CINEPLEX®

2022

ANNUAL REPORT

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Letter from the Chair of the Board

Dear fellow shareholders,

It is my pleasure to write to you today as the Chair of the Board of Directors of Cineplex Inc. I am honoured to be leading this great group of Directors and to be part of an organization that I strongly support.

This year Cineplex will host a virtual Annual and Special Meeting ("AGM"). Our meeting will be held Wednesday, May 24, 2023. Registered shareholders and duly appointed proxyholders can participate via live webcast, which will include voting on the motions put forward and the ability to ask questions.

During the past three years, the Board remained guided by our corporate strategy and values. We took decisive financial and corporate action to ensure the strength and vitality of our balance sheet, and we worked closely with our advisors to navigate the recovery of the Cineworld judgment. At the same time, we upheld our commitments to our employees, guests, shareholders, and the communities in which we serve.

Improving Performance with Our Diversification Strategy

I am proud of all that Cineplex has accomplished during this past year. The team reported encouraging results in many key performance metrics despite a challenging year at the box office due to content supply limitations and pandemic related restrictions in early 2022. Cineplex's diversification strategy proved to be successful as we saw record annual results in our Amusement & Leisure businesses. Our team's consistent discipline with capital, cost and liquidity management has positioned us well as we continue to work our way towards normalcy. We are confident the groundwork that has been laid will benefit the business and its stakeholders for years to come.

Strength of the Board

As your Board, we are committed to promoting industry leading corporate governance. Throughout the past year, the Board worked closely with senior management to ensure the financial health of the Corporation and to drive strategic initiatives geared towards value creation for shareholders.

We have worked with senior management to integrate a renewed Environmental, Social, and Governance framework across the organization with input from various internal and external stakeholder groups.

We are also proud to be one of the founding members of the "30% Club", which requires a minimum of 30% women on boards. Cineplex has met this standard for a number of years, in addition to supporting cultural diversity among our Board. The Board is currently comprised of four women who together represent 44% of the Directors or 50% of the Independent Directors, and four individuals (44% of Directors) from diverse background groups. Having a versatile Board with varied skills and experience is central to ensuring we have the expertise to support Cineplex's future strategic goals.

Path Forward: A Promising Future

The Company's strategy and investment in diversification is providing value, and we continue to believe the diversified business plan is the right way to create sustainable growth. As film content supply continues to improve, Cineplex is moving to the next phase of its growth, and we are confident in a strong future ahead.

On behalf of the entire Board, I extend our thanks and appreciation to the management team and to all employees for their hard work, passion, and dedication to Cineplex. I look forward to sharing our vision of a strong future with you at our AGM. In the meantime, should you wish to contact me directly, please email boardchair@cineplex.com.

Sincerely yours,

Phyllis Yaffe

Phyllis Yaffe
Chair of the Board, Cineplex Inc.
boardchair@cineplex.com

Letter from the CEO

Dear fellow shareholders,

I am pleased to share that 2022 marked another significant step in the resurgence of Cineplex and the theatrical exhibition industry. The North American box office reached $7.4 billion this year, which was 64 per cent higher than 2021.

Sustained Demand for Movie-going

After multiple shutdowns and a host of restrictions since March 2020, we have seen the demand for movie-going increase strongly since our theatres re-opened in early 2022. Looking back over the last year, there are numerous film releases that stand out and demonstrate the resilience of movie-going.

Doctor Strange in the Multiverse of Madness delivered 75 per cent more domestic box office revenue than the original release in 2016. *Top Gun: Maverick* become the fifth highest domestic grossing film of all time after a remarkable 30 week run. *Minions: The Rise of Gru* set a record for the largest fourth of July weekend in box office history, and a few months later, *Black Panther: Wakanda Forever* broke the record for highest grossing November weekend of all-time. Finally, while negatively impacted by winter storms in North America during its opening weekend, *Avatar: The Way of Water* is now the third highest grossing film of all time, crossing the $2.3 billion mark in global box office.

These record-breaking results over the past year demonstrate that when there is compelling content, consumer enthusiasm for theatrical movie-going is as strong as ever. What is even more promising is the significant growth we are experiencing in attendance for our premium offerings, even in the midst of recessionary concerns.

During the fourth quarter, we delivered an all-time quarterly record box office revenue per patron of $13.06, an increase of 6.3 percent from Q4 2021, and concession revenue per patron of $8.93, an increase of 19.2 percent over the same period. These results illustrate that our guests treat themselves to the full escape our venues have to offer. Our investments in premium experiences continue to deliver returns, as an impressive 50 per cent of box office revenues in the fourth quarter were derived from premium formats - the highest percentage for any exhibitor in North America.

Content Supply Challenges and Opportunities

Like our exhibition peers around the world, our business continues to be impacted by COVID-19-related production delays, and content supply remains a near-term industry challenge. However, as we move forward, we have confidence in the ongoing recovery of content supply as pandemic related production delays subside. Studios are clearly recognizing the promotional and financial value of an exclusive theatrical release window. Exhibition continues to be the engine that drives the train, and we are encouraged by recent commitments from non-traditional studios for a theatrical release of their films. These commitments further validate the importance of the cinematic experience and the role theatrical exhibition plays in elevating content to its full financial potential.

In response to supply limitations, Cineplex has developed a content broadening strategy. This has proven to be very successful as we consistently take an industry leading market share in international film product, particularly with Bollywood titles. *Pathaan*, the recent Bollywood feature released in January 2023, generated the highest ever opening weekend for a Bollywood title in North America. Cineplex took the number one position in North America with 27 per cent of the market share for this film, and we continue to gross more than three times the domestic average in our circuit. We also saw great success with *The Wandering Earth 2*, which is now Cineplex's number one opening for a Mandarin language film.

We are also broadening our content opportunities by expanding our distribution business, Cineplex Pictures. In January 2023, we announced a Canadian theatrical distribution agreement with Lionsgate for its 2023 film slate, which will bring 11 titles to the big screen. We are excited to bring these titles to Canadian audiences including exciting features such as *John Wick: Chapter 4*, *Are You There God? It's Me Margaret*, and *Hunger Games: The Ballad of Songbirds and Snakes*. This is in addition to our ongoing successful efforts with alternative programming through Cineplex Events.

The bottom line is that we are focused on expanding our content offerings to appeal to wider audiences, maximize the yield from our theatre footprint, and drive incremental attendance. While this doesn't fully close the content gap resulting from production delays, it gets us closer. This is particularly evident as Cineplex outperformed the fourth quarter North American box office recovery as compared to 2019 levels by a notable 533 basis points.

Financial Results and Success of Diversification

Encouraging box office results together with the success of our diversification strategy led to a year-over-year revenue growth of 75 percent to $657 million despite Omicron related restrictions. We also generated positive net income as compared to a net loss of $248.7 million the previous year. We continued our growth momentum as our diversified business strategy continues to deliver strong results, including an all-time annual record adjusted EBITDAaL in the P1AG and LBE businesses, both exceeding pre-pandemic levels. We remain encouraged by strong signs of recovery for Cineplex Media and Cineplex Digital Media, both showing significant improvement in overall revenues for the year. With increasing on-screen content supply and mall traffic recovery underway, we expect further momentum in these divisions moving forward.

In December, we were excited to share news of the grand opening of *Cineplex Junxion Kildonan* in Winnipeg, Manitoba, the first location of our new 'Junxion' entertainment concept. Our second Junxion is expected to open in mid-2023. The Junxion concept provides an expanded entertainment experience for our guests and generates additional revenue-per-square-foot by driving incremental attendance and spend from expanded entertainment and food offerings.

Path Forward – The Future is Bright

As we move forward, we remain optimistic about the future of theatrical exhibition and the other businesses we operate. We are confident in the ongoing recovery of box office and we are elated by the robust slate of blockbuster and international film product in 2023. Our investment in diversification is paying off as we continue to see consistently strong results from our diversified businesses. Our performance over the last year demonstrates that we can successfully manage the turbulent environment caused by content and other supply chain disruptions, inflationary pressures, and labour shortages. Cineplex is in a stronger position now than it was a year ago, and we expect this momentum to continue into 2023 and beyond.

I am extremely proud of the Cineplex team and want to thank them for their agility, resourcefulness, and willingness to make sacrifices as we worked together to grow our business. I also want to thank our Board of Directors for their ongoing efforts and sound advice during these unprecedented times. Finally, I want to thank our guests, partners, and investors for their continued support of Cineplex.

Sincerely,

Ellis Jacob President and CEO, Cineplex Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

February 6, 2023

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 December 31, 2022 and all amounts are in Canadian dollars.

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.

By their very nature, forward-looking statements involve inherent risks and uncertainties, including those described in Cineplex's Annual Information Form ("AIF"), 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. 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 and Cineworld's subsequent bankruptcy proceedings (described below); and diversion of management time on litigation related to the Cineworld transaction and Cineworld's bankruptcy proceedings.

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 movie theatres and location-based entertainment venues. In addition to being Canada's largest and most innovative film exhibitor, the company operates Canada's favourite destination for 'Eats & Entertainment' (The Rec Room), complexes specially designed for teens and families (Playdium), and a newly launched entertainment concept that brings movies, amusement gaming, dining, and live performances together under one roof (Cineplex Junxion). It also operates successful businesses in digital commerce (CineplexStore.com), alternative programming (Cineplex Events), motion picture distribution (Cineplex Pictures), cinema media (Cineplex Media), digital place-based media (Cineplex Digital Media) and amusement solutions (Player One Amusement Group). Providing even more value for its guests, Cineplex is a partner in Scene+, Canada's largest entertainment and lifestyle loyalty program.

As of December 31, 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 December 31, 2022

Province	Locations (i)	Screens	3D Digital Screens	UltraAVX	IMAX Screens (ii)	VIP Auditoriums	D-BOX Auditoriums	Recliner Auditoriums	Other Screens (iii)
Ontario	66	710	350	41	13	48	48	108	12
Quebec	17	220	88	10	3	9	7	17	3
British Columbia	25	236	125	16	3	20	16	43	3
Alberta	20	213	114	20	2	16	17	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	2	1	3	3	6	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**	**95**	**25**	**99**	**100**	**273**	**27**
Percentage of screens			49 %	6 %	2 %	6 %	6 %	17 %	2 %

(i) Includes *Junxion* theatre in Manitoba.

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

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

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

	2022				2021			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Theatres	158	158	159	159	160	161	160	161
Screens	1,637	1,637	1,640	1,640	1,652	1,656	1,651	1,657
3D Digital Screens	809	809	809	810	815	816	816	816
UltraAVX Screens	95	94	94	94	94	94	94	94
IMAX Screens	25	25	25	24	25	25	25	25
VIP Auditoriums	99	99	99	99	99	94	89	84
D-BOX Auditoriums	100	98	98	98	98	98	98	98
Recliner Auditoriums	273	267	267	267	267	262	258	253
Other Screens	27	23	22	22	22	19	19	19

Cineplex - LBE - at December 31, 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

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 to ensure the safety of Cineplex's employees and customers 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.

Beginning in mid-March 2020, Cineplex's entire circuit of theatres, LBE venues and P1AG route locations were continuously impacted by government mandated restrictions and temporary closures. 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 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:
- 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 7.4, 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 7.4, Long-term debt);
- December 2021: entered into the Fourth Credit Agreement Amendment providing further financial covenant relief (Section 7.4, Long-term debt);
- August 2022: entered into the Fifth Credit Agreement Amendment providing further financial covenant relief (Section 7.4, Long-term debt); and
- December 2022: entered into the Sixth Credit Agreement Amendment, extending the maturity date of the credit facility from November 13, 2023 to November 13, 2024 (Section 7.4, Long-term debt).

Cost reduction and subsidy measures:
- temporary layoffs of part-time employees beginning in December 2021 and further expanding into the first quarter of 2022;
- reviewed 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, including the Canada Emergency Wage Subsidy ("CEWS"), Canada Emergency Rent Subsidy ("CERS") and Tourism and Hospitality Recovery Program ("THRP") where available, as well as municipal and provincial property tax and energy rebates or subsidies; 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.

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.

The fourth quarter of 2022 experienced strong box office results with the release of *Black Panther: Wakanda Forever* generating $181.3 million, during its North American opening weekend, becoming the highest grossing November domestic opening weekend of all time and the second-highest in 2022 and earning $436.5 million in North America since its release up to December 31, 2022. The highly anticipated *Avatar: The Way of Water,* which is the sequel to the highest grossing film of all time, was released late in the fourth quarter and generated $134.1 million during its North American opening weekend and earning $401.0 million in North America and $1.5 billion globally since its release up to December 31, 2022. *Avatar: The Way of Water* continues to perform strongly, becoming the fourth highest worldwide grossing movie of all time since its release. Lastly, *Top Gun: Maverick,* continued its success into the fourth quarter and since its release, 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 December 31, 2022.

As at December 31, 2022, Cineplex had a cash balance of $34.7 million and $204.1 million available under its Revolving Facility subject to the liquidity covenants set forth in the Credit Facilities as amended (Section 7.4, 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 to maximize and monetize the value of the Judgment. As part of these ongoing efforts, Cineplex has engaged 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, Cineplex's claim pursuant to the Judgment is an unsecured claim and Cineworld has a significant amount of secured claims which rank in priority to unsecured claims. Accordingly, Cineworld may not have the ability to pay all or any of the 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)	**Fourth Quarter**			**Full Year**		
	2022	**2021**	**Change (i)**	**2022**	**2021**	**Change (i)**
Total revenues	$ 350,124	$ 299,951	16.7%	$1,268,562	$ 656,669	93.2%
Theatre attendance	9,208	10,245	-10.1%	38,045	20,080	89.5%
Net income (loss) (ii)	$ 10,168	$ (21,778)	NM	$ 113	$ (248,722)	NM
Net income (loss) as a percentage of sales (ii)	2.9 %	(7.3)%	10.2%	— %	(37.9)%	NM
Cash provided by operating activities	$ 59,622	$ 27,480	117.0%	$ 107,148	$ 61,004	75.6%
Box office revenues per patron ("BPP") (iii)	$ 13.06	$ 12.29	6.3%	$ 12.12	$ 11.77	3.0%
Concession revenues per patron ("CPP") (iii)	$ 8.93	$ 7.49	19.2%	$ 8.72	$ 7.93	10.0%
Adjusted EBITDA (iv)	$ 74,186	$ 58,328	27.2%	$ 251,694	$ 59,927	320.0%
Adjusted EBITDAaL (ii) (iv)	$ 31,197	$ 20,198	54.5%	$ 81,672	$ (84,295)	NM
Adjusted EBITDAaL margin (ii) (v)	8.9 %	6.7 %	2.2%	6.4 %	(12.8)%	19.2%
Adjusted free cash flow (iv)	$ 1,672	$ (1,032)	NM	$ 3,339	$ (151,517)	NM
Adjusted free cash flow per share (v)	$ 0.026	$ (0.016)	NM	$ 0.053	$ (2.392)	NM
Earnings per share ("EPS") - basic and diluted (ii)	$ 0.16	$ (0.34)	NM	$ —	$ (3.93)	NM

(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 $0.9 million (2021 - $2.3 million) for the fourth quarter and $3.6 million (2021 - $11.4 million) for the full year.

(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 fourth quarter of 2022 increased by 16.7%, or $50.2 million to $350.1 million as compared to the prior year period. Amusement revenues increased by 34.9% or $15.8 million to a fourth quarter record of $60.8 million, primarily from continued strong P1AG route operations including family entertainment centres ("FEC") locations and theatres in the United States and Canada and the results from *The Rec Room* and *Playdium* which contributed $17.6 million, also a fourth quarter record. Despite the release of highly anticipated films during the fourth quarter of 2022 including *Black Panther: Wakanda Forever* and *Avatar: The Way of Water,* box office revenues decreased 4.5% or $5.6 million to $120.2 million as a result of a 10.1% decrease in theatre attendance which was partially offset by an all-time quarterly record BPP of $13.06. The decrease in theatre attendance was due to less first run product caused by shifts in film releases due to production delays. Food service revenues increased 11.4% to $97.2 million in the fourth quarter of 2022, as compared to the prior year period. Theatre food service revenues increased $5.5 million (7.2%) to $82.2 million as a result of an all-time quarterly CPP record of $8.93, despite the decrease in attendance. LBE food service revenues increased $5.2 million (68.5%) to $12.7 million, an all-time quarterly record. Media revenues of $44.6 million were mainly from cinema media and network management and services. As a result of the growth in total revenue, adjusted EBITDAaL increased by $11.0 million (54.5%) to $31.2 million and adjusted free cash flow per share increased to a positive adjusted free cash flow per share of $0.026 in the current period, compared to a loss in the prior year period of $0.016. Cineplex reported a a net income of $10.2 million in the current period, compared to a net loss of $21.8 million in the prior year period, with a net income per share of $0.16 in the current period, compared to a net loss per share of $0.34 in the prior year period.

Total revenues for the year ended December 31, 2022 increased by $611.9 million (93.2%) to $1.3 billion as compared to the prior year. Cineplex's entire circuit of theatres and LBE venues have operated without any capacity restrictions since the third quarter of 2022, compared to the prior year period that experienced theatre closures, government mandated capacity and operating restrictions. Box office revenues increased 95.2% or $225.0 million as a result of a 89.5% increase in theatre attendance to 38.0 million and an annual record BPP of $12.12. Food service revenues increased 104.0% to $381.4 million when compared to the prior year. Theatre food service revenues increased $172.4 million (108.3%) to $331.6 million, as a result the increase in attendance and an annual CPP record of $8.72. Media revenues increased $46.4 million or 71.0% to $111.7 million. Further contributing to the increase in revenue was the increase in amusement revenues, which increased 83.4% or $112.1 million to $246.6 million, an annual record. As a result, adjusted EBITDAaL for the year was $81.7 million as compared to a loss of $84.3 million in the prior year and adjusted free cash flow per share was $0.053 for the year, compared to a loss of $2.392 in the prior year. Cineplex reported a net income of $0.1 million in the current year compared to a net loss of $248.7 million in the prior year and, with a nominal net income per share in the current period compared to a net loss per share of $3.93 in the prior year.

1.3 KEY DEVELOPMENTS IN 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 annual box office revenues of $461.3 million, an increase of $225.0 million (95.2%) from $236.3 million due to a 89.5% increase in theatre attendance.
- Reported an annual record BPP of $12.12, $0.35 or 3.0% higher than $11.77 reported during the prior year.
- Starting in April 2022, Cineplex reopened its entire circuit of theatres and LBE venues without any government mandated restrictions.
- Introduced an online booking fee on June 15, 2022 that applies to tickets purchased through Cineplex's mobile app and website that will contribute to Cineplex's further investment in its digital infrastructure.
- 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 in 2022, 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.
- Opened four ScreenX auditoriums, including locations in British Columbia, Ontario and Quebec.
- Opened Cineplex's first-ever *Junxion* location at *Cineplex Junxion Kildonan* in Winnipeg, Manitoba on December 9, 2022. *Cineplex Junxion* is an innovative entertainment destination that brings movies, amusement gaming, dining and live performances together for the ultimate guest experience.
- Opened British Columbia's first 4DX auditorium at *Cineplex Cinemas Metropolis* on December 15, 2022.

Theatre Food Service

- Reported annual theatre food service revenues of $331.6 million, an increase of $172.4 million (108.3%) compared to the prior year period primarily due to a 89.5% increase in theatre attendance.
- Reported an annual record CPP of $8.72, an increase of $0.79 or 10.0% when compared to the prior year.
- Opened a streetfront Starbucks location in *Cinéma Banque Scotia Montréal,* in Montreal Quebec under a licensing arrangement signed in 2022.

Alternative Programming

- Alternative Programming (Cineplex Events) opened the Metropolitan Opera Live in HD season during the fourth quarter, featuring three live operas *Medea* (Cherubini), *La Traviata* (Verdi) and *The Hours* (Kevin Puts). Other top events included the season three premiere of the faith based series *The Chosen* and the *Coldplay* broadcast live from Buenos Aires.
- Cineplex Distribution (Cineplex Pictures) released feature films including *Ella and the Little Sorcerer* on March 4, 2022, the horror thriller *Prey for the Devil* on October 28, 2022, anime feature *One Piece Film Red* on November 4, 2022 and *Bones and All* on November 23, 2022.

- Featured numerous strong performing international films, including *Babe Bhangra Paunde Ne* (Punjabi), *Drishyam 2* (Hindi) and *The Legend of Maula Jatt* (Punjabi), of which Cineplex represented 80.5%, 48.2% and 44.3%, respectively, of the total North American market share.

Digital Commerce

- Total registered users for Cineplex Store increased 4% from the prior year, reaching approximately 2.3 million registered users.

MEDIA

- Reported annual media revenues of $111.7 million, an increase of $46.4 million or 71.0% as compared to the prior year period.

Cinema Media

- Reported annual cinema media revenues of $72.3 million, an increase of $39.3 million or 119.3% over the prior year period, due to increases in cinema advertising as a return by advertisers to cinema.
- Entered into a partnership with TikTok to leverage new and innovative ways to engage moviegoers in theatres, providing advertisers an unmatched opportunity to engage with audiences.

Digital Place-Based Media

- Reported annual revenues of $39.5 million, an increase of $7.1 million or 21.9% due to increased advertising at digital out of home networks and higher project installation revenues.

AMUSEMENT SOLUTIONS AND LBE

- Reported all-time record annual revenues of $246.6 million, an increase of $112.1 million or 83.4% compared to the prior year period.

Player One Amusement Group

- Reported annual revenues of $165.7 million, an increase of $65.4 million or 65.2% compared to the prior year period. Adjusted EBITDAaL for the full year was an annual record of $27.5 million, an increase of $18.8 million or 215.4% compared to the prior year. The increase in revenues and adjusted EBITDAaL were primarily due to increases in P1AG amusement revenues from US and Canada route locations at FEC's and theatres, along with an increase in distribution sales.

Location-based Entertainment

- Reported all-time record annual revenues of $110.8 million, an increase of $66.1 million or 147.6% compared to the prior year period.
- Adjusted EBITDAaL for the full year was an annual record of $34.4 million, an increase of $24.9 million or 263.9% 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 over 11 million members as at December 31, 2022.
- Welcomed Empire Company Limited as a co-owner of Scene+, 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.
- 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.
- Recognized a gain of $50.1 million on the disposition of its 1/6th ownership interest in Scene+ during the third quarter of 2022, leaving a 1/3rd ownership interest in Scene+ with the satisfaction of specific non-financial milestones related to the reorganization of Scene+.

CORPORATE

- Celebrated Cineplex's induction into the Hall of Fame for Canada's Most Admired Corporate Cultures, being recognized by Waterstone Human Capital as Best-in-Class Canadian Organization.

- Ellis Jacob, President & CEO, was awarded the 2022 National Association of Theatre Owners Marquee Award, recognizing his unparalleled dedication, commitment and service to the motion picture theatre industry.
- Celebrated Community Day on November 19, 2022, by hosting a morning of free, family-friendly movies with discounted concessions, where one dollar from every concession order of select items was donated to BGC Canada (formerly Boys & Girls Clubs of Canada).
- On December 22, 2022, Cineplex entered into the Sixth Credit Agreement Amendment, extending the maturity date of the credit facility from November 13, 2023 to November 13, 2024 (Section 7.4, Long-term debt).

2. CINEPLEX'S BUSINESS AND STRATEGY

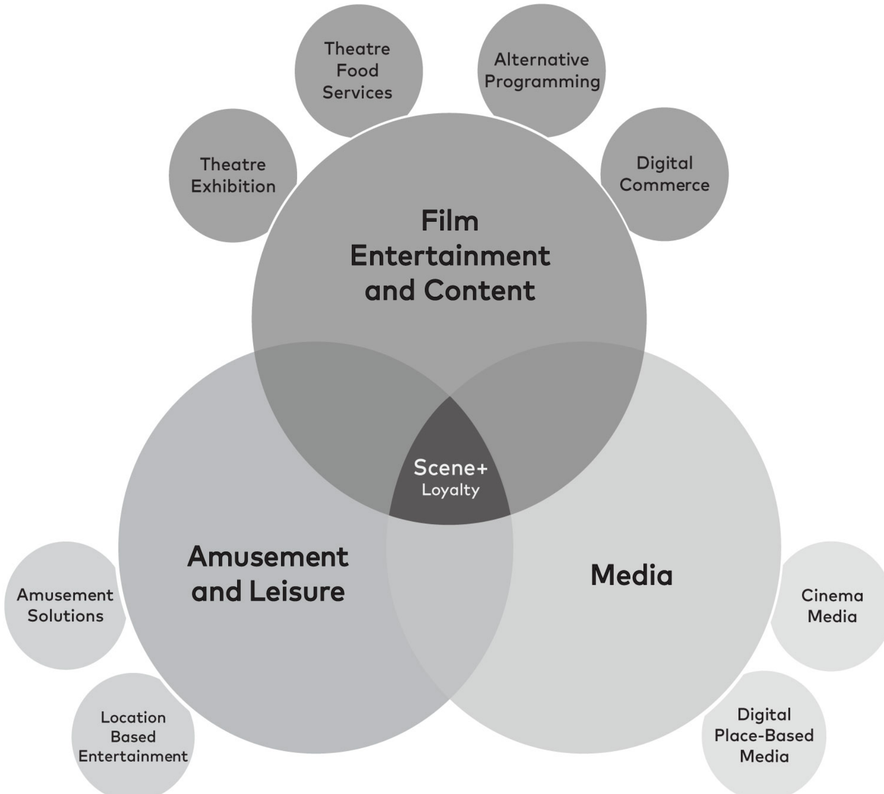
Cineplex's mission statement is "Passionately delivering exceptional experiences." All of its efforts are focused on this mission and it is Cineplex's goal to consistently provide guests and customers with exceptional experiences.

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.

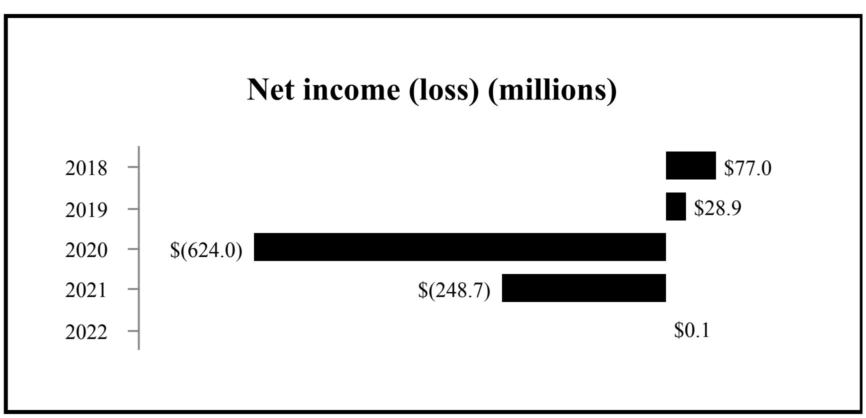
Cineplex uses the Scene+ loyalty program and database as a strategic asset to link these areas of focus and drive customer acquisition and spending across all lines of business.

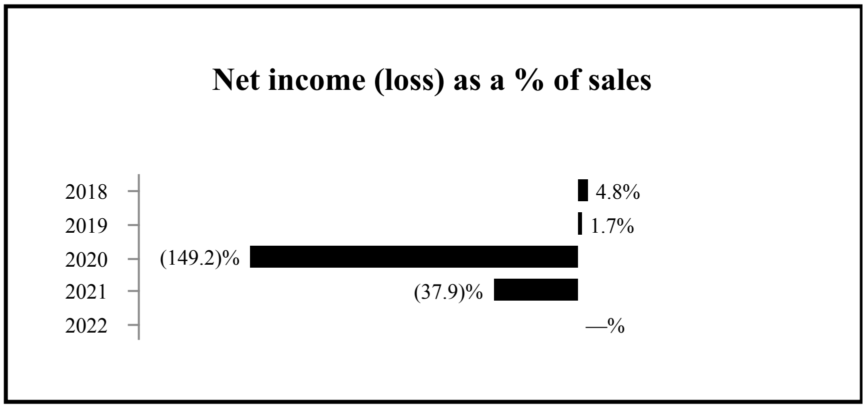
Diversified Entertainment and Media Company

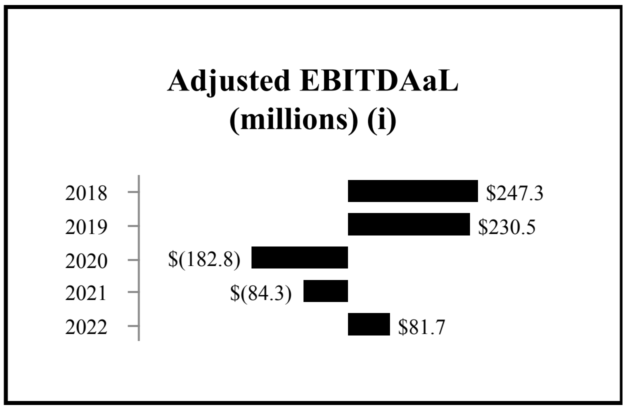


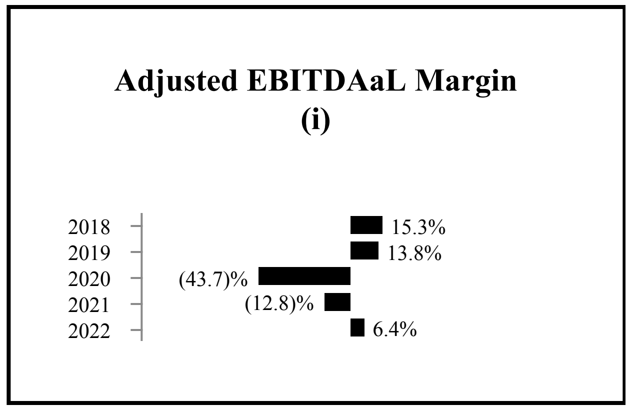
Key elements of this strategy include going beyond movies to reach customers in new ways and maximizing revenue per patron. Cineplex has implemented in-theatre initiatives to improve the overall entertainment experience, including increased premium offerings, enhanced in-theatre services, alternative 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.









(i) 2022 includes expenses related to the Cineworld Transaction and associated litigation in the amount of $3.6 million (2021 - $11.4 million).

3. CINEPLEX'S BUSINESSES

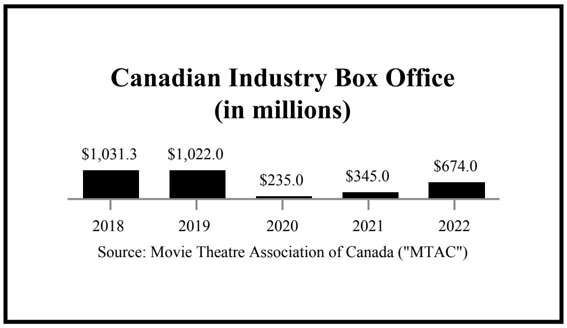
Cineplex's operations are primarily conducted in four main areas: film entertainment and content, media, amusement and leisure and location-based entertainment, all supported by the Scene+ loyalty program.

FILM ENTERTAINMENT AND CONTENT

Theatre Exhibition

Theatre exhibition is the core business of Cineplex. Box office revenues are highly dependent on the marketability, quality and appeal of the film product released by the major motion picture studios.

The motion picture industry consists of three principal activities: production, distribution and exhibition. Production involves the development, financing and creation of feature-length motion pictures. Distribution involves the promotion and exploitation of motion pictures in a variety of different channels. Theatrical exhibition continues to be a key channel for new motion picture releases and is the core business function of Cineplex.



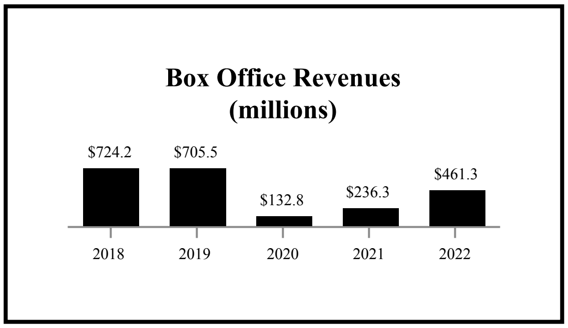
Cineplex believes that the following are important factors in the film exhibition industry in Canada:

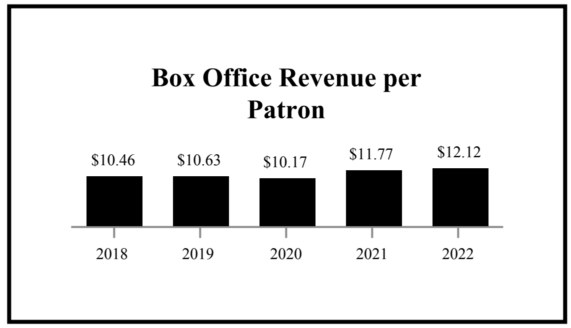
- *Importance of theatrical success in establishing movie brands and subsequent movies.* Theatrical exhibition is the initial and most important channel for new motion picture releases. Cineplex's ability to operate successfully depends upon the availability, diversity and appeal of filmed content, the 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. While studios have experimented with different release strategies through secondary channels such as streaming, initial theatrical releases continue to be the most vital channel for film success as evidenced by the successful box office releases of *Top Gun: Maverick, Black Panther: Wakanda Forever* and *Avatar: The Way of Water.*

- *Continued supply of successful films.* Studios are increasingly producing film franchises, such as the Marvel & DC universes, *Fast & Furious* and *Avatar* among others. Additionally, new franchises continue to be developed. When the first film in a franchise is successful, subsequent films in the franchise benefit from existing public awareness and anticipation. The result is that such features typically attract large audiences and generate strong box office revenues. The success of a broader range of film genres also benefits film exhibitors. In 2023, the studios are currently planning to release a strong slate of films, including *M3GAN, Ant-Man and the Wasp: Quantumania, Cocaine Bear, Creed III, Scream 6, Shazam! Fury of the Gods, John Wick: Chapter 4, The Super Mario Bros. Movie, Evil Dead Rise, Guardians of the Galaxy Vol. 3, Fast X, The Little Mermaid, Spider-Man: Across the Spider-Verse, Transformers: Rise of the Beasts, The Flash, Elemental, Indiana Jones and the Dial of Destiny, Mission: Impossible - Dead Reckoning - Part One, Barbie, Oppenheimer, The Marvels, Teenage Mutant Ninja Turtles: Mutant Mayhem, Gran Turismo, Haunted Mansion, The Equalizer 3, The Nun 2, Kraven the Hunter, Dune: Part Two, The Hunger Games: The Ballad of Songbirds and Snakes, Wish, Wonka* and *Aquaman and the Lost Kingdom.* In spite of changing release models, Cineplex remains confident that traditional studios will continue to commit a significant number of films with an exclusive theatrical window in addition to recent announcements by streaming companies to release theatrical film product.

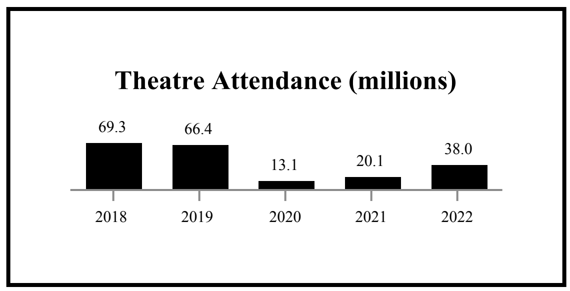
- *Convenient and affordable form of out-of-home entertainment.* Cineplex's BPP was $12.12 and $11.77 in 2022 and 2021, respectively. Excluding the impact of Cineplex's premium-priced product, BPP was $10.35 and $10.25 in 2022 and 2021, respectively. The movie-going experience continues to provide value and compares favourably to alternative forms of out-of-home entertainment in Canada such as professional sporting events or live theatre, and with Cineplex, Scene+ members enjoy the ability to earn points towards Cineplex products as well as discounts and special offers. CineClub members also have benefits accessible across Cineplex's businesses nationwide including Cineplex theatres, the Cineplex Store and LBE venues.

- *Providing a variety of premium and enhanced guest theatre experiences.* Premium priced theatre offerings include 3D, 4DX, UltraAVX, VIP, IMAX, D-BOX, ScreenX and *Cineplex Clubhouse*. BPP for premium-priced product was $15.95 in 2022, and accounted for 41.8% of total box office revenues in 2022. Recent enhancements and offerings to the current circuit include the addition of one IMAX auditorium, one ScreenX auditorium, one UltraAVX auditorium and six state-of-the-art auditoriums with all-recliner seating, including one UltraAVX auditorium and D-BOX seats at *Cineplex Junxion Kildonan,* which opened on December 9, 2022.





Cineplex's leading market position enables it to effectively manage film, food service and other theatre-level costs, thereby maximizing operating efficiencies. Cineplex seeks to continue to achieve incremental operating savings by, among other things, implementing best practices and negotiating improved supplier contracts. In addition, Cineplex continues to evaluate its existing theatre portfolio on an ongoing basis.



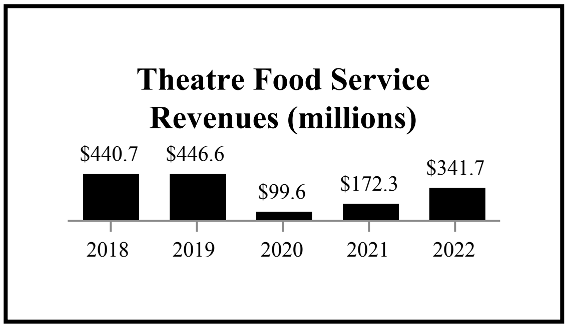
Cineplex theatres are also ideal locations for meetings and corporate events. Organizations, particularly corporations with offices across the country, can use Cineplex's theatres and digital technology for annual meetings, product launches and employee or customer events, producing revenue streams independent of film exhibition.

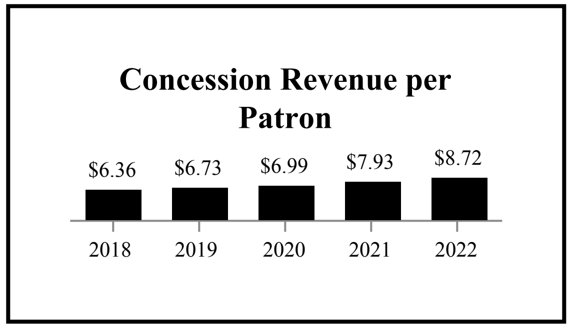
Cineplex opened its first-ever *Junxion* location at *Cineplex Junxion Kildonan* in Winnipeg, Manitoba on December 9, 2022. *Cineplex Junxion* offers best-in-class guest experience by bringing together movies, amusement gaming, dining and live performances in one venue.

Theatre Food Service

Cineplex's theatre food service business offers guests a range of food choices to enhance their theatre experience while generating strong profit margins for the company. Cineplex's theatres feature its internally developed brands: *Outtakes* and *Melt*. Certain Cineplex theatres also feature popular fast food retail branded outlets ("RBO's") including Starbucks among others.

Cineplex continually focuses on process improvements designed to increase the speed of service at the concession counter in addition to optimizing the RBO's available at Cineplex's theatres. Each of the wide range of menu items available at *Outtakes* locations, expanded liquor service available in theatres, partnerships with Uber Eats and Skip The Dishes as well as the expanded menu and the licensed lounge service available at VIP Cinemas are designed to reach a wider market and to increase both purchase incidence and transaction value. Digital menu boards installed across the circuit offer flexibility in menu offerings to guests which contribute to an improved guest experience while also creating additional revenue opportunities.





Alternative Programming

Alternative programming includes Cineplex's international film programming as well as content offered under its *Event Cinema* brand offerings, including The Metropolitan Opera, sporting events, concerts and dedicated event screens. International film programming includes Bollywood content as well as Cantonese, Hindi, Punjabi, Mandarin, Korean and Filipino language films, amongst others, in select theatres across the country based on local demographics. This programming attracts a more diverse audience, expanding Cineplex's demographic reach and enhancing revenues.

The success of Cineplex's alternative programming events has led to offerings including the National Theatre's production of *Prima Facie*, Metropolitan Opera productions including the live broadcast of Verdi's *Don Carlos* and screening select television content on the big screen. Cineplex offers the Classic Film Series and Family Favourites programming at non-peak hours to enhance theatre utilization rates. As additional content becomes available, Cineplex will continue to expand its alternative programming offerings.

Cineplex Pictures focuses on the acquisition of feature film rights for both theatrical release and in home viewing in Canada. *Cineplex Pictures* distributed a limited number of films including the feature film *Ella and the Little Sorcerer* on March 4, 2022 and *One Piece Film Red* on November 4, 2022.

On January 5, 2023, Cineplex Pictures entered into a theatrical distribution partnership with Lionsgate to distribute their 2023 film slate in Canada. This includes *John Wick: Chapter 4*, *Are You There God? It's Me, Margaret*, and *Hunger Games: The Ballad of Songbirds and Snakes*.

Digital Commerce

Cineplex's digital products consist of cineplex.com, the Cineplex mobile app and the Cineplex Store. Cineplex has developed cineplex.com into one of the leading entertainment sites in Canada, a destination of choice for Canadians seeking movie entertainment information on the internet. The website offers streaming video, movie information, show-times and the ability to buy tickets online, entertainment news and box office reports as well as advertising and digital commerce opportunities. To complement cineplex.com, the Cineplex mobile app is available as a free download for a wide variety of devices, providing guests with the ability to find show-times, buy tickets as well as find information relating to the latest movie choices and movie-related entertainment content in addition to providing mobile food and beverage ordering in VIP auditoriums.

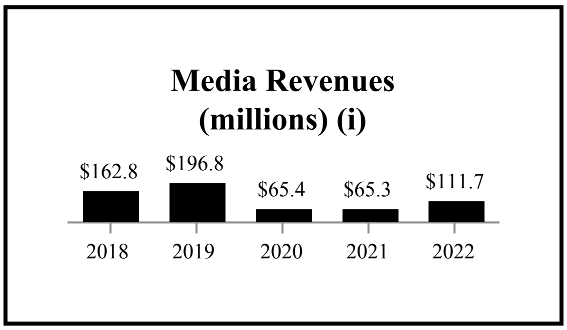
These features and others enable Cineplex to engage and interact with its guests online and on-the-go, allowing Cineplex to offer engaging, targeted and sponsored content to visitors and advertisers, resulting in opportunities to generate additional revenues.

The Cineplex Store offers a catalog of over 11,000 titles in digital form (transactional video-on-demand ("TVOD")) including *Home Premiere* offerings (premium video on demand ("PVOD") and premium electronic sell through ("PEST")). Cineplex continues to improve the user experience including releasing new Cineplex Store user interfaces and experiences across the website and multiple connected televisions and device apps.

Cineplex's strong brand association with movies and well-established partnerships with movie studios combined with Cineplex's website, app and the Cineplex Store provide Cineplex with the ability to expand its touchpoints to consumers across multiple channels. As emerging technologies continue to change the ways in which content is consumed, Cineplex will continue to leverage its digital commerce properties to provide guests with in home and on-the-go options for content delivery.

MEDIA

Cineplex's media businesses cover two major categories: cinema media, which incorporates advertising mediums related to theatre exhibition, and digital place-based media which provides digital signage solutions.



(i) Media revenues for prior year periods have been restated to present revenue amounts from continuing operations.

Cinema Media

Cinema media incorporates advertising mediums related to theatre exhibition. Cineplex's media advertising arrangements are impacted by theatre attendance levels which drive impressions and ultimately impact media revenue generated by Cineplex.

Cineplex's core cinema media offerings include:

- Show-time advertising, which runs just prior to the movie trailers in the darkened auditorium with limited distractions;
- Pre-show advertising, featured on the big screen as guests settle in to enjoy their movie night, in the period prior to Show-time;
- Digital lobby advertising and digital poster cases located in high traffic areas featuring big, bold digital signage; and
- Online and mobile advertising sales through cineplex.com and the Cineplex mobile app.

Cineplex's theatres also provide opportunities for advertisers' special media placements (including floor and door coverings, window clings, standees, banners, samplings, activations and lobby domination setups).

In addition to these individual offerings, Cineplex offers integrated solutions that can cross over some or all of the above-mentioned platforms. Advertisers can utilize these forms of media individually or take advantage of an integrated advertising program spanning multiple platforms. In partnership with its digital commerce platforms, Cineplex offers online media packages that include page dominations, page skins, pre-roll and post-roll advertising; all with geo-targeting capabilities.

Cineplex also generates revenues from the sale of sponsorship and advertising at LBE venues.

Digital Place-Based Media

Cineplex Digital Media is an end-to-end digital experience company that offers digital signage solutions and in-store retail media networks for leading brands in shopping centers, restaurants, retailers, and entertainment destinations. CDM is embracing its unique position in connection with Cineplex Media to shift its focus toward media-led networks, like in its mall networks, to further monetize these networks and offer new value and business models to clients.

Cineplex Digital Media is focused on providing its clients smart solutions including the utilization of Flex SmartEngine, a data-driven machine learning software platform that optimizes digital signage to deliver the right content, to the right audience at the right time. CDM has already proven high impact with CDM's SmartEngine rollout to 1,000 branch locations of a leading Canadian bank, improving their customer engagement.

Cineplex Digital Media's project management, system design, network operations, and creative services teams, combined with the support of Cineplex's Media sales team have Cineplex well positioned to expand its media reach throughout its current infrastructure as well as in numerous place-based advertising locations across the country. Cineplex believes that the strength of its digital place-based media assets make it a leader in the indoor digital signage industry and provide a platform for significant growth throughout North America.

AMUSEMENT SOLUTIONS AND LBE

Amusement and leisure includes two primary areas of operations:

- Amusement solutions, comprised of P1AG which is one of the largest distributors and operators of amusement, gaming and vending equipment in North America;
- Location-based entertainment, which includes social entertainment destinations featuring gaming, entertainment and dining, including *The Rec Room,* and *Playdium.*

Amusement Solutions

Cineplex's amusement solutions business, P1AG, generates revenues from the following activities in both Canada and the United States:

- Route operations: P1AG collects a revenue share on games revenues earned by P1AG-owned amusement and vending equipment placed into third party locations such as family entertainment centres, arcades, theatres, restaurants, bars and other locations;
- Third party equipment sales; and
- Operating family entertainment centres.

In addition to expanding Cineplex's amusement and gaming presence outside of its theatres, the growth of P1AG has allowed Cineplex to vertically integrate its gaming operations. Cineplex's in-theatre gaming business features Cineplex's 44 XSCAPE Entertainment Centres as well as arcade games in select Cineplex theatres, LBE venues and the newly opened *Junxion* location, with all of the games supplied by P1AG.

Location-based Entertainment

Cineplex operates LBE establishments under the brand names *The Rec Room* and *Playdium,* as well as other family entertainment centres.

The Rec Room is a social entertainment destination targeting millennials featuring a wide range of entertainment options including simulation, redemption, video, recreational gaming, attractions, and a live entertainment venue for watching a wide range of entertainment programming. 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.

The Rec Room earns revenues from food and beverage service, from amusement, gaming and leisure attraction play, and from ticket sales for events held within the destination. Cineplex has ten locations of *The Rec Room.*

Playdium targets families and teens in mid-sized communities across Canada. Cineplex has three locations of *Playdium.*

LOYALTY

During the third quarter of 2022, Cineplex and Scotiabank welcomed Empire Company Limited as a co-owner of the Scene+ loyalty program, bringing together the full benefits of SCENE with Scotia Rewards and Empire's family of brands. The Scene+ loyalty program also provides Cineplex with significant data and a more comprehensive understanding of the demographics and behaviors of its audience.

Scene+ is a customer loyalty program designed to offer members discounts and the opportunity to earn and redeem points. Scene+ members can earn and redeem points for purchases at Cineplex's theatres, at its location-based entertainment establishments at the Cineplex Store as well as at locations operated by select program partners. Scene+ members also can earn and redeem points at a wide variety of popular retailers, including Empire's family of brands and redeem points as statement credits on certain Scotiabank products, as well as book flexible travel.

The Scene+ loyalty program has been well received as evidenced by the strong membership, high engagement and satisfaction levels of its program members. Management believes Scene+ will drive further growth and engagement, expanding the membership base by providing members with more reward options and ways to earn and redeem points. Through Scene+, Cineplex has gained a more thorough understanding of its customers, driven increased customer frequency, increased overall customer spending across its businesses and provides Cineplex with the targeted ability to communicate directly and regularly with customers.

The Scene+ customer database has allowed Cineplex to segment the member population and provide special offers to Cineplex's guests, implement targeted marketing programs and deliver tailored messages to subsets of the membership base, providing members with relevant information and offers which in turn drive increased frequency and spend. Cineplex continues to influence consumer behavior through the use of Scene+ points and experience upgrades for Scene+ members in its initiatives as well as in partnership with movie studios.

Cineplex has gained tremendous insight into customer behavior with over 15 years of data collected. Cineplex will continue to focus on leveraging this data through marketing automation to drive customer behavior as well as accelerating the adoption of artificial intelligence and machine learning for more robust consumer insight. Scene+ will continue to build its strategic marketing partnerships with participating partners across Canada, providing promotions and offerings.

4. 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 36.4% of revenue in 2022.

The following table presents the revenue mix for comparative years:

Revenue mix % by period	**2022**	**2021**	**2020**	**2019**	**2018**
Box office	**36.4 %**	36.0 %	31.8 %	42.4 %	44.9 %
Food service	**30.1 %**	28.5 %	26.0 %	29.0 %	29.5 %
Media	**8.8 %**	9.9 %	15.6 %	11.8 %	10.1 %
Amusement	**19.4 %**	20.5 %	18.6 %	13.7 %	12.8 %
Other	**5.3 %**	5.1 %	8.0 %	3.1 %	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	Full Year	
	2022	**2021**
Film Entertainment and Content	69.5 %	68.0 %
Media	8.7 %	9.9 %
Amusement and Leisure	13.1 %	15.3 %
LBE	8.7 %	6.8 %
Total	**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. Cineplex's share of the Canadian theatre exhibition market based on Canadian industry box office revenues was approximately 76% for the quarter and 74% for the year ended December 31, 2022.

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. 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 DOOH (in public spaces such as shopping malls and office towers), quick service restaurants, financial institutions and retailers. Cineplex Digital Media revenue is impacted by mall attendance which affect impressions and revenue generated.

Amusement revenues include amusement solutions revenues from P1AG, which supplies and services all the games in Cineplex's theatre circuit while also supplying equipment to third party arcades, amusement parks and centres, bowling alleys and theatre circuits across Canada and the United States, in addition to owning and operating FECs.

Additionally, included in amusement revenues are revenues generated by Cineplex’s XSCAPE Entertainment Centres and game rooms in theatres as well as revenues generated at LBE venues.

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

Cost of Sales and Expenses

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

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

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

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

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

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

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

Other operating expenses consist of fixed and variable expenses, with the largest component being theatre salaries and wages. Although theatre salaries and wages 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") up to December 16, 2022 (Section 5.2, Operating Results, Share of loss (income) of joint ventures and associates), 50% interest in *YoYo's Yogurt Cafe* ("YoYo's") and 33.3% interest in Scene+ are classified as joint ventures or associates. Cineplex's investment in YoYo's is carried at nil value. 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 then 50% economic interest in Scene LP, the operator of the Scene+ loyalty program. Cineplex holds a 1/3rd ownership interest in Scene LP as at December 31, 2022

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+.

5. RESULTS OF OPERATIONS

5.1 SELECTED FINANCIAL DATA

The following table presents summarized financial data for Cineplex for the three most recently completed financial years (expressed in thousands of dollars except shares outstanding, per share data and per patron data, unless otherwise noted):

	Year ended December 31, 2022	Year ended December 31, 2021	Year ended December 31, 2020
Box office revenues	$ 461,272	$ 236,320	$ 132,820
Food service revenues	381,386	186,998	108,632
Media revenues	111,728	65,330	65,358
Amusement revenues	246,601	134,473	77,901
Other revenues	67,575	33,548	33,552
Total revenues	**1,268,562**	**656,669**	**418,263**
Film cost	238,897	114,674	66,922
Cost of food service	87,702	41,683	30,667
Depreciation - right-of-use assets	95,517	102,247	128,393
Depreciation and amortization - other assets	105,197	113,042	124,846
Gain on disposal of assets	(57,807)	(28,283)	(13,101)
Other costs (a)	687,738	439,554	375,690
Impairment of long-lived assets	—	3,717	294,863
Costs of operations	**1,157,244**	**786,634**	**1,008,280**
Net income (loss) from continuing operations	$ 113	(248,722)	(624,001)
Net loss from discontinued operations	—	—	(4,952)
Net income (loss)	$ 113	$ (248,722)	$ (628,953)
Adjusted EBITDA (i) (v)	$ 251,694	$ 59,927	$ (55,866)
Adjusted EBITDAaL (i) (v)	$ 81,672	$ (84,295)	$ (182,815)
(a) Other costs include:			
Theatre occupancy expenses	62,378	40,945	60,514
Other operating expenses	560,898	339,313	276,092
General and administrative expenses (v)	64,462	59,296	39,084
Total other costs	**$ 687,738**	**$ 439,554**	**$ 375,690**
EPS from continuing operations - basic and diluted (v)	$ —	$ (3.93)	$ (9.85)
EPS from discontinued operations - basic and diluted	$ —	$ —	$ (0.08)
EPS - basic and diluted (v)	**$ —**	**$ (3.93)**	**$ (9.93)**
Total assets	$ 2,150,454	$ 2,114,838	$ 23,338,700
Long-term debt (iv)	$ 824,888	$ 739,211	$ 725,271
Shares outstanding at period end	63,375,400	63,344,298	63,333,238
Cash dividends declared per Share	$ —	$ —	$ 0.150
Adjusted free cash flow per share (ii)	$ 0.053	$ (2.392)	$ (2.556)
Box office revenue per patron (iii)	$ 12.12	$ 11.77	$ 10.17
Concession revenue per patron (iii)	$ 8.72	$ 7.93	$ 6.99
Film cost as a percentage of box office revenues	51.8%	48.5%	50.4%
Theatre attendance (in thousands of patrons) (iii)	38,045	20,080	13,065
Theatre locations (at period end)	158	160	162
Theatre screens (at period end)	1,637	1,652	1,667

(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 $3.6 million (2021 - $11.4 million).

5.2 OPERATING RESULTS FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2022

Total revenues

Total revenues for the three months ended December 31, 2022 increased $50.2 million (16.7%) to $350.1 million as compared to the prior year period. Total revenues for the year ended December 31, 2022 increased $611.9 million (93.2%) to $1.3 billion 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 full year (in thousands of dollars, except theatre attendance reported in thousands of patrons and per patron amounts, unless otherwise noted):

Box office revenues	**Fourth Quarter**			**Full Year**		
	2022	**2021**	**Change**	**2022**	**2021**	**Change**
Box office revenues	$ 120,248	$ 125,890	-4.5%	$ 461,272	$ 236,320	95.2 %
Theatre attendance (i)	9,208	10,245	-10.1%	38,045	20,080	89.5 %
Box office revenue per patron (i)	$ 13.06	$ 12.29	6.3%	$ 12.12	$ 11.77	3.0 %
BPP excluding premium priced product (i)	$ 10.64	$ 10.40	2.3%	$ 10.35	$ 10.25	1.0 %
Same theatre box office revenues (i)	$ 119,280	$ 124,863	-4.5%	$ 454,580	$ 233,278	94.9 %
Same theatre attendance (i)	9,148	10,161	-10.0%	37,652	19,861	89.6 %
% Total box from premium priced product (i)	50.0%	47.3%	2.7%	41.8 %	38.7 %	3.1 %

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

Box office continuity	**Fourth Quarter**		**Full Year**	
	Box Office	**Theatre Attendance**	**Box Office**	**Theatre Attendance**
2021 as reported	$ 125,890	10,245	$ 236,320	20,080
Same theatre attendance change	(12,446)	(1,013)	208,967	17,791
Impact of same theatre BPP change	5,810	—	6,482	—
New and acquired theatres (i)	531	32	3,965	195
Disposed and closed theatres (i)	(590)	(56)	(315)	(21)
Scene+ points issued presented as marketing costs	1,053	—	5,853	—
2022 as reported	**$ 120,248**	**9,208**	**$ 461,272**	**38,045**

(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.

	Fourth Quarter 2022 Top Cineplex Films	**3D**	**% Box**		**Fourth Quarter 2021 Top Cineplex Films**	**3D**	**% Box**
1	Avatar: The Way of Water	✔	25.2 %	1	Spider-Man: No Way Home	✔	23.7 %
2	Black Panther: Wakanda Forever	✔	19.9 %	2	No Time to Die	✔	13.4 %
3	Black Adam		9.0 %	3	Dune	✔	11.4 %
4	Smile		6.5 %	4	Venom: Let There Be Carnage	✔	8.4 %
5	Ticket to Paradise		3.6 %	5	Eternals	✔	8.3 %

	Full Year 2022 Top Cineplex Films	3D	% Box		Full Year 2021 Top Cineplex Films	3D	% Box
1	Top Gun: Maverick		9.4 %	1	Spider-Man: No Way Home	✔	12.6 %
2	Avatar: The Way of Water	✔	6.8 %	2	Shang-Chi And The Legend Of The Ten Rings	✔	8.0 %
3	Doctor Strange In The Multiverse of Madness	✔	5.8 %	3	No Time to Die	✔	7.1 %
4	Black Panther: Wakanda Forever	✔	5.4 %	4	Dune	✔	6.1 %
5	The Batman		5.3 %	5	Venom: Let There Be Carnage	✔	4.5 %

Fourth Quarter and Full Year

Box office revenues decreased $5.6 million to $120.2 million during the fourth quarter of 2022, compared to $125.9 million recorded in the same period in 2021. This decrease was due to a 1.0 million (10.1%) decrease in theatre attendance from 10.2 million to 9.2 million. The decrease in theatre attendance was largely attributable to less first run film product caused by shifts in film releases due to production delays resulting from the COVID-19 pandemic. Attendance was also negatively impacted by winter weather systems and storms across Canada during the key holiday period. In addition, both Christmas eve and New Year’s Eve fell on weekends in 2022, further negatively impacting attendance. The impact of lower attendance was partially offset by an all-time quarterly record BPP of $13.06.

BPP for the three months ended December 31, 2022 was $13.06, representing an all-time quarterly record for Cineplex and an increase of $0.77 or 6.3% from $12.29 reported in the prior year period. The increase in BPP was primarily due to the highly anticipated films, *Black Panther: Wakanda Forever* and *Avatar: The Way of Water*, which drove guests to premium experiences, resulting in a fourth quarter record of premium priced products accounting for 50% of the total box office. The launch of Scene+ in December 2021 resulted in the cost of Scene+ points issued being recognized as marketing costs, as opposed to reductions of revenue prior to this. This also resulted in a change in revenue recognition and caused an increase in box office revenues during the quarter of $2.3 million and an increase in BPP of $0.25, with a corresponding increase in marketing costs of $2.3 million with respect to Scene+ points issued on box office transactions.

For the year ended December 31, 2022, box office revenues increased $225.0 million to $461.3 million, compared to $236.3 million recorded in the prior year period. This increase was primarily due to a 18.0 million (89.5%) increase in theatre attendance from 20.1 million to 38.0 million as Cineplex’s theatre circuit was open for the majority of the year, operating at full capacity, as compared to theatre closures and operating restrictions that materially impacted the prior year.

Cineplex’s BPP for the year ended December 31, 2022 was an annual record of $12.12, which increased $0.35 or 3.0% from $11.77 reported in the prior year period. This increase was due to a higher percentage of box office revenue from premium priced offerings, which accounted for 41.8% of Cineplex’s box office revenues in the year ended December 31, 2022, as compared to 38.7% in the prior year. Contributing to the increase was the addition of three VIP locations which opened in 2021 that completed their first full year of operations, as well as additional Screen X and 4DX auditoriums. The reorganization of SCENE resulted in a change in revenue recognition leading to higher box office revenues during the full year of $8.6 million, a BPP increase of $0.23, with a corresponding increase in marketing costs of $8.6 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 full year (in thousands of dollars, except theatre attendance and same store attendance reported in thousands of patrons and per patron amounts):

Food service revenues	**Fourth Quarter 2022**	**Fourth Quarter 2021**	**Fourth Quarter Change**	**Full Year 2022**	**Full Year 2021**	**Full Year Change**
Food service - theatres	$ 82,242	$ 76,695	7.2 %	$ 331,567	$ 159,201	108.3 %
Food delivery - theatres	2,201	2,999	-26.6 %	10,125	13,052	-22.4 %
Food service - LBE	12,725	7,550	68.5 %	39,694	14,745	169.2 %
Total food service revenues	**$ 97,168**	**$ 87,244**	**11.4 %**	**$ 381,386**	**$ 186,998**	**104.0 %**
Theatre attendance (i)	$ 9,208	$ 10,245	-10.1 %	38,045	20,080	89.5 %
CPP (i) (ii)	$ 8.93	$ 7.49	19.2 %	$ 8.72	$ 7.93	10.0 %
Same theatre food service revenues (i)	$ 81,248	$ 75,872	7.1 %	$ 324,925	$ 156,557	107.5 %
Same theatre attendance (i)	9,148	10,161	-10.0 %	37,652	19,861	89.6 %

(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	**Fourth Quarter Theatre Food Service**	**Fourth Quarter Theatre Attendance**	**Full Year Theatre Food Service**	**Full Year Theatre Attendance**
2021 as reported	$ 76,695	10,245	$ 159,201	20,080
Same theatre attendance change	(7,562)	(1,013)	140,241	17,791
Impact of same theatre CPP change	11,967	—	22,636	—
New and acquired theatres (i)	516	32	3,971	195
Disposed and closed theatres (i)	(346)	(56)	26	(21)
Scene+ points issued presented as marketing costs	972	—	5,492	—
2022 as reported	**$ 82,242**	**9,208**	**$ 331,567**	**38,045**

(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.

Fourth Quarter and Full Year

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 $9.9 million (11.4%) from $87.2 million to $97.2 million during the fourth quarter due to both higher theatre and LBE food service revenues. Theatre food service revenues increased $5.5 million (7.2%) to $82.2 million as compared to the prior year period. The increase in theatre food services revenue was due to a $1.44 or 19.2% increase to an all-time quarterly CPP record of $8.93 which offset the decrease in theatre attendance. Cineplex's theatre circuit operated without restrictions, compared to the prior year period where operating restrictions were reinstated in December 2021, prohibiting food consumption in Ontario during the holiday period which historically have higher consumer spend. The increase in food service revenues was also attributable to a $5.2 million increase in LBE food service revenue to $12.7 million, an all-time quarterly record, due to higher group and events bookings during the quarter.

The reorganization of SCENE resulted in a change in revenue recognition leading to higher concession revenues during the quarter of $2.1 million, a CPP increase of $0.23 with a corresponding increase in marketing costs of $2.1 million, with respect to Scene+ points issued on concession transactions.

For the year ended December 31, 2022, food service revenues increased by $194.4 million (104.0%) from $187.0 million to $381.4 million, primarily due to a $172.4 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 18.0 million to 38.0 million. LBE food service revenue also increased $24.9 million for the full year from $14.7 million to $39.7 million, representing an annual record, further contributing to the increase in food service revenue. The prior year period was materially impacted by government mandated theatre and LBE venues closures, restrictions on indoor dining and operating restrictions.

Cineplex's CPP during the year ended December 31, 2022 was $8.72, an annual record which increased by $0.79 or 10.0%. 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 full year of $8.3 million, a CPP increase of $0.22, with a corresponding increase in marketing costs of $8.3 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 full year (in thousands of dollars):

Media revenues	**Fourth Quarter**			**Full Year**		
	2022	**2021**	**Change**	**2022**	**2021**	**Change**
Cinema media	$ 30,229	$ 22,007	37.4 %	$ 72,275	$ 32,958	119.3 %
Digital place-based media	14,324	10,788	32.8 %	39,453	32,372	21.9 %
Total media revenues	**$ 44,553**	**$ 32,795**	**35.9%**	**$ 111,728**	**$ 65,330**	**71.0%**

Fourth Quarter and Full Year

Total media revenues increased $11.8 million or 35.9% to $44.6 million during the fourth quarter of 2022 compared to the prior year period. The increase during the fourth quarter was primarily due to the increase in cinema advertising with increased advertising opportunities related to the release of highly anticipated movies, including *Black Panther: Wakanda Forever* and *Avatar: The Way of Water*. The increase in total media revenues during the fourth quarter is also attributable to the $3.5 million increase in digital placed-media revenues as a result of increased advertising at DOOH networks.

For the year ended December 31, 2022, total media revenues increased $46.4 million or 71.0% to $111.7 million. The increase during the annual period was primarily due to an increase in cinema media due to significant increases in pre-show and show-time advertising revenues, resulting in an annual increase of $39.3 million. 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 period was subject to capacity restrictions negatively impacting media revenues, while the increase in cinema media revenue during the current annual period reflects an increase in theatre attendance levels when compared to the prior year period. During the current annual period, digital placed-based media revenues increased by $7.1 million compared to the prior year period 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 full year (in thousands of dollars):

Digital place-based media revenues	Fourth Quarter			Full Year		
	2022	2021	Change	2022	2021	Change
Project revenues (i)	$ 5,023	$ 3,502	43.4 %	$ 15,293	$ 10,516	45.4 %
Other revenues (ii)	9,301	7,286	27.7 %	24,160	21,856	10.5 %
Total digital place-based media revenues	**$ 14,324**	**$ 10,788**	**32.8%**	**$ 39,453**	**$ 32,372**	**21.9%**

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

Amusement revenues

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

Amusement revenues	Fourth Quarter			Full Year		
	2022	2021	Change	2022	2021	Change
Amusement - P1AG excluding Cineplex exhibition and LBE (i)	$ 40,204	$ 31,804	26.4 %	$ 165,681	$ 100,282	65.2 %
Amusement - Cineplex exhibition (i)	3,035	1,963	54.6 %	12,284	4,943	148.5 %
Amusement - LBE	17,608	11,329	55.4 %	68,636	29,248	134.7 %
Total amusement revenues	**$ 60,847**	**$ 45,096**	**34.9%**	**$ 246,601**	**$ 134,473**	**83.4%**

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

Fourth Quarter and Full Year

Amusement revenues increased $15.8 million or 34.9% as compared to the prior year period to a fourth quarter record of $60.8 million. The increase was primarily due to a $8.4 million increase in P1AG amusement revenues from US and Canada route locations at FEC's and theatres, along with an increase in distribution sales. The increase is also attributable to a $6.3 million increase in LBE amusement revenues as a result of more groups and events bookings during the holiday season, resulting in a fourth quarter record of $17.6 million. The prior year period was impacted by operating restrictions including proof of vaccination requirements, negatively impacting amusement revenues.

For the year ended December 31, 2022, amusement revenues increased $112.1 million or 83.4% to $246.6 million, an annual record. The increase was primarily due to a $65.4 million increase in P1AG amusement revenues from US and Canada route locations at FEC's and theatres. Further contributing to the increase was a $39.4 million (134.7%) increase in LBE amusement revenues from $29.2 million to $68.6 million, representing an annual record. The increase is also attributable to increased operating activities during the current annual 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 full year for P1AG (in thousands of dollars):

P1AG Summary	Fourth Quarter			Full Year		
	2022	2021	Change	2022	2021	Change
Amusement revenues	**$ 40,204**	**$ 31,804**	**26.4%**	**$ 165,681**	**$ 100,282**	**65.2%**
Operating expenses	33,762	26,940	25.3 %	134,155	87,579	53.2 %
Cash rent related to lease obligations (i)	1,075	913	17.7 %	4,055	3,994	1.5 %
Total	**$ 34,837**	**$ 27,853**	**25.1%**	**$ 138,210**	**$ 91,573**	**50.9%**
P1AG adjusted EBITDAaL (ii)	**$ 5,367**	**$ 3,951**	**35.8%**	**$ 27,471**	**$ 8,709**	**215.4%**
P1AG adjusted EBITDAaL Margin (iii)	**13.3 %**	**12.4 %**	**0.9%**	**16.6 %**	**8.7 %**	**7.9%**

(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 $8.4 million to $40.2 million during the quarter and $65.4 million to $165.7 million during the annual 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 was 13.3% during the fourth quarter with P1AG adjusted EBITDAaL margin increasing from 8.7% to 16.6% during the annual period. P1AG adjusted EBITDAaL during the fourth quarter was $5.4 million, a fourth quarter record, and was $27.5 million during the annual period, an annual record, representing an increase of $1.4 million and $18.8 million, respectively. Efficient management of operating expenses, despite the inflationary pressure, including realizing the benefits of subsidy programs where available in the early months of 2022, allowed for the growth in margins for the annual period when compared to the prior year period. Payroll costs were reduced by the CEWS and THRP wage subsidy programs for the annual period by $0.8 million (2021 - $3.1 million).

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

LBE Summary	Fourth Quarter			Full Year		
	2022	2021	Change	2022	2021	Change
Food service revenues	$ 12,725	$ 7,550	68.5 %	$ 39,694	$ 14,745	169.2 %
Amusement revenues	17,608	11,329	55.4 %	68,636	29,248	134.7 %
Media and other revenues	1,293	522	147.8 %	2,502	769	225.3 %
Total revenues	**$ 31,626**	**$ 19,401**	**63.0 %**	**$ 110,832**	**$ 44,762**	**147.6 %**
Cost of food service	3,396	1,976	71.9 %	11,095	3,986	178.4 %
Operating expenses before adjustments (i)	16,224	10,357	56.6 %	54,681	23,482	132.9 %
Cash rent related to lease obligations (ii)	2,740	2,335	17.3 %	10,681	7,849	36.1 %
Total	**$ 22,360**	**$ 14,668**	**52.4 %**	**$ 76,457**	**$ 35,317**	**116.5 %**
Adjusted store level EBITDAaL (iii)	**$ 9,266**	**$ 4,733**	**95.8 %**	**$ 34,375**	**$ 9,445**	**263.9 %**
Adjusted store level EBITDAaL Margin (iv)	**29.3 %**	**24.4 %**	**4.9 %**	**31.0 %**	**21.1 %**	**9.9 %**

(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 fourth quarter of 2022, revenues increased by $12.2 million (63.0%) to an all-time quarterly record of $31.6 million when compared to the prior year period. Revenues for the annual period increased by $66.1 million (147.6%) to an annual record of $110.8 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. Additionally, the current period also includes the full-year operations of one additional *Playdium* location and two additional *The Rec Room* locations that opened during prior year period, resulting in increased LBE amusement revenues when compared to the prior year period. Lastly, LBE revenues also increased from higher groups and events bookings in both the current quarter and annual period.

Adjusted EBITDAaL for the fourth quarter of 2022 was a fourth quarter record of $9.3 million and adjusted EBITDAaL for the annual period was $34.4 million. Adjusted EBITDAaL for the fourth quarter of 2021 included approximately $1.2 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 annual period of $2.7 million (2021 - $7.6 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 full year (in thousands of dollars):

Other revenues	**Fourth Quarter**			**Full Year**		
	2022	**2021**	**Change**	**2022**	**2021**	**Change**
Total other revenues	$ 27,308	$ 8,926	205.9%	$ 67,575	$ 33,548	101.4%

Fourth Quarter and Full Year

The quarterly and annual increase in other revenues is primarily due to the implementation of an online booking fee introduced on June 15, 2022 that applies to tickets purchased through Cineplex's mobile app and website. This online booking fee generated $5.2 million and $11.7 million during the fourth quarter and full year, respectively. The increase in other revenues in both the quarter and full year is also attributed to breakage revenues related to gift cards and other prepaid products.

Film cost

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

Film cost	**Fourth Quarter**			**Full Year**		
	2022	**2021**	**Change**	**2022**	**2021**	**Change**
Film cost	$ 63,567	$ 61,990	2.5 %	$ 238,897	$ 114,674	108.3 %
Film cost percentage (i)	52.9%	49.2%	3.7 %	51.8%	48.5%	3.3 %
(i) Represents a supplementary financial measure. See Section 17, Non-GAAP and other financial measures.						

Fourth Quarter and Full Year

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

The increase in film cost and film cost percentage during the fourth quarter and annual period over the prior year periods is due to the release of first-run film product including *Top Gun: Maverick*, *Black Panther: Wakanda Forever* and *Avatar: The Way of Water.* Film cost percentage increased 3.7% and 3.3% for the fourth quarter and annual period, respectively, as compared to the prior year periods due to the top films in 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 full year (in thousands of dollars, except percentages and margins per patron):

Cost of food service	**Fourth Quarter**			**Full Year**		
	2022	**2021**	**Change**	**2022**	**2021**	**Change**
Cost of food service - theatre	$ 19,275	$ 19,066	1.1 %	$ 76,607	$ 37,697	103.2 %
Cost of food service - LBE	3,396	1,976	71.9 %	11,095	3,986	178.4 %
Total cost of food service	**$ 22,671**	**$ 21,042**	**7.7 %**	**$ 87,702**	**$ 41,683**	**110.4 %**
Theatre concession cost percentage (i)	22.8%	23.9%	-1.1 %	22.4%	21.9%	0.5 %
LBE food cost percentage (i)	26.7%	26.2%	0.5 %	28.0%	27.0%	1.0 %
Theatre concession margin per patron (i)	$ 6.89	$ 5.70	20.9 %	$ 6.76	$ 6.19	9.2 %
(i) Represents a supplementary financial measure. See Section 17, Non-GAAP and other financial measures.						

Fourth Quarter and Full Year

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 quarterly and annual increase in cost of food service is positively correlated to the increase in food service revenues recognized during the quarter and annual 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 fourth quarter decreased when compared to the prior year period. The decrease is partly due to greater wastage from expired or damaged product in the fourth quarter of 2021 resulting from operational disruptions in response to government restrictions. Theatre concession cost percentage for the annual 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 fourth quarter and annual period when compared to the prior year periods 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 full year (in thousands of dollars):

Depreciation and amortization expenses	Fourth Quarter			Full Year		
	2022	2021	Change	2022	2021	Change
Depreciation of property, equipment and leaseholds	$ 22,777	$ 24,754	-8.0 %	$ 94,085	$ 102,277	-8.0 %
Amortization of intangible assets and other	2,798	2,747	1.9 %	11,112	10,765	3.2 %
Sub-total - depreciation and amortization - other assets	**$ 25,575**	**$ 27,501**	**-7.0%**	**$ 105,197**	**$ 113,042**	**-6.9%**
Depreciation - right-of-use assets	23,491	25,041	-6.2 %	95,517	102,247	-6.6 %
Total depreciation and amortization	**$ 49,066**	**$ 52,542**	**-6.6%**	**$ 200,714**	**$ 215,289**	**-6.8%**

Fourth Quarter and Full Year

Depreciation of property, equipment and leaseholds decreased by $2.0 million, or 8.0% during the quarter compared to the prior year period, and by $8.2 million or 8.0% for the annual period compared to the prior year period. The decrease was primarily due to fully depreciated property, equipment and leaseholds.

The quarterly and annual 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 $1.6 million and $6.7 million during the quarter and annual 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.

Impairment of long-lived assets

The following table highlights the movement in impairment of long-lived assets during the quarter and the full year (in thousands of dollars):

(Reversal) impairment of long-lived assets	Fourth Quarter			Full Year		
	2022	2021	Change	2022	2021	Change
(Reversal) impairment of property, equipment and leaseholds, net	$ (10,204)	$ 943	NM	$ (10,204)	$ 943	NM
(Reversal) impairment of right-of-use assets	(9,676)	2,774	-448.8%	(9,676)	2,774	-448.8%
(Reversal) impairment of long-lived assets	$ (19,880)	$ 3,717	-634.8%	$ (19,880)	$ 3,717	-634.8%

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. In addition, for assets other than goodwill and indefinite-lived intangible assets, indicators are assessed considering whether an impairment loss previously recognized may no longer exist or may have decreased.

Fair value less cost to sell is determined using discounted cash flow models that incorporate significant key assumptions relating to attendance and the related revenue growth rates, and discount rates. Further, other assumptions are required pertaining to variable and fixed cash flows, and operating margins. Cineplex projects revenue, operating margins and cash flows for a period of five years, and applies a perpetual long-term growth rate thereafter.

The attendance and revenue growth rates are derived from Cineplex's Board approved budget which considers projected attendance based on film releases, past experience, as well as economic, industry and market trends. Discount rates applied to the groups of goodwill cash-generating units ("CGUs") represent Cineplex's assessment of the risks specific to each group of CGUs regarding the time value of money and individual risks of the underlying assets. Cineplex used discount rates between 10.3% and 14.3% (2021 - between 8.0% and 13.6%), and perpetual growth rates between 0.5% and 1.0% (2021 - between 0.5% and 1.0%), which are consistent with the observed long-term average growth rates in the exhibition, amusement and leisure, and digital media industries. The higher discount rates primarily reflect an increase in long-term risk-free rates. The impact of the increased discount rates on Cineplex's recoverable amounts were more than offset by the impact of higher cash flows over the forecasted period.

The determination of fair value less costs of disposal is sensitive to the growth rates, discount rates, and long-term growth rates used. The risk premiums expected by market participants related to uncertainties about the industry and assumptions relating to future cash flows may differ, depending on economic conditions and other events. Accordingly, it is reasonably possible that future changes in assumptions may negatively impact future assessments of the recoverable amount for groups of CGUs.

Based on Cineplex's assessment of indicators of impairment for long-lived asset CGUs, two theatre location CGUs were noted to have impairment indicators. Based on the results of the impairment tests for these CGUs, Cineplex recognized non-cash impairment charges of $3.5 million to property, equipment and leaseholds and $0.4 million to right-of-use assets for the year ended December 31, 2022.

Cineplex reviews previously impaired assets for indicators of impairment recovery at each balance sheet date. During the current period, the renegotiation of a favourable rent arrangement at a location in its theatre operations resulted in significantly higher cash flows, and the reversal of previously recognized impairment. The recovery of the LBE portfolio has been significant, consistent with out-of-home dining and the amusement industry. As a result, Cineplex has reversed previously recognized impairments. Based on the results, Cineplex recognized a reversal of previously recognized impairment of $13.7 million to property, equipment and leaseholds and $10.1 million to right-of-use assets for the year ended December 31, 2022.

Increasing concerns over the new highly transmissible Omicron COVID-19 variant and increased daily COVID-19 case counts led to shutdowns and restrictions in several provinces that materially affected operations representing a triggering event requiring impairment testing for long-lived assets, indefinite-lived intangible assets and goodwill at December 31, 2021. During the fourth quarter of 2021, government imposed restrictions were reinstituted in several provinces reducing capacity limits to 50% and requiring temporary theatre closures in Quebec. Further government-imposed restrictions were reinstated or modified subsequent to December 31, 2021 resulting in temporary theatre closures in three additional provinces. Based on the results of the impairment tests, Cineplex recognized non-cash impairment charges of $0.9 million to property, equipment and leaseholds and $2.8 million to right-of-use assets for the year ended December 31, 2021.

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 losses.

(Gain) loss on disposal of assets

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

(Gain) loss on disposal of assets	Fourth Quarter			Full Year		
	2022	2021	Change	2022	2021	Change
(Gain) loss on disposal of assets	$ (3,466)	$ 1,576	NM	$ (57,807)	$ (28,283)	104.4%

Fourth Quarter and Full Year

The (gain) loss on disposal of assets recognized during the fourth quarter is primarily made up of a $3.8 million gain recognized on the windup of Cineplex's investment in CDCP which took place on December 16, 2022. The gain was partially offset by nominal activity on the disposal of Cineplex's assets.

The annual gain on disposal of assets is primarily 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 of 2022. The prior year gain is primarily related 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 full year (in thousands of dollars):

Other costs	Fourth Quarter			Full Year		
	2022	2021	Change	2022	2021	Change
Theatre occupancy expenses	$ 15,504	$ 13,176	17.7 %	$ 62,378	$ 40,945	52.3 %
Other operating expenses	155,930	129,023	20.9 %	560,898	339,313	65.3 %
General and administrative expenses	16,163	15,771	2.5 %	64,462	59,296	8.7 %
Total other costs	**$ 187,597**	**$ 157,970**	**18.8%**	**$ 687,738**	**$ 439,554**	**56.5%**

Theatre occupancy expenses

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

Theatre occupancy expenses	Fourth Quarter			Full Year		
	2022	2021	Change	2022	2021	Change
Cash rent paid/payable (i)	$ 37,168	$ 32,415	14.7 %	$ 147,797	$ 113,080	30.7 %
Other occupancy	16,727	14,786	13.1 %	68,043	57,852	17.6 %
One-time items (ii)	(1,543)	(863)	78.8 %	(3,839)	(4,690)	-18.1 %
Total theatre occupancy including cash lease payments	**$ 52,352**	**$ 46,338**	**13.0%**	**$ 212,001**	**$ 166,242**	**27.5%**
Cash rent paid/payable related to lease obligations (iii)	(36,848)	(33,162)	11.1 %	(149,623)	(125,297)	19.4 %
Theatre occupancy as reported	**$ 15,504**	**$ 13,176**	**17.7%**	**$ 62,378**	**$ 40,945**	**52.3%**

(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	Fourth Quarter Occupancy	Full Year Occupancy
2021 as reported	$ 13,176	$ 40,945
Impact of new and acquired theatres	170	1,038
Impact of disposed theatres	(257)	934
Same store rent change (i)	3,769	23,681
One-time items	(681)	850
Decrease in subsidies	1,590	16,728
Other	1,424	2,528
Impact of IFRS 16:		
Cash rent related to lease obligations	(3,687)	(24,326)
2022 as reported	**$ 15,504**	**$ 62,378**

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

Fourth Quarter and Full Year

Theatre occupancy expenses increased $2.3 million or 17.7% during the fourth quarter of 2022 compared to the prior year period. This increase was primarily due to the reduction in abatements and 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 largely due to government imposed capacity restrictions. Same-store rent increased $3.8 million primarily due to lower rent relief measures negotiated with landlord partners which were $6.6 million higher in the prior year period.

For the year ended December 31, 2022, theatre occupancy expenses increased $21.4 million or 52.3% 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 $23.7 million primarily due to lower rent relief measures negotiated with landlord partners, which were $28.9 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 - $23.9 million).

Other operating expenses

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

Other operating expenses	Fourth Quarter			Full Year		
	2022	2021	Change	2022	2021	Change
Theatre payroll	$ 35,928	$ 30,766	16.8 %	$ 126,311	$ 63,818	97.9 %
Theatre operating expenses	28,779	27,146	6.0 %	106,037	66,188	60.2 %
Media	15,153	13,146	15.3 %	50,301	37,263	35.0 %
P1AG	34,837	27,853	25.1 %	138,210	91,573	50.9 %
LBE (i)	18,964	12,692	49.4 %	65,362	31,331	108.6 %
LBE pre-opening (ii)	—	—	NM	—	1,354	-100.0 %
SCENE	10,578	8,641	22.4 %	36,277	29,019	25.0 %
Marketing	3,315	5,211	-36.4 %	9,854	10,710	-8.0 %
Scene+ point issuance	4,347	—	NM	16,920	—	NM
Other (iii)	9,201	7,605	21.0 %	29,709	24,676	20.4 %
Other operating expenses including cash lease payments	**$ 161,102**	**$ 133,060**	**21.1%**	**$ 578,981**	**$ 355,933**	**62.7%**
Cash rent paid/payable related to lease obligations (iv)	(5,172)	(4,037)	28.1 %	(18,083)	(16,620)	8.8 %
Total other operating expenses	**$ 155,930**	**$ 129,023**	**20.9%**	**$ 560,898**	**$ 339,313**	**65.3%**

(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	Fourth Quarter	Full Year
2021 as reported	$ 129,023	$ 339,313
Impact of new and acquired theatres	314	2,769
Impact of disposed theatres	(438)	(629)
Same theatre payroll change (i)	5,183	61,053
Same theatre operating expenses change (i)	1,654	39,315
Media operating expenses change	2,007	13,038
P1AG operating expenses change	6,984	46,637
LBE operating expenses change	6,272	34,031
LBE pre-opening change	—	(1,354)
SCENE change	1,938	7,258
Marketing change	(1,897)	(857)
Scene+ point issuance change	4,347	16,920
Other	1,678	4,868
Impact of IFRS 16:		
Cash rent related to lease obligations	(1,135)	$ (1,464)
2022 as reported	**$ 155,930**	**$ 560,898**

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

Fourth Quarter and Full Year

Other operating expenses increased $26.9 million or 20.9% during the fourth quarter of 2022 compared to the prior year period. This increase is partly attributable to P1AG operating expenses of $34.8 million which increased by $7.0 million compared to the prior year period as a result of increased sales. There were no government mandated restrictions imposed during the fourth 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 $6.3 million increase in LBE operating expenses compared to the prior year period. Cineplex also recognized a $1.9 million increase in SCENE operating costs, and a $4.3 million increase in marketing expenses relating to the presentation of the cost of issuance of Scene+ points. Cineplex recognized $8.9 million payroll and other subsidies in the fourth quarter of 2021, and substantially none in the current quarter.

For the year ended December 31, 2022, 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 $61.1 million and $39.3 million, respectively, as Cineplex's theatres operated for the entire period without the 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 operating expenses of $138.2 million, an increase of $46.6 million compared to the prior year. LBE businesses operated without any government imposed restrictions, resulting in a $34.0 million increase in LBE other operating expenses compared to the prior year. Cineplex also recognized a $7.3 million increase in SCENE operating costs, and a $16.9 million increase in marketing expenses relating to the presentation of the cost of issuance of Scene+ points. For the annual period, Cineplex received $22.1 million (2021 - $54.8 million) of subsidies, comprised of $19.6 million (2021 - $48.4 million) of payroll subsidies of which $14.7 million (2021 - $30.6 million) was offset against theatre payroll, and $2.4 million (2021 - $6.4 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 full year, including share-based compensation costs, and G&A net of these costs (in thousands of dollars):

G&A expenses	Fourth Quarter			Full Year		
	2022	2021	Change	2022	2021	Change
G&A excluding the following items	$ 14,874	$ 12,597	18.1 %	$ 56,850	$ 43,508	30.7 %
Restructuring	128	133	-3.8 %	1,939	731	165.3 %
Transaction / Litigation costs	857	2,275	-62.3 %	3,592	11,395	-68.5 %
LTIP (i)	566	800	-29.3 %	2,834	4,065	-30.3 %
Option plan	321	523	-38.6 %	1,563	1,903	-17.9 %
G&A expenses including cash lease payments	**$ 16,746**	**$ 16,328**	**2.6%**	**$ 66,778**	**$ 61,602**	**8.4%**
Cash rent paid/payable included as part of lease obligations (ii)	(583)	(557)	4.7 %	(2,316)	(2,306)	0.4 %
G&A expenses as reported	**$ 16,163**	**$ 15,771**	**2.5%**	**$ 64,462**	**$ 59,296**	**8.7%**

(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.

Fourth Quarter and Full Year

G&A expenses increased $0.4 million during the fourth quarter of 2022 compared to the prior year period. Cineplex recognized $0.8 million of labour subsidies in the fourth quarter of 2021, and an immaterial amount in the fourth quarter of 2022. Cineplex incurred $0.9 million (2021 - $2.3 million) of expenses related to litigation and claims recovery arising from the Cineworld Transaction during the quarter (Section 1.1, Cineworld Transaction and Bankruptcy Filing).

G&A expenses for the annual period increased $5.2 million compared to the prior year. The change was primarily due to a $4.5 million increase in payroll expenses and a $5.8 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 $7.8 million received in 2021. Cineplex incurred annual costs relating to litigation and claims recovery arising from the Cineworld Transaction of $3.6 million (2021 - $11.4 million) (Section 1.1, Cineworld Transaction and Bankruptcy Filing)).

Share of loss (income) of joint ventures and associates

Cineplex's joint ventures and associates include its 78.2% interest in CDCP up to December 16, 2022 (2021 - 78.2%), 33.3% interest in Scene+ (2021 - 50%), 50% interest in one IMAX screen in Ontario (2021 - 50%) and a 50% interest in YoYo's (2021 - 50%). Cineplex's investment in YoYo's is carried at nil value.

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

Share of loss (income) of joint ventures and associates	**Fourth Quarter**			**Full Year**		
	2022	**2021**	**Change**	**2022**	**2021**	**Change**
Share of loss (income) of CDCP	$ 3	$ (2,439)	NM	$ (489)	$ (146)	234.9 %
Share of loss of Scene+	2,254	794	183.9%	3,095	794	289.8 %
Share of (income) loss of other joint ventures and associates	(20)	(136)	-85.3%	2	107	-98.1 %
Total loss (income) of joint ventures and associates	**$ 2,237**	**$ (1,781)**	**NM**	**$ 2,608**	**$ 755**	**245.4%**

Fourth Quarter and Full Year

For the annual period, Cineplex recorded income from CDCP of $0.5 million. CDCP distributed its assets to its partners during the fourth quarter of 2022, and Cineplex recognized a return of capital of $4.4 million under IAS 28*, Investments in Associates and Joint Ventures.* Cineplex recorded a loss of $2.3 million and $3.1 million during the quarter and full year, respectively, from Scene+.

Interest expense

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

Interest expense	**Fourth Quarter**			**Full Year**		
	2022	**2021**	**Change**	**2022**	**2021**	**Change**
Interest expense on long-term debt	$ 15,672	$ 16,127	-2.8 %	$ 62,791	$ 60,918	3.1 %
Lease interest expense (i)	16,315	14,533	12.3 %	61,347	57,744	6.2 %
Financing fees	751	542	38.6 %	1,293	863	49.8 %
Sub-total - cash interest expense	**$ 32,738**	**$ 31,202**	**4.9%**	**$ 125,431**	**$ 119,525**	**4.9%**
Deferred financing fee accretion and other non-cash interest, net	172	148	16.2 %	632	960	-34.2 %
Accretion expense on Debentures and Notes Payable	4,845	4,164	16.4 %	18,677	15,973	16.9 %
Interest rate swap - non-cash	(674)	(5,282)	-87.2 %	(22,072)	(12,730)	73.4 %
Sub-total - non-cash interest expense	**4,343**	**(970)**	**NM**	**(2,763)**	**4,203**	**NM**
Total interest expense	**$ 37,081**	**$ 30,232**	**22.7%**	**$ 122,668**	**$ 123,728**	**-0.9%**
Total cash interest paid	**$ 32,698**	**$ 42,379**	**-22.8%**	**$ 127,807**	**$ 108,851**	**17.4%**
(i) Represents total cash interest paid and accrued cash interest related to lease obligations.						

Lease interest expense breakdown	Fourth Quarter			Full Year		
	2022	2021	Change	2022	2021	Change
Cash interest paid - lease obligation	$ 16,091	$ 14,581	10.4 %	$ 60,566	$ 56,708	6.8 %
Accrued cash interest - lease obligation	224	(48)	-566.7 %	781	1,036	-24.6 %
Total lease interest expense	**$ 16,315**	**$ 14,533**	**12.3%**	**$ 61,347**	**$ 57,744**	**6.2%**

Fourth Quarter and Full Year

Total interest expense increased $6.8 million for the quarter when compared to the prior year period. The increase was caused by changes in the fair value of the interest rate swap resulting in a $4.6 million increase in non-cash interest expense. Cash interest expense relating to the issuance of Notes Payable (Section 7.4, Long-term debt) completed in the first quarter of 2021 and Debentures (Section 7.4, Long-term debt) during the third quarter of 2020, resulted in Notes Payable cash interest expense of $4.7 million (2021 - $4.7 million) and Debentures cash interest of $4.6 million (2021 - $4.6 million). Cineplex recognized accretion expense relating to the issuance of Notes Payable and Debentures of $0.2 million (2021 - $0.2 million) and $4.6 million (2021 - $3.9 million), respectively.

For the year ended December 31, 2022, interest expense decreased $1.1 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 $9.3 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 7.4, Long-term debt) completed in the first quarter of 2021 and Debentures (Section 7.4, Long-term debt) during the third quarter of 2020, resulting in a Notes Payable cash interest expense of $18.8 million (2021 - $15.8 million) and a Debentures cash interest of $18.2 million (2021 - $18.2 million). Lease interest expense increased by $3.6 million when compared to the prior period as a result of higher incremental borrowing rates due to lease modifications negotiated with landlord partners. Cineplex recognized an accretion expense relating to the issuance of Notes Payable and Debentures of $1.1 million (2021 - $0.8 million) and $17.6 million (2021 - $15.2 million), respectively.

Interest income

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

Interest income	Fourth Quarter			Full Year		
	2022	2021	Change	2022	2021	Change
Interest income	$ 125	$ 30	316.7%	$ 277	$ 232	19.4%

Foreign exchange

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

Foreign exchange	Fourth Quarter			Full Year		
	2022	2021	Change	2022	2021	Change
Foreign exchange loss (gain)	$ 257	$ (109)	NM	$ (1,371)	$ (43)	NM

Fourth Quarter and Full Year

The movement in the foreign exchange during the quarter was due to the change in the CAD/USD foreign exchange month end rate from 1.3707 at September 30, 2022 to 1.3544 at December 31, 2022.

For the year ended December 31, 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 1.3544 at December 31, 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 full year (in thousands of dollars):

Change in fair value of financial instruments	Fourth Quarter			Full Year		
	2022	2021	Change	2022	2021	Change
(Gain) loss on financial instruments recorded at fair value	$ (970)	$ (5,420)	-82.1%	$ 6,260	$ (8,790)	NM

Fourth Quarter and Full Year

For the year ended December 31, 2022, 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 7.4, Long-term debt).

Income taxes

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

Income taxes	Fourth Quarter			Full Year		
	2022	2021	Change	2022	2021	Change
Provision for income taxes	$ 1,921	$ —	100.0%	$ 1,197	$ 3,339	-64.2%

Fourth Quarter and Full Year

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 December 31, 2022.

The 2022 current tax provision is primarily due to higher taxable income in excess of available non-capital losses for certain entities in the consolidated group. The 2021 current tax expense represents Ontario minimum tax paid on the filings of 2020 tax returns as a result of losses carried back to offset taxable income. The minimum tax paid is creditable against future Ontario income tax payable.

Cineplex’s combined statutory income tax rate at December 31, 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 filed an appeal to the Tax Court of Canada in respect of the NOR. On June 28, 2021, Cineplex received a response from the Attorney General of Canada representing the CRA confirming its position with respect to the disallowance of the losses. The appeal is currently proceeding through the pre-trial steps and Cineplex believes that it should prevail in defending its original filing position, although no assurance can be given in this regard as the appeal process proceeds.

Non-capital losses available for carry-forward expire as follows (in thousands of dollars):

2027	$2,502
2028	8,822
2029	5,122
2030	2,184
2032	254
2034	1,947
2035	2,770
2036	2,749
2037	11,584
2038	3,110
2040	5,933
2041	241,361
2042	118,591
Indefinite	28,966
	$ 435,895

Losses denominated in US dollars are presented at the Canadian dollar equivalent using the December 31, 2022 exchange rate.

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

The following table presents net income (loss), EBITDA, adjusted EBITDA and adjusted EBITDAaL for the year ended December 31, 2022 as compared to the prior year period (expressed in thousands of dollars, except adjusted EBITDAaL margin):

NET INCOME (LOSS), EBITDA AND ADJUSTED EBITDAaL	Fourth Quarter			Full Year		
	2022	2021	Change	2022	2021	Change
Net income (loss)	$ 10,168	$ (21,778)	NM	$ 113	$(248,722)	NM
Net income (loss) as a percentage of sales	2.9 %	(7.3)%	10.2%	— %	(37.9)%	37.9%
EBITDA	$ 98,111	$ 60,966	60.9%	$ 324,415	$ 93,402	247.3%
Adjusted EBITDA	$ 74,186	$ 58,328	27.2%	$ 251,694	$ 59,927	320.0%
Adjusted EBITDAaL	$ 31,197	$ 20,198	54.5%	$ 81,672	$ (84,295)	NM
Adjusted EBITDAaL margin	8.9 %	6.7 %	2.2%	6.4 %	(12.8)%	19.2%

Fourth Quarter and Full Year

Net income and adjusted EBITDAaL for the fourth quarter of 2022 was $10.2 million and $31.2 million, respectively, as compared to a net loss of $21.8 million and an adjusted EBITDAaL of $20.2 million, respectively, in the prior year period. The removal of operating restrictions on Cineplex's theatres and LBE venues across Canada, along with greater available film product contributed to the movement in both net income (loss) and adjusted EBITDAaL. Increases in amusement and food service revenues further contributed to the movement in net income (loss) and adjusted EBITDAaL when compared to the prior year period. Cineplex also reversed previously recognized non-cash impairments during the fourth quarter of 2022, contributing to the increase in net income (loss).

Net income and adjusted EBITDAaL for the year ended December 31, 2022 was $0.1 million and $81.7 million, respectively, as compared to a net loss of $248.7 million and an adjusted EBITDAaL loss of $84.3 million, respectively, in the prior year period. The movement in both net income (loss) and adjusted EBITDAaL was primarily due to improved performance as a result of the removal of operating restrictions on Cineplex theatres and LBE venues across Canada, compared to operating restrictions that remained in effect throughout the prior year period.

6. BALANCE SHEETS

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

	December 31, 2022	December 31, 2021	Change ($)	Change (%)
Assets				
Current assets				
Cash and cash equivalents	$ 34,674	$ 26,938	$ 7,736	28.7%
Trade and other receivables	107,088	80,679	26,409	32.7%
Income taxes receivable	2,033	1,984	49	2.5%
Inventories	36,916	24,899	12,017	48.3%
Prepaid expenses and other current assets	15,659	13,365	2,294	17.2%
Fair value of interest rate swap agreements	8,993	—	8,993	NM
	205,363	147,865	57,498	38.9%
Non-current assets				
Property, equipment and leaseholds	449,495	464,439	(14,944)	-3.2%
Right-of-use assets	772,978	768,675	4,303	0.6%
Fair value of interest rate swap agreements	2,426	—	2,426	NM
Interests in joint ventures	650	7,423	(6,773)	-91.2%
Intangible assets	80,428	81,651	(1,223)	-1.5%
Goodwill	636,134	635,545	589	0.1%
Derivative financial instrument	2,980	9,240	(6,260)	-67.7%
	$ 2,150,454	$ 2,114,838	$ 35,616	1.7%
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	$ 195,296	$ 157,950	$ 37,346	23.6%
Income taxes payable	3,736	1,945	1,791	92.1%
Deferred revenue and other	220,527	293,206	(72,679)	-24.8%
Lease obligations	96,093	101,058	(4,965)	-4.9%
Fair value of interest rate swap agreements	—	8,063	(8,063)	-100.0%
	515,652	562,222	(46,570)	-8.3%
Non-current liabilities				
Share-based compensation	3,752	4,940	(1,188)	-24.0%
Long-term debt	824,888	739,211	85,677	11.6%
Fair value of interest rate swap agreements	—	6,160	(6,160)	-100.0%
Lease obligations	1,004,546	1,004,465	81	—%
Post-employment benefit obligations	6,970	9,973	(3,003)	-30.1%
Other liabilities	6,460	7,590	(1,130)	-14.9%
	2,362,268	2,334,561	27,707	1.2%
Shareholders' deficit				
Total shareholders' deficit	(211,814)	(219,723)	7,909	-3.6%
	$ 2,150,454	$ 2,114,838	$ 35,616	1.7%

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

Trade and other receivables. The increase in trade and other receivables is primarily due to timing of billing and collection of trade receivable, particularity gift card resellers. December represents the highest volume month for gift card and voucher sales.

Income taxes receivable. The increase in income taxes receivable is primarily due to exchange rates affecting 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 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.

Property, equipment and leaseholds. The decrease in property, equipment and leaseholds is due to amortization expense ($94.1 million), asset dispositions ($0.6 million), and foreign exchange impact ($1.1 million). This was offset by additions to new build and other capital expenditures ($43.6 million) and maintenance capital expenditures ($24.8 million). Cineplex recognized non-cash impairment charges of $3.5 million to property, equipment and leaseholds and reversal of previously recognized impairments of $13.7 million.

Right-of-use assets. The increase in right-of-use assets is due to lease additions ($4.6 million), and lease extensions and modifications ($85.4 million) and reversals of previously recognized impairments ($9.7 million), offset by amortization expense ($95.5 million), asset dispositions ($0.1 million), and foreign exchange impact ($0.3 million). Cineplex recognized non-cash impairment charges of $0.4 million to its right-of-use assets and reversal of previously recognized impairments of $10.1 million.

Interests in joint ventures. The decrease in interest in joint ventures is primarily due to the windup of Cineplex's investment in CDCP during the fourth quarter of 2022 and $3.1 million loss realized from its investment in Scene LP.

Intangible assets. The decrease in intangible assets is due to amortization expense ($11.1 million), partially offset by the capitalization of software development costs ($9.8 million).

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

Accounts payable and accrued expenses. The increase in accounts payable and accrued liabilities is primarily due to increased business volumes.

Share-based compensation. The decrease in share-based compensation is primarily due to the decrease in share price, which was $8.05 per share at December 31, 2022 as compared to $13.61 at December 31, 2021 (see Section 9, Share activity).

Income taxes payable. The increase in income taxes payable represents the liabilities for current income tax expense relating to 2022 in excess of tax installments paid for certain taxable entities in the consolidated group.

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 third quarter of 2022, 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 7.4, 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 7.4, Long-term debt).

7. LIQUIDITY AND CAPITAL RESOURCES

7.1 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 months and year ended December 31, 2022 and 2021 (in thousands of dollars):

Cash flows provided by operating activities	**Fourth Quarter**			**Full Year**		
	2022	**2021**	**Change**	**2022**	**2021**	**Change**
Net income (loss) from operations	$ 10,168	$ (21,778)	$ 31,946	$ 113	$ (248,722)	$ 248,835
Adjustments to reconcile net income (loss) to net cash provided by operating activities:						
Depreciation and amortization of other assets (i)	25,575	27,501	(1,926)	105,197	113,042	(7,845)
Depreciation of right-of-use assets	23,491	25,041	(1,550)	95,517	102,247	(6,730)
Unrealized foreign exchange	204	78	126	(1,160)	55	(1,215)
Interest rate swap agreements - non-cash interest	(674)	(5,282)	4,608	(22,072)	(12,730)	(9,342)
Accretion of convertible debentures	4,845	4,164	681	18,677	15,973	2,704
Other non-cash interest (ii)	172	148	24	632	960	(328)
(Gain) loss on disposal of assets	(3,466)	1,576	(5,042)	(57,807)	(28,283)	(29,524)
Non-cash share-based compensation	1,267	1,228	39	6,382	4,292	2,090
(Reversal) impairment of long-lived assets	(19,880)	3,717	(23,597)	(19,880)	3,717	(23,597)
Change in fair value of financial instrument	(970)	(5,420)	4,450	6,260	(8,790)	15,050
Net change in interests in joint ventures and associates	2,983	(2,088)	5,071	1,394	1,805	(411)
Changes in operating assets and liabilities	15,907	(1,405)	17,312	(26,105)	117,438	(143,543)
Net cash provided by operating activities	**$ 59,622**	**$ 27,480**	**$ 32,142**	**$ 107,148**	**$ 61,004**	**$ 46,144**

(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.

Fourth Quarter

Cash provided by operating activities during the fourth quarter of 2022 was $59.6 million as compared to $27.5 million in the prior year period. The movement was primarily due to improved operating results as Cineplex's theatres and LBE venues were operating at full capacity leading to improved operating results. Further contributing to the movement was the increase in food service and amusement revenues, resulting in a quarterly record for amusement revenues recognized.

Full Year

Cash provided by operating activities during the year ended December 31, 2022 was $107.1 million as compared to $61.0 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.

7.2 INVESTING ACTIVITIES

The following table highlights the movements in cash used in investing activities for the three months and year ended December 31, 2022 and 2021 (in thousands of dollars):

Cash flows (used in) provided by investing activities	Fourth Quarter			Full Year		
	2022	2021	Change	2022	2021	Change
Proceeds from disposal of assets, net	$ 21	$ 68	$ (47)	$ 1,843	$ 63,215	$ (61,372)
Purchases of property, equipment and leaseholds	(27,559)	(5,052)	(22,507)	(64,317)	(23,627)	(40,690)
Intangible assets additions	(1,485)	(1,992)	507	(9,904)	(9,200)	(704)
Tenant inducements	7,063	1,044	6,019	11,249	8,068	3,181
Net cash received from joint ventures and associates	62	1,995	(1,933)	5,380	1,995	3,385
Net cash (used in) provided by investing activities	**$ (21,898)**	**$ (3,937)**	**$ (17,961)**	**$ (55,749)**	**$ 40,451**	**$ (96,200)**

Fourth Quarter

Cash used in investing activities during the fourth quarter of 2022 was $21.9 million, as compared to $3.9 million in the prior year period. The movement was primarily due to increased capital spend on previously committed projects.

Full Year

Cash used in investing activities during the year ended December 31, 2022 was $55.7 million as compared to cash provided by investing activities of $40.5 million. The decrease was primarily due to increased capital spend on previously committed projects and cash proceeds received in the prior year period from the sale of Cineplex's head office building.

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	Fourth Quarter			Full Year		
	2022	2021	Change	2022	2021	Change
Gross capital expenditures	$ 27,559	$ 5,052	$ 22,507	$ 64,317	$ 23,627	$ 40,690
Less: tenant inducements	(7,063)	(1,044)	(6,019)	(11,249)	(8,068)	(3,181)
Net capital expenditures	**$ 20,496**	**$ 4,008**	**$ 16,488**	**$ 53,068**	**$ 15,559**	**$ 37,509**
Net capital expenditures consists of:						
Growth and acquisition capital expenditures (i)	$ 8,678	$ 2,525	$ 6,153	$ 25,557	$ 13,110	$ 12,447
Tenant inducements	(7,063)	(1,044)	(6,019)	(11,249)	(8,068)	(3,181)
Media growth capital expenditures	406	2,647	(2,241)	3,694	4,238	(544)
Premium formats (ii)	3,103	399	2,704	6,417	258	6,159
Amusement and leisure growth capital expenditures (excluding LBE build expenditures)	2,481	445	2,036	3,448	1,133	2,315
Maintenance capital expenditures	12,734	5,335	7,399	24,811	6,937	17,874
Other (iii)	157	(6,299)	6,456	390	(2,049)	2,439
	$ 20,496	**$ 4,008**	**$ 16,488**	**$ 53,068**	**$ 15,559**	**$ 37,509**

(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.

7.3 FINANCING ACTIVITIES

The following table highlights the movements in cash from financing activities for the three months and year ended December 31, 2022 and 2021 (in thousands of dollars):

Cash flows used in financing activities	Fourth Quarter			Full Year		
	2022	2021	Change	2022	2021	Change
(Repayments) borrowings under credit facility, net	$ (5,000)	$ 1,000	$ (6,000)	67,000	(246,000)	$ 313,000
Repayments of lease obligations - principal	(26,141)	(25,525)	(616)	(109,166)	(88,259)	(20,907)
Exercise of cash option	—	—	—	113	—	113
Issuance of notes payable, net	—	—	—	—	243,996	(243,996)
Financing fees	(752)	(542)	(210)	(1,294)	(863)	(431)
Net cash used in financing activities	**$ (31,893)**	**$ (25,067)**	**$ (6,826)**	**$ (43,347)**	**$ (91,126)**	**$ 47,779**

Fourth Quarter

Cash flows used in financing activities were $31.9 million during the fourth quarter of 2022, as compared to $25.1 million in the prior year period. The movement was mainly due to greater repayments under the Credit Facilities and lease obligations compared to the prior year period.

Full Year

Cash flows used in financing activities for the year ended December 31, 2022 were $43.3 million, as compared to $91.1 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.

7.4 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 December 31, 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	$ 541.2	$ 327.0	$ 10.1	$ 204.1
Letters of credit outstanding at December 31, 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 (Secured Overnight Financing Rate) or bankers' acceptances rates plus, in each case, an applicable margin to those rates. The Revolving Facility matures in November 2024. Borrowings on the Revolving Facility can be made in either Canadian or US dollars.

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

On 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, on August 10, 2022 Cineplex entered into the Fifth Credit Agreement Amendment, and on December 22, 2022 Cineplex entered into the Sixth 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 and Sixth 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 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 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.

On December 22, 2022 Cineplex entered into a sixth amending agreement to the Credit Agreement (the "Sixth Credit Agreement Amendment"). The Sixth Credit Agreement Amendment extends the maturity date of the credit facility from November 13, 2023 to November 13, 2024, amends the standard administrative provisions relating to the potential replacement of benchmark rates, and makes certain other administrative amendments.

This summary of the Sixth 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, Fifth and Sixth Credit Agreement Amendment were filed on SEDAR on June 30, 2020, November 13, 2020, February 8, 2021, January 4, 2022, August 10, 2022, and December 22, 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.

One of the key financial covenants in the Credit Facilities is the Total Leverage Ratio which is calculated in accordance with IFRS in effect at November 13, 2018, which excludes the impact of the adoption of IFRS 16 on Cineplex's financial reporting. The definition of debt in the Credit Facilities for the purposes of the Total Leverage Ratio includes the Credit Facilities, financing leases and letters of credit but does not include Debentures, Notes Payable, the lease obligations arising on the adoption of IFRS 16 or a reduction for cash on hand. For the purposes of the Credit Facilities definition, EBITDA is adjusted for certain non-cash, non-recurring items, excluded subsidiaries and the annualized impact of new operating locations or acquisitions. As at December 31, 2022, Cineplex's Total Leverage Ratio was 3.69x, as compared to a covenant not to exceed 3.75x. Cineplex's Senior Leverage Ratio was 2.15x, as compared to a covenant not to exceed 2.75x. Cineplex's fixed charge coverage ratio was 1.29x, as compared to a minimum covenant requirement of 1.25x.

At December 31, 2022, Cineplex was subject to a margin of 3.00% (2021 - 3.00%) on the prime rate and 4.00% (2021 - 4.00%) on the bankers' acceptance rate, plus a 0.25% (2021 - 0.25%) per annum fee for letters of credit issued on the Revolving Facility. The average interest rate on borrowings under the Credit Facilities was 6.90% for the year ended December 31, 2022 (2021 - 6.90%). Cineplex pays a commitment fee on the daily unadvanced portion of the Revolving Facility, which will vary based on certain financial ratios and was 1.00% at December 31, 2022 (2021 - 1.00%).

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

The following table outlines Cineplex's current interest rate swap agreements as of December 31, 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 13, 2025	2.898 %

The interest rate swaps are measured at fair market value at each reporting period with changes in fair market value recorded in interest expense - other, in the consolidated statement of operations.

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 December 31, 2022 Cineplex's effective cost of borrowing on the $450.0 million hedged borrowings was 6.904% (December 31, 2021 - $450.0 million hedged borrowings - 6.904%) before considering rate mitigation through the above swaps. Cineplex will consider its interest rate exposure in conjunction with its overall capital strategy.

Convertible debentures

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

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

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

The fair value of the liability component of the Debentures was assessed at inception based on an estimated market discount rate of 14.1% less the pro-rata portion of transaction costs, and will be accreted to the full face value over the term of the Debentures. Cineplex recorded cash interest expense on the Debentures during the quarter and annual period of $4.6 million (2021 - $4.6 million) and $18.2 million (2021 - $18.2 million), respectively. Furthermore, Cineplex recorded accretion expense during the quarter and annual period of $4.6 million (2021 - $3.9 million) and $17.6 million (2021 - $15.2 million), respectively, both of which are included as part of the interest expense in the consolidated statement of operations. As at December 31, 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 annual period of $4.7 million (2021 - $4.7 million) and $18.7 million (2021 - $15.8 million), respectively. Furthermore, Cineplex recorded accretion expense during the quarter and annual period of $0.2 million (2021 $0.2 million) and $1.0 million (2021 - $0.8 million), respectively, both of which are included as part of interest expense in the consolidated statement of operations As at December 31, 2022, Cineplex has $250.0 million principal amount of Notes Payable outstanding. Cineplex's derivative financial instrument relates to the early prepayment option that fluctuates in value based on market interest rates. The fair value of the embedded derivative was determined using an option pricing model with observable market inputs and is consistent with accepted methods for valuing financial instruments. Cineplex has estimated the fair value of this embedded derivative at $3.0 million as at December 31, 2022 (2021 - $9.2 million), which is presented on the consolidated balance sheets as a derivative financial instrument.

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

7.5 FUTURE OBLIGATIONS

At December 31, 2022, Cineplex had the following contractual or other commitments authorized by the Board (expressed in thousands of dollars):

	Payments due by period				
Contractual obligations	**Total**	**Within 1 year**	**2-3 years**	**4-5 years**	**After 5 years**
Accounts payable and accrued liabilities	$ 195,296	195,296	—	—	—
Long-term debt	327,000	—	327,000	—	—
Interest on long-term debt	42,243	22,575	19,668	—	—
Equipment obligations	1,095	682	320	93	—
Deferred consideration - AMC	3,134	—	3,134	—	—
Convertible debentures	316,250	—	316,250	—	—
Convertible debentures interest	49,969	18,184	31,785	—	—
Notes payable	250,000	—	—	250,000	—
Notes payable interest	63,393	19,910	40,121	3,362	—
Total contractual obligations	**$ 1,236,961**	**$ 256,647**	**$ 738,278**	**$ 253,455**	**$ —**

The following table discloses the undiscounted cash flow for lease obligations as of December 31, 2022:

Less than one year	$ 170,438
One to five years	640,795
More than five years	705,012
Total undiscounted lease obligations	$ 1,516,245

Cineplex has aggregate gross capital commitments of $49.8 million ($41.4 million net of tenant inducements) related to the completion of construction of four operating locations including both theatres and location-based entertainment locations.

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

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

8. 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.

8.1 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 months and year ended December 31, 2022 and 2021 and measures relevant to the discussion of adjusted free cash flow per share (expressed in thousands of dollars except shares outstanding):

	Fourth Quarter			Full Year		
	2022	**2021**	**Change**	**2022**	**2021**	**Change**
Cash flows provided by operations	$ 59,622	$ 27,480	117.0%	$ 107,148	$ 61,004	75.6%
Net income (loss)	$ 10,168	$ (21,778)	NM	$ 113	$ (248,722)	NM
Standardized free cash flow (i)	$ 32,084	$ 22,495	42.6%	$ 44,674	$ 40,709	9.7%
Adjusted free cash flow (i)	$ 1,672	$ (1,032)	NM	$ 3,339	$ (151,517)	NM
Average number of shares outstanding	63,366,796	63,343,223	—%	63,359,240	63,339,239	—%
Adjusted free cash flow per share (i)	$ 0.026	$ (0.016)	NM	$ 0.053	$ (2.392)	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 fourth quarter of 2022 and full year 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, resulting in improved operating results across Cineplex's business resulting in greater revenues and improved net income (loss) when compared to the prior year.

8.2 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.

9. SHARE ACTIVITY

Share capital balances at December 31, 2022 and 2021 and transactions during the periods 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	20,009	196	196
Issuance of shares on settlement of RSU/PSU units	11,093	36	36
Balance - December 31, 2022	**63,375,400**	**$ 852,697**	**$ 852,697**

	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 shares on exercise of options	11,060	86	86
Balance - December 31, 2021	**63,344,298**	**$ 852,465**	**$ 852,465**

Omnibus Incentive Plan

On November 12, 2020, the Board of Directors approved a new 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 3,696,379 provided that no more than 1,893,445 Shares may be issued in aggregate pursuant to the settlement of RSUs and PSUs. Options that were issued under the Legacy Plan and are subsequently cancelled will be available to be issued under the Incentive Plan. The base Share equivalents granted as RSU and PSU awards attract compounding notional dividends at the same rate as outstanding Shares, which are notionally re-invested as additional base Share equivalents. PSU and RSU awards may be settled in Shares issued from treasury, cash, or a mix of Shares and cash, at Cineplex's option at the time of settlement. Awards outstanding under prior plans shall remain in full force and effect under the prior plans according to their respective terms. Under the prior plans, the effects of changes in estimates of performance results are recognized in the year of change. As at December 31, 2022, 1,605,373 Shares are available to be issued under the Incentive Plan (2021 - 1,489,143).

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 recorded $1.6 million of employee benefits expense with respect to the options during the year ended December 31, 2022 (2021 - $1.9 million). The intrinsic value of vested share options at December 31, 2022 is $nil (2021 - $0.7 million), based on the closing Share price of $8.05 per share (2021 - $13.49). 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.

A summary of option activities for the year ended December 31, 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	(87,049)	21.89
Exercised		(34,194)	8.25	(27,363)	8.25
Options outstanding – end of period	7.00	2,102,818	$ 18.90	2,198,805	$ 21.48

Upon cashless exercises, the options exercised in excess of Shares issued are cancelled and returned to the pool available for future grants. At December 31, 2022, 608,738 options are available for grant (2021 - 532,760).

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

RSU

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

A summary of RSU activities during the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
RSUs outstanding, January 1	536,374	295,189
Granted	284,661	315,619
Settled	(229,450)	(44,014)
Cancelled	(26,307)	(30,420)
RSUs outstanding, December 31	565,278	536,374

The RSUs associated with the 2020 LTIP were accounted for as equity-settled in 2022. The RSUs associated with the 2019 LTIP were settled in 2021 for $0.6 million cash.

PSU

During the first quarter of 2022, Cineplex issued 177,973 equity settled PSUs with a fair value of $13.39 per unit (total fair value of $2,383 on issuance). The fair value was assessed based on Cineplex's closing Share price on the grant date. The 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 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.

A summary of PSU activities during the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
PSUs outstanding, January 1	411,258	333,908
Granted	177,973	167,546
Settled	(232,773)	(88,422)
Cancelled	(24,926)	(1,774)
PSUs outstanding, December 31	331,532	411,258

The PSUs associated with the 2020 LTIP were accounted for as equity-settled in 2022 with a performance factor resulting in 100,092 units settled. The PSUs associated with the 2019 LTIP were settled in 2021 for $0.1 million cash.

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. For the year ended December 31, 2022, Cineplex recognized compensation cost of $4.9 million (2021 - $2.9 million) under the Incentive Plan relating to RSU and PSU. At December 31, 2022, $320 (2021 - $0.2 million) was included in current share-based compensation liability and $4.4 million in contributed surplus (2021 - $2.8 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 year ended December 31, 2022, Cineplex recognized compensation recovery of $(2.1) million (2021 expense - $1.2 million) associated with the deferred equity units. At December 31, 2022, $3.4 million (2021 - $4.7 million) was included in share-based compensation liability.

10. SEASONALITY AND QUARTERLY RESULTS

Historically, Cineplex's revenues have been seasonal, coinciding with the timing of major film releases as the most marketable motion pictures were traditionally released during the summer and holiday seasons in Canada. This caused changes from quarter to quarter in theatre attendance, affecting theatre exhibition and Cinema Media revenues and operating cash flows. The seasonality of theatre attendance has become less pronounced as film studios have trended to releasing content more evenly throughout the year, but the unexpected emergence of a hit film can impact seasonality results. The timing, quantity, and quality of film releases can have a significant impact on Cineplex's results of operations, and the results of one period are not necessarily indicative of future results. 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 $327.0 million drawn and $204.1 million available as of December 31, 2022, subject to restrictions under the Credit Facilities including the liquidity covenant described above (Section 7.4, 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, 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			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues								
Box office revenues	**$120,248**	$124,700	$136,372	$ 79,952	$125,890	$ 94,114	$ 12,498	$ 3,818
Food service revenues	**97,168**	105,193	110,637	68,388	87,244	79,971	13,258	6,525
Media revenues	**44,553**	25,224	26,406	15,545	32,795	14,060	9,401	9,074
Amusement revenues	**60,847**	69,607	65,723	50,424	45,096	53,319	22,184	13,874
Other revenues	**27,308**	15,113	10,740	14,414	8,926	8,916	7,585	8,121
	350,124	339,837	349,878	228,723	299,951	250,380	64,926	41,412
Expenses and other income								
Film cost	**63,567**	66,356	69,958	39,016	61,990	45,838	5,611	1,235
Cost of food service	**22,671**	24,839	25,335	14,857	21,042	16,362	2,867	1,412
Depreciation - right-of-use assets	**23,491**	23,277	24,486	24,263	25,041	25,151	25,737	26,318
Depreciation and amortization - other	**25,575**	26,079	26,651	26,892	27,501	28,297	27,735	29,509
(Gain) loss on disposal of assets	**(3,466)**	(49,848)	(4,650)	157	1,576	22	179	(30,060)
Other costs	**187,597**	185,048	176,741	138,352	157,970	139,527	73,352	68,705
(Reversal) impairment of long-lived assets	**(19,880)**	—	—	—	3,717	—	—	—
	299,555	275,751	318,521	243,537	298,837	255,197	135,481	97,119
Income (loss) before income taxes	**$ 50,569**	$ 64,086	$ 31,357	$(14,814)	$ 1,114	$ (4,817)	$(70,555)	$(55,707)
Adjusted EBITDA (i)	**$ 74,186**	$ 63,094	$ 77,939	$ 36,475	$ 58,328	$ 48,606	$(16,902)	$(30,105)
Adjusted EBITDAaL (i)	**$ 31,197**	$ 20,430	$ 35,764	$ (5,719)	$ 20,198	$ 10,762	$(53,165)	$(62,090)
Net income (loss)	**$ 10,168**	$ 30,857	$ 1,313	$(42,225)	$(21,778)	$(33,552)	$(103,704)	$(89,688)
EPS - basic	**$ 0.16**	$ 0.49	$ 0.02	$ (0.67)	$ (0.34)	$ (0.53)	$ (1.64)	$ (1.42)
EPS - diluted	**$ 0.16**	$ 0.43	$ 0.02	$ (0.67)	$ (0.34)	$ (0.53)	$ (1.64)	$ (1.42)
Cash provided by (used in) operating activities	**$ 59,622**	$ 5,811	$ 47,152	$ (5,437)	$ 27,480	$ 52,023	$ 17,133	$(35,632)
Cash (used in) provided by investing activities	**(21,898)**	(14,523)	(8,132)	(11,196)	(3,937)	(2,374)	(1,761)	48,523
Cash (used in) provided by financing activities	**(31,893)**	11,128	(36,349)	13,767	(25,067)	(50,191)	(6,086)	(9,782)
Effect of exchange rate differences on cash	**(11)**	(146)	(181)	22	(9)	(189)	413	140
Net change in cash	**$ 5,820**	$ 2,270	$ 2,490	$ (2,844)	$ (1,533)	$ (731)	$ 9,699	$ 3,249
BPP (ii)	**$ 13.06**	$ 11.25	$ 12.29	$ 12.00	$ 12.29	$ 11.38	$ 10.89	$ 9.20
CPP (ii)	**$ 8.93**	$ 8.35	$ 8.84	$ 8.82	$ 7.49	$ 8.58	$ 7.86	$ 6.12
Film cost percentage (ii)	**52.9 %**	53.2 %	51.3 %	48.8 %	49.2 %	48.7 %	44.9 %	32.3 %
Theatre attendance (in thousands of patrons) (ii)	**9,208**	11,084	11,092	6,661	10,245	8,272	1,148	415
Theatre locations (at period end)	**158**	158	159	159	160	161	160	161
Theatre screens (at period end)	**1,637**	1,637	1,640	1,640	1,652	1,656	1,651	1,657

(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			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Cash provided by (used in) operating activities	**$ 59,622**	$ 5,811	$ 47,152	$ (5,437)	$ 27,480	$ 52,023	$ 17,133	$ (35,632)
Less: Total capital expenditures net of proceeds on sale of assets	**(27,538)**	(14,466)	(10,885)	(9,585)	(4,985)	(1,603)	(4,992)	(8,715)
Standardized free cash flow	**32,084**	(8,655)	36,267	(15,022)	22,495	50,420	12,141	(44,347)
Add/(Less):								
Changes in operating assets and liabilities	**(15,907)**	25,815	1,120	15,077	1,405	(32,640)	(62,622)	(23,581)
Changes in operating assets and liabilities of joint ventures	**(746)**	1,892	775	(707)	307	(31)	(524)	(802)
Principal component of lease obligations	**(26,141)**	(26,330)	(27,428)	(29,267)	(25,525)	(24,191)	(19,086)	(19,457)
Principal portion of cash rent paid not pertaining to current period	**(381)**	(381)	(381)	1,143	(737)	—	(369)	1,106
Growth capital expenditures and other	**14,804**	9,727	6,078	7,054	(350)	736	4,511	8,461
Share of income of joint ventures, net of non-cash depreciation	**(2,103)**	(500)	95	(23)	(622)	(47)	2	(165)
Net cash received from CDCP	**62**	—	5,318	—	1,995	—	—	—
Adjusted free cash flow (i)	**$ 1,672**	$ 1,568	$ 21,844	$ (21,745)	$ (1,032)	$ (5,753)	$ (65,947)	$ (78,785)
Average number of shares outstanding	**63,366,796**	63,362,713	63,360,746	63,346,444	63,343,223	63,342,557	63,339,618	63,334,317
Adjusted free cash flow per share (ii)	**$ 0.026**	$ 0.025	$ 0.345	$ (0.343)	$ (0.016)	$ (0.091)	$ (1.041)	$ (1.244)

(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.

11. 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.

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

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

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

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

Revenue recognition - gift cards

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 and prior years. 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.

13. ACCOUNTING POLICIES

Basis of preparation and measurement

Management of Cineplex reviews all changes to the IFRS when issued. The International Accounting Standards Board ("IASB") has issued the following standards, which have not yet been adopted by Cineplex. The following is a description of the new standards:

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

In May 2021, the IASB issued deferred tax related to assets and liabilities arising from a single transaction. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. Cineplex has not applied the accounting pronouncement issued.

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

In December 2020 the IASB issued classification of liabilities as current or non-current (2020 amendments). The 2020 amendments clarified aspects of how entities classify liabilities as current or non-current. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. Cineplex has not applied the accounting pronouncement issued.

IAS 8, Definition of accounting estimates

In February 2021, the IASB issued definition of accounting estimates, which amended IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. Cineplex has not applied the accounting pronouncement issued.

14. 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 historical profitability levels.

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 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. 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 of operations.

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 and Bankruptcy Filing).

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 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, Cineplex's claim pursuant to the Judgment is an unsecured claim and Cineworld has a significant amount of secured claims which rank in priority to unsecured claims. Accordingly, Cineworld may not have the ability to pay all or any of the 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.

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 certain 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 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 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 2022, five major film distributors accounted for approximately 88% 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, show-times 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 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, *Junxion* concept 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 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 generally 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. 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. Changes in release window for home entertainment product and film product being made available to streaming platforms have reduced content available for TVOD platforms.

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. Cineplex is continually upgrading systems and infrastructure and implementing best practices 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.

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 hybrid work place model, 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 or renovating existing 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 and/or capital contributions towards upgrades 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.

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 12,200 people, of whom approximately 81% 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 and British Columbia. Because of the small percentage of employees represented by unions, the impact of labour disruption nationally is low.

There is a risk due to labour supply shortages that Cineplex may not be able to hire enough staff to maintain current levels of operations.

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.

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.

Financial and Markets Risk

Cineplex requires efficient access to capital in order to fund 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 2024, there is a risk that Cineplex may not be able to renegotiate under favourable terms in the then current economic environment. Upon maturity of the Debentures and Notes Payable, Cineplex may have insufficient liquidity to repay the principal balance owing, impacting its ability to obtain additional funding at favourable terms.

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 10.4% of Cineplex's revenues in 2022. 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 7.4, Long-term debt. Cineplex will consider its interest rate exposure in conjunction with its overall capital strategy.

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

Inflation Risk

The largest expenses either vary in relation to revenues, such as film cost, or are contractually fixed for set periods, such as lease payments of interest and principal. The remainder of Cineplex's fixed and variable operating costs are exposed to inflation risk. 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.

15. CONTROLS AND PROCEDURES

15.1 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.

Management has evaluated the design and operation of Cineplex's disclosure controls and procedures as of December 31, 2022 and has concluded that such disclosure controls and procedures are effective.

15.2 INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management of Cineplex 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 their 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.

Management has used the Internal Control - Integrated Framework: 2013 to evaluate the effectiveness of internal controls over financial reporting, which is a recognized and suitable framework developed by COSO.

Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Management has evaluated the design and operation of Cineplex's internal controls over financial reporting as of December 31, 2022, and has concluded that such controls over financial reporting are effective. There are no material weaknesses that have been identified by management in this regard.

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.

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 14, Risks and uncertainties.

FILM ENTERTAINMENT AND CONTENT

Theatre Exhibition

Although box office was negatively impacted by winter weather systems and storms across Canada during the key holiday period, Cineplex reported an increase of $225.0 million to $461.3 million in annual box office revenue as compared to the prior year. The fourth quarter of 2022 experienced strong box office results with the release of *Black Panther: Wakanda Forever* generating $181.3 million during its North American opening weekend and earning $436.5 million in North America since its release up to December 31, 2022. The highly anticipated *Avatar: The Way of Water,* which is the sequel to the highest grossing film of all time, was released late in the fourth quarter and generated $134.1 million during its North American opening weekend and earning $401.0 million in North America and $1.5 billion globally since its release up to December 31, 2022. *Avatar: The Way of Water* continues to perform strongly, becoming the fourth highest worldwide grossing movie of all time since its release. Lastly, *Top Gun: Maverick,* continued its success into the fourth quarter and since its release, became one of only 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 December 31, 2022. Looking forward to 2023, there is a strong slate of films scheduled for release including *M3GAN, Ant-Man and the Wasp: Quantumania, Cocaine Bear, Creed III, Scream 6, Shazam! Fury of the Gods, John Wick: Chapter 4, The Super Mario Bros. Movie, Evil Dead Rise, Guardians of the Galaxy Vol. 3, Fast X, The Little Mermaid, Spider-Man: Across the Spider-Verse, Transformers: Rise of the Beasts, The Flash, Elemental, Indiana Jones and the Dial of Destiny, Mission: Impossible - Dead Reckoning - Part One, Barbie, Oppenheimer, The Marvels, Teenage Mutant Ninja Turtles: Mutant Mayhem, Gran Turismo, Haunted Mansion, The Equalizer 3, The Nun 2, Kraven the Hunter, Dune: Part Two, The Hunger Games: The Ballad of Songbirds and Snakes, Wish, Wonka* and *Aquaman and the Lost Kingdom.*

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 2023 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 opened its first-ever *Junxion* location at *Cineplex Junxion Kildonan* in Winnipeg, Manitoba on December 9, 2022. *Cineplex Junxion* is a new entertainment concept which features a cinema with reclining seats, an open lobby and stage for events and performances, amusement gaming and a expanded food offerings.

Cineplex will open its second *Junxion* 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 slate of upcoming film releases for the year ahead, coupled with return to movie-going will result in strong box office performance. The latter half of the third and the fourth quarters were impacted by delays in film releases due to COVID-19 related production delays and these delays that could continue into 2023.

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%
October	$54,528	$33,907	62%
November	$52,314	$37,981	73%
December	$74,946	$48,360	65%

(i) Amounts are in thousands of dollars.

Cineplex's business could continue to be significantly negatively impacted by changes in consumer behaviors as a result of further revisions to the theatrical release window. Further, the effects of global inflation and rising interest rates on financial markets could significantly impact the ability to raise capital and increase the cost of borrowing. There are limitations on Cineplex's ability to mitigate the adverse financial impact of the foregoing.

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, with plans to expand to traditional theatres in 2023. Cineplex continues to expand its home delivery services of concessions in partnership with Uber Eats, Skip The Dishes and others.

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 release in Canada.

Digital Commerce

As at-home and on-the-go content distribution and consumption continues to evolve, Cineplex believes it is well positioned to take advantage of this market with its transactional TVOD digital commerce platform, the Cineplex Store, which offers thousands of movies and other content that can be rented or purchased digitally and viewed on multiple devices. The Cineplex Store 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 enjoying a shared experience, 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. 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 DOOH 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 mall traffic returns.

AMUSEMENT SOLUTIONS AND LBE

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 for watching sporting events and bookings for corporate events. Cineplex plans to open new LBE locations in Vancouver, British Columbia and Montreal, Quebec in 2024.

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 over 11 million members as at December 31, 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. During the third quarter of 2022, 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.

FINANCIAL OUTLOOK

Cineplex continues to evaluate and advance all options to maximize and monetize the value of the Judgment. As part of these ongoing efforts, Cineplex has engaged 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, Cineplex's claim pursuant to the Judgment is an unsecured claim and Cineworld has a significant amount of secured claims which rank in priority to unsecured claims. Accordingly, Cineworld may not have the ability to pay all or any amount of any damages or costs awarded by the Court.

If there are delays in the recovery of the exhibition industry, Cineplex's costs may rise and Cineplex may be required to obtain additional liquidity during periods of economic uncertainty. 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.

P1AG Adjusted EBITDAaL Margin

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

Adjusted Store Level EBITDAaL Metrics

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.

Adjusted Store Level EBITDAaL Margin

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	**Year ended December 31,**		
	2022	**2021**	**2020 (v)**
Net income (loss)	**$ 113**	**$ (248,722)**	**$ (624,001)**
Depreciation and amortization - other	105,197	113,042	124,846
Depreciation - right-of-use assets	95,517	102,247	128,393
Interest expense - lease obligations	61,842	58,590	61,483
Interest expense - other	60,826	65,138	49,085
Interest income	(277)	(232)	(182)
Current income tax expense (recovery)	1,197	3,339	(73,495)
Deferred income tax recovery	—	—	(11,373)
EBITDA	**$ 324,415**	**$ 93,402**	**$ (345,244)**
Gain on disposal of assets	(57,807)	(28,283)	(13,101)
Loss (gain) on financial instruments recorded at fair value	6,260	(8,790)	—
CDCP equity (income) loss (i)	(489)	(146)	7,279
Foreign exchange (gain) loss	(1,371)	(43)	57
(Reversal) impairment of long-lived assets	(19,880)	3,717	294,863
Non-controlling interest adjusted EBITDA	—	—	5
Depreciation and amortization - joint ventures and associates (ii)	517	25	73
Taxes and interest of joint ventures and associates (ii)	49	45	202
Adjusted EBITDA	**$ 251,694**	**$ 59,927**	**$ (55,866)**
Cash rent paid/payable related to lease obligations (iii)	(170,022)	(144,222)	(126,949)
Adjusted EBITDAaL (iv)	**$ 81,672**	**$ (84,295)**	**$ (182,815)**

(i) CDCP equity (income) loss 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 - $29.7 million) through December 31, 2022. The negotiated lease obligation savings represent forgiveness of lease payments.

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

(v) All amounts are from continuing operations.

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. Adjusted free cash flow includes repayments of lease obligations that represented the principal portion of rent expenses that were included in net income calculation prior to the adoption of accounting standard IFRS 16, *Leases,* by Cineplex. Given that the materiality of the principal portion of the rent expenses and comparability of adjusted free cash flow disclosure for comparative periods, adjusted free cash flow also adjusts standard free cash flow to deduct principal amount of repayment of lease obligation.

Cineplex presents standardized free cash flow and adjusted free cash flow per share because they are key measures used by investors to value and assess Cineplex. 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	**Year ended December 31, 2022**	**2021**	**2020**
Cash provided by operating activities	$ 107,148	$ 61,004	$ (106,314)
Less: Total capital expenditures net of proceeds on sale of assets	(62,474)	(20,295)	(73,411)
Standardized free cash flow	**44,674**	**40,709**	**(179,725)**
Add/(Less):			
Changes in operating assets and liabilities (i)	26,105	(117,438)	43,178
Changes in operating assets and liabilities of joint ventures and associates (i)	1,214	(1,050)	(4,469)
Repayments of lease obligations - principal	(109,166)	(88,259)	(91,946)
Growth capital expenditures and other (ii)	37,663	13,358	68,032
Share of income of joint ventures and associates, net of non-cash depreciation	(2,531)	(832)	(855)
Non-controlling interests	—	—	5
Net cash received from CDCP (iii)	5,380	1,995	3,910
Adjusted free cash flow	**$ 3,339**	**$ (151,517)**	**$ (161,870)**
Average number of shares outstanding	63,359,240	63,339,239	63,333,238
Adjusted free cash flow per share	**$ 0.053**	**$ (2.392)**	**$ (2.556)**
Dividends declared	**$ —**	**$ —**	**$ 0.150**

(i) Changes in operating assets and liabilities are not considered a source or use of adjusted free cash flow. Refer to Note 25 of Cineplex's 2022 Annual Consolidated Financial Statements for further details.

(ii) Growth capital expenditures and other represent expenditures on Board approved projects, exclude maintenance capital expenditures and are net of proceeds on asset sales. The Revolving Facility (discussed above in Section 7.4 Credit Facilities) is available to Cineplex to fund Board approved projects.

(iii) Excludes the share of income or loss of CDCP, as CDCP is a limited-life financing vehicle funded by virtual print fees collected from distributors. Cash invested into CDCP, as well as 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	Year ended December 31,		
	2022	2021	2020 (iii)
Net income (loss)	$ 113	$ (248,722)	$ (624,001)
Adjust for:			
Depreciation and amortization - other	105,197	113,042	124,846
Depreciation - right-of-use assets	95,517	102,247	128,393
Change in fair value of financial instrument	6,260	(8,790)	—
(Gain) loss on disposal of assets	(57,807)	(28,283)	(13,101)
Non-cash interest (i)	(2,763)	4,203	22,789
Non-cash foreign exchange	(1,160)	55	342
(Reversal) impairment of long-lived assets	(19,880)	3,717	294,863
Share of loss (income) of CDCP (ii)	(489)	(146)	7,279
Non-controlling interests	—	—	5
Non-cash depreciation of joint ventures and associates	517	24	73
Deferred income tax recovery	—	—	(11,373)
Taxes and interest of joint ventures and associates	49	45	202
Maintenance capital expenditures	(24,811)	(6,937)	(5,379)
Repayments of lease obligations - principal	(109,166)	(88,259)	(91,946)
Net cash received from CDCP (ii)	5,380	1,995	3,910
Non-cash items:			
Non-cash share-based compensation	6,382	4,292	1,228
Adjusted free cash flow	**$ 3,339**	**$ (151,517)**	**$ (161,870)**

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

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

(iii) All amounts are from continuing operations.

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 December 31, 2022 the impact of two locations that have been opened or acquired and five locations that have been closed or otherwise disposed of have been excluded, resulting in 151 theatres being included in the same theatre metrics. For the year ended December 31, 2022 the impact of three locations that have been opened or acquired and seven locations that have been closed or otherwise disposed of have been excluded, resulting in 148 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.

Management's Report to Shareholders

Management is responsible for the preparation of the accompanying consolidated financial statements and all other information contained in this Annual Report. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, which involve management's best estimates and judgments, based on available information.

Management maintains a system of internal accounting controls designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are reliable for preparing consolidated financial statements.

The Board of Directors of Cineplex Inc. (the "Board" of the "Company") is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board is assisted in exercising its responsibilities through the Audit Committee of the Board (the "Audit Committee"). The Audit Committee meets periodically with management and the independent auditor to satisfy itself that management's responsibilities are properly discharged and to recommend approval of the consolidated financial statements to the Board.

PricewaterhouseCoopers LLP serves as the Company's auditor. PricewaterhouseCoopers LLP's report on the accompanying consolidated financial statements follows. It outlines the extent of its examination as well as an opinion on the consolidated financial statements.

Ellis Jacob	Gord Nelson
Chief Executive Officer	Chief Financial Officer

Toronto, Ontario

February 6, 2023

Independent auditor's report

To the Shareholders of Cineplex Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Cineplex Inc. and its subsidiaries (together, the Company) as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2022 and 2021;
- the consolidated statements of operations for the years then ended;
- the consolidated statements of comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and indefinite-lived intangible assets *Refer to note 10 – Intangible assets, note 11 – Impairment of long-lived assets and note 29 – Significant accounting policies, judgments and estimation uncertainty to the consolidated financial statements.* As at December 31, 2022, the Company had $636 million of goodwill and $64 million of indefinite-lived intangible assets. Goodwill and indefinite-lived intangible assets are tested for impairment annually or more frequently if specific events or circumstances dictate that the carrying amount of the asset group may not be fully recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash inflows relating to the relevant intangible asset (cash-generating units or CGUs). A group of CGUs represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. An impairment loss, if estimated, is recognized for the amount by which the CGU's or group of CGUs' carrying value exceeds its recoverable amount. The recoverable amounts were determined based on the fair value less costs to sell (the method) using discounted cash flow models. The significant key assumptions applied by management in estimating the recoverable amounts of the groups of CGUs included	Our approach to addressing the matter included the following procedures, among others: ● Evaluated how management determined the recoverable amounts of goodwill and indefinite-lived intangible assets groups of CGUs, which included the following: – Tested the appropriateness of the method used and the mathematical accuracy of the discounted cash flow models. – Tested the reasonableness of the significant key assumptions used by management, including attendance and the related revenue growth rates applied by management by comparing them to the budget, management's strategic plans approved by the Board of Directors and industry forecasts and historical trends. – Professionals with specialized skill and knowledge in the field of valuation assisted in testing the reasonableness of the discount rates applied by management based on available data of comparable companies. – Tested the underlying data used in the discounted cash flow models.

Key audit matter	How our audit addressed the key audit matter
attendance and the related revenue growth rates and discount rates. No impairment loss was required for goodwill and indefinite-lived intangible assets. We considered this a key audit matter due to the significant judgment made by management in determining the recoverable amounts of the goodwill and indefinite-lived intangible assets groups of CGUs, including the use of significant key assumptions. This has resulted in a high degree of subjectivity and audit effort in performing audit procedures to test the significant key assumptions used by management. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing our procedures.	

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Adam Boutros.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 6, 2023

Cineplex Inc.

Consolidated Balance Sheets

(expressed in thousands of Canadian dollars)

	December 31, 2022	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents (note 3)	$ 34,674	$ 26,938
Trade and other receivables (note 4)	107,088	80,679
Income taxes receivable (note 8)	2,033	1,984
Inventories (note 5)	36,916	24,899
Prepaid expenses and other current assets	15,659	13,365
Fair value of interest rate swap agreements (note 27)	8,993	—
	205,363	147,865
Non-current assets		
Property, equipment and leaseholds (note 6)	449,495	464,439
Right-of-use assets (note 7)	772,978	768,675
Fair value of interest rate swap agreements (note 27)	2,426	—
Interests in joint ventures and associates (note 9)	650	7,423
Intangible assets (note 10)	80,428	81,651
Goodwill (note 11)	636,134	635,545
Derivative financial instrument (note 15)	2,980	9,240
	$ 2,150,454	$ 2,114,838

Business impacts, risks and liquidity (note 2)

Commitments and contingencies (note 26)

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

(expressed in thousands of Canadian dollars)

		December 31, 2022		December 31, 2021
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (note 12)	$	195,296	$	157,950
Income taxes payable		3,736		1,945
Deferred revenue and other (note 19)		220,527		293,206
Lease obligations (note 14)		96,093		101,058
Fair value of interest rate swap agreements (note 27)		—		8,063
		515,652		562,222
Non-current liabilities				
Share-based compensation (note 13)		3,752		4,940
Long-term debt (note 15)		824,888		739,211
Fair value of interest rate swap agreements (note 27)		—		6,160
Lease obligations (note 14)		1,004,546		1,004,465
Post-employment benefit obligations (note 16)		6,970		9,973
Other liabilities (note 17)		6,460		7,590
		1,846,616		1,772,339
Total liabilities		2,362,268		2,334,561
Shareholders' deficit				
Share capital (note 18)		852,697		852,465
Deficit		(1,148,970)		(1,151,394)
Hedging reserves and other		—		(131)
Contributed surplus		83,006		80,027
Cumulative translation adjustment		1,453		(690)
Total shareholders' deficit		(211,814)		(219,723)
	$	2,150,454	$	2,114,838

Approved by the Board of Directors

Director

Director

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

Cineplex Inc.

Consolidated Statements of Operations
For the years ended December 31, 2022 and 2021

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

		2022		2021
Revenues (note 19)				
Box office	$	461,272	$	236,320
Food service		381,386		186,998
Media		111,728		65,330
Amusement		246,601		134,473
Other		67,575		33,548
		1,268,562		656,669
Expenses and other income				
Film cost		238,897		114,674
Cost of food service		87,702		41,683
Depreciation - right-of-use assets		95,517		102,247
Depreciation and amortization - other assets		105,197		113,042
Gain on disposal of assets (notes 6, 9 and 19)		(57,807)		(28,283)
Other costs (note 20)		687,738		439,554
Share of loss of joint ventures and associates (note 9)		2,608		755
Interest expense - lease obligations (note 14)		61,842		58,590
Interest expense - other		60,826		65,138
Interest income		(277)		(232)
Foreign exchange		(1,371)		(43)
Loss (gain) on financial instruments recorded at fair value (note 15)		6,260		(8,790)
(Reversal) impairment of long-lived assets (note 11)		(19,880)		3,717
		1,267,252		902,052
Income (loss) before income taxes		1,310		(245,383)
Income tax expense (note 8)				
Current		1,197		3,339
Net income (loss)	$	113	$	(248,722)
Net income (loss) per share - basic and diluted (note 21)	$	—	$	(3.93)

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

Cineplex Inc.

Consolidated Statements of Comprehensive Income (Loss)
For the years ended December 31, 2022 and 2021

(expressed in thousands of Canadian dollars)

		2022		2021
Net income (loss)	$	113	$	(248,722)
Other comprehensive income				
Items that will be reclassified subsequently to net income:				
Foreign currency translation adjustment		2,143		(188)
Items that will not be reclassified to net income:				
Actuarial income of post-employment benefit obligations		2,311		722
Other comprehensive income		4,454		534
Comprehensive income (loss)	$	4,567	$	(248,188)

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

Cineplex Inc.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(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 income	—	—	—	—	113	113
Other comprehensive income (page 4)	—	—	—	2,143	2,311	4,454
Total comprehensive income	**—**	**—**	**—**	**2,143**	**2,424**	**4,567**
Share option expense	—	1,563	—	—	—	1,563
PSU/RSU expense	—	4,820	—	—	—	4,820
Settlement of vested PSU/RSU	36	(3,190)	—	—	—	(3,154)
Issuance of shares on exercise of options	196	(83)	—	—	—	113
Reclassification of hedging reserves and other	—	(131)	131	—	—	—
December 31, 2022	$ 852,697	$ 83,006	$ —	$ 1,453	$ (1,148,970)	$ (211,814)
January 1, 2021	$ 852,379	$ 75,882	$ (131)	$ (502)	$ (903,394)	$ 24,234
Net loss	—	—	—	—	(248,722)	(248,722)
Other comprehensive income (page 4)	—	—	—	(188)	722	534
Total comprehensive loss	**—**	**—**	**—**	**(188)**	**(248,000)**	**(248,188)**
Share option expense	—	1,903	—	—	—	1,903
PSU/RSU expense	—	2,388	—	—	—	2,388
Settlement for cancelled options	—	(60)	—	—	—	(60)
Issuance of shares on exercise of options	86	(86)	—	—	—	—
December 31, 2021	$ 852,465	$ 80,027	$ (131)	$ (690)	$ (1,151,394)	$ (219,723)

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

Cineplex Inc.

Consolidated Statements of Cash Flows
For the years ended December 31, 2022 and 2021

(expressed in thousands of Canadian dollars)

	2022	2021
Cash provided by (used in)		
Operating activities		
Net income (loss)	$ 113	$ (248,722)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation and amortization - other assets	105,197	113,042
Depreciation - right-of-use assets	95,517	102,247
Unrealized foreign exchange	(1,160)	55
Interest rate swap agreements - non-cash interest	(22,072)	(12,730)
Accretion of convertible debentures and notes payable	18,677	15,973
Other non-cash interest	632	960
Gain on disposal of assets (notes 6, 9 and 19)	(57,807)	(28,283)
Non-cash share-based compensation	6,382	4,292
Change in fair value of financial instruments	6,260	(8,790)
(Reversal) impairment of long-lived assets (note 11)	(19,880)	3,717
Net change in interests in joint ventures and associates	1,394	1,805
Changes in operating assets and liabilities (note 25)	(26,105)	117,438
Net cash provided by operating activities	107,148	61,004
Investing activities		
Proceeds from disposal of assets, net (notes 6 and 7)	1,843	63,215
Purchases of property, equipment and leaseholds (notes 6 and 25)	(64,317)	(23,627)
Intangible assets additions	(9,904)	(9,200)
Tenant inducements	11,249	8,068
Net cash received from CDCP	5,380	1,995
Net cash (used in) provided by investing activities	(55,749)	40,451
Financing activities		
Borrowings (repayments) under credit facilities, net (note 15)	67,000	(246,000)
Repayments of lease obligations - principal	(109,166)	(88,259)
Exercise of cash option	113	—
Issuance of notes payable, net (note 15)	—	243,996
Financing fees	(1,294)	(863)
Net cash used in financing activities	(43,347)	(91,126)
Effect of exchange rate differences on cash	(316)	355
Increase in cash and cash equivalents	7,736	10,684
Cash and cash equivalents - Beginning of period	26,938	16,254
Cash and cash equivalents - End of period	$ 34,674	$ 26,938
Supplemental information		
Cash paid for interest - lease obligation	$ 60,566	$ 56,708
Cash paid for interest - other	$ 67,241	$ 52,143
Cash received for income taxes, net	$ (703)	$ (62,329)

The accompanying notes are an integral part of these 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

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

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 to maximize and monetize the value of the Judgment. As part of these ongoing efforts, Cineplex has engaged 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, Cineplex's claim pursuant to the Judgment is an unsecured claim and Cineworld has a significant amount of secured claims which rank in priority to unsecured claims. Accordingly, Cineworld may not have the ability to pay all or any of the 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 February 6, 2023.

2. 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 to ensure the safety of Cineplex's employees and customers 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.

Beginning in mid-March 2020, Cineplex's entire circuit of theatres, LBE venues and P1AG route locations were continuously impacted by government mandated restrictions and temporary closures. 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 removed in all markets in which Cineplex operates theatres and LBE venues across Canada.

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

Cineplex is currently operating at full capacity but is continuously monitoring for any government directives on operating capacities.

Liquidity measures:

- 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;
- 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 15, 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 15, Long-term debt);
- December 2021: entered into the Fourth Credit Agreement Amendment providing further financial covenant relief (note 15, Long-term debt);
- August 2022: entered into the Fifth Credit Agreement Amendment providing further financial covenant relief (note 15, Long-term debt); and
- December 2022: entered into the Sixth Credit Agreement Amendment, extending the maturity date of the credit facility from November 13, 2023 to November 13, 2024 (note 15, Long-term debt).

Cost reduction and subsidy measures:

- temporary layoffs of part-time employees beginning in December 2021 and further expanding into the first quarter of 2022;
- reviewed 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, including the Canada Emergency Wage Subsidy ("CEWS"), Canada Emergency Rent Subsidy ("CERS") and Tourism and Hospitality Recovery Program ("THRP") where available, as well as municipal and provincial property tax and energy rebates or subsidies; and
- continued the suspension of dividends.

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.

As at December 31, 2022, Cineplex had a cash balance of $34,674 and $204,112 available under its Revolving Facility subject to the liquidity covenants set forth in the Credit Facilities as amended (note 15, Long-term debt).

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

3. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	2022	2021
Cash at bank and on hand, net of outstanding cheques	$ 34,674	$ 26,938

4. Trade and other receivables

Trade and other receivables comprise the following:

	2022	2021
Trade receivables	$ 84,220	$ 53,326
Other receivables	22,868	27,353
	$ 107,088	$ 80,679

5. Inventories

Inventories comprise the following:

	2022	2021
Food service inventories	$ 10,961	$ 7,815
Gaming inventories	20,155	9,673
Other inventories, including work-in-progress	5,800	7,411
	$ 36,916	$ 24,899

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

6. Property, Equipment, and Leaseholds

Property, equipment and leaseholds consist of:

	Land	Buildings and leasehold improvements	Equipment	Construction-in-progress	Total
At January 1, 2022					
Cost	$ 9,186	$ 831,551	$ 850,433	$ 5,522	$ 1,696,692
Accumulated depreciation	—	(552,530)	(679,723)	—	(1,232,253)
Net book value	$ 9,186	$ 279,021	$ 170,710	$ 5,522	$ 464,439
Year ended December 31, 2022					
Opening net book value	$ 9,186	$ 279,021	$ 170,710	$ 5,522	$ 464,439
Additions, net of transfers	—	16,883	40,004	11,483	68,370
Disposals	(162)	111	(428)	(87)	(566)
Reversal of previously recognized impairment (note 11)	—	10,204	—	—	10,204
Foreign exchange rate changes	—	57	1,076	—	1,133
Depreciation for the year	—	(39,169)	(54,916)	—	(94,085)
Closing net book value	$ 9,024	$ 267,107	$ 156,446	$ 16,918	$ 449,495
At December 31, 2022					
Cost	$ 9,024	$ 847,421	$ 880,631	$ 16,918	$ 1,753,994
Accumulated amortization	—	(580,314)	(724,185)	—	(1,304,499)
Net book value	$ 9,024	$ 267,107	$ 156,446	$ 16,918	$ 449,495
At January 1, 2021					
Cost	$ 19,382	$ 804,439	$ 837,073	$ 51,669	$ 1,712,563
Accumulated depreciation	—	(520,436)	(636,787)	—	(1,157,223)
Net book value	$ 19,382	$ 284,003	$ 200,286	$ 51,669	$ 555,340
Year ended December 31, 2021					
Opening net book value	$ 19,382	$ 284,003	$ 200,286	$ 51,669	$ 555,340
Additions, net of transfers	—	38,859	33,184	(45,554)	26,489
Reclassification to interests in joint ventures and associates	—	—	(25)	—	(25)
Disposals	(10,196)	(1,666)	(1,430)	(593)	(13,885)
Impairment (note 11)	—	(943)	—	—	(943)
Foreign exchange rate changes	—	(7)	(253)	—	(260)
Depreciation for the year	—	(41,225)	(61,052)	—	(102,277)
Closing net book value	$ 9,186	$ 279,021	$ 170,710	$ 5,522	$ 464,439

In January 2021, Cineplex completed the sale and leaseback of its head office buildings located in Toronto, Ontario for $57,000 gross proceeds, recognizing a gain of $30,061 on the derecognition of $11,870 of assets.

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

7. Right-of-use-assets

The following tables present right-of-use assets for Cineplex for the year ended December 31, 2022 and 2021.

Right-of-use assets consists of:

	Property	Equipment	Total
At December 31, 2022			
Cost	$ 1,201,773	$ 24,020	$ 1,225,793
Accumulated depreciation	(435,606)	(17,209)	(452,815)
Net book value	$ 766,167	$ 6,811	$ 772,978
Year ended December 31, 2022			
Balance - December 31, 2021	$ 757,197	$ 11,478	$ 768,675
Additions	4,212	395	4,607
Extensions and modifications	86,822	(1,422)	85,400
Disposals	(119)	—	(119)
Foreign exchange rate changes	256	—	256
Depreciation for the year	(91,877)	(3,640)	(95,517)
Reversal of previously recognized impairment (note 11)	9,676	—	9,676
Closing net book value	$ 766,167	$ 6,811	$ 772,978

	Property	Equipment	Total
At December 31, 2021			
Cost	$ 1,112,361	$ 25,057	$ 1,137,418
Accumulated depreciation	(355,164)	(13,579)	(368,743)
Net book value	$ 757,197	$ 11,478	$ 768,675
Year ended December 31, 2021			
Balance - December 31, 2020	$ 871,741	$ 9,677	$ 881,418
Additions	10,629	5,681	16,310
Extensions and modifications	(24,534)	637	(23,897)
Disposals	129	—	129
Reclassification to interests in joint ventures and associates	(225)	—	(225)
Foreign exchange rate changes	(39)	—	(39)
Depreciation for the year	(97,730)	(4,517)	(102,247)
Impairment (note 11)	(2,774)	—	(2,774)
Closing net book value	$ 757,197	$ 11,478	$ 768,675

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

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.

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 $8,483 and $35,834 for the year ended December 31, 2022 and 2021, respectively.

In 2021, Cineplex disposed of certain protective rights on leased properties in exchange for $6,436 cash proceeds, reducing right-of-use assets.

8. 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:

	2022	2021
Deferred income tax assets		
Property, equipment and leaseholds and deferred tenant inducements - difference between net carrying value and undepreciated capital cost	$ 3,690	$ 11,653
Accounting provisions not currently deductible	92,391	93,663
Deferred revenue	1,985	15,929
Interest rate swap agreements	—	3,614
Income tax credits available	4,010	3,789
Operating losses available for carry-forward and carry-back	113,730	81,844
Other	10,935	8,909
Total gross deferred income tax assets	226,741	219,401
Future deferred tax liabilities		
Intangible assets	(10,208)	(9,854)
Interest rate swap agreements	(3,121)	—
Goodwill	(32,460)	(29,909)
Convertible debentures	(23,976)	(23,961)
Total gross deferred income tax liabilities	(69,765)	(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.

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

The 2022 current tax expense represents the taxes payable due to taxable income in excess of available non-capital losses as compared to the prior year period for certain taxable entities in the consolidated group.

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 filed an appeal to the Tax Court of Canada in respect of the NOR. On June 28, 2021, Cineplex received a response from the Attorney General of Canada representing the CRA confirming its position with respect to the disallowance of the losses. The appeal is currently proceeding through the pre-trial steps and Cineplex believes that it should prevail in defending its original filing position, although no assurance can be given in this regard as the appeal process proceeds.

Cineplex's combined statutory income tax rate at December 31, 2022 was 26.3% (2021 - 26.3%).

The provision for income taxes included in the consolidated statement of operations differs from the statutory income tax rate for the years ended December 31, 2022 and 2021 as follows:

	2022	2021
Income (loss) before income taxes	$ 1,310	$ (245,383)
Combined statutory income tax rates for the current year	26.27 %	26.25 %
Income taxes payable (recoverable) at statutory rate	344	(64,425)
Adjustments relating to prior periods	(724)	872
Other permanent differences	(2,304)	1,757
Derecognition of deferred income tax assets	3,881	65,135
Provision for income taxes	$ 1,197	$ 3,339

Adjustments relating to prior periods include differences between the prior year provision and the income tax returns as filed.

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

Non-capital losses available for carry-forward expire as follows (in thousands of dollars):

2027	$2,502
2028	8,822
2029	5,122
2030	2,184
2032	254
2034	1,947
2035	2,770
2036	2,749
2037	11,584
2038	3,110
2040	5,933
2041	241,361
2042	118,591
Indefinite	28,966
	$ 435,895

Losses denominated in US dollars are presented at the Canadian dollar equivalent using the December 31, 2022 exchange rate.

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

9. Interests in joint ventures and associates

Cineplex participates in incorporated and unincorporated joint ventures with other parties and accounts for its interests using the equity method.

Canadian Digital Cinemas Partnership, ("CDCP"), is a joint venture formed by Cineplex and Empire Theatres Limited to finance the implementation of digital projectors. Cineplex leases its digital projectors from CDCP. On December 16, 2022, CDCP distributed its assets to its partners and Cineplex recognized a return of capital of $4,443 and a gain of $3,789 (classified under gain (loss) on disposal of assets on the Consolidated Statement of Operations) on wind-up.

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. As a result of the December 13, 2021 step in the reorganization, Cineplex equity accounts for its interest in Scene LP ("Scene+"), 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+.

Other joint ventures include a 50% interest in a theatre operation (2021 - 50%), and a 50% interest in YoYo's Yogurt Cafe ("YoYo's") (2021 - 50%). Cineplex's investment in YoYo's is carried at nil value.

The joint ventures and associates are headquartered in Canada and the United States.

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

The net interest in joint ventures is summarized as follows as at December 31, 2022 and 2021:

2022	**CDCP**	**Scene+**	**Other**	**Total**
Ownership percentage	78.2%	33.3 %	17.0%-50.0%	
Voting percentage	50.0%	33.3 %	17.0%-50.0%	
Equity (Deficit)	$ —	$ 9,387	$ (3,470)	$ 5,917
Economic interest	78.2%	33.3%	50%	
	$ —	$ 3,126	$ (1,735)	$ 1,391
Accounts (payable) receivable	—	(2,284)	1,543	$ (741)
Net interest in joint ventures and associates	$ —	$ 842	$ (192)	$ 650
Interest at beginning of year	$ 5,545	$ 2,002	$ (124)	$ 7,423
Investment	—	1,935	—	1,935
Distribution of cash	(5,380)	—	—	(5,380)
Distribution of other assets	(4,443)	—	—	(4,443)
Net change in receivable or payable	—	—	(66)	(66)
Share of net income (loss)	489	(3,095)	(2)	(2,608)
	$ (3,789)	$ 842	$ (192)	$ (3,139)
Gain on windup	$ 3,789	$ —	$ —	3,789
Net interest in joint ventures and associates	$ —	$ 842	$ (192)	$ 650

2021	**CDCP**	**Scene+**	**Other**	**Total**
Ownership percentage	78.2 %	33.3 %	17.0%-50.0%	
Voting percentage	50.0%	50.0%	17.0%-50.0%	
Equity (Deficit)	$ 8,622	$ 4,001	$ (3,232)	$ 9,391
Economic interest	78.2%	50%	50%	
	$ 6,742	$ 2,001	$ (1,616)	$ 7,127
Accounts (payable) receivable	(1,197)	1	1,492	296
Net interest in joint ventures and associates	$ 5,545	$ 2,002	$ (124)	$ 7,423
Interest at beginning of year	$ 8,639	$ —	$ 5	$ 8,644
Interest recognized on equity accounting	—	(6,705)	—	(6,705)
Investment	—	9,500	—	9,500
Dividends or distributions	(1,955)	—	—	(1,955)
Net change in receivable or payable	(1,285)	—	(21)	(1,306)
Share of net income (loss)	146	(793)	(108)	(755)
Net interest in joint ventures and associates	$ 5,545	$ 2,002	$ (124)	$ 7,423

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

The summarized balance sheets including 100% of the assets, liabilities and equity of each of the joint ventures at December 31 each year are as follows:

2022	**CDCP**	**Scene+**	**Other**	**Total**
Assets				
Cash and cash equivalents	$ —	$ 6,221	$ —	$ 6,221
Receivables and other current assets	—	32,986	39	33,025
	—	39,207	39	39,246
Equipment	—	3,743	—	3,743
Total assets	$ —	$ 42,950	$ 39	$ 42,989
Liabilities				
Accounts payable and accrued liabilities	$ —	$ 33,265	$ 834	$ 34,099
	—	33,265	834	34,099
Long-term debt	—	—	2,675	2,675
Lease obligations	—	298	—	298
Total liabilities	—	33,563	3,509	37,072
Equity (Deficit)	—	9,387	(3,470)	5,917
Total liabilities and equity	$ —	$ 42,950	$ 39	$ 42,989

2021	**CDCP**	**Scene+**	**Other**	**Total**
Assets				
Cash and cash equivalents	$ 1,423	$ 4,561	$ 1	$ 5,985
Receivables and other current assets	4,601	12,354	59	17,014
	6,024	16,915	60	22,999
Equipment	3,121	1,844	—	4,965
Total assets	$ 9,145	$ 18,759	$ 60	$ 27,964
Liabilities				
Accounts payable and accrued liabilities	$ 365	$ 14,381	$ 753	$ 15,499
Deferred revenue	158	—	—	158
	523	14,381	753	15,657
Long-term debt	—	—	2,539	2,539
Lease obligations	—	377	—	377
Total liabilities	523	14,758	3,292	18,573
Equity (Deficit)	8,622	4,001	(3,232)	9,391
Total liabilities and equity	$ 9,145	$ 18,759	$ 60	$ 27,964

The summarized statements of comprehensive income (loss) including 100% of the revenue, expenses and income of each of the joint ventures for the years ending December 31 are as follows:

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

2022		**CDCP**		**Scene+**		**Other**		**Total**
Revenues	$	3,282	$	31,551	$	2,732	$	37,565
Depreciation and amortization		1,380		1,152		—		2,532
Other expenses		1,276		39,500		2,586		43,362
Total expenses		2,656		40,652		2,586		45,894
Net income (loss) and comprehensive income (loss)	$	626	$	(9,101)	$	146	$	(8,329)

2021		**CDCP**		**Scene+**		**Other**		**Total**
Revenues	$	10,728	$	890	$	1,422	$	13,040
Depreciation and amortization		7,001		73		—		7,074
Other expenses		3,540		4,011		1,348		8,899
Total expenses		10,541		4,084		1,348		15,973
Net income (loss) and comprehensive income (loss)	$	187	$	(3,194)	$	74	$	(2,933)

SCENE

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, and up to December 12, 2021 Scene+.

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 $60,000 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+

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

The summarized balance sheets of SCENE at December 31 are as follows:

	2022	2021
Assets		
Cash and cash equivalents	$ 15,848	$ 9,957
Trade and other receivables	3,118	1,268
Prepaid expenses	2,230	196
	21,196	11,421
Promissory notes receivable from partners	19,000	19,000
Total assets	$ 40,196	$ 30,421
Liabilities		
Accounts payable and accrued liabilities	$ 32,656	$ 9,798
Deferred revenue	44,889	95,993
Total liabilities	77,545	105,791
Deficiency	(37,349)	(75,370)
	$ 40,196	$ 30,421

The summarized combined results of operations of SCENE are as follows:

	2022	2021
Revenues	$ 51,103	$ 42,778
Expenses	92,082	84,502
Net loss	$ (40,979)	$ (41,724)

Cineplex and the other partner of SCENE contribute capital as required to fund SCENE's future redemption costs.

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

10. Intangible assets

Intangible assets consist of the following:

	Customer relationships	Software and other	Trademarks and trade names	Total
At January 1, 2022				
Cost	$ 32,706	$ 60,502	$ 63,599	$ 156,807
Accumulated amortization	(30,686)	(44,470)	—	(75,156)
Net book value	$ 2,020	$ 16,032	$ 63,599	$ 81,651
Year ended December 31, 2022				
Opening net book value	$ 2,020	$ 16,032	$ 63,599	$ 81,651
Additions	—	9,825	—	9,825
Foreign exchange rate changes	64	—	—	64
Amortization for the year	(1,786)	(9,326)	—	(11,112)
Closing net book value	$ 298	$ 16,531	$ 63,599	$ 80,428
At December 31, 2022				
Cost	$ 33,494	$ 70,328	$ 63,599	$ 167,421
Accumulated amortization	(33,196)	(53,797)	—	$ (86,993)
Net book value	$ 298	$ 16,531	$ 63,599	$ 80,428
At January 1, 2021				
Cost	$ 32,755	$ 55,224	$ 63,599	$ 151,578
Accumulated amortization	(28,936)	(37,720)	—	(66,656)
Net book value	$ 3,819	$ 17,504	$ 63,599	$ 84,922
Year ended December 31, 2021				
Opening net book value	$ 3,819	$ 17,504	$ 63,599	$ 84,922
Additions	—	9,487	—	9,487
Disposals	—	(1,348)	—	(1,348)
Reclassification to interests in joint ventures and associates	—	(609)	—	(609)
Foreign exchange rate changes	(36)	—	—	(36)
Amortization for the year	(1,763)	(9,002)	—	(10,765)
Closing net book value	$ 2,020	$ 16,032	$ 63,599	$ 81,651

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

11. Impairment of long-lived assets

Cineplex performs its annual test for impairment of goodwill and indefinite-lived intangible assets in the fourth quarter, in accordance with its policy described in note 29, Significant accounting policies, judgments and estimation uncertainty. 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. In addition, for assets other than goodwill and indefinite-lived intangible assets, indicators are assessed considering whether an impairment loss previously recognized may no longer exist or may have decreased.

Fair value less cost to sell is determined using discounted cash flow models that incorporate significant key assumptions relating to attendance and the related revenue growth rates, and discount rates. Further, other assumptions are required pertaining to variable and fixed cash flows, and operating margins. Cineplex projects revenue, operating margins and cash flows for a period of five years, and applies a perpetual long-term growth rate thereafter.

The attendance and revenue growth rates are derived from Cineplex's Board approved budget which considers projected attendance based on film releases, past experience, as well as economic, industry and market trends. Discount rates applied to the groups of goodwill cash-generating units ("CGUs") represent Cineplex's assessment of the risks specific to each group of CGUs regarding the time value of money and individual risks of the underlying assets. Cineplex used discount rates between 10.3% and 14.3% (2021 - between 8.0% and 13.6%), and perpetual growth rates between 0.5% and 1.0% (2021 - between 0.5% and 1.0%), which are consistent with the observed long-term average growth rates in the exhibition, amusement and leisure, and digital media industries. The higher discount rates primarily reflect an increase in long-term risk-free rates. The impact of the increased discount rates on Cineplex's recoverable amounts were more than offset by the impact of higher cash flows over the forecasted period.

The determination of fair value less costs of disposal is sensitive to the growth rates, discount rates, and long-term growth rates used. The risk premiums expected by market participants related to uncertainties about the industry and assumptions relating to future cash flows may differ, depending on economic conditions and other events. Accordingly, it is reasonably possible that future changes in assumptions may negatively impact future assessments of the recoverable amount for groups of CGUs.

For the exhibition CGUs, a 10% and 15% change in forecasted attendance and related revenue growth rates would result in an impairment loss for two groups of CGUs. For the CDM CGU, a 20% change in revenue growth rates or a 3% change in the discount rate would result in a impairment loss. Cineplex determined that no other reasonable change in assumptions would cause the recoverable amount of any of its CGUs to fall below its carrying value.

Based on Cineplex's assessment of indicators of impairment for long-lived asset CGUs, two theatre location CGUs were noted to have impairment indicators. Based on the results of the impairment tests for these CGUs, Cineplex recognized non-cash impairment charges of $3,503 to property, equipment and leaseholds and $398 to right-of-use assets for the year ended December 31, 2022.

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

Cineplex reviews previously impaired assets for indicators of impairment recovery at each balance sheet date. During the current period, the renegotiation of a favourable rent arrangement at a location in its theatre operations resulted in significantly higher cash flows, and the reversal of previously recognized impairment. The recovery of the LBE portfolio has been significant, consistent with out-of-home dining and the amusement industry. As a result, Cineplex has reversed previously recognized impairments. Based on the results, Cineplex recognized a reversal of previously recognized impairment of $13,707 to property, equipment and leaseholds and $10,074 to right-of-use assets for the year ended December 31, 2022.

Increasing concerns over the new highly transmissible Omicron COVID-19 variant and increased daily COVID-19 case counts led to shutdowns and restrictions in several provinces that materially affected operations representing a triggering event requiring impairment testing for long-lived assets, indefinite-lived intangible assets and goodwill at December 31, 2021. During the fourth quarter of 2021, government imposed restrictions were reinstituted in several provinces reducing capacity limits to 50% and requiring temporary theatre closures in Quebec. Further government-imposed restrictions were reinstated or modified subsequent to December 31, 2021 resulting in temporary theatre closures in three additional provinces. Based on the results of the impairment tests, Cineplex recognized non-cash impairment charges of $943 to property, equipment and leaseholds and $2,774 to right-of-use assets for the year ended December 31, 2021.

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 losses.

(Reversal) impairment of long-lived assets for the year ended December 31, 2022 and 2021 were as follows:

	2022	2021
(Reversal) impairment of property, equipment and leaseholds	$ (10,204)	$ 943
(Reversal) impairment of right-of-use assets	(9,676)	2,774
(Reversal) impairment of long-lived assets	$ (19,880)	$ 3,717

The following table discloses the change in goodwill for the years ended and December 31:

	2022	2021
Balance - Beginning of year	635,545	635,582
Foreign exchange rate changes	589	(37)
Balance - End of year	$ 636,134	$ 635,545

For the purpose of impairment testing, goodwill has been allocated to CGUs or groups of CGUs. Total goodwill of the reporting segments are as follows:

	2022	2021
Exhibition	$ 413,915	$ 413,915
Media	206,385	206,385
Amusement and leisure	15,834	15,245
	$ 636,134	$ 635,545

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

12. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of:

	2022	2021
Accounts payable - trade	$ 91,533	$ 78,254
Film payables and accruals	33,991	27,244
Accrued salaries and benefits	26,977	24,442
Sales taxes payable	13,358	5,275
Accrued occupancy costs	3,794	4,272
Other payables and accrued liabilities	25,643	18,463
	$ 195,296	$ 157,950

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

13. Share-based compensation

Omnibus Incentive Plan (“Incentive Plan”)

On November 12, 2020, the Board of Directors approved a new 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 3,696,379 provided that no more than 1,893,445 Shares may be issued in aggregate pursuant to the settlement of RSUs and PSUs. Options that were issued under the Legacy Plan and are subsequently cancelled will be available to be issued under the Incentive Plan. The base Share equivalents granted as RSU and PSU awards attract compounding notional dividends at the same rate as outstanding Shares, which are notionally re-invested as additional base Share equivalents. PSU and RSU awards may be settled in Shares issued from treasury, cash, or a mix of Shares and cash, at Cineplex’s option at the time of settlement. Awards outstanding under prior plans shall remain in full force and effect under the prior plans according to their respective terms. Under the prior plans, the effects of changes in estimates of performance results are recognized in the year of change. As at December 31, 2022, 1,605,373 Shares are available to be issued under the Incentive Plan (2021 - 1,489,143).

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.

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

Stock options have been granted as follows:

Grant date	Number of options granted	Exercise price	Number of employees granted options	Vesting period	Expiry
February 14, 2012	474,000	27.33	42	One third on each successive anniversary of the grant date	February 13, 2022
February 12, 2013	385,834	33.49	42	One third on each successive anniversary of the grant date	February 11, 2023
February 14, 2014	440,519	40.45	54	One third on each successive anniversary of the grant date	February 14, 2024
February 18, 2015	446,004	49.14	59	One fourth on each successive anniversary of the grant date	February 18, 2025
February 12, 2016	501,270	47.86	76	One fourth on each successive anniversary of the grant date	February 12, 2026
February 21, 2017	544,922	51.25	80	One fourth on each successive anniversary of the grant date	February 21, 2027
February 27, 2018	559,703	33.59	74	One fourth on each successive anniversary of the grant date	February 27, 2028
February 20, 2019	709,092	25.05	78	One fourth on each successive anniversary of the grant date	February 20, 2029
August 17, 2020	725,758	8.25	76	One fourth on February 17, 2021, 2022, 2023 and 2024	August 17, 2030
April 12, 2021	281,503	12.87	71	One fourth on each successive anniversary of the grant date	April 12, 2031
May 10, 2021	177,998	12.41	22	Fully vested on the first anniversary of the grant date	May 10, 2031
February 23, 2022	223,578	13.39	16	One fourth on each successive anniversary of the grant date	February 23, 2032

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

Cineplex recorded $1,563 of employee benefits expense with respect to the options during the year ended December 31, 2022 (2021 - $1,903). The intrinsic value of vested share options at December 31, 2022 is $nil (2021 - $726), based on the closing Share price of $8.05 per share (2021 - $13.49). 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.

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

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
Forfeited		(285,371)	35.75	(87,049)	21.89
Exercised		(34,194)	8.25	(27,363)	8.25
Options outstanding, December 31	7.00	2,102,818	$ 18.90	2,198,805	$ 21.48

At December 31, 2022 and 2021, options are vested and exercisable as follows:

	2022	2021
Options vested and exercisable at $12.41	163,421	—
Options vested and exercisable at $12.87	64,818	—
Options vested and exercisable at $8.25	263,997	135,393
Options vested and exercisable at $25.05	373,548	266,236
Options vested and exercisable at $33.59	351,018	302,496
Options vested and exercisable at $51.25	8,677	45,828
Options vested and exercisable at $47.86	11,710	51,812
Options vested and exercisable at $49.14	13,693	49,723
Options vested and exercisable at $40.45	13,123	43,391
Options vested and exercisable at $33.49	12,364	23,144
Options vested and exercisable at $27.33	—	2,563
Options vested and exercisable	1,276,369	920,586

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

The fair value of options granted in 2022 and 2021 were determined using the Black-Scholes valuation model using the following significant inputs:

		2022	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 December 31, 2022, 608,738 options are available for grant (2021 - 532,760).

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

RSU

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

A summary of RSU activities during the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
RSUs outstanding, January 1	536,374	295,189
Granted	284,661	315,619
Settled	(229,450)	(44,014)
Cancelled	(26,307)	(30,420)
RSUs outstanding, December 31	565,278	536,374

The RSUs associated with the 2020 LTIP were accounted for as equity-settled in 2022. The RSUs associated with the 2019 LTIP were settled in 2021 for $586 cash.

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

PSU

During the first quarter of 2022, Cineplex issued 177,973 equity settled PSUs with a fair value of $13.39 per unit (total fair value of $2,383 on issuance). The fair value was assessed based on Cineplex's closing Share price on the grant date. The 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 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.

A summary of PSU activities during the years ended December 31, 2022 and 2021 is as follows:

	2022	**2021**
PSUs outstanding, January 1	411,258	333,908
Granted	177,973	167,546
Settled	(232,773)	(88,422)
Cancelled	(24,926)	(1,774)
PSUs outstanding, December 31	331,532	411,258

The PSUs associated with the 2020 LTIP were accounted for as equity-settled in 2022 with a performance factor resulting in 100,092 units settled. The PSUs associated with the 2019 LTIP were settled in 2021 for $100 cash.

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. For the year ended December 31, 2022, Cineplex recognized compensation cost of $4,933 (2021 - $2,881) under the Incentive Plan relating to RSU and PSU. At December 31, 2022, $320 (2021 - $207) was included in current share-based compensation liability and $4,406 in contributed surplus (2021 - $2,776).

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 year ended December 31, 2022, Cineplex recognized compensation recovery of $2,099 (2021 expense - $1,184) associated with the deferred equity units. At December 31, 2022, $3,432 (2021 - $4,733) was included in share-based compensation liability.

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

14. Lease obligations

The following table presents lease obligations for Cineplex for the year ended December 31, 2022 and 2021:

	Property	Equipment	Total
Year ended December 31, 2022			
Opening balance	$ 1,092,674	$ 12,849	$ 1,105,523
Additions	4,212	395	4,607
Extensions and modifications	88,178	(1,421)	86,757
Tenant inducement	11,698	—	11,698
Lease payment	(167,104)	(3,045)	(170,149)
Interest expense	61,263	579	61,842
Disposals	9	—	9
Foreign exchange rate changes	352	—	352
Closing lease obligations	$ 1,091,282	$ 9,357	$ 1,100,639
Less: current portion	91,869	4,224	96,093
Non-current portion of lease obligations	$ 999,413	$ 5,133	$ 1,004,546

	Property	Equipment	Total
Year ended December 31, 2021			
Opening balance	$ 1,160,849	$ 10,076	$ 1,170,925
Additions	25,347	5,681	31,028
Extensions and modifications	(18,007)	637	(17,370)
Tenant inducement	7,595	—	7,595
Lease payment	(141,067)	(3,900)	(144,967)
Interest expense	58,235	355	58,590
Reclassification to interests in joint ventures and associates	(226)	—	(226)
Foreign exchange rate changes	(52)	—	(52)
Closing lease obligations	$ 1,092,674	$ 12,849	$ 1,105,523
Less: current portion	97,236	3,822	101,058
Non-current portion of lease obligations	$ 995,438	$ 9,027	$ 1,004,465

Current portion of lease obligations are net of estimated tenant inducements.

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

The following table discloses the undiscounted cash flow for lease obligations as of December 31:

	2022	2021
Less than one year	$ 170,438	$ 173,086
One to five years	640,795	637,415
More than five years	705,012	610,456
Total undiscounted lease obligations	$ 1,516,245	$ 1,420,957

The following table provides the lease amounts recognized in the statement of operations for the periods ended December 31:

	2022	2021
Depreciation expense on right-of-use assets	$ 95,517	$ 102,247
Interest expense on lease obligations	$ 61,842	$ 58,590
Expense relating to variable lease payments not included in the measurement of the lease obligations (i)	$ 52,936	$ 49,250

(i) Variable lease payments include realty taxes and insurance.

Cineplex conducts a significant part of its operations in leased premises. Leased premises include leases for theatre locations, location-based entertainment venues, route operation locations, warehouses and offices. Cineplex also leases equipment for use in its theatre operations and offices. Leases for premises generally provide for minimum rentals and, in certain situations, percentage rentals based on sales volume or other identifiable targets; and may require the tenant to pay a portion of realty taxes and other property operating expenses. Property lease terms generally range from 15 to 20 years and contain various renewal options, generally, in intervals of five to ten years. Equipment lease terms generally range from one to five years and may contain renewal options.

Cineplex records the landlord's share of amusement revenue under venue revenue share (note 20, Other costs). This balance consists of all variable rental payments paid to landlords. Certain contracts may contain a lease under the definition in IFRS 16, however no obligation is recorded because the payment is variable. Venue revenue share also includes fixed payments where Cineplex has concluded the contract does not contain a lease under IFRS 16.

Some of the property leases in which Cineplex is the lessee contain fixed lease payments and variable lease payments that are derived from sales or attendance generated from the leased properties. Variable payments related to these leases for the period ended December 31, 2022 were not material.

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

15. Long-term debt

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

	December 31, 2022	December 31, 2021
Credit Facilities	327,000	260,000
Convertible Debentures	252,078	234,472
Notes Payable	245,810	244,739
Total	$ 824,888	$ 739,211
Letters of credit reserved against Revolving Facility	$ 10,054	$ 10,966
Revolving Facility available	$ 204,112	$ 270,702

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 between Cineplex, Cineplex Entertainment Limited Partnership, the guarantors from time to time party thereto, and a syndicate of lenders dated November 13, 2018 (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 (Secured Overnight Financing Rate) or bankers' acceptances rates plus, in each case, an applicable margin to those rates. The Revolving Facility matures in November 2024. Borrowings on the Revolving Facility can be made in either Canadian or US dollars.

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

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

On 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, on August 10, 2022 Cineplex entered into the Fifth Credit Agreement Amendment, and on December 22, 2022 Cineplex entered into the Sixth 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 and Sixth 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 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 the fourth quarter multiplied by 4;

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

        - 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.

As at December 31, 2022, Cineplex's Total Leverage Ratio was 3.69x, as compared to a covenant not to exceed 3.75x. Cineplex's Senior Leverage Ratio was 2.15x, as compared to a covenant not to exceed 2.75x. Cineplex's fixed charge coverage ratio was 1.29x, as compared to a minimum covenant requirement of 1.25x.

On December 22, 2022 Cineplex entered into a sixth amending agreement to the Credit Agreement (the "Sixth Credit Agreement Amendment"). The Sixth Credit Agreement Amendment extends the maturity date of the credit facility from November 13, 2023 to November 13, 2024, amends the standard administrative provisions relating to the potential replacement of benchmark rates, and makes certain other administrative amendments.

This summary of the Sixth 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, Fifth and Sixth Credit Agreement Amendment were filed on SEDAR on June 30, 2020, November 13, 2020, February 8, 2021, January 4, 2022, August 10, 2022, and December 22, 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 $57,000, 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.

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

a) a five-year, $541,166 senior secured Revolving Facility; $327,000 that has been drawn; $10,054 reserved and $204,112 remaining available balance.

At December 31, 2022, Cineplex was subject to a margin of 3.00% (2021 - 3.00%) on the prime rate and 4.00% (2021 - 4.00%) on the bankers' acceptance rate, plus a 0.25% (2021 - 0.25%) per annum fee for letters of credit issued on the Revolving Facility. The average interest rate on borrowings under the Credit Facilities was 6.90% for the year ended December 31, 2022 (2021 - 6.90%). Cineplex pays a commitment fee on the daily unadvanced

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

portion of the Revolving Facility, which will vary based on certain financial ratios and was 1.00% at December 31, 2022 (2021 - 1.00%).

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 December 31, 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 13, 2025	2.898 %

The interest rate swaps are measured at fair market value at each reporting period with changes in fair market value recorded in interest expense - other, in the consolidated statement of operations.

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 December 31, 2022 Cineplex's effective cost of borrowing on the $450,000 hedged borrowings was 6.904% (December 31, 2021 - $450,000 hedged borrowings - 6.904%) before considering rate mitigation through the above swaps. Cineplex will consider its interest rate exposure in conjunction with its overall capital strategy.

Convertible debentures

Convertible debentures consist of the following:

	December 31, 2022	December 31, 2021
Face value of convertible debentures outstanding	$ 316,250	$ 316,250
Unaccreted deferred financing fees and discount	(64,172)	(81,778)
Convertible debentures	$ 252,078	$ 234,472

On July 17, 2020, Cineplex issued $316,260 aggregate principal amount of convertible unsecured subordinated debentures, which mature on September 30, 2025 (the "Maturity Date") and bear interest at a rate of 5.75% per annum, payable semi-annually in arrears on September 30 and March 31 in each year.

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

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

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

The fair value of the liability component of the Debentures was assessed at inception based on an estimated market discount rate of 14.1% less the pro-rata portion of transaction costs, and will be accreted to the full face value over the term of the Debentures. During the year ended December 31, 2022, Cineplex recorded accretion and cash interest expense on the Debentures of $17,606 (2021 - $15,201) and $18,184 (2021 - $18,135), respectively, both of which are included as part of the interest expense in the consolidated statement of operations. As at December 31, 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.

Notes payable

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

	December 31, 2022	December 31, 2021
Face value of Notes Payable	$ 250,000	$ 250,000
Unaccreted deferred financing fees and discount	(4,190)	(5,261)
Notes Payable	$ 245,810	$ 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.

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

During the year ended December 31, 2022, Cineplex recorded accretion and cash interest expense on the Notes Payable of $1,071 (2021 - $772) and $18,750 (2021 - $15,822), respectively, both of which are included as part of interest expense in the consolidated statement of operations. As at December 31, 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 are consistent with accepted methods for valuing financial instruments. Cineplex has estimated the fair value of this embedded derivative at $2,980 as at December 31, 2022 (2021 - $9,240) 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.

16. Post-employment benefit obligations

Cineplex sponsors a defined benefit supplementary executive retirement plan ("DB SERP"). The DB SERP has a defined benefit obligation of $7,784 at December 31, 2022 (December 31, 2021 - $10,054), which is substantially unfunded. Annual benefits payable is $650 according to the retirement date of the sole beneficiary. The DB SERP does not have a material effect on the operations or cash flows of Cineplex.

Cineplex also sponsors the Retirement Plan for Salaried Employees of Famous Players Limited Partnership, a defined benefit pension plan, and the Famous Players Retirement Excess Plan (collectively known as the "Famous Players Plans"). Effective October 23, 2005, Cineplex elected to freeze future accrual of defined benefits under the Famous Players Plans. The Famous Players Plans do not have a material effect on the operations, cash flows or financial position of Cineplex.

Cineplex also provides a group registered retirement plan for the benefit of full-time employees.

The net post-retirement benefit obligation for each of the plans is as follows:

		2022		**2021**
DB SERP obligation, net of assets	$	5,793	$	8,490
Famous Players Plans obligations		1,177		1,483
Net post-retirement benefit obligation	$	6,970	$	9,973

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

Reconciliation of the net post-retirement benefit obligations

	2022	2021
Accrued benefit obligations		
Balance - Beginning of year	$ 11,537	$ 12,601
Past service cost - vested benefits	4	
Interest cost	330	296
Benefits paid	(123)	(142)
Actuarial gains	(2,787)	(1,218)
Balance - End of year	$ 8,961	$ 11,537
Less: Fair value of plan assets	$ 1,991	$ 1,564
Net post-retirement benefit obligation	$ 6,970	$ 9,973

Significant assumptions

	2022	2021
Accrued benefit obligations at December 31		
Discount rate - all plans	5.10%	2.70% - 2.90%
Health care cost trend rates at December 31		
Initial rate	5.60%	5.72%
Ultimate rate	4.00%	4.00%
Year ultimate rate reached	2041	2041

Sensitivity analysis

The following table shows the impact of a 1% increase or decrease of the discount rate on the defined benefit obligation at the end of the year.

	2022	2021
Impact of 1% increase in the discount rate	$ (780)	$ (1,159)
Impact of 1% decrease in the discount rate	$ 905	$ 1,370

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

17. Other liabilities

Other liabilities consist of the following:

	2022	2021
Asset retirement obligations	$ 2,730	$ 3,097
Licensing obligations - non-current	402	1,051
Deferred consideration - AMC business acquisition	3,134	3,134
Other, including provisions	194	308
	$ 6,460	$ 7,590

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

18. 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 December 31, 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	20,009		196		196
Issuance of shares on settlement of RSU/PSU units	11,093		36		36
Balance - December 31, 2022	63,375,400	$	852,697	$	852,697

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	11,060		86	$	86
Balance - December 31, 2021	63,344,298	$	852,465	$	852,465

19. Revenue

The following tables disclose the changes in deferred revenue and other for the year ended December 31, 2022 and 2021:

		December 31, 2021		Additions		Recognized		December 31, 2022
Gift cards	$	169,380	$	78,653	$	75,418	$	172,615
SCENE loyalty program		47,997		—		25,552		22,445
Advances, deposits and other		75,829		22,116		72,478		25,467
	$	293,206	$	100,769	$	173,448	$	220,527

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.

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

	December 31, 2020	Additions	Recognized	December 31, 2021
Gift cards	$ 164,025	$ 38,264	$ 32,909	$ 169,380
SCENE loyalty program	36,109	33,241	21,353	47,997
Advances, deposits and other	19,849	67,410	11,430	75,829
	$ 219,983	$ 138,915	$ 65,692	$ 293,206

In December 2020, Cineplex received $60,000 from its existing partner with respect to the agreement to reorganize the program and reposition it for future growth. During the third quarter of 2022, Cineplex completed specific non-financial milestones and as a result recognized a gain of $50,100 (classified under gain (loss) on disposal of assets on the Consolidated Statement of Operations) related to the reorganization of Scene LP, realizing $50,500 of advances, deposits and other. Approximately $5,100 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 months and year ended December 31, 2022 and 2021:

Box revenues	**Year ended December 31, 2022**	**2021**
Box office revenues	$ 461,272	$ 236,320

Food service revenues	**Year ended December 31, 2022**	**2021**
Food service - theatres	$ 331,567	$ 159,201
Food delivery - theatres	10,125	13,052
Food service - location-based entertainment	39,694	14,745
Total food service revenues	$ 381,386	$ 186,998

Media revenues	**Year ended December 31, 2022**	**2021**
Cinema media	$ 72,275	$ 32,958
Digital place-based media	39,453	32,372
Total media revenues	$ 111,728	$ 65,330

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

Amusement revenues	**Year ended December 31, 2022**	**2021**
Amusement solutions excluding exhibition and LBE	$ 165,681	$ 100,282
Amusement solutions - exhibition	12,284	4,943
Amusement solutions - location based entertainment	68,636	29,248
Total amusement revenues	$ 246,601	$ 134,473

Other revenues	**Year ended December 31, 2022**	**2021**
Other revenues	$ 67,575	$ 33,548

20. Other costs

	Year ended December 31, 2022	**2021**
Employee wages, salaries and benefits	$ 253,397	$ 150,251
Rent	852	(12,978)
Realty and occupancy taxes and maintenance fees	67,167	56,286
Utilities	31,122	21,717
Purchased services	60,557	39,964
Other inventories consumed, including amusement and digital place-based media	93,925	60,502
Venue revenue share	50,939	29,051
Repairs and maintenance	39,269	24,233
Advertising and promotion	29,089	13,636
Office and operating supplies	11,128	6,526
Licenses and franchise fees	16,173	15,337
Insurance	7,553	6,353
Professional and consulting fees	9,088	17,175
Telecommunications and data	5,720	5,160
Bad debts	(239)	172
Equipment rental	1,579	1,359
Other costs	10,419	4,810
	$ 687,738	$ 439,554

Cineplex operated at full capacity for a majority of the 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 year ended December 31, 2022 and 2021:

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

Subsidies	**Year ended December 31,**			
	2022		**2021**	
Wage subsidy (CEWS and THRP)	$	21,612	$	56,059
Rent subsidy (CERS and THRP)		3,461		13,643
Realty tax subsidy		3,731		11,963
Utility subsidy		2,069		4,826
Total	$	30,873	$	86,491

21. Net income (loss) per share

Basic

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

		2022		**2021**
Net income (loss)	$	113	$	(248,722)
Weighted average number of shares outstanding		63,359,240		63,339,239
Basic EPS	$	—	$	(3.93)

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 year ended December 31, 2022, the options and debentures are anti-dilutive and the anti-dilutive shares that have been excluded were 146,729 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 in 2021, as applicable.

		2022		**2021**
Net income (loss)	$	113	$	(248,722)
Weighted average number of shares for diluted EPS		63,359,240		63,339,239
Diluted EPS	$	—	$	(3.93)

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

22. Operating segments

Cineplex has four reportable segments; Film Entertainment and Content, Media, Amusement Solutions 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.

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

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

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

Management defines EBITDA as earnings before interest income and expense, income taxes and depreciation and amortization expense. Adjusted EBITDA excludes the change in fair value of financial instrument, loss (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.

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

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

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

The following tables disclose the results of the Film Entertainment and Content, Media, Amusement and Leisure and Location-Based Entertainment segments for the year ended December 31, 2022 and 2021:

Year ended December 31, 2022	Film Entertainment and Content (i)	Media (i)	Amusement Solutions	Location-Based Entertainment	Corporate and other (iii)	Consolidated
Major product and service lines						
Box office	$ 461,272	$ —	$ —	$ —	$ —	$ 461,272
Food service	341,692	—	—	39,694	—	381,386
Media	—	110,674	—	1,054	—	111,728
Amusement	12,284	—	165,681	68,636	—	246,601
Other	66,127	—	—	1,448	—	67,575
Total revenues	$ 881,375	$ 110,674	$ 165,681	$ 110,832	$ —	$ 1,268,562
Primary geographical markets						
Canada	$ 881,375	$ 102,515	$ 54,687	$ 110,832	$ —	$ 1,149,409
United States and other countries	—	8,159	110,994	—	—	119,153
Total revenues	$ 881,375	$ 110,674	$ 165,681	$ 110,832	$ —	$ 1,268,562
Timing of revenue recognition						
Transferred at a point in time	$ 881,375	$ 15,037	$ 165,681	$ 110,832	$ —	$ 1,172,925
Transferred over time	—	95,637	—	—	—	95,637
Total revenues	$ 881,375	$ 110,674	$ 165,681	$ 110,832	$ —	$ 1,268,562
Adjusted EBITDAaL	$ 26,976	$ 60,393	$ 27,471	$ 31,294	$ (64,462)	$ 81,672
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:						(12,663)
Other adjustments (ii)						(52,841)
Depreciation and amortization - other assets						105,197
Interest expense - other						60,826
Interest income						(277)
Provision for income taxes						1,197
(Reversal) impairment of long-lived assets						(19,880)
Net income						$ 113
Other operating segment disclosures						
Depreciation - right-of-use assets	$ 86,711	$ 2,803	$ 2,005	$ 3,574	$ 424	$ 95,517
Depreciation and amortization - other assets	$ 64,972	$ 4,916	$ 17,735	$ 17,574	$ —	$ 105,197
Interest expense - lease obligations	$ 54,655	$ 561	$ 586	$ 5,192	$ 848	$ 61,842
Goodwill balance	$ 413,915	$ 206,385	$ 15,834	$ —	$ —	$ 636,134

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

Year ended December 31, 2021	Film Entertainment and Content (i)	Media (i)	Amusement Solutions	Location-Based Entertainment	Corporate and other (iii)	Consolidated
Major product and service lines						
Box office	$ 236,320	$ —	$ —	$ —	$ —	$ 236,320
Food service	172,253	—	—	14,745	—	186,998
Media	—	64,852	—	478	—	65,330
Amusement	4,943	—	100,282	29,248	—	134,473
Other	33,258	—	—	290	—	33,548
Total revenues	$ 446,774	$ 64,852	$ 100,282	$ 44,761	$ —	$ 656,669
Primary geographical markets						
Canada	$ 446,774	$ 55,381	$ 25,387	$ 44,761	$ —	$ 572,303
United States and other countries	—	9,471	74,895	—	—	84,366
Total revenues	$ 446,774	$ 64,852	$ 100,282	$ 44,761	$ —	$ 656,669
Timing of revenue recognition						
Transferred at a point in time	$ 446,774	$ 12,458	$ 100,282	$ 44,761	$ —	$ 604,275
Transferred over time	—	52,394	—	—	—	52,394
Total revenues	$ 446,774	$ 64,852	$ 100,282	$ 44,761	$ —	$ 656,669
Adjusted EBITDAaL	$ (64,769)	$ 27,588	$ 8,709	$ 5,778	$ (61,601)	$ (84,295)
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:						16,617
Other adjustments (ii)						(37,194)
Depreciation and amortization - other assets						113,042
Interest expense - other						65,138
Interest income						(232)
Income taxes recovery						3,339
Impairment of long-lived assets						3,717
Net loss						$ (248,722)
Other operating segment disclosures						
Depreciation - right-of-use assets	$ 91,960	$ 2,803	$ 3,154	$ 3,747	$ 583	$ 102,247
Depreciation and amortization - other assets	$ 69,140	$ 4,674	$ 23,372	$ 15,856	$ —	$ 113,042
Interest expense - lease obligations	$ 51,778	$ 367	$ 519	$ 5,207	$ 719	$ 58,590
Impairment of long-lived assets	$ 3,717	$ —	$ —	$ —	$ —	$ 3,717
Goodwill balance	$ 413,915	$ 206,385	$ 15,245	$ —	$ —	$ 635,545

(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)

23. Barter transactions

Cineplex occasionally enters into barter arrangements with other parties to exchange goods or services. During the year ended December 31, 2022, Cineplex provided advertising and media services to third parties and recognized advertising revenues of $1,276 (2021 - $941). Cineplex received sponsorship and advertising services in exchange, recording marketing expenses of $936 (2021 - $1,311). The exchanges were measured at the estimated fair value of the services provided by Cineplex, by reference to similar services provided by Cineplex for monetary consideration to arm's-length third parties other than those with whom the transactions were entered into.

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

24. 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.

Joint ventures

Cineplex leased digital projection systems from CDCP up to April 2022, in the amount of $726 for the year ended December 31, 2022 (2021 - $2,308).

Cineplex performs certain management and film booking services for the joint ventures in which it is either a joint venturer or an associate. During the year ended December 31, 2022, Cineplex earned revenue of $602 for these services (2021 - $402).

Cineplex incurred marketing expenses related to Scene+ point issuances from Scene LP in the amount of $16,933 for the year ended December 31, 2022 (2021 - $2,125).

Compensation of key management

Compensation recognized in employee benefits for key management, who are defined as the Named Executive Officers, included:

	2022	2021
Salaries and short-term employee benefits	$ 4,072	$ 4,051
Post-employment benefits	111	73
Share-based compensation	2,795	2,487
	$ 6,978	$ 6,611

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

25. Changes in operating assets and liabilities

The following summarizes the changes in operating assets and liabilities:

	2022	2021
Trade and other receivables	$ (25,414)	$ (30,962)
Inventories	(11,049)	(1,998)
Prepaid expenses and other current assets	(2,053)	(2,912)
Accounts payable and accrued liabilities	41,562	76,097
Income taxes receivable	1,861	65,705
Deferred revenue	(27,820)	13,416
Post-employment benefit obligations	(691)	(806)
Share-based compensation	(1,416)	881
Other liabilities	(1,085)	(1,983)
	$ (26,105)	$ 117,438

Property, equipment and leasehold purchases are included in accounts payable and accrued liabilities as at December 31, 2022, in the amount of $10,876 (2021 - $6,830).

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

26. Commitments and contingencies

Commitments

As of December 31, 2022, Cineplex has aggregate capital commitments as follows:

Capital commitments for operating locations to be completed or renovated during 2023 - 2026 (i)	$	49,812
Letters of credit	$	10,054

(i) The amounts are $32,362 for 2023 and $17,450 for 2024.

Other

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

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

27. Financial instruments

Fair value of financial instruments

The carrying value and fair value of Cineplex's financial instruments at December 31, 2022 and 2021 are as follows:

		2022		2021	
Liability (Asset)	**Input level**	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Convertible debentures	1	318,878	303,600	301,272	417,450
Notes payable	2	245,810	247,188	244,739	265,975
Bank debt	2	327,000	327,000	260,000	260,000
Other liabilities - equipment liabilities	2	1,095	1,095	3,045	3,045
Interest rate swap agreements, net	2	(11,419)	(11,419)	14,223	14,223
Deferred consideration - AMC	2	3,134	3,134	3,134	3,134
Embedded derivative on notes payable	2	2,980	2,980	9,240	9,240

Cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities and dividends payable are reflected in the consolidated financial statements at carrying values that approximate fair values because of the short-term maturities of these financial instruments.

At the time of entering into the Sixth Credit Amendment Agreement, there was no further change to the interest margins charged by the Bank on Cineplex's outstanding debt from that implemented under the First, Second, Third, Fourth, Fifth and Sixth Credit Amendment Agreements. The bank debt is considered a Level 2 fair value measurement. The carrying value of the bank debt reflects the fair value, as the debt bears floating interest at market rates.

The equipment liabilities are recorded at amortized cost, as derived from expected cash outflows and Cineplex's estimated incremental borrowing rate at the date of entering into the lease arrangement, 5.1%. The equipment liabilities are included in accounts payable and accrued liabilities (current portion) and in other liabilities on the balance sheet.

The purpose of the interest rate swap agreements is to act as a cash flow hedge of the floating interest rate payable on Cineplex's first $450,000 of borrowings. Cineplex ceased hedge accounting for the interest rate swaps during the fourth quarter of 2019. The interest rate swap is measured at fair market value at each reporting period with changes in fair market value recognized in the consolidated statement of operations.

The deferred consideration for AMC (an undiscounted amount of $3,134 based on estimated non-capital losses arising from the 2012 acquisition of AMC Ventures Inc.) is recorded at fair value and included in other liabilities (note 17, Other liabilities). There was no change in fair value of $3,134 for the year ended December 31, 2022.

The convertible debentures are publicly traded on the TSX, and are recorded at amortized cost (note 15, Long-term debt).

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

The notes payable are publicly traded and are recorded at amortized cost based on Cineplex's expected cash outflows and reflects a monthly effective interest rate of 0.67% (note 15, Long-term debt).

The fair market value of the embedded derivative on notes payable was determined using an option pricing model with observable market inputs consistent with accepted methods for valuing financial instruments (note 15, Long-term debt).

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical financial assets or financial liabilities that Cineplex has the ability to access.

Fair values determined by Level 2 inputs use inputs other than the quoted prices included in Level 1 that are observable for the financial asset or financial liability, either directly or indirectly. Level 2 inputs include quoted prices for similar financial assets and financial liabilities in active markets, and inputs other than quoted prices that are observable for the financial assets or financial liabilities. Cineplex uses market interest rates and yield curves that are observable at commonly quoted intervals in the valuation of its interest rate swap agreements. The derivative positions are valued using models developed internally by the respective counterparty that uses as its basis readily observable market parameters (such as forward yield curves) and are classified within Level 2 of the valuation hierarchy. Cineplex considers its own credit risk as well as the credit risk of its counterparties when evaluating the fair value of its derivatives.

Level 3 inputs are unobservable inputs for the financial asset or financial liability, and include situations where there is little, if any, market activity for the financial asset or financial liability. Cineplex's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the financial asset or financial liability.

Credit risk

Credit risk is the risk of financial loss to Cineplex if a customer or counterparty to a financial instrument fails to meet its contractual obligation. Management believes the credit risk on cash and cash equivalents is low because the counterparties are banks with high credit ratings.

Accounts receivable include trade and other receivables. Trade receivables are amounts billed to customers for the sales of goods and services, and represent the maximum exposure to credit risk of those financial assets, exclusive of the expected credit loss. Normal credit terms for amounts due from customers call for payment within 30 to 45 days. Other receivables include amounts due from suppliers and landlords and other miscellaneous amounts. Cineplex's credit risk is primarily related to its trade receivables, as other receivables generally are recoverable through ongoing business relationships with the counterparties.

Cineplex grants credit to customers in the normal course of business. Cineplex typically does not require collateral or other security from customers; however, credit evaluations are performed prior to the initial granting of credit when warranted and periodically thereafter. Cineplex records a reserve for estimated uncollectible amounts, which management believes reduces credit risk. See note 29, Significant accounting policies, judgments and estimation uncertainty, for Cineplex's policy on impairment of financial assets.

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

The following schedule reflects the balance and age of trade receivables at December 31, 2022 and 2021:

	2022	2021
Trade receivables carrying value	$ 84,220	$ 53,326
Percentage past due	25%	30%
Percentage outstanding more than 120 days	4%	12%

The following schedule reflects the changes in the expected credit loss for trade receivables during the years ended December 31, 2022 and 2021:

	2022	2021
Expected credit loss for trade receivables - Beginning of year	$ 1,230	$ 1,191
Expected credit loss (reversed) or recorded	(296)	197
Amounts written off	(27)	(158)
Expected credit loss for trade receivables - End of year	$ 907	$ 1,230

Due to Cineplex's diversified client base, management believes Cineplex does not have a significant concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that Cineplex will encounter difficulty in meeting obligations associated with its financial liabilities.

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

The table below reflects the contractual maturity of Cineplex's undiscounted cash flows for its financial liabilities and interest rate swap agreements:

	2022				
	Payments due by period				
Contractual obligations	**Total**	**Within 1 year**	**2 - 3 years**	**4 - 5 years**	**After 5 years**
Accounts payable and accrued liabilities	$ 195,296	$ 195,296	$ —	$ —	$ —
Long-term debt	327,000	—	327,000	—	—
Interest on long-term debt	42,243	22,575	19,668	—	—
Equipment obligations	1,095	682	320	93	—
Deferred consideration - AMC	3,134	—	3,134	—	—
Convertible debentures	316,250	—	316,250	—	—
Convertible debentures interest	49,969	18,184	31,785	—	—
Notes payable	250,000	—	—	250,000	—
Notes payable interest	63,393	19,910	40,121	3,362	—
Total contractual obligations	$1,248,380	$ 256,647	$ 738,278	$ 253,455	$ —

	2021				
	Payments due by period				
Contractual obligations	**Total**	**Within 1 year**	**2 - 3 years**	**4 - 5 years**	**After 5 years**
Accounts payable and accrued liabilities	$ 157,950	$ 157,950	$ —	$ —	$ —
Interest rate swap agreements	14,223	8,063	5,081	1,079	—
Long-term debt	260,000	—	260,000	—	—
Interest on long-term debt	33,539	17,950	15,589	—	—
Equipment obligations	3,045	1,963	829	160	93
Deferred consideration - AMC	3,134	—	3,134	—	—
Convertible debentures	316,250	—	—	316,250	—
Convertible debentures interest	68,154	18,184	36,369	13,601	—
Notes payable	250,000	—	—	250,000	—
Notes payable interest	78,083	18,750	37,552	21,781	—
Total contractual obligations	$1,184,378	$ 222,860	$ 358,554	$ 602,871	$ 93

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

Existing lease commitments are disclosed in note 14, Lease obligations. Cineplex also has significant new theatre and other capital commitments (note 26, Commitments and contingencies), as well as contingent obligations in the form of letters of credit, guarantees and the Incentive Plan for options, RSUs, and PSUs.

New capital commitments not funded through cash flows from operations will be funded through Cineplex's Revolving Facility. Management believes that Cineplex's cash flows from operations and the Revolving Facility will be adequate to support all of its financial liabilities.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in foreign currency exchange rates.

The majority of Cineplex's revenues and expenses are in Canadian dollars, with the remainder denominated in US dollars. Approximately 9.4% (2021 - 12.8%) of Cineplex's revenues are derived from sales to customers in the United States, which are naturally hedged by the Cineplex's US-based operating costs. Management considers currency risk to be low and does not hedge its currency risk. An assumed increase of 10% in exchange rates at December 31, 2022 would have increased other comprehensive income by $2,658 and increased net income by $47. An assumed decrease of 10% in exchange rates at December 31, 2022 would have decreased other comprehensive income by $3,107 and decreased net income by $47.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Cineplex is exposed to interest rate risk on its Credit Facility, which bears interest at floating rates.

Interest expense on the long-term debt is adjusted to include the payments made or received under the interest rate swap agreements. The interest rate swap agreements are recognized in the consolidated balance sheets at their estimated fair value. During the year ended December 31, 2022, Cineplex recorded non-cash interest income of $22,072 relating its interest rate swaps (2021 - interest income of $12,730).

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

The following table shows Cineplex's exposure to interest rate risk and the pre-tax effects on net income for the years ended December 31, 2022 and 2021 of a 1% change in interest rates management believes is reasonably possible:

						2022
	Pre-tax effects on net income - increase (decrease)					
			1% decrease in interest rates		**1% increase in interest rates**	
Financial liability (asset)		**Carrying value of financial liability (asset)**		**Net income**		**Net income**
Long-term debt	$	327,000	$	3,351	$	(3,351)
Interest rate swap agreements - net		(11,419)		(5,944)		6,398
			$	(2,593)	$	3,047

						2021
	Pre-tax effects on net income - increase (decrease)					
			1% decrease in interest rates		**1% increase in interest rates**	
Financial liability		**Carrying value of financial liability**		**Net income**		**Net income**
Long-term debt	$	260,000	$	2,911	$	(2,911)
Interest rate swap agreements - net		14,223		(9,772)		9,461
			$	(6,861)	$	6,550

The carrying value of the interest rate swaps asset was $11,419 at December 31, 2022. If interest rates changed plus or minus 1% from existing estimates throughout the contract period, the carrying value would increase to $17,817 or decrease to $5,475, primarily affecting interest expense.

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

28. Capital disclosures

Cineplex's objectives when managing capital are to:

a) maintain financial flexibility to preserve its ability to meet financial obligations and growth objectives, including future investments;
b) deploy capital to provide an appropriate investment return to its shareholders; and
c) maintain a capital structure that allows multiple financing options, should a financing need arise.

Cineplex defines its capital as follows:

a) equity;
b) long-term debt, convertible debentures, notes payable and finance lease obligations, including the current portion;
c) fair value of equipment liabilities, including the current portion; and
d) cash and cash equivalents.

It is Cineplex's policy to distribute annually to shareholders available cash from operations after cash required for maintenance capital expenditures, working capital and other reserves at the discretion of the Board of Directors. Distributions will be limited and only permitted when the Total Leverage ratio is less than 2.75 to 1 as required under Credit Facility, both prior to and immediately after giving effect to any such distribution. Distributions are not allowed during the financial covenant suspension period.

Cineplex is subject to certain covenants on its credit facilities agreement, which defines certain non-GAAP terms and measures. The Total Leverage Ratio may not exceed 3.75 to 1, and will be reduced over the course of 2023 each quarter until it is at 3 to 1 for the third quarter of 2023. The addition of a Senior Leverage Ratio set at 1.0x lower than the Total Leverage Ratio was included as part of the third amendment to the credit agreement. Growth capital expenditures will be permitted subject to a pro forma Total Leverage covenant of 2.75 to 1, both prior to and immediately after giving effect to any such growth capital expenditures.

The basis for Cineplex's capital structure is dependent on Cineplex's expected growth and changes in the business and regulatory environments. To maintain or adjust its capital structure, Cineplex may purchase shares for holding or cancellation, issue new shares, raise debt or refinance existing debt with different characteristics.

Objectives and strategies are reviewed periodically by management. Management continues to focus on reducing its cost of capital. During 2021, Cineplex completed the offering of Notes Payable for $250,000 aggregate principal amount and repaid its Term Facility in full. In 2022 and 2021, Cineplex's capital composition, objectives or strategies all changed in response to the substantial business challenges of COVID-19.

29. Significant accounting policies, judgments and estimation uncertainty

Significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements are described below.

Basis of preparation and measurement

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

Cineplex prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"). The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying Cineplex's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the consolidated financial statements are disclosed later in this note.

These consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value, including derivative instruments and available-for-sale investments.

Reportable operating segments

Cineplex is comprised of four reportable operating segments, Film Entertainment and Content, Media, Amusement and Leisure, and Location-Based Entertainment. The reportable segments are business units offering differing products and services. Details of Cineplex's four reportable operating segments are provided in (note 22, Operating segments).

Consolidation

Subsidiaries are all entities over which Cineplex has control. Cineplex controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to Cineplex. They are deconsolidated from the date that control ceases.

Cineplex applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by Cineplex. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Cineplex recognizes any non-controlling interest in the acquiree at fair value of the recognized amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by Cineplex is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IFRS 9 in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of operations.

Inter-company transactions, balances and unrealized gains and losses on transactions between Cineplex entities are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with Cineplex's accounting policies.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Associates are all entities over which Cineplex has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. Cineplex's investment in associates includes goodwill identified on acquisition.

Cineplex determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, Cineplex calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the statement of operations.

Profits and losses resulting from upstream and downstream transactions between Cineplex and its associate are recognized in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by Cineplex.

Dilution gains and losses arising in investments in associates are recognized in the consolidated statement of operations.

Investments in joint ventures and associates

Investments in joint arrangements are classified either as joint operations and proportionately consolidated or as joint ventures or associates and equity-accounted, depending on the contractual rights and obligations of each investor.

Under the equity method of accounting, interests in joint ventures and associates are initially recognized at cost and adjusted thereafter to recognize Cineplex's share of the post-acquisition profits or losses and movements in OCI. When Cineplex's share of losses in a joint venture or an associate equals or exceeds its interests in that joint venture or associate (which includes any long-term interests that, in substance, form part of Cineplex's net investment in the joint ventures), Cineplex does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint venture or associate.

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

Unrealized gains on transactions between Cineplex and its joint ventures and associates are eliminated to the extent of Cineplex's interest in the joint ventures and associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by Cineplex.

Cineplex assesses at each year-end whether there is any objective evidence that its interests in joint ventures and associates are impaired. In determining the value-in-use of an investment, Cineplex estimates its share of the present value of the estimated cash flows expected to be generated by the joint venture or associate, including the cash flows from the operations of the joint venture or associate and the proceeds on the ultimate disposal of the investment, or the present value of the estimated future cash flows expected to arise from dividends to be received from the joint venture or associate and its ultimate disposal. If impaired, the carrying value of Cineplex's share of the underlying assets of joint ventures or associates is written down to its estimated recoverable amount (being the higher of fair value less costs of disposal and value in use) and charged to the consolidated statements of operations.

Cineplex has interests in a jointly controlled entity and accounts for its share of assets and liabilities, revenue and expenses of the joint operation. Cineplex conducts a portion of its business through Scene GP, a joint operation whereby the joint operation participants are bound by contractual agreements establishing joint control. Joint control exists when unanimous consent of the joint operation participants is required regarding strategic, financial and operating policies of the joint operation. Cineplex's share of results from Scene GP has been recognized in Cineplex's consolidated financial statements. Inter-company transactions between Cineplex and Scene GP are eliminated to the extent of Cineplex's interest. As part of the ongoing reorganization of Scene GP 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 then 50% economic interest in Scene LP, the operator of the Scene+ loyalty program. Cineplex holds a 1/3rd ownership interest in Scene LP as at December 31, 2022

Foreign currency translation

Functional and presentation currency

Cineplex determines its subsidiaries' functional currency by reviewing the currency of the primary economic environment in which each entity operates (the "functional currency"). The functional currency of three subsidiaries of P1AG is the United States dollar. The functional currency of all other entities of the Cineplex group is the Canadian dollar.

The consolidated financial statements are presented in Canadian dollars.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at fiscal year-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the consolidated statements of operations.

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

Subsidiaries

The results and balance sheet of the subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates, and
- all resulting exchange differences are recognized in other comprehensive income.

Goodwill recognized on the acquisition of a subsidiary are treated as assets and liabilities of the subsidiary and translated at the closing rate.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash equivalents are readily converted into known amounts of cash, and are subject to an insignificant risk of changes in value.

Financial instruments

Financial assets and financial liabilities are recognized when Cineplex becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and Cineplex has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the contractual obligations are discharged, canceled or expire. Regular purchases and sales of financial assets are recognized on the trade-date, the date on which Cineplex commits to purchase or sell the asset.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the financial asset and settle the financial liability simultaneously.

IFRS 9 contains three classification categories for financial assets and liabilities measured at amortized cost, fair value through profit or loss ("FVPL") and fair value through other comprehensive income ("FVOCI").

At initial recognition, Cineplex classifies its financial instruments in the following categories depending on the purpose for which the financial instruments were acquired:

i. Financial assets and financial liabilities at FVPL: The only instruments held by Cineplex classified in this category are certain equipment purchase liabilities, and the deferred consideration payable for business combinations. Derivatives are included in this category unless they are designated as hedges.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statements of operations. Gains and losses arising from changes in fair value are presented in the consolidated statements of operations. Financial assets and financial liabilities at fair value through profit or loss are classified as current, except for the portion expected to be realized or paid beyond 12 months of the consolidated balance sheet date, which is classified as non-current. Financial assets and liabilities at FVPL are presented within changes in operating assets and liabilities in the consolidated statements of cash flows.

ii. Financial assets and liabilities at amortized cost: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Cineplex's loans and receivables comprise trade receivables and cash and cash equivalents, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method, less a provision for impairment.

Financial liabilities at amortized cost include trade payables, dividends and distributions payable, bank indebtedness and long-term debt and the non-derivative component of convertible debentures. Trade payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method. Bank indebtedness and long-term debt, and the non-derivative component of convertible debentures are recognized initially at fair value, net of any transaction costs incurred and, subsequently, at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as non-current liabilities.

Equity investments are required to be measured fair value with all changes recognized at FVPL. At initial recognition, Cineplex can make an irrevocable election to classify the instruments at FVOCI, with all subsequent changes in fair value being recognized in OCI. Cineplex has not classified any equity instruments at FVOCI.

iii. Financial instruments at FVOCI: Cineplex ceased the use of hedge accounting for its interest rate swap agreements during the fourth quarter of 2019 as a result of the terms of the Arrangement Agreement. The interest rate swap are measured at fair market value at each reporting period with changes in fair market value recognized in the consolidated statement of operations.

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

Impairment of financial assets

At each reporting date, Cineplex assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, Cineplex recognizes an impairment loss. IFRS 9 uses forward-looking Expected Credit Loss (“ECL”), Cineplex applies the impairment model to financial asset measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, expected credit losses will be measured on either of the following bases:

i. 12-month ECLs which are ECLs that result from possible default events within 12 months after the reporting date; and

ii. lifetime ECLs which are ECLs that result from all possible default events over the expected life of a financial instruments.

Cineplex applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss for all trade receivables. Impairment losses on financial assets carried at amortized cost or FVOCI are reversed in subsequent years if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Inventories

Inventories consist of food service inventories, gaming inventories and other inventories, including work in progress.

Food service inventories, merchandise that is used as redemption prizes and work-in progress inventories are stated at the lower of cost and net realizable value. Cost is determined on average cost methodology. Net realizable value is the estimated selling price less applicable selling expenses.

Gaming inventories includes gaming equipment purchased for re-sale or transferred from property, equipment and leaseholds and merchandise that is used as redemption prizes for certain games. Gaming equipment cost is determined on a specific-item basis, and includes equipment that has been transferred from property, equipment and leaseholds to inventory when it is no longer in route operations and it will be sold or auctioned to third parties at the discretion of management. Gaming equipment is transferred to inventory at its net book value and stated at the lower of the net book value or net realizable value. Net realizable value is the estimated selling price less applicable selling expenses.

Other inventories include consumable supplies and work-in-progress being assembled for sale or installation by CDM.

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

Impairment of non-financial assets

Property, equipment and leaseholds and intangible assets subject to amortization are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Long-lived assets that are not amortized are subject to an annual impairment test. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash inflows relating to the relevant intangible asset (“cash-generating units” or “CGUs”). Cineplex considers each theatre a CGU. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss, if estimated, is recognized for the amount by which the CGU’s carrying value exceeds its recoverable amount. Management makes assumptions and estimates in determining the recoverable amount of its long lived assets and groups of CGUs’ goodwill, including significant key assumptions relating to attendance and the related revenue growth rates and discount rates. Further, other assumptions are required pertaining to variable and fixed cash flows, and operating margins. (See note 11, Impairment of long-lived assets).

Goodwill is reviewed for impairment annually or at any time if an indicator of impairment exists.

Goodwill acquired through a business combination is allocated to each CGU or group of CGUs that is expected to benefit from the related business combination. A group of CGUs represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, which is not higher than an operating segment. Cineplex groups theatre CGUs based on geographical regions of financial management responsibility in testing goodwill for impairments.

Cineplex groups CGUs based on trade name in testing indefinite-lived trade names for impairment.

A reversal of impairment, if estimated, is recognized to a limit of increasing the carrying amount to the lower of the recoverable amount and the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized in prior periods.

Property, equipment and leaseholds

Property, equipment and leaseholds are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset’s carrying value or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Cineplex and the cost can be measured reliably. The carrying value of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the consolidated statements of operations during the year in which they are incurred.

The major categories of property, equipment and leaseholds are depreciated on a straight-line basis as follows:

Buildings	30 - 40 years
Equipment	3 - 10 years
Leasehold improvements	term of lease but not in excess of the useful lives

For owned buildings constructed on leased property, the useful lives do not exceed the terms of the land leases.

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

Cineplex allocates the amount initially recognized in respect of an item of property, equipment and leaseholds to its significant parts and depreciates separately each such part. Residual values, method of depreciation and useful lives of the assets are reviewed at least annually or whenever events or circumstances suggest a change that may otherwise indicate an impairment exists and adjusted if appropriate. Construction-in-progress is depreciated from the date the asset is ready for productive use.

Gains and losses on disposals of property, equipment and leaseholds are determined by comparing the proceeds with the carrying value of the asset and are included as part of other gain or loss on the sale of assets in the consolidated statements of operations.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Cineplex's share of the net identifiable assets of the acquired business at the date of acquisition.

Identifiable intangible assets

Intangible assets include trademarks, trade names, leases, software and customer relationships acquired by Cineplex. As Cineplex intends to use certain of the trademarks and trade names of the Partnership and GEI for the foreseeable future, the useful lives of those trademarks and trade names are indefinite and no amortization is recorded. Other trade names are expected to be substantially discontinued and are amortized over their expected useful lives (note 10, Intangible assets). Management tests indefinite-lived intangible assets for impairment at least annually, and considers at least annually or whenever events or circumstances indicate that the life of an indefinite-lived intangible asset may be finite. The advertising contracts have limited lives and are amortized over their useful lives, estimated to be between five to nine years. The estimated fair value of lease contract assets is amortized on a straight-line basis over the remaining term of the lease into amortization expense.

The major categories of intangible assets are amortized on a straight-line basis as follows:

Internally generated software	3 - 5 years
Customer relationships	5 - 10 years
Trade names	not amortized

Leases

Cineplex conducts a significant part of its operations in leased premises. In assessing whether a contract is, or contains a lease, Cineplex applies the definition of a lease and related guidance set out in IFRS 16 for all lease contracts entered into or modified. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under the provisions of IFRS 16, substantially all of Cineplex's leases are recorded as lease obligations and right-of-use assets.

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

Lease payments included in the measurement of the lease obligation are comprised of the following:

i. Fixed lease payments, including in-substance fixed payments;
ii. Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
iii. Amounts expected to be payable under a residual value guarantee;
iv. The exercise price of purchase options that Cineplex is reasonably certain to exercise, lease payments in an option renewal period if Cineplex is reasonably certain to exercise the extension option, and penalties for early termination of the lease unless Cineplex is reasonably certain not to terminate early; and
v. Less any lease incentives receivable.

Variable payments for leases that do not depend on an index or rate are not included in the measurement of the lease liability. The variable payments are recognized as an expense in the period in which they are incurred and are included in the consolidated statement of operations.

Cineplex accounts for any lease and associated non-lease components separately, as opposed to a single arrangement, which is permitted under IFRS 16. Cineplex records non-lease components such as common area maintenance as an expense in the period in which they are incurred and are included in the consolidated statement of operations.

Interest on the lease obligations is calculated using the effective interest method with rent payments reducing the liability. The lease obligation is remeasured whenever a lease contract is modified and the lease modification is not accounted for as a separate lease, or there is a change in the assessment of the exercise of an extension option. The lease obligation is remeasured by discounting the revised lease payments using a revised discount rate resulting in a corresponding adjustment to the right-of-use asset or is recorded in gain or loss if the carrying amount of the right-of-use asset has been reduced to zero or the modification results in a reduction in the scope of the lease.

The right-of-use assets are depreciated on a straight-line basis from the date of commencement to the earlier of the end of the useful life of the asset or the end of the lease term.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36, *Impairment of Assets.*

Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the consolidated statements of operations in the year in which they are incurred.

Employee benefits

Cineplex is the sponsor of a number of employee benefit plans. These plans include a defined benefit pension plan, additional unfunded defined benefit obligations for former Famous Players employees, and a group registered retirement savings plan.

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

i. Post-employment benefit obligations

For defined benefit plans, the level of benefit provided is based on the length of service and annual earnings of the person entitled.

The cost of defined benefit plans is determined using the projected unit credit method. The related benefit liability recognized in the consolidated balance sheets is the present value of the defined benefit obligation at the consolidated balance sheet dates less the fair value of plan assets. The cost of the group registered retirement savings plan is charged to expense as the contributions become payable.

Actuarial valuations for defined benefit plans are carried out periodically and considered at each annual consolidated balance sheet date. The discount rate applied in arriving at the present value of the benefit liability represents yields on high-quality corporate bonds that are denominated in Canadian dollars, the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related benefit liability.

The net defined benefit liability (asset) is recognized on the balance sheet without any deferral of actuarial gains and losses. Past service costs are recognized in net income when incurred. Post-employment benefits expense includes the net interest on the net defined benefit liability (asset) calculated using a discount rate based on market yields on high quality bonds. Remeasurements consisting of actuarial gains and losses, the actual return on plan assets (excluding the net interest component) and any change in the asset ceiling are recognized in other comprehensive income without recycling to the consolidated statements of operations.

Employee benefits are classified as long-term employee benefits if payments are not expected to be made within the next 12 months.

ii. Share-based compensation - options

Cineplex grants stock options to certain employees. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Until December 16, 2019 the options were considered equity-settled, and fair value of each tranche was measured at the date of grant using the Black-Scholes option pricing model. Compensation expense was based on the number of awards expected to vest and was recognized over the tranche's vesting period, included as employee benefits expense in other costs. On December 16, 2019 as a result of the terms of the Arrangement Agreement, the options were considered cash-settled, and the fair value of the excess of outstanding options in excess of the exercise price was recognized as a current share-based compensation liability, and changes in value were reflected in the statement of operations. Stock options impacted by the termination of the Arrangement Agreement were revalued and accounted for as equity-settled and any previously recognized share based compensation liability was reclassified to contributed surplus. The accelerated recognition of unvested options was reversed and is being recognized over their remaining vesting periods at the value determined at March 31, 2020. Forfeitures are estimated to be nominal, based on historical forfeiture rates.

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

iii. Share-based compensation - other plans

Cineplex has a number of other cash-settled share-based compensation plans. The obligation for these plans is recorded at fair value on a percentage vested basis. Changes in the obligation are reflected in employee benefits in other costs in the consolidated statements of operations. Cineplex also issues RSUs and PSUs that will be equity settled and will fully vest at the completion of the performance period determined by management at the time of issuance.

Provisions

Provisions for asset retirement obligations, theatre shutdowns and legal claims, where applicable, are recognized when Cineplex has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material. Cineplex performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts. Provisions are included in other liabilities on the consolidated balance sheets.

Income taxes

Income taxes comprise current and deferred income taxes. Income taxes are recognized in the consolidated statements of operations, except to the extent that they relate to items recognized directly in equity or in OCI, in which case, the income taxes are also recognized directly in equity or in OCI.

Current income taxes are the expected taxes payable on the taxable income for the year, using income tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to income taxes payable in respect of previous years.

In general, deferred income taxes are recognized in respect of temporary differences arising between the income tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Deferred income taxes are determined on a non-discounted basis using income tax rates and laws that have been enacted or substantively enacted at the consolidated balance sheet dates and are expected to apply when the deferred income tax asset or liability is settled. Deferred income tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income taxes are provided on temporary differences arising on investments in subsidiaries and joint ventures, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by Cineplex and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented as non-current.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity.

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

Dividends

Dividends on common shares are recognized in the consolidated financial statements in the year in which the dividends are approved by the Board of Directors of Cineplex.

Revenue

Film Entertainment and Content

Cineplex generates box office revenues from the sale of admission tickets for theatrical releases purchased by customers in theatres, online at Cineplex.com or through the Cineplex mobile app. Revenue is recognized at the time the obligation is satisfied which is when the movie for which the ticket purchased has played. Amounts collected on advanced tickets sales are recorded as deferred revenue and recognized when the movie has played. Cineplex also generates revenues from the sale of food service which is comprised of food and beverage sales. Food service revenue is recognized when control of the food service has transferred, being at the point the customer purchases the food service at the theatres. Payment of the transaction price is due immediately at the point the customer purchases the concessions. Until December 12, 2021, Cineplex recorded deferred revenue for Scene points issued with respect to retail transaction, based on the relative stand-alone selling price of the points issued. The deferred revenue associated with the points redeemed were recognized as revenue when points were redeemed by customers or in accordance with Cineplex’s accounting policy for breakage. Beginning December 13, 2021, as a result of the the launch of Scene+, Scene+ points issued in association with Cineplex revenue transactions are accounted for as marketing expense.

Cineplex sells gift cards directly to individual customers and vouchers to both wholesale resellers and directly to individual customers. The transaction price received from the sales of gift cards and vouchers is due at the time of sale and is recorded as deferred revenue. Revenues from gift cards and vouchers are recognized either on redemption or in accordance with Cineplex's accounting policy for breakage. Breakage income is included in other revenues and represents the estimated value of gift cards and vouchers that are not expected to be redeemed by customers. It is estimated based on historical redemption patterns. The sale of a voucher creates a future obligation from Cineplex to provide an admission ticket or a combination of admission ticket(s) and concessions. The transaction price of the voucher is allocated between box office and concessions based on a relative stand-alone selling price basis.

Media

The media segment principally generates revenue from providing advertising services, sales of digital hardware for digital signage networks, installation of digital hardware, digital software services subscriptions, software maintenance and support services, creative services, printing services and warranties. Products and services may be sold separately or in bundled packages. For bundled packages, Cineplex determines whether individual products and services are distinct (if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it). The consideration is allocated between separate products and service in a bundle based on their relative stand-alone selling prices.

Advertising Media

Media revenues consist primarily of advertising revenues generated from customers who advertise their products and services through Cineplex's media offerings which include onscreen, online, magazine, and digital out of home. Revenue for advertising is recognized over time as services are delivered. The transaction price allocated to these services is recognized as the media runs from the start to the end dates specified in the contracts with the customer. The transaction price allocated to the distinct services to be provided is based on the stand-alone selling prices of the distinct services. Amounts collected on advanced media sales are recorded as deferred revenue and recognized over the period that the media is presented.

Each contract with a customer is also evaluated to determine whether Cineplex is the principal or agent in the transaction. For transactions which Cineplex is the principal, revenues are recorded on a gross basis and for transactions where Cineplex is the agent, revenues are recorded on a net basis.

Installation and Digital Hardware for digital signage network

Cineplex sells digital hardware, installation and other professional services for digital signage networks. The installation and other professional services that Cineplex provides are not a significant integration service, does not customize or modify the hardware and can be performed by another party. The installation and other professional services are therefore accounted for as a separate performance obligation and the transaction price is allocated to each performance obligation based on the stand-alone selling prices. Revenue for installation and other professional services are recognized upon completion of the installation of the digital hardware at the individual site being installed for the customer. If contracts include the purchase of hardware, revenue for the hardware is recognized at the point in time when hardware is delivered to the customer. Delivery occurs when the hardware has been shipped to the customer's specific location, the legal title has passed and the customer has accepted the hardware.

Digital software services subscription

Cineplex sells software service subscriptions to customers which provides the functionality for the digital signage network, the customer portal, the content management tool and media player software at the customer's location. Cineplex also sells maintenance and support services for the software service subscriptions. Software service subscription and maintenance and support services are considered to represent a single performance obligation and revenue is recognized over time over the life of the contract. For software service subscriptions, customers have payment options of either equal monthly payments over the term of the contract or a single lump sum payment at the inception of the contract. Amounts collected as advanced payments are recorded as deferred revenue and recognized equally over the term of the contract unless the contract contains a renewal option with an embedded material right which provides the customer a material right (such as a free or discounted good or service) and gives rise to a separate performance obligation. If an embedded material right exists, revenue is recognized on a straight-line basis over the term of the contract including the renewal period. Contracts are evaluated to determine whether renewal options provide the customer with an embedded material right and whether a significant financing arrangement exists. For maintenance and support services, the transaction price is paid monthly in equal payments over the term of the contract as service is provided.

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

Creative Services

Cineplex provides creative services producing content to be run on customer's digital display networks. For creative services, revenue is recognized at a point in time when the project is completed and the customer has accepted the final product. Creative services are based on an hourly rate and the transaction price recognized as revenue is the amount to which Cineplex has a right to invoice based on the amount of hours required to complete the project. Payment of the transaction price is due at completion of the project.

Amusement and Leisure

The amusement and leisure segment principally generates revenue from route operations, the sale of amusement gaming and vending equipment and from the sale of food services and entertainment at location based entertainment venues.

Cineplex operates amusement, gaming and vending equipment at family entertainment centres ("FECs") and non-FECs which is referred to as route operations. The transaction price is the set price that the customer playing the game is required to pay and revenue is recognized upon the customer playing the game. As it relates to gaming revenues, the most significant judgment is determining whether Cineplex is the principal or agent in the route operations. Cineplex is considered to be the principal in its route operations as it owns all of the equipment hosted at sites, is responsible for the maintenance of the equipment, and has control over which equipment will be on site. Revenues from route operations are recorded at the gross amount with the portion shared with the location hosting the equipment recorded in other costs as venue revenue share. Cineplex also sells rechargeable cards to be used for gameplay. IFRS 15 requires unused cash values on the rechargeable cards to be deferred. Revenue from the rechargeable cards is recognized upon redemption or in accordance with Cineplex's policy for breakage based on historical redemption patterns.

For the sale of equipment to customers, revenue is recognized when control of the goods has transferred and title has passed, being when the goods have been delivered to the customer's specific location.

Food and beverage sales at location-based entertainment venues are recognized when control of the goods has transferred, being at the point the customer purchases and receives the goods. Payment of the transaction price is due at the point the customer purchases food and/or beverages.

Income per share

Basic EPS is calculated by dividing the net income for the year attributable to equity owners of Cineplex by the weighted average number of common shares outstanding during the year.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options and similar instruments is computed using the treasury stock method. Cineplex's potentially dilutive common shares include stock options granted to employees and the conversion feature of the convertible debentures.

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

Film rental costs

Film rental costs are recorded based on the terms of the respective film licence agreements. In some cases, the final film cost is dependent on the ultimate duration of the film's play and, until this is known, management uses its best estimate of the final settlement of these film costs. Film costs and the related film costs payable are adjusted to the final film settlement in the year Cineplex settles with the distributors. Actual settlement of these film costs could differ from those estimates.

Consideration received from vendors

Cineplex receives rebates from certain vendors with respect to the purchase of concession goods. In addition, Cineplex receives payments from vendors for advertising undertaken by the theatres on behalf of the vendors. Cineplex recognizes rebates earned for purchases of each vendor's product as a reduction of concession costs and recognizes payments received for services delivered to the vendor as media or other revenue.

Significant accounting judgments and estimation uncertainties

Critical accounting estimates and judgments

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 values of assets and liabilities within the next financial year.

a) Goodwill and recoverable amount of 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 (note 11, Impairment of long-lived assets).

b) 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.

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

c) 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.

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.

d) 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. As described in note 2, Business impacts, risks and liquidity, 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.

e) 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.

f) 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. Significant estimates and assumptions relating to the option plan are disclosed in note 13, Share-based compensation. 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.

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

g) 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.

Amendments to existing accounting standards

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 to 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 December 2020 the IASB published 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.

BOARD OF DIRECTORS

Jordan Banks (4)
Corporate Director
Toronto, ON

Robert Bruce (5)
Corporate Director
Toronto, ON

Joan Dea (4)
Corporate Director
Ross, CA

Janice Fukakusa (3)
Corporate Director
Toronto, ON

Donna Hayes (5)
Corporate Director
Toronto, ON

Ellis Jacob, C.M.
President and Chief Executive Officer
Cineplex Inc.
Toronto, ON

Sarabjit (Sabi) Marwah (4)
Corporate Director
Toronto, ON

Nadir Mohamed (2)
Corporate Director
Toronto, ON

Phyllis Yaffe (1) (4)
Corporate Director
Toronto, ON

(1) Chair of the Board of Directors of Cineplex Inc.
(2) Chair of the Compensation, Nominating and Corporate Governance Committee
(3) Chair of the Audit Committee
(4) Member of the Compensation, Nominating and Corporate Governance Committee
(5) Member of the Audit Committee

INVESTOR RELATIONS

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ANNUAL AND SPECIAL MEETING
Wednesday May 24, 2023
9:00AM EDT
Virtual

CINEPLEX®.COM