CINEPLEX®

2023

# ANNUAL REPORT

# Table of Contents

## Letter from the Chair of the Board

Dear fellow shareholders,

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

Despite an ever-evolving entertainment landscape, Cineplex achieved strong financial results in 2023. We experienced robust performance in Q2 and achieved a record breaking Q3 – the best in our company's history.

We continue our efforts to deliver long-term, sustainable value to our shareholders. We are confident that Cineplex is well-positioned, and firmly believe that we have taken, and are continuing to take, the steps necessary to improve Cineplex's financial health and ensure its continued success.

***Return of Business and Sound Strategic Plan***

Throughout the past year, the team responded to content supply challenges by implementing measures aimed at enhancing operational efficiency, ensuring disciplined capital allocation, revitalizing our theatrical exhibition offerings, and driving growth within our diversified businesses. These efforts were instrumental in driving growth across all of our business units and resulted in Cineplex delivering strong financial results.

Recognizing the importance of strengthening our balance sheet, we took decisive action by selling our amusement solutions business. This strategic divestment was an important step towards realizing the Company's focus on deleveraging and executing on our comprehensive refinancing plan. We are confident that these actions will benefit the business and generate long-term value for our shareholders.

***Strength of the Board***

The strength of our Board is essential to delivering excellent corporate governance. Throughout the year, the Board worked closely with senior management to ensure that Cineplex's strategy continues to foster growth and innovation. In addition, our ongoing executive succession planning initiatives ensure the robust management pipeline for navigating future challenges and opportunities.

I am proud to report our commitment to inclusion and diversity within Cineplex is well reflected in our Board. Currently, four female members constitute 44% of the Directors or 50% of the independent Directors, while four members of underrepresented communities make up 44% of the Directors. A diverse Board with a broad range of skills and experiences is crucial in supporting Cineplex's strategic objectives.

***Path Forward: A Promising Future***

Looking ahead, Cineplex is poised for a strong future, buoyed by our commitment to enhancing the guest experience and driving growth within our businesses. With the resolution of the writers' and actors' strikes, we anticipate a steady supply of film product and the continued resilience of the exhibition business. Coupled with the comprehensive refinancing plan, we are well positioned to embark on the next phase of our growth journey.

Your Board remains focused on addressing our stock performance and on charting a course towards sustainable growth, profitability and shareholder returns.

I want to express my gratitude to our shareholders for your continued support of Cineplex. Your confidence in our vision and leadership is deeply appreciated, and we are fully committed to delivering results that reflect the trust you have placed in us. On behalf of the entire Board, I would like to thank the Cineplex team for their passion, resilience, and tireless efforts.

Sincerely yours,

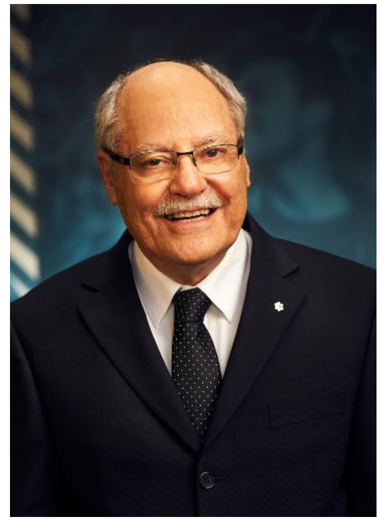
Phyllis Yaffe

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

# LETTER TO SHAREHOLDERS

## Letter from the CEO

Dear fellow shareholders,



As I reflect on the year, I am tremendously pleased that we have once again demonstrated why we are a North American leader in entertainment and media. Despite various challenges, Cineplex demonstrated focus, resilience and achieved significant milestones.

***Financial Performance***

Our 2023 revenues increased by 25.9% to $1.4 billion compared to the prior year, and our adjusted EBITDAaL from continuing operations nearly tripled to $157.4 million. Additionally, our adjusted EBITDAaL margin from continuing operations improved by 640 basis points to 11.3%, reflecting our commitment to revenue growth, operational efficiency, and cost management.

Annual box office revenue increased by 30.1% to $599.9 million and theatre food service increased by 28.4% to $425.9 million. Theatre attendance grew by 25.8% to 47.9 million patrons. Box office per patron ("BPP") of $12.53 and concession per patron ("CPP") of $8.90 represented all time annual records for Cineplex. Media revenues increased by 6.2% to $118.7 million, and amusement revenues increased by 19.3% to $96.5 million. Our results clearly demonstrate that we are well positioned to deliver financial success and stability amidst an evolving entertainment industry.

***Demand for Movie-going and Content Supply Challenges***

In 2023, Cineplex experienced a remarkable return of guests to our theatres, driven by an increase of high-quality content. Family-friendly films like *The Super Mario Bros. Movie* and cultural moments like *Barbenheimer* captivated audiences, resulting in record-breaking box office revenues. Despite challenges such as the writers' and actors' strikes, Cineplex's alternative content strategy and international programming initiatives once again proved successful in driving attendance. We consistently took an industry leading market share in international film product, evidenced by 10% of box office revenues coming from international programs compared to 4% generated by our North American peers. These strategies proved to be successful as Cineplex outperformed the North American box office relative to 2022 by a sizable 785 basis points.

***Enhancing the Guest Experience by Re-Imagining Exhibition***

At Cineplex, we are committed to providing guests with exceptional experiences. Through our Scene+ loyalty program and CineClub membership program, we leverage data analytics to offer personalized experiences and drive customer loyalty. Additionally, our investment in premium offerings, such as VIP, UltraAVX, IMAX, ScreenX and 4DX auditoriums, ensures guests enjoy films in their chosen format, enhancing their overall cinematic experience.

Not only are we ensuring that guests have a variety of ways to immerse themselves in premium experiences, we're also investing in technology to provide our guests with an elevated digital experience. During 2023, we enhanced our web experience, launched our new app, and rolled out a program for mobile concession ordering. By creating a more personalized guest experience with relevant content and offers, we are focussing on increasing both frequency of visits and spend per person.

As part of our strategy to enhance and expand entertainment offerings within our venues, we proudly opened our second Cineplex *Junxion* location in 2023. Junxion reimagines the exhibition experience by bringing movies, amusement gaming, casual dining and live performances all under one roof.

### *Diversification and Deleveraging*

Our commitment to diversification has been instrumental in driving growth and resilience. Our Location-Based Entertainment ("LBE") business achieved all-time high revenues of $132.4 million and an adjusted store level EBITDAaL record of $37.9 million. We plan to open three additional LBE locations in 2024, increasing our location count to 16 across Canada by the end of the year. Additionally, our Media business has expanded its reach through strategic partnerships, including the addition of the Cadillac Fairview mall network, further strengthening our position as a leading media provider in Canada.

The recent sale of Player One Amusement Group Inc. for gross proceeds of $155 million provided us with additional financial flexibility and allowed us to execute our comprehensive refinancing plan which includes extending debt maturities, removing covenant restrictions, and reducing potential dilutions from existing convertible debentures. As a result, our balance sheet has been bolstered, positioning us for long-term growth and value creation for our shareholders.

### *Empowering Our Team*

None of our achievements would be possible without the unwavering dedication and hard work of our remarkable team. From our frontline staff who welcome guests with warmth and enthusiasm to our creative minds behind the scenes who continually innovate and elevate the Cineplex experience, each employee plays a pivotal role in our success.

Their tireless efforts, passion for excellence, and commitment to delivering exceptional service have been instrumental in driving our financial performance and enhancing the guest experience. As we navigate the evolving landscape of the entertainment industry, I am confident that our talented team will continue to be the driving force behind our success.

### *The Path Forward*

Looking ahead, we remain confident about the future of theatrical exhibition and our diversified businesses. Despite short-term content supply challenges, we anticipate a ramp-up in box office revenues in the latter half of 2024 and beyond. Our market leadership, commitment to innovation, and robust consumer data, position us for continued success in the years to come.

In closing, I want to express my gratitude to the Cineplex team, our Board of Directors, our valued customers and guests, partners, and investors for their unwavering support. Together, we are shaping the future of entertainment and driving value for all stakeholders.

Sincerely,

Ellis Jacob
President and CEO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

February 7, 2024

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

*Unless otherwise specified, all information in this MD&A is as of December 31, 2023 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 Cineplex's performance. In addition, non-GAAP measures are used in measuring compliance with debt covenants. Non-GAAP measures do not have standardized meaning under GAAP and may not be comparable to similar measures provided by other issuers. Cineplex includes these measures because management believes that they assist investors in assessing financial performance. The definition, calculation and reconciliation of non-GAAP measures are provided in Section 18, Non-GAAP and other financial measures.*

***Forward-Looking Statements***

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

*By their very nature, forward-looking statements involve inherent risks and uncertainties, including those described in Cineplex's Annual Information Form ("AIF"), and in this MD&A. These risks and uncertainties, both general and specific, give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements. Cineplex cautions readers not to place undue reliance on these statements as a number of important factors, many of which are beyond Cineplex's control, could cause actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements, including: Cineplex's expectations with respect to liquidity and capital expenditures; its ability to meet its ongoing capital, operating and other obligations, and anticipated needs for, and sources of, funds; Cineplex's ability to execute cost-cutting and revenue enhancement initiatives; and risks generally encountered in the relevant industry, competition, customer, legal, taxation and accounting matters.*

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

## 1. OVERVIEW OF CINEPLEX

Cineplex (TSX:CGX) is a top-tier Canadian brand that operates in the Film Entertainment and Content, Amusement and Leisure, and Media sectors. Cineplex offers a unique escape from the everyday to millions of guests through its circuit of over 170 movie theatres and location-based entertainment venues. In addition to being Canada's largest and most innovative film exhibitor, the company operates Canada's favourite destination for 'Eats & Entertainment' (The Rec Room), complexes specially designed for teens and families (Playdium), and a newly launched entertainment concept that brings movies, amusement gaming, dining, and live performances together under one roof (Cineplex Junxion). It also operates successful businesses in digital commerce (CineplexStore.com), alternative programming (Cineplex Events), motion picture distribution (Cineplex Pictures), cinema media (Cineplex Media), digital place-based media (Cineplex Digital Media), and until February 1, 2024, amusement solutions (Player One Amusement Group). Providing even more value for its guests, Cineplex is a partner in Scene+, Canada's largest entertainment and lifestyle loyalty program.

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

As of December 31, 2023, Cineplex owned, leased or had a joint venture interest in 1,631 screens in 158 theatres from coast to coast as well as 13 LBE venues in six provinces.

**Cineplex**
**Theatre locations and screens at December 31, 2023**

| Province | Locations (i) | Screens | 3D Digital Screens | UltraAVX | IMAX Screens (ii) | VIP Auditoriums | D-BOX Auditoriums | Recliner Auditoriums | Other Screens (iii) |
|---|---|---|---|---|---|---|---|---|---|
| Ontario | 67 | 716 | 353 | 42 | 13 | 48 | 49 | 114 | 13 |
| Quebec | 17 | 220 | 88 | 10 | 3 | 9 | 7 | 17 | 4 |
| British Columbia | 25 | 236 | 124 | 16 | 4 | 20 | 16 | 43 | 3 |
| Alberta | 19 | 201 | 111 | 20 | 2 | 16 | 17 | 93 | 6 |
| Nova Scotia | 10 | 87 | 43 | 1 | 1 | — | 2 | — | 1 |
| Saskatchewan | 6 | 54 | 28 | 3 | 1 | 3 | 3 | 16 | 1 |
| Manitoba | 5 | 49 | 26 | 3 | 1 | 3 | 4 | 16 | 1 |
| New Brunswick | 5 | 41 | 20 | 2 | — | — | 2 | — | — |
| Newfoundland & Labrador | 2 | 14 | 9 | — | 1 | — | 1 | — | — |
| Prince Edward Island | 2 | 13 | 6 | — | — | — | 1 | — | — |
| **TOTALS** | **158** | **1,631** | **808** | **97** | **26** | **99** | **102** | **299** | **29** |
| Percentage of screens | | | 50 % | 6 % | 2 % | 6 % | 6 % | 18 % | 2 % |

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

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

(iii) Other screens includes 7 4DX screens, 5 *Cineplex Clubhouse* screens and 17 ScreenX screens.

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

| | 2023 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Q4** | **Q3** | **Q2** | **Q1** | **Q4** | **Q3** | **Q2** | **Q1** |
| Theatres | 158 | 158 | 158 | 157 | 158 | 158 | 159 | 159 |
| Screens | 1,631 | 1,631 | 1,631 | 1,625 | 1,637 | 1,637 | 1,640 | 1,640 |
| 3D Digital Screens | 808 | 809 | 809 | 806 | 809 | 809 | 809 | 810 |
| UltraAVX Screens | 97 | 97 | 96 | 95 | 95 | 94 | 94 | 94 |
| IMAX Screens | 26 | 25 | 25 | 25 | 25 | 25 | 25 | 24 |
| VIP Auditoriums | 99 | 99 | 99 | 99 | 99 | 99 | 99 | 99 |
| D-BOX Auditoriums | 102 | 102 | 101 | 100 | 100 | 98 | 98 | 98 |
| Recliner Auditoriums | 299 | 295 | 292 | 283 | 273 | 267 | 267 | 267 |
| Other Screens | 29 | 27 | 27 | 27 | 27 | 23 | 22 | 22 |

| Cineplex - LBE - at December 31, 2023 and 2022 | 2023 | | 2022 | |
|---|---|---|---|---|
| **Province** | ***The Rec Room*** | ***Playdium*** | ***The Rec Room*** | ***Playdium*** |
| Ontario | 4 | 2 | 4 | 2 |
| Alberta | 3 | — | 3 | — |
| Manitoba | 1 | — | 1 | — |
| Newfoundland & Labrador | 1 | — | 1 | — |
| British Columbia | 1 | — | 1 | — |
| Nova Scotia | — | 1 | — | 1 |
| **TOTALS** | **10** | **3** | **10** | **3** |

### Sale of Player One Amusement Group

On November 22, 2023, Cineplex Entertainment Limited Partnership (“CELP”) announced it had entered into a definitive share purchase agreement to sell 100% of the issued and outstanding shares of Player One Amusement Group Inc. (“P1AG”) for cash proceeds of $155.0 million, subject to customary post-closing adjustments (the “Sale Transaction”). The Sale Transaction closed on February 1, 2024. On closing of the Sale Transaction, P1AG and CELP entered into a long-term agreement under which P1AG will continue to supply and service amusement games in Cineplex’s theatres and location-based entertainment venues. The proceeds from the Sale Transaction were used to repay bank debt. Cineplex expects to recognize a material gain in connection with the sale of P1AG in the first quarter of 2024.

In accordance with IFRS 5, *Non-current assets held for sale and discontinued operations,* the balance sheet discloses separately the assets and liabilities of P1AG at December 31, 2023, and **discontinued operations are excluded from the results of continuing operations** and are presented as a single amount as after tax profit or loss from discontinued operations in the consolidated statement of operations. As a result, the results of discontinued operations (P1AG) have been excluded from prior period figures as applicable per IFRS 5 to conform to current period presentation (see Section 13, Accounting policies). Other than where disclosed, discussions of results and Non-GAAP financial measures, including EBITDA, adjusted EBITDA and adjusted EBITDAaL, in this MD&A are of continuing operations. Reconciliations to previously disclosed balances are presented in Section 19, Reconciliation: Amusement Solutions (P1AG) and will be presented as such until the Sale Transaction closed on February 1, 2024.

While P1AG will continue to be a key supplier to Cineplex’s exhibition and LBE businesses, its operations were managed separately, and Cineplex does not anticipate changes to its amusement revenue generating activities and margins, and operating or general and administrative costs as a result of the sale of P1AG.

### Capital Structure

Cineplex remains focused on de-leveraging and optimizing its capital structure. The use of proceeds from the sale of P1AG to reduce bank debt is a significant step toward that optimization.

In the first quarter of 2024, Cineplex announced a proposal to amend, extend and partially redeem the Convertible Debentures. The implementation of the proposed amendments to the Convertible Debentures is conditional upon completion of other elements of a proposed refinancing including: (i) a private placement offering of new secured notes; (ii) the entering into of a new senior credit facility and repayment of the existing senior credit facilities; and (iii) the repayment of the existing Notes Payable.

## 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 2023** | **Fourth Quarter 2022 (Section 1) (i)** | **Fourth Quarter Change (ii)** | **Full Year 2023** | **Full Year 2022 (Section 1) (i)** | **Full Year Change (ii)** |
|---|---|---|---|---|---|---|
| Total revenues | $ 315,078 | $ 309,920 | 1.7% | $1,388,894 | $1,102,881 | 25.9% |
| Theatre attendance | 9,599 | 9,208 | 4.2% | 47,862 | 38,045 | 25.8% |
| Net (loss) income from continuing operations | $ (12,102) | $ 9,572 | NM | $ 138,051 | $ (9,679) | NM |
| Net income from discontinued operations | $ 3,148 | $ 596 | 428.2% | $ 29,113 | $ 9,792 | 197.3% |
| Net (loss) income (iii) | $ (8,954) | $ 10,168 | NM | $ 167,164 | $ 113 | NM |
| Net (loss) income as a percentage of sales from continuing operations (iii) | (3.8)% | 3.1 % | -6.9% | 9.9 % | (0.9)% | 10.8% |
| Cash provided by operating activities | $ 83,385 | $ 51,107 | 63.2% | $ 196,094 | $ 78,279 | 150.5% |
| Box office revenues per patron (“BPP”) (iv) | $ 12.90 | $ 13.06 | -1.2% | $ 12.53 | $ 12.12 | 3.4% |
| Concession revenues per patron (“CPP”) (iv) | $ 9.28 | $ 8.93 | 3.9% | $ 8.90 | $ 8.72 | 2.1% |
| Adjusted EBITDA (v) | $ 65,902 | $ 67,744 | -2.7% | $ 322,962 | $ 220,168 | 46.7% |
| Adjusted EBITDAaL (v) | $ 24,178 | $ 25,830 | -6.4% | $ 157,363 | $ 54,201 | 190.3% |
| Adjusted EBITDAaL from discontinued operations (v) | $ 5,352 | $ 5,367 | -0.3% | $ 35,732 | $ 27,471 | 30.1% |
| Adjusted EBITDAaL including discontinued operations (v) | $ 29,530 | $ 31,197 | -5.3% | $ 193,095 | $ 81,672 | 136.4% |
| Adjusted EBITDAaL margin from continuing operations (vi) | 7.7 % | 8.3 % | -0.6% | 11.3 % | 4.9 % | 6.4% |
| Adjusted free cash flow (v) | $ (1,047) | $ (265) | 295.1% | $ 83,691 | $ (13,509) | NM |
| Adjusted free cash flow per share (vi) | $ (0.016) | $ (0.004) | 300.0% | $ 1.320 | $ (0.213) | NM |
| (Loss) earnings per share from continuing operations - basic (iii) | $ (0.19) | $ 0.15 | NM | $ 2.18 | $ (0.15) | NM |
| Earnings per share from discontinued operations - basic | $ 0.05 | $ 0.01 | 400.0% | $ 0.46 | $ 0.15 | 206.7% |
| (Loss) earnings per share - basic (iii) | $ (0.14) | $ 0.16 | NM | $ 2.64 | $ — | NM |
| (Loss) earnings per share from continuing operations - diluted (iii) | $ (0.19) | $ 0.15 | NM | $ 1.80 | $ (0.15) | NM |
| Earnings per share from discontinued operations - diluted | $ 0.05 | $ 0.01 | 400.0% | $ 0.32 | $ 0.15 | 113.3% |
| (Loss) earnings per share - diluted (iii) | $ (0.14) | $ 0.16 | NM | $ 2.12 | $ — | NM |

(i) The results of discontinued operations (P1AG) have been excluded from prior period figures as applicable per IFRS 5 to conform to current period presentation. All amounts are from continuing operations unless noted. See Section 13, Accounting policies.

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

(iii) 2023 includes recovery of approximately $150.2 million related to the recognition of deferred income tax assets recognized during the second quarter and expenses related to the Cineworld transaction and other transactions or litigation outside the normal course of business in the amount of $0.6 million (2022 - $0.9 million) for the fourth quarter and $3.4 million (2022 - $3.6 million) for the full year.

(iv) Represents a supplementary financial measure. See Section 18, Non-GAAP and other financial measures.

(v) Represents a non-GAAP financial measure. See Section 18, Non-GAAP and other financial measures.

(vi) Represents a non-GAAP ratio. See Section 18, Non-GAAP and other financial measures.

## 1.3 KEY DEVELOPMENTS IN 2023

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

### FILM ENTERTAINMENT AND CONTENT

*Theatre Exhibition*

- Reported annual box office revenues of $599.9 million, an increase of $138.6 million or 30.1% from $461.3 due to a 25.8% increase in theatre attendance as a result of the success of highly anticipated films released during the year, including *Barbie, The Super Mario Bros. Movie* and *Oppenheimer*.
- Reported an annual record BPP of $12.53, $0.41 or 3.4% higher than the $12.12 reported during the prior year.
- Opened Cineplex’s second *Junxion* location at *Cineplex Junxion Erin Mills* in Mississauga, Ontario on May

17, 2023. *Cineplex Junxion* is an innovative entertainment destination that brings movies, amusement gaming, dining and live performances together for the ultimate guest experience.
- Signed a purchase agreement with IMAX Corporation for several new IMAX systems, including one IMAX screen that opened at *Cineplex Cinemas Coquitlam and VIP* in Coquitlam, British Columbia on December 5, 2023.
- Opened two ScreenX auditoriums at *Scotiabank Theatre Montreal* in Montreal, Quebec and *SilverCity Brampton Cinemas* in Brampton, Ontario on December 15, 2023.
- Welcomed nearly 700,000 guests on August 27, 2023, in celebration of National Cinema Day, marking the second busiest day in Cineplex history and donating a portion of ticket sales to the Canadian Picture Pioneers' Student Assistance Awards Program.
- Launched the new Cineplex Mobile App, providing guests with an improved experience while browsing for movies and theatres, purchasing movie tickets, discovering exciting events at *The Rec Room* and *Junxion* and using CineClub discounts and Scene+ rewards.
- The CineClub subscription program reached over 140,000 members, providing members with benefits accessible across Cineplex's businesses nationwide including Cineplex theatres LBE venues and the Cineplex Store.

*Theatre Food Service*
- Reported annual theatre food service revenues of $425.9 million, an increase of $94.3 million or 28.4% compared to the prior year primarily due to a 25.8% increase in theatre attendance.
- Reported annual CPP of $8.90, an increase of 0.18 or 2.1% compared to the prior year, primarily due to an increase in average spend.
- Began the national rollout of mobile food and beverage ordering, beginning with theatres in select Ontario theatres during the fourth quarter, allowing guests to select their order, select a time frame and collect their order prior to the beginning of the movie.

*Alternative Programming and Distribution*
- As part of the theatrical distribution partnership with Lionsgate, Cineplex's distribution business (Cineplex Pictures) distributed several films, including the highly successful *John Wick: Chapter 4* and *Hunger Games: The Ballad of Songbirds and Snakes* in 2023. Cineplex extended its theatrical distribution partnership with Lionsgate until December 31, 2024.
- Expanded alternative programming offerings with major concert events, including the record-breaking *TAYLOR SWIFT | THE ERAS TOUR*, which took home the top spot during the fourth quarter.
- 2023 marks Cineplex's biggest year for international programming, delivering 10% of Cineplex's annual box office revenues. Strong performing international films, include *Animal* (Hindi) and *Pathaan* (Hindi), which have become Cineplex's top two Indian and international movies of all time. Cineplex also represented over 80% of the total North American box office market share for other successful international films including, *Kali Jotta* (Punjabi), *Annhi Dea Mazaak Ae* (Punjabi) and *Godday Godday Chaa* (Punjabi).
- Event Cinema presented an assortment of big-screen programs in 2023, including three concerts from cinema-favourite Andre Rieu; exciting stage performances with the Broadway hit *Waitress: The Musical;* a collection of anime titles, including *Demon Slayer* and *Studio Ghibli* classics; as well as continued presentations from the Metropolitan Opera featuring popular titles, including *Don Giovanni, Fedora* and *Florencia en el Amazonas*.

*Digital Commerce*
- Total registered users for Cineplex Store increased 3.5% compared to the prior year, reaching approximately 2.4 million registered users.
- Curated Cineplex Store collections for Black History Month, Asian History Month, National Indigenous Peoples Day, Pride Month and National Day for Truth and Reconciliation to highlight diverse experiences, cultures and artistic expressions.

**MEDIA**
- Reported annual media revenues of $118.7 million, an increase of $6.9 million or 6.2% compared to the prior year.
- Continued leveraging expertise in data and analytics to drive revenues.

*Cinema Media*

- Reported annual cinema media revenues of $80.1 million, an increase of $7.8 million or 10.8% over the prior year.

*Digital Place-Based Media*

- Reported annual revenues of $38.6 million, a decrease of $0.9 million or 2.2% over the prior year.
- Signed an agreement with Cadillac Fairview to operate a network of 200 digital displays in 18 Cadillac Fairview shopping centres, and to sell digital and static media, and sponsorships, for its extensive network of highly desirable shopping destinations across Canada.

**LOCATION-BASED ENTERTAINMENT**

- Reported all-time record annual revenues of $132.4 million, an increase of $21.5 million or 19.4% compared to the prior year.
- Reported all-time record annual adjusted store level EBITDAaL of $37.9 million, an increase of $3.6 million or 10.4% compared to the prior year.
- Announced plans for one *Playdium* location in Toronto, Ontario at *Cadillac Fairview Mall,* which is expected to open during the fourth quarter of 2024.

**LOYALTY**

- Membership in the Scene+ loyalty program increased to over 14 million members as at December 31, 2023.
- Welcomed Home Hardware Stores Limited to the Scene+ loyalty program, providing members with additional opportunities to earn and redeem points.

**CORPORATE**

- Recognized income taxes recovery of $150.2 million during the second quarter of 2023 on the basis of continued strong return to profitability providing a reasonable expectation that previously derecognized net deferred income tax assets will be utilized to offset future periods of taxable income.
- Celebrated Community Day on November 4, 2023 with a morning of free, family-friendly movies with select discounted concessions, where one dollar from every concession order of select items, XSCAPE Play Card and food and beverage orders and game bands at LBE venues were donated to BGC Canada.
- On November 22, 2023, Cineplex announced it had entered into a definitive agreement to sell 100% of the issued and outstanding shares of P1AG for a purchase price of $155.0 million, subject to customary post-closing adjustments, Cineplex expects to recognize a material gain in the first quarter of 2024.
- On December 13, 2023, Cineplex entered into the Eighth Amended and Restated Credit Agreement Amendment which extended the maturity date of the of the credit facility from November 13, 2024 to November 13, 2025, amended the standard administrative provisions relating to the potential replacement of benchmark rates, and made certain other administrative amendments (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.

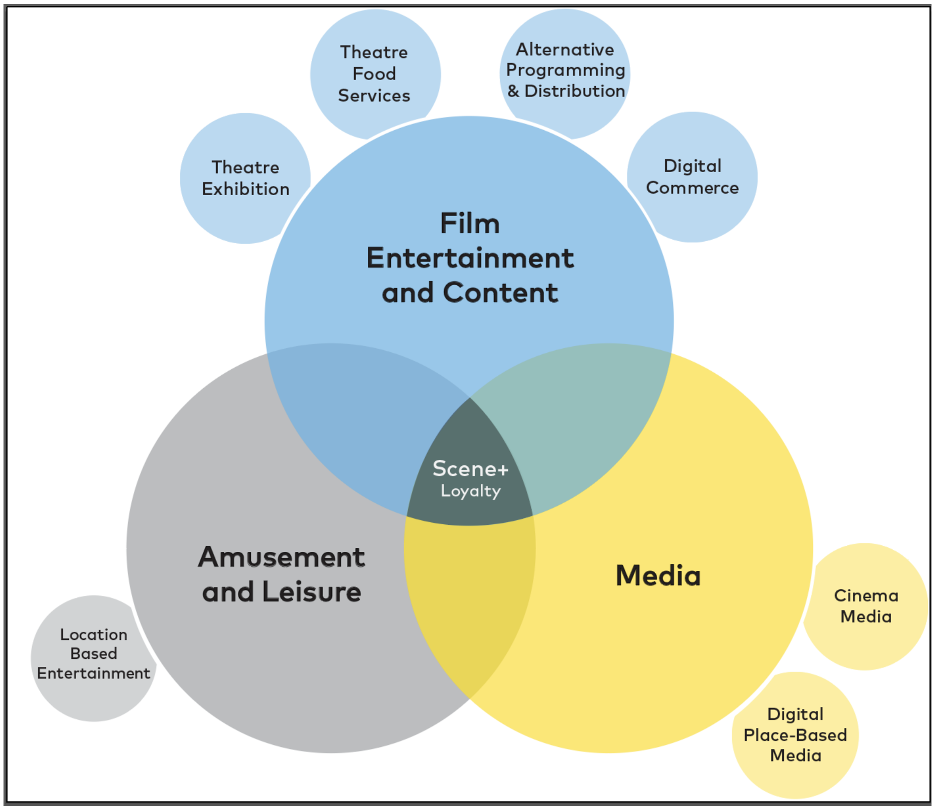
Cineplex's current operations are primarily conducted in three main areas: film entertainment and content, media, and amusement and leisure including location-based entertainment, all supported by the Scene+ loyalty program. Cineplex's key strategic areas of focus include the following:

- 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;
- 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.

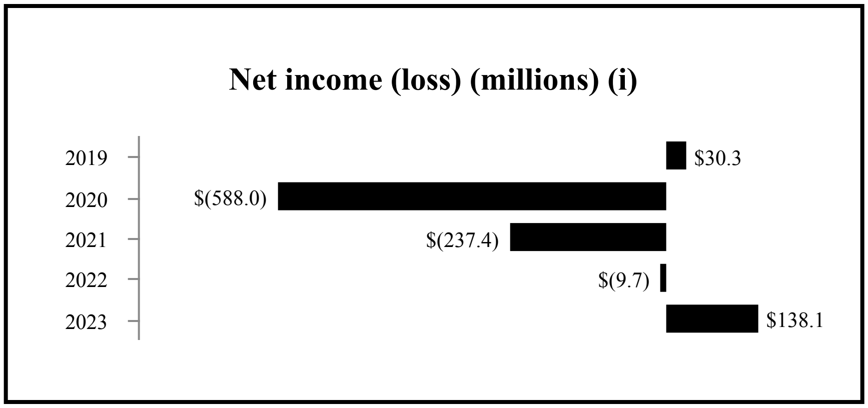
Until January 31, 2024, Cineplex operated a fourth business area, amusement and leisure, through P1AG.

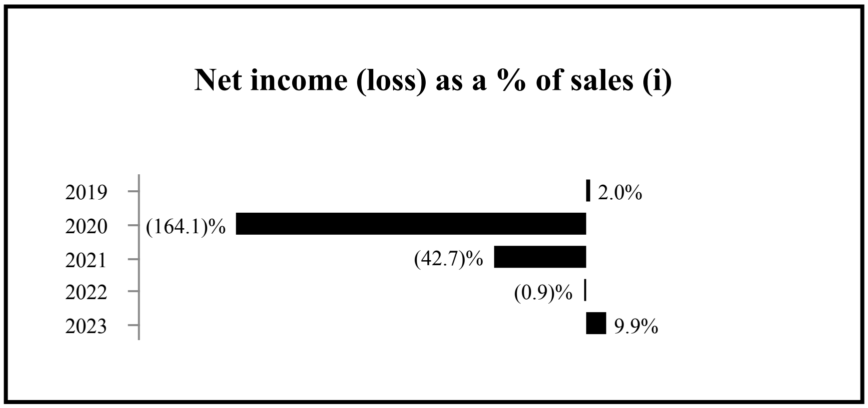
**Diversified Entertainment and Media Company**

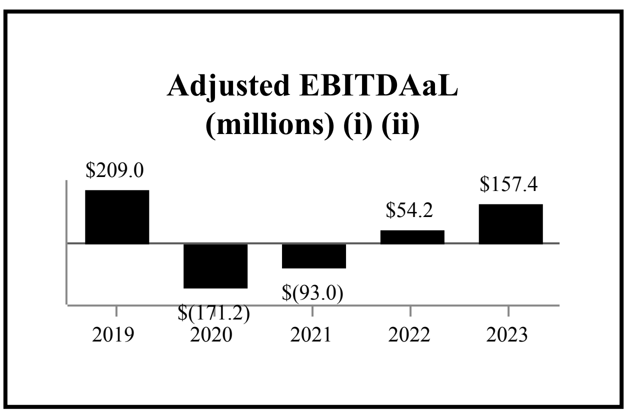


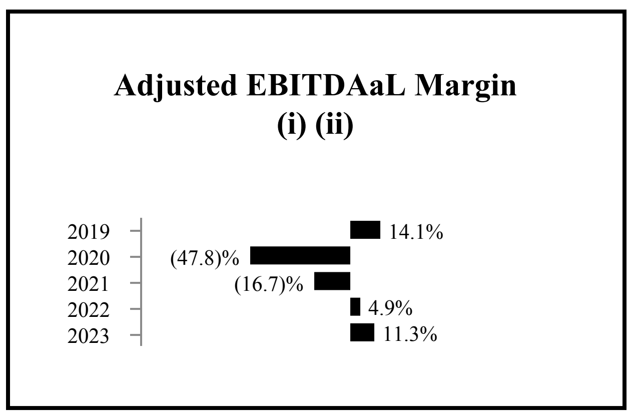

Key elements of this strategy include going beyond movies to reach customers in new ways and maximizing revenue per patron. Cineplex has implemented in-theatre initiatives to improve the overall entertainment experience, including increased premium offerings, enhanced in-theatre services, alternative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

While box office revenues (which include alternative programming) typically account for the largest portion of Cineplex's revenues, Cineplex has diversified its revenue streams through cinema media, digital place-based media, location-based entertainment, the Cineplex Store, promotions and other revenue streams.




(i) The results of discontinued operations have been excluded from prior period figures as applicable per IFRS 5 to conform to current period presentation.
(ii) 2023 includes expenses related to the Cineworld transaction and other transactions or litigation outside the normal course of business in the amount of $3.4 million (2022 - $3.6 million).

## 3. CINEPLEX'S BUSINESSES

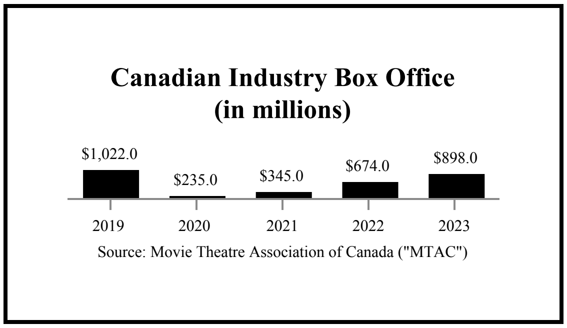
Factoring in the sale of P1AG, Cineplex's operations are primarily conducted in three main areas: film entertainment and content, media, and location-based entertainment, all supported by the Scene+ loyalty program.

## FILM ENTERTAINMENT AND CONTENT

*Theatre Exhibition*

Theatrical exhibition is Cineplex's core business. 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 Cineplex's core business function.



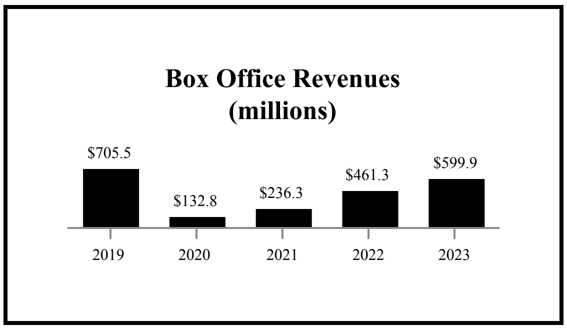

Cineplex believes that the following are important factors in the film exhibition industry in Canada:

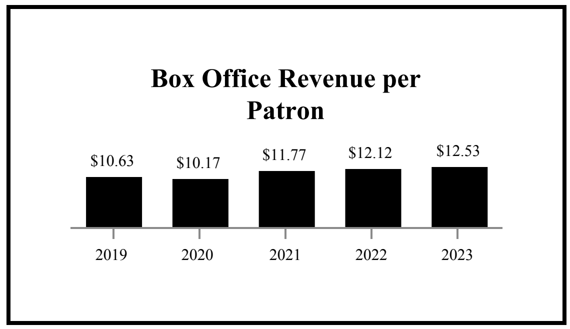
- *Importance of theatrical success in establishing movie brands and subsequent movies.* Theatrical exhibition is the initial and most important channel for new motion picture releases. Cineplex's ability to operate successfully depends upon the availability, diversity and appeal of filmed content, the 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 important channel for film success as evidenced by the successful box office releases of *Barbie, The Super Mario Bros. Movie* and *Oppenheimer.* Cineplex is able to diversify its content offering through the evolving theatrical exhibition landscape with the entrance of streamers like Apple and Amazon opting for initial theatrical releases for films such as *Air*, *Killers of the Flower Moon, Napolean* and *Saltburn*.

- *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 2024, the studios are currently planning to release a strong slate of films, including *Dune: Part Two, Kung Fu Panda 4, Ghostbusters: Frozen Empire, Godzilla x Kong: The New Empire, Challengers, The Garfield Movie, Kingdom of the Plant of the Apes, Inside Out 2, A Quiet Place: Day One, Despicable Me 4, Deadpool 3, Beetlejuice 2, Transformers One, Joker: Folie à Deux, Smile 2, Venom 3, Gladiator 2, Wicked, The Lord of the Rings: The War of the Rohirrim, Mufasa: The Lion King,* and *Sonic the Hedgehog 3.* In spite of changing release models, Cineplex remains confident that traditional studios will continue to commit a significant number of films to an exclusive theatrical window, in addition to an increase in theatrical film product released by streaming companies.

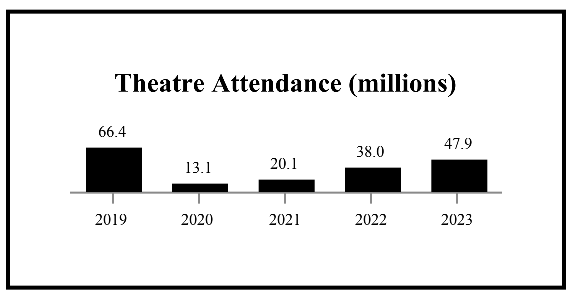
- *Convenient and affordable form of out-of-home entertainment.* Cineplex's BPP was $12.53 and $12.12 in 2023 and 2022, respectively. Excluding the impact of Cineplex's premium-priced product, BPP was $10.91 and $10.35 in 2023 and 2022, respectively. The movie-going experience continues to provide value 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 $16.32 in 2023, and accounted for 41.4% of total box office revenues in 2023. Recent enhancements to, and offerings at, the current circuit include the addition of six all-recliner seating auditoriums, including one UltraAVX auditorium with D-BOX seating at the second *Junxion* location at *Cineplex Junxion Erin Mills*, which opened on May 17, 2023. The theatre circuit was also enhanced with one IMAX screen at *Cineplex Cinemas Coquitlam and VIP*, two ScreenX auditoriums at *Scotiabank Theatre Montreal* and *SilverCity Brampton Cinemas* and *lastly,* a retrofit of all-recliner seating at ten auditoriums, with one auditorium also enhanced with an UltraAVX screen and another auditorium enhanced with D-Box seating at *SilverCity St. Vital Cinemas.*




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 achieve incremental operating savings through best practices, operational efficiencies and negotiating improved supplier contracts. In addition, Cineplex continues to evaluate its existing theatre portfolio on an ongoing basis.



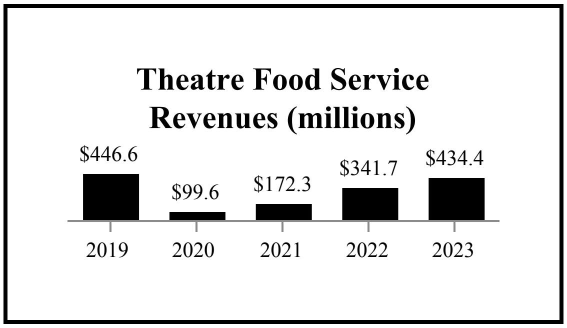

Cineplex theatres are also ideal locations for meetings and corporate events. Organizations, particularly corporations with offices across the country, can use Cineplex's theatres and digital technology for annual meetings, product launches and employee or customer events, producing revenue streams independent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

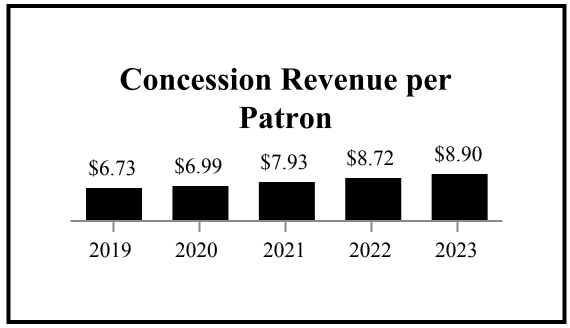
Cineplex opened its second *Junxion* location at *Cineplex Junxion Erin Mills* in Mississauga, Ontario on May 17, 2023. *Cineplex Junxion* offers a best-in-class guest experience by bringing together movies, amusement gaming, dining and live performances in one venue.

*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*. In certain Cineplex theatres, food offerings are also enhanced with third party brands such as Starbucks.

Cineplex continually focuses on process improvements designed to increase the speed of service at the concession counter in addition to optimizing the RBOs 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. During the fourth quarter of 2023, Cineplex began the national rollout of mobile food and beverage ordering, providing guests with greater purchase flexibility.




*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, and delivered 10% of Cineplex's annual box office revenues during 2023, compared to 8% in the prior year.

The success of Cineplex's alternative programming events has led to offerings including major concert events from K-Pop sensations BTS *(BTS: Yet to Come)* and André Rieu (André Rieu in Dublin), Metropolitan Opera productions including the live broadcast of *Don Giovanni* and *Falstaff* and screening select television content on the big screen. Cineplex offers the Classic Film Series and Family Favourites programming during 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. In addition to Lionsgate's releases, *Cineplex Pictures* distributed films including *There's Always Hope* and *The Wrath of Becky.*

On January 5, 2023, Cineplex Pictures entered into a theatrical distribution partnership with Lionsgate to distribute its 2023 film slate in Canada, including *PLANE*, *John Wick: Chapter 4*, *Are You There God? It's Me, Margaret*, *About My Father* and *Hunger Games: The Ballad of Songbirds and Snakes*. Cineplex extended its theatrical distribution partnership with Lionsgate until December 31, 2024.

*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.

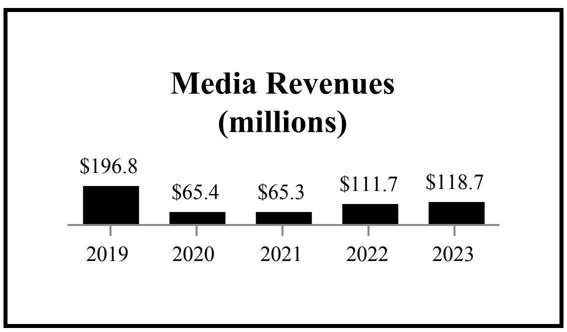
These features and others enable Cineplex to engage and interact with its guests online and on-the-go, allowing Cineplex to offer engaging, targeted and sponsored content to visitors and advertisers, resulting in opportunities to generate additional revenues.

The Cineplex Store offers a catalog of over 12,500 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 enhance 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.

**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.




*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 a 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;
- Online and mobile advertising sales through cineplex.com and the Cineplex mobile app;
- Leveraging expertise in data and analytics to drive revenues; and
- Providing sales for CDM DOOH networks.

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 sponsorships and advertising at LBE venues.

*Digital Place-Based Media*

Cineplex Digital Media ("CDM") is an end-to-end digital experience company that offers digital signage solutions and in-store retail media networks for leading brands in shopping centres, restaurants, retailers, and entertainment destinations. CDM embraces its unique connection with Cineplex Media to focus on media-led networks, such as its mall networks, and retail media networks, to further monetize these networks and offer new value and business models to clients.

CDM continues to focus on providing its clients with end-to-end solutions for leading brands in shopping centres, retailers, financial institutions and restaurants, utilizing a host of technical solutions and services that optimize digital signage to deliver the right content, to the right audience at the right time. CDM now operates Canada's largest digital out of home ("DOOH") shopping media network (in public spaces such as shopping malls and office towers) with the recent addition (Q4) of Cadillac Fairview, with exclusive media sales rights for top performing shopping centres, including 9 of the top 10 busiest malls in Canada.

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.

**LOCATION-BASED ENTERTAINMENT**

*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.*

*In-Theatre Gaming*

Cineplex's in-theatre gaming business features Cineplex's 50 XSCAPE Entertainment Centres as well as arcade games in select Cineplex theatres, LBE venues and *Junxion* locations, with all of the games supplied by P1AG.

## LOYALTY

As co-owners of the Scene+ loyalty program, Cineplex, Scotiabank and Empire Company Limited bring 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 behaviours 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, including Home Hardware. Scene+ members can also 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. With the recent growth in the Scene+ membership base, Cineplex is able to gain access to new customers and expand its base and penetration rates through targeted offers by Scene+.

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 through its initiatives as well as in partnership with movie studios.

Cineplex has gained tremendous insight into customer behavior with over 17 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 insights. 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 43.2% of revenue in 2023.

The following table presents the revenue mix for comparative periods:

| **Revenue mix % by period** | **2023** | **2022 (Section 1)** | **2021 (Section 1)** | **2020 (Section 1)** | **2019 (Section 1)** |
|---|---|---|---|---|---|
| Box office | **43.2 %** | 41.9 % | 42.5 % | 37.0 % | 47.4 % |
| Food service | **34.8 %** | 34.6 % | 33.6 % | 30.2 % | 32.5 % |
| Media | **8.5 %** | 10.1 % | 11.8 % | 18.4 % | 13.3 % |
| Amusement | **6.9 %** | 7.3 % | 6.1 % | 5.0 % | 3.4 % |
| Other | **6.6 %** | 6.1 % | 6.0 % | 9.4 % | 3.4 % |
| Total | **100.0 %** | 100.0 % | 100.0 % | 100.0 % | 100.0 % |

After adjusting for the sale of P1AG after year end, Cineplex has three reportable segments, film entertainment and content, media, and location-based entertainment. The reportable segments are business units offering differing products and services and are managed separately due to their distinct natures and are based on the information used by Cineplex's chief operating decision makers.

| **Revenue mix % by period** | **Full Year** | |
|---|---|---|
| | **2023** | **2022 (Section 1)** |
| Film Entertainment and Content | 82.0 % | 79.9 % |
| Media | 8.5 % | 10.0 % |
| LBE | 9.5 % | 10.1 % |
| 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 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 75% for both the quarter and for the year ended December 31, 2023.

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

Food service revenues are comprised primarily of concession revenues, arising from food and beverage sales at theatre locations including the newly introduced *Junxion* concept, LBE venues including *The Rec Room* and *Playdium*. In addition, food service revenues include home delivery services by Uber Eats and Skip the Dishes. CPP represents theatre food service revenues divided by theatre attendance, and is impacted by the theatre food service product mix, theatre food service prices, film genre, promotions, discounts for CineClub members, and the Scene+ loyalty program. CPP can fluctuate from quarter to quarter depending on the genre of film product playing. Cineplex believes the Scene+ and CineClub programs drive incremental purchase incidence, increasing overall revenues. Cineplex focuses primarily on growing CPP by optimizing the product offerings, improving operational excellence, improving the guest experience with enhancements to the Cineplex Mobile App and providing greater flexibility with online food and beverage ordering, 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 (CDM) 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 CDM. CDM 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. CDM revenue is impacted by mall attendance which affect impressions and revenue generated.

Amusement revenues include XSCAPE Entertainment Centres and game rooms in theatres as well as revenues generated at LBE venues.

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

*Cost of Sales and Expenses*

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

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

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

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

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

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

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

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

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

*Accounting for Joint Arrangements*

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

Under IFRS 11, Cineplex's 33.3% interest in Scene+, 50% share of one IMAX auditorium in Ontario, and 50% interest in *YoYo's Yogurt Cafe* ("YoYo's") are classified as joint ventures or associates. Cineplex's investment in YoYo's is carried at nil value. Cineplex disposed of its 78.2% interest in the Canadian Digital Cinema Partnership ("CDCP") on December 16, 2022. Through equity accounting, Cineplex's share of the results of operations for these joint ventures and associates are reported as a single item in the statements of operations, 'Share of income of joint ventures and associates'. Theatre attendance for the IMAX auditorium held in a joint venture is not reported in Cineplex's consolidated theatre attendance as the line-by-line results of the joint venture are not included in the relevant lines in the statement of operations.

In addition to the joint ventures which are equity accounted, Cineplex consolidates its 50% share of assets, liabilities, revenues and expenses of its joint operation which recognizes the revenues and costs of redemptions of points issued prior to the launch of Scene+.

## 5. RESULTS OF OPERATIONS

Other than where disclosed, discussions of results and Non-GAAP financial measures, including EBITDA, adjusted EBITDA and adjusted EBITDAaL, in this MD&A are of continuing 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, 2023 | Year ended December 31, 2022 (Section 1) (vii) | Year ended December 31, 2021 (Section 1) (vii) |
|---|---|---|---|
| Box office revenues | $ 599,903 | $ 461,272 | $ 236,320 |
| Food service revenues | 483,149 | 381,386 | 186,998 |
| Media revenues | 118,655 | 111,728 | 65,330 |
| Amusement revenues | 96,507 | 80,920 | 34,191 |
| Other revenues | 90,680 | 67,575 | 33,548 |
| Total revenues | **1,388,894** | **1,102,881** | **556,387** |
| Film cost | 323,412 | 238,897 | 114,674 |
| Cost of food service | 113,987 | 87,702 | 41,683 |
| Depreciation - right-of-use assets | 87,657 | 93,512 | 99,093 |
| Depreciation and amortization - other assets | 88,881 | 89,466 | 92,824 |
| Loss (gain) on disposal of assets | 2,910 | (57,748) | (28,362) |
| Other costs (a) | 624,771 | 553,583 | 351,975 |
| (Reversal) impairment of long-lived assets | — | (19,880) | 3,717 |
| Costs of operations | **1,241,618** | **985,532** | **675,604** |
| Net income (loss) from continuing operations | 138,051 | (9,679) | (237,417) |
| Net income (loss) from discontinued operations (vii) | 29,113 | 9,792 | (11,305) |
| Net income (loss) (vi) | 167,164 | 113 | (248,722) |
| Adjusted EBITDA (i) | $ 322,962 | $ 220,168 | $ 47,224 |
| Adjusted EBITDAaL (i) | $ 157,363 | $ 54,201 | $ (93,004) |
| Adjusted EBITDAaL from discontinued operations (i) | $ 35,732 | $ 27,471 | $ 8,709 |
| Adjusted EBITDAaL including discontinued operations (i) | $ 193,095 | $ 81,672 | $ (84,295) |
| (a) Other costs include: | | | |
| Theatre occupancy expenses | 71,557 | 62,378 | 40,945 |
| Other operating expenses | 482,112 | 426,743 | 251,734 |
| General and administrative expenses (v) | 71,102 | 64,462 | 59,296 |
| Total other costs | **$ 624,771** | **$ 553,583** | **$ 351,975** |
| Earnings (loss) per share from continuing operations - basic (v) | $ 2.18 | $ (0.15) | $ (3.75) |
| Earnings (loss) per share from discontinued operations - basic | $ 0.46 | $ 0.15 | $ (0.18) |
| Earnings (loss) per share - basic (v) | $ 2.64 | $ — | $ (3.93) |
| Earnings (loss) per share from continuing operations - diluted (v) | $ 1.80 | $ (0.15) | $ (3.75) |
| Earnings (loss) per share from discontinued operations - diluted | $ 0.32 | $ 0.15 | $ (0.18) |
| Earnings (loss) per share - diluted (v) | $ 2.12 | $ — | $ (3.93) |
| Total assets | $ 2,271,492 | $ 2,150,454 | $ 2,114,838 |
| Long-term debt (iv) | $ 817,439 | $ 824,888 | $ 739,211 |
| Shares outstanding at period end | 63,401,529 | 63,359,240 | 63,344,298 |
| Adjusted free cash flow per share (ii) | $ 1.320 | $ (0.213) | $ (2.486) |
| Box office revenue per patron (iii) | $ 12.53 | $ 12.12 | $ 11.77 |
| Concession revenue per patron (iii) | $ 8.90 | $ 8.72 | $ 7.93 |
| Film cost as a percentage of box office revenues | 53.9% | 51.8% | 48.5% |
| Theatre attendance (in thousands of patrons) (iii) | 47,862 | 38,045 | 20,080 |
| Theatre locations (at period end) | 158 | 158 | 160 |
| Theatre screens (at period end) | 1,631 | 1,637 | 1,652 |

(i) Represents a non-GAAP financial measure. See Section 18, Non-GAAP and other financial measures.

(ii) Represents a non-GAAP ratio. See Section 18, Non-GAAP and other financial measures.

(iii) Represents a supplementary financial measure. See Section 18, Non-GAAP and other financial measures.

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

(v) 2023 includes expenses related to the Cineworld transaction and other transactions or litigation outside the normal course of business in the amount of $3.4 million (2022 - $3.6 million).

(vi) 2023 includes recovery of approximately $150.2 million related to the recognition of deferred income tax assets recognized during the second quarter and expenses related to the Cineworld transaction and other transactions or litigation outside the normal course of business in the amount of $3.4 million (2022 - $3.6 million).

(vii) The results of discontinued operations (P1AG) have been excluded from prior period figures as applicable per IFRS 5 to conform to current period presentation. All amounts are from continuing operations unless noted. See Section 13, Accounting policies.

## 5.2 OPERATING RESULTS FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2023

### Total revenues

Total revenues for the three months ended December 31, 2023 increased $5.2 million or 1.7% to $315.1 million as compared to the prior year. Total revenues for the year ended December 31, 2023 increased $286.0 million or 25.9% to $1.4 billion as compared to the prior year. A discussion of the factors affecting the changes in box office, food service, media, amusement and other revenues for the period is provided below.

Non-GAAP and other financial measures discussed throughout this MD&A, including adjusted EBITDA, adjusted EBITDAaL, adjusted store level EBITDAaL, adjusted EBITDAaL margin, adjusted store level EBITDAaL margin, adjusted free cash flow, theatre attendance, BPP, premium priced product, same theatre metrics, CPP, film cost percentage, food service cost percentage and concession margin per patron are defined and discussed in Section 18, 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 | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | Change | 2023 | 2022 | Change |
| Box office revenues | $ 123,841 | $ 120,248 | 3.0% | $ 599,903 | $ 461,272 | 30.1 % |
| Theatre attendance (i) | 9,599 | 9,208 | 4.2% | 47,862 | 38,045 | 25.8 % |
| Box office revenue per patron (i) | $ 12.90 | $ 13.06 | -1.2% | $ 12.53 | $ 12.12 | 3.4 % |
| BPP excluding premium priced product (i) | $ 11.36 | $ 10.64 | 6.8% | $ 10.91 | $ 10.35 | 5.4 % |
| Same theatre box office revenues (i) | $ 121,869 | $ 119,701 | 1.8% | $ 592,032 | $ 459,290 | 28.9 % |
| Same theatre attendance (i) | 9,454 | 9,159 | 3.2% | 47,260 | 37,835 | 24.9 % |
| % Total box from premium priced product (i) | 36.3% | 50.0 % | -13.7% | 41.4 % | 41.8 % | -0.4 % |

(i) Represents a supplementary financial measure. See Section 18, Non-GAAP and other financial measures.

| Box office continuity | Fourth Quarter | | Full Year | |
|---|---|---|---|---|
| | Box Office | Theatre Attendance | Box Office | Theatre Attendance |
| 2022 as reported | $ 120,248 | 9,208 | $ 461,272 | 38,045 |
| Same theatre attendance change | 3,845 | 294 | 114,407 | 9,424 |
| Impact of same theatre BPP change | (1,676) | — | 18,336 | — |
| New and acquired theatres (i) | 1,667 | 123 | 7,562 | 579 |
| Disposed and closed theatres (i) | (243) | (26) | (1,674) | (186) |
| **2023 as reported** | **$ 123,841** | **9,599** | **$ 599,903** | **47,862** |

(i) See Section 18, 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 2023 Top Cineplex Films | 3D | % Box | | Fourth Quarter 2022 Top Cineplex Films | 3D | % Box |
|---|---|---|---|---|---|---|---|
| 1 | TAYLOR SWIFT \| THE ERAS TOUR | | 9.6 % | 1 | Avatar: The Way of Water | ✔ | 25.2 % |
| 2 | The Hunger Games: The Ballad of Songbirds and Snakes | | 9.4 % | 2 | Black Panther: Wakanda Forever | ✔ | 19.9 % |
| 3 | Five Nights at Freddy's | | 7.1 % | 3 | Black Adam | | 9.0 % |
| 4 | Wonka | | 6.5 % | 4 | Smile | | 6.5 % |
| 5 | Animal | | 4.5 % | 5 | Ticket to Paradise | | 3.6 % |

| | Full Year 2023 Top Cineplex Films | 3D | % Box | | Full Year 2022 Top Cineplex Films | 3D | % Box |
|---|---|---|---|---|---|---|---|
| 1 | Barbie | | 8.1 % | 1 | Top Gun: Maverick | | 9.4 % |
| 2 | The Super Mario Bros. Movie | ✔ | 6.6 % | 2 | Avatar: The Way of Water | ✔ | 6.8 % |
| 3 | Oppenheimer | | 4.9 % | 3 | Doctor Strange In The Multiverse of Madness | ✔ | 5.8 % |
| 4 | Avatar: The Way of Water | ✔ | 4.6 % | 4 | Black Panther: Wakanda Forever | ✔ | 5.4 % |
| 5 | Spider-Man: Across The Spider-Verse | | 4.0 % | 5 | The Batman | | 5.3 % |

*Fourth Quarter*

Box office revenues increased by $3.6 million or 3.0% to $123.8 million, compared to $120.2 million recorded in the prior year. This increase was primarily due to a 0.4 million or 4.2% increase in theatre attendance from 9.2 million to 9.6 million. The increase in theatre attendance is partially attributed to the success of *TAYLOR SWIFT | THE ERAS TOUR*, which generated $93.2 million during its North American opening weekend and $261.7 million globally, since its release. The increase is also attributed to Cineplex's continued focus on its content broadening strategy by increasing international and alternative programming, as evidenced by *Animal,* outperforming Hollywood blockbusters during the first two weeks of its release during the fourth quarter.

Film release date shifts and production delays related to the impact of the writers' and actors' strikes affected the quarter. Notable titles that were initially scheduled to be released during the fourth quarter but were postponed to 2024 due to the impact of the strikes include *Dune: Part Two*, *Ghostbusters: Afterlife 2* and *Challengers.* Furthermore, the strikes also prevented actors from promoting films at premieres or festivals, further impacting box office results for the films that were released during the fourth quarter but prior to the resolution of the strikes.

BPP for the three months ended December 31, 2023 was $12.90, a decrease of $0.16 or 1.2% from $13.06 reported in the prior year. The decrease in BPP is primarily due to the decrease in premium priced products, which accounted for 36.3% of the total box office compared to 50.0% in the prior year. Highly anticipated films, *Avatar: The Way of Water* and *Black Panther: Wakanda Forever* were released during the fourth quarter of 2022, and accounted for approximately 45% of the 2022 box office, driving guests to premium experiences, particularly 3D content, compared to the current year, where none of the top five films were released with 3D offerings.

*Full Year*

For the full year period, box office revenues increased by $138.6 million or 30.1% to $599.9 million, compared to $461.3 million recorded in the prior year. The increase was primarily due to a 9.8 million increase in theatre attendance, as a result of strong titles, including *Barbie, The Super Mario Bros. Movie* and *Oppenheimer.* The 'Barbenheimer' phenomenon achieved Cineplex's second highest grossing box office weekend of all time and *The Super Mario Bros. Movie* set a record for the biggest opening for an animated film ever.

BPP during the full year period was $12.53, which increased by $0.41 or 3.4% from $12.12 reported in the prior year. The increase was primarily due to moderate price increases. The percentage of box office revenues from premium priced offerings remained flat, accounting for 41.4% of Cineplex's box office revenues for the year ended December 31, 2023, compared to 41.8% in the prior year.

### 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** | | | **Full Year** | | |
|---|---|---|---|---|---|---|
| | **2023** | **2022** | **Change** | **2023** | **2022** | **Change** |
| Food service - theatres | $ 89,101 | $ 82,242 | 8.3 % | $ 425,865 | $ 331,567 | 28.4 % |
| Food delivery - theatres | 2,060 | 2,201 | -6.4 % | 8,568 | 10,125 | -15.4 % |
| Food service - LBE | 13,292 | 12,725 | 4.5 % | 48,716 | 39,694 | 22.7 % |
| Total food service revenues | **$ 104,453** | **$ 97,168** | **7.5 %** | **$ 483,149** | **$ 381,386** | **26.7 %** |
| Theatre attendance (i) | $ 9,599 | $ 9,208 | 4.2 % | 47,862 | 38,045 | 25.8 % |
| CPP (i) (ii) | $ 9.28 | $ 8.93 | 3.9 % | $ 8.90 | $ 8.72 | 2.1 % |
| Same theatre food service revenues (i) | $ 87,499 | $ 81,782 | 7.0 % | $ 419,482 | $ 329,862 | 27.2 % |
| Same theatre attendance (i) | 9,454 | 9,159 | 3.2 % | 47,260 | 37,835 | 24.9 % |

(i) Represents a supplementary financial measure. See Section 18, 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** | | **Full Year** | |
|---|---|---|---|---|
| | **Theatre Food Service** | **Theatre Attendance** | **Theatre Food Service** | **Theatre Attendance** |
| 2022 as reported | $ 82,242 | 9,208 | $ 331,567 | 38,045 |
| Same theatre attendance change | 2,625 | 294 | 82,167 | 9,424 |
| Impact of same theatre CPP change | 3,091 | — | 7,454 | — |
| New and acquired theatres (i) | 1,340 | 123 | 6,115 | 579 |
| Disposed and closed theatres (i) | (197) | (26) | (1,438) | (186) |
| 2023 as reported | **$ 89,101** | **9,599** | **$ 425,865** | **47,862** |

(i) See Section 18, 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*

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 $7.3 million or 7.5% to $104.5 million during the fourth quarter, compared to $97.2 million recorded in the prior year. Theatre food service revenues increased by $6.9 million or 8.3% to $89.1 million as compared to the prior year. The increase in theatre food service revenue was primarily due to a 4.2% increase in theatre attendance. Additionally, the increase in theatre food service revenue is also attributed to an increase in average guest spend compared to the prior year. During the fourth quarter, CPP increased by $0.35 or 3.9% from the prior year, from $8.93 to a fourth quarter record of $9.28. LBE food service revenue also increased by $0.6 million or 4.5% to an all-time quarterly record of $13.3 million.

*Full Year*

For the full year period, food service revenues increased by $101.8 million or 26.7% to $483.1 million, compared to $381.4 million recorded in the prior year, primarily due to a $94.3 million increase in theatre food services. The increase in theatre food service revenues was primarily due to a 25.8% increase in theatre attendance. Additionally, there was an increase in average guest spend when compared to the prior year. For the full year period, CPP increased by $0.18 or 2.1% from $8.72 to an annual record of $8.90. LBE food service revenue also increased by $9.0 million or 22.7% to $48.7 million.

### 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 | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | Change | 2023 | 2022 | Change |
| Cinema media | $ 28,466 | $ 30,229 | -5.8 % | $ 80,057 | $ 72,275 | 10.8 % |
| Digital place-based media | 12,836 | 14,324 | -10.4 % | 38,598 | 39,453 | -2.2 % |
| Total media revenues | **$ 41,302** | **$ 44,553** | **-7.3%** | **$ 118,655** | **$ 111,728** | **6.2%** |

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 | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | Change | 2023 | 2022 | Change |
| Project revenues (i) | $ 2,941 | $ 5,023 | -41.4 % | $ 11,774 | $ 15,293 | -23.0 % |
| Other revenues (ii) | 9,895 | 9,301 | 6.4 % | 26,824 | 24,160 | 11.0 % |
| Total digital place-based media revenues | **$ 12,836** | **$ 14,324** | **-10.4%** | **$ 38,598** | **$ 39,453** | **-2.2%** |

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

*Fourth Quarter*

Total media revenues decreased by $3.3 million or 7.3% to $41.3 million during the fourth quarter, compared to $44.6 million recorded in the prior year. The decrease during the fourth quarter was partially due to the $1.8 million or 5.8% decrease in Cinema Media, due to the decrease in Scene+ revenues, compared to the prior year, where there was an increase in spending for the launch of new Scene+ partners. Digital place-based media revenues decreased by $1.5 million or 10.4% during the fourth quarter, compared to the prior year due to less project revenues but were partially offset by the increase in recurring monthly revenue and DOOH advertising revenue.

*Full Year*

For the full year period, total media revenues increased by $6.9 million or 6.2% to $118.7 million, compared to $111.7 million recorded in the prior year, due to the return of moviegoers with the release of highly anticipated movies, resulting in increased attendance during the full year. This ultimately resulted in a $7.8 million or 10.8% increase in cinema media revenues, due to increased advertising opportunities for cinema advertising from advertisers in a variety of sectors.

### 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 | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 (Section 1) (ii) | Change | 2023 | 2022 (Section 1) (ii) | Change |
| Amusement revenue - LBE | $ 19,027 | $ 17,608 | 8.1 % | $ 80,300 | $ 68,636 | 17.0 % |
| Amusement revenue - exhibition (i) | 3,475 | 3,035 | 14.5 % | 16,207 | 12,284 | 31.9 % |
| Total amusement revenues from continuing operations | **$ 22,502** | **$ 20,643** | **9.0%** | **$ 96,507** | **$ 80,920** | **19.3%** |

(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.

(ii) The results of discontinued operations (P1AG) have been excluded from prior period figures as applicable per IFRS 5 to conform to current period presentation. All amounts are from continuing operations unless noted. See Section 13, Accounting policies.

*Fourth Quarter*

Compared to the prior year, amusement revenues increased by $1.9 million or 9.0% during the fourth quarter, to $22.5 million. The increase was primarily due to a $1.4 million increase in LBE amusement revenues. Following the sale of P1AG, and under the same terms as the existing agreement, Cineplex will continue to receive a venue revenue share on games revenues earned at in-theatre game rooms and XSCAPE Entertainment Centres.

*Full Year*

For the full year period, amusement revenues increased by $15.6 million or 19.3% compared to the prior year. The increase was primarily due to a $11.7 million increase in LBE amusement revenues.

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 | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | Change | 2023 | 2022 | Change |
| Food service revenues | $ 13,292 | $ 12,725 | 4.5 % | $ 48,716 | $ 39,694 | 22.7 % |
| Amusement revenues | 19,027 | 17,608 | 8.1 % | 80,300 | 68,636 | 17.0 % |
| Media and other revenues | 1,674 | 1,293 | 29.5 % | 3,362 | 2,502 | 34.4 % |
| Total revenues | **$ 33,993** | **$ 31,626** | **7.5 %** | **$ 132,378** | **$ 110,832** | **19.4 %** |
| Cost of food service | 3,472 | 3,396 | 2.2 % | 13,559 | 11,095 | 22.2 % |
| Operating expenses before adjustments (i) | 18,233 | 16,224 | 12.4 % | 69,903 | 54,681 | 27.8 % |
| Cash rent related to lease obligations (ii) | 2,748 | 2,740 | 0.3 % | 10,968 | 10,681 | 2.7 % |
| Total | **$ 24,453** | **$ 22,360** | **9.4 %** | **$ 94,430** | **$ 76,457** | **23.5 %** |
| Adjusted store level EBITDAaL (iii) | **$ 9,540** | **$ 9,266** | **3.0 %** | **$ 37,948** | **$ 34,375** | **10.4 %** |
| Adjusted store level EBITDAaL Margin (iv) | **28.1 %** | **29.3 %** | **-1.2 %** | **28.7 %** | **31.0 %** | **-2.3 %** |

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

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

(iii) Represents a non-GAAP financial measure. See Section 18, Non-GAAP and other financial measures.

(iv) Represents a non-GAAP ratio. See Section 18, Non-GAAP and other financial measures.

*Fourth Quarter*

During the fourth quarter, revenues increased by $2.4 million or 7.5% from the prior year to a fourth quarter record of $34.0 million, fueled by fourth quarter records of food service revenues ($13.3 million) and.amusement service revenues ($19.0 million). The increase in revenue is primarily due to an increase in visitation, increased game spending, and an increase in groups and events bookings during the current period. Adjusted store level EBITDAaL was a fourth quarter record of $9.5 million, and adjusted store level EBITDAaL margin during the fourth quarter was 28.1%. The increase in adjusted store level EBITDAaL is due to the higher amusement revenues which historically contribute higher margins than food service revenues to LBE locations. Adjusted store level EBITDAaL margin decreased marginally during the current period partially due to marketing initiatives to drive current and future visitation.

*Full Year*

For the full year period, revenues increased by $21.5 million or 19.4% from the prior year. The increase in revenue is primarily due to higher groups and events bookings and higher amusement sales during the period and an increase in visitation. The increase in revenue during the full year period is also partially attributed to the success of special occasions and events. Adjusted store level EBITDAaL for the full year period was $37.9 million and adjusted store level EBITDAaL margin during the full year period was 28.7%. The increase in adjusted store level EBITDAaL is consistent with the increase in revenues. However, adjusted store level EBITDAaL margin decreased compared to the prior year because operating expenses were partially offset by $2.7 million of government subsidies during 2022. Furthermore, the decrease in adjusted store level EBITDAaL margin is due to sales mix, with amusement revenues historically contributing higher margins than food service to LBE locations.

### Other revenues

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

| Other revenues | Fourth Quarter | | | Full Year | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | Change | 2023 | 2022 | Change |
| Total other revenues | $ 22,980 | $ 27,308 | -15.8% | $ 90,680 | $ 67,575 | 34.2% |

*Fourth Quarter and Full Year*

The quarterly decrease in other revenues is primarily due to lower breakage related to gift cards and other prepaid products which was partially offset by higher revenues from distribution revenue and venue rentals. The online booking fee, introduced on June 15, 2022, that applies to tickets purchased through Cineplex's mobile app and website, remained flat compared to the prior year and generated $5.2 million (2022 - $5.2 million) during the fourth quarter.

The full year increase in other revenues is primarily due to the online booking fee that generated $27.3 million (2022 - $11.7 million) during the full year period. The increase in other revenues during the full year is also attributed to higher revenues from distribution revenue, venue rentals and breakage 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 | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | Change | 2023 | 2022 | Change |
| Film cost | $ 65,357 | $ 63,567 | 2.8 % | $ 323,412 | $ 238,897 | 35.4 % |
| Film cost percentage (i) | 52.8% | 52.9% | -0.1 % | 53.9% | 51.8% | 2.1 % |

(i) Represents a supplementary financial measure. See Section 18, Non-GAAP and other financial measures.

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.

*Fourth Quarter*

The higher film cost during the fourth quarter, over the prior year, is positively correlated to the increase in box office revenues recognized during the period.

*Full Year*

The increase in both film cost and film cost percentage during the full year over the prior year, is positively correlated to the increase in box office revenues recognized during the full year due to the release of strong film titles including *Barbie, The Super Mario Bros. Movie* and *Oppenheimer.*

### 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** | | |
|---|---|---|---|---|---|---|
| | **2023** | **2022** | **Change** | **2023** | **2022** | **Change** |
| Cost of food service - theatre | $ 22,314 | $ 19,275 | 15.8 % | $ 100,428 | $ 76,607 | 31.1 % |
| Cost of food service - LBE | 3,472 | 3,396 | 2.2 % | 13,559 | 11,095 | 22.2 % |
| Total cost of food service | **$ 25,786** | **$ 22,671** | **13.7 %** | **$ 113,987** | **$ 87,702** | **30.0 %** |
| Theatre concession cost percentage (i) | 24.5% | 22.8% | 1.7 % | 23.1% | 22.4% | 0.7 % |
| LBE food cost percentage (i) | 26.1% | 26.7% | -0.6 % | 27.8% | 28.0% | -0.2 % |
| Theatre concession margin per patron (i) | $ 7.01 | $ 6.89 | 1.7 % | $ 6.84 | $ 6.76 | 1.2 % |
| (i) Represents a supplementary financial measure. See Section 18, 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 purchased as well as the quantity and mix of offerings sold. Cost of food service at LBE venues varies primarily with the volume of guests who visit the location as well as the quantity and mix between food and beverage items sold.

The increase in cost of food service during the fourth quarter and full year period is positively correlated to the increase in food service revenues recognized during the quarter and full year period. Theatre concession cost percentage increased during the fourth quarter due to sales mix and food cost increases exceeding sales price increases in the period. Theatre concession cost percentage increased marginally during the full year compared to the prior year. LBE food cost percentage decreased marginally during both the fourth quarter and full year compared to the prior year.

### 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 | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 (Section 1) | Change | 2023 | 2022 (Section 1) | Change |
| Depreciation of property, equipment and leaseholds | $ 19,463 | $ 19,813 | -1.8 % | $ 79,246 | $ 80,139 | -1.1 % |
| Amortization of intangible assets and other | 2,356 | 2,366 | -0.4 % | 9,635 | 9,327 | 3.3 % |
| Sub-total - depreciation and amortization - other assets | **$ 21,819** | **$ 22,179** | **-1.6%** | **$ 88,881** | **$ 89,466** | **-0.7%** |
| Depreciation - right-of-use assets | 22,259 | 22,799 | -2.4 % | 87,657 | 93,512 | -6.3 % |
| Total depreciation and amortization from continuing operations | **$ 44,078** | **$ 44,978** | **-2.0%** | **$ 176,538** | **$ 182,978** | **-3.5%** |

*Fourth Quarter and Full Year*

Depreciation of property, equipment and leaseholds decreased by $0.4 million, or 1.8% during the quarter and by $0.9 million or 1.1% during the full year compared to the prior year periods due to fully depreciated property, equipment and leaseholds.

Amortization of intangible assets and other remained flat during the quarter and increased by $0.3 million or 3.3% during the full year compared to the prior year, due to software developments and additions.

Depreciation of right-of-use assets decreased by $0.5 million or 2.4% during the quarter and by $5.9 million or 6.3% during the full year period compared to the prior year. The decrease was primarily due to modifications to lease agreements which reduced the related depreciation recognized.

### Reversal of impairment of long-lived assets

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

| Reversal of impairment of long-lived assets | Fourth Quarter | | | Full Year | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | Change | 2023 | 2022 | Change |
| Reversal of impairment of property, equipment and leaseholds, net | $ — | $ (10,204) | -100.0% | $ — | $ (10,204) | -100.0% |
| Reversal of impairment of right-of-use assets | — | (9,676) | -100.0% | — | (9,676) | -100.0% |
| Reversal of impairment of long-lived assets | $ — | $ (19,880) | -100.0% | $ — | $ (19,880) | -100.0% |

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 9.7% and 15.2% (2022 - between 10.3% and 14.3%), and perpetual growth rates between 0.5% and 1.0% (2022 - 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 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 30% change in forecasted attendance and related revenue growth rates would result in a material impairment loss however management does not believe this is reasonably likely. For the CDM CGU, a 2% change in the discount rate or a 5% change in the revenue growth rates would result in a material 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 there is no impairment loss recognized in the current period. In the prior period 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.

Cineplex reviews previously impaired assets for indicators of impairment recovery at each balance sheet date. During the current period there were no reversals of previously recognized impairment, however in the prior 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.

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, Cineplex will estimate the recoverable amount of that asset and may reverse previously recorded impairment losses.

**Loss (gain) on disposal of assets**

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

| Loss (gain) on disposal of assets | Fourth Quarter | | | Full Year | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 (Section 1) | Change | 2023 | 2022 (Section 1) | Change |
| Loss (gain) on disposal from continuing operations | $ 1,553 | $ (3,327) | NM | $ 2,910 | $ (57,748) | NM |

*Fourth Quarter and Full Year*

The change in the loss (gain) on disposal of assets recognized during the fourth quarter and full year is due to minimal activity on the disposal of Cineplex's assets during the current periods, compared to the recognition of a

$3.8 million gain recognized during the fourth quarter of 2022 for the windup of Cineplex's investment in CDCP, which took place on December 16, 2022. Cineplex also recognized 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.

### 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, and LBE businesses; 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** | | |
|---|---|---|---|---|---|---|
| | **2023** | **2022 (Section 1)** | **Change** | **2023** | **2022 (Section 1)** | **Change** |
| Theatre occupancy expenses | $ 16,592 | $ 15,504 | 7.0 % | $ 71,557 | $ 62,378 | 14.7 % |
| Other operating expenses | 121,810 | 122,168 | -0.3 % | 482,112 | 426,743 | 13.0 % |
| General and administrative expenses | 17,992 | 16,163 | 11.3 % | 71,102 | 64,462 | 10.3 % |
| Total other costs from continuing operations | **$ 156,394** | **$ 153,835** | **1.7%** | **$ 624,771** | **$ 553,583** | **12.9%** |

### 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** | | |
|---|---|---|---|---|---|---|
| | **2023** | **2022** | **Change** | **2023** | **2022** | **Change** |
| Cash rent paid/payable (i) (ii) | $ 36,976 | $ 37,168 | -0.5 % | $ 148,930 | $ 147,797 | 0.8 % |
| Other occupancy (ii) | 17,122 | 16,727 | 2.4 % | 72,038 | 68,043 | 5.9 % |
| One-time items (iii) | (911) | (1,543) | -41.0 % | (2,025) | (3,839) | -47.3 % |
| Total theatre occupancy including cash lease payments | **$ 53,187** | **$ 52,352** | **1.6%** | **$ 218,943** | **$ 212,001** | **3.3%** |
| IFRS 16 adjustment (iv) | (36,595) | (36,848) | -0.7 % | (147,386) | (149,623) | -1.5 % |
| Theatre occupancy as reported | **$ 16,592** | **$ 15,504** | **7.0%** | **$ 71,557** | **$ 62,378** | **14.7%** |

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

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

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

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

| **Theatre occupancy continuity** | **Fourth Quarter Occupancy** | **Full Year Occupancy** |
|---|---|---|
| 2022 as reported | $ 15,504 | $ 62,378 |
| Impact of new and acquired theatres | 399 | 1,487 |
| Impact of disposed theatres | (288) | (2,166) |
| Same store rent change (i) | (420) | (1,783) |
| One-time items | 632 | 1,814 |
| Decrease in subsidies | — | 6,874 |
| Other | 512 | 717 |
| Impact of IFRS 16: | | |
| Cash rent related to lease obligations | 253 | 2,236 |
| 2023 as reported | **$ 16,592** | **$ 71,557** |

(i) Represents a supplementary financial measure. See Section 18, Non-GAAP and other financial measures.

*Fourth Quarter*

Theatre occupancy expenses increased by $1.1 million or 7.0% during the fourth quarter compared to the prior year.

*Full Year*

Theatre occupancy expenses increased by $9.2 million or 14.7% during the full year period. The full year increase in theatre occupancy expenses is due to the prior year being impacted by gradual reopening plans, which resulted in lower rent related expenses. Furthermore, the prior year to date period benefited from realty tax and rent subsidies of $6.9 million.

### Other operating expenses

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

| **Other operating expenses** | **Fourth Quarter** | | | **Full Year** | | |
|---|---|---|---|---|---|---|
| | **2023** | **2022 (Section 1)** | **Change** | **2023** | **2022 (Section 1)** | **Change** |
| Theatre payroll (i) | $ 36,997 | $ 35,928 | 3.0 % | $ 157,954 | $ 126,311 | 25.1 % |
| Theatre operating expenses | 28,932 | 28,779 | 0.5 % | 117,877 | 106,037 | 11.2 % |
| Media | 13,678 | 15,153 | -9.7 % | 51,767 | 50,301 | 2.9 % |
| LBE (ii) | 20,982 | 18,964 | 10.6 % | 80,872 | 65,362 | 23.7 % |
| Redemption cost of legacy loyalty points | 2,577 | 10,578 | -75.6 % | 16,773 | 36,277 | -53.8 % |
| Marketing | 4,157 | 3,315 | 25.4 % | 11,224 | 9,854 | 13.9 % |
| Scene+ point issuance | 5,023 | 4,347 | 15.6 % | 25,130 | 16,920 | 48.5 % |
| Other (iii) | 13,610 | 9,201 | 47.9 % | 36,401 | 29,709 | 22.5 % |
| Other operating expenses including cash lease payments | **$ 125,956** | **$ 126,265** | **-0.2%** | **$ 497,998** | **$ 440,771** | **13.0%** |
| IFRS 16 adjustment (iv) | (4,146) | (4,097) | 1.2 % | (15,886) | (14,028) | 13.2 % |
| Total other operating expenses from continuing operations | **$ 121,810** | **$ 122,168** | **-0.3%** | **$ 482,112** | **$ 426,743** | **13.0%** |

(i) 2022 includes $14.7 million of theatre payroll subsidies for the full year.

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

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

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

| **Other operating expenses continuity** | **Fourth Quarter** | **Full Year** |
|---|---|---|
| 2022 as reported/revised | $ 122,168 | $ 426,743 |
| Impact of new and acquired theatres | 1,046 | 4,092 |
| Impact of disposed theatres | (306) | (1,714) |
| Same theatre payroll change (i) | 515 | 29,636 |
| Same theatre operating expenses change (i) | 750 | 11,850 |
| Media operating expenses change | (1,475) | 1,466 |
| LBE operating expenses change | 2,018 | 15,510 |
| Redemption cost of legacy loyalty points | (8,001) | (19,504) |
| Marketing change | 842 | 1,370 |
| Scene+ point issuance change | 676 | 8,210 |
| Other | 3,626 | 6,311 |
| <u>Impact of IFRS 16:</u> | | |
| Cash rent related to lease obligations | $ (49) | $ (1,858) |
| 2023 as reported | **$ 121,810** | **$ 482,112** |

(i) See Section 18, Non-GAAP and other financial measures. These are measures included as part of Cineplex's supplementary financial measure calculations.

*Fourth Quarter*

Other operating expenses decreased by $(0.4) million or (0.3)% during the fourth quarter compared to the prior year. The increase in theatre payroll and theatre operating expenses is correlated to the increase in attendance and related box office and theatre food service revenues recognized during the quarter. Similarly, the increase in LBE revenues resulted in a $2.0 million or 10.6% increase in LBE operating expenses compared to the prior year. Cineplex also recognized a $0.7 million or 15.6% increase in marketing expenses relating to the cost of issuance of Scene+ points due to higher box office and food service sales. The increase in operating expenses was partially offset by a decrease in redemption costs of legacy loyalty points outstanding before the launch of the Scene+ program.

*Full Year*

Other operating expenses increased by $55.4 million or 13.0% during the full year period compared to the prior year. The increase in theatre payroll and theatre operating expenses is correlated to the increase in attendance and related box office and theatre food service revenues recognized during the full year. Similarly, the increase in LBE revenues resulted in a $15.5 million or 23.7% increase in LBE operating expenses compared to the prior year. Cineplex also recognized a $8.2 million or 48.5% increase in marketing expenses relating to the cost of issuance of Scene+ points due to higher box office and food service sales. Lastly, Cineplex recognized $22.1 million of subsidies during the full year of 2022, comprised of $19.7 million of payroll subsidies, of which $14.7 million was offset against theatre payroll, and $2.4 million of non-theatre rent, realty tax and utility subsidies. The increase in operating expenses was partially offset by a decrease in SCENE costs related to points outstanding before the launch of the Scene+ program.

### 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** | | |
|---|---|---|---|---|---|---|
| | **2023** | **2022** | **Change** | **2023** | **2022** | **Change** |
| G&A excluding the following items (i) | $ 17,241 | $ 14,874 | 15.9 % | $ 62,097 | $ 56,850 | 9.2 % |
| Restructuring | 253 | 128 | 97.7 % | 1,635 | 1,939 | -15.7 % |
| Transaction / Litigation costs | 563 | 857 | -34.3 % | 3,377 | 3,592 | -6.0 % |
| LTIP (ii) | 203 | 566 | -64.1 % | 5,038 | 2,834 | 77.8 % |
| Option plan | 316 | 321 | -1.6 % | 1,289 | 1,563 | -17.5 % |
| G&A expenses including cash lease payments | **$ 18,576** | **$ 16,746** | **10.9%** | **$ 73,436** | **$ 66,778** | **10.0%** |
| IFRS 16 adjustment (iii) | (584) | (583) | 0.2 % | (2,334) | (2,316) | 0.8 % |
| G&A expenses as reported | **$ 17,992** | **$ 16,163** | **11.3%** | **$ 71,102** | **$ 64,462** | **10.3%** |

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

*Fourth Quarter*

G&A expenses increased by $1.8 million or 11.3% during the fourth quarter compared to the prior year. The increase is primarily due to higher technology costs, net of the reduction of $0.6 million (2022 - $0.9 million) of expenses that Cineplex incurred related to litigation and other transactions outside the normal course of business during the fourth quarter.

*Full Year*

G&A expenses increased by $6.6 million or 10.3% during the full year compared to the prior year, partially attributable to the $2.2 million or 77.8% increase in LTIP expense during the period compared to the prior year related to higher share price. Further contributing to the increase is the $2.0 million of payroll related subsidies that Cineplex recognized in the prior year. Cineplex incurred $3.4 million (2022 - $3.6 million) of expenses related to litigation, claims recovery arising from the Cineworld transaction, and other transactions outside the normal course of business during the full year.

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

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

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

| **Share of loss (income) of joint ventures and associates** | **Fourth Quarter** | | | **Full Year** | | |
|---|---|---|---|---|---|---|
| | **2023** | **2022** | **Change** | **2023** | **2022** | **Change** |
| Share of loss (income) of CDCP | $ — | $ 3 | -100.0 % | $ — | $ (489) | -100.0 % |
| Share of loss of Scene+ | 1,855 | 2,254 | -17.7 % | 4,688 | 3,095 | 51.5 % |
| Share of loss (income) of other joint ventures and associates | 1 | (20) | NM | (165) | 2 | NM |
| Total loss of joint ventures and associates | **$ 1,856** | **$ 2,237** | **-17.0%** | **$ 4,523** | **$ 2,608** | **73.4%** |

*Fourth Quarter and Full Year*

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

Cineplex’s loss from its joint ventures and associates consisted primarily of a $1.9 million loss during the fourth quarter and $4.7 million during the full year from Scene+, which expects losses through 2024 as it scales to expected operating levels.

**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** | | |
|---|---|---|---|---|---|---|
| | **2023** | **2022 (Section 1)** | **Change** | **2023** | **2022 (Section 1)** | **Change** |
| Interest expense on long-term debt | $ 15,098 | $ 15,671 | -3.7 % | $ 59,331 | $ 62,800 | -5.5 % |
| Lease interest expense (i) | 17,004 | 16,177 | 5.1 % | 66,058 | 60,840 | 8.6 % |
| Financing fees | 654 | 751 | -12.9 % | 1,060 | 1,293 | -18.0 % |
| Sub-total - cash interest expense from continuing operations | **$ 32,756** | **$ 32,599** | **0.5%** | **$ 126,449** | **$ 124,933** | **1.2%** |
| Deferred financing fee accretion and other non-cash interest, net | 461 | 124 | 271.8 % | 601 | 553 | 8.7 % |
| Accretion expense on Debentures and Notes Payable | 5,604 | 4,845 | 15.7 % | 21,551 | 18,677 | 15.4 % |
| Interest rate swap - non-cash | 4,302 | (674) | NM | 6,337 | (22,072) | NM |
| Sub-total - non-cash interest expense from continuing operations | **10,367** | **4,295** | **141.4%** | **28,489** | **(2,842)** | **NM** |
| Total interest expense from continuing operations | **$ 43,123** | **$ 36,894** | **16.9%** | **$ 154,938** | **$ 122,091** | **26.9%** |
| Total cash interest paid from continuing operations | **$ 29,527** | **$ 32,558** | **-9.3%** | **$ 124,321** | **$ 127,308** | **-2.3%** |
| (i) Represents total cash interest paid and accrued cash interest related to lease obligations. | | | | | | |

| Lease interest expense breakdown | Fourth Quarter | | | Full Year | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 (Section 1) | Change | 2023 | 2022 (Section 1) | Change |
| Cash interest paid - lease obligation | $ 17,006 | $ 15,953 | 6.6 % | $ 66,457 | $ 60,059 | 10.7 % |
| Change in accrued interest - lease obligation | (2) | 224 | NM | (399) | 781 | NM |
| Total lease interest expense from continuing operations | **$ 17,004** | **$ 16,177** | **5.1%** | **$ 66,058** | **$ 60,840** | **8.6%** |

*Fourth Quarter*

Total interest expense increased by $6.2 million or 16.9% for the quarter when compared to the prior year, primarily due to changes in the fair value of the interest rate swaps resulting in a $5.0 million increase in non-cash interest expense. Cash interest expense relating to the Notes Payable (Section 7.4, Long-term debt) was $4.7 million (2022 - $4.7 million), Debentures (Section 7.4, Long-term debt) was $4.6 million (2022 - $4.6 million) and Credit Facility (Section 7.4, Long-term debt) was $5.8 million (2022 - $6.4 million). Cineplex recognized accretion expense relating to the issuance of Notes Payable and Debentures of $0.3 million (2022 - $0.2 million) and $5.3 million (2022 - $4.6 million), respectively.

*Full Year*

Total interest expense increased by $32.8 million or 26.9% for the full year when compared to the prior year, primarily due to changes in the fair value of the interest rate swaps resulting in a $28.4 million increase in non-cash interest expense. Cash interest expense relating to the Notes Payable (Section 7.4, Long-term debt) was $18.8 million (2022 - $18.8 million), Debentures (Section 7.4, Long-term debt) was $18.2 million (2022 - $18.2 million) and Credit Facility (Section 7.4, Long-term debt) was $22.3 million (2022 - $25.8 million). Cineplex recognized accretion expense relating to the issuance of Notes Payable and Debentures of $1.2 million (2022 - $1.1 million) and $20.4 million (2022 - $17.6 million), respectively.

### Interest income

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

| Interest income | Fourth Quarter | | | Full Year | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | Change | 2023 | 2022 | Change |
| Interest income | $ 156 | $ 125 | 24.8% | $ 897 | $ 277 | 223.8% |

### 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 | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 (Section 1) | Change | 2023 | 2022 (Section 1) | Change |
| Foreign exchange loss (gain) from continuing operations | $ 95 | $ 468 | -79.7% | $ 834 | $ (2,930) | NM |

*Fourth Quarter*

The movement in the foreign exchange during the quarter was due to the change in the CAD/USD foreign exchange month end rate from 1.3520 at September 30, 2023 to 1.3226 at December 31, 2023.

*Full Year*

For the year ended December 31, 2023, the movement in the foreign exchange was due to the change in the CAD/USD foreign exchange month end rate from 1.3544 at December 31, 2022 to 1.3226 at December 31, 2023.

**Change in fair value of financial instruments**

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

| Change in fair value of financial instruments | Fourth Quarter | | | Full Year | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | Change | 2023 | 2022 | Change |
| (Gain) loss on financial instruments recorded at fair value | $ (4,480) | $ (970) | 361.9% | $ (2,610) | $ 6,260 | NM |

*Fourth Quarter and Full Year*

For both the three months and year ended December 31, 2023, the (gain) loss on financial instruments recorded at fair value was due to the revaluation of Cineplex's call option relating to the Notes Payable (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 year to date (in thousands of dollars):

| Income taxes | Fourth Quarter | | | Full Year | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 (Section 1) | Change | 2023 | 2022 (Section 1) | Change |
| Current income tax recovery | $ — | $ — | NM | $ (839) | $ (724) | 15.9% |
| Deferred income tax recovery | (6,426) | — | NM | (146,724) | — | NM |
| **Provision for income taxes from continuing operations** | **$ (6,426)** | **$ —** | **NM** | **$ (147,563)** | **$ (724)** | **NM** |

*Fourth Quarter and Full Year*

At December 31, 2020 the recoverability of the net deferred income tax assets was uncertain and accordingly the net deferred tax assets were derecognized. During the second quarter of 2023, Cineplex assessed the recoverability of net deferred income tax assets and determined that the expected return to profitability provided a reasonable expectation that previously derecognized net deferred income tax assets will be utilized to offset future periods of taxable income, resulting in income tax recovery of approximately $150.2 million relating to continuing operations. The provision for income taxes in the fourth quarter reflects the impact of timing differences in the timing of deductions for tax as compared to accounting, particularly the reduction of losses carried forward.

Cineplex's combined statutory income tax rate at December 31, 2023 was 26.3% (2022 - 26.3%).

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

Non-capital losses available for carry-forward as at December 31, 2023 and 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 |
| 2038 | 3,110 |
| 2040 | 3,853 |
| 2041 | 240,396 |
| 2042 | 113,237 |
| 2043 | 605 |
| | $ 387,551 |

### 5.3 NET INCOME (LOSS), EBITDA AND ADJUSTED EBITDAaL (see Section 18, 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, 2023 as compared to the prior year (expressed in thousands of dollars, except adjusted EBITDAaL margin):

| NET INCOME (LOSS), EBITDA AND ADJUSTED EBITDAaL | Fourth Quarter | | | Full Year | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 (Section 1) | Change | 2023 | 2022 (Section 1) | Change |
| Net (loss) income from continuing operations (i) | $ (12,102) | $ 9,572 | NM | $ 138,051 | $ (9,679) | NM |
| Net income from discontinued operations | $ 3,148 | $ 596 | 428.2% | $ 29,113 | $ 9,792 | 197.3% |
| Net (loss) income (i) | $ (8,954) | $ 10,168 | NM | $ 167,164 | $ 113 | NM |
| Net (loss) income as a percentage of sales from continuing operations | (3.8)% | 3.1 % | -6.9% | 9.9 % | (0.9)% | 10.8% |
| EBITDA | $ 68,517 | $ 91,319 | -25.0% | $ 321,067 | $ 294,389 | 9.1% |
| Adjusted EBITDA | $ 65,902 | $ 67,744 | -2.7% | $ 322,962 | $ 220,168 | 46.7% |
| Adjusted EBITDAaL | $ 24,178 | $ 25,830 | -6.4% | $ 157,363 | $ 54,201 | 190.3% |
| Adjusted EBITDAaL from discontinued operations | $ 5,352 | $ 5,367 | -0.3% | $ 35,732 | $ 27,471 | 30.1% |
| Adjusted EBITDAaL including discontinued operations | $ 29,530 | $ 31,197 | -5.3% | $ 193,095 | $ 81,672 | 136.4% |
| Adjusted EBITDAaL margin from continuing operations | 7.7 % | 8.3 % | -0.6% | 11.3 % | 4.9 % | 6.4% |

(i) 2023 includes recovery of approximately $150.2 million related to the recognition of deferred income tax assets recognized during the second quarter and expenses related to the Cineworld transaction and other transactions or litigation outside the normal course of business in the amount of $0.6 million (2022 - $0.9 million) for the fourth quarter and $3.4 million (2022 - $3.6 million) for the full year.

*Fourth Quarter and Full Year*

Net loss and adjusted EBITDAaL for the fourth quarter of 2023 was $12.1 million and $24.2 million, respectively, compared to net income of $9.6 million and adjusted EBITDAaL of $25.8 million, respectively, in the prior year. During the year ended December 31, 2023, Cineplex recognized net income of $138.1 million and adjusted EBITDAaL of $157.4 million, compared to a net loss of $9.7 million and adjusted EBITDAaL of $54.2 million in the prior year.

During the second quarter of 2023, Cineplex assessed the recoverability of net deferred income tax assets and determined that the continued strong return to profitability provided a reasonable expectation that previously derecognized net deferred income tax assets will be utilized to offset future periods of taxable income. Cineplex recognized a recovery of approximately $150.2 million related to deferred income tax assets during the second quarter of 2023, significantly increasing net income for the year to date period.

The fourth quarter of 2022 reflected a reversal of previously recognized non-cash impairments, contributing to the decrease in net income during the current period.

## 6. BALANCE SHEETS

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

| | December 31, 2023 | December 31, 2022 | Change ($) | Change (%) |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents | $ 36,666 | $ 34,674 | $ 1,992 | 5.7% |
| Trade and other receivables | 97,689 | 107,088 | (9,399) | -8.8% |
| Income taxes receivable | 2,766 | 2,033 | 733 | 36.1% |
| Inventories | 17,624 | 36,916 | (19,292) | -52.3% |
| Prepaid expenses and other current assets | 11,481 | 15,659 | (4,178) | -26.7% |
| Fair value of interest rate swap agreements | 3,217 | 8,993 | (5,776) | -64.2% |
| Assets held for sale (i) | 93,322 | — | 93,322 | NM |
| | 262,765 | 205,363 | 57,402 | 28.0% |
| **Non-current assets** | | | | |
| Property, equipment and leaseholds | 394,382 | 449,495 | (55,113) | -12.3% |
| Right-of-use assets | 754,793 | 772,978 | (18,185) | -2.4% |
| Deferred income taxes | 146,784 | — | 146,784 | NM |
| Fair value of interest rate swap agreements | 1,109 | 2,426 | (1,317) | -54.3% |
| Interests in joint ventures | 4,896 | 650 | 4,246 | 653.2% |
| Intangible assets | 80,873 | 80,428 | 445 | 0.6% |
| Goodwill | 620,300 | 636,134 | (15,834) | -2.5% |
| Derivative financial instrument | 5,590 | 2,980 | 2,610 | 87.6% |
| | $ 2,271,492 | $ 2,150,454 | $ 121,038 | 5.6% |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Accounts payable and accrued liabilities | $ 172,482 | $ 195,296 | $ (22,814) | -11.7% |
| Income taxes payable | 173 | 3,736 | (3,563) | -95.4% |
| Deferred revenue and other | 197,329 | 220,527 | (23,198) | -10.5% |
| Lease obligations | 85,030 | 96,093 | (11,063) | -11.5% |
| Liabilities related to assets held for sale (i) | 27,241 | — | 27,241 | NM |
| | 482,255 | 515,652 | (33,397) | -6.5% |
| **Non-current liabilities** | | | | |
| Share-based compensation | 4,470 | 3,752 | 718 | 19.1% |
| Long-term debt | 817,439 | 824,888 | (7,449) | -0.9% |
| Lease obligations | 993,404 | 1,004,546 | (11,142) | -1.1% |
| Post-employment benefit obligations | 7,114 | 6,970 | 144 | 2.1% |
| Other liabilities | 6,245 | 6,460 | (215) | -3.3% |
| | 2,310,927 | 2,362,268 | (51,341) | -2.2% |
| **Shareholders' deficit** | | | | |
| Total shareholders' deficit | (39,435) | (211,814) | 172,379 | -81.4% |
| | $ 2,271,492 | $ 2,150,454 | $ 121,038 | 5.6% |

(i) See Section 13, Accounting policies for discontinued operations.

**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 overall decrease is attributed to a $11.5 million reclassification to assets held for sale, for P1AG, in accordance with IFRS 5, *Non-current assets held for sale and discontinued operations.* Without the impact of P1AG, there was an increase in trade and other receivables, primarily due to the timing of billing and collection of trade receivables, particularly from gift card resellers. December represents the highest volume month for gift cards and voucher sales.

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

**Inventories.** The decrease in inventories is primarily due to a $22.1 million reclassification to assets held for sale, for P1AG, in accordance with IFRS 5, *Non-current assets held for sale and discontinued operations*.

**Prepaid expenses and other current assets.** The decrease in prepaid expenses and other current assets is primarily due to $2.6 million reclassification to assets held for sale, for P1AG, in accordance with IFRS 5, *Non-current assets held for sale and discontinued operations*.

**Assets held for sale.** P1AG was classified as a discontinued operation in accordance with the application of IFRS 5, *Non-current assets held for sale and discontinued operations,* effective with the year ended December 31, 2023. As a result, P1AG's assets, liabilities, financial performance and cash flows have been separately presented. See Section 13, Accounting policies for further details.

**Property, equipment and leaseholds.** The decrease in property, equipment and leaseholds is due to a $25.1 million reclassification to assets held for sale, for P1AG, in accordance with IFRS 5, *Non-current assets held for sale and discontinued operations,* as well as amortization expense ($79.2 million from continuing operations and $10.3 million from discontinued operations), asset dispositions ($2.2 million) in excess of additions to new build and other capital expenditures ($52.5 million) and maintenance capital expenditures ($19.5 million).

**Right-of-use assets.** The decrease in right-of-use assets is due to an $7.8 million reclassification to assets held for sale, for P1AG, in accordance with IFRS 5, *Non-current assets held for sale and discontinued operations*, and amortization expense of ($87.7 million from continuing operations and $2.6 million from discontinued operations), offset by lease extensions and modifications ($79.4 million).

**Deferred income taxes.** The increase in net deferred income taxes is primarily due to the recognition of net deferred income tax assets of $150.2 million during the second quarter of 2023. These assets were previously derecognized, in addition to lower taxable income in excess of available non-capital losses, as compared to the prior year period for certain entities. This recognition occurred fourth quarter of 2023. Cineplex assessed the recoverability of net deferred income tax assets and determined that the continued strong return to profitability provided a reasonable expectation that previously derecognized net deferred income tax assets will be utilized to offset future periods of taxable income.

**Interests in joint ventures.** The increase in interest in joint ventures is primarily due to $8.9 million of capital contributions made to Cineplex's investment in Scene LP, net of $4.5 million losses in 2023.

**Intangible assets.** The increase in intangible assets is due to the capitalization of software development costs ($10.4 million), partially offset by amortization expense ($9.6 million from continuing operations and $0.3 million from discontinued operations).

**Goodwill.** The decrease in goodwill reflects a $15.6 million reclassification to assets held for sale, for P1AG, in accordance with IFRS 5, *Non-current assets held for sale and discontinued operations*.

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

**Accounts payable and accrued expenses.** The decrease in accounts payable and accrued liabilities is primarily due to the timing of settlement of liabilities and $10.4 million reclassification to liabilities related to assets held for sale, for P1AG, in accordance with IFRS 5, *Non-current assets held for sale and discontinued operations*.

**Share-based compensation.** The increase in share-based compensation is primarily due to members of Cineplex's board of directors electing to receive payment in deferred equity units and the increase in share price, which was $8.37 per share at December 31, 2023 as compared to $8.05 at December 31, 2022 (see Section 9, Share activity).

**Income taxes payable.** The decrease in income taxes payable reflects the classification to liabilities held for sale, representing liabilities net of tax installments paid for current income taxes.

**Deferred revenue and other.** The decrease in deferred revenue is primarily due to the redemption and associated breakage of gift cards and vouchers in excess of current period sales.

**Lease obligations.** The decrease in lease obligations is primarily due to the payment of lease obligations, and a $8.9 million reclassification to liabilities related to assets held for sale, for P1AG, in accordance with IFRS 5, *Non-current assets held for sale and discontinued operations,* partially offset by lease extensions and modifications during 2023.

**Liabilities related to assets held for sale**. P1AG was classified as a discontinued operation in accordance with the application of IFRS 5, *Non-current assets held for sale and discontinued operations,* effective with the year ended December 31, 2023. As a result, P1AG’s assets, liabilities, financial performance and cash flows have been separately presented. See Section 13, Accounting policies for further details.

**Fair value of interest rate swap agreements.** Represents the fair values of Cineplex’s outstanding interest rate swap agreements (see Section 7.4, Long-term debt). Interest rate swap agreements with gross notional values of $33.0 million matured in November 2023.

**Long-term debt.** Long-term debt consists of the Credit Facilities, Debentures and Notes Payable. The decrease in long-term debt is primarily due to $29.0 million repayments under the Credit Facilities net of $21.6 million 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, location-based entertainment revenues (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, 2023 and 2022 (in thousands of dollars):

| Cash flows provided by operating activities | Fourth Quarter | | | Full Year | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 (Section 1) | Change | 2023 | 2022 (Section 1) | Change |
| Net (loss) income from continuing operations | $ (12,102) | $ 9,572 | $ (21,674) | $ 138,051 | $ (9,679) | $ 147,730 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | | | |
| Depreciation and amortization of other assets (i) | 21,819 | 22,179 | (360) | 88,881 | 89,466 | (585) |
| Depreciation of right-of-use assets | 22,257 | 22,799 | (542) | 87,657 | 93,512 | (5,855) |
| Unrealized foreign exchange | (124) | — | (124) | (124) | — | (124) |
| Interest rate swap agreements - non-cash interest | 4,302 | (674) | 4,976 | 6,337 | (22,072) | 28,409 |
| Accretion of convertible debentures | 5,604 | 4,845 | 759 | 21,551 | 18,677 | 2,874 |
| Other non-cash interest (ii) | 461 | 124 | 337 | 601 | 553 | 48 |
| Loss (gain) on disposal of assets | 1,552 | (3,327) | 4,879 | 2,910 | (57,748) | 60,658 |
| Deferred income taxes | (6,426) | — | (6,426) | (146,724) | — | (146,724) |
| Non-cash share-based compensation | 782 | 1,267 | (485) | 6,229 | 6,382 | (153) |
| Reversal of impairment of long-lived assets | — | (19,880) | 19,880 | — | (19,880) | 19,880 |
| Change in fair value of financial instrument | (4,480) | (970) | (3,510) | (2,610) | 6,260 | (8,870) |
| Net change in interests in joint ventures and associates | 2,588 | 2,983 | (395) | 4,687 | 1,394 | 3,293 |
| Changes in operating assets and liabilities | 47,152 | 12,189 | 34,963 | (11,352) | (28,586) | 17,234 |
| **Net cash provided by operating activities from continuing operations** | **$ 83,385** | **$ 51,107** | **$ 32,278** | **$ 196,094** | **$ 78,279** | **$ 117,815** |
| (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 and Full Year*

Cash provided by operating activities during the fourth quarter of 2023 was $83.4 million, compared to cash provided by operating activities of $51.1 million in the prior year. For the year ended December 31, 2023, cash provided by operating activities was $196.1 million compared to $78.3 million in the prior year. The increase in both 2023 periods was primarily due to higher revenues and the timing of settlement of operating assets and liabilities in the periods, particularly accounts receivable, accounts payable and deferred revenue.

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

| **Cash flows used in investing activities** | **Fourth Quarter** | | | **Full Year** | | |
|---|---|---|---|---|---|---|
| | **2023** | **2022 (Section 1)** | **Change** | **2023** | **2022 (Section 1)** | **Change** |
| Proceeds from disposal of assets, including asset related insurance recoveries | $ (5) | $ 21 | $ (26) | $ 1 | $ 1,843 | $ (1,842) |
| Purchases of property, equipment and leaseholds | (18,590) | (23,510) | 4,920 | (52,478) | (55,005) | 2,527 |
| Intangible assets additions | (2,716) | (1,485) | (1,231) | (10,974) | (9,904) | (1,070) |
| Tenant inducements | 2,715 | 7,063 | (4,348) | 10,010 | 11,249 | (1,239) |
| Investment in joint ventures and associates | (735) | — | (735) | (8,934) | — | (8,934) |
| Net cash received from joint ventures and associates | — | 62 | (62) | — | 5,380 | (5,380) |
| **Net cash used in investing activities from continuing operations** | **$ (19,331)** | **$ (17,849)** | **$ (1,482)** | **$ (62,375)** | **$ (46,437)** | **$ (15,938)** |

*Fourth Quarter and Full Year*

Cash used in investing activities during the fourth quarter of 2023 was $19.3 million, as compared to $17.8 million in the prior year. The increase is primarily due to lower tenant inducements received in the current period, partially offset by lower capital and intangible asset additions. Cash used in investing activities during the year ended December 31, 2023 was $62.4 million, as compared to $46.4 million in the prior year. The movement was primarily due to previously committed capital projects and capital contributions to Cineplex's investment in Scene LP and reduction in cash received from CDCP which was wound up in December 2022.

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

| **Capital expenditures** | **Fourth Quarter** | | | **Full Year** | | |
|---|---|---|---|---|---|---|
| | **2023** | **2022 (Section 1)** | **Change** | **2023** | **2022 (Section 1)** | **Change** |
| Gross capital expenditures | $ 18,590 | $ 23,510 | $ (4,920) | $ 52,478 | $ 55,005 | $ (2,527) |
| Less: tenant inducements | (2,715) | (7,063) | 4,348 | (10,010) | (11,249) | 1,239 |
| Net capital expenditures | **$ 15,875** | **$ 16,447** | **$ (572)** | **$ 42,468** | **$ 43,756** | **$ (1,288)** |
| Net capital expenditures consists of: | | | | | | |
| Growth and acquisition capital expenditures (i) | $ 9,719 | $ 8,678 | $ 1,041 | $ 20,976 | $ 25,557 | $ (4,581) |
| Tenant inducements | (2,715) | (7,063) | 4,348 | (10,010) | (11,249) | 1,239 |
| Media growth capital expenditures | 361 | 406 | (45) | 694 | 3,694 | (3,000) |
| Premium formats (ii) | 4,985 | 3,103 | 1,882 | 10,778 | 6,417 | 4,361 |
| Maintenance capital expenditures | 10,375 | 10,812 | (437) | 19,503 | 18,820 | 683 |
| Other (iii) | (6,850) | 511 | (7,361) | 527 | 517 | 10 |
| | **$ 15,875** | **$ 16,447** | **$ (572)** | **$ 42,468** | **$ 43,756** | **$ (1,288)** |

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

| Cash flows used in financing activities | Fourth Quarter 2023 | Fourth Quarter 2022 (Section 1) | Fourth Quarter Change | Full Year 2023 | Full Year 2022 (Section 1) | Full Year Change |
|---|---|---|---|---|---|---|
| (Repayments) borrowings under credit facility, net | $ (3,000) | $ (5,000) | $ 2,000 | (29,000) | 67,000 | $ (96,000) |
| Repayments of lease obligations - principal | (24,135) | (25,204) | 1,069 | (100,334) | (105,618) | 5,284 |
| Exercise of cash option | — | — | — | — | 113 | (113) |
| Financing fees | (655) | (752) | 97 | (1,061) | (1,294) | 233 |
| **Net cash used in financing activities from continuing operations** | **$ (27,790)** | **$ (30,956)** | **$ 3,166** | **$ (130,395)** | **$ (39,799)** | **$ (90,596)** |

*Fourth Quarter and Full Year*

Cash flows used in financing activities were $27.8 million during the fourth quarter of 2023, as compared to cash flows used in financing activities of $31.0 million in the prior year. Cash flows used in financing activities during the year ended December 31, 2023 were $130.4 million as compared to $39.8 million in the prior year. The movement was primarily due to repayments under the Credit Facilities compared to borrowings in the comparative period.

### 7.4 LONG-TERM DEBT

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

| | December 31, 2023 Book Value | December 31, 2023 Face Value | December 31, 2022 Book Value | December 31, 2022 Face Value |
|---|---|---|---|---|
| Credit Facilities | $ 298,000 | $ 298,000 | $ 327,000 | $ 327,000 |
| Convertible Debentures (i) | 272,469 | 316,250 | 252,078 | 316,250 |
| Notes Payable (i) | 246,970 | 250,000 | 245,810 | 250,000 |
| Total | $ 817,439 | $ 864,250 | $ 824,888 | $ 893,250 |

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

**Credit facilities**

Until December 13, 2023, Cineplex had bank facilities with a syndicate of lenders which included 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, CELP, the guarantors from time to time party thereto, and a syndicate of lenders dated November 13, 2018. The Term Facility was repaid in full in the first quarter of 2021 and is no longer available for future borrowing.

On December 13, 2023, Cineplex entered into the Eighth Amended and Restated Credit Agreement (the “Eighth Credit Agreement”), which extended the maturity date to November 13, 2025, and now governs the Credit Facilities on substantially the same terms, including in respect of the financial covenants.

The Eighth Credit Agreement bears interest at a floating rate based on the Canadian dollar prime rate, U.S. Base Rate, SOFR (Secured Overnight Financing Rate) CORRA (Canadian Overnight Repo Rate Average) or bankers’ acceptances rates plus, in each case, an applicable margin to those rates. Borrowings can be made in either Canadian or US dollars.

The Eighth Credit Agreement contains 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.

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

At December 31, 2023, the Eighth Credit Agreement consisted of the following amounts:

| | Available | Drawn | Reserved | Remaining |
|---|---|---|---|---|
| Revolving Facility | $ 541.2 | $ 298.0 | $ 8.4 | $ 234.8 |

The table below is a summary of the financial covenants under the Eighth Credit Agreement:

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

Cineplex's financial covenant ratios at the end of the last four quarters were as follows:

| Financial Covenant | Q1 2023 | Q2 2023 | Q3 2023 | Q4 2023 |
|---|---|---|---|---|
| Total Leverage Ratio | N/A | N/A | N/A | 2.68x |
| Senior Leverage Ratio | 2.86x | 2.03x | 1.48x | 1.50x |
| Fixed Charge Coverage Ratio | 1.16x | 1.30x | 1.48x | 1.46x |

One of the key financial covenants in the Eighth Credit Agreement 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 for the purposes of the Total Leverage Ratio includes amounts drawn and reserved under the Eighth Credit Agreement, financing leases, Notes Payable and letters of credit but does not include Debentures, the lease obligations arising on the adoption of IFRS 16 or a reduction for cash on hand. The definition of debt for the purposes of the Senior Leverage Ratio includes amounts drawn and reserved under the Eighth Credit Agreement, financing leases and letters of credit but does not include Notes Payable, Debentures, the lease obligations arising on the adoption of IFRS 16 or a reduction for cash on hand. For the purpose of the Eighth Credit Agreement definition, EBITDA is adjusted for certain non-cash, non-recurring items, excluded subsidiaries and the annualized impact of new operating locations or acquisitions.

While Cineplex is forecasting compliance of the financial covenants for at least the next twelve month period, the projected compliance is sensitive to a fluctuation in the quarterly cash flow projections. Cineplex monitors compliance on an ongoing basis and is able to safeguard against any potential breach of a covenant through measures including obtaining further agreement amendments, raising capital through issuance of debt, or a decrease in discretionary capital expenditures.

*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, 2023, including swaps 1 and 2 which matured on November 14, 2023:

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

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

Based on the Eighth Credit Agreement in effect at December 31, 2023, Cineplex's effective cost of borrowing on the $150.0 million effectively hedged borrowings was 5.648% (December 31, 2022 - $450.0 million effectively hedged borrowings - 6.904%) after considering rate mitigation through the above swaps. Cineplex will consider its interest rate exposure in conjunction with its overall capital strategy.

**Convertible debentures**

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

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

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

The fair value of the liability component of the Debentures was assessed at inception based on an estimated market discount rate of 14.1% less the pro-rata portion of transaction costs, and will be accreted to the full face value over the term of the Debentures. Cineplex recorded cash interest expense on the Debentures during the quarter and year to date period of $4.6 million (2022 - $4.6 million) and $18.2 million (2022 - $18.2 million), respectively. Cineplex recorded accretion expense during the quarter and year to date period of $5.3 million (2022 - $4.6 million) and $20.4 million (2022 - $17.6 million), respectively, both of which are included as part of the interest expense in the consolidated statement of operations. As at December 31, 2023, Cineplex has $316.3 million principal amount of Debentures outstanding. The residual value was allocated to the equity component less the pro-rata portion of transaction costs as prescribed by IFRS 9, *Financial instruments* and IAS 32, *Financial instruments: Presentation.*

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

**Notes Payable**

On February 26, 2021, Cineplex completed the $250.0 million Notes Payable offering. The Notes Payable mature on February 26, 2026 and bear interest at a rate of 7.50% per annum, payable semi-annually in arrears on January 31 and July 31 of each year, commencing July 31, 2021. The Notes Payable are subordinate to the security granted for the obligations under the Credit Facilities, and are subject to the terms of an intercreditor agreement with the agent under the Credit Facilities.

Cineplex recorded cash interest expense on the Notes Payable during the quarter and year to date period of $4.7 million (2022 - $4.7 million) and $18.8 million (2022 - $18.8 million), respectively. Cineplex recorded accretion expense during the quarter and year to date period of $0.3 million (2022 - $0.2 million) and $1.2 million (2022 - $1.1 million), respectively, both of which are included as part of interest expense in the consolidated statement of operations. As at December 31, 2023, Cineplex has $250.0 million principal amount of Notes Payable outstanding. Cineplex's derivative financial instrument on the Notes Payable relates to the early prepayment option that fluctuates in value based on market interest rates. The fair value of the embedded derivative was determined using an option pricing model with observable market inputs and is consistent with accepted methods for valuing financial instruments. Cineplex has estimated the fair value of this embedded derivative at $5.6 million as at December 31, 2023 (2022 - $3.0 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, 2023, Cineplex had the following contractual or other commitments authorized by the Board (expressed in thousands of dollars):

| Contractual obligations | Payments due by period | | | | |
|---|---|---|---|---|---|
| | Total | Within 1 year | 2-3 years | 4-5 years | After 5 years |
| Accounts payable and accrued liabilities | $ 172,482 | 172,482 | — | — | — |
| Long-term debt | 298,000 | — | 298,000 | — | — |
| Interest on long-term debt | 31,409 | 16,831 | 14,578 | — | — |
| Equipment obligations | 413 | 160 | 253 | — | — |
| Deferred consideration - AMC | 3,134 | — | 3,134 | — | — |
| Convertible debentures | 316,250 | — | 316,250 | — | — |
| Convertible debentures interest | 31,785 | 18,184 | 13,601 | — | — |
| Notes payable | 250,000 | — | 250,000 | — | — |
| Notes payable interest | 40,454 | 18,750 | 21,704 | — | — |
| **Total contractual obligations** | **$ 1,143,927** | **$ 226,407** | **$ 917,520** | **$ —** | **$ —** |

The following table discloses the undiscounted cash flow for lease obligations as of December 31, 2023:

| | | |
|---|---|---|
| Less than one year | $ | 166,482 |
| One to five years | | 659,731 |
| More than five years | | 855,867 |
| Total undiscounted lease obligations | $ | 1,682,080 |

Cineplex has aggregate gross capital commitments of $52.4 million ($43.4 million net of tenant inducements) related to the completion of construction of three operating locations including both theatres and location-based entertainment locations.

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

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

## 8. ADJUSTED FREE CASH FLOW AND DIVIDENDS (see Section 18, Non-GAAP and other financial measures)

### 8.1 ADJUSTED FREE CASH FLOW

The following table illustrates adjusted free cash flow per share for the three months and year ended December 31, 2023 and 2022 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 | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 (Section 1) | Change | 2023 | 2022 (Section 1) | Change |
| Cash flows provided by continuing operations | $ 83,385 | $ 51,107 | 63.2% | $ 196,094 | $ 78,279 | 150.5% |
| Net (loss) income from continuing operations (ii) | $ (12,102) | $ 9,572 | NM | $ 138,051 | $ (9,679) | NM |
| Standardized free cash flow (i) | $ 64,790 | $ 27,619 | 134.6% | $ 143,617 | $ 25,118 | 471.8% |
| Adjusted free cash flow (i) | $ (1,047) | $ (265) | 295.1% | $ 83,691 | $ (13,509) | NM |
| Average number of shares outstanding | 63,477,036 | 63,366,796 | 0.2% | 63,401,529 | 63,359,240 | 0.1% |
| Adjusted free cash flow per share (i) | $ (0.016) | $ (0.004) | 300.0% | $ 1.320 | $ (0.213) | NM |

(i) Represents a non-GAAP financial measure. See Section 18, Non-GAAP and other financial measures.

(ii) 2023 includes recovery of approximately $150.2 million related to the recognition of deferred income tax assets recognized during the second quarter and expenses related to the Cineworld transaction and other transactions or litigation outside the normal course of business in the amount of $0.6 million (2022 - $0.9 million) for the fourth quarter and $3.4 million (2022 - $3.6 million) for the full year.

Adjusted free cash flow per share decreased during the fourth quarter due to working capital movements, with consistent operating results in both prior periods. Adjusted free cash flow per share increased during the full year due to significantly improved operating results across Cineplex's theatres and LBE businesses.

### 8.2 DIVIDENDS

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

## 9. SHARE ACTIVITY

Share capital balances at December 31, 2023 and 2022 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 | | Share capital |
| Balance - December 31, 2022 | 63,375,400 | $ | 852,697 |
| Issuance of shares on exercise of options | 1,566 | | 44 |
| Issuance of shares on settlement of RSU/PSU units | 307,315 | | 3,955 |
| **Balance - December 31, 2023** | **63,684,281** | **$** | **856,696** |

| | Shares | Amount | |
|---|---|---|---|
| | Number of common shares issued and outstanding | | Share capital |
| Balance - December 31, 2021 | 63,344,298 | $ | 852,465 |
| Issuance of shares on exercise of options | 20,009 | | 196 |
| Issuance of shares on settlement of RSU/PSU units | 11,093 | | 36 |
| **Balance - December 31, 2022** | **63,375,400** | **$** | **852,697** |

### Omnibus Incentive Plan

On November 12, 2020, the Board of Directors approved an Omnibus Incentive Plan (the “Incentive Plan”). This plan supersedes the former incentive plans (collectively, the “Legacy Plan”) that included Options, Performance Share Units (“PSUs”) and Restricted Share Units (“RSUs”). All employees and consultants are eligible to participate in the Incentive Plan. The Incentive Plan consists of stock options, RSUs and PSUs. Awards of RSUs and PSUs granted during a service year will be subject to a service period as determined by management at the time of issuance. The aggregate number of shares that may be issued under the Incentive Plan is 3,488,373 provided that no more than 696,130 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, 2023, 787,113 (2022 - 1,605,373) shares are available to be issued under the Incentive Plan.

### Stock Options

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

Cineplex recognized employee benefits expense of $1.3 million with respect to options during the year ended December 31, 2023 (2022 -  $1.6 million). The intrinsic value of vested share options at December 31, 2023 is $2,464 (2022 - $nil), based on the closing Share price of $8.37 per share (2022 - $8.05).

A summary of option activities for the year ended December 31, 2023 and 2022 is as follows:

| | 2023 | | | | 2022 | |
|---|---|---|---|---|---|---|
| | Weighted average remaining contractual life (years) | Number of underlying shares | | Weighted average exercise price | Number of underlying shares | Weighted average exercise price |
| Options outstanding - January 1 | 7.00 | 2,102,818 | $ | 18.90 | 2,198,805 | 21.48 |
| Granted | | 461,786 | | 8.71 | 223,578 | 13.39 |
| Exercised | | (13,877) | | 8.25 | (34,194) | 8.25 |
| Forfeited | | (190,122) | | 24.65 | (285,371) | 35.75 |
| Options outstanding – end of period | 6.71 | 2,360,605 | $ | 16.51 | 2,102,818 | $ 18.90 |
| Options vested and exercisable | | 1,485,796 | | | 1,276,369 | |

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, 2023, 1,239,385 options (2022 - 608,738) are available for grant.

**RSU and PSU awards**

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

**RSU**

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

A summary of RSU activities during the years ended December 31, 2023 and 2022 is as follows:

| | 2023 | 2022 |
|---|---|---|
| RSUs outstanding, January 1 | 565,278 | 536,374 |
| Granted | 477,254 | 284,661 |
| Settled | (250,563) | (229,450) |
| Forfeited | (82,452) | (26,307) |
| RSUs outstanding, December 31 | 709,517 | 565,278 |

**PSU**

During the first quarter of 2023, Cineplex issued 307,551 equity settled PSUs with a fair value of $8.71 per unit (total fair value of $2.7 million on issuance). The fair value was assessed based on Cineplex's closing share price on the grant date. The PSU awards issued will vest in the fourth quarter of 2025. Compensation expense is recorded based on the number of units expected to vest, the current market price of Cineplex's common shares, and the application of a performance multiplier that ranges from a minimum of zero to a maximum of two. Performance multipliers are developed based on Total Shareholder Return percentile rank relative to a select peer group and composite group. Participants will receive one fully paid share issued from treasury that can vary depending on the achievement of established performance targets. Performance conditions are reflected in Cineplex's estimate of the grant-date fair value for equity instruments granted.

A summary of PSU activities during the years ended December 31, 2023 and 2022 is as follows:

| | 2023 | 2022 |
|---|---|---|
| PSUs outstanding, January 1 | 331,532 | 411,258 |
| Granted | 307,551 | 177,973 |
| Settled | (96,018) | (232,773) |
| Forfeited | (74,180) | (24,926) |
| PSUs outstanding, December 31 | 468,885 | 331,532 |

Incentive Plan costs are estimated at the grant date based on expected performance results then accrued and recognized on a graded basis over the vesting period. Forfeitures are estimated to be nominal, based on historical forfeiture rates. Cineplex recognized compensation expense of $4.9 million for the year ended December 31, 2023 (2022 - $4.9 million) under the Incentive Plan relating to RSU and PSU awards. At December 31, 2023, $nil (2022 - $0.3 million) was included in share-based compensation liability and $5.4 million in contributed surplus (2022 - $4.4 million).

The RSUs and PSUs associated with the 2020 and 2021 LTIP were equity-settled in 2022 and 2023, respectively.

**Deferred equity units**

Members of the Board of Directors and certain officers of Cineplex may elect to defer a portion of their compensation in the form of deferred equity units. Cineplex recognized compensation expense of $0.1 million for the year ended December 31, 2023 (2022 recovery - $2.1 million) associated with the deferred equity units. At December 31, 2023, $4.5 million (2022 - $3.4 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. Cineplex's diversification into other businesses such as digital media and location-based entertainment, 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 Eighth Credit Agreement, which had $298.0 million drawn and $234.8 million available as of December 31, 2023, subject to restrictions described above (Section 7.4, Long-term debt).

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

| | 2023 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Q4** | **Q3** | **Q2** | **Q1** | Q4 | Q3 | Q2 | Q1 |
| | | **(Section 1) (iv)** | **(Section 1) (iv)** | **(Section 1) (iv)** | **(Section 1) (iv)** | **(Section 1) (iv)** | **(Section 1) (iv)** | **(Section 1) (iv)** |
| **Revenues** | | | | | | | | |
| Box office revenues | **$ 123,841** | $188,233 | $164,491 | $123,338 | $120,248 | $124,700 | $136,372 | $ 79,952 |
| Food service revenues | **104,453** | 146,228 | 131,392 | 101,076 | 97,168 | 105,193 | 110,637 | 68,388 |
| Media revenues | **41,302** | 28,957 | 26,100 | 22,296 | 44,553 | 25,224 | 26,406 | 15,545 |
| Amusement revenues | **22,502** | 26,158 | 21,686 | 26,161 | 20,643 | 24,066 | 20,626 | 15,585 |
| Other revenues | **22,980** | 24,964 | 24,252 | 18,484 | 27,308 | 15,113 | 10,740 | 14,414 |
| | **315,078** | 414,540 | 367,921 | 291,355 | 309,920 | 294,296 | 304,781 | 193,884 |
| **Expenses** | | | | | | | | |
| Film cost | **65,357** | 101,510 | 90,471 | 66,074 | 63,567 | 66,356 | 69,958 | 39,016 |
| Cost of food service | **25,786** | 33,220 | 30,744 | 24,237 | 22,671 | 24,839 | 25,335 | 14,857 |
| Depreciation - right-of-use assets | **22,259** | 21,894 | 21,971 | 21,533 | 22,799 | 22,618 | 23,966 | 24,129 |
| Depreciation and amortization - other | **21,819** | 21,959 | 22,230 | 22,873 | 22,179 | 22,236 | 22,629 | 22,422 |
| Loss (gain) on disposal of assets | **1,553** | 128 | 336 | 893 | (3,327) | (49,879) | (4,654) | 112 |
| Other costs | **156,394** | 162,885 | 158,431 | 147,061 | 153,835 | 149,507 | 140,748 | 109,493 |
| Reversal of impairment of long-lived assets | **—** | — | — | — | (19,880) | — | — | — |
| | **293,168** | 341,596 | 324,183 | 282,671 | 261,844 | 235,677 | 277,982 | 210,029 |
| **Subtotal** | **$ 21,910** | $ 72,944 | $ 43,738 | $ 8,684 | $ 48,076 | $ 58,619 | $ 26,799 | $(16,145) |
| **Adjusted EBITDA (i)** | **$ 65,902** | $116,448 | $ 87,893 | $ 52,719 | $ 67,744 | $ 53,094 | $ 68,835 | $ 30,495 |
| **Adjusted EBITDAaL (i)** | **$ 24,178** | $ 74,614 | $ 47,194 | $ 11,377 | $ 25,830 | $ 11,429 | $ 27,646 | $(10,704) |
| **Net (loss) income from continuing operations** | **$ (12,102)** | $ 24,467 | $158,863 | $(33,177) | $ 9,572 | $ 27,093 | $ (2,622) | $(43,722) |
| **Net income from discontinued operations** | **3,148** | 5,279 | 17,682 | 3,004 | 596 | 3,764 | 3,935 | 1,497 |
| **Net (loss) income (iii)** | **$ (8,954)** | $ 29,746 | $176,545 | $(30,173) | $ 10,168 | $ 30,857 | $ 1,313 | $(42,225) |
| (Loss) earnings per share from continuing operations - basic | **$ (0.19)** | $ 0.39 | $ 2.51 | $ (0.52) | $ 0.15 | $ 0.43 | $ (0.04) | $ (0.69) |
| Earnings per share from discontinued operations - basic | **$ 0.05** | $ 0.08 | $ 0.28 | $ 0.04 | $ 0.01 | $ 0.06 | $ 0.06 | $ 0.02 |
| (Loss) earnings per share - basic | **$ (0.14)** | $ 0.47 | $ 2.79 | $ (0.48) | $ 0.16 | $ 0.49 | $ 0.02 | $ (0.67) |
| (Loss) earnings per share from continuing operations - diluted | **$ (0.19)** | $ 0.34 | $ 1.80 | $ (0.52) | $ 0.15 | $ 0.39 | $ (0.04) | $ (0.69) |
| Earnings per share from discontinued operations - diluted | **$ 0.05** | $ 0.06 | $ 0.19 | $ 0.04 | $ 0.01 | $ 0.04 | $ 0.06 | $ 0.02 |
| (Loss) earnings per share - diluted | **$ (0.14)** | $ 0.40 | $ 1.99 | $ (0.48) | $ 0.16 | $ 0.43 | $ 0.02 | $ (0.67) |
| Cash provided by (used in) operating activities from continuing operations | **$ 83,385** | $ 36,646 | $ 82,722 | $ (6,659) | $ 51,107 | $ (1,387) | $ 41,151 | $(12,592) |
| Cash used in investing activities from continuing operations | **(19,331)** | (8,786) | (16,732) | (17,526) | (17,849) | (12,930) | (5,460) | (10,198) |
| Cash (used in) provided by financing activities from continuing operations | **(27,790)** | (53,916) | (50,796) | 2,107 | (30,956) | 11,998 | (35,484) | 14,643 |
| Effect of exchange rate differences on cash from continuing operations | **(68)** | 64 | (49) | 34 | (88) | 220 | 77 | (35) |
| Net change in cash from continuing operations | **$ 36,196** | $(25,992) | $ 15,145 | $(22,044) | $ 2,214 | $ (2,099) | $ 284 | $ (8,182) |
| Cash flows (used in) provided by discontinued operations | **(18,562)** | $ 5,029 | $ 5,151 | $ 7,069 | $ 3,605 | $ 4,369 | $ 2,206 | $ 5,339 |
| BPP (ii) | **$ 12.90** | $ 12.00 | $ 12.84 | $ 12.63 | $ 13.06 | $ 11.25 | $ 12.29 | $ 12.00 |
| CPP (ii) | **$ 9.28** | $ 8.44 | $ 9.21 | $ 8.85 | $ 8.93 | $ 8.35 | $ 8.84 | $ 8.82 |
| Film cost percentage (ii) | **52.8 %** | 53.9 % | 55.0 % | 53.6 % | 52.9 % | 53.2 % | 51.3 % | 48.8 % |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Theatre attendance (in thousands of patrons) (ii) | **9,599** | 15,690 | 12,806 | 9,767 | 9,208 | 11,084 | 11,092 | 6,661 |
| Theatre locations (at period end) | **158** | 158 | 158 | 157 | 158 | 158 | 159 | 159 |
| Theatre screens (at period end) | **1,631** | 1,631 | 1,631 | 1,625 | 1,637 | 1,637 | 1,640 | 1,640 |

(i) Represents a non-GAAP financial measure. See Section 18, Non-GAAP and other financial measures.

(ii) Represents a supplementary financial measure. See Section 18, Non-GAAP and other financial measures.

(iii) 2023 includes recovery of approximately $150.2 million related to the recognition of deferred income tax assets recognized during the second quarter and expenses related to the Cineworld transaction and other transactions or litigation outside the normal course of business in the amount of $0.6 million (2022 - $0.9 million) for the fourth quarter and $3.4 million (2022 - $3.6 million) for the full year.

(iv) The results of discontinued operations (P1AG) have been excluded from prior period figures as applicable per IFRS 5 to conform to current period presentation. All amounts are from continuing operations unless noted. See Section 13, Accounting policies.

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

Management calculates adjusted free cash flow per share as follows (see Section 18, Non-GAAP and other financial measures, for a discussion of adjusted free cash flow) (in thousands of dollars except per share data and number of shares outstanding):

| | 2023 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Q4** | Q3 **(Section 1) (iii)** | Q2 **(Section 1) (iii)** | Q1 **(Section 1) (iii)** | Q4 **(Section 1) (iii)** | Q3 **(Section 1) (iii)** | Q2 **(Section 1) (iii)** | Q1 **(Section 1) (iii)** |
| Cash provided by (used in) operating activities | **$ 83,385** | $ 36,646 | $ 82,722 | $ (6,659) | $ 51,107 | $ (1,387) | $ 41,151 | $ (12,592) |
| Less: Total capital expenditures net of proceeds on sale of assets | **(18,595)** | (6,897) | (12,181) | (14,804) | (23,488) | (12,873) | (8,213) | (8,587) |
| Standardized free cash flow | **64,790** | 29,749 | 70,541 | (21,463) | 27,619 | (14,260) | 32,938 | (21,179) |
| Add/(Less): | | | | | | | | |
| Changes in operating assets and liabilities | **(47,152)** | 51,380 | (22,646) | 29,770 | (12,189) | 25,713 | (872) | 15,934 |
| Changes in operating assets and liabilities of joint ventures | **(732)** | 229 | (415) | 754 | (746) | 1,892 | 775 | (707) |
| Principal component of lease obligations | **(24,135)** | (24,916) | (24,796) | (26,487) | (25,204) | (25,460) | (26,563) | (28,391) |
| Principal portion of cash rent paid not pertaining to current period | **(398)** | (397) | (398) | 1,201 | (381) | (381) | (381) | 1,143 |
| Growth capital expenditures and other | **8,220** | 4,198 | 8,279 | 12,277 | 12,677 | 9,246 | 5,535 | 6,884 |
| Share of income of joint ventures, net of non-cash depreciation | **(1,640)** | (476) | (382) | (1,264) | (2,103) | (500) | 95 | (23) |
| Net cash received from CDCP | **—** | — | — | — | 62 | — | 5,318 | — |
| Adjusted free cash flow (i) | **$ (1,047)** | $ 59,767 | $ 30,183 | $ (5,212) | $ (265) | $ (3,750) | $ 16,845 | $ (26,339) |
| Average number of shares outstanding | **63,477,036** | 63,376,721 | 63,376,043 | 63,375,471 | 63,366,796 | 63,362,713 | 63,360,746 | 63,346,444 |
| Adjusted free cash flow per share (ii) | **$ (0.016)** | $ 0.943 | $ 0.476 | $ (0.082) | $ (0.004) | $ (0.059) | $ 0.266 | $ (0.416) |

(i) Represents a non-GAAP financial measure. See Section 18, Non-GAAP and other financial measures.

(ii) Represents a non-GAAP ratio. See Section 18, Non-GAAP and other financial measures.

(iii) The results of discontinued operations (P1AG) have been excluded from prior period figures as applicable per IFRS 5 to conform to current period presentation. All amounts are from continuing operations unless noted. See Section 13, Accounting policies.

## 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. MATERIAL 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 material impact Cineplex's consolidated financial statements. These estimates and judgments have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

*Goodwill and long lived assets - recoverable amount*

Cineplex tests at least annually whether goodwill suffered any impairment. Assessment of impairment for long-lived assets, including property, equipment, leaseholds, right-of-use assets, intangible assets and goodwill is performed as specific events or circumstances dictate triggering events and changes in circumstances indicate that the carrying amount of the asset group may not be fully recoverable. Management makes assumptions and estimates in determining the recoverable amount of its long lived assets and groups of CGUs' goodwill, including significant key assumptions relating to attendance and the related revenue growth rates and discount rates. Further, other assumptions are required pertaining to variable and fixed cash flows, and operating margins. (See note 11, Impairment of long-lived assets in Cineplex's consolidated annual financial statements).

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

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

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

*Revenue recognition - gift cards and prepaid certificates*

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

*Income taxes*

The timing of reversal of timing differences and the expected income allocation to various tax jurisdictions within Canada affect the effective income tax rate used to compute the deferred income tax asset. During the second quarter of 2023, Cineplex assessed the recoverability of net deferred income tax assets and determined that the continued strong return to profitability provided a reasonable expectation that previously derecognized net deferred income tax assets will be utilized to offset future periods of taxable income, resulting in income taxes recovery of approximately $150.2 million. In addition, management occasionally estimates the current or future deductibility of certain expenditures, affecting current or deferred income tax balances and expenses.

*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**
IFRS 5, Non-current assets held for sale and discontinued operations

Cineplex has met the criteria of recording P1AG as a discontinued operation under IFRS 5, *Non-current assets held for sale and discontinued operations.* Therefore, effective with the year ended December 31, 2023, P1AG's financial performance and cash flows are presented in this MD&A as discontinued operations on a retroactive basis.

As per IFRS 5, non-current assets and disposal groups should be classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use, and measured at the lower of their carrying amount and fair value less costs to sell and are no longer depreciated or amortized. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification are regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Assets and liabilities classified as held for sale are presented separately as current items on the consolidated balance sheet. A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale and:
- represents a separate major line of business or geographical area of operations,
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as after tax profit or loss from discontinued operations in the consolidated statement of operations and comparative periods have been restated.

**Accounting standards issued**

Management of Cineplex reviews all changes to the IFRS when issued. 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. The following amendments have been adopted or are being evaluated by Cineplex:

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

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

IAS 8, Definition of accounting estimates

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

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

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

## 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".

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

On May 18, 2023, the Competition Bureau filed a Notice of Application, commencing legal action against Cineplex, alleging that Cineplex's online booking fee is misleading and constitutes "drip pricing".

The Notice of Application lists various grounds of relief including an administrative penalty and an order requiring the return of online booking fee sums in an amount to be determined. The Notice of Application does not specify a figure or quantum of damages sought. On a finding of contravention, the *Competition Act* provides for a wide range of amounts regarding administrative monetary penalties, some of which could be material.

Cineplex strongly denies the allegations and believes that they are without merit. Cineplex believes that the online booking fee fully complies with the letter and spirit of the law. Cineplex filed its response to the Notice of Application on June 30, 2023 and the Competition Bureau filed its reply on July 14, 2023. The parties are in the process of conducting the various steps necessary for this matter to be heard by the Competition Tribunal in the first quarter of 2024. Cineplex believes that this matter will not have a material adverse effect on its operating results, financial position, or cash flows. No amount has been accrued in Cineplex's consolidated financial statements, and online booking fee revenue continues to be recognized. Cineplex has recognized approximately $39.0 million in online booking fee revenues since inception through December 31, 2023.

*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, 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 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.

*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. 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. 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, IMAX, 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.

Cineplex continues to improve the quality of its theatre assets through ongoing renovations and theatre recliner retrofits. If Cineplex 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, 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.

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.

On May 2, 2023, the Writers Guild of America announced that more than 11,000 members representing television and movie writers were on strike for the first time since 2007. The Writers Guild of America membership ratified a new three-year agreement on October 9, 2023, officially ending the strike.

On July 14, 2023, the Screen Actors Guild-American Federation of Television and Radio Artists ("**SAG-AFTRA**") went on strike. SAG-AFTRA represents more than 160,000 actors, announcers, broadcast journalist, dancers, DJs, news writers, news editors, program hosts, puppeteers, recording artists and other media professionals. The strike ended on November 9, 2023, with members ratifying a new three-year agreement on December 5, 2023.

The evolving streaming landscape has seen studios and other producers experiment with a reduced theatrical window, 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, but distributors and industry observers have increasingly expressed their support of a reasonable theatrical window to drive maximum value from films.

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 2023, five major film distributors accounted for approximately 76% 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, resulting in an increased dependence on international content.

Cineplex competes with other consumption platforms, including cable, satellite, internet television, 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 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, and alternative uses of its theatres during non-peak hours. Amusement revenues include, in-theatre gaming locations, XSCAPE Entertainment Centres, entertainment at *Junxion* locations and location-based entertainment including *The Rec Room* and *Playdium*. Cineplex's ability to achieve its business objectives may depend in part on its ability to successfully increase these revenue streams.

*Media Risk*

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

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

*Amusement and LBE Risk*

Cineplex's amusement and LBE 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, video gaming, or social media sites such as YouTube and TikTok, 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. Additionally, new competitive locations could negatively impact the performance of Cineplex's current locations.

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 an 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 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 to continuously update its amusement offerings in order to provide guests with the most compelling offerings available in Canada.

Cineplex'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, Cineplex 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.

Cineplex competes with other providers of amusement and gaming services across Canada. Cineplex manages the risk of customers switching gaming providers by continually monitoring the performance of its amusement offerings and reacting quickly to replace underperforming offerings with newer or more relevant equipment. Cineplex's expertise and experience in the industry and proven success maximizing revenue for its customers helps mitigate this switching risk. A material amount of Cineplex's revenue is dependent on customer traffic in venues in which it operates. 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 such as virtual and augmented reality, consumers may choose alternative technology options to consume content 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 and rents 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. Future economic downturn magnifies Cineplex's inflationary risks and 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 and LBE locations 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. Cineplex continues to focus on lease optimization strategies through its negotiations with landlord partners with respect to reductions in rent payments and/or capital contributions towards upgrades for applicable periods.

*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.

On June 22, 2023 Wallace & Carey Inc. ("**W&C**"), a leading distribution and logistics company, filed for creditor protection under the *Companies' Creditors Arrangement Act* (Canada) along with its parent company. During the third quarter of 2023, in order to secure its supply chain, Cineplex ended its relationship with W&C and entered into a new distribution arrangement with Core-Mark, one of the largest and leading distribution companies in North America. Cineplex had minimal disruption to its supply of product and minimal risk of inventory loss related to the change to its supply chain.

*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 over 10,000 people, most of whom 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 7% 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.

*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. Severe weather incidents (as a result of environmental changes or otherwise) have potential to negatively impact Cineplex's operation. See "Business Continuity Risk" above.

Cineplex has a plan in place to address existing and anticipated legislation and regulation requiring reporting of ESG matters, including carbon emissions and environmental impacts. Cineplex anticipates this will result in minimal cost increases or changes to operating procedures.

*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 $150.0 million ($450.0 million until November 14, 2023) 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 2025, 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. Cineplex may have difficulty executing its recently announced refinancing plan.

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 foreign currency exposure to asset and service purchases denominated in US dollars is largely mitigated by the relatively small proportion of US dollar expenditures, and Cineplex's ability to reasonably defer expenditures if exchange rates are unfavorable.

*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.

*Litigation Arising Out of the Cineworld Transaction and Bankruptcy*

Cineplex commenced an action against Cineworld Group plc (Cineworld") as a result of Cineworld's repudiation of the arrangement agreement pursuant to which Cineworld agreed to acquire all of the outstanding shares of Cineplex..

On September 7, 2022, Cineworld and certain of its subsidiaries filed a petition in the United States Bankruptcy Court commencing Chapter 11 bankruptcy proceedings. Cineworld's Chapter 11 proceedings stayed Cineplex's $1.24 billion judgement against Cineworld, awarded by the Ontario Superior Court of Justice on December 14, 2021. Cineworld filed a proposed plan of reorganization (the "Chapter 11 Plan") on April 11, 2023, which.was confirmed by the U.S. Bankruptcy Court on June 28, 2023 and made effective on July 31, 2023. The Chapter 11 Plan contemplates holders of general unsecured claims (which includes Cineplex's litigation claim of $1.24 billion) receiving, in aggregate, (i) USD $10 million in cash and (ii) interests in a litigation trust relating to certain class actions against credit card issuers (collectively, the "Recovery Pool"). Allocations and distributions from the Recovery Pool remain to be finalized. Cineplex's portion of the Recovery Pool is not expected to be a material amount and has not been accrued as a receivable in Cineplex's financial statements as at December 31, 2023. Please refer to Cineplex's Annual MD&A for the year ended December 31, 2022, for details on Cineplex's litigation against Cineworld that occurred prior to the year ended December 31, 2023.

## 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, 2023 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, 2023, 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. SUBSEQUENT EVENTS

*P1AG Sale*

On February 1, 2024, Cineplex completed the sale of 100% of the issued and outstanding shares of P1AG for a purchase price of $155.0 million, subject to customary post-closing adjustments. The proceeds from the Sale Transaction were used to repay bank debt. Cineplex expects to recognize a material gain in connection with the sale of P1AG in the first quarter of 2024.

*Proposed Refinancing*

In the first quarter of 2024, Cineplex announced a proposal to amend, extend and partially redeem the Convertible Debentures. The implementation of the proposed amendments to the Convertible Debentures is conditional upon completion of other elements of a proposed refinancing including: (i) a private placement offering of new secured notes; (ii) the entering into of a new senior credit facility and repayment of the existing senior credit facilities; and (iii) the repayment of the existing Notes Payable.

*Class Action Lawsuits*

On January 23, 2024, two separate class-action lawsuits were filed against Cineplex in British Columbia and Quebec. Similar to the above noted allegations from the Competition Bureau, the lawsuits allege that Cineplex's online booking fees are misleading and constitute "drip pricing" in contravention of Canada's *Competition Act*. The two class-actions seek to include all Canadians who purchased a Cineplex movie ticket and were charged an online booking fee. The quantum of monetary penalties that may arise from any adverse judgement in the future is not-yet known to Cineplex. Cineplex believes that this matter will not have a material adverse effect on its operating results, financial position, or cash flows.

## 17. 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*

Cineplex reported an increase of $138.6 million to $461.3 million in annual box office revenues compared to the prior year. Cineplex believes that compelling content will continue to strengthen consumer enthusiasm for the theatrical movie-going experience and will bring people to Cineplex theatres during 2024 and beyond. A number of films shifted release to the second half of 2024, as a result of film release date shifts and production delays related to the impact of the writers' and actors' strikes, and industry observers expect the first two quarters' box office results to be challenging. However, Cineplex remains encouraged by the commitments from non-traditional studios and international content which further validate the importance of the cinematic experience and the role theatrical exhibition plays in elevating content to its full potential, and the first quarter of 2024 will benefit from films that were previously set to be released during the fourth quarter of 2023 but shifted due to the strikes. Looking forward to 2024, there is a strong slate of films scheduled for release including, *Dune: Part Two, Kung Fu Panda 4, Ghostbusters: Frozen Empire, Godzilla x Kong: The New Empire, Challengers, The Fall Guy, The Garfield Movie, Kingdom of the Plant of the Apes, Inside Out 2, Bad Boys 4, A Quiet Place: Day One, Despicable Me 4, Deadpool 3, Beetlejuice 2, Transformers One, Joker: Folie à Deux, Smile 2, Venom 3, Gladiator 2, Wicked, The Lord of the Rings: The War of the Rohirrim, Mufasa: The Lion King,* and *Sonic the Hedgehog 3.*

Cineplex continues to focus on providing guests with a variety of premium viewing options through which to enjoy the theatre experience. These premium-priced offerings, which include UltraAVX, VIP Cinemas, IMAX, D-BOX, 3D, 4DX, Cineplex Clubhouse and ScreenX generate higher revenues per patron and expand the customer base. Cineplex expanded its longstanding partnership with state-of-the-art IMAX systems in key theatre locations across Canada. Cineplex believes that these premium formats provide an enhanced guest experience and will continue to charge a ticket price premium for films and events presented in these formats. Cineplex will continue to expand those offerings throughout its circuit in 2024 and beyond. In addition, Cineplex offers CineClub membership, providing members with benefits accessible across Cineplex's businesses nationwide including Cineplex theatres, the Cineplex Store and LBE venues.

Cineplex will continue to use data analytics and marketing personalization to drive theatrical and LBE visitation, and food and gaming purchase incidence.

Cineplex is also focused on maintaining and improving guest experience, including recliner seating, and will continue to expand those offerings throughout its circuit in 2024 and beyond. VIP Cinemas and other premium viewing options are a key component to Cineplex's theatre exhibition strategy, and continue to be valued by audiences.

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

Cineplex plans to open a new Cineplex Cinema, *Royalmount* in Montreal, Quebec in Q3 2024.

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

| Month | 2019 Box office (i) | 2023 Box office (i) | 2023 as a percentage of 2019 |
|---|---|---|---|
| January | $52,034 | $45,744 | 88% |
| February | $41,892 | $36,950 | 88% |
| March | $62,571 | $40,644 | 65% |
| April | $63,759 | $61,278 | 96% |
| May | $68,698 | $47,514 | 69% |
| June | $56,914 | $55,699 | 98% |
| July | $76,935 | $86,388 | 112% |
| August | $56,537 | $67,592 | 120% |
| September | $44,393 | $34,253 | 77% |
| October | $54,528 | $37,354 | 69% |
| November | $52,314 | $34,640 | 66% |
| December | $74,946 | $51,847 | 69% |
| | $705,521 | $599,903 | 85% |

(i) Amounts are in thousands of dollars.

*Theatre Food Service*

Cineplex's core focus is on operational execution, marketing and providing the optimal product mix to provide further growth in this area. As part of this strategy, Cineplex continues to expand its product offering through its in-house brands across the circuit, as well as leveraging digital menu board technologies which provide guests with enhanced messaging during visits to the theatre food service locations and expanding VIP cinema menu offerings. Cineplex also leverages mobile technology to enhance the food service experience in its theatres and has VIP in-seat ordering. During the fourth quarter of 2023, Cineplex began the national rollout of online food and beverage ordering through Cineplex's mobile app at theatre locations in Ontario central and Ontario south, with continued expansion to other regions during the first quarter of 2024. Cineplex continues to focus on its home delivery services of concessions in partnership with Uber Eats, Skip The Dishes and others.

*Alternative Programming & Distribution*

Cineplex Pictures focuses on the acquisition of feature film rights for both theatrical release and in home release in Canada. Upcoming films that will be distributed as part of the distribution partnership with Lionsgate for 2024 include the following: *Ordinary Angels, Imaginary, Unsung Hero, Ballerina, Borderlands* and *The Best Christmas Pageant Ever.*

Cineplex offers a wide variety of alternative programming, including international film programming, delivering 10% of Cineplex's annual box office revenues during the current year, compared to 8% in the prior year; the popular *Metropolitan Opera Live in HD* series; sports programming; and various concert performances by popular recording artists, including *TAYLOR SWIFT | THE ERAS TOUR* and *RENAISSANCE: A FILM BY BEYONCÉ*, which were both released during the fourth quarter of 2023. Cineplex continues to look for compelling content to offer as alternative content to attract a wider audience to its locations, in addition to adding dedicated event screens.

*Digital Commerce*

As at-home and on-the-go content distribution and consumption continues to evolve, Cineplex believes it is well positioned to take advantage of this market with its transactional TVOD digital commerce platform, the Cineplex Store, which offers thousands of movies and other content that can be rented or purchased digitally and viewed on multiple devices. The Cineplex Store is available on a wide range of mobile and smart TV devices in Canada. Studios continue to provide TVOD exclusive windows, and the Cineplex Store is committed to bringing these titles to its customers as soon as they become available, with the unique and country-wide exclusive ability to follow and re-engage the consumer across Theatrical and Digital viewing windows.

**MEDIA**

*Cinema Media*

Research has shown that cinema media advertising reaches the most sought-after demographics, as well as Canada's high-income households and educated populations. In addition to its successful show-time and pre-show advertising opportunities, Cineplex believes its cinema media business will continue to grow through its innovative media opportunities within Cineplex's theatres, including value-added data services to clients. Cineplex Media also sells media for CDM clients and LBE. Cineplex Media's revenues are impacted by economic factors and a lack of cyclical drivers that appeal to advertisers. Theatre attendance levels are crucial for driving impressions and has resulted in revenue growth, excluding corporate commitments, and is in line with attendance increases. As attendance continues to rebound, Cineplex expects advertisers to continue to return to cinema, resulting in a positive upturn in media revenues. Cineplex is leveraging data to better serve its advertising customers and grow revenues.

*Digital Place-Based Media*

Cineplex's digital place-based media business will continue to roll out its world-class solutions in quick service restaurants, financial services and retail sectors as well as immersive DOOH media networks including at Cadillac Fairview properties in 2024. Cineplex will continue to explore opportunities across North America, in order to better service its current customer base and to attract new clients. Cineplex believes that the strengths of its digital place-based media business makes Cineplex a leader in the indoor digital signage industry and will provide a platform for significant growth throughout Canada and the United States. However, advertising revenues have lagged the return of mall traffic but continue to grow as mall traffic grows and is expected to continue its upward trajectory and exceed pre-pandemic levels in 2024.

**AMUSEMENT AND LOCATION-BASED ENTERTAINMENT**

*Amusement*

Cineplex's in-theatre gaming, including XSCAPE amusement revenues have exceeded pre-pandemic levels, reflecting strong consumer demand for out-of-home entertainment.

*Location-Based Entertainment*

Cineplex's LBE business features entertainment destination locations that cater to a wide range of guests through *The Rec Room,* a social entertainment destination targeting millennials featuring a wide range of entertainment options including an attractions area featuring recreational gaming, a live entertainment venue and high definition screens for watching a wide range of entertainment programming, and *Playdium*, complexes specially designed for teens and families. *The Rec Room* is complemented with an upscale casual dining environment, as well as an expansive bar with a wide range of digital monitors and a large screen for watching sporting events and bookings for corporate events. Cineplex plans to open new LBE locations in Vancouver, British Columbia and Montreal, Quebec in 2024, and recently announced a Playdium in Fairview Mall in Toronto, Ontario.

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

## LOYALTY

Membership in the Scene+ loyalty program increased to over 14 million members as at December 31, 2023. During 2021, Cineplex and Scotiabank launched Scene+ to bring together the full benefits of SCENE with Scotia Rewards, Scotiabank's former flexible customer loyalty program. Cineplex welcomed Empire Company Limited as a co-owner of Scene+ during the third quarter of 2022, providing members with increased opportunities to earn and redeem points through Empire's family of brands in Atlantic Canada, Western Canada, Ontario in 2022, and Quebec in March 2023. Home Hardware Stores Limited joined Scene+ as a national program partner in the summer of 2023, providing members with additional opportunities to earn and redeem points. Scene+ continues to evaluate potential earn and redeem partners to maintain and improve member satisfaction. The growth in the Scene+ loyalty program provides Cineplex with opportunities to grow its customer base across all of its businesses, including Scene+ ability to engage members who are not existing Cineplex customers.

## FINANCIAL OUTLOOK

Cineplex remains confident in the long-term fundamentals of theatrical exhibition and all the other businesses in which it operates. The strength of the film lineup during the annual period, supplemented with the strong results of Cineplex's diversified businesses, translated into Cineplex achieving an adjusted EBITDAaL from continuing operations of $157.4 million for the full year.

As previously noted, management remains focused on de-leveraging and optimizing its capital structure. The proceeds from the sale of P1AG are a significant step toward that optimization. The recently announced Proposed Refinancing is designed to further optimize Cineplex's capital structure. Further details about the Proposed Refinancing will be announced when appropriate. There can be no assurance that the Proposed Refinancing will be implemented in a timely fashion or at all.

With the de-leveraging discussed above and the record operating results, Cineplex is well on the path towards its target leverage ratio of 2.5x to 3.0x. Cineplex will explore alternatives to optimize its capital structure, including by pursuing the Proposed Refinancing and once leverage targets are met will consider reintroducing a dividend.

## 18. NON-GAAP AND OTHER FINANCIAL MEASURES

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

### NON-GAAP FINANCIAL MEASURES

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

### NON-GAAP RATIOS

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

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

### 18.1 EBITDA, ADJUSTED EBITDA AND ADJUSTED EBITDAaL

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

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

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

<u>P1AG Adjusted EBITDAaL</u>
Calculated as amusement revenues of P1AG less the total operating expenses of P1AG, which excludes foreign exchange.

<u>P1AG Adjusted EBITDAaL Margin</u>
Calculated as P1AG Adjusted EBITDAaL divided by total amusement revenues for P1AG for the period.

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

<u>Adjusted Store Level EBITDAaL Margin</u>
Calculated as adjusted store level EBITDAaL divided by total revenues for LBE for the period.

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

| **Reconciliation of reported net income (loss) to adjusted EBITDAaL** | **Year ended December 31,** | | |
|---|---|---|---|
| | **2023** | **2022 (Section 1) (v)** | **2021 (Section 1) (v)** |
| **Net income (loss) (iv)** | **$ 138,051** | **$ (9,679)** | **$ (237,417)** |
| Depreciation and amortization - other | 88,881 | 89,466 | 92,824 |
| Depreciation - right-of-use assets | 87,657 | 93,512 | 99,093 |
| Interest expense - lease obligations | 66,493 | 61,256 | 58,071 |
| Interest expense - other | 88,445 | 60,835 | 65,141 |
| Interest income | (897) | (277) | (228) |
| Current income tax (recovery) expense | (839) | (724) | 3,339 |
| Deferred income tax recovery | (146,724) | — | — |
| **EBITDA** | **$ 321,067** | **$ 294,389** | **$ 80,823** |
| Loss (gain) on disposal of assets | 2,910 | (57,748) | (28,362) |
| (Gain) loss on financial instruments recorded at fair value | (2,610) | 6,260 | (8,790) |
| CDCP equity loss (income) (i) | — | (489) | (146) |
| Foreign exchange loss (gain) | 834 | (2,930) | (88) |
| (Reversal) impairment of long-lived assets | — | (19,880) | 3,717 |
| Depreciation and amortization - joint ventures and associates (ii) | 739 | 517 | 25 |
| Taxes and interest of joint ventures and associates (ii) | 22 | 49 | 45 |
| **Adjusted EBITDA** | **$ 322,962** | **$ 220,168** | **$ 47,224** |
| Cash rent paid/payable related to lease obligations | (165,607) | (165,967) | (140,228) |
| Cash rent paid not pertaining to current period | 8 | — | — |
| **Adjusted EBITDAaL (iii)** | **$ 157,363** | **$ 54,201** | **$ (93,004)** |
| **Adjusted EBITDAaL from discontinued operations (iii)** | **$ 35,732** | **$ 27,471** | **$ 8,709** |
| **Adjusted EBITDAaL including discontinued operations (iii)** | **$ 193,095** | **$ 81,672** | **$ (84,295)** |

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

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

(iii) See Section 18, Non-GAAP and other financial measures.

(iv) 2023 includes recovery of approximately $150.2 million related to the recognition of deferred income tax assets recognized during the second quarter and expenses related to the Cineworld transaction and other transactions or litigation outside the normal course of business in the amount of $3.4 million (2022 - $3.6 million) for the full year.

(v) The results of discontinued operations (P1AG) have been excluded from prior period figures as applicable per IFRS 5 to conform to current period presentation. All amounts are from continuing operations unless noted. See Section 13, Accounting policies.

### 18.2 ADJUSTED FREE CASH FLOW

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

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

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

| **Reconciliation of reported cash provided by (used in) operating activities to adjusted free cash flow per share** | **Year ended December 31,** | | |
|---|---|---|---|
| | **2023** | **2022 (Section 1) (iv)** | **2021 (Section 1) (iv)** |
| **Cash provided by operating activities** | $ 196,094 | $ 78,279 | $ 46,529 |
| Less: Total capital expenditures net of proceeds on sale of assets | (52,477) | (53,161) | (16,815) |
| Standardized free cash flow | **143,617** | **25,118** | **29,714** |
| Add/(Less): | | | |
| Changes in operating assets and liabilities (i) | 11,352 | 28,586 | (115,163) |
| Changes in operating assets and liabilities of joint ventures and associates (i) | (164) | 1,214 | (1,050) |
| Repayments of lease obligations - principal | (100,334) | (105,618) | (84,589) |
| Principal portion of cash rent paid not pertaining to current period | 8 | — | — |
| Growth capital expenditures and other (ii) | 32,974 | 34,342 | 12,485 |
| Share of income of joint ventures and associates, net of non-cash depreciation | (3,762) | (2,531) | (832) |
| Net cash received from CDCP (iii) | — | 5,380 | 1,995 |
| **Adjusted free cash flow** | **$ 83,691** | **$ (13,509)** | **$ (157,440)** |
| Average number of shares outstanding | 63,401,529 | 63,359,240 | 63,339,239 |
| **Adjusted free cash flow per share** | **$ 1.320** | **$ (0.213)** | **$ (2.486)** |

(i) Changes in operating assets and liabilities are not considered a source or use of adjusted free cash flow. Refer to note 24, Changes in operating assets and liabilities of Cineplex's 2023 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, Long-term debt) is available to Cineplex to fund Board approved projects.

(iii) Excludes the share of income or loss of CDCP, as CDCP was a limited-life financing vehicle funded by virtual print fees collected from distributors. Cash invested into CDCP, as well as distributions received from CDCP, were considered to be uses and sources of adjusted free cash flow. CDCP was wound up in 2022.

(iv) The results of discontinued operations (P1AG) have been excluded from prior period figures as applicable per IFRS 5 to conform to current period presentation. All amounts are from continuing operations unless noted. See Section 13, Accounting policies.

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, | | |
|---|---|---|---|
| | 2023 | 2022 (Section 1) (iv) | 2021 (Section 1) (iv) |
| Net income (loss) from continuing operations (iii) | $ 138,051 | $ (9,679) | $ (237,417) |
| Adjust for: | | | |
| Depreciation and amortization - other | 88,881 | 89,466 | 92,824 |
| Depreciation - right-of-use assets | 87,657 | 93,512 | 99,093 |
| Change in fair value of financial instrument | (2,610) | 6,260 | (8,790) |
| Loss (gain) on disposal of assets | 2,910 | (57,748) | (28,362) |
| Non-cash interest (i) | 28,489 | (2,841) | 4,203 |
| Non-cash foreign exchange | (124) | — | |
| (Reversal) impairment of long-lived assets | — | (19,880) | 3,717 |
| Share of loss (income) of CDCP (ii) | — | (489) | (146) |
| Non-cash depreciation of joint ventures and associates | 739 | 517 | 24 |
| Deferred income tax expense | (146,724) | — | — |
| Taxes and interest of joint ventures and associates | 22 | 49 | 45 |
| Maintenance capital expenditures | (19,503) | (18,820) | (4,329) |
| Repayments of lease obligations - principal | (100,334) | (105,618) | (84,589) |
| Principal portion of cash rent paid not pertaining to current period | 8 | — | — |
| Net cash received from CDCP (ii) | — | 5,380 | 1,995 |
| Non-cash items: | | | |
| Non-cash share-based compensation | 6,229 | 6,382 | 4,292 |
| **Adjusted free cash flow** | **$ 83,691** | **$ (13,509)** | **$ (157,440)** |

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

(ii) Excludes the share of income or loss of CDCP, as CDCP is a limited-life financing vehicle funded by virtual print fees collected from distributors. Cash invested into CDCP, as well as cash distributions received from CDCP, are considered to be uses and sources of adjusted free cash flow. On December 16, 2022, Cineplex divested its investment in CDCP.

(iii) 2023 includes recovery of approximately $150.2 million related to the recognition of deferred income tax assets recognized during the second quarter and expenses related to the Cineworld transaction and other transactions or litigation outside the normal course of business in the amount of $3.4 million (2022 - $3.6 million) for the full year.

(iv) The results of discontinued operations (P1AG) have been excluded from prior period figures as applicable per IFRS 5 to conform to current period presentation. All amounts are from continuing operations unless noted. See Section 13, Accounting policies.

## SUPPLEMENTARY FINANCIAL MEASURES

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

### Earnings (loss) per Share Metrics

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

### Per Patron Revenue Metrics

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

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

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

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

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

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

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

**Same Theatre Analysis**

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

Same theatre metrics are calculated by removing the results for all theatres that have been opened, acquired, closed or otherwise disposed of subsequent to the start of the prior year comparative period. For the three months ended December 31, 2023 the impact of two locations that have been opened or acquired and two locations that have been closed or otherwise disposed of have been excluded, resulting in 154 theatres being included in the same theatre metrics. For the year ended December 31, 2023 the impact of two locations that have been opened or acquired and four locations that have been closed or otherwise disposed of have been excluded, resulting in 152 theatres being included in the same theatre metrics.

**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.

## 19. RECONCILIATION: AMUSEMENT SOLUTIONS (P1AG)

Cineplex has measured, presented and disclosed the financial information of P1AG as a discontinued operation in accordance with IFRS 5, *Non-current assets held for sale and discontinued operations.* As a result, the results of P1AG have been excluded from prior period figures to provide comparability to the current 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** | | |
|---|---|---|---|---|---|---|
| | **2023** | **2022** | **Change** | **2023** | **2022** | **Change** |
| Amusement revenues | **$ 39,914** | **$ 40,204** | **-0.7%** | **$ 193,759** | **$ 165,681** | **16.9%** |
| Operating expenses | 33,455 | 33,762 | -0.9 % | 153,534 | 134,155 | 14.4 % |
| Cash rent related to lease obligations (i) | 1,107 | 1,075 | 3.0 % | 4,493 | 4,055 | 10.8 % |
| Total | **$ 34,562** | **$ 34,837** | **-0.8%** | **$ 158,027** | **$ 138,210** | **14.3%** |
| P1AG adjusted EBITDAaL (ii) | **$ 5,352** | **$ 5,367** | **-0.3%** | **$ 35,732** | **$ 27,471** | **30.1%** |
| P1AG adjusted EBITDAaL Margin (iii) | **13.4 %** | **13.3 %** | **0.1%** | **18.4 %** | **16.6 %** | **1.8%** |
| Net income | **$ 3,148** | **$ 596** | **428.2%** | **$ 29,113** | **$ 9,792** | **197.3%** |

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

(ii) Represents a non-GAAP financial measure. See Section 18, Non-GAAP and other financial measures.

(iii) Represents a non-GAAP ratio. See Section 18, Non-GAAP and other financial measures.

*Fourth Quarter*

During the fourth quarter, P1AG's amusement revenues remained flat, reporting fourth quarter revenues of $39.9 million, a decrease of $0.3 million or 0.7% compared to the prior year. Adjusted EBITDAaL during the fourth quarter also remained flat compared to the prior year at $5.4 million.

*Full Year*

For the full year period, P1AG's amusement revenues increased by $28.1 million or 16.9% to $193.8 million. The increase in revenues is attributed to P1AG Canadian and US route locations at FEC's and theatres, and a record year for distribution sales. P1AG adjusted EBITDAaL during the full year was $35.7 million, an increase of $8.3 million compared to the prior year. Higher revenues and efficient management of operating expenses along with the Employee Retention Credit subsidy in the amount of $2.8 million resulted in an adjusted EBITDAaL margin of 18.4% during the annual period.

The following table discloses management's calculation of EBITDA, adjusted EBITDA, and adjusted EBITDAaL for P1AG:

| Reconciliation of reported net income to adjusted EBITDAaL | 2023 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Net income (i) | 3,148 | 5,279 | 17,682 | 3,004 | 596 | 3,764 | 3,935 | 1,497 |
| Depreciation and amortization - other | 2,369 | 2,519 | 2,659 | 3,133 | 3,396 | 3,843 | 4,022 | 4,470 |
| Depreciation - right-of-use assets | 677 | 618 | 679 | 666 | 692 | 659 | 520 | 134 |
| Interest expense - lease obligations | 151 | 165 | 176 | 181 | 185 | 161 | 120 | 120 |
| Interest expense - other | 58 | 2 | 1 | 4 | 2 | (14) | (2) | 5 |
| Current income tax expense (recovery) | 690 | (201) | 1,106 | 1,615 | 1,921 | — | — | — |
| Deferred income tax (recovery) expense | (887) | 1,516 | (8,215) | 2,307 | — | — | — | — |
| **EBITDA** | 6,206 | 9,898 | 14,088 | 10,910 | 6,792 | 8,413 | 8,595 | 6,226 |
| (Gain) loss on disposal of assets | (43) | (128) | (110) | (149) | (139) | 31 | 4 | 45 |
| Foreign exchange loss (gain) | 296 | (349) | 321 | (715) | (211) | 1,556 | 505 | (291) |
| **Adjusted EBITDA** | 6,459 | 9,421 | 14,299 | 10,046 | 6,442 | 10,000 | 9,104 | 5,980 |
| Cash rent paid/payable related to lease obligations | (1,107) | (971) | (1,235) | (1,180) | (1,075) | (999) | (986) | (995) |
| **Adjusted EBITDAaL (ii)** | 5,352 | 8,450 | 13,064 | 8,866 | 5,367 | 9,001 | 8,118 | 4,985 |

(i) 2023 includes recovery of approximately $8.2 million related to the recognition of deferred income tax assets recognized during the second quarter.

(ii) See Section 18, Non-GAAP and other financial measures

The following table discloses the changes to the other operating expenses:

| Other operating expenses | Revised 2023 (See Section 1) | | | Revised 2022 (See Section 1) | | | |
|---|---|---|---|---|---|---|---|
| | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Theatre payroll | $ 43,146 | $ 41,920 | $ 35,891 | $ 35,928 | $ 36,911 | $ 37,175 | $ 16,297 |
| Theatre operating expenses | 31,649 | 28,994 | 28,302 | 28,779 | 28,719 | 26,184 | 22,356 |
| Media | 12,656 | 12,408 | 13,025 | 15,153 | 12,952 | 12,017 | 10,180 |
| LBE (i) | 20,930 | 19,498 | 19,462 | 18,964 | 18,391 | 16,885 | 11,136 |
| Redemption cost of legacy loyalty points | 3,582 | 3,575 | 7,039 | 10,578 | 7,195 | 4,663 | 13,841 |
| Marketing | 2,885 | 1,946 | 2,236 | 3,315 | 2,718 | 2,458 | 1,362 |
| Scene+ point issuance | 7,991 | 7,342 | 4,774 | 4,347 | 4,452 | 5,126 | 2,996 |
| Other (ii) | 9,021 | 11,808 | 1,962 | 9,201 | 6,958 | 6,618 | 6,915 |
| Other operating expenses including cash lease payments | **$ 131,860** | **$ 127,491** | **$ 112,691** | **$ 126,265** | **$ 118,296** | **$ 111,126** | **$ 85,083** |
| IFRS 16 adjustment (iii) | $ (4,026) | $ (3,857) | $ (3,857) | $ (4,097) | $ (3,396) | $ (3,098) | $ (3,436) |
| Other operating expenses from continuing operations as revised | $ 127,834 | $ 123,634 | $ 108,834 | $ 122,168 | $ 114,900 | $ 108,028 | $ 81,647 |
| Other operating expenses from discontinued operations as reported | 40,596 | 42,133 | 40,736 | 34,837 | 36,540 | 36,979 | 29,854 |
| IFRS 16 adjustment (iii) from discontinued operations as reported | (971) | (1,235) | (1,180) | (1,075) | (999) | (986) | (995) |
| Total other operating expenses | **$ 167,459** | **$ 164,532** | **$ 148,390** | **$ 155,930** | **$ 150,441** | **$ 144,021** | **$ 110,506** |

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

(ii) Other category includes overhead costs related to LBE and other Cineplex internal departments.

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

The following tables show the changes to the previously disclosed balances for cash rent related to lease obligation for other operating expenses as previously disclosed:

| Cash rent related to lease obligations | Revised 2023 (See Section 1) | | | Revised 2022 (See Section 1) | | | |
|---|---|---|---|---|---|---|---|
| | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Cash rent related to lease obligations as reported | $ (4,997) | $ (5,092) | $ (5,037) | $ (5,172) | $ (4,395) | $ (4,084) | $ (4,431) |
| Cash rent related to lease obligations from discontinued operations as reported | (971) | (1,235) | (1,180) | (1,075) | (999) | (986) | (995) |
| Cash rent related to lease obligations as revised | $ (4,026) | $ (3,857) | $ (3,857) | $ (4,097) | $ (3,396) | $ (3,098) | $ (3,436) |

The following table shows management's calculation of EBITDA, adjusted EBITDA, and adjusted EBITDAaL for continuing operations:

| Reconciliation of reported net income (loss) to adjusted EBITDAaL | Revised 2023 (See Section 1) | | | Revised 2022 (See Section 1) | | | |
|---|---|---|---|---|---|---|---|
| | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| **Net income (loss) (iv)** | $ 24,467 | $ 158,863 | $ (33,177) | $ 9,572 | $ 27,093 | $ (2,622) | $ (43,722) |
| Depreciation and amortization - other | 21,959 | 22,230 | 22,873 | 22,179 | 22,236 | 22,629 | 22,422 |
| Depreciation - right-of-use assets | 21,894 | 21,971 | 21,533 | 22,799 | 22,618 | 23,966 | 24,129 |
| Interest expense - lease obligations | 16,606 | 16,312 | 16,152 | 16,268 | 15,785 | 14,619 | 14,584 |
| Interest expense - other | 21,014 | 18,229 | 23,502 | 20,626 | 16,317 | 13,814 | 10,078 |
| Interest income | (248) | (282) | (211) | (125) | (84) | (38) | (30) |
| Current income tax (recovery) expense | (2) | (837) | — | — | — | — | (724) |
| Deferred income tax recovery | 9,927 | (150,225) | — | — | — | — | — |
| **EBITDA** | **$ 115,617** | **$ 86,261** | **$ 50,672** | **$ 91,319** | **$ 103,965** | **$ 72,368** | **$ 26,737** |
| Loss (gain) on disposal of assets | 128 | 336 | 893 | (3,327) | (49,879) | (4,654) | 112 |
| Loss (gain) on financial instruments recorded at fair value | 580 | 1,020 | 270 | (970) | 1,630 | 1,770 | 3,830 |
| CDCP equity loss (income) (i) | — | — | — | 3 | 30 | 332 | (854) |
| Foreign exchange (gain) loss | (78) | 88 | 729 | 468 | (2,795) | (1,128) | 525 |
| Reversal of impairment of long-lived assets | — | — | — | (19,880) | — | — | — |
| Depreciation and amortization - joint ventures and associates (ii) | 201 | 187 | 142 | 123 | 130 | 133 | 131 |
| Taxes and interest of joint ventures and associates (ii) | — | 1 | 13 | 8 | 13 | 14 | 14 |
| **Adjusted EBITDA** | **$ 116,448** | **$ 87,893** | **$ 52,719** | **$ 67,744** | **$ 53,094** | **$ 68,835** | **$ 30,495** |
| Cash rent paid/payable related to lease obligations | (41,437) | (40,301) | (42,543) | (41,528) | (41,276) | (40,805) | (42,358) |
| Cash rent paid not pertaining to current period | (397) | (398) | 1,201 | (386) | (389) | (384) | 1,159 |
| **Adjusted EBITDAaL (iii)** | **$ 74,614** | **$ 47,194** | **$ 11,377** | **$ 25,830** | **$ 11,429** | **$ 27,646** | **$ (10,704)** |

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

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

(iii) See Section 18, Non-GAAP and other financial measures.

(iv) 2023 includes recovery of approximately $150.2 million related to the recognition of deferred income tax assets recognized during the second quarter and expenses related to the Cineworld transaction and other transactions or litigation outside the normal course of business in the amount of $3.4 million (2022 - $3.6 million) for the full year.

| Adjusted EBITDAaL | Revised 2023 (See Section 1) | | | Revised 2022 (See Section 1) | | | |
|---|---|---|---|---|---|---|---|
| | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Adjusted EBITDAaL as previously reported | $ 83,064 | $ 60,258 | $ 20,243 | $ 31,197 | $ 20,430 | $ 35,764 | $ (5,719) |
| Less: | | | | | | | |
| Adjusted EBITDAaL from discontinued operations | 8,450 | 13,064 | 8,866 | 5,367 | 9,001 | 8,118 | 4,985 |
| Adjusted EBITDAaL as revised | $ 74,614 | $ 47,194 | $ 11,377 | $ 25,830 | $ 11,429 | $ 27,646 | $ (10,704) |

The following tables show the changes to the previously disclosed balances in cash provided by (used in) operating activities, cash used in investing activities and cash (used in) provided by financing activities as previously disclosed:

| Cash provided by (used in) operating activities | Revised 2023 (See Section 1) | | | Revised 2022 (See Section 1) | | | |
|---|---|---|---|---|---|---|---|
| | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Cash provided by (used in) operating activities as previously reported | $ 44,693 | $ 93,219 | $ 3,135 | $ 59,622 | $ 5,811 | $ 47,152 | $ (5,437) |
| Less: | | | | | | | |
| Operating cash flows in discontinued operations | 8,047 | 10,497 | 9,794 | 8,515 | 7,198 | 6,001 | 7,155 |
| Cash provided by (used in) operating activities as revised | $ 36,646 | $ 82,722 | $ (6,659) | $ 51,107 | $ (1,387) | $ 41,151 | $ (12,592) |

| Cash used in investing activities | Revised 2023 (See Section 1) | | | Revised 2022 (See Section 1) | | | |
|---|---|---|---|---|---|---|---|
| | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Cash used in investing activities as previously reported | $ (10,950) | $ (21,118) | $ (19,207) | $ (21,898) | $ (14,523) | $ (8,132) | $ (11,196) |
| Less: | | | | | | | |
| Investing cash flows in discontinued operations | (2,164) | (4,386) | (1,681) | (4,049) | (1,593) | (2,672) | (998) |
| Cash used in investing activities as revised | $ (8,786) | $ (16,732) | $ (17,526) | $ (17,849) | $ (12,930) | $ (5,460) | $ (10,198) |

| Cash (used in) provided by financing activities | Revised 2023 (See Section 1) | | | Revised 2022 (See Section 1) | | | |
|---|---|---|---|---|---|---|---|
| | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Cash (used in) provided by investing activities as previously reported | (54,754) | (51,904) | 1,062 | (31,893) | 11,128 | (36,349) | 13,767 |
| Less: | | | | | | | |
| Financing cash flows in discontinued operations | (838) | (1,108) | (1,045) | (937) | (870) | (865) | (876) |
| Cash (used in) provided by financing activities as revised | $ (53,916) | $ (50,796) | $ 2,107 | $ (30,956) | $ 11,998 | $ (35,484) | $ 14,643 |

**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"

Ellis Jacob
Chief Executive Officer

"Gord Nelson"

Gord Nelson
Chief Financial Officer

Toronto, Ontario

February 7, 2024

# 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, 2023 and 2022, 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, 2023 and 2022;
- 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, comprising material accounting policy information 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 2500, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215, ca_toronto_18_york_fax@pwc.com

## 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, 2023. 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**<br><br>*Refer to note 10 – Intangible assets, note 11 – Impairment of long-lived assets and note 28 – Material accounting policies, judgments and estimation uncertainty to the consolidated financial statements.*<br><br>As at December 31, 2023, the Company had $620 million of goodwill and $64 million of indefinite-lived intangible assets from continuing operations.<br><br>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.<br><br>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 attendance (applicable for the | Our approach to addressing the matter included the following procedures, among others:<br><br>• Evaluated how management determined the recoverable amounts of goodwill and indefinite-lived intangible assets groups of CGUs, which included the following:<br>– Tested the appropriateness of the method used and the mathematical accuracy of the discounted cash flow models.<br>– Tested the reasonableness of the significant key assumptions used by management, including attendance (applicable for the exhibition CGUs only) 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.<br>– 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.<br>– Tested the underlying data used in the discounted cash flow models. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| exhibition CGUs only) and the related revenue growth rates and discount rates.<br><br>No impairment loss was required for goodwill and indefinite-lived intangible assets.<br><br>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.

**/s/PricewaterhouseCoopers LLP**

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 7, 2024

# Cineplex Inc.

Consolidated Balance Sheets

(expressed in thousands of Canadian dollars)

| | Notes | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 3 | $ 36,666 | $ 34,674 |
| Trade and other receivables | 4 | 97,689 | 107,088 |
| Income taxes receivable | 8 | 2,766 | 2,033 |
| Inventories | 5 | 17,624 | 36,916 |
| Prepaid expenses and other current assets | | 11,481 | 15,659 |
| Fair value of interest rate swap agreements | 26 | 3,217 | 8,993 |
| Assets held for sale | 2 | 93,322 | — |
| | | 262,765 | 205,363 |
| **Non-current assets** | | | |
| Property, equipment and leaseholds | 6 | 394,382 | 449,495 |
| Right-of-use assets | 7 | 754,793 | 772,978 |
| Deferred income taxes | 8 | 146,784 | — |
| Fair value of interest rate swap agreements | 26 | 1,109 | 2,426 |
| Interests in joint ventures and associates | 9 | 4,896 | 650 |
| Intangible assets | 10 | 80,873 | 80,428 |
| Goodwill | 11 | 620,300 | 636,134 |
| Derivative financial instrument | 15 | 5,590 | 2,980 |
| | | $ 2,271,492 | $ 2,150,454 |
| **Contingent liabilities** | 25 | | |
| **Subsequent events** | 29 | | |

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

(expressed in thousands of Canadian dollars)

| | Notes | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | 12 | $ 172,482 | $ 195,296 |
| Income taxes payable | 8 | 173 | 3,736 |
| Deferred revenue and other | 19 | 197,329 | 220,527 |
| Lease obligations | 14 | 85,030 | 96,093 |
| Liabilities related to assets held for sale | 2 | 27,241 | — |
| | | 482,255 | 515,652 |
| **Non-current liabilities** | | | |
| Share-based compensation | 13 | 4,470 | 3,752 |
| Long-term debt | 15 | 817,439 | 824,888 |
| Lease obligations | 14 | 993,404 | 1,004,546 |
| Post-employment benefit obligations | 16 | 7,114 | 6,970 |
| Other liabilities | 17 | 6,245 | 6,460 |
| | | 1,828,672 | 1,846,616 |
| **Total liabilities** | | 2,310,927 | 2,362,268 |
| **Shareholders' deficit** | | | |
| Share capital | 18 | 856,696 | 852,697 |
| Deficit | | (981,973) | (1,148,970) |
| Contributed surplus | | 85,235 | 83,006 |
| Cumulative translation adjustment | | 607 | 1,453 |
| **Total shareholders' deficit** | | (39,435) | (211,814) |
| | | $ 2,271,492 | $ 2,150,454 |

**Approved by the Board of Directors**

"Phyllis Yaffe"
Director

"Janice Fukakusa"
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, 2023 and 2022

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

| | Notes | Year ended December 31, 2023 | 2022 (Revised - Note 2) |
|---|---|---|---|
| | 2 | | |
| **Revenues** | 19 | | |
| Box office | | $ 599,903 | $ 461,272 |
| Food service | | 483,149 | 381,386 |
| Media | | 118,655 | 111,728 |
| Amusement | | 96,507 | 80,920 |
| Other | | 90,680 | 67,575 |
| | | 1,388,894 | 1,102,881 |
| **Expenses** | | | |
| Film cost | | 323,412 | 238,897 |
| Cost of food service | | 113,987 | 87,702 |
| Depreciation - right-of-use assets | | 87,657 | 93,512 |
| Depreciation and amortization - other assets | | 88,881 | 89,466 |
| Loss (gain) on disposal of assets | 6 | 2,910 | (57,748) |
| Other costs | 20 | 624,771 | 553,583 |
| Share of loss of joint ventures and associates | 9 | 4,523 | 2,608 |
| Interest expense - lease obligations | 14 | 66,493 | 61,256 |
| Interest expense - other | | 88,445 | 60,835 |
| Interest income | | (897) | (277) |
| Foreign exchange | | 834 | (2,930) |
| (Gain) loss on financial instruments recorded at fair value | 15 | (2,610) | 6,260 |
| Reversal of impairment of long-lived assets | 11 | — | (19,880) |
| | | 1,398,406 | 1,113,284 |
| **Loss from continuing operations before income taxes** | | (9,512) | (10,403) |
| **Income tax recovery** | 8 | | |
| Current | | (839) | (724) |
| Deferred | | (146,724) | — |
| | | (147,563) | (724) |
| **Net income (loss) from continuing operations** | | 138,051 | (9,679) |
| Net income from discontinued operations, net of taxes | 2 | 29,113 | 9,792 |
| **Net income** | | $ 167,164 | $ 113 |

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, 2023 and 2022

(expressed in thousands of Canadian dollars)

| | | Year ended December 31, | |
|---|---|---|---|
| | | **2023** | **2022** |
| | 2 | | **(Revised - Note 2)** |
| **Net income (loss) from continuing operations** | | $ 138,051 | $ (9,679) |
| **Other comprehensive income (loss)** | | | |
| *Items that will be reclassified subsequently to net income:* | | | |
| Foreign currency translation adjustment | | (70) | 180 |
| *Items that will not be reclassified to net income:* | | | |
| Actuarial (loss) income of post-employment benefit obligations, net of deferred income taxes recovery of $60 (2022- $nil) | | (167) | 2,311 |
| **Comprehensive income (loss) from continuing operations** | | 137,814 | (7,188) |
| Net income from discontinued operations, net of taxes | 2 | 29,113 | 9,792 |
| Foreign currency translation adjustment from discontinued operations | 2 | (776) | 1,963 |
| **Total comprehensive income** | | $ 166,151 | $ 4,567 |
| | | | |
| **Earnings (loss) per share from continuing operations - basic** | 21 | $ 2.18 | $ (0.15) |
| **Earnings per share from discontinued operations - basic** | 21 | $ 0.46 | $ 0.15 |
| **Earnings per share - basic** | 21 | $ 2.64 | $ — |
| **Earnings (loss) per share from continuing operations - diluted** | 21 | $ 1.80 | $ (0.15) |
| **Earnings per share from discontinued operations - diluted** | 21 | $ 0.32 | $ 0.15 |
| **Earnings per share - diluted** | 21 | $ 2.12 | $ — |

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, 2023 and 2022

(expressed in thousands of Canadian dollars)

| | Share capital | Contributed surplus | Hedging reserves and other | Cumulative translation adjustment | Deficit | Total |
|---|---|---|---|---|---|---|
| **January 1, 2023** | $ 852,697 | $ 83,006 | $ — | $ 1,453 | $ (1,148,970) | $ (211,814) |
| Net income | — | — | — | — | 167,164 | 167,164 |
| Other comprehensive loss | — | — | — | (846) | (167) | (1,013) |
| **Total comprehensive (loss) income** | **—** | **—** | **—** | **(846)** | **166,997** | **166,151** |
| Share option expense | — | 1,289 | — | — | — | 1,289 |
| PSU/RSU expense | — | 4,939 | — | — | — | 4,939 |
| Settlement of vested PSU/RSU | 3,955 | (3,955) | — | — | — | — |
| Issuance of shares on exercise of options | 44 | (44) | — | — | — | — |
| **December 31, 2023** | $ 856,696 | $ 85,235 | $ — | $ 607 | $ (981,973) | $ (39,435) |
| **January 1, 2022** | $ 852,465 | $ 80,027 | $ (131) | $ (690) | $ (1,151,394) | $ (219,723) |
| Net income | — | — | — | — | 113 | 113 |
| Other comprehensive income | — | — | — | 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) |

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, 2023 and 2022

(expressed in thousands of Canadian dollars)

| | Notes | Year ended December 31, 2023 | 2022 |
|---|---|---|---|
| | 2 | | (Revised - Note 2) |
| **Cash provided by (used in)** | | | |
| **Operating activities** | | | |
| Net income (loss) from continuing operations | | $ 138,051 | $ (9,679) |
| Adjustments to reconcile net loss to net cash provided by operating activities | | | |
| Depreciation and amortization - other assets | | 88,881 | 89,466 |
| Depreciation - right-of-use assets | | 87,657 | 93,512 |
| Unrealized foreign exchange | | (124) | — |
| Interest rate swap agreements - non-cash interest | | 6,337 | (22,072) |
| Accretion of convertible debentures and notes payable | | 21,551 | 18,677 |
| Other non-cash interest | | 601 | 553 |
| Loss (gain) on disposal of assets | 6 | 2,910 | (57,748) |
| Deferred income taxes | 8 | (146,724) | — |
| Non-cash share-based compensation | | 6,229 | 6,382 |
| Change in fair value of financial instruments | | (2,610) | 6,260 |
| Reversal of impairment of long-lived assets | 11 | — | (19,880) |
| Net change in interests in joint ventures and associates | | 4,687 | 1,394 |
| Changes in operating assets and liabilities | 24 | (11,352) | (28,586) |
| Net cash provided by operating activities from continuing operations | | 196,094 | 78,279 |
| Net cash provided by operating activities from discontinued operations | | 13,037 | 28,869 |
| Net cash provided by operating activities | | 209,131 | 107,148 |
| **Investing activities** | | | |
| Proceeds from disposal of assets, including asset related insurance recoveries | 6,7 | 1 | 1,843 |
| Purchases of property, equipment and leaseholds | 6,24 | (52,478) | (55,005) |
| Intangible assets additions | | (10,974) | (9,904) |
| Tenant inducements | | 10,010 | 11,249 |
| Investment in joint ventures and associates | | (8,934) | — |
| Net cash received from CDCP | | — | 5,380 |
| Net cash used in investing activities from continuing operations | | (62,375) | (46,437) |
| Net cash used in investing activities from discontinued operations | | (10,560) | (9,312) |
| Net cash used in investing activities | | (72,935) | (55,749) |
| **Financing activities** | | | |
| (Repayments) borrowings under credit facilities, net | 15 | (29,000) | 67,000 |
| Repayments of lease obligations - principal | | (100,334) | (105,618) |
| Exercise of cash option | | — | 113 |
| Financing fees | | (1,061) | (1,294) |
| Net cash used in financing activities from continuing operations | | (130,395) | (39,799) |
| Net cash used in financing activities from discontinued operations | | (3,944) | (3,548) |
| Net cash used in financing activities | | (134,339) | (43,347) |

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, 2023 and 2022

(expressed in thousands of Canadian dollars)

| | Notes | Year ended December 31, 2023 | | Year ended December 31, 2022 |
|---|---|---|---|---|
| | 2 | | | (Revised - Note 2) |
| Effect of exchange rate differences on cash from continuing operations | | (19) | | 174 |
| Effect of exchange rate differences on cash from discontinued operations | | 154 | | (490) |
| Effect of exchange rate differences on cash | | 135 | | (316) |
| Increase in cash and cash equivalents | | 1,992 | | 7,736 |
| **Cash and cash equivalents - Beginning of period** | | 34,674 | | 26,938 |
| **Cash and cash equivalents - End of period** | | $ 36,666 | $ | 34,674 |
| **Supplemental information** | | | | |
| Cash paid for interest - lease obligation from continuing operations | | $ 66,457 | $ | 60,059 |
| Cash paid for interest - lease obligation from discontinued operations | | $ 542 | $ | 507 |
| Cash paid for interest - lease obligation | | $ 66,999 | $ | 60,566 |
| Cash paid for interest - other from continuing operations | | $ 57,864 | $ | 67,249 |
| Cash paid for interest - other from discontinued operations | | $ 65 | $ | (8) |
| Cash paid for interest - other | | $ 57,929 | $ | 67,241 |
| Cash refunded for income taxes, net from continuing operations | | $ (93) | $ | (706) |
| Cash paid for income taxes, net from discontinued operations | | $ 4,415 | $ | 3 |
| Cash paid (refunded) for income taxes, net | | $ 4,322 | $ | (703) |

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, until February 1, 2024, Player One Amusement Group Inc. (“P1AG”). Cineplex is headquartered at 1303 Yonge Street, Toronto, Ontario, M4T 2Y9.

The Board of Directors approved these consolidated financial statements on February 7, 2024.

**Cineworld Transaction and Bankruptcy Filing**

On September 7, 2022, Cineworld Group plc “(Cineworld”) filed a petition, in the United States Bankruptcy Court, commencing Chapter 11 bankruptcy proceedings. Cineworld’s bankruptcy proceedings effectively put an end to Cineplex’s $1,240,000 judgement, against Cineworld, awarded by the Ontario Superior Court of Justice on December 14, 2021. Cineworld entered into a restructuring agreement with some of its lenders on April 2, 2023 and filed a proposed plan of reorganization (the “Chapter 11 Plan”) on April 11, 2023. The Chapter 11 Plan was confirmed by the U.S. Bankruptcy Court on June 28, 2023 and made effective on July 31, 2023. The Chapter 11 Plan contemplates holders of general unsecured claims (which includes Cineplex’s litigation claim of $1,240,000) receiving, in aggregate, (i) USD $10,000,000 in cash and (ii) interests in a litigation trust relating to certain class actions against credit card issuers (collectively, the “Recovery Pool”). Cineplex’s allocated portion of the Recovery Pool is not expected to be a material amount and has not been accrued as a receivable in Cineplex’s financial statements as at December 31, 2023.

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

## 2. Assets held for sale and discontinued operations

On November 22, 2023, Cineplex Entertainment Limited Partnership ("CELP") announced it had entered into a definitive share purchase agreement to sell 100% of the issued and outstanding shares of Player One Amusement Group Inc. ("P1AG") for cash proceeds of $155,000, subject to customary post-closing adjustments (the "Sale Transaction"). The Sale Transaction closed on February 1, 2024. On closing of the Sale Transaction, P1AG and CELP entered into a long-term agreement under which P1AG will continue to supply and service amusement games in Cineplex's theatres and location-based entertainment venues. The proceeds from the Sale Transaction were used to repay bank debt. Cineplex expects to recognize a material gain in connection with the sale of P1AG in the first quarter of 2024.

Cineplex has measured, presented and disclosed financial information of P1AG as a discontinued operation in accordance with IFRS 5, *Non-current assets held for sale and discontinued operations*. Under this standard, Cineplex has met the criteria to record P1AG as a discontinued operation, therefore effective with the year ended December 31, 2023, P1AG's financial performance and cash flows are presented in these annual consolidated financial statements as discontinued operations on a retroactive basis. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

As per IFRS 5, non-current assets and disposal groups should be classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use, and measured at the lower of their carrying amount and fair value less costs to sell and are no longer depreciated or amortized. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification are regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale be expected to be completed within one year from the date of the classification.

Assets and liabilities classified as held for sale are presented separately as current items on the consolidated balance sheet. A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale and:

- represents a separate major line of business or geographical area of operations,
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as after tax profit or loss from discontinued operations in the consolidated statement of operations and comparative periods have been restated.

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

The major classes of assets and liabilities at December 31, 2023 classified as held for sale are as follows:

| | | |
|---|---|---|
| Trade and other receivables | $ | 11,526 |
| Inventories | | 22,116 |
| Prepaid expenses and other current assets | | 2,633 |
| Property, equipment and leaseholds | | 25,083 |
| Right-of-use assets | | 7,831 |
| Deferred income taxes | | 8,515 |
| Goodwill | | 15,618 |
| Assets held for sale | $ | 93,322 |
| | | |
| Accounts payable and accrued liabilities | $ | 10,407 |
| Income taxes payable | | 2,174 |
| Deferred revenue and other | | 2,515 |
| Lease obligations | | 8,895 |
| Other liabilities | | 14 |
| Deferred income taxes | | 3,236 |
| Liabilities related to assets held for sale | $ | 27,241 |
| | | |
| Net assets held for sale | $ | 66,081 |

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

The following table discloses revenues, expenses, net income and comprehensive income of the discontinued operations for the year ended December 31, 2023 and 2022:

| | Year ended December 31, 2023 | Year ended December 31, 2022 |
|---|---|---|
| **Revenues** | | |
| Amusement | $ 193,759 | $ 165,681 |
| **Expenses** | | |
| Depreciation - right-of-use assets | 2,640 | 2,005 |
| Depreciation and amortization - other assets | 10,680 | 15,731 |
| Gain on disposal of assets | (430) | (59) |
| Other costs | 153,534 | 134,155 |
| Interest expense - lease obligations | 673 | 586 |
| Interest expense - other | 65 | (9) |
| Foreign exchange | (447) | 1,559 |
| | 166,715 | 153,968 |
| **Income before income taxes** | 27,044 | 11,713 |
| **Income tax (recovery) expense** | | |
| Current | 3,210 | 1,921 |
| Deferred | (5,279) | — |
| | (2,069) | 1,921 |
| **Net income from discontinued operations** | $ 29,113 | $ 9,792 |
| **Other comprehensive income** | | |
| *Items that will be reclassified subsequently to net income:* | | |
| Foreign currency translation adjustment from discontinued operations | (776) | 1,963 |
| **Comprehensive income from discontinued operations** | $ 28,337 | $ 11,755 |
| **Earnings per share from discontinued operations - basic** | $ 0.46 | $ 0.15 |
| **Earnings per share from discontinued operations - diluted** | $ 0.32 | $ 0.15 |

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

The following table shows the changes to previously disclosed revenues, expenses and net income (loss) for the year ended December 31, 2022 and 2021:

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | **Reported** | **P1AG** | **Revised** | **Reported** | **P1AG** | **Revised** |
| **Revenues** | | | | | | |
| Box office | $ 461,272 | $ — | $ 461,272 | $ 236,320 | $ — | $ 236,320 |
| Food service | 381,386 | — | 381,386 | 186,998 | — | 186,998 |
| Media | 111,728 | — | 111,728 | 65,330 | — | 65,330 |
| Amusement | 246,601 | 165,681 | 80,920 | 134,473 | 100,282 | 34,191 |
| Other | 67,575 | — | 67,575 | 33,548 | — | 33,548 |
| | 1,268,562 | 165,681 | 1,102,881 | 656,669 | 100,282 | 556,387 |
| **Expenses** | | | | | | |
| Film cost | 238,897 | — | 238,897 | 114,674 | — | 114,674 |
| Cost of food service | 87,702 | — | 87,702 | 41,683 | — | 41,683 |
| Depreciation - right-of-use assets | 95,517 | 2,005 | 93,512 | 102,247 | 3,154 | 99,093 |
| Depreciation and amortization - other assets | 105,197 | 15,731 | 89,466 | 113,042 | 20,218 | 92,824 |
| (Gain) loss on disposal of assets | (57,807) | (59) | (57,748) | (28,283) | 79 | (28,362) |
| Other costs | 687,738 | 134,155 | 553,583 | 439,554 | 87,579 | 351,975 |
| Share of loss of joint ventures and associates | 2,608 | — | 2,608 | 755 | — | 755 |
| Interest expense - lease obligations | 61,842 | 586 | 61,256 | 58,590 | 519 | 58,071 |
| Interest expense - other | 60,826 | (9) | 60,835 | 65,138 | (3) | 65,141 |
| Interest income | (277) | — | (277) | (232) | (4) | (228) |
| Foreign exchange | (1,371) | 1,559 | (2,930) | (43) | 45 | (88) |
| Loss (gain) on financial instruments recorded at fair value | 6,260 | — | 6,260 | (8,790) | — | (8,790) |
| (Reversal) impairment of long-lived assets | (19,880) | — | (19,880) | 3,717 | — | 3,717 |
| | 1,267,252 | 153,968 | 1,113,284 | 902,052 | 111,587 | 790,465 |
| **Income (loss) before income taxes** | 1,310 | 11,713 | (10,403) | (245,383) | (11,305) | (234,078) |
| **Income tax expense (recovery)** | | | | | | |
| Current | 1,197 | 1,921 | (724) | 3,339 | — | 3,339 |
| **Net income (loss)** | 113 | 9,792 | (9,679) | (248,722) | (11,305) | (237,417) |
| Net income (loss) from discontinued operations, net of taxes | — | — | 9,792 | — | — | (11,305) |
| **Net income (loss)** | $ 113 | $ 9,792 | $ 113 | $(248,722) | $ (11,305) | $(248,722) |

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

The following table discloses changes to previously disclosed cash flows for the year ended December 31, 2022 and 2021:

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | **Reported** | **P1AG** | **Revised** | **Reported** | **P1AG** | **Revised** |
| Net cash provided by operating activities | $ 107,148 | $ 28,869 | $ 78,279 | $ 61,004 | $ 14,475 | $ 46,529 |
| Net cash (used in) provided by investing activities | (55,749) | (9,312) | (46,437) | 40,451 | (3,479) | 43,930 |
| Net cash used in financing activities | (43,347) | (3,548) | (39,799) | (91,126) | (3,670) | (87,456) |
| Effect of exchange rate differences on cash | (316) | (490) | 174 | 355 | 189 | 166 |
| Net cash inflow (outflow) | 7,736 | 15,519 | (7,783) | 10,684 | 7,515 | 3,169 |
| Net cash inflow from discontinued operations | — | — | 15,519 | — | — | 7,515 |
| Net cash inflow | $ 7,736 | $ 15,519 | $ 7,736 | $ 10,684 | $ 7,515 | $ 10,684 |

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

## 3. Cash and cash equivalents

Cash and cash equivalents comprise the following:

| | 2023 | 2022 |
|---|---|---|
| Cash at bank and on hand, net of outstanding cheques | $ 36,666 | $ 34,674 |

## 4. Trade and other receivables

Trade and other receivables comprise the following:

| | 2023 | 2022 |
|---|---|---|
| Trade receivables | $ 85,073 | $ 84,220 |
| Other receivables | 12,616 | 22,868 |
| | $ 97,689 | $ 107,088 |

## 5. Inventories

Inventories comprise the following:

| | 2023 | 2022 |
|---|---|---|
| Food service inventories | $ 11,805 | $ 10,961 |
| Gaming inventories | — | 20,155 |
| Other inventories, including work-in-progress | 5,819 | 5,800 |
| | $ 17,624 | $ 36,916 |

(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, 2023** | | | | | |
| Cost | $ 9,024 | $ 847,421 | $ 880,631 | $ 16,918 | $ 1,753,994 |
| Accumulated depreciation | — | (580,314) | (724,185) | — | (1,304,499) |
| Net book value | $ 9,024 | $ 267,107 | $ 156,446 | $ 16,918 | $ 449,495 |
| **Year ended December 31, 2023** | | | | | |
| Opening net book value | $ 9,024 | $ 267,107 | $ 156,446 | $ 16,918 | $ 449,495 |
| Additions, net of transfers | — | 27,565 | 37,884 | (3,295) | 62,154 |
| Assets reclassified to held for sale | — | (1,066) | (24,017) | — | (25,083) |
| Disposals | — | 9 | (1,271) | (906) | (2,168) |
| Foreign exchange rate changes | — | (16) | (370) | — | (386) |
| Depreciation for the year from continuing operations | — | (40,345) | (38,901) | — | (79,246) |
| Depreciation for the year from discontinued operations | — | (259) | (10,125) | — | (10,384) |
| Closing net book value | $ 9,024 | $ 252,995 | $ 119,646 | $ 12,717 | $ 394,382 |
| **At December 31, 2023** | | | | | |
| Cost | $ 9,024 | $ 873,744 | $ 794,026 | $ 12,717 | $ 1,689,511 |
| Accumulated depreciation | — | (620,749) | (674,380) | — | (1,295,129) |
| Net book value | $ 9,024 | $ 252,995 | $ 119,646 | $ 12,717 | $ 394,382 |
| **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 from continuing operations | — | (38,882) | (41,258) | — | (80,140) |
| Depreciation for the year from discontinued operations | — | (287) | (13,658) | — | (13,945) |
| Closing net book value | $ 9,024 | $ 267,107 | $ 156,446 | $ 16,918 | $ 449,495 |

(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, 2023 and 2022:

| | Property | Equipment | Total |
|---|---|---|---|
| **At December 31, 2023** | | | |
| Cost | $ 1,254,470 | $ 19,136 | $ 1,273,606 |
| Accumulated depreciation | (505,144) | (13,669) | (518,813) |
| Net book value | $ 749,326 | $ 5,467 | $ 754,793 |
| **Year ended December 31, 2023** | | | |
| Opening net book value | $ 766,167 | $ 6,811 | $ 772,978 |
| Additions | 26,724 | 148 | 26,872 |
| Extensions and modifications | 52,276 | 1,056 | 53,332 |
| Assets reclassified to held for sale | (7,831) | — | (7,831) |
| Disposals | — | (181) | (181) |
| Foreign exchange rate changes | (80) | — | (80) |
| Depreciation for the year from continuing operations | (85,293) | (2,364) | (87,657) |
| Depreciation for the year from discontinued operations | (2,637) | (3) | (2,640) |
| Closing net book value | $ 749,326 | $ 5,467 | $ 754,793 |

| | 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** | | | |
| Opening net book value | $ 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 from continuing operations | (89,881) | (3,631) | (93,512) |
| Depreciation for the year from discontinued operations | (1,996) | (9) | (2,005) |
| Reversal of previously recognized impairment (note 11) | 9,676 | — | 9,676 |
| Closing net book value | $ 766,167 | $ 6,811 | $ 772,978 |

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

## 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:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Deferred income tax assets | | | | |
| Property, equipment and leaseholds and deferred tenant inducements - difference between net carrying value and undepreciated capital cost | $ | 7,936 | $ | 3,690 |
| Accounting provisions not currently deductible | | 88,832 | | 92,391 |
| Deferred revenue | | 1,240 | | 1,985 |
| Income tax credits available | | 3,763 | | 4,010 |
| Operating losses available for carry-forward and carry-back | | 101,913 | | 113,730 |
| Other | | 12,512 | | 10,935 |
| Total gross deferred income tax assets | | 216,196 | | 226,741 |
| Deferred tax liabilities | | | | |
| Intangible assets | | (13,152) | | (10,208) |
| Interest rate swap agreements | | (1,198) | | (3,121) |
| Goodwill | | (31,086) | | (32,460) |
| Convertible debentures | | (23,976) | | (23,976) |
| Total gross deferred income tax liabilities | | (69,412) | | (69,765) |
| Net deferred income tax | $ | 146,784 | $ | 156,976 |
| Deferred income tax asset not recognized | $ | — | $ | 156,976 |
| Net deferred income tax recognized | $ | 146,784 | $ | — |

At December 31, 2020 the recoverability of the net deferred income tax assets was uncertain and accordingly the net deferred tax assets were derecognized. During the second quarter of 2023, Cineplex assessed the recoverability of net deferred income tax assets and determined that the expected return to profitability provided a reasonable expectation that previously derecognized net deferred income tax assets will be utilized to offset future periods of taxable income, resulting in income tax recovery of approximately $150,225 in the second quarter of 2023.

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, 2023 was 26.3% (2022 - 26.3%).

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

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, 2023 and 2022 as follows:

| | 2023 | 2022 |
|---|---|---|
| Loss before income taxes from continuing operations | $ (9,512) | $ (10,403) |
| Combined statutory income tax rates for the current year | 26.27 % | 26.27 % |
| Income taxes (receivable) payable at statutory rate | (2,499) | (2,733) |
| Adjustments relating to prior periods | 1,918 | (724) |
| Recognition of deferred income tax assets | (148,979) | — |
| Deferred income tax assets not recognized | — | 7,538 |
| Other permanent differences | 1,997 | (4,805) |
| Provision for income taxes from continuing operations | $ (147,563) | $ (724) |

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

Non-capital losses available for carry-forward from continuing operations as at December 31, 2023 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 |
| 2038 | 3,110 |
| 2040 | 3,853 |
| 2041 | 240,396 |
| 2042 | 113,237 |
| 2043 | 605 |
| | $ 387,551 |

(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"), was a joint venture formed by Cineplex and Empire Theatres Limited to finance the implementation of digital projectors. Cineplex leased 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 loss (gain) on disposal of assets on the Consolidated Statement of Operations) on wind-up.

As part of the 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 which 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 (2022 - 50%). Cineplex's investment in Yogurt Cafe YoYo's (2022 - 50%) is carried at nil value.

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

The net interest in joint ventures is summarized as follows as at December 31, 2023 and 2022:

| **2023** | **CDCP** | **Scene+** | **Other** | **Total** |
|---|---|---|---|---|
| Ownership percentage | 0% | 33.3 % | 50 % | |
| Voting percentage | 0% | 33.3 % | 50 % | |
| Equity (Deficit) | $ — | $ 21,187 | $ (3,563) | $ 17,624 |
| Economic interest | 0% | 33.3% | 50% | |
| | $ — | $ 7,055 | $ (1,781.5) | $ 5,273.5 |
| Accounts receivable | — | (1,967) | 1,589.5 | $ (377.5) |
| Net interest in joint ventures and associates | $ — | $ 5,088 | $ (192) | $ 4,896 |
| Interest at beginning of year | $ — | $ 842 | $ (192) | $ 650 |
| Investment | — | 8,934 | — | 8,934 |
| Net change in receivable or payable | — | — | (165) | (165) |
| Share of net (loss) income | — | (4,688) | 165 | (4,523) |
| Net interest in joint ventures and associates | $ — | $ 5,088 | $ (192) | $ 4,896 |

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

| **2022** | **CDCP** | **Scene+** | **Other** | **Total** |
|---|---|---|---|---|
| Ownership percentage | 78.2% | 33.3 % | 50 % | |
| Voting percentage | 50.0% | 33.3 % | 50 % | |
| 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 |

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:

| **2023** | **CDCP** | **Scene+** | **Other** | **Total** |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | $ — | $ 26,649 | $ — | $ 26,649 |
| Receivables and other current assets | — | 61,228 | 39 | 61,267 |
| | — | 87,877 | 39 | 87,916 |
| Equipment | — | 5,905 | — | 5,905 |
| **Total assets** | $ — | $ 93,782 | $ 39 | $ 93,821 |
| **Liabilities** | | | | |
| Accounts payable and accrued liabilities | $ — | $ 71,636 | $ 925 | $ 72,561 |
| Long-term debt | — | — | 2,677 | 2,677 |
| Lease obligations | — | 958 | — | 958 |
| **Total liabilities** | — | 72,594 | 3,602 | 76,196 |
| **Equity (Deficit)** | — | 21,188 | (3,563) | 17,625 |
| **Total liabilities and equity** | $ — | $ 93,782 | $ 39 | $ 93,821 |

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

| **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 |
| 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 |

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:

| **2023** | **CDCP** | **Scene+** | **Other** | **Total** |
|---|---|---|---|---|
| Revenues | $ — | $ 46,513 | $ 3,149 | $ 49,662 |
| Depreciation and amortization | — | 2,094 | — | 2,094 |
| Other expenses | — | 58,482 | 2,910 | 61,392 |
| Total expenses | — | 60,576 | 2,910 | 63,486 |
| Net (loss) income and comprehensive (loss) income | $ — | $ (14,063) | $ 239 | $ (13,824) |

| **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) |

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

**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, SCENE.

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

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Assets | | | | |
| Cash and cash equivalents | $ | 8,349 | $ | 15,848 |
| Trade and other receivables | | 635 | | 3,118 |
| Prepaid expenses | | — | | 2,230 |
| | | 8,984 | | 21,196 |
| Promissory notes receivable from partners | | 19,000 | | 19,000 |
| Total assets | $ | 27,984 | $ | 40,196 |
| Liabilities | | | | |
| Accounts payable and accrued liabilities | $ | 4,170 | $ | 32,656 |
| Deferred revenue | | 31,974 | | 44,889 |
| Total liabilities | | 36,144 | | 77,545 |
| Deficiency | | (8,160) | | (37,349) |
| | $ | 27,984 | $ | 40,196 |

The summarized results of operations of SCENE are as follows:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Revenues | $ | 12,915 | $ | 51,103 |
| Expenses | | 24,726 | | 92,082 |
| Net loss | $ | (11,811) | $ | (40,979) |

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, 2023** | | | | |
| 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 |
| **Year ended December 31, 2023** | | | | |
| Opening net book value | $ 298 | $ 16,531 | $ 63,599 | $ 80,428 |
| Additions | — | 10,378 | — | 10,378 |
| Foreign exchange rate changes | (2) | — | — | (2) |
| Amortization for the year from continuing operations | — | (9,635) | — | (9,635) |
| Amortization for the year from discontinued operations | (296) | — | — | (296) |
| Closing net book value | $ — | $ 17,274 | $ 63,599 | $ 80,873 |
| **At December 31, 2023** | | | | |
| Cost (i) | $ 12,300 | $ 80,707 | $ 63,599 | $ 156,606 |
| Accumulated amortization (i) | (12,300) | (63,433) | — | $ (75,733) |
| Net book value | $ — | $ 17,274 | $ 63,599 | $ 80,873 |
| **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 from continued operations | — | (9,326) | — | (9,326) |
| Amortization for the year from discontinued operations | (1,786) | — | — | (1,786) |
| Closing net book value | $ 298 | $ 16,531 | $ 63,599 | $ 80,428 |

(i) The $21,194 change in cost and $20,896 change in accumulated amortization is related to fully amortized customer relationships assets for discontinued operations (P1AG).

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

## 11. Impairment of long-lived assets

Cineplex generally performs its annual test for impairment of goodwill and indefinite-lived intangible assets in the fourth quarter. 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 (applicable for the exhibition CGUs only) 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 9.7% and 15.2% (2022 - between 10.3% and 14.3%), and perpetual growth rates between 0.5% and 1.0% (2022 - 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 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 30% change in forecasted attendance and related revenue growth rates would result in a material impairment loss however management does not believe this is reasonably likely. For the CDM CGU, a 2% change in the discount rate or a 5% change in the revenue growth rates would result in a material 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 no impairment loss was recognized in the current period. In the prior period 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 December 31, 2022.

Cineplex reviews previously impaired assets for indicators of impairment recovery at each balance sheet date. During the current period there were no reversal of impairments recognized, however in the prior 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 was significant in 2022, consistent with out-of-home dining and the amusement industry. As a result, Cineplex reversed previously recognized impairments of $13,707 to property, equipment and leaseholds and $10,074 to right-of-use assets for the year ended December 31, 2022.

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

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, Cineplex will estimate the recoverable amount of that asset and may reverse previously recorded impairment losses.

A summary of the reversal of long-lived assets for the year ended December 31, 2023 and 2022 were as follows:

| | 2023 | 2022 |
|---|---|---|
| Reversal of impairment of property, equipment and leaseholds | $ — | $ (10,204) |
| Reversal of impairment of right-of-use assets | — | (9,676) |
| Reversal of impairment of long-lived assets | $ — | $ (19,880) |

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

| | 2023 | 2022 |
|---|---|---|
| Balance - Beginning of year | $ 636,134 | $ 635,545 |
| Foreign exchange rate changes | (216) | 589 |
| Assets reclassified to held for sale | (15,618) | — |
| Balance - End of year | $ 620,300 | $ 636,134 |

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:

| | 2023 | 2022 |
|---|---|---|
| Exhibition | $ 413,915 | $ 413,915 |
| Media | 206,385 | 206,385 |
| Amusement and leisure | — | 15,834 |
| | $ 620,300 | $ 636,134 |

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

## 12. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Accounts payable - trade | $ | 80,898 | $ | 91,533 |
| Film payables and accruals | | 25,444 | | 33,991 |
| Accrued salaries and benefits | | 27,898 | | 26,977 |
| Sales taxes payable | | 12,160 | | 13,358 |
| Accrued occupancy costs | | 2,437 | | 3,794 |
| Other payables and accrued liabilities | | 23,645 | | 25,643 |
| | $ | 172,482 | $ | 195,296 |

## 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 3,488,373 provided that no more than 696,130 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, 2023, 787,113 Shares are available to be issued under the Incentive Plan (2022 - 1,605,373).

**Stock Options**

Stock options issued under the Incentive Plan are administered by the Board of Directors which establishes 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 are accounted for as equity-settled.

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

Cineplex recorded $1,289 of employee benefits expense with respect to the options during the year ended December 31, 2023 (2022 - $1,563). The intrinsic value of vested share options at December 31, 2023 is $2,464 (2022 - $nil), based on the closing Share price of $8.37 per share (2022 - $8.05).

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

| | | 2023 | | 2022 | |
|---|---|---|---|---|---|
| | **Weighted average remaining contractual life (years)** | **Number of underlying shares** | **Weighted average exercise price** | **Number of underlying shares** | **Weighted average exercise price** |
| Options outstanding, January 1 | 7 | 2,102,818 | $ 18.90 | 2,198,805 | $ 21.48 |
| Granted | | 461,786 | 8.71 | 223,578 | 13.39 |
| Forfeited | | (190,122) | 24.65 | (285,371) | 35.75 |
| Exercised | | (13,877) | 8.25 | (34,194) | 8.25 |
| Options outstanding, December 31 | 6.71 | 2,360,605 | $ 16.51 | 2,102,818 | $ 18.90 |

At December 31, 2023 and 2022, options are vested and exercisable as follows:

| | 2023 | 2022 |
|---|---|---|
| Options vested and exercisable at $13.39 | 53,097 | — |
| Options vested and exercisable at $12.41 | 131,546 | 163,421 |
| Options vested and exercisable at $12.87 | 129,616 | 64,818 |
| Options vested and exercisable at $8.25 | 363,790 | 263,997 |
| Options vested and exercisable at $25.05 | 471,120 | 373,548 |
| Options vested and exercisable at $33.59 | 336,627 | 351,018 |
| Options vested and exercisable at $51.25 | — | 8,677 |
| Options vested and exercisable at $47.86 | — | 11,710 |
| Options vested and exercisable at $49.14 | — | 13,693 |
| Options vested and exercisable at $40.45 | — | 13,123 |
| Options vested and exercisable at $33.49 | — | 12,364 |
| Options vested and exercisable | 1,485,796 | 1,276,369 |

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

The fair value of options granted in 2023 and 2022 were determined using the Black-Scholes valuation model using the following significant inputs:

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

Upon cashless exercises, the options exercised in excess of Shares issued are cancelled and returned to the pool available for future grants. At December 31, 2023, 1,239,385 options are available for grant (2022 - 608,738).

**RSU and PSU awards**

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

**RSU**

During the first quarter of 2023, Cineplex issued 477,254 equity settled RSUs with a fair value $8.71 per unit (total fair value of $4,157 on issuance). 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 2025.

A summary of RSU activities during the years ended December 31, 2023 and 2022 is as follows:

| | 2023 | 2022 |
|---|---|---|
| RSUs outstanding, January 1 | 565,278 | 536,374 |
| Granted | 477,254 | 284,661 |
| Settled | (250,563) | (229,450) |
| Forfeited | (82,452) | (26,307) |
| RSUs outstanding, December 31 | 709,517 | 565,278 |

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

**PSU**

During the first quarter of 2023, Cineplex issued 307,551 equity settled PSUs with a fair value of $8.71 per unit (total fair value of $2,679 on issuance). The fair value was assessed based on Cineplex's closing Share price on the grant date. The PSU awards issued will vest in the fourth quarter of 2025. Compensation expense is recorded based on the number of units expected to vest, the current market price of Cineplex's 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, 2023 and 2022 is as follows:

| | 2023 | 2022 |
|---|---|---|
| PSUs outstanding, January 1 | 331,532 | 411,258 |
| Granted | 307,551 | 177,973 |
| Settled | (96,018) | (232,773) |
| Forfeited | (74,180) | (24,926) |
| PSUs outstanding, December 31 | 468,885 | 331,532 |

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, 2023, Cineplex recognized compensation cost of $4,910 (2022 - $4,933) under the Incentive Plan relating to RSU and PSU awards. At December 31, 2023, $nil (2022 - $320) was included in current share-based compensation liability and $5,390 in contributed surplus (2022 - $4,406).

The RSUs and PSUs associated with the 2020 and 2021 LTIP were equity-settled in 2022 and 2023, respectively.

**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, 2023, Cineplex recognized compensation expense of $128 (2022 recovery - $2,099) associated with the deferred equity units. At December 31, 2023, $4,470 (2022 - $3,432) 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, 2023 and 2022:

| | Property | Equipment | Total |
|---|---|---|---|
| **Year ended December 31, 2023** | | | |
| Opening balance | $ 1,091,282 | $ 9,357 | 1,100,639 |
| Additions | 26,724 | 148 | 26,872 |
| Extensions and modifications | 52,457 | 1,055 | 53,512 |
| Reclassified to held for sale | (8,895) | — | (8,895) |
| Tenant inducement | 10,292 | — | 10,292 |
| Lease payment | (166,388) | (4,483) | (170,871) |
| Interest expense from continuing operations | 66,037 | 456 | 66,493 |
| Interest expense from discontinued operations | 673 | — | 673 |
| Disposals | — | (196) | (196) |
| Foreign exchange rate changes | (85) | — | (85) |
| Closing lease obligations | $ 1,072,097 | $ 6,337 | $ 1,078,434 |
| Less: current portion | 82,848 | 2,182 | 85,030 |
| Non-current portion of lease obligations of continuing operations | $ 989,249 | $ 4,155 | $ 993,404 |

| | 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 from continuing operations | 60,677 | 579 | 61,256 |
| Interest expense from discontinued operations | 586 | — | 586 |
| 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 |

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:

| | 2023 | 2022 (Revised - Note 2) |
|---|---|---|
| Less than one year | $ 166,482 | $ 166,100 |
| One to five years | 659,731 | 631,544 |
| More than five years | 855,867 | 704,989 |
| Total undiscounted lease obligations | $ 1,682,080 | $ 1,502,633 |

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

| | 2023 | 2022 (Revised - Note 2) |
|---|---|---|
| Depreciation expense on right-of-use assets | $ 87,657 | $ 93,512 |
| Interest expense on lease obligations | $ 66,493 | $ 61,256 |
| Expense relating to variable lease payments not included in the measurement of the lease obligations (i) | $ 51,230 | $ 52,316 |

(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, 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.

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, 2023 were not material.

## 15. Long-term debt

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

| | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| | Book Value | Face Value | Book Value | Face Value |
| Credit Facilities | $ 298,000 | $ 298,000 | $ 327,000 | $ 327,000 |
| Convertible Debentures (i) | 272,469 | 316,250 | 252,078 | 316,250 |
| Notes Payable (i) | 246,970 | 250,000 | 245,810 | 250,000 |
| Total | $ 817,439 | $ 864,250 | $ 824,888 | $ 893,250 |

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

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

| **Interest expense** | **Full Year 2023** | **Full Year 2022** |
|---|---|---|
| Interest expense on long-term debt | $ 59,331 | $ 62,800 |
| Lease interest expense (i) | 66,058 | 60,840 |
| Financing fees | 1,060 | 1,293 |
| Sub-total - cash interest expense from continuing operations | **$ 126,449** | **$ 124,933** |
| Deferred financing fee accretion and other non-cash interest, net | 601 | 553 |
| Accretion expense on Debentures and Notes Payable | 21,551 | 18,677 |
| Interest rate swap - non-cash | 6,337 | (22,072) |
| Sub-total - non-cash interest expense from continuing operations | **28,489** | **(2,842)** |
| Total interest expense from continuing operations | **$ 154,938** | **$ 122,091** |
| Total cash interest paid from continuing operations | **$ 124,321** | **$ 127,308** |

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

**Credit facilities**

Until December 13, 2023, Cineplex had bank facilities with a syndicate of lenders which included 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, CELP, the guarantors from time to time party thereto, and a syndicate of lenders dated November 13, 2018. The Term Facility was repaid in full in the first quarter of 2021 and is no longer available for future borrowing.

On December 13, 2023, Cineplex entered into the Eighth Amended and Restated Credit Agreement with the same syndicate of lenders, (the “Eighth Credit Agreement”), which extended the maturity date to November 13, 2025, and now governs the Credit Facilities on substantially the same terms, including in respect of the financial covenants.

The Eighth Credit Agreement bears interest at a floating rate based on the Canadian dollar prime rate, U.S. Base Rate, SOFR (Secured Overnight Financing Rate), CORRA (Canadian Overnight Repo Rate Average) or bankers’ acceptances rates plus, in each case, an applicable margin to those rates. Borrowings can be made in either Canadian or US dollars.

The Eighth Credit Agreement contains 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.

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

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

At December 31, 2023, the Eighth Credit Agreement consisted of the following amounts:

| | Available | Drawn | Reserved | Remaining |
|---|---|---|---|---|
| Revolving Facility | $ 541,166 | $ 298,000 | $ 8,400 | $ 234,766 |

The table below is a summary of the financial covenants under the Eighth Credit Agreement:

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

Cineplex's financial covenant ratios at the end of the last four quarters were as follows:

| Financial Covenant | Q1 2023 | Q2 2023 | Q3 2023 | Q4 2023 |
|---|---|---|---|---|
| Total Leverage Ratio | N/A | N/A | N/A | 2.68x |
| Senior Leverage Ratio | 2.86x | 2.03x | 1.48x | 1.50x |
| Fixed Charge Coverage Ratio | 1.16x | 1.30x | 1.48x | 1.46x |

One of the key financial covenants in the Eighth Credit Agreement 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 for the purposes of the Total Leverage Ratio includes amounts drawn and reserved under the Eighth Credit Agreement, financing leases, Notes Payable and letters of credit but does not include Debentures, the lease obligations arising on the adoption of IFRS 16 or a reduction for cash on hand. The definition of debt for the purposes of the Senior Leverage Ratio includes amounts drawn and reserved under the Eighth Credit Agreement, financing leases and letters of credit but does not include Notes Payable, Debentures, the lease obligations arising on the adoption of IFRS 16 or a reduction for cash on hand. For the purpose of the Eighth Credit Agreement definition, EBITDA is adjusted for certain non-cash, non-recurring items, excluded subsidiaries and the annualized impact of new operating locations or acquisitions.

While Cineplex is forecasting compliance of the financial covenants for at least the next twelve month period, the projected compliance is sensitive to a fluctuation in the quarterly cash flow projections. Cineplex monitors compliance on an ongoing basis and is able to safeguard against any potential breach of a covenant through measures including obtaining further agreement amendments, raising capital through issuance of debt, or a decrease in discretionary capital expenditures.

At December 31, 2023, Cineplex was subject to a margin of 1.75% (2022 - 3.00%) on the prime rate and margin of 2.75% (2022 - 4.00% on bankers' acceptances) on the CORRA advances and SOFR advances, plus a 0.25% (2022 - 0.25%) per annum fee for letters of credit issued. The average interest rate on borrowings under the Credit Facilities and the Eighth Credit Agreement was 5.65% for the year ended December 31, 2023 (2022 - 6.90%). Cineplex pays a commitment fee on the daily unadvanced portion of the Eighth Credit Agreement, which will vary based on certain financial ratios and was 0.6875% at December 31, 2023 (2022 - 1.00%).

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

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, 2023, including swaps 1 and 2 which matured on November 14, 2023:

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

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

Based on the Eighth Credit Agreement in effect at December 31, 2023 Cineplex's effective cost of borrowing on the first $150,000 hedged borrowings was 5.648% (December 31, 2022 - $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, 2023** | **December 31, 2022** |
|---|---|---|
| Face value of convertible debentures outstanding | $ 316,250 | $ 316,250 |
| Unaccreted deferred financing fees and discount | (43,781) | (64,172) |
| Convertible debentures | $ 272,469 | $ 252,078 |

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.

The Debentures were 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

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

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, 2023, Cineplex recorded accretion and cash interest expense on the Debentures of $20,390 (2022 - $17,606) and $18,184 (2022 - $18,184), respectively, both of which are included as part of the interest expense in the consolidated statement of operations. As at December 31, 2023, Cineplex has $316,250 principal amount of Debentures outstanding. The residual value was allocated to the equity component less the pro-rata portion of transaction costs as prescribed by IFRS 9, *Financial instruments* and IAS 32, *Financial instruments: Presentation*.

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

**Notes payable**

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Face value of Notes Payable | $ 250,000 | $ 250,000 |
| Unaccreted deferred financing fees and discount | (3,030) | (4,190) |
| Notes Payable | $ 246,970 | $ 245,810 |

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.

During the year ended December 31, 2023, Cineplex recorded accretion and cash interest expense on the Notes Payable of $1,160 (2022 - $1,071) and $18,750 (2022 - $18,750), respectively, both of which are included as part of interest expense in the consolidated statement of operations. As at December 31, 2023, Cineplex has $250,000 principal amount of Notes Payable outstanding. Cineplex's derivative financial instrument on the Notes Payable relates to the early prepayment option that fluctuates in value based on market interest rates. The fair value of the embedded derivative was determined using an option pricing model with observable market inputs and are consistent with accepted methods for valuing financial instruments. Cineplex has estimated the fair value of this embedded derivative at $5,590 as at December 31, 2023 (2022 - $2,980) which is presented on the consolidated balance sheets as a derivative financial instrument.

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

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

## 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 $7,965 at December 31, 2023 (December 31, 2022 - $7,784), which is substantially unfunded. Annual benefits payable are $650 upon retirement 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:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| DB SERP obligation, net of assets | $ | 5,974 | $ | 5,793 |
| Famous Players Plans obligations | | 1,140 | | 1,177 |
| Net post-retirement benefit obligation | $ | 7,114 | $ | 6,970 |

*Reconciliation of the net post-retirement benefit obligations*

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Accrued benefit obligations | | | | |
| Balance - Beginning of year | $ | 8,961 | $ | 11,537 |
| Past service cost - vested benefits | | — | | 4 |
| Interest cost | | 454 | | 330 |
| Benefits paid | | (115) | | (123) |
| Actuarial gains | | (195) | | (2,787) |
| Balance - End of year | $ | 9,105 | $ | 8,961 |
| Less: Fair value of plan assets | $ | 1,991 | $ | 1,991 |
| Net post-retirement benefit obligation | $ | 7,114 | $ | 6,970 |

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

*Significant assumptions*

| | 2023 | 2022 |
|---|---|---|
| Accrued benefit obligations at December 31 | | |
| Discount rate - all plans | 4.60% | 5.10% |
| Health care cost trend rates at December 31 | | |
| Initial rate | 4.00% | 5.60% |
| 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.

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Impact of 1% increase in the discount rate | $ | (792) | $ | (780) |
| Impact of 1% decrease in the discount rate | $ | 919 | $ | 905 |

## 17. Other liabilities

Other liabilities consist of the following:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Asset retirement obligations | $ | 2,698 | $ | 2,730 |
| Licensing obligations - non-current | | 249 | | 402 |
| Deferred consideration - AMC business acquisition | | 3,134 | | 3,134 |
| Other, including provisions | | 164 | | 194 |
| | $ | 6,245 | $ | 6,460 |

(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, 2023 and 2022 and transactions during the periods are as follows:

| 2023 | | Amount |
|---|---|---|
| | Number of common shares issued and outstanding | Share capital |
| Balance - December 31, 2022 | 63,375,400 | $ 852,697 |
| Issuance of shares on exercise of options | 1,566 | 44 |
| Issuance of shares on settlement of RSU/PSU units | 307,315 | 3,955 |
| Balance - December 31, 2023 | 63,684,281 | $ 856,696 |

| 2022 | | Amount |
|---|---|---|
| | Number of common shares issued and outstanding | Share capital |
| Balance - December 31, 2021 | 63,344,298 | $ 852,465 |
| Issuance of shares on exercise of options | 20,009 | 196 |
| Issuance of shares on settlement of RSU/PSU units | 11,093 | 36 |
| Balance - December 31, 2022 | 63,375,400 | $ 852,697 |

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

## 19. Revenue

The following tables disclose the changes in deferred revenue and other for the year ended December 31, 2023 and 2022:

| | December 31, 2022 | Additions | Recognized | Reclassified to held for sale | December 31, 2023 |
|---|---|---|---|---|---|
| Gift cards | $ 172,615 | $ 94,793 | $ 105,800 | $ — | $ 161,608 |
| SCENE loyalty program | 22,445 | — | 6,458 | — | 15,987 |
| Advances, deposits and other | 25,467 | 44,782 | 48,000 | 2,515 | 19,734 |
| | $ 220,527 | $ 139,575 | $ 160,258 | $ 2,515 | $ 197,329 |

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 and are not reflected in deferred revenue on the balance sheet.

| | 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 |

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 $344 (2022 - $5,100) remains in advances, deposits and other and will be recognized as future performance obligations are completed. During the third quarter of 2023, the remaining $200 (2022 - $2,500) in accounts payable and accrued liabilities, was recognized.

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

The following tables provide the disaggregation of revenue into categories by nature for the three months and year ended December 31, 2023 and 2022:

| **Box revenues** | **Year ended December 31, 2023** | **2022** |
|---|---|---|
| Box office revenues | $ 599,903 | $ 461,272 |

| **Food service revenues** | **Year ended December 31, 2023** | **2022** |
|---|---|---|
| Food service - theatres | $ 425,865 | $ 331,567 |
| Food delivery - theatres | 8,568 | 10,125 |
| Food service - location-based entertainment | 48,716 | 39,694 |
| Total food service revenues | $ 483,149 | $ 381,386 |

| **Media revenues** | **Year ended December 31, 2023** | **2022** |
|---|---|---|
| Cinema media | $ 80,057 | $ 72,275 |
| Digital place-based media | 38,598 | 39,453 |
| Total media revenues | $ 118,655 | $ 111,728 |

| **Amusement revenues** | **Year ended December 31, 2023** | **2022 (Revised - Note 2)** |
|---|---|---|
| Amusement revenue - exhibition | $ 16,207 | $ 12,284 |
| Amusement revenue - LBE | 80,300 | 68,636 |
| Total amusement revenues | $ 96,507 | $ 80,920 |

| **Other revenues** | **Year ended December 31, 2023** | **2022** |
|---|---|---|
| Other revenues | $ 90,680 | $ 67,575 |

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

## 20. Other costs

| | Year ended December 31, 2023 | Year ended December 31, 2022 (Revised - Note 2) |
|---|---|---|
| Employee wages, salaries and benefits | $ 278,694 | $ 229,089 |
| Variable rent | 4,209 | 748 |
| Realty and occupancy taxes and maintenance fees | 71,514 | 66,090 |
| Utilities | 32,611 | 30,781 |
| Purchased services | 71,750 | 55,609 |
| Other inventories consumed, including amusement and digital place-based media | 24,580 | 51,987 |
| Repairs and maintenance | 42,805 | 35,402 |
| Advertising and promotion | 40,633 | 28,823 |
| Office and operating supplies | 11,835 | 11,044 |
| Licenses and franchise fees | 16,355 | 15,521 |
| Insurance | 6,463 | 5,794 |
| Professional and consulting fees | 9,394 | 8,905 |
| Telecommunications and data | 4,649 | 5,068 |
| Bad debts | 145 | (229) |
| Equipment rental | 1,528 | 1,495 |
| Business interruption insurance proceeds | (1,136) | — |
| Other costs | 8,742 | 7,456 |
| | $ 624,771 | $ 553,583 |

Cineplex recognized nominal subsidies during 2023 compared to material subsidies during the year ended December 31, 2022, summarized below.

| **Subsidies** | **Year ended December 31, 2022** |
|---|---|
| Wage subsidy (CEWS and THRP) | $ 21,612 |
| Rent subsidy (CERS and THRP) | 3,461 |
| Realty tax subsidy | 3,731 |
| Utility subsidy | 2,069 |
| Total | $ 30,873 |

Net income from discontinued operations on the Statement of Operations also includes subsidies in the amount of $2,817 for the year to date period (2022 - $788).

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

## 21. Earnings (loss) per share

### Basic

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

| | Year ended December 31, 2023 | Year ended December 31, 2022 (Revised - Note 2) |
|---|---|---|
| Net income (loss) from continuing operations | $ 138,051 | $ (9,679) |
| Weighted average number of shares outstanding | 63,401,529 | 63,359,240 |
| Earnings (loss) per share from continuing operations - basic | $ 2.18 | $ (0.15) |
| Earnings per share from discontinued operations - basic | $ 0.46 | $ 0.15 |
| Earnings per share - basic | $ 2.64 | $ — |

### Diluted

Diluted earnings (loss) per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the outstanding shares for the period), based on the monetary value of the rights attached to the potentially dilutive shares. The number of shares calculated above is compared with the number of shares that would have been issued assuming exercise of conversions, exchanges or options. For the year ended December 31, 2023, dilutive shares that have been included in the current period were 26,191 potential shares that would be issued under the treasury stock method and 28,907,678 potential shares that would be issued under the if-converted method relating to debenture units outstanding. The options and debentures were anti-dilutive in 2022, as applicable.

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

| | Year ended December 31, 2023 | 2022 (Revised - Note 2) |
|---|---|---|
| Net income (loss) from continuing operations | $ 138,051 | $ (9,679) |
| Adjustments for convertible debentures | 28,430 | — |
| Diluted net income (loss) | $ 166,481 | $ (9,679) |
| Weighted average number of shares outstanding | 63,401,529 | 63,359,240 |
| Adjustments for stock options | 26,191 | — |
| Adjustments for convertible debentures | 28,907,678 | — |
| Weighted average number of shares for diluted EPS | 92,335,398 | 63,359,240 |
| Earnings (loss) per share from continuing operations - diluted | $ 1.80 | $ (0.15) |
| Earnings per share from discontinued operations - diluted | $ 0.32 | $ 0.15 |
| Earnings per share - diluted | $ 2.12 | $ — |

## 22. Operating segments

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

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

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

**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.

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

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

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.

**Amusement Solutions (P1AG)**
Through November 22, 2023, Cineplex reported a fourth reportable segment, Amusement Solutions, which was comprised of revenues and costs associated with operating and distributing amusement, gaming and vending equipment.

The following tables disclose the results of the Film Entertainment and Content, Media, and Location-Based Entertainment segments for the year ended December 31, 2023 and 2022:

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

| Year ended December 31, 2023 | Film Entertainment and Content (i) | Media (i) | Location-Based Entertainment | Corporate and other (iii) | Consolidated Continuing Operations | Discontinued Operations Amusement Solutions (P1AG) |
|---|---|---|---|---|---|---|
| **Major product and service lines** | | | | | | |
| Box office | $ 599,903 | $ — | $ — | $ — | $ 599,903 | |
| Food service | 434,433 | — | 48,716 | — | 483,149 | |
| Media | — | 117,281 | 1,374 | — | 118,655 | |
| Amusement | 16,207 | — | 80,300 | — | 96,507 | 193,759 |
| Other | 88,692 | — | 1,988 | — | 90,680 | |
| **Total revenues** | $ 1,139,235 | $ 117,281 | $ 132,378 | $ — | $ 1,388,894 | $ 193,759 |
| **Primary geographical markets** | | | | | | |
| Canada | $ 1,139,235 | $ 108,053 | $ 132,378 | $ — | $ 1,379,666 | $ 70,910 |
| United States and other countries | — | 9,228 | — | — | 9,228 | 122,849 |
| **Total revenues** | $ 1,139,235 | $ 117,281 | $ 132,378 | $ — | $ 1,388,894 | $ 193,759 |
| **Timing of revenue recognition** | | | | | | |
| Transferred at a point in time | $ 1,139,235 | $ 12,680 | $ 132,378 | $ — | $ 1,284,293 | $ 193,759 |
| Transferred over time | — | 104,601 | — | — | 104,601 | — |
| **Total revenues** | $ 1,139,235 | $ 117,281 | $ 132,378 | $ — | $ 1,388,894 | $ 193,759 |
| **Adjusted EBITDAaL** | $ 131,237 | $ 65,514 | $ 31,714 | $ (71,102) | $ 157,363 | $ 35,732 |
| 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: | | | | | (11,449) | (1,180) |
| Other adjustments (ii) | | | | | 1,895 | (877) |
| Depreciation and amortization - other assets | | | | | 88,881 | 10,680 |
| Interest expense - other | | | | | 88,445 | 65 |
| Interest income | | | | | (897) | — |
| Provision for income taxes | | | | | (147,563) | (2,069) |
| **Net income from continuing operations and discontinued operations** | | | | | $ 138,051 | $ 29,113 |
| **Other operating segment disclosures** | | | | | | |
| Depreciation - right-of-use assets | $ 80,623 | $ 2,091 | $ 4,501 | $ 442 | $ 87,657 | $ 2,640 |
| Depreciation and amortization - other assets | $ 65,411 | $ 4,983 | $ 18,487 | $ — | $ 88,881 | $ 10,680 |
| Interest expense - lease obligations | $ 59,677 | $ 429 | $ 5,612 | $ 775 | $ 66,493 | $ 673 |
| Goodwill balance | $ 413,915 | $ 206,385 | $ — | $ — | $ 620,300 | $ 15,618 |

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

| Year ended December 31, 2022 | Film Entertainment and Content (i) | Media (i) | Location-Based Entertainment | Corporate and other (iii) | Consolidated Continuing Operations | Discontinued Operations Amusement Solutions (P1AG) |
|---|---|---|---|---|---|---|
| **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 | — | 68,636 | — | 80,920 | 165,681 |
| Other | 66,127 | — | 1,448 | — | 67,575 | |
| **Total revenues** | $ 881,375 | $ 110,674 | $ 110,832 | $ — | $ 1,102,881 | $ 165,681 |
| **Primary geographical markets** | | | | | | |
| Canada | $ 881,375 | $ 102,515 | $ 110,832 | $ — | $ 1,094,722 | $ 54,687 |
| United States and other countries | — | 8,159 | — | — | 8,159 | 110,994 |
| **Total revenues** | $ 881,375 | $ 110,674 | $ 110,832 | $ — | $ 1,102,881 | $ 165,681 |
| **Timing of revenue recognition** | | | | | | |
| Transferred at a point in time | $ 881,375 | $ 15,037 | $ 110,832 | $ — | $ 1,007,244 | $ 165,681 |
| Transferred over time | — | 95,637 | — | — | 95,637 | — |
| **Total revenues** | $ 881,375 | $ 110,674 | $ 110,832 | $ — | $ 1,102,881 | $ 165,681 |
| **Adjusted EBITDAaL** | $ 26,976 | $ 60,393 | $ 31,294 | $ (64,462) | $ 54,201 | $ 27,471 |
| 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: | | | | | (11,199) | (1,464) |
| Other adjustments (ii) | | | | | (54,341) | 1,500 |
| Depreciation and amortization - other assets | | | | | 89,466 | 15,731 |
| Interest expense - other | | | | | 60,835 | (9) |
| Interest income | | | | | (277) | — |
| Provision for income taxes | | | | | (724) | 1,921 |
| (Reversal) impairment of long-lived assets | | | | | (19,880) | — |
| **Net (loss) income from continuing operations and discontinued operations** | | | | | $ (9,679) | $ 9,792 |
| **Other operating segment disclosures** | | | | | | |
| Depreciation - right-of-use assets | $ 86,711 | $ 2,803 | $ 3,574 | $ 424 | $ 93,512 | $ 2,005 |
| Depreciation and amortization - other assets | $ 66,976 | $ 4,916 | $ 17,574 | $ — | $ 89,466 | $ 15,731 |
| Interest expense - lease obligations | $ 54,655 | $ 561 | $ 5,192 | $ 848 | $ 61,256 | $ 586 |
| Goodwill balance | $ 413,915 | $ 206,385 | $ — | $ — | $ 620,300 | $ 15,834 |

(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 on disposal of assets, CDCP equity income, 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. 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 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, 2023, Cineplex earned revenue of $526 for these services (2022 - $602).

Cineplex incurred marketing expenses related to Scene+ point issuances from Scene LP in the amount of $24,904 for the year ended December 31, 2023 (2022 - $16,933).

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

**Compensation of key management**

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

| | 2023 | 2022 |
|---|---|---|
| Salaries and short-term employee benefits | $ 4,553 | $ 4,072 |
| Post-employment benefits | 113 | 111 |
| Share-based compensation | 2,827 | 2,795 |
| | $ 7,493 | $ 6,978 |

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

## 24. Changes in operating assets and liabilities

The following summarizes the changes in operating assets and liabilities:

| | Year ended December 31, 2023 | 2022 (Revised - Note 2) |
|---|---|---|
| Trade and other receivables | $ 16,451 | $ (30,339) |
| Inventories | (311) | (1,904) |
| Prepaid expenses and other current assets | 253 | (2,234) |
| Accounts payable and accrued liabilities | (7,792) | 38,725 |
| Income taxes receivable | (759) | (19) |
| Deferred revenue | (19,718) | (29,658) |
| Post-employment benefit obligations | (24) | (691) |
| Share-based compensation | 696 | (1,416) |
| Other liabilities | (148) | (1,050) |
| | $ (11,352) | $ (28,586) |

Property, equipment and leasehold purchases included in accounts payable and accrued liabilities as at December 31, 2023, are $9,991 (2022 - $10,523).

## 25. Commitments and contingencies

### Commitments

As of December 31, 2023, Cineplex has aggregate capital commitments as follows:

| | |
|---|---|
| Capital commitments for operating locations to be completed or renovated during 2024 | $ 51,408 |

**Contingencies**

*Competition Bureau's Allegation that Cineplex's Online Booking Fee Constitutes Misleading Advertising and Drip Pricing*

On May 18, 2023, the Competition Bureau filed a Notice of Application, commencing legal action against Cineplex, alleging that Cineplex's online booking fee is misleading and constitutes "drip pricing".

The Notice of Application lists various grounds of relief including an administrative penalty and an order requiring the return of online booking fee sums in an amount to be determined. The Notice of Application does not specify a figure or quantum of damages sought. On a finding of contravention, the *Competition Act* provides for a wide range of amounts regarding administrative monetary penalties, some of which could be material.

Cineplex strongly denies the allegations and believes that they are without merit. Cineplex believes that the online booking fee fully complies with the letter and spirit of the law. Cineplex filed its response to the Notice of

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

Application on June 30, 2023 and the Competition Bureau filed its reply on July 14, 2023. The parties are in the process of conducting the various steps necessary for this matter to be heard by the Competition Tribunal in the first quarter of 2024. Cineplex believes that this matter will not have a material adverse effect on its operating results, financial position, or cash flows. No amount has been accrued in Cineplex's consolidated financial statements, and online booking fee revenue continues to be recognized. Cineplex has recognized approximately $39,000 in online booking fee revenues since inception through December 31, 2023.

*Cineworld*

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.

## 26. Financial instruments

### Fair value of financial instruments

The carrying value and fair value of Cineplex's financial instruments at December 31, 2023 and 2022 are as follows:

| | | **2023** | | **2022** | |
|---|---|---|---|---|---|
| **Liability (Asset)** | **Input level** | **Carrying value** | **Fair value** | **Carrying value** | **Fair value** |
| Convertible debentures | 1 | 339,268 | 315,618 | 318,878 | 303,600 |
| Notes payable | 2 | 246,970 | 252,264 | 245,810 | 247,188 |
| Credit Facility | 2 | 298,000 | 298,000 | 327,000 | 327,000 |
| Other liabilities - equipment liabilities | 2 | 413 | 413 | 1,095 | 1,095 |
| Interest rate swap agreements, net | 2 | (4,326) | (4,326) | (11,419) | (11,419) |
| Deferred consideration - AMC | 2 | 3,134 | 3,134 | 3,134 | 3,134 |
| Embedded derivative on notes payable | 2 | 5,590 | 5,590 | 2,980 | 2,980 |

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.

The Credit Facility bank debt is considered a Level 2 fair value measurement. The carrying value of the Credit Facility 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, 6.7%. The equipment liabilities are included in accounts payable and accrued liabilities (current portion) and in other liabilities on the balance sheet.

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

The purpose of the interest rate swap agreements is to act as an economic hedge of the floating interest rate payable on Cineplex's first $150,000 of borrowings ($450,000 until November 14, 2023). 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, 2023.

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

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

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

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 28, Significant accounting policies, judgments and estimation uncertainty, for Cineplex's policy on impairment of financial assets.

The following schedule reflects the balance and age of trade receivables at December 31, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Trade receivables carrying value | $ 85,073 | $ 84,220 |
| Percentage past due | 20% | 25% |
| Percentage outstanding more than 120 days | 2% | 4% |

The following schedule reflects the changes in the expected credit loss for trade receivables during the years ended December 31, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Expected credit loss for trade receivables - Beginning of year | $ 907 | $ 1,230 |
| Expected credit loss (reversed) or recorded | (182) | (296) |
| Amounts written off | (314) | (27) |
| Reclassified to held for sale | 58 | — |
| Expected credit loss for trade receivables - End of year | $ 469 | $ 907 |

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:

| | | | | | **2023** |
|---|---|---|---|---|---|
| | | | | | **Payments due by period** |
| **Contractual obligations** | **Total** | **Within 1 year** | **2 - 3 years** | **4 - 5 years** | **After 5 years** |
| Accounts payable and accrued liabilities | $ 172,482 | $ 172,482 | $ — | $ — | $ — |
| Credit Facility | 298,000 | — | 298,000 | — | — |
| Interest on Credit Facility | 31,409 | 16,831 | 14,578 | — | — |
| Equipment obligations | 413 | 160 | 253 | — | — |
| Deferred consideration - AMC | 3,134 | — | 3,134 | — | — |
| Convertible debentures | 316,250 | — | 316,250 | — | — |
| Convertible debentures interest | 31,785 | 18,184 | 13,601 | — | — |
| Notes payable | 250,000 | — | 250,000 | — | — |
| Notes payable interest | 40,454 | 18,750 | 21,704 | — | — |
| Total contractual obligations | $1,143,927 | $ 226,407 | $ 917,520 | $ — | $ — |

| | | | | | **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 | $ — |

Existing lease commitments are disclosed in note 14, Lease obligations. Cineplex also has significant new theatre and other capital commitments (note 25, 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.

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

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. 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, 2023 would have increased other comprehensive income by $3,665 and increased net income by $848. An assumed decrease of 10% in exchange rates at December 31, 2023 would have decreased other comprehensive income by $3,855 and decreased net income by $848.

**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, 2023, Cineplex recorded non-cash interest expense of $6,337 relating its interest rate swaps (2022 - interest income of $22,072).

(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, 2023 and 2022 of a 1% change in interest rates management believes is reasonably possible:

| | | | | **2023** |
|---|---|---|---|---|
| | | **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 | $ 298,000 | $ 3,434 | $ (3,434) | |
| Interest rate swap agreements - net | (4,326) | (2,483) | 2,639 | |
| | | $ 951 | $ (795) | |

| | | | | **2022** |
|---|---|---|---|---|
| | | **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 | $ 327,000 | $ 3,351 | $ (3,351) | |
| Interest rate swap agreements - net | (11,419) | (5,944) | 6,398 | |
| | | $ (2,593) | $ 3,047 | |

The carrying value of the interest rate swaps asset was $4,326 at December 31, 2023. If interest rates changed plus or minus 1% from existing estimates throughout the contract period, the carrying value would increase to $6,965 or decrease to $1,843, primarily affecting interest expense.

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

## 27. 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.

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 3.25 to 1, and will be reduced to 3.00 to 1 beginning the first quarter of 2024. 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. 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. In 2024, Cineplex is focused on reducing debt balance through the application of proceeds from the sale of P1AG, extending maturities, removing restrictions, and modifying the relative composition of its long-term debt, convertible debentures, and notes payable.

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

## 28. Material accounting policies, judgments and estimation uncertainty

### Material accounting policies

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

### Basis of preparation and measurement

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 three reportable operating segments, Film Entertainment and Content, Media, and Location-Based Entertainment. The reportable segments are business units offering differing products and services. Details of Cineplex's three 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.

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

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.

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.

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

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.

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, 2023.

**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.

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

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.

**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

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

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.

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.

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

**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.

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.

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.

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.

**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. 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

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

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.

*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.

Until January 31, 2024, Cineplex (through P1AG) operated 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.

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

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.

**Film rental costs**

Film rental costs are recorded based on the terms of the respective film license 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.

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. During the second quarter of 2023, Cineplex assessed the recoverability of net deferred income tax assets and determined that the expected return to profitability provided a reasonable expectation that previously derecognized net deferred income tax assets will be utilized to offset future periods of taxable income, resulting in income tax recovery of approximately $150,225 in the second quarter of 2023. 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 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.

IFRS 5, Non-current assets held for sale and discontinued operations

Cineplex has met the criteria of recording Player One Amusement Group as a discontinued operation under IFRS 5, *Non-current assets held for sale and discontinued operations.* Therefore, effective with the quarter ended December 31, 2023, Player One Amusement Group's financial performance and cash flows are presented in these unaudited interim condensed consolidated financial statements as discontinued operations on a retroactive basis. Additional disclosures regarding presentation of financials for the three months and year ended December 31, 2023 and 2022 are provided in note 2, Assets held for sale and discontinued operations.

As per IFRS 5, non-current assets and disposal groups should be classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use, and measured at the lower of their carrying amount and fair value less costs to sell and are no longer depreciated or amortized. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification are regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Assets and liabilities classified as held for sale are presented separately as current items on the consolidated balance sheet. A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale and:

- represents a separate major line of business or geographical area of operations,
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as after tax profit or loss from discontinued operations in the consolidated statement of operations and comparative periods have been restated.

**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.

The following amendments have been adopted by Cineplex without material effect:

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

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

IAS 8, Definition of accounting estimates

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

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

In December 2020 the IASB issued classification of liabilities as current or non-current (2020 amendments). The 2020 amendments clarified aspects of how entities classify liabilities as current or non-current. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. Cineplex has determined that the changes have no material impact on Cineplex's consolidated financial statement presentation, and is evaluating disclosures.

## 29. Subsequent events

### *P1AG Sale*

On February 1, 2024, Cineplex closed the sale of 100% of the issued and outstanding shares of P1AG for cash proceeds of $155,000, subject to customary post-closing adjustments. Cineplex expects to recognize a material gain in the first quarter of 2024. The proceeds of the sale were used to repay bank debt. Refer to note 2, Assets held for sale and discontinued operations for further discussion.

*Class Action Lawsuits*

On January 23, 2024, two separate class-action lawsuits were filed against Cineplex in British Columbia and Quebec. Similar to the above noted allegations from the Competition Bureau, the lawsuits allege that Cineplex's online booking fees are misleading and constitute "drip pricing" in contravention of Canada's *Competition Act*. The two class-actions seek to include all Canadians who purchased a Cineplex movie ticket and were charged an online booking fee. The quantum of monetary penalties that may arise from any adverse judgement in the future is not-yet known to Cineplex. Cineplex believes that this matter will not have a material adverse effect on its operating results, financial position, or cash flows.

## BOARD OF DIRECTORS

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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

Gord Nelson
Chief Financial Officer
Cineplex Inc.

Mahsa Rejali
Vice President,
Corporate Development & Investor Relations
Cineplex Inc.

Email: investorrelations@cineplex.com
Address: Cineplex Inc.
1303 Yonge Street
Toronto, ON M4T 2Y9

**STOCK EXCHANGE LISTING**
The Toronto Stock Exchange CGX

**AUDITORS**
PricewaterhouseCoopers LLP
Toronto, ON

**TRANSFER AGENT**
TSX Trust Company
Toronto, ON
416-682-3860
800-387-0825
Email: shareholderinquiries@tmx.com
www.tsxtrust.com

**ANNUAL MEETING**
Wednesday May 22, 2024
9:00AM EDT
Virtual