CINEPLEX®

2022

THIRD QUARTER

September 30, 2022

LETTER TO SHAREHOLDERS

Dear fellow shareholders,

I am pleased to report that the third quarter marked another significant step in the resurgence of Cineplex and the theatrical exhibition industry. The North American box office reached $1.9 billion during the quarter, which was 44 per cent higher than Q3 2021. Leading the box office was *Minions: Rise of Gru*, *Thor: Love and Thunder*, and the continued success of *Top Gun: Maverick. Top Gun* which has become one of only six films to ever exceed $700 million in North America.

Leading up to the quarter, Cineplex – and the industry as a whole – anticipated limited Hollywood content in August and September as result of pandemic related production delays. In response, we undertook a series of targeted marketing initiatives to drive attendance and diversify our film slate by increasing focus on international products where Cineplex consistently takes an industry leading market share in North America. In addition, our commitment to growing our diversified businesses continues to deliver results, including an all-time quarterly record adjusted EBITDAaL in the P1AG and Location-Based Entertainment businesses.

The momentum at the box office combined with growth in our diversified businesses fueled the third quarter year-over-year revenue increase of 36 per cent, and adjusted EBITDAaL of $20.4 million, which constitutes a 90 per cent growth when compared to the same quarter last year.

This quarter we are celebrating a few important milestones from across the business, including the overwhelming turnout for National Cinema Day on September 3, 2022, where we welcomed over half a million guests, which proved to be Cineplex's busiest day so far in 2022 and third busiest day in the last five years. Also, during the quarter, we welcomed Empire Company Limited to the Scene+ loyalty program as co-owners alongside Cineplex and Scotiabank, and we have seen strong membership growth in recent months. We are also excited about the addition of Home Hardware Stores Limited as a Scene+ loyalty partner with a launch expected to take place in the summer of 2023.

With respect to the Cineworld litigation, on September 7, 2022, Cineworld filed for Chapter 11 Bankruptcy in the United States and the following day, the US Bankruptcy Court ordered a worldwide stay of all enforcement proceedings against Cineworld. We attempted to lift the stay with respect to the ongoing appeal in Ontario, but our request was denied, and the litigation is on hold for now. With that said, we continue to work closely with our advisors to monetize and maximize the judgement claim.

As we look forward, we are excited about opening the first location of our new entertainment concept, Junxion, later this year in Winnipeg. Our studio partners and non-traditional studios recognize the underlying importance of an exclusive theatrical window, and we look forward to a robust film slate of blockbuster titles for the remainder of the year and into 2023. In closing, we remain focused on maximizing value across all our businesses and driving shareholder returns.

Sincerely,

Ellis Jacob
President and CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

November 9, 2022

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS CONTENTS

Non-GAAP and Other Financial Measures

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

Forward-Looking Statements

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

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

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

By their very nature, forward-looking statements involve inherent risks and uncertainties, including those described in Cineplex's Annual Information Form ("AIF"), and MD&A for the year ended December 31, 2021 ("Annual MD&A") and in this MD&A. Those risks and uncertainties, both general and specific, give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements. Cineplex cautions readers not to place undue reliance on these statements, as a number of important factors, many of which are beyond Cineplex's control, could cause actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to the movie exhibition industry and the economy in general, as well as Cineplex's response to the COVID-19 pandemic as it related to the closure or capacity restrictions of its theatres and LBE venues, employee reductions and other cost-cutting initiatives, and increased expenses relating to safety measures taken at its facilities to protect the health and well-being of customers and employees; Cineplex's expectations with respect to liquidity and capital expenditures, *including its ability to meet its ongoing capital, operating and other obligations, and anticipated needs for, and sources of, funds; Cineplex's ability to execute cost-cutting and revenue enhancement initiatives in response to the COVID-19 pandemic; risks generally encountered in the relevant industry, competition, customer, legal, taxation and accounting matters; the outcome of the litigation surrounding the termination of the Cineworld transaction (described below); and diversion of management time on litigation related to the Cineworld transaction.*

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

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

1. OVERVIEW OF CINEPLEX

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

Cineplex's theatre circuit is concentrated in major metropolitan and mid-sized markets. As of September 30, 2022, Cineplex owned, leased or had a joint venture interest in 1,637 screens in 158 theatres from coast to coast as well as 13 LBE venues in six provinces.

Cineplex
Theatre locations and screens at September 30, 2022

Province	Locations	Screens	3D Digital Screens	UltraAVX	IMAX Screens (i)	VIP Auditoriums	D-BOX Auditoriums	Recliner Auditoriums	Other Screens (ii)
Ontario	66	710	350	41	13	48	48	108	11
Quebec	17	220	88	10	3	9	7	17	1
British Columbia	25	236	125	16	3	20	16	43	2
Alberta	20	213	114	20	2	16	16	83	6
Nova Scotia	10	87	43	1	1	—	2	—	1
Saskatchewan	6	54	28	3	1	3	3	16	1
Manitoba	5	49	26	1	1	3	2	—	1
New Brunswick	5	41	20	2	—	—	2	—	—
Newfoundland & Labrador	2	14	9	—	1	—	1	—	—
Prince Edward Island	2	13	6	—	—	—	1	—	—
TOTALS	**158**	**1,637**	**809**	**94**	**25**	**99**	**98**	**267**	**23**
Percentage of screens			49 %	6 %	2 %	6 %	6 %	16 %	1 %

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

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

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

	2022			2021				2020
	Q3	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Theatres	158	159	159	160	161	160	161	162
Screens	1,637	1,640	1,640	1,652	1,656	1,651	1,657	1,667
3D Digital Screens	809	809	810	815	816	816	816	819
UltraAVX Screens	94	94	94	94	94	94	94	94
IMAX Screens	25	25	24	25	25	25	25	25
VIP Auditoriums	99	99	99	99	94	89	84	84
D-BOX Locations	98	98	98	98	98	98	98	98
Recliner Screens	267	267	267	267	262	258	253	253
Other Screens	23	22	22	22	19	19	19	19

Cineplex - LBE - at September 30, 2022 and 2021	**2022**		**2021**	
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**

1.1 RECENT DEVELOPMENTS

COVID-19 business impacts, risks and liquidity

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

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

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

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

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

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

- continued the suspension of dividends.

As some of Cineplex's largest expenses, such as film cost and cost of food services, are fully variable, during the closure of its theatres and LBE venues Cineplex focused on reducing its largest fixed and semi-fixed expenses, including those attributed to theatre and LBE payroll and occupancy. Cineplex remains focused on identifying opportunities to extract value under its existing lease agreements.

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

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

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

As expected, box office results during the third quarter were impacted by delays in film releases due to COVID-19 production delays. In spite of this, *Top Gun: Maverick,* became one of six films to exceed $700 million in North America and the fifth largest domestic film of all-time, earning $1.5 billion globally up to September 30, 2022,. *Minions: The Rise of Gru* was released during the third quarter, generating $107.0 million during its North American opening weekend and earning $366.1 million since its release up to September 30, 2022. Marvel's *Thor: Love and Thunder* was also released during the third quarter, generating $144.2 million during its North American opening weekend and earning $343.2 million in North America since its release up to September 30, 2022. Lastly, *Avatar,* which is the highest grossing film of all time, was re-released during the third quarter and generated $15.1 million in North America during the first week of its re-release. This speaks highly of the demand for its highly anticipated sequel, *Avatar: The Way of Water*, which will be released during the fourth quarter of 2022.

As at September 30, 2022, Cineplex had a cash balance of $28.9 million and $199.6 million available under its Revolving Facility subject to the liquidity covenants set forth in the Credit Facilities as amended (Section 6.4, Long-term debt). Combined with the continued focus on reducing costs and capital expenditures, management believes that it has adequate liquidity to fund operations in the regions in which Cineplex operates.

Cineworld Transaction and Bankruptcy Filing

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

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

On July 3, 2020, Cineplex announced that it had commenced an action in the Ontario Superior Court of Justice (the "Court") against Cineworld and 1232743 B.C. Ltd. seeking damages arising from what Cineplex claimed was a wrongful repudiation of the Arrangement Agreement. The claim sought damages, including the approximately $2.18 billion that Cineworld would have paid upon the closing of the Cineworld Transaction for Cineplex's securities, reduced by the value of the Cineplex securities retained by its security holders, as well as compensation for other losses including the loss to Cineplex of expected synergies, the failure of Cineworld to repay or refinance Cineplex's approximately $664.0 million in debt, and transaction expenses. Cineplex also advanced alternative claims for damages for the loss of benefits to its security holders, and to require Cineworld to disgorge the benefits it improperly received by wrongfully repudiating the Cineworld Transaction.

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

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

On January 12, 2022, Cineworld filed a Notice of Appeal with the Court of Appeal for Ontario and on January 27, 2022, Cineplex filed its Notice of Cross Appeal (the "Appeal"). The Appeal was originally scheduled to be heard on October 12 and 13, 2022. On September 7, 2022, Cineworld and certain of its subsidiaries (the "Cineworld Parties") filed a petition in the United States Bankruptcy Court for the Southern District of Texas, (the "U.S. Bankruptcy Court"), commencing bankruptcy proceedings under Chapter 11 of the United States Bankruptcy Code ("Chapter 11"). On September 8, 2022, the U.S. Bankruptcy Court granted relief requested by the Cineworld Parties in the Chapter 11 proceedings, including an order confirming and enforcing a worldwide stay of all enforcement proceedings by Cineworld's creditors. Cineworld took the position that the Appeal was therefore stayed. On September 9, 2022, Cineplex filed an emergency motion with the U.S. Bankruptcy Court, seeking to lift the stay with respect to the Appeal. Cineplex's emergency motion was heard on September 28, 2022, at which time the U.S. Bankruptcy Court declined Cineplex's requested relief, without prejudice to Cineplex's ability to seek such relief at a later date. On September 30, 2022, on consent of counsel for Cineplex and Cineworld, the Court of Appeal for Ontario adjourned the Appeal until a date to be determined. Accordingly, the hearing of Appeal has been delayed.

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

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

1.2 FINANCIAL HIGHLIGHTS

Financial highlights (in thousands of dollars, except theatre attendance in thousands of patrons and per share and per patron amounts)	**Third Quarter 2022**	**Third Quarter 2021**	**Third Quarter Change (i)**	**Year to Date 2022**	**Year to Date 2021**	**Year to Date Change (i)**
Total revenues	$ 339,837	$ 250,380	35.7%	$ 918,438	$ 356,718	157.5%
Theatre attendance	11,084	8,272	34.0%	28,837	9,835	193.2%
Net income (loss) (ii)	$ 30,857	$ (33,552)	NM	$ (10,055)	$ (226,944)	-95.6%
Net income (loss) as a percentage of sales (ii)	9.1 %	(13.4)%	22.5%	(1.1)%	(63.6)%	62.5%
Cash provided by operating activities	$ 5,811	$ 52,023	-88.8%	$ 47,526	$ 33,524	41.8%
Box office revenues per patron ("BPP") (iii)	$ 11.25	$ 11.38	-1.1%	$ 11.83	$ 11.23	5.3%
Concession revenues per patron ("CPP") (iii)	$ 8.35	$ 8.58	-2.7%	$ 8.65	$ 8.39	3.1%
Adjusted EBITDA (iv)	$ 63,094	$ 48,606	29.8%	$ 177,508	$ 1,599	NM
Adjusted EBITDAaL (ii) (iv)	$ 20,430	$ 10,762	89.8%	$ 50,475	$ (104,493)	NM
Adjusted EBITDAaL margin (ii) (v)	6.0 %	4.3 %	1.7%	5.5 %	(29.3)%	34.8%
Adjusted free cash flow (iv)	$ 1,568	$ (5,753)	NM	$ 1,667	$ (150,485)	NM
Adjusted free cash flow per share (v)	$ 0.025	$ (0.091)	NM	$ 0.026	$ (2.376)	NM
Earnings per share ("EPS") - basic (ii)	$ 0.49	$ (0.53)	NM	$ (0.16)	$ (3.58)	-95.5%
EPS - diluted (ii)	$ 0.43	$ (0.53)	NM	$ (0.16)	$ (3.58)	-95.5%

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

(ii) 2022 includes expenses related to the Cineworld Transaction and associated litigation and claims recovery in the amount of $1.2 million (2021 - $4.1 million) for the third quarter and $2.7 million (2021 - $9.1 million) for the year-to-date.

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

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

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

Total revenues for the third quarter of 2022 increased by 35.7%, or $89.5 million to $339.8 million as compared to the prior year period. For the first time since the start of the COVID-19 pandemic, Cineplex's entire circuit of theatres and LBE venues were open and operating without any government mandated restrictions for the entirety of the third quarter of 2022. In the prior year period, Cineplex had only reopened its entire circuit of theatres and LBE venues fully as of July 17, 2021, subject to capacity restrictions and under operating restrictions with the introduction of proof of vaccination programs in September of 2021.

Despite the third quarter box office being negatively impacted by delays in film releases, the continued success of *Top Gun: Maverick*, and the release of highly anticipated films during the third quarter of 2022 including *Thor: Love and Thunder,* contributed to a theatre attendance increase of 2.8 million to 11.1 million as compared to 8.3 million in the prior year period. As a result of the increase in attendance, box office revenues increased 32.5% to $124.7 million and food service revenues increased 31.5% to $105.2 million in the third quarter of 2022, as compared to the prior year period. Amusement revenues increased by 30.5% or $16.3 million to an all-time quarterly record of $69.6 million in the third quarter, primarily from P1AG route operations including family entertainment centres ("FEC") locations and theatres in the United States and Canada and the growth in the results from *The Rec Room* and *Playdium*. Media revenues of $25.2 million were mainly from cinema media and network management and services. As a result of the growth in total revenue, adjusted EBITDAaL increased by $9.7 million (89.8%) to $20.4 million and adjusted free cash flow per share increased from a loss in the prior year period of $(0.091) to a positive adjusted free cash flow per share of $0.025 in the current period. Cineplex's income increased from a reported loss of $33.6 million in the prior year period to an income position of $30.9 million, with net income per share increasing from a $0.53 loss in the prior year period to an earnings per share of $0.49 in the current period. Cineplex recognized a gain of $50.1 million in the third quarter on the disposition of its 1/6th interest in Scene+, leaving a 1/3rd ownership interest in Scene+ (Section 4.2, Operating Results, (Gain) loss on disposal of assets).

Despite ongoing film release shifts caused by COVID-19 related production delays, operating results reflect the strong reopening of Cineplex's businesses as total revenues for the year to date period increased by $561.7 million (157.5%) to $918.4 million as compared to the prior year period. Adjusted EBITDAaL for the year to date period was $50.5 million as compared to a loss of $104.5 million in the prior year period and adjusted free cash flow per share was $0.026 during the year to date period, compared to a loss in the prior year of $2.376. Cineplex's net loss decreased from a reported loss of $226.9 million in the prior year period to a loss of $10.1 million in the year to date period, with a net loss per share decreasing from $3.58 in the prior year period to a net loss of $0.16 during the year to date period.

The reorganization of SCENE in December 2020 resulted in the cost of Scene+ points issued being recognized as marketing costs, as opposed to reductions of revenue prior to this. During the third quarter of 2022, Cineplex recognized an increase in box office and concession revenues of $2.2 million and $2.3 million, respectively ($4.5 million total). During the year to date period, Cineplex recognized an increase in box office and concession revenues of $6.3 million and $6.3 million, respectively ($12.6 million total). The change in revenue recognition led to an increase in both BPP and CPP of approximately $0.20 each, during the third quarter and an increase of $0.22 each during the year to date period. There was a corresponding increase in marketing costs during the third quarter and year to date period of $4.5 million and $12.6 million, respectively, including other sales transactions with respect to the Scene+ points issued, resulting in no impact on Cineplex's net income (loss).

1.3 KEY DEVELOPMENTS IN THE THIRD QUARTER OF 2022

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

FILM ENTERTAINMENT AND CONTENT

Theatre Exhibition

- Reported third quarter box office revenues of $124.7 million, an increase of $30.6 million (32.5%) from $94.1 million due to a 34.0% increase in theatre attendance.
- Celebrated National Cinema Day on September 3, 2022, welcoming approximately 550,000 guests across the theatre exhibition circuit, representing the largest attendance for a single day for the year to date, and the third largest attendance for a single day in the last five years, following *Avengers: Endgame* that opened in April 2019 and *Avengers: Infinity War* that opened in April 2018.
- BPP was $11.25, $(0.13) or 1.1% lower than $11.38 reported during the prior year period. The decrease was primarily due to product offerings at discounted prices on National Cinema Day.
- Opened British Columbia's second ScreenX auditorium at *Cineplex Cinemas Langley*.

Theatre Food Service

- Reported third quarter theatre food service revenues of $92.5 million, an increase of $21.6 million (30.4%) compared to the prior year period primarily due to a 34.0% increase in theatre attendance.
- National Cinema Day held on September 3, 2022, resulted in the second highest grossing food service revenue day of 2022.
- CPP was $8.35, representing a decrease of $0.23 or 2.7% when compared to the prior year period, primarily due to the impact of National Cinema Day held on September 3, 2022, attracting discount seekers, resulting in lower average consumer spend and purchase incidence among total guests visiting Cineplex's theatre circuit on that day.

Alternative Programming

- Alternative Programming (Cineplex Events) in the third quarter of 2022 featured the return of violinist and conductor André Rieu's summer concerts from Maastricht, Netherlands, the faith-based film *Lifemark*, and the return of stage events to the big screen with the National Theatre's production of *Prima Facie* starring Jodie Comer.
- Cineplex Distribution (Cineplex Pictures) released the anime hit *Dragon Ball Super: Super Hero*, along with three international films *Chili Laugh Story* (China), *The Killer* (South Korea) and *Khetet Mazinger* (Egypt).
- Featured numerous strong performing international films, including *Chhalla Mud Ke Nahi Aaya* (Punjabi), *Laal Singh Chaddha* (Hindi) and *Maid in Malacanang* (Tagalog), of which Cineplex represented 80.0%, 42.0% and 37.5%, respectively, of the total North American market share.

Digital Commerce

- Total registered users for Cineplex Store increased 7% from the prior year period, reaching approximately 2.3 million registered users.

MEDIA

- Reported third quarter media revenues of $25.2 million, an increase of $11.2 million or 79.4% as compared to the prior year period.

Cinema Media

- Reported third quarter cinema media revenues of $15.1 million, an increase of $8.5 million or 127.4% over the prior year period, due to increases in cinema advertising as a result of increased theatre attendance and a return by advertisers to cinema.

Digital Place-Based Media

- Reported third quarter revenues of $10.1 million, an increase of $2.7 million or 36.5% due to increased advertising at digital out of home networks and higher project installation revenues.

AMUSEMENT AND LEISURE

- Reported all-time quarterly record revenues in the third quarter of $69.6 million, an increase of $16.3 million or 30.5% compared to the prior year period.

Player One Amusement Group

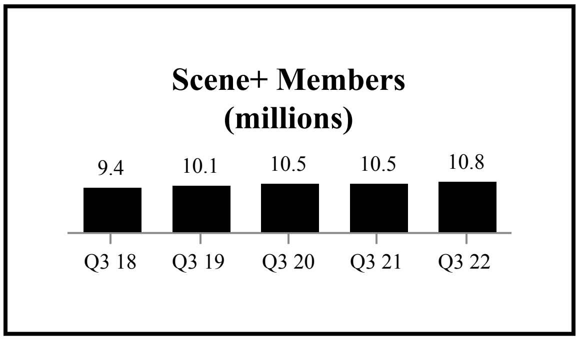
- Reported third quarter record revenues of $45.5 million, an increase of $10.1 million or 28.4% compared to the prior year period. Adjusted EBITDAaL during the third quarter was an all-time quarterly record of $9.0 million, an increase of $2.0 million or 28.4% compared to the prior year period. The 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 all-time record revenues in the third quarter of $31.0 million, an increase of $9.3 million or 42.5% compared to the prior year period. The current period included a third quarter record for food service revenues of $10.4 million, all-time quarterly record amusement revenues of $20.2 million and $0.5 million of media and other revenues. Adjusted EBITDAaL for the third quarter was an all-time quarterly record of $9.7 million, an increase of $0.5 million or 5.6% compared to the prior year period. The increase in revenues and adjusted EBITDAaL were primarily due to all LBE venues being open during the entire period compared to the prior year period that was subject to capacity restrictions.

LOYALTY

- Membership in the Scene+ loyalty program increased to 10.8 million members during the period ended September 30, 2022.



- Welcomed Empire Company Limited as a co-owner of Scene+ during the third quarter, providing members with increased opportunities to earn and redeem points through Empire's family of brands firstly in Atlantic Canada on August 11, 2022, in Western Canada on September 22, 2022, and across Canada by early 2023.
- Recognized a gain of $50.1 million on the disposition of its 1/6th ownership interest in Scene+, leaving a 1/3rd ownership interest in Scene+ with the satisfaction of specific non-financial milestones related to the reorganization of Scene+.
- Announced that Home Hardware Stores Limited will be joining Scene+ with a launch expected to take place in the summer of 2023, providing members with additional opportunities to earn and redeem points.

CORPORATE

- In recognition of National Indigenous Peoples Day, Cineplex donated $1 from every movie ticket sold, plus every purchase on the Cineplex Store, at The Rec Room and Playdium, to imagineNATIVE, the world's largest presenter of Indigenous screen content.
- Commemorated National Day for Truth and Reconciliation on September 30, 2022 by partnering with the Orange Shirt Society to raise awareness and honour Indigenous communities through Pre-Show content and through donations to the Orange Shirt Society.
- Fundraised and sponsored local Pride celebrations across Canada, including employee participation in select Pride parades, as well as made a corporate donation to Rainbow Railroad in support of LGBTQ2IA+ programs.
- Donated the proceeds raised during National Accessibility Week to the Canadian Paralympic Committee, an organization with a mission ensuring that people, programs, and equipment are in place so that Canadians with disabilities can be active in sports.

2. CINEPLEX'S BUSINESS AND STRATEGY

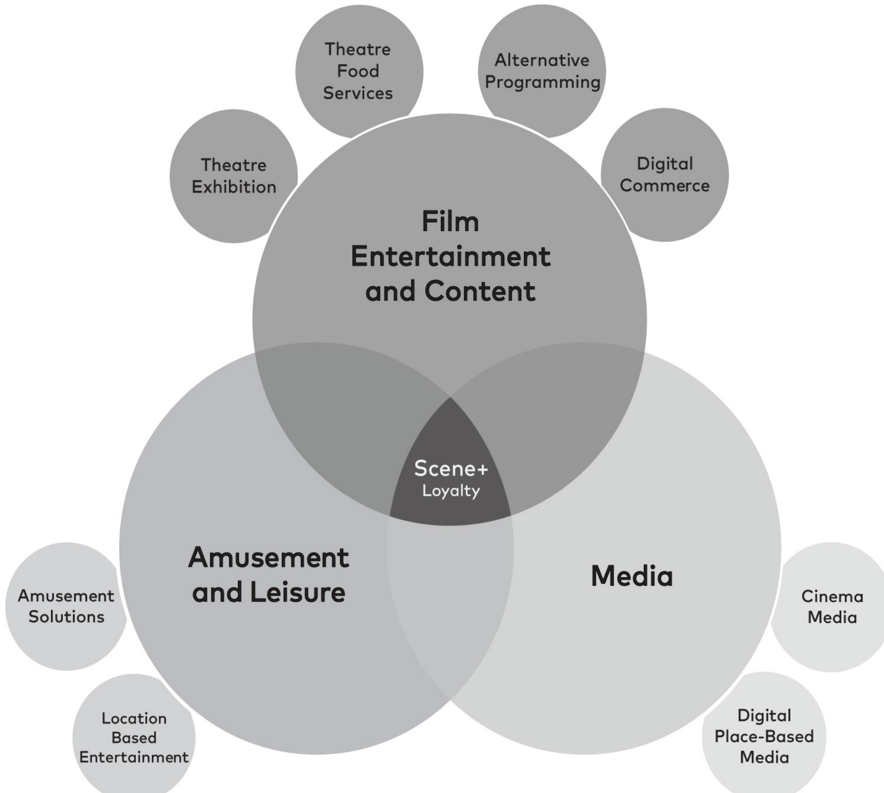
Cineplex's mission statement is "Passionately delivering exceptional experiences." All of its efforts are focused on this mission and it is Cineplex's goal to consistently provide guests and customers with exceptional experiences.

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

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

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

Diversified Entertainment and Media Company



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

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

3. OVERVIEW OF OPERATIONS

Revenues

Cineplex generates revenues primarily from box office and food service sales. These revenues are affected primarily by theatre attendance levels and by changes in BPP and CPP. Box office revenue represented 36.7% of revenue in the third quarter of 2022.

The following table presents the revenue mix for comparative years:

Revenue mix % by period	Q3 2022	Q3 2021	Q3 2020	Q3 2019	Q3 2018
Box office	**36.7 %**	37.6 %	23.8 %	42.5 %	44.9 %
Food service	**31.0 %**	31.9 %	25.3 %	30.0 %	29.9 %
Media	**7.4 %**	5.6 %	21.0 %	10.3 %	8.6 %
Amusement	**20.5 %**	21.3 %	21.7 %	13.9 %	13.9 %
Other	**4.4 %**	3.6 %	8.2 %	3.3 %	2.7 %
Total	**100.0 %**	100.0 %	100.0 %	100.0 %	100.0 %

Cineplex has four reportable segments, film entertainment and content, media, amusement and leisure and location-based entertainment. The reportable segments are business units offering differing products and services and are managed separately due to their distinct natures and are based on the information used by Cineplex's chief operating decision makers.

Revenue mix % by year	Third Quarter		Year to Date	
	2022	2021	2022	2021
Film Entertainment and Content	70.2 %	71.5 %	70.5 %	64.6 %
Media	7.3 %	5.6 %	7.2 %	9.1 %
Amusement and Leisure	13.4 %	14.2 %	13.7 %	19.2 %
LBE	9.1 %	8.7 %	8.6 %	7.1 %
Total	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**

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

The commercial appeal of the films and alternative content released during a given period, and the success of marketing as well as promotion for those films by film studios, distributors and content providers all drive theatre attendance. BPP is affected by the mix of film and alternative content product that appeals to certain audiences (such as children or seniors who pay lower ticket prices), ticket prices during a given period and the appeal of available premium priced product that increases BPP. While BPP 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, as well as food and beverage sales at LBE venues including *The Rec Room* and *Playdium*. In addition, food service revenues include home delivery serviced by Uber Eats and 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 as well as other circuits through representation sales agreements. Cineplex's media advertising arrangements are impacted by theatre attendance levels which drive impressions and ultimately impact media revenue generated by Cineplex. Additionally, Cineplex Media sells media placements throughout Cineplex's circuit including digital poster cases, as well as sponsorship and advertising in LBE venues. Cineplex Media also sells digital advertising for cineplex.com, the Cineplex mobile app and on third party networks operated by Cineplex Digital Media. Cineplex Digital Media designs, installs, maintains and operates digital signage networks in four verticals including digital out of home ("DOOH") (in public spaces such as shopping malls and office towers), quick service restaurants, financial institutions and retailers. Cineplex Digital Media revenue 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.

Cost of Sales and Expenses

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

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

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

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

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

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

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

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

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

Accounting for Joint Arrangements

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

Under IFRS 11, Cineplex's 50% share of one IMAX auditorium in Ontario, its 78.2% interest in the Canadian Digital Cinema Partnership ("CDCP"), 50% interest in *YoYo's Yogurt Cafe* ("YoYo's"), and 33.3% interest in Scene+ are classified as joint ventures or associates. Through equity accounting, Cineplex's share of the results of operations for these joint ventures and associates are reported as a single item in the statements of operations, 'Share of income of joint ventures and associates'. Theatre attendance for the IMAX auditorium held in a joint venture is not reported in Cineplex's consolidated theatre attendance as the line-by-line results of the joint venture are not included in the relevant lines in the statement of operations.

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

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

In the fourth quarter of 2020, Cineplex announced that it had entered into an agreement with its existing partner Scotiabank to enhance and expand the SCENE loyalty program. Cineplex received $60.0 million in December 2020 from its existing partner with respect to the agreement to reorganize the program and reposition it for future growth. In conjunction with the agreement, Cineplex's ownership in Scene+ was reduced to 33.3%. As a result of the December 13, 2021 step in the reorganization, Cineplex equity accounts for its interest in Scene LP, and continues to consolidate 50% of Scene GP which subsequent to December 12, 2021 holds the deferred revenue obligation for SCENE points issued up to December 12, 2021. During the third quarter of 2022, Empire Company Limited became a one-third partner of Scene+ and Cineplex continues to maintain a 33.3% interest in Scene+.

4. RESULTS OF OPERATIONS

4.1. SELECTED FINANCIAL DATA

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

	Three months ended September 30, 2022	Three months ended September 30, 2021	Variance (%)	Nine months ended September 30, 2022	Nine months ended September 30, 2021	Variance (%)
Box office revenues	$ 124,700	$ 94,114	32.5 %	$ 341,024	$ 110,430	208.8 %
Food service revenues	105,193	79,971	31.5 %	284,218	99,754	184.9 %
Media revenues	25,224	14,060	79.4 %	67,175	32,535	106.5 %
Amusement revenues	69,607	53,319	30.5 %	185,754	89,377	107.8 %
Other revenues	15,113	8,916	69.5 %	40,267	24,622	63.5 %
Total revenues	**339,837**	**250,380**	**35.7 %**	**918,438**	**356,718**	**157.5 %**
Film cost	66,356	45,838	44.8 %	175,330	52,684	232.8 %
Cost of food service	24,839	16,362	51.8 %	65,031	20,641	215.1 %
Depreciation - right-of-use assets	23,277	25,151	-7.5 %	72,026	77,206	-6.7 %
Depreciation and amortization - other assets	26,079	28,297	-7.8 %	79,622	85,541	-6.9 %
(Gain) loss on disposal of assets	(49,848)	22	NM	(54,341)	(29,859)	82.0 %
Other costs (a)	185,048	139,527	32.6 %	500,141	281,584	77.6 %
Costs of operations	**275,751**	**255,197**	**8.1 %**	**837,809**	**487,797**	**71.8 %**
Net income (loss)	$ 30,857	$ (33,552)	NM	$ (10,055)	$ (226,944)	-95.6 %
Adjusted EBITDA (i) (v)	$ 63,094	$ 48,606	29.8 %	$ 177,508	$ 1,599	NM
Adjusted EBITDAaL (i) (v)	$ 20,430	$ 10,762	89.8 %	$ 50,475	$ (104,493)	NM
(a) Other costs include:						
Theatre occupancy expenses	17,714	15,638	13.3 %	46,874	27,769	68.8 %
Other operating expenses	150,441	108,694	38.4 %	404,968	210,290	92.6 %
General and administrative expenses (v)	16,893	15,195	11.2 %	48,299	43,525	11.0 %
Total other costs	**$ 185,048**	**$ 139,527**	**32.6 %**	**$ 500,141**	**$ 281,584**	**77.6 %**
EPS - basic (v)	$ 0.49	$ (0.53)	NM	$ (0.16)	$ (3.58)	-95.5 %
EPS - diluted (v)	$ 0.43	$ (0.53)	NM	$ (0.16)	$ (3.58)	-95.5 %
Total assets	$ 2,089,732	$ 2,108,846	-0.9 %	$ 2,089,732	$ 2,108,846	-0.9 %
Long-term debt (iv)	$ 825,043	$ 734,046	12.4 %	$ 825,043	$ 734,046	12.4 %
Shares outstanding at period end	63,362,713	63,343,113	— %	63,362,713	63,343,113	— %
Adjusted free cash flow per share (ii)	$ 0.025	$ (0.091)	NM	$ 0.026	$ (2.376)	NM
Box office revenue per patron (iii)	$ 11.25	$ 11.38	-1.1 %	$ 11.83	$ 11.23	5.3 %
Concession revenue per patron (iii)	$ 8.35	$ 8.58	-2.7 %	$ 8.65	$ 8.39	3.1 %
Film cost as a percentage of box office revenues	53.2%	48.7%	4.5 %	51.4%	47.7%	3.7 %
Theatre attendance (in thousands of patrons) (iii)	11,084	8,272	34.0 %	28,837	9,835	193.2 %
Theatre locations (at period end)	158	161	-1.9 %	158	161	-1.9 %
Theatre screens (at period end)	1,637	1,656	-1.1 %	1,637	1,656	-1.1 %

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

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

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

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

(v) 2022 includes expenses related to the Cineworld Transaction and associated litigation and claims recovery in the amount of $1.2 million (2021 - $4.1 million) for the third quarter and $2.7 million (2021 - $9.1 million) for the year-to-date.

4.2. OPERATING RESULTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022

Total revenues

Total revenues for the three months ended September 30, 2022 increased $89.5 million (35.7%) to $339.8 million as compared to the prior year period. Total revenues for the nine months ended September 30, 2022 increased $561.7 million (157.5%) to $918.4 million as compared to the prior year period. A discussion of the factors affecting the changes in box office, food service, media, amusement and other revenues for the period is provided below.

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

Box office revenues

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

Box office revenues	Third Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Box office revenues	$ 124,700	$ 94,114	32.5%	$ 341,024	$ 110,430	208.8 %
Theatre attendance (i)	11,084	8,272	34.0%	28,837	9,835	193.2 %
Box office revenue per patron (i)	$ 11.25	$ 11.38	-1.1%	$ 11.83	$ 11.23	5.3 %
BPP excluding premium priced product (i)	$ 9.90	$ 10.21	-3.0%	$ 10.27	$ 10.13	1.4 %
Same theatre box office revenues (i)	$ 123,369	$ 93,079	32.5%	$ 336,902	$ 109,361	208.1 %
Same theatre attendance (i)	11,015	8,198	34.4%	28,630	9,757	193.4 %
% Total box from premium priced product (i)	36.5%	30.4%	6.1%	38.9 %	28.9 %	10.0 %

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

Box office continuity	Third Quarter		Year to Date	
	Box Office	Theatre Attendance	Box Office	Theatre Attendance
2021 as reported	$ 94,114	8,272	$ 110,430	9,835
Same theatre attendance change	31,975	2,816	211,541	18,873
Impact of same theatre BPP change	(2,630)	—	11,178	—
New and acquired theatres (i)	697	36	3,419	165
Disposed and closed theatres (i)	(401)	(40)	(366)	(36)
Scene+ points issued presented as marketing costs	945	—	4,822	—
2022 as reported	**$ 124,700**	**11,084**	**$ 341,024**	**28,837**

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

	Third Quarter 2022 Top Cineplex Films	3D	% Box		Third Quarter 2021 Top Cineplex Films	3D	% Box
1	Thor: Love and Thunder	✔	18.2 %	1	Shang-Chi and The Legend Of The Ten Rings	✔	17.7 %
2	Minions: The Rise of Gru	✔	18.2 %	2	Free Guy	✔	9.9 %
3	Top Gun: Maverick		11.6 %	3	Black Widow	✔	9.9 %
4	Bullet Train		5.8 %	4	The Suicide Squad		7.6 %
5	Elvis		5.1 %	5	Jungle Cruise	✔	7.3 %

	Year to Date 2022 Top Cineplex Films	3D	% Box		Year to Date 2021 Top Cineplex Films	3D	% Box
1	Top Gun: Maverick		12.6 %	1	Shang-Chi And The Legend Of The Ten Rings	✔	15.0 %
2	Doctor Strange In The Multiverse of Madness	✔	7.9 %	2	Free Guy	✔	8.4 %
3	The Batman		7.2 %	3	Black Widow	✔	8.4 %
4	Thor: Love and Thunder	✔	6.8 %	4	F9: The Fast Saga		7.2 %
5	Minions: The Rise of Gru	✔	6.8 %	5	The Suicide Squad		6.5 %

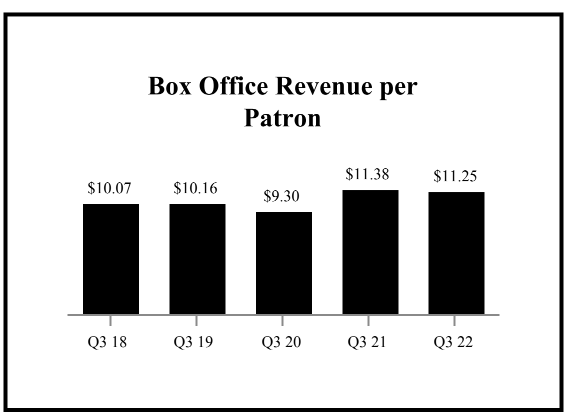
Third Quarter and Year to Date

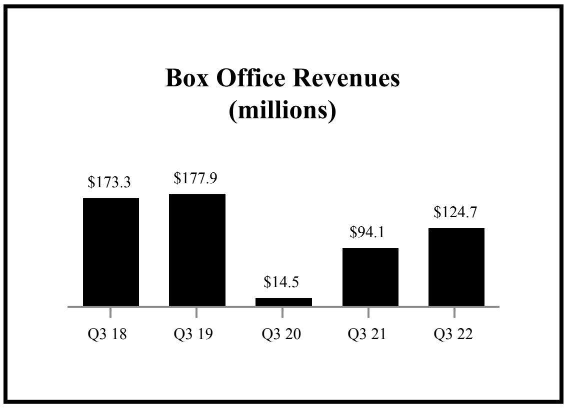
Box office revenues increased $30.6 million to $124.7 million during the third quarter of 2022, compared to $94.1 million recorded in the same period in 2021. This increase was due to a 2.8 million increase in theatre attendance, as Cineplex's theatre circuit was open, operating without capacity restrictions during the quarter, compared to the prior year period that was not fully open until July 17, 2021, was subject to capacity restrictions and had operating restrictions with the introduction of proof of vaccination programs in September 2021. Despite box office revenues being impacted by shifts in film releases due to production delays, the release of highly anticipated films also contributed to the significant increase in box office revenues. This included the continued success of *Top Gun: Maverick* which has exceeded $700.0 million in North America and has become the fifth largest domestic film of all-time, *Thor: Love and Thunder* and *Minions: The Rise of Gru*.

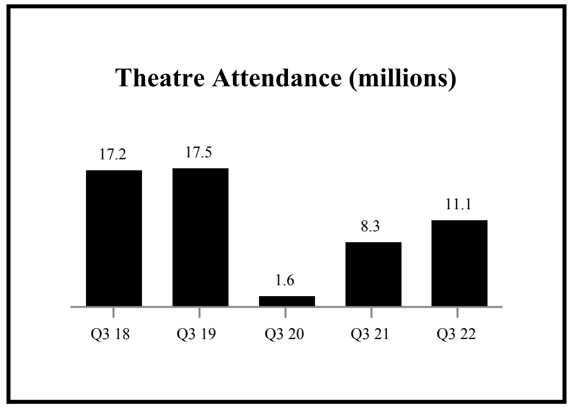
BPP for the three months ended September 30, 2022 was $11.25, representing an decrease of $0.13 or 1.1% from $11.38 reported in the prior year period. The decrease in BPP was primarily due to National Cinema Day on September 3; admission was $3.00 for all films including all premium priced product and represented 5% of the attendance for the third quarter, reducing BPP by $0.43. The reorganization of SCENE resulted in a change in revenue recognition leading to higher box office revenues during the quarter of $2.2 million, a BPP increase of $0.20 with a corresponding increase in marketing costs of $2.2 million, with respect to Scene+ points issued on box office transactions.

For the year to date period, box office revenues increased $230.6 million to $341.0 million, compared to $110.4 million recorded in the prior year period. This increase was primarily due to a 19.0 million increase in theatre attendance as Cineplex's theatre circuit was open for the entire period with increased operating capacity, compared to closure requirements or operating restrictions that remained in effect for a majority of the prior year period.

BPP during the year to date period was $11.83, which increased $0.60 or 5.3% from $11.23 reported in the prior year period. This increase was partially due to higher percentage of box office revenue from premium priced offerings, which accounted for 38.9% of Cineplex's box office revenues in the nine months ended September 30, 2022, as compared to 28.9% in the prior year period. The reorganization of SCENE resulted in a change in revenue recognition leading to higher box office revenues during the year to date period of $6.3 million, a BPP increase of $0.22 with a corresponding increase in marketing costs of $6.3 million, with respect to Scene+ points issued on box office transactions.







Food service revenues

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

Food service revenues	Third Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Food service - theatres	$ 92,520	$ 70,945	30.4 %	$ 249,325	$ 82,506	202.2 %
Food delivery - theatres	2,285	2,599	-12.1 %	7,924	10,053	-21.2 %
Food service - LBE	10,373	6,402	62.0 %	$ 26,910	7,089	279.6 %
Food delivery - LBE	15	25	-40.8 %	59	106	-44.2 %
Total food service revenues	**$ 105,193**	**$ 79,971**	**31.5 %**	**$ 284,218**	**$ 99,754**	**184.9 %**
Theatre attendance (i)	$ 11,084	$ 8,272	34.0 %	28,837	9,835	193.2 %
CPP (i) (ii)	$ 8.35	$ 8.58	-2.7 %	$ 8.65	$ 8.39	3.1 %
Same theatre food service revenues (i)	$ 91,184	$ 70,046	30.2 %	$ 245,229	$ 81,563	200.7 %
Same theatre attendance (i)	11,015	8,198	34.4 %	28,630	9,757	193.4 %

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

Theatre food service revenue continuity	Third Quarter		Year to Date	
	Theatre Food Service	Theatre Attendance	Theatre Food Service	Theatre Attendance
2021 as reported	$ 70,945	8,272	$ 82,506	9,835
Same theatre attendance change	24,063	2,816	157,770	18,873
Impact of same theatre CPP change	(3,752)	—	1,355	—
New and acquired theatres (i)	726	36	3,418	165
Disposed and closed theatres (i)	(288)	(40)	(264)	(36)
Scene+ points issued presented as marketing costs	826	—	4,540	—
2022 as reported	**$ 92,520**	**11,084**	**$ 249,325**	**28,837**

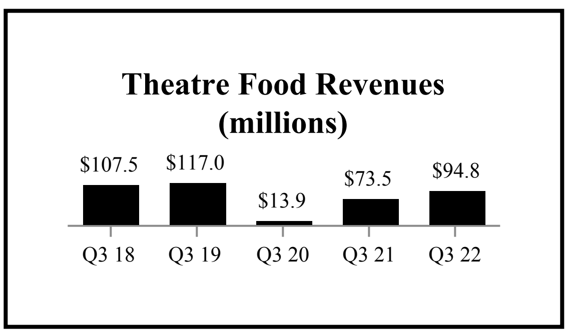
(i) See Section 17, Non-GAAP and other financial measures. Represents theatres opened, acquired, disposed or closed subsequent to the start of the prior year comparative period and is used to report on Cineplex's supplementary financial measures.

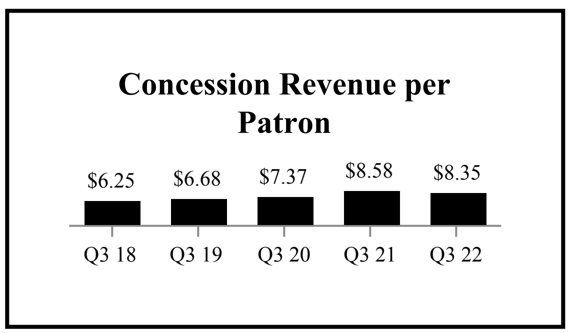
Third Quarter and Year to Date

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

Food service revenues increased by $25.2 million during the third quarter primarily due to the $21.6 million increase in theatre food service revenues to $92.5 million in the quarter. During the current period, Cineplex's theatre circuit and LBE businesses operated during the entire period without government mandated capacity restrictions compared to the prior year period that was subject to operating and capacity restrictions. Food service revenues from LBE businesses increased by $4.0 million during the third quarter from $6.4 million to a third quarter record of $10.4 million, further contributing to the increase in food service revenue. CPP for three months ended September 30, 2022 was $8.35, which decreased by $0.23 or 2.7%. The decrease in CPP was impacted by National Cinema Media Day held on September 3, 2022 which attracted discount seekers, resulting in lower average consumer spend and purchase incidence among total guests visiting Cineplex's theatre circuit on that day which negatively impacted CPP by approximately $0.15. In addition, purchase incidence was slightly lower in the current quarter compared to the prior year likely due to film product mix in the current period. The reorganization of SCENE resulted in a change in revenue recognition leading to higher concession revenues during the quarter of $2.3 million, a CPP increase of $0.20 with a corresponding increase in marketing costs of $2.3 million, with respect to Scene+ points issued on concession transactions.

For the year to date period, food service revenues increased by $184.5 million, primarily due to a $166.8 million increase in theatre food service revenues. The increase in theatre food service revenues is primarily due to increases in theatre attendance which increased by 19.0 million to 28.8 million. The prior year period was materially impacted by government mandated theatre and LBE venues closures, restrictions on indoor dining and operating restrictions. Contributing to the increase in total food service, food service revenues from LBE businesses increased $19.8 million during the year to date period from $7.1 million to $26.9 million. CPP during the year to date period was $8.65, which increased by $0.26 or 3.1%. Contributing to the increase in CPP was higher theatre food service revenues from VIP auditoriums which have a higher average spend. The reorganization of SCENE resulted in a change in revenue recognition leading to higher concession revenues during the year to date period of $6.3 million, a CPP increase of $0.22 with a corresponding increase in marketing costs of $6.3 million, with respect to Scene+ points issued on concession transactions.





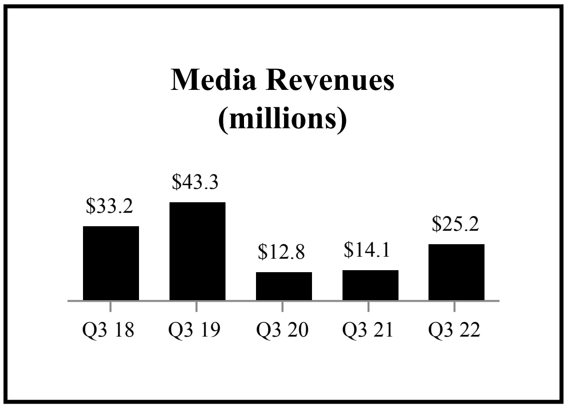
Media revenues

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

Media revenues	Third Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Cinema media	$ 15,097	$ 6,640	127.4 %	$ 42,046	$ 10,951	283.9 %
Digital place-based media	10,127	7,420	36.5 %	25,129	21,584	16.4 %
Total media revenues	**$ 25,224**	**$ 14,060**	**79.4%**	**$ 67,175**	**$ 32,535**	**106.5%**

Third Quarter and Year to Date

Total media revenues increased $11.2 million or 79.4% to $25.2 million during the third quarter of 2022 compared to the prior year period. For the year to date period, total media revenues increased $34.6 million or 106.5% to $67.2 million. The increase during both periods was primarily due to an increase in cinema media due to significant increases in pre-show and show-time advertising revenues, resulting in a quarterly and year to date increase of $8.5 million and $31.1 million, respectively. Cineplex's cinema media arrangements are impacted by theatre attendance levels which drive impressions and ultimately impact media revenue generated by Cineplex. The prior year periods were subject to capacity restrictions negatively impacting media revenues, while the increase in cinema media revenue during the quarter and year to date period reflect an increase in attendance levels when compared to the prior year period. However, attendance in the third quarter was impacted by delays in film releases due to COVID-19 production delays. During the third quarter and year to date periods, digital placed-based media revenues increased $2.7 million and $3.5 million, respectively, compared to the prior year periods as a result of digital advertising on DOOH networks and higher project installation revenues.



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

Digital place-based media revenues	Third Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Project revenues (i)	$ 4,110	$ 2,194	87.3 %	$ 10,270	$ 7,014	46.4 %
Other revenues (ii)	6,017	5,226	15.1 %	14,859	14,570	2.0 %
Total digital place-based media revenues	**$ 10,127**	**$ 7,420**	**36.5%**	**$ 25,129**	**$ 21,584**	**16.4%**

(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	Third Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Amusement - P1AG excluding Cineplex exhibition and LBE (i)	$ 45,541	$ 35,473	28.4 %	$ 125,477	$ 68,478	83.2 %
Amusement - Cineplex exhibition (i)	3,910	2,709	44.4 %	9,249	2,980	210.4 %
Amusement - LBE	20,156	15,137	33.2 %	51,028	17,919	184.8 %
Total amusement revenues	**$ 69,607**	**$ 53,319**	**30.5%**	**$ 185,754**	**$ 89,377**	**107.8%**

(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.

Third Quarter and Year to Date

Amusement revenues increased $16.3 million or 30.5% to an all-time quarterly record of $69.6 million during the third quarter as compared to the prior year period. 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, despite the long lead times and logistical challenges. The increase is also attributable to a $5.0 million increase in LBE amusement revenues, resulting in an all-time quarterly record of $20.2 million. The increase in amusement revenues is attributed to increased operating activities at P1AG US and Canada route locations at FEC's and theatres, as well as LBE businesses during the quarter, compared to the prior year period that was subject to government mandated operating and capacity restrictions.

For the year to date period, amusement revenues increased $96.4 million or 107.8% to $185.8 million. The increase was primarily due to a $57.0 million increase in P1AG amusement revenues from US and Canada route locations at FEC's and theatres. Further contributing to the increase was a $33.1 million increase in LBE amusement revenues. The increase is also attributable to increased operating activities during the year to date period, compared to the government mandated closure requirements or capacity restrictions that remained in effect for a majority of the prior year period.

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

P1AG Summary	**Third Quarter**			**Year to Date**		
	2022	**2021**	**Change**	**2022**	**2021**	**Change**
Amusement revenues	**$ 45,541**	**$ 35,473**	**28.4%**	**$ 125,477**	**$ 68,478**	**83.2%**
Operating Expenses	35,541	27,515	29.2 %	100,393	60,639	65.6 %
Cash rent related to lease obligations (i)	999	948	5.4 %	2,980	3,081	-3.3 %
Total	**$ 36,540**	**$ 28,463**	**28.4%**	**$ 103,373**	**$ 63,720**	**62.2%**
P1AG adjusted EBITDAaL (ii)	**$ 9,001**	**$ 7,010**	**28.4%**	**$ 22,104**	**$ 4,758**	**364.6%**
P1AG adjusted EBITDAaL Margin (iii)	**19.8 %**	**19.8 %**	**—%**	**17.6 %**	**6.9 %**	**10.7%**

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

When compared to the prior year period, P1AG's amusement revenues increased by $10.1 million to $45.5 million during the quarter and $57.0 million to $125.5 million during the year to date period. The increase in revenues is attributed to P1AG US and Canadian route locations at FEC's and theatres operating without any government mandated restrictions during the period, compared to the prior year period that was subject to capacity restrictions in Canada, in some cases after months of extended closure periods. P1AG adjusted EBITDAaL margin remained flat at 19.8% in the current period. For the year to date period, P1AG adjusted EBITDAaL margin increased from 6.9% to 17.6%. P1AG adjusted EBITDAaL during the third quarter was an all-time quarterly record of $9.0 million and was $22.1 million during the year to date period, representing an increase of $2.0 million and $17.3 million, respectively. Continued management of operating expenses, including realizing the benefits of subsidy programs where available, allowed for the growth in margins for the year to date period when compared to the prior year period. Payroll costs were reduced by the CEWS and THRP wage subsidy programs for the year to date period by $0.8 million (2021 - $2.8 million).

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

LBE Summary	Third Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Food service revenues	$ 10,388	$ 6,427	61.6 %	$ 26,969	$ 7,195	274.8 %
Amusement revenues	20,156	15,137	33.2 %	51,028	17,919	184.8 %
Media and other revenues	495	212	133.4 %	1,209	247	389.1 %
Total revenues	**$ 31,039**	**$ 21,776**	**42.5 %**	**$ 79,206**	**$ 25,361**	**212.3 %**
Cost of food service	2,990	1,750	70.9 %	7,699	2,010	283.0 %
Operating expenses before adjustments (i)	15,694	9,110	72.3 %	38,457	13,125	193.0 %
Cash rent related to lease obligations (ii)	2,697	1,772	52.2 %	7,941	5,514	44.0 %
Total	**$ 21,381**	**$ 12,632**	**69.3 %**	**$ 54,097**	**$ 20,649**	**162.0 %**
Adjusted store level EBITDAaL (iii)	**$ 9,658**	**$ 9,144**	**5.6 %**	**$ 25,109**	**$ 4,712**	**432.9 %**
Adjusted store level EBITDAaL Margin (iv)	**31.1 %**	**42.0 %**	**(10.9)%**	**31.7 %**	**18.6 %**	**13.1 %**

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

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

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

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

During the third quarter of 2022, revenues increased by $9.3 million to an all-time quarterly record of $31.0 million when compared to the prior year period. Revenues for the year to date period increased by $53.8 million to $79.2 million when compared to the prior year period. The increase in revenues during both periods is due to increased operating levels as Cineplex operated during the entire period with no government mandated restrictions, whereas the prior year period was subject to operating and capacity restrictions. LBE revenues also increased from higher groups and events bookings in the third quarter of 2022.

Adjusted EBITDAaL for the third quarter of 2022 was an all-time quarterly record of $9.7 million and adjusted EBITDAaL for the year to date period was $25.1 million. Adjusted EBITDAaL for the third quarter of 2021 included approximately $1.8 million of government subsidies. The increase in adjusted EBITDAaL is consistent with the increase in amusement revenues, which have historically contributed the highest margin to LBE locations. During the prior year period, Cineplex's LBE venues were subject to capacity restrictions, in some cases after months of extended closure periods leading to lower adjusted EBITDAaL. Management was able to reduce costs where applicable including the receipt of funds under the CEWS and THRP wage subsidy programs, CERS rent subsidy program, utility and realty tax subsidy programs for total cost reductions during the year to date period of $2.7 million (2021 - $5.7 million).

Other revenues

The following table highlights the other revenues which includes revenues from online booking fees, 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	Third Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Total other revenues	$ 15,113	$ 8,916	69.5%	$ 40,267	$ 24,622	63.5%

Third Quarter and Year to Date

The increase in other revenues during the third quarter of 2022 and year to date period 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 $5.2 million and $6.5 million during the third quarter and year to date periods, respectively. The increase in other revenues in both the quarter and year to date period is also attributed to breakage revenues relating to higher gift card redemptions.

Film cost

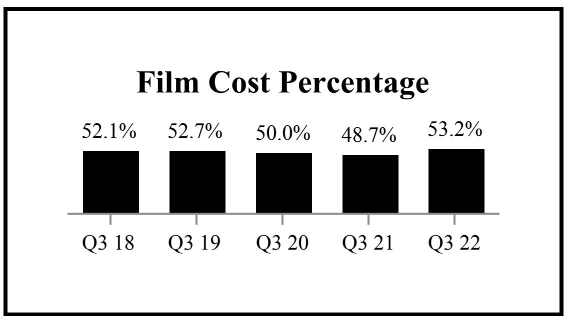
The following table highlights the movement in film cost and the film cost percentage for the quarter and the year to date (in thousands of dollars, except film cost percentage):

Film cost	Third Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Film cost	$ 66,356	$ 45,838	44.8 %	$ 175,330	$ 52,684	232.8 %
Film cost percentage (i)	53.2%	48.7%	4.5 %	51.4%	47.7%	3.7 %
(i) Represents a supplementary financial measure. See Section 17, Non-GAAP and other financial measures.						

Third Quarter and Year to Date

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

The increase in film cost and film cost percentage in the third quarter of 2022 and year to date over the prior year periods is due to the release of first run film product including *Minions: The Rise of Gru, Thor: Love and Thunder* and *Bullet Train.* Film cost percentage increased 4.5% and 3.7% for the third quarter and year to date as compared to the prior year periods due to the top films in the third quarter of 2022 having higher settlement rates and making up a larger percentage of box office revenues.



Cost of food service

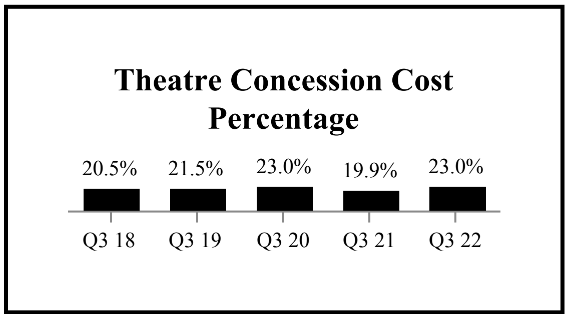
The following table highlights the movement in cost of food service and food service cost as a percentage of food service revenues ("concession cost percentage") for both theatres and LBE for the quarter and the year to date (in thousands of dollars, except percentages and margins per patron):

Cost of food service	Third Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Cost of food service - theatre	$ 21,849	$ 14,612	49.5 %	$ 57,332	$ 18,631	207.7 %
Cost of food service - LBE	2,990	1,750	70.9 %	7,699	2,010	283.0 %
Total cost of food service	**$ 24,839**	**$ 16,362**	**51.8 %**	**$ 65,031**	**$ 20,641**	**215.1 %**
Theatre concession cost percentage (i)	23.0%	19.9%	3.1 %	22.3%	20.1%	2.2 %
LBE food cost percentage (i)	28.8%	27.2%	1.6 %	28.5%	27.9%	0.6 %
Theatre concession margin per patron (i)	$ 6.42	$ 6.87	-6.6 %	$ 6.72	$ 6.70	0.3 %
(i) Represents a supplementary financial measure. See Section 17, Non-GAAP and other financial measures.						

Third Quarter and Year to Date

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

The increase in cost of food service during the third quarter of 2022 and year to date period is positively correlated to the increase in food service revenues recognized during the quarter and year to date period as Cineplex's theatre circuit and LBE businesses were open and operating for the entire period, compared to closures or capacity restrictions that remained in effect for a majority of the prior year periods. Theatre concession cost percentage for the third quarter and year to date period increased when compared to the prior year period as a result of food cost increases and sales mix, including a higher percentage of sales in VIP auditoriums which have lower margins. LBE food cost percentage increased during both the third quarter and year to date period when compared to the prior year period due to inflation on food costs from vendors.



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	Third Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Depreciation of property, equipment and leaseholds	$ 23,176	$ 25,543	-9.3 %	$ 71,308	$ 77,523	-8.0 %
Amortization of intangible assets and other	2,903	2,754	5.4 %	8,314	8,018	3.7 %
Sub-total - depreciation and amortization - other assets	**$ 26,079**	**$ 28,297**	**-7.8%**	**$ 79,622**	**$ 85,541**	**-6.9%**
Depreciation - right-of-use assets	23,277	25,151	-7.5 %	72,026	77,206	-6.7 %
Total depreciation and amortization	**$ 49,356**	**$ 53,448**	**-7.7%**	**$ 151,648**	**$ 162,747**	**-6.8%**

Third Quarter and Year to Date

Depreciation of property, equipment and leaseholds decreased by $2.4 million, or 9.3% during the quarter compared to the prior year period, and by $6.2 million or 8.0% for the year to date period compared to the prior year period. The decrease was primarily due to fully depreciated property, equipment and leaseholds.

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

Depreciation of right-of-use decreased by $1.9 million and $5.2 million during the quarter and year to date period, respectively. The decrease is primarily due to modifications to lease agreements as a result of COVID-19 which reduced the corresponding right-of-use asset and related depreciation recognized.

(Gain) loss on disposal of assets

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

(Gain) loss on disposal of assets	Third Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
(Gain) loss on disposal of assets	$ (49,848)	$ 22	NM	$ (54,341)	$ (29,859)	82.0%

Third Quarter and Year to Date

The change in the (gain) loss on disposal of assets for the third quarter as compared to the prior year period was due to the recognition of a $50.1 million gain related to the reorganization of Scene LP as specific non-financial milestones were completed during the third quarter, compared to nominal activity in the prior year period.

The gain in the 2021 year to date period related primarily to the sale of Cineplex's head office buildings for gross proceeds of $57.0 million in the first quarter of 2021.

Other costs

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

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

Other costs	Third Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Theatre occupancy expenses	$ 17,714	$ 15,638	13.3 %	$ 46,874	$ 27,769	68.8 %
Other operating expenses	150,441	108,694	38.4 %	404,968	210,290	92.6 %
General and administrative expenses	16,893	15,195	11.2 %	48,299	43,525	11.0 %
Total other costs	**$ 185,048**	**$ 139,527**	**32.6%**	**$ 500,141**	**$ 281,584**	**77.6%**

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	Third Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Cash rent paid/payable (i)	$ 37,866	$ 32,913	15.0 %	$ 110,629	$ 80,665	37.1 %
Other occupancy	18,157	16,555	9.7 %	51,316	43,066	19.2 %
One-time items (ii)	(1,013)	(608)	66.6 %	(2,296)	(3,827)	-40.0 %
Total theatre occupancy including cash lease payments	**$ 55,010**	**$ 48,860**	**12.6%**	**$ 159,649**	**$ 119,904**	**33.1%**
Cash rent paid/payable related to lease obligations (iii)	(37,296)	(33,222)	12.3 %	(112,775)	(92,135)	22.4 %
Theatre occupancy as reported	**$ 17,714**	**$ 15,638**	**13.3%**	**$ 46,874**	**$ 27,769**	**68.8%**

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

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

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

Theatre occupancy continuity	Third Quarter Occupancy	Year to Date Occupancy
2021 as reported	$ 15,638	$ 27,769
Impact of new and acquired theatres	192	865
Impact of disposed theatres	331	1,006
Same store rent change (i)	3,746	20,007
One-time items	(405)	1,531
Decrease in subsidies	1,530	15,177
Other	755	1,158
Impact of IFRS 16:		
Cash rent related to lease obligations	(4,073)	(20,639)
2022 as reported	**$ 17,714**	**$ 46,874**
(i) Represents a supplementary financial measure. See Section 17, Non-GAAP and other financial measures.		

Third Quarter and Year to Date

Theatre occupancy expenses increased $2.1 million or 13.3% during the third quarter of 2022 compared to the prior year period. This increase was primarily due to the reduction in subsidies received as a result of the reopening of Cineplex's businesses. The increase was also attributable to higher theatre rent related expenses including common area maintenance and taxes incurred as Cineplex's theatres were open during the entire period. During the prior year period, Cineplex recognized lower theatre occupancy expenses as theatres were subject to capacity restrictions, in some cases after months of extended closure periods. Same-store rent increased $3.7 million primarily due to lower rent relief measures negotiated with landlord partners which were $4.9 million higher in the prior year period.

For the year to date period, theatre occupancy expenses increased $19.1 million or 68.8% compared to the prior year. This increase was primarily due to increased theatre rent related expenses, including common area maintenance and taxes, as Cineplex's theatres were permitted to operate during the entire period. During the prior year period, Cineplex recognized lower theatre occupancy expenses as theatres were subject to capacity restrictions, in some cases after months of extended closure periods. Same-store rent increased $20.0 million primarily due to lower rent relief measures negotiated with landlord partners, which were $22.3 million higher in the prior year period. Similarly, due to the reopening of Cineplex's businesses, Cineplex received a lower amount of subsidy relief when compared to the prior year period and recognized realty tax and rent subsidies of $7.2 million (2021 - $24.0 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	Third Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Theatre payroll	$ 36,911	$ 23,944	54.2 %	$ 90,383	$ 33,052	173.5 %
Theatre operating expenses	28,719	21,611	32.9 %	77,258	39,042	97.9 %
Media	12,952	7,874	64.5 %	35,148	24,117	45.7 %
P1AG	36,540	28,463	28.4 %	103,373	63,720	62.2 %
LBE (i)	18,391	10,882	69.0 %	46,398	18,639	148.9 %
LBE pre-opening (ii)	—	448	-100.0 %	—	1,354	-100.0 %
SCENE	7,195	9,980	-27.9 %	25,699	20,378	26.1 %
Marketing	2,718	3,259	-16.6 %	6,539	5,499	18.9 %
Scene+ point issuance	4,452	—	NM	12,573	—	NM
Other (iii)	6,958	5,922	17.5 %	20,508	17,071	20.1 %
Other operating expenses including cash lease payments	**$ 154,836**	**$ 112,383**	**37.8%**	**$ 417,879**	**$ 222,873**	**87.5%**
Cash rent paid/payable related to lease obligations (iv)	(4,395)	(3,689)	19.1 %	(12,911)	(12,583)	2.6 %
Total other operating expenses	**$ 150,441**	**$ 108,694**	**38.4%**	**$ 404,968**	**$ 210,290**	**92.6%**

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

Other operating expenses continuity	Third Quarter	Year to Date
2021 as reported	$ 108,694	$ 210,290
Impact of new and acquired theatres	671	2,272
Impact of disposed theatres	(306)	(418)
Same theatre payroll change (i)	12,710	56,027
Same theatre operating expenses change (i)	7,079	37,864
Media operating expenses change	5,078	11,030
P1AG operating expenses change	8,077	39,653
LBE operating expenses change	7,509	27,760
LBE pre-opening change	(448)	(1,354)
SCENE change	(2,785)	5,320
Marketing change	(542)	1,040
Scene+ point issuance change	4,452	12,573
Other	958	3,239
<u>Impact of IFRS 16:</u>		
Cash rent related to lease obligations	(706)	$ (328)
2022 as reported	**$ 150,441**	**$ 404,968**

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

Third Quarter and Year to Date

Other operating expenses increased $41.7 million or 38.4% during the third quarter of 2022 compared to the prior year period. The increase was primarily driven by increases in same store theatre payroll and theatre operating expenses of $12.7 million and $7.1 million, respectively, as Cineplex's theatres were permitted to operate for the entire period as compared to the prior year period that was subject to capacity restrictions, in some cases after months of extended closure periods. Cineplex also recognized P1AG other operating expenses of $36.5 million, an increase of $8.1 million when compared to the prior year period. There were no government mandated restrictions imposed during the third quarter, resulting in increased operating activities at P1AG US and Canadian route locations at FEC's and theatres. Similarly, LBE businesses operated without any government-imposed restrictions, leading to a $7.5 million increase in LBE other operating expenses when compared to the prior year period. Cineplex also recognized a $2.8 million decrease in SCENE operating costs, and a $4.5 million increase in marketing expenses relating to the presentation of the cost of issuance of Scene+ points. Cineplex recognized $15.7 million payroll and other subsidies in the third quarter of 2021, and substantially none in the current quarter.

For the year to date, the overall increase in other operating expenses from the prior year resulted from operating without any government mandated restrictions at Cineplex's theatres, LBE businesses and P1AG US and Canada route locations at FEC's and theatres as compared to the closure requirements and capacity restrictions that remained in effect during the prior year period. The increase was primarily driven by increases in same theatre payroll and theatre operating expenses of $57.3 million and $38.2 million, respectively, as Cineplex's theatres operated for the entire period as compared to government mandated restrictions and closures in the prior year. Similarly, due to increased operating activities at P1AG US and Canadian route locations at FEC's and theatres, Cineplex also recognized P1AG other operating expenses of $103.4 million, an increase of $39.7 million when compared to the prior year. LBE businesses operated without any government imposed restrictions, resulting in a $27.8 million increase in LBE other operating expenses when compared to the prior year. Cineplex also recognized a $5.3 million increase in SCENE operating costs, and a $12.6 million increase in marketing expenses relating to the presentation of the cost of issuance of Scene+ points. Cineplex received $22.0 million (2021 - $45.9 million) of subsidies in the current period, comprised of $19.6 million (2021 - $39.6 million) of payroll subsidies of which $14.7 million (2021 - $24.1 million) was offset against theatre payroll, and $2.4 million (2021 - $6.3 million) of non-theatre rent, realty tax and utility subsidies.

General and administrative expenses

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

G&A expenses	Third Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
G&A excluding the following items	$ 15,372	$ 10,830	41.9 %	$ 41,976	$ 30,911	35.8 %
Restructuring	358	121	195.9 %	1,811	598	202.8 %
Transaction / Litigation costs	1,246	4,099	-69.6 %	2,735	9,120	-70.0 %
LTIP (i)	175	166	5.4 %	2,268	3,265	-30.5 %
Option plan	326	536	-39.2 %	1,242	1,380	-10.0 %
G&A expenses including cash lease payments	**$ 17,477**	**$ 15,752**	**11.0%**	**$ 50,032**	**$ 45,274**	**10.5%**
Cash rent paid/payable included as part of lease obligations (ii)	(584)	(557)	4.8 %	(1,733)	(1,749)	-0.9 %
G&A expenses as reported	**$ 16,893**	**$ 15,195**	**11.2%**	**$ 48,299**	**$ 43,525**	**11.0%**

(i) LTIP includes the expense for RSUs and PSUs, as well as the expense for the executive and Board deferred share unit plans.

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

Third Quarter and Year to Date

G&A expenses increased $1.7 million during the third quarter of 2022 compared to the prior year period. Cineplex recognized $1.3 million of labour subsidies in the third quarter of 2021, and an immaterial amount in the third quarter of 2022. Cineplex incurred $1.2 million (2021 - $4.1 million) of expenses related to litigation and claims recovery arising from the Cineworld Transaction during the quarter (Section 1.1, Cineworld Transaction).

G&A expenses for the year to date period increased $4.8 million compared to the prior year period. The change was primarily due to a $5.1 million increase in payroll expenses and a $5.0 million decrease in labour subsidies received in the current year as compared to the prior year period. Cineplex received $2.0 million of labour subsidies in 2022, compared to $7.0 million received in 2021. Cineplex incurred year to date costs relating to litigation and claims recovery arising from the Cineworld Transaction of $2.7 million (2021 - $9.1 million) (Section 1.1, Cineworld Transaction).

Share of loss (income) of joint ventures and associates

Cineplex's joint ventures and associates include its 78.2% interest in CDCP (2021 - 78.2%), 33.3% interest in Scene+, 50% interest in one IMAX screen in Ontario (2021 - 50%) and a 50% interest in YoYo's (2021 - 50%).

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

Share of loss (income) of joint ventures and associates	Third Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Share of loss (income) of CDCP	$ 30	$ (988)	-103.0 %	$ (492)	$ 2,293	-121.5 %
Share of loss of Scene LP	673	—	NM	841	—	NM
Share of (income) loss of other joint ventures and associates	(30)	58	-151.7 %	22	243	-90.9 %
Total loss (income) of joint ventures and associates	**$ 673**	**$ (930)**	**-172.4%**	**$ 371**	**$ 2,536**	**-85.4%**

Third Quarter and Year to Date

During the current period, CDCP stopped charging distributors virtual print fees as part of the planned end of the limited life financing entity. Cineplex recorded a nominal loss from CDCP during the third quarter and income of $0.5 million for the year to date period. CDCP expects to distribute its assets to its partners during the fourth quarter of 2022, and Cineplex will recognize a return of capital under IAS 28*, Investments in Associates and Joint Ventures* (Section 15, Subsequent events). Cineplex recorded a loss of $0.7 million and $0.8 million during the quarter and year to date period, respectively, from Scene LP.

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	Third Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Interest expense on long-term debt	$ 15,382	$ 15,983	-3.8 %	$ 47,119	$ 44,791	5.2 %
Lease interest expense	15,866	14,682	8.1 %	45,032	43,211	4.2 %
Financing fees	542	—	NM	542	321	68.8 %
Sub-total - cash interest expense	**$ 31,790**	**$ 30,665**	**3.7%**	**$ 92,693**	**$ 88,323**	**4.9%**
Deferred financing fee accretion and other non-cash interest, net	114	188	-39.4 %	460	812	-43.3 %
Accretion expense on Debentures and Notes Payable	4,622	4,050	14.1 %	13,832	11,809	17.1 %
Interest rate swap - non-cash	(4,277)	(2,071)	106.5 %	(21,398)	(7,448)	187.3 %
Sub-total - non-cash interest expense	**459**	**2,167**	**-78.8%**	**(7,106)**	**5,173**	**NM**
Total interest expense	**$ 32,249**	**$ 32,832**	**-1.8%**	**$ 85,587**	**$ 93,496**	**-8.5%**
Total cash interest paid	**$ 32,777**	**$ 26,151**	**25.3%**	**$ 95,109**	**$ 74,435**	**27.8%**

Third Quarter and Year to Date

Total interest expense decreased $0.6 million for the quarter when compared to the prior year period. The decrease was caused by changes in the fair value of the interest rate swap resulting in a $2.2 million decrease in non-cash interest expense. Cash interest expense relating to the issuance of Notes Payable (Section 6.4, Long-term debt) completed in the first quarter of 2021 and Debentures (Section 6.4, Long-term debt) during the third quarter of 2020, resulted in Notes Payable cash interest expense of $4.8 million (2021 - $4.7 million) and Debentures cash interest of $4.6 million (2021 - $4.6 million). Cineplex recognized accretion expense relating to the issuance of Notes Payable and Debentures of $0.2 million (2021 - $0.2 million) and $4.5 million (2021 - $3.8 million), respectively.

For the year to date, interest expense decreased $7.9 million compared to the prior year period. The decrease was due to changes in the fair value of the interest rate swap resulting in a $13.9 million decrease in non-cash interest expense. This was partially offset by a $3.0 million increase in cash interest expense primarily relating to the issuance of Notes Payable (Section 6.4, Long-term debt) completed in the first quarter of 2021 and Debentures (Section 6.4, Long-term debt) during the third quarter of 2020, resulting in a Notes Payable cash interest expense of $14.0 million (2021 - $11.1 million) and a Debentures cash interest of $13.6 million (2021 - $13.6 million). Lease interest expense increased by $1.8 million when compared to the prior period as a result of higher incremental borrowing rates due to lease modifications negotiated with landlord partners. Cineplex recognized an accretion expense relating to the issuance of Notes Payable and Debentures of $0.8 million (2021 - $0.6 million) and $13.0 million (2021 - $11.3 million), respectively.

Interest income

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

Interest income	Third Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Interest income	$ 84	$ 68	23.5%	$ 152	$ 202	-24.8%

Foreign exchange

The following table highlights the movement in foreign exchange during the third quarter of 2022 and the nine months ended September 30, 2022 (in thousands of dollars):

Foreign exchange	Third Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Foreign exchange loss (gain)	$ (1,239)	$ (529)	134.2%	$ (1,628)	$ 66	NM

Third Quarter and Year to Date

The movement in the foreign exchange during the quarter was due to the change in the CAD/USD foreign exchange month end rate from 1.2866 at June 30, 2022 to 1.3707 at September 30, 2022.

For the nine months ended September 30, 2022, the movement in the foreign exchange was due to the increase in the CAD/USD foreign exchange month end rate from 1.2678 at December 31, 2021 to 1.3707 at September 30, 2022.

Change in fair value of financial instruments

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

Change in fair value of financial instruments	Third Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Loss (gain) on financial instruments recorded at fair value	$ 1,630	$ (2,570)	NM	$ 7,230	$ (3,370)	NM

Third Quarter and Year to Date

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

Income taxes

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

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

Third Quarter and Year to Date

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

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

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

By Notice of Reassessment ("NOR") dated January 22, 2019, the Canada Revenue Agency ("CRA"), disallowed the deduction of $26.6 million of losses of AMC Ventures Inc. ("AMC") that Cineplex had obtained on the acquisition of AMC in 2012. The disallowance of the losses, which offset taxable income generated in 2014, increased taxes and interest payable by approximately $8.6 million, 50% of which was required to be paid immediately (interest continues to accrue on the unpaid amount). Cineplex disagrees with the CRA's position, and has commenced an appeal to the Tax Court of Canada in respect of the NOR. On June 28, 2021, Cineplex received a response from the Attorney General of Canada representing the CRA confirming its position with respect to the disallowance of the losses. The appeals process is continuing and Cineplex believes that it should prevail in defending its original filing position, although no assurance can be given in this regard as the appeal process proceeds.

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

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

NET INCOME (LOSS), EBITDA AND ADJUSTED EBITDAaL	Third Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Net income (loss)	$ 30,857	$ (33,552)	NM	$ (10,055)	$(226,944)	-95.6%
Net income (loss) as a percentage of sales	9.1 %	(13.4)%	22.5%	(1.1)%	(63.6)%	62.5%
EBITDA	$ 112,378	$ 52,660	113.4%	$ 226,304	$ 32,436	597.7%
Adjusted EBITDA	$ 63,094	$ 48,606	29.8%	$ 177,508	$ 1,599	NM
Adjusted EBITDAaL	$ 20,430	$ 10,762	89.8%	$ 50,475	$(104,493)	NM
Adjusted EBITDAaL margin	6.0 %	4.3 %	1.7%	5.5 %	(29.3)%	34.8%

Third Quarter and Year to Date

Net income and adjusted EBITDAaL for the third quarter of 2022 was $30.9 million and $20.4 million, respectively, as compared to a net loss of $33.6 million and an adjusted EBITDAaL of $10.8 million, respectively, in the prior year period. The removal of operating restrictions on Cineplex's theatres and LBE venues across Canada and gain on the disposition of Cineplex's partial interest in Scene+ resulted in significantly improved performance when compared to the prior year period.

Net loss and adjusted EBITDAaL for the nine months ended September 30, 2022 was $10.1 million and $50.5 million, respectively, as compared to a net loss of $226.9 million and an adjusted EBITDAaL loss of $104.5 million, respectively, in the prior year period. The movement in both net loss and adjusted EBITDAaL was due primarily to the improved performance related to removal of operating restrictions on Cineplex theatres and LBE venues across Canada, compared to operating restrictions that remained in effect for a majority of the prior year period.

5. BALANCE SHEETS

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

	September 30, 2022	December 31, 2021	Change ($)	Change (%)
Assets				
Current assets				
Cash and cash equivalents	$ 28,854	$ 26,938	$ 1,916	7.1%
Trade and other receivables	63,138	80,679	(17,541)	-21.7%
Income taxes receivable	2,077	1,984	93	4.7%
Inventories	35,001	24,899	10,102	40.6%
Prepaid expenses and other current assets	19,384	13,365	6,019	45.0%
Fair value of interest rate swap agreements	5,500	—	5,500	NM
	153,954	147,865	6,089	4.1%
Non-current assets				
Property, equipment and leaseholds	430,521	464,439	(33,918)	-7.3%
Right-of-use assets	778,455	768,675	9,780	1.3%
Fair value of interest rate swap agreements	4,190	—	4,190	NM
Interests in joint ventures	3,695	7,423	(3,728)	-50.2%
Intangible assets	80,662	81,651	(989)	-1.2%
Goodwill	636,245	635,545	700	0.1%
Derivative financial instrument	2,010	9,240	(7,230)	-78.2%
	$ 2,089,732	$ 2,114,838	$ (25,106)	-1.2%
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	$ 143,966	$ 157,950	$ (13,984)	-8.9%
Income taxes payable	1,823	1,945	(122)	-6.3%
Deferred revenue and other	209,045	293,206	(84,161)	-28.7%
Lease obligations	92,454	101,058	(8,604)	-8.5%
Fair value of interest rate swap agreements	—	8,063	(8,063)	-100.0%
	447,288	562,222	(114,934)	-20.4%
Non-current liabilities				
Share-based compensation	3,906	4,940	(1,034)	-20.9%
Long-term debt	825,043	739,211	85,832	11.6%
Fair value of interest rate swap agreements	—	6,160	(6,160)	-100.0%
Lease obligations	1,019,226	1,004,465	14,761	1.5%
Post-employment benefit obligations	9,258	9,973	(715)	-7.2%
Other liabilities	7,026	7,590	(564)	-7.4%
	2,311,747	2,334,561	(22,814)	-1.0%
Shareholders' deficit				
Total shareholders' deficit	(222,015)	(219,723)	(2,292)	1.0%
	$ 2,089,732	$ 2,114,838	$ (25,106)	-1.2%

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

Trade and other receivables. The decrease in trade and other receivables is primarily due to the collection of receivables from the sales of gift cards, vouchers and media sales from the 2021 holiday period, as well as the collection of approximately $15.7 million of subsidies outstanding at year end. December represents the highest volume month for gift card and voucher sales is one of the strongest months for media during the year.

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

Inventories. The increase in inventories is primarily due to higher amusement equipment related to distribution sales and LBE installations expected to be completed in the fourth quarter, as well as to higher business volumes resulting from the entire circuit of theatres and LBE venues operating at full capacity without restrictions.

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

Property, equipment and leaseholds. The decrease in property, equipment and leaseholds is due to amortization expense ($71.3 million), asset dispositions ($0.5 million), and foreign exchange impact ($1.3 million). This is offset by additions to new build and other capital expenditures ($24.4 million) and maintenance capital expenditures ($12.1 million). As Cineplex's businesses continue to recover and return to profitability, reversal of previously recognized impairments may be appropriate.

Right-of-use assets. The increase in right-of-use assets is due to lease additions ($4.6 million), and lease extensions and modifications ($77.0 million), offset by amortization expense ($72.0 million), asset dispositions ($0.1 million), and foreign exchange impact ($0.3 million). As Cineplex's businesses continue to recover and return to profitability, reversal of previously recognized impairments may be appropriate.

Interests in joint ventures. The decrease in interest in joint ventures is primarily due to $5.3 million cash received from CDCP during the second quarter of 2022 and $0.4 million equity loss realized from its investment in joint ventures. This was partially offset by a $2.3 million capital contribution made to Scene LP.

Intangible assets. The decrease in intangible assets is due to amortization expense ($8.3 million), partially offset by the capitalization of software development costs ($7.3 million).

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

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

Share-based compensation. The decrease in share-based compensation is primarily due to the decrease in share price, which was $9.10 per share at September 30, 2022 as compared to $13.61 at December 31, 2021 (see Section 8, Share activity).

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

Deferred revenue and other. The deferred revenue decrease is primarily due to the redemption of gift cards and vouchers in excess of current period sales. In addition, as a result of the SCENE reorganization, Scene+ point issuances are no longer proportionately consolidated as of December 2021. During the quarter, Cineplex recognized a gain of $50.1 million on the disposition of its 1/6th ownership interest in Scene+ with the satisfaction of specific non-financial milestones related to the reorganization of Scene+.

Lease obligations. The increase in lease obligations is primarily due to additions and lease extensions and modifications which was offset by the payment of lease obligations.

Fair value of interest rate swap agreements. Represents the fair values of Cineplex's outstanding interest rate swap agreements which have increased due to the increases in floating rates and expected rate yield curves (see Section 6.4, Long-term debt).

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

6. LIQUIDITY AND CAPITAL RESOURCES

6.1. OPERATING ACTIVITIES

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

Cash flows provided by operating activities	**Third Quarter**			**Year to Date**		
	2022	**2021**	**Change**	**2022**	**2021**	**Change**
Net income (loss) from operations	$ 30,857	$ (33,552)	$ 64,409	$ (10,055)	$ (226,944)	$ 216,889
Adjustments to reconcile net income (loss) to net cash provided by operating activities:						
Depreciation and amortization of other assets (i)	26,079	28,297	(2,218)	79,622	85,541	(5,919)
Depreciation of right-of-use assets	23,277	25,151	(1,874)	72,026	77,206	(5,180)
Unrealized foreign exchange	(1,028)	(479)	(549)	(1,364)	(23)	(1,341)
Interest rate swap agreements - non-cash interest	(4,277)	(2,071)	(2,206)	(21,398)	(7,448)	(13,950)
Accretion of convertible debentures	4,622	4,050	572	13,832	11,809	2,023
Other non-cash interest (ii)	114	188	(74)	460	812	(352)
(Gain) loss on disposal of assets	(49,848)	22	(49,870)	(54,341)	(29,859)	(24,482)
Non-cash share-based compensation	1,419	1,246	173	5,115	3,064	2,051
Change in fair value of financial instrument	1,630	(2,570)	4,200	7,230	(3,370)	10,600
Net change in interests in joint ventures and associates	(1,219)	(899)	(320)	(1,589)	3,893	(5,482)
Changes in operating assets and liabilities	(25,815)	32,640	(58,455)	(42,012)	118,843	(160,855)
Net cash provided by operating activities	**$ 5,811**	**$ 52,023**	**$ (46,212)**	**$ 47,526**	**$ 33,524**	**$ 14,002**

(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.

Third Quarter

Cash provided by operating activities during the third quarter of 2022 was $5.8 million as compared to $52.0 million in the prior year period, primarily due to higher income, offset by changes in working capital.

Year to Date

Cash provided by operating activities during the nine months ended September 30, 2022 was $47.5 million as compared to $33.5 million in the prior year period. The increase was primarily due to significant increases in revenues from box office and food service sales as a result of increased operations, compared to closures or operating restrictions that remained in effect for a majority of the prior year comparative period, and working capital management in 2021, including the extension of accounts payable and accrued liabilities and the receipt of approximately $65.7 million income tax refunds in 2021.

6.2. INVESTING ACTIVITIES

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

Cash flows (used in) provided by investing activities	Third Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Proceeds from disposal of assets, net	$ 152	$ 3,231	$ (3,079)	$ 1,822	$ 63,147	$ (61,325)
Purchases of property, equipment and leaseholds	(14,618)	(4,834)	(9,784)	(36,758)	(18,575)	(18,183)
Intangible assets additions	(3,638)	(2,130)	(1,508)	(8,419)	(7,208)	(1,211)
Tenant inducements	3,581	1,359	2,222	4,186	7,024	(2,838)
Net cash received from joint ventures and associates	—	—	—	5,318	—	5,318
Net cash (used in) provided by investing activities	**$ (14,523)**	**$ (2,374)**	**$ (12,149)**	**$ (33,851)**	**$ 44,388**	**$ (78,239)**

Third Quarter

Cash used in investing activities during the third quarter of 2022 was $14.5 million, as compared to $2.4 million in the prior year period. The movement was primarily due to increased capital spend on previously committed projects.

Year to Date

Cash used in investing activities during the nine months ended September 30, 2022 was $33.9 million as compared to cash provided by investing activities of $44.4 million. The decrease was primarily due to cash proceeds received in the prior year period from the sale of Cineplex's head office building, which was partially offset by cash received from CDCP.

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

Capital expenditures	Third Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Gross capital expenditures	$ 14,618	$ 4,834	$ 9,784	$ 36,758	$ 18,575	$ 18,183
Less: tenant inducements	(3,581)	(1,359)	(2,222)	(4,186)	(7,024)	2,838
Net capital expenditures	**$ 11,037**	**$ 3,475**	**$ 7,562**	**$ 32,572**	**$ 11,551**	**$ 21,021**
Net capital expenditures consists of:						
Growth and acquisition capital expenditures (i)	$ 8,055	$ 2,150	$ 5,905	$ 16,879	$ 10,585	$ 6,294
Tenant inducements	(3,581)	(1,359)	(2,222)	(4,186)	(7,024)	2,838
Media growth capital expenditures	2,518	402	2,116	3,288	1,591	1,697
Premium formats (ii)	1,683	10	1,673	3,314	(141)	3,455
Amusement and leisure growth capital expenditures (excluding LBE build expenditures)	419	387	32	967	688	279
Maintenance capital expenditures	4,739	865	3,874	12,077	1,602	10,475
Other (iii)	(2,796)	1,020	(3,816)	233	4,250	(4,017)
	$ 11,037	**$ 3,475**	**$ 7,562**	**$ 32,572**	**$ 11,551**	**$ 21,021**

(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 nine months ended September 30, 2022 and 2021 (in thousands of dollars):

Cash flows used in financing activities	Third Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Borrowings repayments under credit facility, net	$ 38,000	$ (26,000)	$ 64,000	72,000	(247,000)	$ 319,000
Repayments of lease obligations - principal	(26,330)	(24,191)	(2,139)	(83,025)	(62,734)	(20,291)
Exercise of cash option	—	—	—	113	—	113
Issuance of notes payable, net	—	—	—	—	243,996	(243,996)
Financing fees	(542)	—	(542)	(542)	(321)	(221)
Net cash provided by (used in) financing activities	**$ 11,128**	**$ (50,191)**	**$ 61,319**	**$ (11,454)**	**$ (66,059)**	**$ 54,605**

Third Quarter

Cash flows provided by financing activities were $11.1 million during the third quarter of 2022, as compared to cash used in financing activities of $50.2 million in the prior year period. The movement was mainly due to repayments under the Credit Facilities and lease obligations compared to increased borrowings under the Credit Facilities in the current period.

Year to Date

Cash flows used in financing activities for the nine months ended September 30, 2022 were $11.5 million, as compared to $66.1 million in the prior year period. The movement is due to increased borrowings under the Credit Facilities which was offset by higher rent payments due to lower abatements received from landlords. In the prior year period, financing activities mainly consisted of proceeds raised from Cineplex’s Notes Payable which were used to repay the Credit Facilities ($100.0 million of which was a permanent repayment) and repayment of lease obligations.

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

6.4. LONG-TERM DEBT

Credit facilities

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

At September 30, 2022, the Credit Facilities consisted of the following (in millions of dollars), subject to amendments described below pursuant to the Credit Agreement Amendments described below:

	Available	Drawn	Reserved	Remaining
Revolving Facility	$ 541.7	$ 332.0	$ 10.1	$ 199.6
Letters of credit outstanding at September 30, 2022 of $10.1 million are reserved against the Revolving Facility.				

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

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

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

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

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

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

- The suspension of financial covenant testing was extended until the fourth quarter of 2022. On resumption of financial covenant testing in the fourth quarter of 2022:

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

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

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

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

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 September 30, 2022:

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

Cineplex ceased the use of hedge accounting for the interest rate swaps during the fourth quarter of 2019 as a result of the terms of the Arrangement Agreement. The interest rate swaps are measured at fair market value at each reporting period with changes in fair market value recorded in interest expense - other, in the consolidated statement of operations.

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

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

Convertible debentures

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

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

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

The fair value of the liability component of the Debentures was assessed at inception based on an estimated market discount rate of 14.1% less the pro-rata portion of transaction costs, and will be accreted to the full face value over the term of the Debentures. Cineplex recorded cash interest expense on the Debentures during the quarter and year to date period of $4.6 million (2021 - $4.6 million) and $13.6 million (2021 - $13.6 million), respectively. Furthermore, Cineplex recorded accretion expense during the quarter and year to date period of $4.5 million (2021 - $3.9 million) and $13.0 million (2021 - $11.3 million), respectively, both of which are included as part of the interest expense in the consolidated statement of operations. As at September 30, 2022, Cineplex has $316.3 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 $4.8 million (2021 - $4.7 million) and $14.0 million (2021 - $11.1 million), respectively. Furthermore, Cineplex recorded accretion expense during the quarter and year to date period of $0.2 million (2021 $0.2 million) and $0.8 million (2021 - $0.6 million), respectively, both of which are included as part of interest expense in the consolidated statement of operations As at September 30, 2022, Cineplex has $250.0 million principal amount of Notes Payable outstanding. Cineplex's derivative financial instrument relates to the early prepayment option that fluctuates in value based on market interest rates. The fair value of the embedded derivative was determined using an option pricing model with observable market inputs and is consistent with accepted methods for valuing financial instruments. Cineplex has estimated the fair value of this embedded derivative at $2.0 million as at September 30, 2022, which is presented on the consolidated balance sheets.

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

6.5. FUTURE OBLIGATIONS

Cineplex has aggregate gross capital commitments of $57.5 million ($39.9 million net of tenant inducements) related to the completion of construction of five operating locations including both theatres and location-based entertainment locations.

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

Cineplex conducts a significant part of its operations in leased premises. Cineplex's leases generally provide for minimum rent and a number of the leases also include percentage rent based primarily upon sales volume. Cineplex's leases may also include escalation clauses, guarantees and certain other restrictions, and generally require it to pay a portion of the real estate taxes and other property operating expenses. Initial lease terms generally range from 15 to 20 years and contain various renewal options, generally in intervals of five to ten years.

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

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

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

7.1. ADJUSTED FREE CASH FLOW

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

	Third Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Cash flows provided by operations	$ 5,811	$ 52,023	-88.8%	$ 47,526	$ 33,524	41.8%
Net income (loss)	$ 30,857	$ (33,552)	NM	$ (10,055)	$ (226,944)	-95.6%
Standardized free cash flow (i)	$ (8,655)	$ 50,420	NM	$ 12,590	$ 18,214	-30.9%
Adjusted free cash flow (i)	$ 1,568	$ (5,753)	NM	$ 1,667	$ (150,485)	NM
Average number of shares outstanding	63,362,713	63,342,557	—%	63,356,694	63,339,070	—%
Adjusted free cash flow per share (i)	$ 0.025	$ (0.091)	NM	$ 0.026	$ (2.376)	NM

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

Adjusted free cash flow per share for the third quarter of 2022 and year to date period increased mainly due to significantly improved operating results with the removal of COVID-19 restrictions on Cineplex's theatres and LBE businesses. During the current period, Cineplex's businesses operated without any government mandated restrictions, compared to closure periods and operating restrictions that remained in effect for a majority of the prior year resulting in significantly reduced operations.

7.2. DIVIDENDS

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

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

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

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

8. SHARE ACTIVITY

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

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

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

Omnibus Incentive Plan

On November 12, 2020, the Board of Directors approved an Omnibus Incentive Plan (the "Incentive Plan"). This plan supersedes the former incentive plans (collectively, the "Legacy Plan") that included Options, Performance Share Units ("PSUs") and Restricted Share Units ("RSUs"). All employees and consultants are eligible to participate in the Incentive Plan. The Incentive Plan consists of stock options, RSUs and PSUs. Awards of RSUs and PSUs granted during a service year will be subject to a service period as determined by management at the time of issuance. The aggregate number of shares that may be issued under the Incentive Plan is 3,709,066 provided that no more than 1,904,538 shares may be issued in aggregate pursuant to the settlement of RSUs and PSUs. Options that were issued under the Legacy Plan and are subsequently cancelled will be available to be issued under the Incentive Plan. The base share equivalents granted as RSU and PSU awards attract compounding notional dividends at the same rate as outstanding shares, which are notionally re-invested as additional base share equivalents. PSU and RSU awards may be settled in shares issued from treasury, cash, or a mix of shares and cash, at Cineplex's option at the time of settlement. Awards outstanding under prior plans shall remain in full force and effect under the prior plans according to their respective terms. Under the prior plans, the effects of changes in estimates of performance results are recognized in the year of change. As at September 30, 2022, 1,100,952 shares are available to be issued under the Incentive Plan (2021 - 1,462,182).

Stock Options

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

Cineplex recognized employee benefits expense of $0.3 million and $1.2 million with respect to the options during the three and nine months ended September 30, 2022 (2021 - $0.5 million and $1.4 million, respectively). In the first quarter of 2021, 165,146 stock options issued under the Legacy Plan were cancelled for total consideration of $60 thousand as part of a voluntary stock option cancellation program that was initiated in the fourth quarter of 2020.

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

	2022			2021	
	Weighted average remaining contractual life (years)	Number of underlying shares	Weighted average exercise price	Number of underlying shares	Weighted average exercise price
Options outstanding - January 1	7.44	2,198,805	$ 21.48	2,042,019	25.37
Granted		223,578	13.39	459,501	12.69
Cancelled		—	—	(188,303)	43.90
Forfeited		(285,371)	35.75	(67,280)	17.32
Exercised		(26,309)	8.25	(24,220)	8.25
Options outstanding – end of period	7.26	2,110,703	$ 18.86	2,221,717	$ 21.60

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

RSU and PSU awards

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

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

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

Incentive Plan costs are estimated at the grant date based on expected performance results then accrued and recognized on a graded basis over the vesting period. Forfeitures are estimated to be nominal, based on historical forfeiture rates. Cineplex recognized compensation expense of $1.1 million and $4.0 million for the three and nine months ended September 30, 2022 (2021 - $0.7 million and $2.1 million, respectively) under the Incentive Plan relating to RSU and PSU awards. At September 30, 2022, $0.3 million (2021 - $0.8 million) was included in share-based compensation liability, and $6.6 million in contributed surplus (2021 - $2.1 million).

Deferred equity units

Members of the Board of Directors and certain officers of Cineplex may elect to defer a portion of their compensation in the form of deferred equity units. For the period ended September 30, 2022, Cineplex recognized compensation recovery of $(0.9) million and $(1.7) million during the three and nine months ended September 30, 2022 (2021 - recovery of $(0.6) million and expense of $1.2 million, respectively) associated with the deferred equity units. At September 30, 2022, $3.6 million (2021 - $4.7 million) was included in share-based compensation liability.

9. SEASONALITY AND QUARTERLY RESULTS

Historically, Cineplex's revenues have been seasonal, coinciding with the timing of major film releases as the most marketable motion pictures were traditionally released during the summer and holiday seasons in Canada. This caused changes from quarter to quarter in theatre attendance, affecting theatre exhibition and Cinema Media revenues and operating cash flows. The seasonality of theatre attendance has become less pronounced as film studios have have trended to releasing content more evenly throughout the year, but the unexpected emergence of a hit film can impact seasonality results. The timing, quantity, and quality of film releases can have a significant impact on Cineplex's results of operations, and the results of one period are not necessarily indicative of future results. COVID-19 has also impacted the timing of major film releases due to unforeseen production delays related to government imposed restrictions in different countries. Cineplex's diversification into other businesses such as digital media and amusement and leisure, which are not dependent on motion picture content, has contributed to reduce the impact of this seasonality on Cineplex's consolidated results. To meet working capital requirements during lower revenue quarters, Cineplex can draw upon the Revolving Facility, which had $332.0 million drawn and $199.6 million available as of September 30, 2022, subject to restrictions under the Credit Facilities including the liquidity covenant described above (Section 6.4, Long-term debt). In response to the impact of the COVID-19 pandemic, Cineplex is closely monitoring its liquidity. Details with respect to its ongoing measures are detailed in Section 1.1, COVID-19 business impacts, risks and liquidity.

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

	2022			2021				2020
	Q3	**Q2**	Q1	Q4	Q3	Q2	Q1	Q4
Revenues								
Box office revenues	**$124,700**	$136,372	$ 79,952	$125,890	$ 94,114	$ 12,498	$ 3,818	$ 7,260
Food service revenues	**105,193**	110,637	68,388	87,244	79,971	13,258	6,525	10,543
Media revenues	**25,224**	26,406	15,545	32,795	14,060	9,401	9,074	12,496
Amusement revenues	**69,607**	65,723	50,424	45,096	53,319	22,184	13,874	13,597
Other revenues	**15,113**	10,740	14,414	8,926	8,916	7,585	8,121	8,556
	339,837	349,878	228,723	299,951	250,380	64,926	41,412	52,452
Expenses and other income								
Film cost	**66,356**	69,958	39,016	61,990	45,838	5,611	1,235	3,151
Cost of food service	**24,839**	25,335	14,857	21,042	16,362	2,867	1,412	3,989
Depreciation - right-of-use assets	**23,277**	24,486	24,263	25,041	25,151	25,737	26,318	28,136
Depreciation and amortization - other	**26,079**	26,651	26,892	27,501	28,297	27,735	29,509	28,750
(Gain) loss on disposal of assets	**(49,848)**	(4,650)	157	1,576	22	179	(30,060)	(283)
Other costs	**185,048**	176,741	138,352	157,970	139,527	73,352	68,705	77,213
Impairment of long-lived assets and goodwill	**—**	—	—	3,717	—	—	—	56,175
	275,751	318,521	243,537	298,837	255,197	135,481	97,119	197,131
Income (loss) before income taxes	**$ 64,086**	$ 31,357	$(14,814)	$ 1,114	$ (4,817)	$(70,555)	$(55,707)	$(144,679)
Adjusted EBITDA (i)	**$ 63,094**	$ 77,939	$ 36,475	$ 58,328	$ 48,606	$(16,902)	$(30,105)	$(32,097)
Adjusted EBITDAaL (i)	**$ 20,430**	$ 35,764	$ (5,719)	$ 20,198	$ 10,762	$(53,165)	$(62,090)	$(65,948)
Net income (loss)	**$ 30,857**	$ 1,313	$(42,225)	$(21,778)	$(33,552)	$(103,704)	$(89,688)	$(230,403)
EPS - basic	**$ 0.49**	$ 0.02	$ (0.67)	$ (0.34)	$ (0.53)	$ (1.64)	$ (1.42)	$ (3.64)
EPS - diluted	**$ 0.43**	$ 0.02	$ (0.67)	$ (0.34)	$ (0.53)	$ (1.64)	$ (1.42)	$ (3.64)
Cash provided by (used in) operating activities	**$ 5,811**	$ 47,152	$ (5,437)	$ 27,480	$ 52,023	$ 17,133	$(35,632)	$(61,041)
Cash (used in) provided by investing activities	**(14,523)**	(8,132)	(11,196)	(3,937)	(2,374)	(1,761)	48,523	50,492
Cash (used in) provided by financing activities	**11,128**	(36,349)	13,767	(25,067)	(50,191)	(6,086)	(9,782)	12,977
Effect of exchange rate differences on cash	**(146)**	(181)	22	(9)	(189)	413	140	650
Net change in cash	**$ 2,270**	$ 2,490	$ (2,844)	$ (1,533)	$ (731)	$ 9,699	$ 3,249	$ 3,078
BPP (ii)	**$ 11.25**	$ 12.29	$ 12.00	$ 12.29	$ 11.38	$ 10.89	$ 9.20	$ 9.23
CPP (ii)	**$ 8.35**	$ 8.84	$ 8.82	$ 7.49	$ 8.58	$ 7.86	$ 6.12	$ 9.06
Film cost percentage (ii)	**53.2 %**	51.3 %	48.8 %	49.2 %	48.7 %	44.9 %	32.3 %	43.4 %
Theatre attendance (in thousands of patrons) (ii)	**11,084**	11,092	6,661	10,245	8,272	1,148	415	786
Theatre locations (at period end)	**158**	159	159	160	161	160	161	162
Theatre screens (at period end)	**1,637**	1,640	1,640	1,652	1,656	1,651	1,657	1,667

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

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

Summary of adjusted free cash flow by quarter

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

	2022			2021				2020
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Cash (used in) provided by operating activities	**$ 5,811**	$ 47,152	$ (5,437)	$ 27,480	$ 52,023	$ 17,133	$ (35,632)	$ (61,041)
Less: Total capital expenditures net of proceeds on sale of assets	**(14,466)**	(10,885)	(9,585)	(4,985)	(1,603)	(4,992)	(8,715)	(10,099)
Standardized free cash flow	**(8,655)**	36,267	(15,022)	22,495	50,420	12,141	(44,347)	(71,140)
Add/(Less):								
Changes in operating assets and liabilities	**25,815**	1,120	15,077	1,405	(32,640)	(62,622)	(23,581)	67,257
Changes in operating assets and liabilities of joint ventures	**1,892**	775	(707)	307	(31)	(524)	(802)	(2,699)
Principal component of lease obligations	**(26,330)**	(27,428)	(29,267)	(25,525)	(24,191)	(19,086)	(19,457)	(32,323)
Principal portion of cash rent paid not pertaining to current period	**(381)**	(381)	1,143	(737)	—	(369)	1,106	(357)
Growth capital expenditures and other	**9,727**	6,078	7,054	(350)	736	4,511	8,461	8,928
Share of income of joint ventures, net of non-cash depreciation	**(500)**	95	(23)	(622)	(47)	2	(165)	(196)
Net cash received from CDCP	**—**	5,318	—	1,995	—	—	—	—
Adjusted free cash flow	**$ 1,568**	$ 21,844	$ (21,745)	$ (1,032)	$ (5,753)	$ (65,947)	$ (78,785)	$ (30,530)
Average number of shares outstanding	**63,362,713**	63,360,746	63,346,444	63,343,223	63,342,557	63,339,618	63,334,317	63,333,238
Adjusted free cash flow per share	**$ 0.025**	$ 0.345	$ (0.343)	$ (0.016)	$ (0.091)	$ (1.041)	$ (1.244)	$ (0.482)

10. RELATED PARTY TRANSACTIONS

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

11. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTIES

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

Goodwill and long lived assets - recoverable amount

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

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

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

Revenue recognition - gift cards

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

Revenue recognition - Scene+

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

Income taxes

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

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

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

Share-based compensation

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

Lease terms

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

12. ACCOUNTING POLICIES

Basis of preparation and measurement

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

The International Accounting Standards Board ("IASB") has published a number of amendments to existing accounting standards effective for years beginning on or after January 1, 2023. Cineplex continues the evaluate the impact of the amended accounting standards on Cineplex's consolidated financial statements and has not early adopted any amendments to existing accounting standards.

The following amendments are currently being evaluated by Cineplex:

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

In May 2021, the IASB issued deferred tax related to assets and liabilities arising from a single transaction. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

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

In January 2020 the IASB issued classification of liabilities as current or non-current (2020 amendments). The 2020 amendments clarified aspects of how entities classify liabilities as current or non-current.

IAS 8, Definition of accounting estimates

In February 2021, the IASB issued definition of accounting estimates, which amended IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies.

13. RISKS AND UNCERTAINTIES

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

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

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

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

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

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

- lack of availability of films in the short or long-term, including as a result of (i) potential delays in film releases; (ii) release of scheduled films on alternative channels, (iii) disruptions or suspensions of film

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

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

If there are further shutdowns, Cineplex cannot be certain that it will have access to sufficient liquidity to meet its obligations for the time required to allow its operations to resume or normalize. Cineplex may not be able to obtain additional liquidity and any relief provided by lenders, governmental agencies and business partners may not be adequate or may include onerous terms.

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

Litigation Arising Out of the Cineworld Transaction and Bankruptcy

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

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

On January 12, 2022, Cineworld filed a Notice of Appeal with the Court of Appeal for Ontario and on January 27, 2022, Cineplex filed its Appeal. The Appeal was originally scheduled to be heard on October 12 and 13, 2022. On September 7, 2022, the Cineworld Parties filed a petition, in the U.S. Bankruptcy Court, commencing bankruptcy proceedings under Chapter 11. On September 8, 2022, the U.S. Bankruptcy Court granted relief requested by the Cineworld Parties in the Chapter 11 proceedings, including an order confirming and enforcing a worldwide stay of all enforcement proceedings by Cineworld's creditors. Cineworld took the position that the Appeal was therefore stayed. On September 9, 2022, Cineplex filed an emergency motion with the U.S. Bankruptcy Court, seeking to lift the stay with respect to the Appeal. Cineplex's emergency motion was heard on September 28, 2022, at which time the U.S. Bankruptcy Court declined Cineplex's requested relief, without prejudice to Cineplex's ability to seek such relief at a later date. On September 30, 2022, on consent of counsel for Cineplex and Cineworld, the Court of Appeal for Ontario adjourned the Appeal on a *sine die* basis. Accordingly, the hearing of the Appeal has been delayed.

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

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

General Economic Conditions

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

Business Continuity Risk

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

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

Customer Risk

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

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

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

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

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

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

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

Film Entertainment and Content Risk

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

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

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

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

Exhibition Industry Risk

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

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

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

Media Risk

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

The majority of Cineplex's advertising revenue is earned at Cineplex theatres. There is a risk of decreased attendance at theatres and a reduction of advertising spending due to adverse economic conditions. This could result in media customers electing to reduce their spending in cinemas and advertise through alternative channels. Cineplex's media advertising arrangements are impacted by theatre attendance levels which drive impressions and ultimately impact media revenue generated by Cineplex.

Amusement and Leisure Risk

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

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

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

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

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

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

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

Technology Risk

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

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

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

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

Cyber Security and Information Management Risk

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

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

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

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

Real Estate Risk

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

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

Sourcing Risk

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

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

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

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

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

Human Resources Risk

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

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

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

Health and Safety Risk

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

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

Environment/Sustainability Risk

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

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

Integration Risk

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

Financial and Markets Risk

Cineplex requires efficient access to capital in order to fuel growth, execute strategies and generate future financial returns. For this reason Cineplex entered into the Revolving Facility. Cineplex hedges interest rates up to $450.0 million of the Revolving Facility, thereby minimizing the impact of significant fluctuations in the market rates. Cineplex's exposure to currency and commodity risk is minimal as the majority of its transactions are in Canadian dollars and commodity costs are not a significant component of the overall cost structure. Counter party risk on the interest rate swap agreements is minimized through entering into these transactions with Cineplex's lenders. Upon the maturity of the Credit Facilities in November 2023, there is a risk that Cineplex may not be able to renegotiate under favourable terms in the then current economic environment.

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

Foreign Currency Risk

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

Interest Rate Risk

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

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

Inflation Risk

Cineplex's fixed and variable operating costs are exposed to inflation risk. To mitigate this risk, Cineplex has increased its inventory levels due to increases in anticipated distribution sales and theatres and LBE venues operating at full capacity without any capacity restrictions. Cineplex also considers the prices of its products and services in response to market conditions including inflation and competition to provide fair pricing to its customers.

Legal, Regulatory, Taxation and Accounting Risk

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

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

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

14. CONTROLS AND PROCEDURES

14.1. DISCLOSURE CONTROLS AND PROCEDURES

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

14.2. INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

15. SUBSEQUENT EVENTS

CDCP expects to distribute its assets to its partners in 2022 and Cineplex will recognize a return of capital under IAS 28*, Investments in Associates and Joint Ventures.* Cineplex expects to recognize a gain of $4.2 million on the dissolution of its investment in CDCP.

16. OUTLOOK

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

FILM ENTERTAINMENT AND CONTENT

Theatre Exhibition

Cineplex reported third quarter BPP of $11.25 and an increase of 32.5% in box office revenue as compared to the prior year period.

Top Gun: Maverick, became one of six films to exceed $700 million in North America and the fifth largest domestic film of all-time, earning $1.5 billion globally up to September 30, 2022. *Minions: The Rise of Gru* was released during the third quarter, generating $107.0 million during its North American opening weekend and earning $366.1 million since its release up to September 30, 2022. Marvel's *Thor: Love and Thunder* was also released during the third quarter, generating $144.2 million during its North American opening weekend and earning $343.2 million in North America since its release up to September 30, 2022. Upcoming film releases for the year include the following: *Black Panther: Wakanda Forever, Strange World, The Fabelmans, The Whale, A Man Called Otto, Avatar: The Way of Water, I Wanna Dance With Somebody, Puss in Boots: The Last Wish, Glass Onion: A Knives Out Mystery, Babylon and Women Talking.* The negative impact of COVID-19 has resulted in significant shifts in product releases, delaying the release of highly anticipated feature films.

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

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

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

Based on how the exhibition industry has historically performed during depressed economic environments, Cineplex believes, but cannot guarantee, that the industry will continue to recover as consumer demand for the theatrical experience combined with a build-up of anticipated content will help drive visitation as people look to return to normalcy. The reopening of theatres and easing of restrictions has resulted in increases in box office revenues. Cineplex remains confident that the strong slate of upcoming film releases for the year coupled with strong return to movie-going will result in strong box office performance as its business returns to pre-pandemic levels. The latter half of the third quarter was impacted by delays in film releases due to COVID-19 related production delays and these delays could continue into the fourth quarter of 2022.

Month	2019 Box office (i)	2022 Box office (i)	2022 as a percentage of 2019
January	$52,034	$11,220	22%
February	$41,892	$25,054	60%
March	$62,571	$43,678	70%
April	$63,759	$35,994	56%
May	$68,698	$49,546	72%
June	$56,914	$50,832	89%
July	$76,935	$65,618	85%
August	$56,537	$36,060	64%
September	$44,393	$23,022	52%

(i) Amounts are in thousands of dollars.

Cineplex's business could be significantly negatively impacted by changes in consumer behaviors as a result of COVID-19 or further revisions to the theatrical release window. Further, the effect of COVID-19 on financial markets could significantly impact the ability to raise capital and increase the cost of borrowing. There are limitations on Cineplex's ability to mitigate the adverse financial impact of the foregoing. The COVID-19 pandemic also creates challenges for Cineplex in predicting future performance of its businesses or its liquidity needs in the near term.

Theatre Food Service

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

Alternative Programming

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

Digital Commerce

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

MEDIA

Cinema Media

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

Digital Place-Based Media

Cineplex's digital place-based media business will continue to roll out its world-class solutions in quick service restaurants, financial service and retail sectors as well as immersive digital place-based media networks. Cineplex will continue to explore opportunities outside of Canada, in order to better service its current customer base and to attract new clients. Cineplex believes that the strengths of its digital place-based media business 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 attendance returns and advertisers return to cinema.

AMUSEMENT AND LEISURE

Amusement Solutions

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

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

Location Based Entertainment

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

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

LOYALTY

Membership in the Scene+ loyalty program increased to 10.8 million members during the period ended September 30, 2022. During the fourth quarter of 2021, Cineplex and Scotiabank launched Scene+ to bring together the full benefits of SCENE with Scotia Rewards, Scotiabank's flexible customer loyalty program. 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 firstly in Atlantic Canada on August 11, 2022, in Western Canada on September 22, 2022, in Ontario on November 3, 2022 and across the rest of Canada by early 2023.

FINANCIAL OUTLOOK

Cineplex continues to evaluate and advance all options against Cineworld to maximize and monetize the value of the Judgment. As part of these ongoing efforts, Cineplex has engaged Moelis & Company, a leading global investment bank with significant expertise in these areas, as financial advisors, and Goodmans LLP, as lead counsel. While the Judgment and next steps are a key focus for Cineplex and its advisors, due to uncertainties inherent in appeals and Cineworld's insolvency proceedings, it is not possible for Cineplex to predict the timing or final outcome of the Appeal. Further, even if the Appeal by Cineworld is not successful, Cineworld may not have the ability to pay the full amount of any damages or costs awarded by the Court.

Cineplex's management continues to focus on managing capital expenditures and believes that it has adequate liquidity to fund operations.

17. NON-GAAP AND OTHER FINANCIAL MEASURES

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

NON-GAAP FINANCIAL MEASURES

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

NON-GAAP RATIOS

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

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

17.1 EBITDA, ADJUSTED EBITDA AND ADJUSTED EBITDAaL

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

Subsequent to the adoption of IFRS 16, *Leases*, by Cineplex effective January 1, 2019, the calculation of EBITDA no longer includes a charge for amounts paid or payable with respect to leased property and equipment. Given the majority of Cineplex's businesses are carried on in leased premises, Cineplex introduced the measure of adjusted EBITDAaL which includes a deduction for cash rent paid/payable related to lease obligations. Cineplex's management believes that adjusted EBITDAaL is an important supplemental measure of Cineplex's profitability at an operational level and provides analysts and investors with comparability in evaluating and valuing Cineplex's performance period over period. EBITDA, adjusted for various unusual items, is also used to define certain financial covenants in Cineplex's Credit Facilities. Management calculates adjusted EBITDAaL margin by dividing adjusted EBITDAaL by total revenues.

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

<u>P1AG Adjusted EBITDAaL</u>

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

<u>P1AG Adjusted EBITDAaL Margin</u>

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

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

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

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

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

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

Reconciliation of reported net income (loss) to adjusted EBITDAaL	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Net income (loss)	**$ 30,857**	**$ (33,552)**	**$ (10,055)**	**$ (226,944)**
Depreciation and amortization - other	26,079	28,297	79,622	85,541
Depreciation - right-of-use assets	23,277	25,151	72,026	77,206
Interest expense - lease obligations	15,946	14,842	45,389	43,942
Interest expense - other	16,303	17,990	40,198	49,554
Interest income	(84)	(68)	(152)	(202)
Current income tax (recovery) expense	—	—	(724)	3,339
EBITDA	**$ 112,378**	**$ 52,660**	**$ 226,304**	**$ 32,436**
(Gain) loss on disposal of assets	(49,848)	22	(54,341)	(29,859)
Loss (gain) on financial instruments recorded at fair value	1,630	(2,570)	7,230	(3,370)
CDCP equity loss (income) (i)	30	(988)	(492)	2,293
Foreign exchange (gain) loss	(1,239)	(529)	(1,628)	66
Depreciation and amortization - joint ventures and associates (ii)	130	—	394	—
Taxes and interest of joint ventures and associates (ii)	13	11	41	33
Adjusted EBITDA	**$ 63,094**	**$ 48,606**	**$ 177,508**	**$ 1,599**
Cash rent paid/payable related to lease obligations (iii)	(42,275)	(37,469)	(127,419)	(106,467)
Negotiated lease-related cash savings for the period (iii) (iv)	—	—	—	—
Cash rent paid not pertaining to current period	(389)	(375)	386	375
Adjusted EBITDAaL (iv)	**$ 20,430**	**$ 10,762**	**$ 50,475**	**$ (104,493)**

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

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

(iii) The cash rent paid or payable includes negotiated lease obligation savings of $0.8 million (2021 - $29.5 million) through September 30, 2022. The negotiated lease obligation savings represent forgiveness of lease payments.

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

17.2 ADJUSTED FREE CASH FLOW

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

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

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

Reconciliation of reported cash provided by operating activities to adjusted free cash flow per share	**Three months ended September 30,**		**Nine months ended September 30,**	
	2022	**2021**	**2022**	**2021**
Cash provided by operating activities	$ 5,811	$ 52,023	$ 47,526	$ 33,524
Less: Total capital expenditures net of proceeds on sale of assets	(14,466)	(1,603)	(34,936)	(15,310)
Standardized free cash flow	**(8,655)**	**50,420**	**12,590**	**18,214**
Add/(Less):				
Changes in operating assets and liabilities (i)	25,815	(32,640)	42,012	(118,843)
Changes in operating assets and liabilities of joint ventures and associates (i)	1,892	(31)	1,960	(1,357)
Repayments of lease obligations - principal	(26,330)	(24,191)	(83,025)	(62,734)
Principal portion of cash rent paid not pertaining to current period	(381)	—	381	737
Growth capital expenditures and other (ii)	9,727	736	22,859	13,708
Share of income of joint ventures and associates, net of non-cash depreciation	(500)	(47)	(428)	(210)
Net cash received from CDCP (iii)	—	—	5,318	—
Adjusted free cash flow	**$ 1,568**	**$ (5,753)**	**$ 1,667**	**$ (150,485)**
Average number of shares outstanding	63,362,713	63,342,557	63,356,694	63,339,070
Adjusted free cash flow per share	**$ 0.025**	**$ (0.091)**	**$ 0.026**	**$ (2.376)**

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

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

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

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

Reconciliation of reported net income (loss) to adjusted free cash flow	**Three months ended September 30,**		**Nine months ended September 30,**	
	2022	**2021**	**2022**	**2021**
Net income (loss)	$ 30,857	$ (33,552)	$ (10,055)	$ (226,944)
Adjust for:				
Depreciation and amortization - other	26,079	28,297	79,622	85,541
Depreciation - right-of-use assets	23,277	25,151	72,026	77,206
Change in fair value of financial instrument	1,630	(2,570)	7,230	(3,370)
(Gain) loss on disposal of assets	(49,848)	22	(54,341)	(29,859)
Non-cash interest (i)	459	2,167	(7,106)	5,173
Non-cash foreign exchange	(1,028)	(479)	(1,364)	(23)
Share of loss (income) of CDCP (ii)	30	(988)	(492)	2,293
Non-cash depreciation of joint ventures and associates	130	—	394	—
Taxes and interest of joint ventures and associates	13	11	41	33
Maintenance capital expenditures	(4,739)	(867)	(12,077)	(1,602)
Repayments of lease obligations - principal	(26,330)	(24,191)	(83,025)	(62,734)
Principal portion of cash rent paid not pertaining to current period	(381)	—	381	737
Net cash received from CDCP (ii)	—	—	5,318	—
Non-cash items:				
Non-cash share-based compensation	1,419	1,246	5,115	3,064
Adjusted free cash flow	**$ 1,568**	**$ (5,753)**	**$ 1,667**	**$ (150,485)**

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

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

SUPPLEMENTARY FINANCIAL MEASURES

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

Earnings per Share Metrics

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

Per Patron Revenue Metrics

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

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

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

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

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

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

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

Same Theatre Analysis

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

Same theatre metrics are calculated by removing the results for all theatres that have been opened, acquired, closed or otherwise disposed of subsequent to the start of the prior year comparative period. For the three months ended September 30, 2022 the impact of two locations that have been opened or acquired and four locations that have been closed or otherwise disposed of have been excluded, resulting in 152 theatres being included in the same theatre metrics. For the nine months ended September 30, 2022 the impact of two locations that have been opened or acquired and six locations that have been closed or otherwise disposed of have been excluded, resulting in 150 theatres being included in the same theatre metrics.

Cost of sales percentages

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

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

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

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

Lease-related cash saving

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

Cineplex Inc.

Interim Condensed Consolidated Balance Sheets
(Unaudited)

(expressed in thousands of Canadian dollars)

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

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

Subsequent events (note 15)

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

(expressed in thousands of Canadian dollars)

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

Approved by the Board of Directors

"Phyllis Yaffe"
Director

"Janice Fukakusa"
Director

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

Cineplex Inc.

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

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

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

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

Cineplex Inc.

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

(expressed in thousands of Canadian dollars)	Three months ended September 30,		Nine months ended September 30,	
	2022	**2021**	**2022**	**2021**
Net income (loss)	$ 30,857	$ (33,552)	$ (10,055)	$ (226,944)
Other comprehensive income (loss)				
Items that will be reclassified subsequently to net income:				
Foreign currency translation adjustment	2,035	861	2,535	(47)
Other comprehensive income (loss)	2,035	861	2,535	(47)
Comprehensive income (loss)	$ 32,892	$ (32,691)	$ (7,520)	$ (226,991)

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 nine months ended September 30, 2022 and 2021
(Unaudited)

(expressed in thousands of Canadian dollars)

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

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 nine months ended September 30, 2022 and 2021
(Unaudited)

(expressed in thousands of Canadian dollars)

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

The accompanying notes are an integral part of these 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.

Cineworld Transaction and Bankruptcy Filing

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

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

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

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

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

On January 12, 2022, Cineworld filed a Notice of Appeal with the Court of Appeal for Ontario and on January 27, 2022, Cineplex filed its Notice of Cross Appeal (the "Appeal"). The Appeal was originally scheduled to be heard on October 12 and 13, 2022. On September 7, 2022, Cineworld and certain of its subsidiaries (the "Cineworld Parties") filed a petition in the United States Bankruptcy Court for the Southern District of Texas, (the "U.S. Bankruptcy

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

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

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

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

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

2. COVID-19 business impacts, risks and liquidity

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

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

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

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

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

Liquidity measures:

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

Cost reduction and subsidy measures:

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

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

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

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

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

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

Cineplex generally performs its annual test for impairment of goodwill and indefinite-lived intangible assets in the fourth quarter, in accordance with the policy described in its annual consolidated financial statements. Assessment of impairment for long-lived assets, including property, equipment, leaseholds, right-of-use assets, intangible assets and goodwill is performed more frequently as specific events or circumstances dictate triggering events and changes in circumstances indicate that the carrying amount of the asset group may not be fully recoverable.

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

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

3. Right-of-use-assets

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

Right-of-use assets consists of:

	Property	Equipment	Total
At September 30, 2022			
Cost	$ 1,194,021	$ 24,311	$ 1,218,332
Accumulated depreciation	(423,324)	(16,553)	(439,877)
Net book value	$ 770,697	$ 7,758	$ 778,455
Nine months ended September 30, 2022			
Balance - December 31, 2021	$ 757,197	$ 11,478	$ 768,675
Additions	4,212	384	4,596
Extensions and modifications	78,160	(1,141)	77,019
Disposals	(119)	—	(119)
Foreign exchange rate changes	309	1	310
Depreciation for the period	(69,062)	(2,964)	(72,026)
Closing net book value	$ 770,697	$ 7,758	$ 778,455

	Property	Equipment	Total
At September 30, 2021			
Cost	$ 1,112,100	$ 19,411	$ 1,131,511
Accumulated depreciation	(331,629)	(12,455)	(344,084)
Net book value	$ 780,471	$ 6,956	$ 787,427
Nine months ended September 30, 2021			
Balance - December 31, 2020	$ 871,741	$ 9,677	$ 881,418
Additions	10,428	30	10,458
Extensions and modifications	(27,981)	632	(27,349)
Disposals	129	—	129
Foreign exchange rate changes	(23)	—	(23)
Depreciation for the period	(73,823)	(3,383)	(77,206)
Closing net book value	$ 780,471	$ 6,956	$ 787,427

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

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

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

4. Deferred income taxes

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

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

At December 31, 2020 the recoverability of the net deferred income tax assets in the normal course of business was uncertain and accordingly the net deferred tax assets were derecognized. Cineplex will evaluate the likelihood of recoverability in the ordinary course of business at each balance sheet date, and will recognize net deferred tax assets when and if appropriate. As Cineplex's businesses continue to recover and return to profitability, deferred income tax assets and liabilities may be recognized, and reversal of previously recognized impairments may be appropriate. Cineplex has not recognized any deferred tax assets and has not reversed any previously derecognized deferred tax assets as at September 30, 2022.

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

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

By Notice of Reassessment ("NOR") dated January 22, 2019, the Canada Revenue Agency ("CRA"), disallowed the deduction of $26,600 of losses of AMC Ventures Inc. ("AMC") that Cineplex had obtained on the acquisition of AMC in 2012. The disallowance of the losses, which offset taxable income generated in 2014, increased taxes and interest payable by approximately $8,600, 50% of which was required to be paid immediately (interest continues to accrue on the unpaid amount). Cineplex disagrees with the CRA's position, and has commenced an appeal to the Tax Court of Canada in respect of the NOR. On June 28, 2021, Cineplex received a response from the Attorney

General of Canada representing the CRA confirming its position with respect to the disallowance of the losses. The appeals process is continuing and Cineplex believes that it should prevail in defending its original filing position, although no assurance can be given in this regard as the appeal process proceeds.

5. Share-based compensation

Omnibus Incentive Plan

On November 12, 2020, the Board of Directors approved an Omnibus Incentive Plan (the "Incentive Plan"). This plan supersedes the former incentive plans (collectively, the "Legacy Plan") that included Options, Performance Share Units ("PSUs") and Restricted Share Units ("RSUs"). All employees and consultants are eligible to participate in the Incentive Plan. The Incentive Plan consists of stock options, RSUs and PSUs. Awards of RSUs and PSUs granted during a service year will be subject to a service period as determined by management at the time of issuance. The aggregate number of Shares that may be issued under the Incentive Plan is 3,709,066 provided that no more than 1,904,538 Shares may be issued in aggregate pursuant to the settlement of RSUs and PSUs. Options that were issued under the Legacy Plan and are subsequently cancelled will be available to be issued under the Incentive Plan. The base Share equivalents granted as RSU and PSU awards attract compounding notional dividends at the same rate as outstanding Shares, which are notionally re-invested as additional base Share equivalents. PSU and RSU awards may be settled in Shares issued from treasury, cash, or a mix of Shares and cash, at Cineplex's option at the time of settlement. Awards outstanding under prior plans shall remain in full force and effect under the prior plans according to their respective terms. Under the prior plans, the effects of changes in estimates of performance results are recognized in the year of change. As at September 30, 2022, 1,100,952 Shares are available to be issued under the Incentive Plan (2021 - 1,462,182).

Stock Options

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

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

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

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

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

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

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

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

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

RSU and PSU awards

The grants of Share equivalents were as follows:

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

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

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

value of $2,383 on issuance). The fair value was assessed based on Cineplex's closing Share price on the grant date. The RSU and PSU awards issued will vest in the fourth quarter of 2024.

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

Incentive Plan costs are estimated at the grant date based on expected performance results then accrued and recognized on a graded basis over the vesting period. Forfeitures are estimated to be nominal, based on historical forfeiture rates. Cineplex recognized compensation expense of $1,082 and $3,966 for the three and nine months ended September 30, 2022 (2021 - $747 and $2,057, respectively) under the Incentive Plan relating to RSU and PSU awards. At September 30, 2022, $301 (2021 - $757) was included in share-based compensation liability, and $6,649 in contributed surplus (2021 - $2,070).

Deferred equity units

Members of the Board of Directors and certain officers of Cineplex may elect to defer a portion of their compensation in the form of deferred equity units. For the period ended September 30, 2022, Cineplex recognized compensation recovery of $(907) and $(1,698) during the three and nine months ended September 30, 2022 (2021 - recovery of $(581) and expense of $1,208, respectively) associated with the deferred equity units. At September 30, 2022, $3,606 (2021 - $4,659) was included in share-based compensation liability.

6. Long-term debt

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

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

Credit facilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	September 30, 2022	December 31, 2021
Face value of convertible debentures outstanding	$ 316,250	$ 316,250
Unaccreted deferred financing fees and discount	(68,781)	(81,778)
Convertible debentures	$ 247,469	$ 234,472

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

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

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

The fair value of the liability component of the Debentures was assessed at inception based on an estimated market discount rate of 14.1% less the pro-rata portion of transaction costs, and will be accreted to the full face value over the term of the Debentures. Cineplex recorded cash interest expense on the Debentures during the quarter and year to date period of $4,559 (2021 - $4,558) and $13,602 (2021 - $13,551), respectively. Furthermore, Cineplex recorded accretion expense during the quarter and year to date period of $4,467 (2021 - $3,857) and $12,997 (2021 - $11,259), respectively, both of which are included as part of the interest expense in the consolidated statement of operations. As at September 30, 2022, Cineplex has $316,250 principal amount of Debentures outstanding. The residual value was allocated to the equity component less the pro-rata portion of transaction costs as prescribed by IFRS 9, *Financial instruments* and IAS 32, *Financial instruments: Presentation*.

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

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

Notes payable

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

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

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

Cineplex recorded cash interest expense on the Notes Payable during the quarter and year to date period of $4,803 (2021 - $4,726) and $14,024 (2021 - $11,096), respectively. Furthermore, Cineplex recorded accretion expense during the quarter and year to date period of $155 (2021 $217) and $835 (2021 - $550), respectively, both of which are included as part of interest expense in the consolidated statement of operations. As at September 30, 2022, Cineplex has $250,000 principal amount of Notes Payable outstanding. Cineplex's derivative financial instrument on the Notes Payable relates to the early prepayment option that fluctuates in value based on market interest rates. The fair value of the embedded derivative was determined using an option pricing model with observable market inputs and is consistent with accepted methods for valuing financial instruments. Cineplex has estimated the fair value of this embedded derivative at $2,010 as at September 30, 2022, which is presented on the consolidated balance sheets as a derivative financial instrument.

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

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

7. Revenue

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

	December 31, 2021	Additions	Recognized	September 30, 2022
Gift cards	$ 169,380	$ 34,473	$ 51,253	$ 152,600
SCENE loyalty program	47,997	—	18,338	29,659
Advances, deposits and other	75,829	19,548	68,591	26,786
	$ 293,206	$ 54,021	$ 138,182	$ 209,045

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

	December 31, 2020	Additions	Recognized	September 30, 2021
Gift cards	$ 164,025	$ 8,709	$ 18,246	$ 154,488
SCENE loyalty program	36,109	25,111	14,876	46,344
Advances, deposits and other	19,849	11,526	14,237	17,138
	$ 219,983	$ 45,346	$ 47,359	$ 217,970

In December 2020, Cineplex received $60,000 from its existing partner with respect to the agreement to reorganize the program and reposition it for future growth. During the third quarter, Cineplex completed specific non-financial milestones and as result recognized a gain of $50,100 (classified under gain (loss) on disposal of assets on the Consolidated Statement of Operations) related to the reorganization of Scene LP, realizing $50,500 of advances, deposits and other. Approximately $7,000 remains in advances, deposits and other and will be recognized as future performance obligations are completed. Approximately $2,500 remains in accounts payable and accrued liabilities, and will be recognized as funding occurs. Recognition for both items is expected to occur in 2023.

The following tables provide the disaggregation of revenue into categories by nature for the three and nine months ended September 30, 2022 and 2021:

Box revenues	**Three months ended September 30,**		**Nine months ended September 30,**	
	2022	**2021**	**2022**	**2021**
Box office revenues	$ 124,700	$ 94,114	$ 341,024	$ 110,430

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

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

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

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

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

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

8. Lease obligation

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

	Property	Equipment	Total
Nine months ended September 30, 2022			
Opening balance	$ 1,092,674	$ 12,849	$ 1,105,523
Additions	4,212	384	4,596
Extensions and modifications	79,251	(1,141)	78,110
Tenant inducements	5,326	—	5,326
Lease payments	(125,962)	(1,723)	(127,685)
Interest expense	44,949	440	45,389
Foreign exchange rate changes	421	—	421
Closing lease obligations	1,100,871	10,809	1,111,680
Less: current portion	88,315	4,139	92,454
Non-current portion of lease obligations	$ 1,012,556	$ 6,670	$ 1,019,226

	Property	Equipment	Total
Nine months ended September 30, 2021			
Opening balance	$ 1,160,849	$ 10,076	$ 1,170,925
Additions	25,146	30	25,176
Extensions and modifications	(21,546)	632	(20,914)
Tenant inducements	6,580	—	6,580
Lease payments	(101,468)	(3,209)	(104,677)
Interest expense	43,697	245	43,942
Foreign exchange rate changes	(27)	—	(27)
Closing lease obligations	$ 1,113,231	$ 7,774	$ 1,121,005
Less: current portion	102,544	3,167	105,711
Non-current portion of lease obligations	$ 1,010,687	$ 4,607	$ 1,015,294

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

9. Share capital

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

Share capital balances at September 30, 2022 and 2021 and transactions during the periods are as follows:

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

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

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

10. Other costs

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

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

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

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

11. Net income (loss) loss per share

Basic

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

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

Diluted

Diluted EPS is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the outstanding shares for the period), based on the monetary value of the rights attached to the potentially dilutive shares. The number of shares calculated above is compared with the number of shares that would have been issued assuming exercise of conversions, exchanges or options. For the third quarter, dilutive shares that have been included in the current period were 104,560 potential shares that would have been issued under the treasury stock method and 28,907,678 potential shares that would have been issued under the if-converted method relating to debenture units outstanding. For the year to date period, the options and debentures are anti-dilutive and the anti-dilutive shares that have been excluded were 171,083 potential shares that would be issued under the treasury stock method and 28,907,678 potential shares that would have been issued under the if-converted method relating to debenture units outstanding. The options and debentures are anti-dilutive for both the third quarter and year to date period of 2021, as applicable.

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

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

12. Changes in operating assets and liabilities

The following summarizes the changes in operating assets and liabilities:

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

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

13. Operating segments

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

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

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

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

Amusement and Leisure

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

Location-Based Entertainment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14. Basis of presentation and accounting standards

Basis of preparation and measurement

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

The International Accounting Standards Board ("IASB") has published a number of amendments to existing accounting standards effective for years beginning on or after January 1, 2023. Cineplex continues the evaluate the impact of the amended accounting standards on Cineplex's consolidated financial statements and has not early adopted any amendments to existing accounting standards.

The following amendments are currently being evaluated by Cineplex:

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

In May 2021, the IASB issued deferred tax related to assets and liabilities arising from a single transaction. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

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

In January 2020 the IASB issued classification of liabilities as current or non-current (2020 amendments). The 2020 amendments clarified aspects of how entities classify liabilities as current or non-current.

IAS 8, Definition of accounting estimates

In February 2021, the IASB issued definition of accounting estimates, which amended IAS 8, *Accounting Policies*, *Changes in Accounting Estimates and Errors*. The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies.

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

15. Subsequent events

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