBITDAaL for the six months ended June 30, 2023 as compared to the prior year (expressed in thousands of dollars, except adjusted EBITDAaL margin):

| NET INCOME (LOSS), EBITDA AND ADJUSTED EBITDAaL | Second Quarter | | | Year to Date | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | Change | 2023 | 2022 | Change |
| Net income (loss) (i) | $ 176,545 | $ 1,313 | NM | $ 146,372 | $ (40,912) | NM |
| Net income (loss) as a percentage of sales | 41.7 % | 0.4 % | 41.3% | 19.2 % | (7.1)% | 26.2% |
| EBITDA | $ 100,349 | $ 80,963 | 23.9% | $ 161,931 | $ 113,926 | 42.1% |
| Adjusted EBITDA | $ 102,192 | $ 77,939 | 31.1% | $ 164,957 | $ 114,414 | 44.2% |
| Adjusted EBITDAaL | $ 60,258 | $ 35,764 | 68.5% | $ 80,501 | $ 30,045 | 167.9% |
| Adjusted EBITDAaL margin | 14.2 % | 10.2 % | 4.0% | 10.5 % | 5.2 % | 5.3% |

(i) 2023 includes recovery of approximately $158.4 million related to the recognition of deferred income tax assets recognized during the second quarter and expenses related to the Cineworld transaction and associated litigation and claims recovery in the amount of $0.2 million (2022 - $1.2 million) for the second quarter and $1.1 million (2022 - $1.5 million) for the year to date.

*Second Quarter and Year to Date*

Net income and adjusted EBITDAaL for the second quarter of 2023 was $176.5 million and $60.3 million, respectively, as compared to $1.3 million and an adjusted EBITDAaL loss of $35.8 million, respectively, in the prior year. During the six months ended June 30, 2023, Cineplex recognized net income of $146.4 million and adjusted EBITDAaL of $80.5 million, compared to a net loss of $40.9 million and adjusted EBITDAaL of $30.0 million. The second quarter of 2023 saw improved film supply that resulted in theatre attendance level increases, and positive results across Cineplex's business. Increases in box office, food service and amusement contributed to the movement in net income and adjusted EBITDAaL compared to the prior year. During the period ended June 30, 2023, Cineplex assessed the recoverability of net deferred income tax assets and determined that the continued strong return to profitability provided a reasonable expectation that previously derecognized net deferred income tax assets will be utilized to offset future periods of taxable income. Cineplex recognized a recovery of approximately $158.4 million related to deferred income tax assets during the quarter, significantly increasing net income.

## 5. BALANCE SHEETS

The following sets out significant changes to Cineplex's consolidated balance sheets during the six months ended June 30, 2023 as compared to December 31, 2022 (in thousands of dollars):

| | June 30, 2023 | December 31, 2022 | Change ($) | Change (%) |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents | $ 39,995 | $ 34,674 | $ 5,321 | 15.3% |
| Trade and other receivables | 69,899 | 107,088 | (37,189) | -34.7% |
| Income taxes receivable | 2,834 | 2,033 | 801 | 39.4% |
| Inventories | 37,375 | 36,916 | 459 | 1.2% |
| Prepaid expenses and other current assets | 18,790 | 15,659 | 3,131 | 20.0% |
| Fair value of interest rate swap agreements | 7,454 | 8,993 | (1,539) | -17.1% |
| | 176,347 | 205,363 | (29,016) | -14.1% |
| **Non-current assets** | | | | |
| Property, equipment and leaseholds | 427,492 | 449,495 | (22,003) | -4.9% |
| Right-of-use assets | 746,403 | 772,978 | (26,575) | -3.4% |
| Deferred income taxes | 158,309 | — | 158,309 | NM |
| Fair value of interest rate swap agreements | 3,654 | 2,426 | 1,228 | 50.6% |
| Interests in joint ventures | 4,866 | 650 | 4,216 | 648.6% |
| Intangible assets | 80,104 | 80,428 | (324) | -0.4% |
| Goodwill | 635,927 | 636,134 | (207) | —% |
| Derivative financial instrument | 1,690 | 2,980 | (1,290) | -43.3% |
| | $ 2,234,792 | $ 2,150,454 | $ 84,338 | 3.9% |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Accounts payable and accrued liabilities | $ 177,597 | $ 195,296 | $ (17,699) | -9.1% |
| Income taxes payable | 3,045 | 3,736 | (691) | -18.5% |
| Deferred revenue and other | 189,671 | 220,527 | (30,856) | -14.0% |
| Lease obligations | 99,663 | 96,093 | 3,570 | 3.7% |
| | 469,976 | 515,652 | (45,676) | -8.9% |
| **Non-current liabilities** | | | | |
| Share-based compensation | 4,208 | 3,752 | 456 | 12.2% |
| Long-term debt | 838,484 | 824,888 | 13,596 | 1.6% |
| Lease obligations | 969,613 | 1,004,546 | (34,933) | -3.5% |
| Post-employment benefit obligations | 6,447 | 6,970 | (523) | -7.5% |
| Other liabilities | 6,448 | 6,460 | (12) | -0.2% |
| Deferred income taxes | 2,176 | — | 2,176 | NM |
| | 2,297,352 | 2,362,268 | (64,916) | -2.7% |
| **Shareholders' deficit** | | | | |
| Total shareholders' deficit | (62,560) | (211,814) | 149,254 | -70.5% |
| | $ 2,234,792 | $ 2,150,454 | $ 84,338 | 3.9% |

**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 trade receivables from the sale of gift cards, vouchers and media sales from the 2022 holiday period. December represents the highest volume month for gift card and voucher sales.

**Income taxes receivable.** The increase in income taxes receivable is primarily due to timing of installments and estimated taxable income.

**Inventories.** The small increase in inventories is primarily due to higher Exhibition and LBE business volumes.

**Prepaid expenses and other current assets.** The increase in prepaid expenses and other current assets is primarily due to prepayments for real estate taxes, insurance and the 2023 technology service contracts extending into the next period.

**Property, equipment and leaseholds.** The decrease in property, equipment and leaseholds is due to amortization expense ($45.7 million), foreign exchange ($0.4 million), asset dispositions ($1.2 million) in excess of additions to new build and other capital expenditures ($15.2 million) and maintenance capital expenditures ($10.2 million).

**Right-of-use assets.** The decrease in right-of-use assets is due to amortization expense of ($44.8 million), partially offset by lease extensions and modifications ($18.4 million).

**Deferred income taxes.** The increase in net deferred income taxes is due to the recognition of net deferred income tax assets of $156.1 million during the second quarter. Cineplex assessed the recoverability of net deferred income tax assets and determined that the continued strong return to profitability provided a reasonable expectation that previously derecognized net deferred income tax assets will be utilized to offset future periods of taxable income.

**Interests in joint ventures.** The increase in interest in joint ventures is primarily due to $5.9 million of capital contributions made to Cineplex's investment in Scene LP, net of $2.0 million losses.

**Intangible assets.** The decrease in intangible assets is due to amortization expense ($5.1 million), partially offset by the capitalization of software development costs ($4.8 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 increase in share-based compensation is primarily due to the increase in share price, which was $8.87 per share at June 30, 2023 as compared to $8.05 at December 31, 2022 (see Section 8, Share activity).

**Income taxes payable.** The decrease in income taxes payable represents the tax installments paid for certain taxable entities in the consolidated group in excess of liabilities for current income tax expense relating to 2023.

**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.

**Lease obligations.** The decrease in lease obligations is primarily due to the payment of lease obligations, partially offset by lease extensions and modifications during the second quarter of 2023.

**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 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, 2023 and 2022 (in thousands of dollars):

| **Cash flows provided by operating activities** | **Second Quarter** | | | **Year to Date** | | |
|---|---|---|---|---|---|---|
| | **2023** | **2022** | **Change** | **2023** | **2022** | **Change** |
| Net income (loss) from operations | $ 176,545 | $ 1,313 | $ 175,232 | $ 146,372 | $ (40,912) | $ 187,284 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | | | | |
| Depreciation and amortization of other assets (i) | 24,889 | 26,651 | (1,762) | 50,895 | 53,543 | (2,648) |
| Depreciation of right-of-use assets | 22,650 | 24,486 | (1,836) | 44,849 | 48,749 | (3,900) |
| Unrealized foreign exchange | 347 | (488) | 835 | 360 | (336) | 696 |
| Interest rate swap agreements - non-cash interest | (2,032) | (6,764) | 4,732 | 587 | (17,121) | 17,708 |
| Accretion of convertible debentures | 5,315 | 4,610 | 705 | 10,596 | 9,210 | 1,386 |
| Other non-cash interest (ii) | 58 | 176 | (118) | 161 | 346 | (185) |
| Loss (gain) on disposal of assets | 226 | (4,650) | 4,876 | 970 | (4,493) | 5,463 |
| Deferred income taxes | (158,440) | — | (158,440) | (156,133) | — | (156,133) |
| Non-cash share-based compensation | 1,604 | 1,559 | 45 | 3,703 | 3,696 | 7 |
| Change in fair value of financial instrument | 1,020 | 1,770 | (750) | 1,290 | 5,600 | (4,310) |
| Net change in interests in joint ventures and associates | 985 | (391) | 1,376 | 1,650 | (370) | 2,020 |
| Changes in operating assets and liabilities | 20,052 | (1,120) | 21,172 | (8,946) | (16,197) | 7,251 |
| **Net cash provided by operating activities** | **$ 93,219** | **$ 47,152** | **$ 46,067** | **$ 96,354** | **$ 41,715** | **$ 54,639** |

(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 and Year to Date*

Cash provided by operating activities during the second quarter of 2023 was $93.2 million as compared to $47.2 million in the prior year. For the six months ended June 30, 2023, cash provided by operating activities was $96.4 million compared to $41.7 million in the prior year. The movement was primarily due to improved operating results net of settlement of net operating assets and liabilities in the 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, 2023 and 2022 (in thousands of dollars):

| **Cash flows used in investing activities** | **Second Quarter** | | | **Year to Date** | | |
|---|---|---|---|---|---|---|
| | **2023** | **2022** | **Change** | **2023** | **2022** | **Change** |
| Proceeds from disposal of assets, net | $ — | $ 1,653 | $ (1,653) | $ 4 | $ 1,670 | $ (1,666) |
| Purchases of property, equipment and leaseholds | (16,569) | (12,538) | (4,031) | (33,058) | (22,140) | (10,918) |
| Intangible assets additions | (2,646) | (2,608) | (38) | (5,477) | (4,781) | (696) |
| Tenant inducements | 1,497 | 43 | 1,454 | 4,072 | 605 | 3,467 |
| Investment in joint ventures and associates | (3,400) | — | (3,400) | (5,866) | — | (5,866) |
| Net cash received from joint ventures and associates | — | 5,318 | (5,318) | — | 5,318 | (5,318) |
| **Net cash used in investing activities** | **$ (21,118)** | **$ (8,132)** | **$ (12,986)** | **$ (40,325)** | **$ (19,328)** | **$ (20,997)** |

*Second Quarter and Year to Date*

Cash used in investing activities during the second quarter of 2023 was $21.1 million, as compared to $8.1 million in the prior year. Cash used in investing activities during the six months ended June 30, 2023 was $40.3 million, as compared to $19.3 million in the prior year. The movement was primarily due to increased capital spend on previously committed projects, capital contributions to Cineplex's investment in Scene LP and reduction in cash received from CDCP which was divested in December 2022.

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

| **Capital expenditures** | **Second Quarter** | | | **Year to Date** | | |
|---|---|---|---|---|---|---|
| | **2023** | **2022** | **Change** | **2023** | **2022** | **Change** |
| Gross capital expenditures | $ 16,569 | $ 12,538 | $ 4,031 | $ 33,058 | $ 22,140 | $ 10,918 |
| Less: tenant inducements | (1,497) | (43) | (1,454) | (4,072) | (605) | (3,467) |
| Net capital expenditures | **$ 15,072** | **$ 12,495** | **$ 2,577** | **$ 28,986** | **$ 21,535** | **$ 7,451** |
| Net capital expenditures consists of: | | | | | | |
| Growth and acquisition capital expenditures (i) | $ 2,726 | $ 6,711 | $ (3,985) | $ 9,765 | $ 8,824 | $ 941 |
| Tenant inducements | (1,497) | (43) | (1,454) | (4,072) | (605) | (3,467) |
| Media growth capital expenditures | 13 | — | 13 | 309 | 770 | (461) |
| Premium formats (ii) | 2,160 | 1,306 | 854 | 3,139 | 1,631 | 1,508 |
| Amusement and leisure growth capital expenditures (excluding LBE build expenditures) | 1,541 | 413 | 1,128 | 1,990 | 548 | 1,442 |
| Maintenance capital expenditures | 6,484 | 4,807 | 1,677 | 10,150 | 7,338 | 2,812 |
| Other (iii) | 3,645 | (699) | 4,344 | 7,705 | 3,029 | 4,676 |
| | **$ 15,072** | **$ 12,495** | **$ 2,577** | **$ 28,986** | **$ 21,535** | **$ 7,451** |

(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, 2023 and 2022 (in thousands of dollars):

| **Cash flows used in financing activities** | **Second Quarter** | | | **Year to Date** | | |
|---|---|---|---|---|---|---|
| | **2023** | **2022** | **Change** | **2023** | **2022** | **Change** |
| (Repayments) borrowings under credit facility, net | $ (26,000) | $ (9,000) | $ (17,000) | 3,000 | 34,000 | $ (31,000) |
| Repayments of lease obligations - principal | (25,904) | (27,428) | 1,524 | (53,436) | (56,695) | 3,259 |
| Exercise of cash option | — | 79 | (79) | — | 113 | (113) |
| Financing fees | — | — | — | (406) | — | (406) |
| **Net cash used in financing activities** | **$ (51,904)** | **$ (36,349)** | **$ (15,555)** | **$ (50,842)** | **$ (22,582)** | **$ (28,260)** |

*Second Quarter and Year to Date*

Cash flows used in financing activities was $51.9 million during the second quarter of 2023, as compared to $36.3 million in the prior year, mainly due to higher repayments under the Credit Facilities. Cash flows provided by financing activities during the six months ended June 30, 2023 were $50.8 million as compared to $22.6 million in the prior year, mainly due to lower borrowings under the Credit Facilities partially offset by lower repayments of principal lease obligations.

### 6.4. LONG-TERM DEBT

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

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

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

**Credit facilities**

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

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

| | Available | Drawn | Reserved | Remaining |
|---|---|---|---|---|
| Revolving Facility | $ 541.2 | $ 330.0 | $ 8.4 | $ 202.8 |
| Letters of credit outstanding at June 30, 2023 of $8.4 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, SOFR (Secured Overnight Financing Rate) or bankers' acceptances rates plus, in each case, an applicable margin to those rates. The Revolving Facility matures in November 2024. Borrowings on the Revolving Facility can be made in either Canadian or US dollars.

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

On March 28, 2023, Cineplex entered into the Seventh Amendment, revising certain of the financial covenants throughout the remainder of 2023. Below is a summary of the financial covenant amendments:

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

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

Cineplex's financial covenant ratios were as follows:

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

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

*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, 2023:

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

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.

Based on the Credit Agreement in effect at June 30, 2023, Cineplex's effective cost of borrowing on the $450.0 million hedged borrowings was 6.404% (June 30, 2022 - $450.0 million hedged borrowings - 6.904%) after considering rate mitigation through the above swaps. Cineplex will consider its interest rate exposure in conjunction with its overall capital strategy.

**Convertible debentures**

On July 17, 2020, Cineplex issued $316.3 million aggregate principal amount of convertible unsecured subordinated debentures (the "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 $4.5 million (2022 - $4.5 million) and $9.0 million (2022 - $9.0 million), respectively. Cineplex recorded accretion expense during the quarter and year to date period of $5.0 million (2022 - $4.3 million) and $9.9 million (2022 - $8.5 million), respectively, both of which are included as part of the interest expense in the consolidated statement of operations. As at June 30, 2023, Cineplex has $316.3 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 (2022 - $4.7 million) and $9.2 million (2022 - $9.2 million), respectively. Cineplex recorded accretion expense during the quarter and year to date period of $0.3 million (2022 - $0.3 million) and $0.7 million (2022 - $0.7 million), respectively, both of which are included as part of interest expense in the consolidated statement of operations. As at June 30, 2023, Cineplex has $250.0 million principal amount of Notes Payable outstanding. Cineplex's derivative financial instrument on the Notes Payable relates to the early prepayment option that fluctuates in value based on market interest rates. The fair value of the embedded derivative was determined using an option pricing model with observable market inputs and is consistent with accepted methods for valuing financial instruments. Cineplex has estimated the fair value of this embedded derivative at $1.7 million as at June 30, 2023 (2022 - $3.6 million), which is presented on the consolidated balance sheets as a derivative financial instrument.

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

## 6.5. FUTURE OBLIGATIONS

Cineplex has aggregate gross capital commitments of $39.9 million ($35.2 million net of tenant inducements) related to the completion of construction of three operating locations including both theatres and location-based entertainment locations.

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 and believes that it has adequate liquidity to fund operations.

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.

## 7. ADJUSTED FREE CASH FLOW AND DIVIDENDS (see Section 16, Non-GAAP and other financial measures)

### 7.1. ADJUSTED FREE CASH FLOW

The following table illustrates adjusted free cash flow per share for the three and six months ended June 30, 2023 and 2022 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 | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | Change | 2023 | 2022 | Change |
| Cash flows provided by operations | $ 93,219 | $ 47,152 | 97.7% | $ 96,354 | $ 41,715 | 131.0% |
| Net income (loss) (ii) | $ 176,545 | $ 1,313 | NM | $ 146,372 | $ (40,912) | NM |
| Standardized free cash flow (i) | $ 76,650 | $ 36,267 | 111.3% | $ 63,300 | $ 21,245 | 198.0% |
| Adjusted free cash flow (i) | $ 39,584 | $ 21,844 | 81.2% | $ 41,210 | $ 99 | NM |
| Average number of shares outstanding | 63,376,043 | 63,360,746 | —% | 63,375,758 | 63,353,634 | —% |
| Adjusted free cash flow per share (i) | $ 0.625 | $ 0.345 | 81.2% | $ 0.650 | $ 0.002 | NM |

(i) Represents a non-GAAP financial measure. See Section 16, Non-GAAP and other financial measures.

(ii) 2023 includes recovery of approximately $158.4 million related to the recognition of deferred income tax assets recognized during the second quarter and expenses related to the Cineworld transaction and associated litigation and claims recovery in the amount of $0.2 million (2022 - $1.2 million) for the second quarter and $1.1 million (2022 - $1.5 million) for the year to date.

Adjusted free cash flow per share for the three and six months ended June 30, 2023 increased due to significantly improved operating results across Cineplex's theatres and LBE businesses.

### 7.2. DIVIDENDS

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

## 8. SHARE ACTIVITY

Share capital balances at June 30, 2023 and 2022 and transactions during the quarter are as follows: (expressed in thousands of dollars except share amounts):

| | Shares | Amount | |
|---|---|---|---|
| | Number of common shares issued and outstanding | | Share capital |
| Balance - December 31, 2022 | 63,375,400 | $ | 852,697 |
| Issuance of shares on exercise of options | 1,321 | | 44 |
| **Balance - June 30, 2023** | **63,376,721** | **$** | **852,741** |

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

### Omnibus Incentive Plan

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

### Stock Options

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

Cineplex recognized employee benefits expense of $0.3 million and $0.7 million with respect to options during the three and six months ended June 30, 2023 (2022 -  $0.4 million and $0.9 million, respectively).

A summary of option activities for the six months ended June 30, 2023 and 2022 is as follows:

| | 2023 | | | 2022 | |
|---|---|---|---|---|---|
| | 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 | 7.00 | 2,102,818 | $ 18.90 | 2,198,805 | 21.48 |
| Granted | | 461,786 | 8.71 | 223,578 | 13.39 |
| Exercised | | (13,877) | 8.25 | (26,309) | 8.25 |
| Forfeited | | (154,228) | 22.60 | (163,122) | 33.40 |
| Options outstanding – end of period | 7.17 | 2,396,499 | $ 16.76 | 2,232,952 | $ 19.96 |
| Options vested and exercisable | | 1,520,403 | | 1,383,811 | |

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

**RSU and PSU awards**

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

During the first quarter of 2023, Cineplex issued 477,254 equity settled RSUs with a fair value $8.71 per unit (total fair value of $4.2 million on issuance) and 307,551 equity settled PSUs with a fair value of $8.71 per unit (total fair value of $2.7 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 2025.

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

Incentive Plan costs are estimated at the grant date based on expected performance results then accrued and recognized on a graded basis over the vesting period. Forfeitures are estimated to be nominal, based on historical forfeiture rates. Cineplex recognized compensation expense of $1.3 million and $3.1 million for the three and six months ended June 30, 2023 (2022 - $1.2 million and $2.9 million, respectively) under the Incentive Plan relating to RSU and PSU awards. At June 30, 2023, $0.0 million (2022 - $0.3 million) was included in share-based compensation liability and $7.5 million in contributed surplus (2022 - $5.6 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. Cineplex recognized compensation expense of $0.2 million and $0.3 million during the three and six months ended June 30, 2023 (2022 recovery of - $(0.8) million and $(0.8) million, respectively) associated with the deferred equity units. At June 30, 2023, $4.2 million (2022 - $4.3 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 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. 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 $330.0 million drawn and $202.8 million available as of June 30, 2023, subject to restrictions under the Credit Facilities including the liquidity covenant described above (Section 6.4, Long-term debt).

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

| | 2023 | | 2022 | | | | 2021 | |
|---|---|---|---|---|---|---|---|---|
| | **Q2** | **Q1** | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 |
| **Revenues** | | | | | | | | |
| Box office revenues | **$ 164,491** | $123,338 | $120,248 | $124,700 | $136,372 | $ 79,952 | $125,890 | $ 94,114 |
| Food service revenues | **131,392** | 101,076 | 97,168 | 105,193 | 110,637 | 68,388 | 87,244 | 79,971 |
| Media revenues | **26,100** | 22,296 | 44,553 | 25,224 | 26,406 | 15,545 | 32,795 | 14,060 |
| Amusement revenues | **76,883** | 75,763 | 60,847 | 69,607 | 65,723 | 50,424 | 45,096 | 53,319 |
| Other revenues | **24,252** | 18,484 | 27,308 | 15,113 | 10,740 | 14,414 | 8,926 | 8,916 |
| | **423,118** | 340,957 | 350,124 | 339,837 | 349,878 | 228,723 | 299,951 | 250,380 |
| **Expenses** | | | | | | | | |
| Film cost | **90,471** | 66,074 | 63,567 | 66,356 | 69,958 | 39,016 | 61,990 | 45,838 |
| Cost of food service | **30,744** | 24,237 | 22,671 | 24,839 | 25,335 | 14,857 | 21,042 | 16,362 |
| Depreciation - right-of-use assets | **22,650** | 22,199 | 23,491 | 23,277 | 24,486 | 24,263 | 25,041 | 25,151 |
| Depreciation and amortization - other | **24,889** | 26,006 | 25,575 | 26,079 | 26,651 | 26,892 | 27,501 | 28,297 |
| Loss (gain) on disposal of assets | **226** | 744 | (3,466) | (49,848) | (4,650) | 157 | 1,576 | 22 |
| Other costs | **199,329** | 186,617 | 187,597 | 185,048 | 176,741 | 138,352 | 157,970 | 139,527 |
| (Reversal) impairment of long-lived assets | **—** | — | (19,880) | — | — | — | 3,717 | — |
| | **368,309** | 325,877 | 299,555 | 275,751 | 318,521 | 243,537 | 298,837 | 255,197 |
| **Subtotal** | **$ 54,809** | $ 15,080 | $ 50,569 | $ 64,086 | $ 31,357 | $(14,814) | $ 1,114 | $ (4,817) |
| **Adjusted EBITDA (i)** | **$ 102,192** | $ 62,765 | $ 74,186 | $ 63,094 | $ 77,939 | $ 36,475 | $ 58,328 | $ 48,606 |
| **Adjusted EBITDAaL (i)** | **$ 60,258** | $ 20,243 | $ 31,197 | $ 20,430 | $ 35,764 | $ (5,719) | $ 20,198 | $ 10,762 |
| **Net income (loss) (iii)** | **$ 176,545** | $(30,173) | $ 10,168 | $ 30,857 | $ 1,313 | $(42,225) | $(21,778) | $(33,552) |
| Earnings (loss) income per share - basic | **$ 2.79** | $ (0.48) | $ 0.16 | $ 0.49 | $ 0.02 | $ (0.67) | $ (0.34) | $ (0.53) |
| Earnings (loss) income per share - diluted | **$ 1.99** | $ (0.48) | $ 0.16 | $ 0.43 | $ 0.02 | $ (0.67) | $ (0.34) | $ (0.53) |
| Cash provided by (used in) operating activities | **$ 93,219** | $ 3,135 | $ 59,622 | $ 5,811 | $ 47,152 | $ (5,437) | $ 27,480 | $ 52,023 |
| Cash used in investing activities | **(21,118)** | (19,207) | (21,898) | (14,523) | (8,132) | (11,196) | (3,937) | (2,374) |
| Cash (used in) provided by financing activities | **(51,904)** | 1,062 | (31,893) | 11,128 | (36,349) | 13,767 | (25,067) | (50,191) |
| Effect of exchange rate differences on cash | **99** | 35 | (11) | (146) | (181) | 22 | (9) | (189) |
| Net change in cash | **$ 20,296** | $(14,975) | $ 5,820 | $ 2,270 | $ 2,490 | $ (2,844) | $ (1,533) | $ (731) |
| BPP (ii) | **$ 12.84** | $ 12.63 | $ 13.06 | $ 11.25 | $ 12.29 | $ 12.00 | $ 12.29 | $ 11.38 |
| CPP (ii) | **$ 9.21** | $ 8.85 | $ 8.93 | $ 8.35 | $ 8.84 | $ 8.82 | $ 7.49 | $ 8.58 |
| Film cost percentage (ii) | **55.0 %** | 53.6 % | 52.9 % | 53.2 % | 51.3 % | 48.8 % | 49.2 % | 48.7 % |
| Theatre attendance (in thousands of patrons) (ii) | **12,806** | 9,767 | 9,208 | 11,084 | 11,092 | 6,661 | 10,245 | 8,272 |
| Theatre locations (at period end) | **158** | 157 | 158 | 158 | 159 | 159 | 160 | 161 |
| Theatre screens (at period end) | **1,631** | 1,625 | 1,637 | 1,637 | 1,640 | 1,640 | 1,652 | 1,656 |

(i) Represents a non-GAAP financial measure. See Section 16, Non-GAAP and other financial measures.

(ii) Represents a supplementary financial measure. See Section 16, Non-GAAP and other financial measures.

(iii) 2023 includes recovery of approximately $158.4 million related to the recognition of deferred income tax assets recognized during the second quarter and expenses related to the Cineworld transaction and associated litigation and claims recovery in the amount of $0.2 million (2022 - $1.2 million) for the second quarter and $1.1 million (2022 - $1.5 million) for the year to date.

**Summary of adjusted free cash flow by quarter**

Management calculates adjusted free cash flow per share as follows (see Section 16, 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):

| | 2023 | | 2022 | | | | 2021 | |
|---|---|---|---|---|---|---|---|---|
| | **Q2** | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 |
| Cash provided by (used in) operating activities | **$ 93,219** | $ 3,135 | $ 59,622 | $ 5,811 | $ 47,152 | $ (5,437) | $ 27,480 | $ 52,023 |
| Less: Total capital expenditures net of proceeds on sale of assets | **(16,569)** | (16,485) | (27,538) | (14,466) | (10,885) | (9,585) | (4,985) | (1,603) |
| Standardized free cash flow | **76,650** | (13,350) | 32,084 | (8,655) | 36,267 | (15,022) | 22,495 | 50,420 |
| Add/(Less): | | | | | | | | |
| Changes in operating assets and liabilities | **(20,052)** | 28,998 | (15,907) | 25,815 | 1,120 | 15,077 | 1,405 | (32,640) |
| Changes in operating assets and liabilities of joint ventures | **(415)** | 754 | (746) | 1,892 | 775 | (707) | 307 | (31) |
| Principal component of lease obligations | **(25,904)** | (27,532) | (26,141) | (26,330) | (27,428) | (29,267) | (25,525) | (24,191) |
| Principal portion of cash rent paid not pertaining to current period | **(398)** | 1,201 | (381) | (381) | (381) | 1,143 | (737) | — |
| Growth capital expenditures and other | **10,085** | 12,819 | 14,804 | 9,727 | 6,078 | 7,054 | (350) | 736 |
| Share of income of joint ventures, net of non-cash depreciation | **(382)** | (1,264) | (2,103) | (500) | 95 | (23) | (622) | (47) |
| Net cash received from CDCP | **—** | — | 62 | — | 5,318 | — | 1,995 | — |
| Adjusted free cash flow (i) | **$ 39,584** | $ 1,626 | $ 1,672 | $ 1,568 | $ 21,844 | $ (21,745) | $ (1,032) | $ (5,753) |
| Average number of shares outstanding | **63,376,043** | 63,375,471 | 63,366,796 | 63,362,713 | 63,360,746 | 63,346,444 | 63,343,223 | 63,342,557 |
| Adjusted free cash flow per share (ii) | **$ 0.625** | $ 0.026 | $ 0.026 | $ 0.025 | $ 0.345 | $ (0.343) | $ (0.016) | $ (0.091) |

(i) Represents a non-GAAP financial measure. See Section 16, Non-GAAP and other financial measures.
(ii) Represents a non-GAAP ratio. See Section 16, Non-GAAP and other financial measures.

## 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 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 assumptions and estimates in determining the recoverable amount of its long lived assets and groups of CGUs' goodwill, including significant key assumptions relating to attendance and the related revenue growth rates and discount rates. Further, other assumptions are required pertaining to variable and fixed cash flows, and operating margins. (See note 11, Impairment of long-lived assets in Cineplex's consolidated annual financial statements).

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 and prepaid certificates*

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. During the period ended June 30, 2023, Cineplex assessed the recoverability of net deferred income tax assets and determined that the continued strong return to profitability provided a reasonable expectation that previously derecognized net deferred income tax assets will be utilized to offset future periods of taxable income, resulting in income taxes recovery of approximately $158.4 million. 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 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 International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires that management exercise judgment in applying Cineplex's accounting policies. The disclosures contained in these unaudited interim condensed consolidated financial statements do not contain all requirements of Canadian GAAP for annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2022. These unaudited interim condensed consolidated financial statements follow the same accounting policies and methods of application as the audited financial statements for the year ended December 31, 2022, with the exception of accounting standards issued in the current quarter.

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

**Accounting standards issued**

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

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

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

IAS 8, Definition of accounting estimates

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

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

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

## 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.

Any discussion about risks should be read in conjunction with "Forward-Looking Statements". The principal risks and uncertainties described in the 2022 Annual MD&A have not materially changed since December 31, 2022 other than the following:

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

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

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

Cineplex believes this matter will not have a material adverse effect on its operating results, financial position, or cash flows. No amount has been accrued in Cineplex's consolidated financial statements, and online booking fee revenue continues to be recognized. Cineplex has recognized approximately $23.9 million online booking fee revenues through June 30, 2023.

*Wallace and Carey Inc. Files for Credit Protection*

On June 22, 2023 Wallace & Carey Inc. ("W&C"), a leading distribution and logistics company, filed for creditor protection under the Companies' Creditors Arrangement Act (Canada) along with its parent company due to challenges related to the COVID-19 pandemic, labour shortages, unpredictable inventory demands, inflation and rising interest rates. W&C distributes a large portion of Cineplex's concession inventory, but does not hold inventory owned by Cineplex. Cineplex is actively monitoring and managing potential disruptions to its supply chain, but has no risk of inventory loss related to W&C.

*Writers Guild of America and SAG-AFTRA Strikes*

On May 2, 2023, the Writers Guild of America announced that more than 11,000 members representing television and movie writers went on strike for the first time since 2007.

On July 14, 2023, the Screen Actors Guild-American Federation of Television and Radio Artists ("SAG-AFTRA") went on strike. SAG-AFTRA represents more than 160,000 actors, announcers, broadcast journalist, dancers, DJs, news writers, news editors, program hosts, puppeteers, recording artists and other media professionals.

Motion picture production is highly dependent on labour that is subject to various collective bargaining agreements. If not resolved in a timely manner, these strikes could halt the production of content and delay the release of previously scheduled movies, as well as reduce the artist promotion of current theatrical releases, which could have a negative impact on Cineplex's theatrical exhibition business.

## 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. 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.

## FILM ENTERTAINMENT AND CONTENT

*Theatre Exhibition*

Studios continue to recognize the promotional and financial value of a theatrical release window as evidenced by record setting box office results from films including *Barbie* and *Oppenheimer* which were both released subsequent to the second quarter of 2023. *Barbie* became the highest domestic opening of the year to date generating $162.0 million during its opening weekend, surpassing *The Super Mario Bros'* $146.4 million. The film is also the largest grossing day of the year to date, generating $70.5 million. Christopher Nolan's third highest grossing opening weekend ever was achieved by the highly anticipated release of *Oppenheimer*, generating $82.5 million Additionally*, The Super Mario Bros. Movie,* released on April 5, 2023, generated $204.6 million at the domestic box office over its 5-day opening weekend, setting a record for an animated title in its opening weekend and generating over $1.3 billion globally since its release. Cineplex believes that compelling content will continue to strengthen consumer enthusiasm for the theatrical movie-going experience and will bring people to Cineplex theatres during 2023 and beyond. Cineplex also remains encouraged by the commitments from non-traditional studios which further validate the importance of the cinematic experience and the role theatrical exhibition plays in elevating content to its full potential. Upcoming film releases for the year include the following: *Gran Turismo, Blue Beetle, Strays, The Equalizer 3, The Nun 2, Dumb Money, The Expendables 4, The Creator, PAW Patrol: The Mighty Movie, Kraven the Hunter, The Exorcist: Believer, Dune: Part Two, The Hunger Games: The Ballad of Songbirds and Snakes, Trolls Band Together, Wish, Wonka, Aquaman and the Lost Kingdom and The Color Purple.*

On May 2, 2023, the Writers Guild of America announced that more than 11,000 members representing television and movie writers went on strike for the first time since 2007. On July 14, 2023, the SAG-AFTR went on strike. The strikes may potentially impact the future release schedule.

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 expanded its longstanding partnership with state-of-the-art IMAX systems in key theatre locations across Canada. 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 will continue to expand those offerings throughout its circuit in 2023 and beyond. In addition, 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 maintaining and improving guest experience, including recliner seating, and will continue to expand those offerings throughout its circuit in 2023 and beyond. VIP Cinemas and other premium viewing options are a key component to Cineplex's theatre exhibition strategy, and continue to be valued by audiences.

Cineplex opened its first-ever *Junxion* location at *Cineplex Junxion Kildonan* in Winnipeg, Manitoba in December 2022 and opened its second location at *Cineplex Junxion Erin Mills* in Mississauga, Ontario on May 17, 2023. *Cineplex Junxion* is a new entertainment concept which features a cinema with reclining seats, an open lobby and stage for events and performances, amusement gaming, and expanded food offerings.

Cineplex plans to open a new Cineplex Cinema, *Royalmount* in Montreal, Quebec in 2024.

The following table compares 2023 monthly box office revenues to 2019 monthly box office revenues:

| Month | 2019 Box office (i) | 2023 Box office (i) | 2023 as a percentage of 2019 |
|---|---|---|---|
| January | $52,034 | $45,744 | 88% |
| February | $41,892 | $36,950 | 88% |
| March | $62,570 | $40,644 | 65% |
| April | $63,759 | $61,278 | 96% |
| May | $68,698 | $47,514 | 69% |
| June | $56,914 | $55,699 | 98% |
| July | $76,935 | $86,388 | 112% |

(i) Amounts are in thousands of dollars.

*Theatre Food Service*

Cineplex's core focus is on operational execution, marketing 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 enhanced 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, and piloting online food and beverage ordering through Cineplex's mobile app at select theatre locations during the second quarter of 2023 with plans for a national launch later in 2023. Cineplex continues to expand its home delivery services of concessions in partnership with Uber Eats, Skip The Dishes and others.

*Alternative Programming & Distribution*

Cineplex Pictures focuses on the acquisition of feature film rights for both theatrical release and in home release in Canada. Upcoming films that will be distributed as part of the distribution partnership with Lionsgate for the year include the following: *White Bird, The Expendables 4, Ordinary Angels* and *The Hunger Games: The Ballad of Songbirds and Snakes.*

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.

*Digital Commerce*

As at-home and on-the-go content distribution and consumption continues to 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 and other content that can be rented or purchased digitally and viewed on multiple devices. The Cineplex Store is available on a wide range of mobile and smart TV devices in Canada. Studios continue to provide TVOD exclusive windows, and the Cineplex Store is committed to bringing these titles to its customers as soon as they become available, with the unique and country-wide exclusive ability to follow and re-engage the consumer across Theatrical and Digital viewing windows. Continued plans to expand across new connected devices, including Amazon Fire TV with a launch expected to take place in the summer of 2023, and offering trending episodic content are just two of the exciting growth opportunities for Cineplex in this market. Cineplex will continue to innovate and invest in the platform to meet the evolving needs of its customers.

**MEDIA**

*Cinema Media*

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. Cineplex Media also sells media for Cineplex Digital Media clients and LBE. Cineplex Media's revenues are impacted by economic factors and a lack of cyclical drivers that appeal to advertisers. Theatre attendance levels are crucial for driving impressions and has resulted in revenue growth, excluding corporate commitments, and is in line with attendance increases. As attendance continues to rebound, Cineplex expects advertisers to continue to return to cinema, resulting in a positive upturn in media revenues. Cineplex is leveraging data to better serve its advertising customers and grow revenues.

*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 services and retail sectors as well as immersive DOOH media networks. Cineplex will continue to explore opportunities across North America, 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 makes Cineplex a leader in the indoor digital signage industry and will provide a platform for significant growth throughout Canada and the United States. CDM manages and sells advertising in mall networks covering greater than 50% of mall traffic in Canada. However, advertising revenues have lagged the return of mall traffic but continue to grow as mall traffic grows and is expected to continue its upward trajectory into the second half of 2023 and exceed pre-pandemic levels by 2024.

**AMUSEMENT SOLUTIONS (P1AG) AND LBE**

*Amusement Solutions (P1AG)*

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 business revenues, adjusted EBITDAaL and adjusted EBITDAaL margins have exceeded pre-pandemic levels, reflecting strong consumer demand and operational efficiencies. The amusement solutions business has experienced continuous periods of growth, setting all-time quarterly record revenues in the current period.

*Location Based Entertainment*

Cineplex's LBE business features entertainment destination locations that cater to a wide range of guests through *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, and *Playdium*, complexes specially designed for teens and families. *The Rec Room* 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 for watching sporting events and bookings for corporate events. Cineplex plans to open new LBE locations in Vancouver, British Columbia and Montreal, Quebec in 2024.

Cineplex's LBE revenues, adjusted EBITDAaL and adjusted EBITDAaL margins have exceeded pre-pandemic levels, reflecting more locations, strong consumer demand and operational efficiencies. Cineplex's LBE business has experienced continuous periods of growth, setting a second quarter record in the current period.

**LOYALTY**

Membership in the Scene+ loyalty program increased to over 13 million members as at June 30, 2023. During 2021, Cineplex and Scotiabank launched Scene+ to bring together the full benefits of SCENE with Scotia Rewards, Scotiabank's former flexible customer loyalty program. Cineplex welcomed Empire Company Limited as a co-owner of Scene+ during the third quarter of 2022, providing members with increased opportunities to earn and redeem points through Empire's family of brands in Atlantic Canada, Western Canada, Ontario in 2022, and Quebec in March 2023. During the third quarter of 2022, Scene+ announced that Home Hardware Stores Limited will be joining Scene+ with a national launch expected to take place in the summer of 2023, providing members with additional opportunities to earn and redeem points. The growth in the Scene+ loyalty program provides Cineplex with opportunities to grow its customer base across all of its businesses.

**FINANCIAL OUTLOOK**

Cineplex remains confident that the slate of upcoming film releases and return of regular weekly release patterns, coupled with return to movie-going will result in strong box office and media performance. During the second quarter of 2023, Cineplex achieved a post pandemic record adjusted EBITDAaL of $60.3 million, which was in line with the third and fourth quarter of 2019. From the strong adjusted EBITDAaL, after cash interest on its debt of $14.9 million and net capital expenditures of $15.1 million, Cineplex was able to repay its Credit Facility down by $26.0 million. Cineplex's management continues to focus on managing capital expenditures and believes that it has adequate liquidity to fund operations.

The effects of global inflation and rising interest rates 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 inflation and sustained higher interest rates.

Management remains focused on deleveraging and optimizing its capital structure and cost of capital. Cineplex's Notes Payable and Debentures are subject to fixed interest rates below market interest rates which might be available to Cineplex today. Further, Cineplex's interest rate swap agreements effectively hedge 100% of the current and expected borrowing under the Credit Facilities until November 14, 2023. Accordingly, Cineplex's interest rate risk exposure is materially minimized.

Theatrical exhibition continues to be Cineplex's largest operating segment. April 2023 represented Cineplex's highest combined April box office and theatre food service revenues of all time. June 2023 box office revenues amounted to 98% of June 2019 results. Combined box office and theatre food service revenues in June amounted to 104% of June 2019 results. Box office revenues for the second quarter of 2023 amounted to 87% of the same period in 2019. Cineplex believes a return to movie-going will result in strong theatrical exhibition and media performance, which combined with our recent record performance in amusement and leisure businesses gives us increased confidence in the future of our businesses.

## 16. 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 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.

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

**16.1 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, loss (gain) on disposal of assets, foreign exchange, the equity income of CDCP, and impairment, depreciation, amortization, interest and taxes of Cineplex's other joint ventures and associates. Adjusted EBITDAaL modifies adjusted EBITDA to deduct current period cash rent paid or payable related to lease obligations.

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, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| **Net income (loss) (iv)** | **$ 176,545** | **$ 1,313** | **$ 146,372** | **$ (40,912)** |
| Depreciation and amortization - other | 24,889 | 26,651 | 50,895 | 53,543 |
| Depreciation - right-of-use assets | 22,650 | 24,486 | 44,849 | 48,749 |
| Interest expense - lease obligations | 16,488 | 14,739 | 32,821 | 29,443 |
| Interest expense - other | 18,230 | 13,812 | 41,736 | 23,895 |
| Interest income | (282) | (38) | (493) | (68) |
| Current income tax expense (recovery) | 269 | — | 1,884 | (724) |
| Deferred income tax expense | (158,440) | — | (156,133) | — |
| **EBITDA** | **$ 100,349** | **$ 80,963** | **$ 161,931** | **$ 113,926** |
| Loss (gain) on disposal of assets | 226 | (4,650) | 970 | (4,493) |
| Loss on financial instruments recorded at fair value | 1,020 | 1,770 | 1,290 | 5,600 |
| CDCP equity income (i) | — | 332 | — | (522) |
| Foreign exchange loss (gain) | 409 | (623) | 423 | (389) |
| Depreciation and amortization - joint ventures and associates (ii) | 187 | 133 | 329 | 264 |
| Taxes and interest of joint ventures and associates (ii) | 1 | 14 | 14 | 28 |
| **Adjusted EBITDA** | **$ 102,192** | **$ 77,939** | **$ 164,957** | **$ 114,414** |
| Cash rent paid/payable related to lease obligations | (41,536) | (41,791) | (85,259) | (85,144) |
| Cash rent paid not pertaining to current period | (398) | (384) | 803 | 775 |
| **Adjusted EBITDAaL (iii)** | **$ 60,258** | **$ 35,764** | **$ 80,501** | **$ 30,045** |

(i) CDCP equity income is not included in adjusted EBITDA as CDCP is a limited-life financing vehicle that is funded by virtual print fees collected from distributors. On December 16, 2022, Cineplex divested its investment in CDCP.

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

(iii) See Section 16, Non-GAAP and other financial measures.

(iv) 2023 includes recovery of approximately $158.4 million related to the recognition of deferred income tax assets recognized during the second quarter and expenses related to the Cineworld transaction and associated litigation and claims recovery in the amount of $0.2 million (2022 - $1.2 million) for the second quarter and $1.1 million (2022 - $1.5 million) for the year to date.

### 16.2 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. Adjusted free cash flow includes 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. 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. Cineplex's management 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 operating activities to adjusted free cash flow per share** | **Three months ended June 30,** | | **Six months ended June 30,** | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| **Cash provided by operating activities** | $ 93,219 | $ 47,152 | $ 96,354 | $ 41,715 |
| Less: Total capital expenditures net of proceeds on sale of assets | (16,569) | (10,885) | (33,054) | (20,470) |
| Standardized free cash flow | **76,650** | **36,267** | **63,300** | **21,245** |
| Add/(Less): | | | | |
| Changes in operating assets and liabilities (i) | (20,052) | 1,120 | 8,946 | 16,197 |
| Changes in operating assets and liabilities of joint ventures and associates (i) | (415) | 775 | 339 | 68 |
| Repayments of lease obligations - principal | (25,904) | (27,428) | (53,436) | (56,695) |
| Principal portion of cash rent paid not pertaining to current period | (398) | (381) | 803 | 762 |
| Growth capital expenditures and other (ii) | 10,085 | 6,078 | 22,904 | 13,132 |
| Share of income of joint ventures and associates, net of non-cash depreciation | (382) | 95 | (1,646) | 72 |
| Net cash received from CDCP (iii) | — | 5,318 | — | 5,318 |
| **Adjusted free cash flow** | **$ 39,584** | **$ 21,844** | **$ 41,210** | **$ 99** |
| Average number of shares outstanding | 63,376,043 | 63,360,746 | 63,375,758 | 63,353,634 |
| **Adjusted free cash flow per share** | **$ 0.625** | **$ 0.345** | **$ 0.650** | **$ 0.002** |

(i) Changes in operating assets and liabilities are not considered a source or use of adjusted free cash flow. Refer to Note 25 of Cineplex's 2022 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, Long-term debt) is available to Cineplex to fund Board approved projects.

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, 2023 | Three months ended June 30, 2022 | Six months ended June 30, 2023 | Six months ended June 30, 2022 |
|---|---|---|---|---|
| Net income (loss) (iii) | $ 176,545 | $ 1,313 | $ 146,372 | $ (40,912) |
| Adjust for: | | | | |
| Depreciation and amortization - other | 24,889 | 26,651 | 50,895 | 53,543 |
| Depreciation - right-of-use assets | 22,650 | 24,486 | 44,849 | 48,749 |
| Change in fair value of financial instrument | 1,020 | 1,770 | 1,290 | 5,600 |
| Loss (gain) on disposal of assets | 226 | (4,650) | 970 | (4,493) |
| Non-cash interest (i) | 3,341 | (1,978) | 11,344 | (7,565) |
| Non-cash foreign exchange | 347 | (488) | 360 | (336) |
| Share of loss (income) of CDCP (ii) | — | 332 | — | (522) |
| Non-cash depreciation of joint ventures and associates | 187 | 133 | 329 | 264 |
| Deferred income tax expense | (158,440) | — | (156,133) | — |
| Taxes and interest of joint ventures and associates | 1 | 14 | 14 | 28 |
| Maintenance capital expenditures | (6,484) | (4,807) | (10,150) | (7,338) |
| Repayments of lease obligations - principal | (25,904) | (27,428) | (53,436) | (56,695) |
| Principal portion of cash rent paid not pertaining to current period | (398) | (381) | 803 | 762 |
| Net cash received from CDCP (ii) | — | 5,318 | — | 5,318 |
| Non-cash items: | | | | |
| Non-cash share-based compensation | 1,604 | 1,559 | 3,703 | 3,696 |
| **Adjusted free cash flow** | **$ 39,584** | **$ 21,844** | **$ 41,210** | **$ 99** |

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

(ii) Excludes the share of income or 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 cash distributions received from CDCP, are considered to be uses and sources of adjusted free cash flow. On December 16, 2022, Cineplex divested its investment in CDCP.

(iii) 2023 includes recovery of approximately $158.4 million related to the recognition of deferred income tax assets recognized during the second quarter and expenses related to the Cineworld transaction and associated litigation and claims recovery in the amount of $0.2 million (2022 - $1.2 million) for the second quarter and $1.1 million (2022 - $1.5 million) for the year to date.

## 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. Below are supplementary financial measures that Cineplex uses to depict its financial performance, financial position or cash flows.

### Earnings (loss) per Share Metrics

Cineplex has presented basic and diluted earnings (loss) per share net of this item to provide a more comparable loss 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, 2023 the impact of two locations that has been opened or acquired and three 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, 2023 the impact of two locations that has been opened or acquired and four locations that have been closed or otherwise disposed of have been excluded, resulting in 152 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.

# Cineplex Inc.

Interim Condensed Consolidated Balance Sheets
(Unaudited)

(expressed in thousands of Canadian dollars)

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

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

(expressed in thousands of Canadian dollars)

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

**Approved by the Board of Directors**

"Phyllis Yaffe"
Director

"Janice Fukakusa"
Director

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

# Cineplex Inc.

Interim Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
For the three and six months ended June 30, 2023 and 2022
(Unaudited)

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

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

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

# Cineplex Inc.

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

(expressed in thousands of Canadian dollars)

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

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

## Cineplex Inc.

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

(expressed in thousands of Canadian dollars)

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

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

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

## 1. General information

Cineplex Inc. ("Cineplex") an Ontario, Canada corporation, is one of Canada's largest entertainment organizations, with theatres and location-based entertainment venues in ten provinces. Cineplex also operates businesses in digital commerce, cinema media, digital place-based media and amusement solutions through its wholly owned subsidiaries, Cineplex Entertainment Limited Partnership (the "Partnership"), Famous Players Limited Partnership ("Famous Players"), Galaxy Entertainment Inc. ("GEI"), Cineplex Digital Media Inc. ("CDM"), and Player One Amusement Group Inc. ("P1AG"). Cineplex is headquartered at 1303 Yonge Street, Toronto, Ontario, M4T 2Y9.

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

**Cineworld Transaction and Bankruptcy Filing**

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

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

## 2. Right-of-use-assets

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

| | Property | Equipment | Total |
|---|---|---|---|
| **At June 30, 2023** | | | |
| Cost | $ 1,216,846 | $ 25,351 | $ 1,242,197 |
| Accumulated depreciation | (477,315) | (18,479) | (495,794) |
| Net book value | $ 739,531 | $ 6,872 | $ 746,403 |
| **Six months ended June 30, 2023** | | | |
| Balance - December 31, 2022 | $ 766,167 | $ 6,811 | $ 772,978 |
| Extensions and modifications | 16,993 | 1,373 | 18,366 |
| Foreign exchange rate changes | (92) | — | (92) |
| Depreciation for the period | (43,537) | (1,312) | (44,849) |
| Closing net book value | $ 739,531 | $ 6,872 | $ 746,403 |

| | Property | Equipment | Total |
|---|---|---|---|
| **At June 30, 2022** | | | |
| Cost | $ 1,125,417 | $ 24,300 | $ 1,149,717 |
| Accumulated depreciation | (400,737) | (15,814) | (416,551) |
| Net book value | $ 724,680 | $ 8,486 | $ 733,166 |
| **Six months ended June 30, 2022** | | | |
| Balance - December 31, 2021 | $ 757,197 | $ 11,478 | $ 768,675 |
| Additions | 4,212 | 381 | 4,593 |
| Extensions and modifications | 9,850 | (1,141) | 8,709 |
| Disposals | (119) | — | (119) |
| Foreign exchange rate changes | 57 | — | 57 |
| Depreciation for the period | (46,517) | (2,232) | (48,749) |
| Closing net book value | $ 724,680 | $ 8,486 | $ 733,166 |

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

## 3. Deferred income taxes

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

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Deferred income tax assets | | |
| Property, equipment and leaseholds and deferred tenant inducements - difference between net carrying value and undepreciated capital cost | $ 8,426 | $ 3,690 |
| Accounting provisions not currently deductible | 88,919 | 92,391 |
| Deferred revenue | 1,240 | 1,985 |
| Income tax credits available | 3,763 | 4,010 |
| Operating losses available for carry-forward | 113,261 | 113,730 |
| Other | 11,562 | 10,935 |
| Total gross deferred income tax assets | 227,171 | 226,741 |
| Future deferred tax liabilities | | |
| Intangible assets | (10,289) | (10,208) |
| Interest rate swap agreements | (3,039) | (3,121) |
| Goodwill | (33,734) | (32,460) |
| Convertible debentures | (23,976) | (23,976) |
| Total gross deferred income tax liabilities | (71,038) | (69,765) |
| Net deferred income tax | $ 156,133 | $ 156,976 |
| Deferred income tax asset not recognized | — | 156,976 |
| Net deferred income tax asset recognized | $ 156,133 | $ — |

At December 31, 2020 the recoverability of the net deferred income tax assets was uncertain and accordingly the net deferred tax assets were derecognized. At June 30, 2023, Cineplex assessed the recoverability of net deferred income tax assets and determined that the expected return to profitability provided a reasonable expectation that previously derecognized net deferred income tax assets will be utilized to offset future periods of taxable income, resulting in income taxes recovery of approximately $158,440. Cineplex had $427,496 of non-capital losses available based on income tax returns filed up to tax year 2022.

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

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

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

## 4. Share-based compensation

### Omnibus Incentive Plan

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

### Stock Options

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

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

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

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

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

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

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

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

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

**RSU and PSU awards**

The grants of Share equivalents were as follows:

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

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

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

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

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

**Deferred equity units**

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

## 5. Long-term debt

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

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

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

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

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

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

**Credit facilities**

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

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

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

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

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

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

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

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

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

Cineplex's financial covenant ratios were as follows:

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

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

**Convertible debentures**

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

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

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

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

The Debentures are not redeemable by Cineplex prior to September 30, 2023. On or after September 30, 2023 and prior to September 30, 2024, Cineplex may, at its option, redeem the Debentures in whole or in part from time to time provided that the volume weighted average trading price of the Shares on the Toronto Stock Exchange during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. On or after September 30, 2024, the Debentures may be redeemed in whole or in part from time to time at the option of Cineplex at a price equal to their principal amount plus accrued and unpaid interest. Redemption may be in the form of cash or in the form of Shares, at the option of Cineplex.

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

The fair value of the liability component of the Debentures was assessed at inception based on an estimated market discount rate of 14.1% less the pro-rata portion of transaction costs, and will be accreted to the full face value over the term of the Debentures. Cineplex recorded cash interest expense on the Debentures during the quarter and year to date period of $4,534 (2022 - $4,534) and $9,043 (2022 - $9,043), respectively. Cineplex recorded accretion expense during the quarter and year to date period of $5,014 (2022 - $4,331) and $9,872 (2022 - $8,530), respectively, both of which are included as part of the interest expense in the consolidated statement of operations. As at June 30, 2023, Cineplex has $316,250 principal amount of Debentures outstanding. The residual value was allocated to the equity component less the pro-rata portion of transaction costs as prescribed by IFRS 9, *Financial instruments* and IAS 32, *Financial instruments: Presentation.*

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

**Notes payable**

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

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

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

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

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

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

## 6. Revenue

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

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

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

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

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

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

accounts payable and accrued liabilities, and will be recognized as funding occurs. Recognition for both items is expected to occur in 2023.

The following tables provide the disaggregation of revenue into categories by nature for the three and six months ended June 30, 2023 and 2022:

| **Box revenues** | **Three months ended June 30,** | | **Six months ended June 30,** | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Box office revenues | $ 164,491 | $ 136,372 | $ 287,829 | $ 216,324 |

| **Food service revenues** | **Three months ended June 30,** | | **Six months ended June 30,** | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Food service - theatres | $ 117,958 | $ 98,046 | $ 204,402 | $ 156,805 |
| Food delivery - theatres | 2,076 | 2,390 | 4,371 | 5,639 |
| Food service - location-based entertainment | 11,358 | 10,201 | 23,695 | 16,581 |
| Total food service revenues | $ 131,392 | $ 110,637 | $ 232,468 | $ 179,025 |

| **Media revenues** | **Three months ended June 30,** | | **Six months ended June 30,** | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Cinema media | $ 17,833 | $ 18,700 | $ 32,126 | $ 26,949 |
| Digital place-based media | 8,267 | 7,706 | 16,270 | 15,002 |
| Total media revenues | $ 26,100 | $ 26,406 | $ 48,396 | $ 41,951 |

| **Amusement revenues** | **Three months ended June 30,** | | **Six months ended June 30,** | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Amusement revenue excluding exhibition and LBE | $ 55,197 | $ 45,097 | $ 104,799 | $ 79,936 |
| Amusement revenue - exhibition | 4,492 | 3,248 | 8,418 | 5,339 |
| Amusement revenue - LBE | 17,194 | 17,378 | 39,429 | 30,872 |
| Total amusement revenues | $ 76,883 | $ 65,723 | $ 152,646 | $ 116,147 |

| **Other revenues** | **Three months ended June 30,** | | **Six months ended June 30,** | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Other revenues | $ 24,252 | $ 10,740 | $ 42,736 | $ 25,154 |

## 7. Lease obligation

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

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

| | Property | Equipment | Total |
|---|---|---|---|
| **Six months ended June 30, 2023** | | | |
| Opening balance | $ 1,091,282 | $ 9,357 | $ 1,100,639 |
| Extensions and modifications | 16,993 | 1,373 | 18,366 |
| Tenant inducements | 3,734 | — | 3,734 |
| Lease payments | (84,161) | (2,020) | (86,181) |
| Interest expense | 32,574 | 247 | 32,821 |
| Foreign exchange rate changes | (103) | — | (103) |
| Closing lease obligations | 1,060,319 | 8,957 | 1,069,276 |
| Less: current portion | 95,828 | 3,835 | 99,663 |
| Non-current portion of lease obligations | $ 964,491 | $ 5,122 | $ 969,613 |

| | Property | Equipment | Total |
|---|---|---|---|
| **Six months ended June 30, 2022** | | | |
| Opening balance | $ 1,092,674 | $ 12,849 | $ 1,105,523 |
| Additions | 4,212 | 381 | 4,593 |
| Extensions and modifications | 10,938 | (1,141) | 9,797 |
| Tenant inducements | 1,595 | — | 1,595 |
| Lease payments | (84,344) | (1,144) | (85,488) |
| Interest expense | 29,156 | 287 | 29,443 |
| Foreign exchange rate changes | 80 | 2 | 82 |
| Closing lease obligations | $ 1,054,311 | $ 11,234 | $ 1,065,545 |
| Less: current portion | 94,850 | 3,504 | 98,354 |
| Non-current portion of lease obligations | $ 959,461 | $ 7,730 | $ 967,191 |

## 8. Share capital

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

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

| 2023 | | Amount |
|---|---|---|
| | Number of common shares issued and outstanding | Share capital |
| Balance - December 31, 2022 | 63,375,400 | $ 852,697 |
| Issuance of shares on exercise of options | 1,321 | 44 |
| Balance - June 30, 2023 | 63,376,721 | $ 852,741 |

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

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

## 9. Other costs

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

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

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

## 10. Earnings (loss) per share

### Basic

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

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

### Diluted

Diluted earnings (loss) per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the outstanding shares for the period), based on the monetary value of the rights attached to the potentially dilutive shares. The number of shares calculated above is compared with the number of shares that would have been issued assuming exercise of conversions, exchanges or options. For the second quarter, dilutive shares that have been included in the current period were 78,226 potential shares that would be issued under the treasury stock method and 28,907,678 potential shares that would be issued under the if-converted method relating to debentures outstanding. For the year to date period, dilutive shares that have been included in the current period were 30,622 potential shares that would be issued under the treasury stock method and 28,907,678 potential shares that would be issued under the if-converted method relating to debenture units outstanding. The options are dilutive for the second quarter of 2022 and the options and debentures are anti-dilutive for the year to date period of 2022, as applicable.

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

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

## 11. Changes in operating assets and liabilities

The following summarizes the changes in operating assets and liabilities:

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

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

## 12. Contingent liabilities

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

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

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

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

Cineplex believes this matter will not have a material adverse effect on its operating results, financial position, or cash flows. No amount has been accrued in Cineplex's consolidated financial statements, and online booking fee

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

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

## 13. Operating segments

Cineplex has four reportable segments; Film Entertainment and Content, Media, Amusement Solutions (P1AG) and Location-Based Entertainment. The reportable segments are business units offering differing products and services and managed separately due to their distinct natures. These four reportable segments have been determined by Cineplex's chief operating decision makers. The Film Entertainment and Content reporting segment does not charge an access fee to the Media reporting segment. All other inter-segment transactions are eliminated in the Corporate and other category, which includes all corporate general and administrative costs not directly associated with a segment.

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

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

**Amusement Solutions (P1AG)**

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

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

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

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

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

Cineplex's management believes that adjusted EBITDAaL is an important supplemental measure of Cineplex's profitability at an operational level and provides analysts and investors with comparability in evaluating and valuing Cineplex's performance period over period. EBITDA, adjusted for various unusual items, is also used to define certain financial covenants in Cineplex's Credit Facilities.

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

The following tables disclose the results of the Film Entertainment and Content, Media, Amusement Solutions and Location-Based Entertainment segments for the three and six months ended June 30, 2023 and 2022:

| Three months ended June 30, 2023 | Film Entertainment and Content (i) | Media (i) | Amusement Solutions (P1AG) | Location-Based Entertainment | Corporate and other (iii) | Consolidated |
|---|---|---|---|---|---|---|
| **Major product and service lines** | | | | | | |
| Box office | $ 164,491 | $ — | $ — | $ — | $ — | $ 164,491 |
| Food service | 120,034 | — | — | 11,358 | — | 131,392 |
| Media | — | 25,983 | — | 117 | — | 26,100 |
| Amusement | 4,492 | — | 55,197 | 17,194 | — | 76,883 |
| Other | 23,808 | — | — | 444 | — | 24,252 |
| **Total revenues** | $ 312,825 | $ 25,983 | $ 55,197 | $ 29,113 | $ — | $ 423,118 |
| **Primary geographical markets** | | | | | | |
| Canada | $ 312,825 | $ 23,856 | $ 17,884 | $ 29,113 | $ — | $ 383,678 |
| United States and other countries | — | 2,127 | 37,313 | — | — | 39,440 |
| **Total revenues** | $ 312,825 | $ 25,983 | $ 55,197 | $ 29,113 | $ — | $ 423,118 |
| **Timing of revenue recognition** | | | | | | |
| Transferred at a point in time | $ 312,825 | $ 3,102 | $ 55,197 | $ 29,113 | $ — | $ 400,237 |
| Transferred over time | — | 22,881 | — | — | — | 22,881 |
| **Total revenues** | $ 312,825 | $ 25,983 | $ 55,197 | $ 29,113 | $ — | $ 423,118 |
| **Adjusted EBITDAaL** | $ 45,638 | $ 13,575 | $ 13,064 | $ 4,660 | $ (16,679) | $ 60,258 |
| Difference between the sum of depreciation of right-of-use assets and interest expense related to the lease obligations as compared to the cash rent paid or payable related to lease obligations with respect to the current period. | | | | | | (2,796) |
| Other adjustments (ii) | | | | | | 1,843 |
| Depreciation and amortization - other assets | | | | | | 24,889 |
| Interest expense - other | | | | | | 18,230 |
| Interest income | | | | | | (282) |
| Provision for income taxes | | | | | | (158,171) |
| **Net income** | | | | | | $ 176,545 |
| **Other operating segment disclosures** | | | | | | |
| Depreciation - right-of-use assets | $ 20,293 | $ 552 | $ 679 | $ 1,015 | $ 111 | $ 22,650 |
| Depreciation and amortization - other assets | $ 16,379 | $ 1,219 | $ 2,659 | $ 4,632 | $ — | $ 24,889 |
| Interest expense - lease obligations | $ 14,760 | $ 122 | $ 175 | $ 1,234 | $ 197 | $ 16,488 |
| Goodwill balance | $ 413,915 | $ 206,385 | $ 15,627 | $ — | $ — | $ 635,927 |

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

| Three months ended June 30, 2022 | Film Entertainment and Content (i) | Media (i) | Amusement Solutions (P1AG) | Location-Based Entertainment | Corporate and other (iii) | Consolidated |
|---|---|---|---|---|---|---|
| **Major product and service lines** | | | | | | |
| Box office | $ 136,372 | $ — | $ — | $ — | $ — | $ 136,372 |
| Food service | 100,436 | — | — | 10,201 | — | 110,637 |
| Media | — | 26,154 | — | 252 | — | 26,406 |
| Amusement | 3,249 | — | 45,096 | 17,378 | — | 65,723 |
| Other | 10,447 | — | — | 293 | — | 10,740 |
| **Total revenues** | $ 250,504 | $ 26,154 | $ 45,096 | $ 28,124 | $ — | $ 349,878 |
| **Primary geographical markets** | | | | | | |
| Canada | $ 250,504 | $ 24,320 | $ 13,735 | $ 28,124 | $ — | $ 316,683 |
| United States and other countries | — | 1,834 | 31,361 | — | — | 33,195 |
| **Total revenues** | $ 250,504 | $ 26,154 | $ 45,096 | $ 28,124 | $ — | $ 349,878 |
| **Timing of revenue recognition** | | | | | | |
| Transferred at a point in time | $ 250,504 | $ 3,304 | $ 45,096 | $ 28,124 | $ — | $ 327,028 |
| Transferred over time | — | 22,850 | — | — | — | 22,850 |
| **Total revenues** | $ 250,504 | $ 26,154 | $ 45,096 | $ 28,124 | $ — | $ 349,878 |
| **Adjusted EBITDAaL** | $ 21,292 | $ 14,158 | $ 8,118 | $ 7,519 | $ (15,323) | $ 35,764 |
| Difference between the sum of depreciation of right-of-use assets and interest expense related to the lease obligations as compared to the cash rent paid or payable related to lease obligations with respect to the current period. | | | | | | (2,950) |
| Other adjustments (ii) | | | | | | (3,024) |
| Depreciation and amortization - other assets | | | | | | 26,651 |
| Interest expense - other | | | | | | 13,812 |
| Interest income | | | | | | (38) |
| **Net income** | | | | | | $ 1,313 |
| **Other operating segment disclosures** | | | | | | |
| Depreciation - right-of-use assets | $ 22,232 | $ 729 | $ 520 | $ 894 | $ 111 | $ 24,486 |
| Depreciation and amortization - other assets | $ 16,419 | $ 1,154 | $ 4,541 | $ 4,537 | $ — | $ 26,651 |
| Interest expense - lease obligations | $ 12,947 | $ 147 | $ 121 | $ 1,308 | $ 216 | $ 14,739 |
| Goodwill balance | $ 413,915 | $ 206,385 | $ 15,386 | $ — | $ — | $ 635,686 |

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

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

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

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

| Six months ended June 30, 2023 | Film Entertainment and Content (i) | Media (i) | Amusement Solutions (P1AG) | Location-Based Entertainment | Corporate and other (iii) | Consolidated |
|---|---|---|---|---|---|---|
| **Major product and service lines** | | | | | | |
| Box office | $ 287,829 | $ — | $ — | $ — | $ — | $ 287,829 |
| Food service | 208,773 | — | — | 23,695 | — | 232,468 |
| Media | — | 48,136 | — | 260 | — | 48,396 |
| Amusement | 8,418 | — | 104,799 | 39,429 | — | 152,646 |
| Other | 41,924 | — | — | 812 | — | 42,736 |
| **Total revenues** | $ 546,944 | $ 48,136 | $ 104,799 | $ 64,196 | $ — | $ 764,075 |
| **Primary geographical markets** | | | | | | |
| Canada | $ 546,944 | $ 43,687 | $ 37,158 | $ 64,196 | $ — | $ 691,985 |
| United States and other countries | — | 4,449 | 67,641 | — | — | 72,090 |
| **Total revenues** | $ 546,944 | $ 48,136 | $ 104,799 | $ 64,196 | $ — | $ 764,075 |
| **Timing of revenue recognition** | | | | | | |
| Transferred at a point in time | $ 546,944 | $ 6,139 | $ 104,799 | $ 64,196 | $ — | $ 722,078 |
| Transferred over time | — | 41,997 | — | — | — | 41,997 |
| **Total revenues** | $ 546,944 | $ 48,136 | $ 104,799 | $ 64,196 | $ — | $ 764,075 |
| **Adjusted EBITDAaL** | $ 56,384 | $ 22,703 | $ 21,930 | $ 15,142 | $ (35,658) | $ 80,501 |
| Difference between the sum of depreciation of right-of-use assets and interest expense related to the lease obligations as compared to the cash rent paid or payable related to lease obligations with respect to the current period. | | | | | | (6,786) |
| Other adjustments (ii) | | | | | | 3,026 |
| Depreciation and amortization - other assets | | | | | | 50,895 |
| Interest expense - other | | | | | | 41,736 |
| Interest income | | | | | | (493) |
| Provision for income taxes | | | | | | (154,249) |
| **Net income** | | | | | | $ 146,372 |
| **Other operating segment disclosures** | | | | | | |
| Depreciation - right-of-use assets | $ 40,108 | $ 1,145 | $ 1,345 | $ 2,030 | $ 221 | $ 44,849 |
| Depreciation and amortization - other assets | $ 32,976 | $ 2,680 | $ 5,792 | $ 9,447 | $ — | $ 50,895 |
| Interest expense - lease obligations | $ 29,336 | $ 240 | $ 357 | $ 2,490 | $ 398 | $ 32,821 |
| Goodwill balance | $ 413,915 | $ 206,385 | $ 15,627 | $ — | $ — | $ 635,927 |

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

| Six months ended June 30, 2022 | Film Entertainment and Content (i) | Media (i) | Amusement Solutions (P1AG) | Location-Based Entertainment | Corporate and other (iii) | Consolidated |
|---|---|---|---|---|---|---|
| **Major product and service lines** | | | | | | |
| Box office | $ 216,324 | $ — | $ — | $ — | $ — | $ 216,324 |
| Food service | 162,444 | — | — | 16,581 | — | 179,025 |
| Media | — | 41,594 | — | 357 | — | 41,951 |
| Amusement | 5,339 | — | 79,936 | 30,872 | — | 116,147 |
| Other | 24,797 | — | — | 357 | — | 25,154 |
| **Total revenues** | $ 408,904 | $ 41,594 | $ 79,936 | $ 48,167 | $ — | $ 578,601 |
| **Primary geographical markets** | | | | | | |
| Canada | $ 408,904 | $ 37,977 | $ 24,243 | $ 48,167 | $ — | $ 519,291 |
| United States and other countries | — | 3,617 | 55,693 | — | — | 59,310 |
| **Total revenues** | $ 408,904 | $ 41,594 | $ 79,936 | $ 48,167 | $ — | $ 578,601 |
| **Timing of revenue recognition** | | | | | | |
| Transferred at a point in time | $ 408,904 | $ 6,294 | $ 79,936 | $ 48,167 | $ — | $ 543,301 |
| Transferred over time | — | 35,300 | — | — | — | 35,300 |
| **Total revenues** | $ 408,904 | $ 41,594 | $ 79,936 | $ 48,167 | $ — | $ 578,601 |
| **Adjusted EBITDAaL** | $ 15,007 | $ 19,418 | $ 13,103 | $ 13,923 | $ (31,406) | $ 30,045 |
| Difference between the sum of depreciation of right-of-use assets and interest expense related to the lease obligations as compared to the cash rent paid or payable related to lease obligations with respect to the current period. | | | | | | (6,177) |
| Other adjustments (ii) | | | | | | 488 |
| Depreciation and amortization - other assets | | | | | | 53,543 |
| Interest expense - other | | | | | | 23,895 |
| Interest income | | | | | | (68) |
| Provision for income taxes | | | | | | (724) |
| **Net loss** | | | | | | $ (40,912) |
| **Other operating segment disclosures** | | | | | | |
| Depreciation - right-of-use assets | $ 44,530 | $ 1,561 | $ 654 | $ 1,801 | $ 203 | $ 48,749 |
| Depreciation and amortization - other assets | $ 33,379 | $ 2,302 | $ 9,146 | $ 8,716 | $ — | $ 53,543 |
| Interest expense - lease obligations | $ 25,875 | $ 281 | $ 240 | $ 2,616 | $ 431 | $ 29,443 |
| Goodwill balance | $ 413,915 | $ 206,385 | $ 15,386 | $ — | $ — | $ 635,686 |

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

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

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

## 14. Basis of presentation and accounting standards

### Basis of preparation and measurement

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

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

including International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires that management exercise judgment in applying Cineplex's accounting policies. The disclosures contained in these unaudited interim condensed consolidated financial statements do not contain all requirements of Canadian GAAP for annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2022. These unaudited interim condensed consolidated financial statements follow the same accounting policies and methods of application as the audited financial statements for the year ended December 31, 2022, with the exception of accounting standards issued in the current quarter.

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

**Accounting standards issued**

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

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

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

IAS 8, Definition of accounting estimates

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

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

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

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