



2019

THIRD QUARTER

September 30, 2019

LETTER TO SHAREHOLDERS

Dear fellow shareholders,

As a result of strong growth across all of our businesses, Cineplex delivered an impressive third quarter, including record total revenue of \$418.4 million, up 8.3%, and a 21.2% increase in adjusted EBITDAaL, compared to the prior year, as we further executed on our diversification strategy.

Recognizing the quarter's strong film slate, theatre attendance increased 1.8% and box office revenue increased 2.6%. We achieved third quarter records for food service and amusement revenue and achieved an all-time quarterly record for digital place-based media revenue. New third quarter records were also achieved for BPP of \$10.16 and CPP of \$6.68, as we grew transaction size through expanded offerings in our theatres.

Key accomplishments during the quarter included a 30.6% increase in media revenue, primarily the result of robust showtime and pre-show advertising sales and higher digital place-based media project installations from new and existing clients. We opened our first reinvented Playdium entertainment complex in Brampton, Ontario; added Canada's second 4DX auditorium at *Scotiabank Theatre Chinook* in Calgary, Alberta; and announced a partnership with Cineplex Digital Media and AMC to manage and enhance a digital signage network at approximately 630 locations across the United States. We also celebrated our 10-million-member milestone for SCENE, reaching 10.1 million members as of September 30.

As a direct result of regulatory amendments made by the Quebec government in partnership with Cineplex, we announced plans for the province's first location of *The Rec Room* at Royalmount in Montreal, in addition to announcing plans for a new *Cineplex VIP Cinemas* in the same complex. Finally, during the quarter, we initiated a review process and engaged a financial adviser to identify a strategic equity partner to further develop the WorldGaming Network business. At its conclusion, we may retain a minority interest in the operations of the esports business.

In summary, Cineplex experienced a very strong third quarter by capitalizing on the robust film lineup and continuing to execute on our diversification strategy. These results are a great example of how our other businesses continue to build scale and make more meaningful contributions to our bottom line.

Looking ahead, I am encouraged by the outlook of film product for the remainder of the year and the ongoing growth of our diversified businesses. Together with our strategic focus on spending for growth, we remain confident that we are positioning Cineplex well for the future.

Sincerely,



Ellis Jacob
President and CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

November 13, 2019

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

Unless otherwise specified, all information in this MD&A is as of September 30, 2019 and all amounts are in Canadian dollars.

MANAGEMENT'S DISCUSSION AND ANALYSIS CONTENTS

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Non-GAAP Measures

Cineplex reports on certain non-GAAP measures that are used by management to evaluate performance of Cineplex. In addition, non-GAAP measures are used in measuring compliance with debt covenants. Because non-GAAP measures do not have standardized meanings, securities regulations require that non-GAAP measures be clearly defined and qualified, and reconciled to their nearest GAAP measure. The definition, calculation and reconciliation of non-GAAP measures are provided in Section 16, Non-GAAP measures.

Forward-Looking Statements

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

By their very nature, forward-looking statements involve inherent risks and uncertainties, including those described in Cineplex's Annual Information Form ("AIF"), its MD&A for the year ended December 31, 2018 ("Annual MD&A") and in this MD&A. Those risks and uncertainties, both general and specific, give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements. Cineplex cautions readers not to place undue reliance on these statements, as a number of important factors, many of which are beyond Cineplex's control, could cause actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to, 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 2018 Annual MD&A.

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

1. OVERVIEW OF CINEPLEX

A leading entertainment and media company, Cineplex is a top-tier Canadian brand that operates in the film entertainment and content, amusement and leisure, and media sectors. As Canada's largest film exhibitor, Cineplex welcomes over 70 million guests annually through its circuit of theatres and location-based entertainment ("LBE") venues across the country. Cineplex also operates successful businesses in digital commerce (CineplexStore.com), food service, alternative programming (Cineplex Events), cinema media (Cineplex Media), digital place-based media (Cineplex Digital Media), amusement solutions (Player One Amusement Group "PIAG") and an online esports platform for competitive and passionate gamers (WorldGaming.com "WGN"). Additionally, Cineplex operates a LBE business through Canada's newest destinations for 'Eats & Entertainment' (*The Rec Room*), and complexes designed for teens and families (*Playdium*) as well as exciting new sports and entertainment venues across Canada (*Topgolf*). Cineplex is a joint venture partner in SCENE, Canada's largest entertainment loyalty program.

Cineplex's theatre circuit is concentrated in major metropolitan and mid-sized markets. As of September 30, 2019, Cineplex owned, leased or had a joint venture interest in 1,695 screens in 165 theatres from coast to coast.

Cineplex Inc.

Management's Discussion and Analysis

Cineplex Theatre locations and screens at September 30, 2019									
Province	Locations	Screens	3D Digital Screens	UltraAVX	IMAX Screens (i)	VIP Auditoriums	D-BOX Auditoriums	Recliner Auditoriums	Other Screens (ii)
Ontario	68	732	359	41	13	43	45	96	3
Quebec	20	250	98	10	3	4	6	—	—
British Columbia	25	237	125	16	3	15	15	39	—
Alberta	19	208	112	20	2	11	16	37	2
Nova Scotia	12	91	44	1	1	—	2	—	—
Saskatchewan	6	54	28	2	1	3	2	10	—
Manitoba	5	49	26	1	1	3	2	—	—
New Brunswick	5	41	20	2	—	—	2	—	—
Newfoundland & Labrador	3	20	9	—	1	—	1	—	—
Prince Edward Island	2	13	6	—	—	—	1	—	—
TOTALS	165	1,695	827	93	25	79	92	182	5
Percentage of screens			49%	5%	1%	5%	5%	11%	—%
(i) All IMAX screens are 3D enabled. Total 3D screens including IMAX screens are 852 screens or 50% of the circuit.									
(ii) Other screens includes 4DX, <i>Cineplex Clubhouse</i> and ScreenX.									

Cineplex - Theatres, screens, and premium offerings in the last eight quarters								
	2019			2018				2017
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Theatres	165	165	165	164	165	164	163	163
Screens	1,695	1,695	1,692	1,686	1,696	1,683	1,676	1,676
3D Digital Screens	827	826	824	821	826	816	811	811
UltraAVX Screens	93	93	90	90	90	88	87	87
IMAX Screens	25	25	25	25	25	25	24	24
VIP Auditoriums	79	79	75	75	75	63	63	63
D-BOX Auditoriums	92	92	89	89	89	86	82	82
Recliner Auditoriums	182	182	173	173	173	155	149	130
Other Screens	5	4	4	4	3	2	1	1

Cineplex - LBE at September 30, 2019		
Province	<i>The Rec Room</i>	<i>Playdium</i>
Ontario	3	2
Alberta	3	—
Newfoundland & Labrador	1	—
TOTALS	7	2

1.1 FINANCIAL HIGHLIGHTS

Financial highlights (in thousands of dollars, except theatre attendance in thousands of patrons and per Share and per patron amounts)	Third Quarter			Year to Date		
	2019	2018 Revised and Restated (i)	Change (ii)	2019	2018 Revised and Restated (i)	Change (ii)
Total revenues (iii)	\$ 418,448	\$ 386,389	8.3%	\$ 1,221,926	\$ 1,184,595	3.2%
Theatre attendance	17,512	17,208	1.8%	49,511	52,280	-5.3%
Net income from continuing operations	\$ 15,100	\$ 12,342	22.3%	\$ 31,848	\$ 56,197	-43.3%
Net loss from discontinued operations	\$ (1,718)	\$ (2,133)	NM	\$ (6,429)	\$ (6,395)	NM
Net income	\$ 13,382	\$ 10,209	31.1%	\$ 25,419	\$ 49,802	-49.0%
Box office revenues per patron ("BPP") (iv)	\$ 10.16	\$ 10.07	0.9%	\$ 10.58	\$ 10.37	2.0%
Concession revenues per patron ("CPP") (iv)	\$ 6.68	\$ 6.25	6.9%	\$ 6.70	\$ 6.31	6.2%
Adjusted EBITDA (iv)	\$ 106,132	\$ 54,971	93.1%	\$ 299,257	\$ 179,006	67.2%
Adjusted EBITDAaL (i) (iv)	\$ 62,312	\$ 51,398	21.2%	\$ 168,219	\$ 167,256	0.6%
Adjusted EBITDAaL margin (i) (iv)	14.9%	13.3%	1.6%	13.8%	14.1%	-0.3%
Adjusted free cash flow (iv)	\$ 48,232	\$ 37,763	27.7%	\$ 129,328	\$ 122,004	6.0%
Adjusted free cash flow per common share of Cineplex ("Share") (iv)	\$ 0.762	\$ 0.596	27.9%	\$ 2.042	\$ 1.926	6.0%
Earnings per Share ("EPS") from continuing operations - basic and diluted	\$ 0.24	\$ 0.19	26.3%	\$ 0.50	\$ 0.89	-43.8%
EPS from discontinued operations - basic and diluted	\$ (0.03)	\$ (0.03)	—%	\$ (0.10)	\$ (0.10)	—%
EPS - basic and diluted	\$ 0.21	\$ 0.16	31.3%	\$ 0.40	\$ 0.79	-49.4%
(i) Prior period figures have been revised as applicable per IFRS 16 and restated as applicable per IFRS 5 to conform to current period presentation. See Section 12, Accounting policies and Section 17, Reconciliation for further details.						
(ii) Throughout this MD&A, changes in percentage amounts are calculated as 2019 value less 2018 value.						
(iii) All amounts are from continuing operations. See Section 12, Accounting policies.						
(iv) See Section 16, Non-GAAP measures.						

Total revenues for the third quarter of 2019 increased 8.3%, or \$32.1 million, to a third quarter record of \$418.4 million as compared to the prior year period, due to growth across all businesses including a 1.8% increase in theatre attendance. Box office revenues increased 2.6% compared to the prior year to \$177.9 million, as a result of the combined impact of the third quarter record BPP of \$10.16 and the increase in attendance. Food service revenues increased 8.6% to a third quarter record of \$125.6 million due to a third quarter record for CPP of \$6.68 combined with the increased results from LBE due to additional locations of *The Rec Room* and the new *Playdium 2.0*. Amusement revenues grew 8.0% to a third quarter record of \$58.1 million due to increased route revenue in the United States and Canada and the growth in the results from LBE venues including *The Rec Room* and *Playdium 2.0*. Media increased 30.6% to \$43.3 million with increases in both in-theatre advertising and digital place-based media revenues from higher project installations contributing to the growth. As a result of the growth in total revenue, adjusted EBITDAaL increased \$10.9 million (21.2%) to \$62.3 million and adjusted free cash flow per Share increased 27.9% to \$0.762 in the current period from \$0.596 in 2018. See Section 4, Results of Operations, for further details on revenue components.

Total revenues for the nine months ended September 30, 2019 increased 3.2% as compared to the prior year period. This was primarily due to increases of \$22.4 million (14.7%) in amusement revenues and \$22.3 million (21.3%) in media revenues partially offset by weaker box office revenues due to the weak first quarter performance. The decrease of \$18.2 million (3.4%) in box office revenues resulted from the 5.3% decrease in theatre attendance despite the 2.0% growth in the BPP to \$10.58. Adjusted EBITDAaL increased 0.6% to \$168.2 million compared to the prior year period and adjusted free cash flow per Share increased 6.0% to \$2.042 in the current period from \$1.926 in 2018.

During the quarter ended September 30, 2019, Cineplex initiated a review process of WGN's online esports business, engaging a third party adviser to identify a strategic equity partner. Cineplex may retain a minority equity interest in the operations of the business. Cineplex has measured, presented and disclosed the financial information of WGN as a discontinued operation in accordance with IFRS 5 *Non-current assets held for sale and discontinued operations* ("IFRS 5"). As a result, prior period figures have been retroactively restated to exclude the results related to discontinued

operations. Other than where disclosed, discussions of results in the MD&A reference amounts for continuing operations only.

On January 1, 2019, Cineplex adopted the new accounting standard IFRS 16, *Leases* ("IFRS 16"). The new standard has a significant impact on the balance sheet, statement of operations and statement of cash flows. Under the provisions of this standard, substantially all of Cineplex's leases are recorded on the balance sheet as right-of-use assets and corresponding lease obligations. Depreciation and interest expense related to the right-of-use asset and lease obligations are deducted in computing net income. As a result, there is a significant impact on EBITDA, as well as impacts on net income and earnings per share. There is no impact on adjusted free cash flow.

Cineplex has applied IFRS 16 using the modified retrospective approach and as a result the standard has been applied prospectively and comparative historical information has not been restated. Accordingly, new non-GAAP measures including adjusted EBITDAaL and associated adjusted EBITDAaL margin have been introduced to ensure comparability of periods. Adjusted EBITDAaL represents adjusted EBITDA as previously calculated reduced by current period cash rent which is allocated between interest expense and a reduction of the lease obligation under IFRS 16 (see Section 16, Non-GAAP measures). Presentation of prior period results have been revised to provide a similar comparator to the current period.

1.2 KEY DEVELOPMENTS IN THE THIRD QUARTER OF 2019

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

FILM ENTERTAINMENT AND CONTENT

Theatre Exhibition

- Reported third quarter box office revenues of \$177.9 million, an increase of \$4.6 million (2.6%) from \$173.3 million reported in the prior year period due to a 1.8% increase in the theatre attendance and growth in BPP.
- BPP was \$10.16, a third quarter record for Cineplex, \$0.09 (0.9%) higher than \$10.07 reported during the prior year period.
- Opened Canada's second 4DX auditorium at *Scotiabank Theatre Chinook* in Calgary, Alberta.
- Announced plans for a new Cineplex VIP Cinemas at Royalmount in Montreal, Quebec, which is expected to open in 2022. The VIP Cinemas will include five luxury auditoriums and a fully licensed lounge.

Theatre Food Service

- Reported a third quarter record for theatre food service revenues of \$117.0 million, an increase of \$9.5 million (8.9%) from the prior year period as a result of the growth in CPP and a 1.8% increase in theatre attendance.
- CPP was \$6.68, a third quarter record for Cineplex, \$0.43 (6.9%) higher than \$6.25 reported during the prior year period.
- Expanded alcohol beverage service to an additional 12 theatres, now totaling 78 (excluding VIP).
- Expanded home delivery options with the addition of a Skip the Dishes pilot program.

Alternative Programming

- Alternative Programming (Cineplex Events) featured live events from André Rieu, the one woman show *Fleabag* by Phoebe Waller-Bridge and Margaret Atwood's book launch of *The Testaments*. Feature film events included Anime titles along with documentaries from *BTS* and the feature *Game Changers*.
- Cineplex international film program featured several strong performing international films, including Chinese, Hindi, Punjabi and Filipino films with *Hello, Love Goodbye* becoming the highest grossing Filipino title in Cineplex history.

Digital Commerce

- Online and mobile ticketing represented 31% of total theatre admissions during the third quarter, up from 24% in the prior year period.
- Total registered users for Cineplex Store increased by 43% in the third quarter of 2019 in addition to a 181% increase in device activations as compared to the prior year period.

MEDIA

- Reported third quarter revenues of \$43.3 million for total media, an increase of \$10.1 million (30.6%) compared to the prior year period.

Cinema Media

- Reported third quarter revenues of \$22.6 million, compared to \$20.0 million in the prior year period, an increase of 13.0%, primarily due to increases in show-time and pre-show advertising.

Digital Place-Based Media

- Reported an all-time quarterly record for digital place-based media revenues of \$20.7 million, an increase of \$7.5 million (57.2%) compared to the prior year period due to higher project installation revenues and other digital services revenues.
- Chosen to deploy, manage and enhance AMC theatres' digital network at approximately 630 locations across the United States, including its box office signage, theatre menu boards and other ancillary signage.

AMUSEMENT AND LEISURE

Amusement Solutions

- Reported record third quarter revenues of \$47.6 million, an increase of \$1.9 million (4.2%) over the prior year period as a result of increased route operations revenue.

Location-based Entertainment

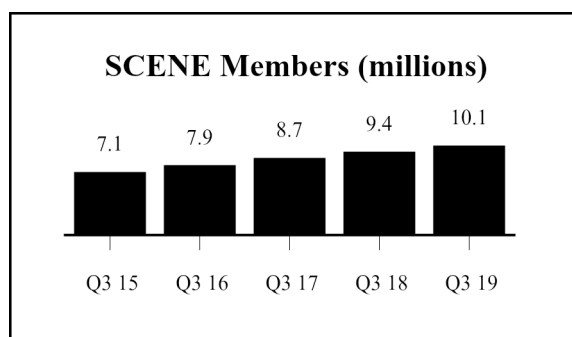
- Reported third quarter revenues of \$19.6 million, an increase of \$2.8 million (16.6%) over the prior year period due to two additional locations of *The Rec Room* as compared to the prior year and one *Playdium 2.0* in the current period.
- Opened Canada's first reinvented *Playdium 2.0* entertainment complex in Brampton, Ontario on September 16, 2019.
- During the quarter, Cineplex announced plans to open Quebec's first location of *The Rec Room* at Royalmount in Montreal, Quebec, expected to open in 2022.

Esports

- WGN hosted its second annual *Rocket League WGN North American Championship* esports tournament. The tournament grand finals took place in August 2019 at FAN EXPO Canada held at the Metro Toronto Convention Centre.
- Cineplex initiated a review process of WGN's online esports business, engaging a third-party adviser to identify a strategic equity partner.

LOYALTY

- Membership in the SCENE loyalty program increased by 0.2 million members in the period, reaching 10.1 million at September 30, 2019.
- SCENE celebrated 10 million members with *National No Excuses Day* on September 27, 2019 offering SCENE members exclusive promotional offers, including half off point redemptions.



2. CINEPLEX'S BUSINESSES AND STRATEGY

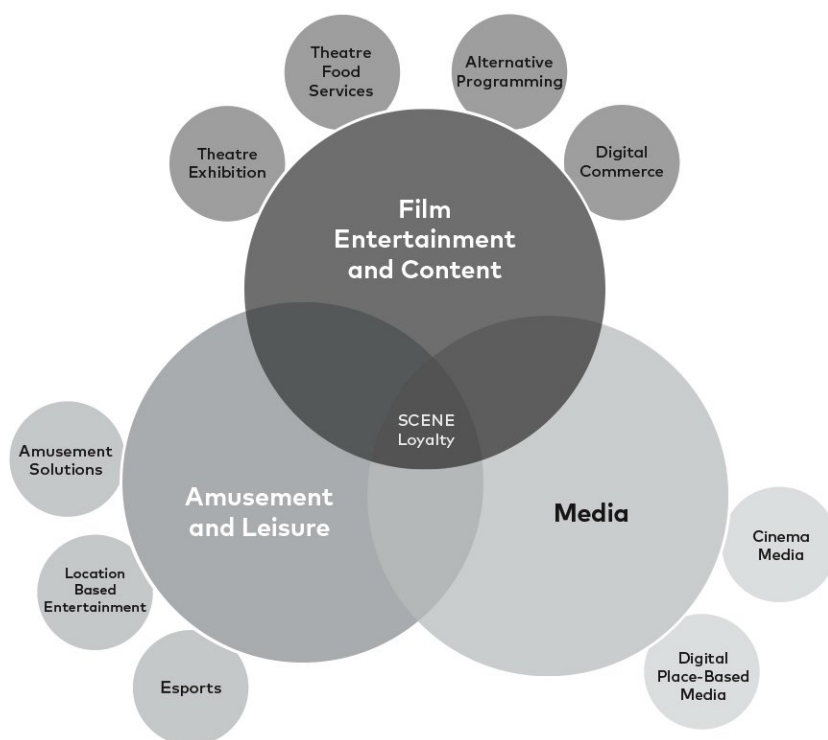
Cineplex's mission statement is "Passionately delivering exceptional experiences." All of its efforts are focused towards this mission and it is Cineplex's goal to consistently provide guests and customers with exceptional experiences.

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

- Continue to enhance and expand Cineplex's presence as an entertainment destination for Canadians in-theatre, at-home and on-the-go;
- Capitalize on core media strengths and infrastructure to provide continued growth of Cineplex's media business both inside and outside theatres;
- Develop and scale amusement and leisure concepts by extending existing capabilities and infrastructure;
- Drive value 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 are strategic, accretive and 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 ancillary businesses.

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 program 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) continue to account for the largest portion of Cineplex's revenues, expanded theatre food service offerings, cinema media, digital place-based media, amusement

and leisure, the Cineplex Store, promotions and other revenue streams have increased as a share of total revenues. Cineplex is committed to diversifying its revenue streams outside of the traditional theatre exhibition model through its media and amusement and leisure businesses.

Although Cineplex focuses on growth initiatives, management remains vigilant in controlling costs without compromising experiences. Cineplex will continue to invest in new revenue generating activities, as it has in prior years.

A detailed discussion of Cineplex's businesses and business strategy can be found in Cineplex's Annual MD&A. These have not changed materially during the third quarter of 2019.

3. OVERVIEW OF OPERATIONS

Revenues

Cineplex generates revenues primarily from box office and food service sales. These revenues are affected primarily by theatre attendance levels and by changes in BPP and CPP. Box office revenue represented 42.5% of revenue in the third quarter of 2019 and continues to represent Cineplex's largest revenue component.

Revenue mix % by period	Q3 2019	Q3 2018 Restated	Q3 2017 Restated	Q3 2016 Restated	Q3 2015 Restated
Box office	42.5%	44.9%	44.5%	49.5%	53.9%
Food service	30.0%	29.9%	29.0%	29.2%	32.1%
Media	10.3%	8.6%	10.5%	11.7%	10.5%
Amusement	13.9%	13.9%	13.3%	7.2%	0.8%
Other	3.3%	2.7%	2.7%	2.4%	2.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Cineplex has three reportable segments, film entertainment and content, media and amusement and leisure. 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.

Revenue mix % by period	Third Quarter		Year to date	
	2019	2018 Restated	2019	2018 Restated
Film Entertainment and Content	74.3%	76.0%	73.7%	76.8%
Media	10.3%	8.5%	10.3%	8.8%
Amusement and Leisure	15.4%	15.5%	16.0%	14.4%
Total	100.0%	100.0%	100.0%	100.0%

A key component of Cineplex's business strategy is to position itself as the leading exhibitor in the Canadian market by focusing on providing customers with an exceptional entertainment experience. Cineplex's share of the Canadian theatre exhibition market based on Canadian industry box office revenues was approximately 73% for the quarter ended and 75% for the period ended September 30, 2019. As a result of Cineplex's focus on diversifying the business beyond the traditional movie exhibition model, its revenue mix has shifted from box office revenue to other revenue sources.

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

Food service revenues are comprised primarily of concession revenues, arising from food and beverage sales at theatre locations, as well as food and beverage sales at LBE venues including *The Rec Room* and *Playdium*. 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 and the issuance and redemption of SCENE points on the purchases of food and beverages at theatres. Films targeted to families and teenagers tend to result in a higher CPP and more adult-oriented product tends to result in a lower CPP. As a result, CPP can fluctuate from quarter to quarter depending on the genre of film product playing. The SCENE points issued and redeemed on theatre food service purchases decreases food service revenues on individual purchases. Cineplex believes the program drives incremental purchase incidence, increasing overall revenues. Cineplex focuses primarily on growing CPP by optimizing the product offerings, improving operational excellence and strategic pricing to increase purchase incidence and transaction value. Food service revenues from LBE include food and beverage revenues from the various bars and restaurants located throughout the venues.

Media revenues include both cinema media (Cineplex Media) and digital place-based media (Cineplex Digital Media) revenues. Cineplex Media generates revenues primarily from selling pre-show and show-time advertising in Cineplex's theatres as well as other circuits through representation sales agreements and magazine advertising for *Cineplex Magazine*. Additionally, Cineplex Media sells media placements throughout Cineplex's circuit including digital poster cases, the Interactive Media Zone ("IMZ") in select Cineplex theatre lobbies, as well as sponsorship and advertising for esports, events both in-theatre and online, and in LBE venues. Cineplex Media also sells digital advertising for cineplex.com, the Cineplex mobile app and on third party networks operated by Cineplex Digital Media. Cineplex Digital Media designs, installs, maintains and operates digital signage networks in four verticals including digital out of home (in public spaces such as shopping malls and office towers), quick service restaurants, financial institutions and retailers.

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

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

Cost of Sales and Expenses

Film cost represents the film rental fees paid to distributors on films exhibited in Cineplex 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 the film, or estimated terms where a mutually agreed settlement is reached upon conclusion of the 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 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 *The Rec Room* and *Playdium* 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 on disposal of assets represents the loss 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 excluding cash rent.

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 and advertising, media, amusement and leisure (including P1AG, *The Rec Room*, *Playdium* and WGN), loyalty including SCENE, digital commerce, supplies and services, utilities and maintenance.

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 the long-term incentive plan ("LTIP") and Share option 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 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), as required by GAAP.

Under IFRS 11, Cineplex's 50% share of one IMAX auditorium in Ontario, its 78.2% interest in the Canadian Digital Cinema Partnership ("CDCP"), 50% interest in *YoYo's Yogurt Cafe* ("YoYo's") and a 34.7% interest in VRstudios Inc. ("VRstudios") are classified as joint ventures or associates. Through equity accounting, Cineplex's share of the results of operations for these joint ventures and associates are reported as a single item in the statements of operations, 'Share of income of joint ventures and associates'. Theatre attendance for the IMAX auditorium held in a joint venture is not reported in Cineplex's consolidated theatre attendance as the line-by-line results of the joint venture are not included in the relevant lines in the statement of operations.

Under IFRS 11, Cineplex's 50% interest in SCENE is classified as a joint operation and Cineplex recognizes its share of the assets, liabilities, revenues and expenses of SCENE in its consolidated financial statements.

4. RESULTS OF OPERATIONS

4.1 SELECTED FINANCIAL DATA

The following table presents summarized financial data for Cineplex for the three and nine months ended September 30, 2019 and 2018 (in thousands of dollars except Shares outstanding, per Share data and per patron data, unless otherwise noted):

	Three months ended September 30, 2019	Three months ended September 30, 2018 Revised and Restated	Variance (%)	Nine months ended September 30, 2019	Nine months ended September 30, 2018 Revised and Restated	Variance (%)
Box office revenues	\$ 177,865	\$ 173,278	2.6%	\$ 523,732	\$ 541,892	-3.4%
Food service revenues	125,550	115,557	8.6%	358,171	354,775	1.0%
Media revenues	43,308	33,162	30.6%	127,210	104,913	21.3%
Amusement revenues	58,143	53,838	8.0%	174,760	152,320	14.7%
Other revenues	13,582	10,554	28.7%	38,053	30,695	24.0%
Total revenues	418,448	386,389	8.3%	1,221,926	1,184,595	3.2%
Film cost	93,735	90,213	3.9%	275,461	287,763	-4.3%
Cost of food service	27,439	24,257	13.1%	79,122	74,053	6.8%
Depreciation - right-of-use assets	36,456	—	NM	109,475	—	NM
Depreciation and amortization - other assets	31,712	32,483	-2.4%	95,748	93,743	2.1%
Loss on disposal of assets	303	783	-61.3%	896	1,617	-44.6%
Other costs (a)	190,955	217,003	-12.0%	567,771	643,847	-11.8%
Costs of operations	380,600	364,739	4.3%	1,128,473	1,101,023	2.5%
Net income from continuing operations	\$ 15,100	\$ 12,342	22.3%	\$ 31,848	\$ 56,197	-43.3%
Net loss from discontinued operations	(1,718)	(2,133)	-19.5%	(6,429)	(6,395)	0.5%
Net income	\$ 13,382	\$ 10,209	31.1%	\$ 25,419	\$ 49,802	-49.0%
Adjusted EBITDA (i)	\$ 106,132	\$ 54,971	93.1%	\$ 299,257	\$ 179,006	67.2%
Adjusted EBITDAaL (i) (ii)	\$ 62,312	\$ 51,398	21.2%	\$ 168,219	\$ 167,256	0.6%
(a) Other costs include:						
Theatre occupancy expenses	18,219	53,161	-65.7%	53,374	157,847	-66.2%
Other operating expenses	156,732	145,809	7.5%	462,434	431,996	7.0%
General and administrative expenses	16,004	18,033	-11.3%	51,963	54,004	-3.8%
Total other costs	\$ 190,955	\$ 217,003	-12.0%	\$ 567,771	\$ 643,847	-11.8%
EPS from continuing operations - basic and diluted	\$ 0.24	\$ 0.19	26.3%	\$ 0.50	\$ 0.89	-43.8%
EPS from discontinued operations - basic and diluted	(0.03)	(0.03)	—%	(0.10)	(0.10)	—%
EPS - basic and diluted	\$ 0.21	\$ 0.16	31.3%	\$ 0.40	\$ 0.79	-49.4%
Total assets	\$ 3,032,536	\$ 1,777,986	70.6%	\$ 3,032,536	\$ 1,777,986	70.6%
Total long-term financial liabilities (iii)	\$ 649,000	\$ 616,500	5.3%	\$ 649,000	\$ 616,500	5.3%
Shares outstanding at period end	63,333,238	63,332,946	—%	63,333,238	63,332,946	—%
Cash dividends declared per Share	\$ 0.450	\$ 0.435	3.4%	\$ 1.330	\$ 1.285	3.5%
Adjusted free cash flow per Share (i)	\$ 0.762	\$ 0.596	27.9%	\$ 2.042	\$ 1.926	6.0%
Box office revenue per patron (i)	\$ 10.16	\$ 10.07	0.9%	\$ 10.58	\$ 10.37	2.0%
Concession revenue per patron (i)	\$ 6.68	\$ 6.25	6.9%	\$ 6.70	\$ 6.31	6.2%
Film cost as a percentage of box office revenues	52.7%	52.1%	0.6%	52.6%	53.1%	-0.5%
Theatre attendance (in thousands of patrons) (i)	17,512	17,208	1.8%	49,511	52,280	-5.3%
Theatre locations (at period end)	165	164	0.6%	165	164	0.6%
Theatre screens (at period end)	1,695	1,696	-0.1%	1,695	1,696	-0.1%

(i) See Section 16, Non-GAAP measures, for the definition of non-GAAP measures reported by Cineplex.

(ii) Prior period figures have been revised to conform to current period presentation. See Section 17, Reconciliation for further details.

(iii) Comprised of the principal component of long-term debt. Excludes share-based compensation, lease obligations, fair value of interest rate swap agreements, post-employment benefit obligations, other liabilities and deferred financing fees net against long-term debt and convertible debentures.

4.2 OPERATING RESULTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019

Total revenues

Total revenues for the three months ended September 30, 2019, increased \$32.1 million (8.3%) to \$418.4 million as compared to the prior year period. Total revenues for the nine months ended September 30, 2019 increased \$37.3 million (3.2%) to \$1,221.9 million as compared to the prior year period. A discussion of the factors affecting the changes in box office, food service, media, amusement and other revenues for the period is provided below.

Non-GAAP measures discussed throughout this MD&A, including adjusted EBITDA, adjusted EBITDAaL, adjusted store level EBITDAaL, adjusted EBITDAaL margin, adjusted store level EBITDAaL margin, adjusted free cash flow, theatre attendance, BPP, premium priced product, same theatre metrics, CPP, film cost percentage, food service cost percentage and concession margin per patron are defined and discussed in Section 16, Non-GAAP measures.

Box office revenues

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

Box office revenues	Third Quarter			Year to Date		
	2019	2018	Change	2019	2018	Change
Box office revenues	\$ 177,865	\$ 173,278	2.6%	\$ 523,732	\$ 541,892	-3.4%
Theatre attendance (i)	17,512	17,208	1.8%	49,511	52,280	-5.3%
Box office revenue per patron (i)	\$ 10.16	\$ 10.07	0.9%	\$ 10.58	\$ 10.37	2.0%
BPP excluding premium priced product (i)	\$ 8.95	\$ 8.72	2.6%	\$ 9.08	\$ 8.85	2.6%
Canadian industry revenues (ii)			5.4%			-1.7%
Same theatre box office revenues (i)	\$ 172,292	\$ 169,947	1.4%	\$ 507,346	\$ 534,414	-5.1%
Same theatre attendance (i)	17,062	16,906	0.9%	48,213	51,548	-6.5%
% Total box from premium priced product (i)	35.8%	41.2%	-5.4%	42.8%	43.9%	-1.1%
(i) See Section 16, Non-GAAP measures.						
(ii) Source: Gross box office receipts (inclusive of all taxes) from The Movie Theatre Association of Canada industry data adjusted for calendar quarter dates.						

Box office continuity	Third Quarter		Year to Date	
	Box Office	Theatre Attendance	Box Office	Theatre Attendance
2018 as reported	\$ 173,278	17,208	\$ 541,892	52,280
Same theatre attendance change	1,575	157	(34,572)	(3,335)
Impact of same theatre BPP change	770	—	7,504	—
New and acquired theatres (i)	3,234	259	12,440	964
Disposed and closed theatres (i)	(992)	(112)	(3,532)	(398)
2019 as reported	\$ 177,865	17,512	\$ 523,732	49,511
(i) See Section 16, Non-GAAP measures. Represents theatres opened, acquired, disposed or closed subsequent to the start of the prior year comparative period.				

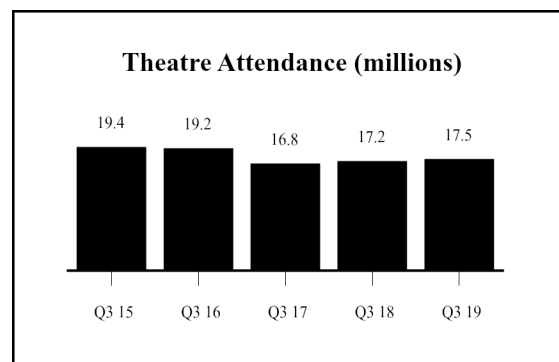
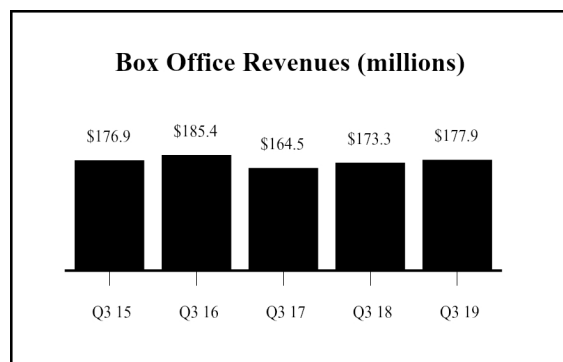
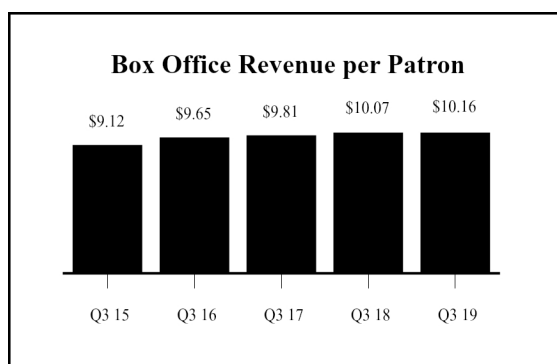
Third Quarter

Third Quarter 2019 Top Cineplex Films			Third Quarter 2018 Top Cineplex Films		
	3D	% Box		3D	% Box
1 The Lion King	✓	18.2%	1 Mission: Impossible Fallout	✓	11.9%
2 Spider-Man: Far From Home	✓	13.8%	2 Ant-Man And The Wasp	✓	7.6%
3 Fast & Furious Presents: Hobbs & Shaw		6.7%	3 Jurassic World: Fallen Kingdom	✓	6.9%
4 It Chapter Two		6.6%	4 Crazy Rich Asians		6.8%
5 Once Upon A Time In Hollywood		5.8%	5 Hotel Transylvania 3: Summer Vacation	✓	6.7%

Cineplex Inc.

Management's Discussion and Analysis

Box office revenues increased \$4.6 million, or 2.6%, to \$177.9 million during the period, compared to \$173.3 million reported in the third quarter in 2018. The increase was due to a 1.8% increase in theatre attendance to 17.5 million guests and a higher BPP. The 1.8% increase in theatre attendance was due to a stronger film slate in the current period as compared to the prior year. BPP for the three months ended September 30, 2019 was \$10.16, a \$0.09 increase (0.9%) from the prior year period, setting a third quarter record for Cineplex. This increase was due to price increases in selective markets partially offset by the 5.4% shift away from premium price product.



Year to Date

Year to Date 2019 Top Cineplex Films			Year to Date 2018 Top Cineplex Films		
	3D	% Box		3D	% Box
1 Avengers: Endgame	✓	11.6%	1 Avengers: Infinity War	✓	8.3%
2 The Lion King	✓	6.3%	2 Black Panther	✓	8.1%
3 Captain Marvel	✓	5.9%	3 Incredibles 2	✓	5.4%
4 Spider-Man: Far From Home	✓	4.7%	4 Jumanji: Welcome to The Jungle	✓	4.5%
5 Aladdin	✓	4.0%	5 Deadpool 2		4.1%

Box office revenues for the nine months ended September 30, 2019 were \$523.7 million, a decrease of \$18.2 million or 3.4% as compared to the prior year due to the 5.3% decrease in theatre attendance more than offsetting the higher BPP in the current year period compared to the 2018 period.

Cineplex's BPP for the period increased \$0.21, or 2.0%, from \$10.37 in the prior year period to \$10.58 in the current period. This increase was due to price increases in selective markets as compared to the prior year period.

Food service revenues

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

Cineplex Inc.

Management's Discussion and Analysis

Food service revenues	Third Quarter			Year to Date		
	2019	2018	Change	2019	2018	Change
Food service - theatres	\$ 117,048	\$ 107,519	8.9%	\$ 331,961	\$ 329,718	0.7%
Food service - LBE	8,502	8,038	5.8%	26,210	25,057	4.6%
Total food service revenues	\$ 125,550	\$ 115,557	8.6%	\$ 358,171	\$ 354,775	1.0%
Theatre attendance (i)	17,512	17,208	1.8%	49,511	52,280	-5.3%
CPP (i) (ii)	\$ 6.68	\$ 6.25	6.9%	\$ 6.70	\$ 6.31	6.2%
Same theatre food service revenues (i)	\$ 112,576	\$ 104,996	7.2%	\$ 319,089	\$ 324,586	-1.7%
Same theatre attendance (i)	17,062	16,906	0.9%	48,213	51,548	-6.5%
(i) See Section 16, Non-GAAP Measures.						
(ii) Food service revenue from LBE is not included in the CPP calculation.						

Theatre food service revenue continuity	Third Quarter		Year to Date	
	Theatre Food Service	Theatre Attendance	Theatre Food Service	Theatre Attendance
2018 as reported	\$ 107,519	17,208	\$ 329,718	52,280
Same theatre attendance change	973	157	(20,998)	(3,335)
Impact of same theatre CPP change	6,607	—	15,501	—
New and acquired theatres (i)	2,551	259	9,874	964
Disposed and closed theatres (i)	(602)	(112)	(2,134)	(398)
2019 as reported	\$ 117,048	17,512	\$ 331,961	49,511
(i) See Section 16, Non-GAAP measures. Represents theatres opened, acquired, disposed or closed subsequent to the start of the prior year comparative period.				

Third Quarter

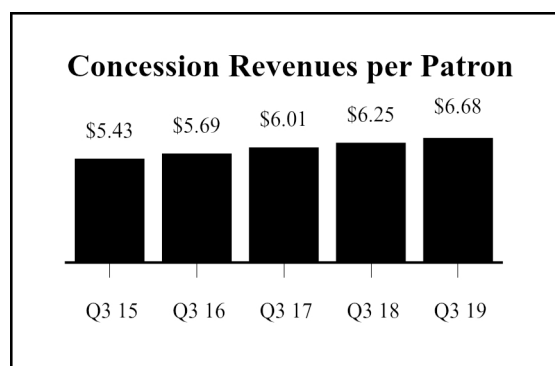
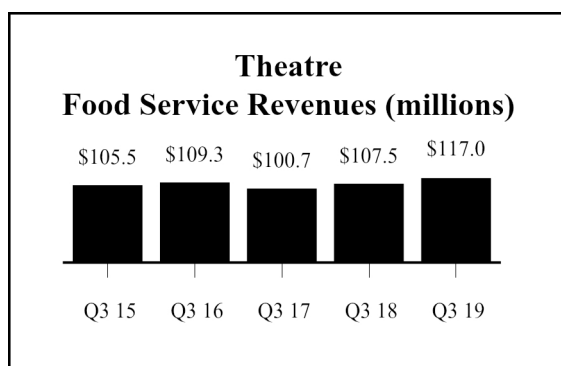
Food service revenues are comprised primarily of concession revenues, which includes food service sales at theatre locations and through delivery services including Uber Eats and Skip the Dishes. Food service revenues also include food and beverage sales at LBE venues including *The Rec Room* and *Playdium 2.0*. Food service revenues increased \$10.0 million or 8.6% mainly as a result of the increase of \$9.5 million (8.9%) to \$117.0 million in theatre food service revenues, a third quarter record. The increase in theatre food service revenues was due to the 1.8% increase in theatre attendance and CPP which increased 6.9% to \$6.68, a third quarter record for Cineplex. Expanded offerings outside of core food service products, including offerings at Cineplex's VIP Cinemas and Outtakes locations and expanded beverage services, have contributed to increased visitation and higher average transaction values, resulting in the record CPP in the period.

Food service revenues from LBE increased \$0.5 million (5.8%) compared to the prior year period primarily due to the increase in locations from six in 2018 to nine in 2019.

Year to Date

Food service revenues increased \$3.4 million, or 1.0% as compared to the prior year, primarily due to a 4.6% increase in food service revenues from LBE to \$26.2 million from the increased locations as compared to the prior year period. Newer locations typically experience higher sales volumes in the first year of operations (honeymoon period) before settling into their expected long-term run-rate levels resulting in a leveling off of results for older locations. Theatre food service revenues increased \$2.2 million (0.7%) due to the 6.2% increase in CPP, partially offset by the impact of a 5.3% decrease in theatre attendance. The CPP of \$6.70 is the highest Cineplex has reported through the first nine months of a year.

While programs including SCENE offers provided on food service purchases impact CPP, Cineplex believes that this loyalty program drives incremental visits and food service purchases, resulting in higher overall food service revenues.



Media revenues

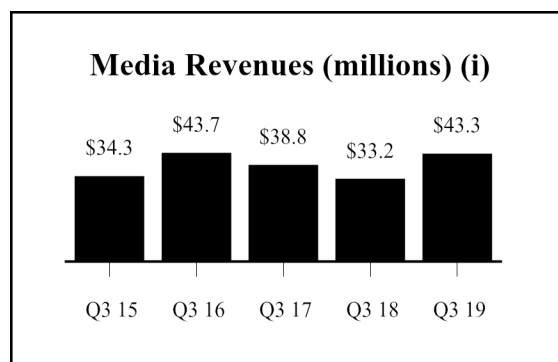
The following table highlights the movement in media revenues for the quarter and the year to date (in thousands of dollars):

Media revenues	Third Quarter			Year to Date		
	2019	2018 Restated	Change	2019	2018 Restated	Change
Cinema media	\$ 22,572	\$ 19,967	13.0%	\$ 73,244	\$ 66,667	9.9%
Digital place-based media	20,736	13,195	57.2%	53,966	38,246	41.1%
Total media revenues from continuing operations	\$ 43,308	\$ 33,162	30.6%	\$ 127,210	\$ 104,913	21.3%
Media revenues from discontinued operations	138	325	-57.5%	827	1,878	-56.0%
Total media revenues	\$ 43,446	\$ 33,487	29.7%	\$ 128,037	\$ 106,791	19.9%

Third Quarter

Total media revenues from continuing operations increased \$10.1 million (30.6%) to \$43.3 million in the third quarter as compared to the prior year period. The increase was primarily due to a \$7.5 million (57.2%) increase in digital place-based media to an all-time quarterly record of \$20.7 million primarily as a result of increased project installation revenues which included rollouts for new and growth with existing clients. Cinema media increased \$2.6 million (13.0%) to \$22.7 million as a result of increases in show-time and pre-show advertising.

During the quarter, digital place-based media added 464 new locations (an increase of 3.3% from June 30, 2019) for a total of 14,559 locations as at September 30, 2019.



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

Year to Date

Total media revenues from continuing operations increased \$22.3 million for the nine months ended September 30, 2019 as compared to the prior year period. The increase resulted from a \$15.7 million increase in digital place-based media revenues due to higher project installation revenue and a \$6.6 million increase in Cinema media due to higher show-time and pre-show theatre advertising.

Year to date, digital place-based media added 1,057 new locations (an increase of 7.8% from December 31, 2018).

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

Digital place-based media revenues	Third Quarter			Year to Date		
	2019	2018	Change	2019	2018	Change
Project revenues (i)	\$ 11,239	\$ 3,010	273.4%	\$ 25,754	\$ 10,481	145.7%
Other revenues (ii)	9,497	10,185	-6.8%	28,212	27,765	1.6%
Total digital place-based media revenues	\$ 20,736	\$ 13,195	57.2%	\$ 53,966	\$ 38,246	41.1%
(i) Project revenues include hardware sales and professional services.						
(ii) Other revenues include sales of software and its support as well as media advertising.						

Amusement revenues

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

Amusement revenues	Third Quarter			Year to Date		
	2019	2018	Change	2019	2018	Change
Amusement - PIAG excluding Cineplex exhibition and LBE (i)	\$ 44,788	\$ 42,820	4.6%	\$ 138,278	\$ 122,179	13.2%
Amusement - Cineplex exhibition (i)	2,847	2,880	-1.1%	8,239	7,967	3.4%
Amusement - LBE	10,508	8,138	29.1%	28,243	22,174	27.4%
Total amusement revenues	\$ 58,143	\$ 53,838	8.0%	\$ 174,760	\$ 152,320	14.7%
(i) Cineplex receives a venue revenue share on games revenues earned at in-theatre game rooms and XSCAPE Entertainment Centres. Amusement - Cineplex exhibition reports the total of this venue revenue share which is consistent with the historical presentation of Cineplex's amusement revenues. Amusement - PIAG excluding Cineplex exhibition reflects PIAG's gross amusement revenues, net of the venue revenue share paid to Cineplex reflected in Amusement - Cineplex exhibition above.						

Third Quarter

Amusement revenues increased 8.0%, or \$4.3 million, to a third quarter record of \$58.1 million in the third quarter of 2019 compared to the prior year period. The growth was primarily due to an increase in route revenues from family entertainment centres and theatres in Canada and the United States including growth resulting from the agreement signed with Cinemark in the second quarter of 2018. Amusement revenues from LBE increased 29.1% or \$2.4 million compared to the prior year period as a result of the additional locations and virtual reality ("VR") offerings.

Year to Date

For the year to date period, amusement revenues increased 14.7% or \$22.4 million, to \$174.8 million compared to the prior year period due to the agreement signed with Cinemark resulting in increased route and distribution revenue and strong growth in revenue from the additional locations of LBE as compared to the prior year period.

The following table presents the adjusted EBITDAaL for the quarter and the year to date for PIAG (in thousands of dollars) with the prior period presentation revised to provide the comparability of the impact of the transition to IFRS 16:

Cineplex Inc.

Management's Discussion and Analysis

P1AG Summary	Third Quarter			Year to Date		
	2019	2018 Revised	Change	2019	2018 Revised	Change
Amusement revenues	\$ 44,788	\$ 42,820	4.6%	\$ 138,278	\$ 122,179	13.2%
Operating Expenses	36,855	38,583	-4.5%	115,340	110,400	4.5%
Non-cash rent (i) (iii)	—	20	NM	—	62	NM
Cash rent related to lease obligations (ii)	1,520	—	NM	4,529	—	NM
Total adjusted operating expenses	\$ 38,375	\$ 38,603	-0.6%	\$ 119,869	\$ 110,462	8.5%
P1AG Adjusted EBITDAaL (iii)	\$ 6,413	\$ 4,217	52.1%	\$ 18,409	\$ 11,717	57.1%
P1AG Adjusted EBITDAaL Margin (iii)	14.3%	9.8%	4.5%	13.3%	9.6%	3.7%
(i) Non-cash rent included in the 2018 balances in the previous reporting period. See Section 17, Reconciliation for further details.						
(ii) Cash rent that has been reallocated to offset the lease obligations.						
(iii) See Section 16, Non-GAAP measures.						
(iv) Prior period figures have been revised to conform to current period presentation. See Section 17, Reconciliation for further details.						

Margins for P1AG increased during the third quarter and year to date compared to the prior year periods as a result of the increase in route revenues in the United States and Canada and a non-recurring charge recorded in the third quarter of 2018.

The following table presents the adjusted store level EBITDAaL for the quarter and year to date for LBE (in thousands of dollars) with the prior period presentation revised to provide the comparability of the impact of the transition of IFRS 16:

LBE Summary	Third Quarter			Year to Date		
	2019	2018 Revised	Change	2019	2018 Revised	Change
Food service revenues	\$ 8,502	\$ 8,038	5.8%	\$ 26,210	\$ 25,057	4.6%
Amusement revenues	10,508	8,138	29.1%	28,243	22,174	27.4%
Media and other revenues	569	616	-7.6%	2,480	1,386	78.9%
Total revenues	\$ 19,579	\$ 16,792	16.6%	\$ 56,933	\$ 48,617	17.1%
Cost of food service	2,217	2,264	-2.1%	7,039	6,857	2.7%
Operating expenses before adjustments (i)	11,866	11,011	7.8%	34,264	32,903	4.1%
Non-cash rent (ii) (iv)	—	56	NM	—	165	NM
Cash rent related to lease obligations (iii)	1,447	—	NM	4,154	—	NM
Total adjusted costs	\$ 15,530	\$ 13,331	16.5%	\$ 45,457	\$ 39,925	13.9%
Store level Adjusted EBITDAaL (iv)	4,049	3,461	17.0%	11,476	8,692	32.0%
Store level Adjusted EBITDAaL Margin (iv)	20.7%	20.6%	0.1%	20.2%	17.9%	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.						
(ii) Non-cash rent included in the 2018 balances in the previous reporting period. See Section 17, Reconciliation for further details.						
(iii) Cash rent that has been reallocated to offset the lease obligations.						
(iv) See Section 16, Non-GAAP measures.						

Margins for LBE increased nominally for the third quarter as compared to the prior year period. Year-to-date, margins increased as compared to the prior year periods as a result of improved cost management.

Other revenues

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

Other revenues	Third Quarter			Year to Date		
	2019	2018 Restated	Change	2019	2018 Restated	Change
Other revenues from continuing operations	\$ 13,582	\$ 10,554	28.7%	\$ 38,053	\$ 30,695	24.0%
Other revenues from discontinued operations	—	1	NM	16	167	-90.4%
Total other revenues	\$ 13,582	\$ 10,555	28.7%	\$ 38,069	\$ 30,862	23.4%

The quarterly and year to date increases in other revenues from continuing operations are primarily due to higher volume of digital commerce sales.

Film cost

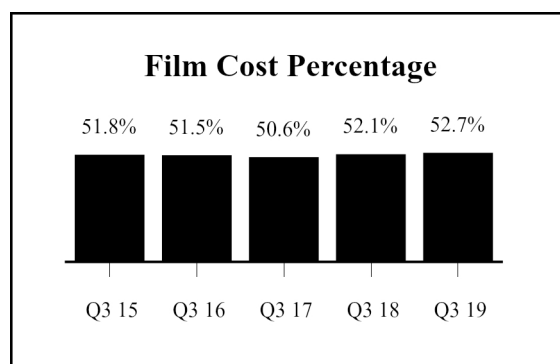
The following table highlights the movement in film cost and the film cost percentage for the quarter and the year to date (in thousands of dollars, except film cost percentage):

Film cost	Third Quarter			Year to Date		
	2019	2018	Change	2019	2018	Change
Film cost	\$ 93,735	\$ 90,213	3.9%	\$ 275,461	\$ 287,763	-4.3%
Film cost percentage (i)	52.7%	52.1%	0.6%	52.6%	53.1%	-0.5%

(i) See Section 16, Non-GAAP measures.

Third Quarter

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. This is due to film cost terms varying by title and distributor. Film cost percentage during the third quarter of 2019 was 52.7%, a 0.6% increase from the prior year. Film cost increased \$3.5 million or 3.9% as compared to the prior year due to the top films in the third quarter of 2019 having higher settlement rates and making up a larger percentage of box office revenues.



Year to Date

The year to date decrease in film cost expense was due to a combination of the 0.5% decrease in the film cost percentage and the lower box office revenues in the current period compared to the prior year period. The decrease in film cost percentage is attributable to the top films in the current period having lower settlement rates compared to the prior year period.

Cost of food service

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

Cost of food service	Third Quarter			Year to Date		
	2019	2018	Change	2019	2018	Change
Cost of food service - theatre	\$ 25,222	\$ 21,993	14.7%	\$ 72,083	\$ 67,196	7.3%
Cost of food service - LBE	2,217	2,264	-2.1%	7,039	6,857	2.7%
Total cost of food service	\$ 27,439	\$ 24,257	13.1%	\$ 79,122	\$ 74,053	6.8%
Theatre concession cost percentage (i)	21.5%	20.5%	1.0%	21.7%	20.4%	1.3%
LBE food cost percentage (i)	26.1%	28.2%	-2.1%	26.9%	27.4%	-0.5%
Theatre concession margin per patron (i)	\$ 5.24	\$ 4.97	5.4%	\$ 5.25	\$ 5.02	4.6%
(i) See Section 16, Non-GAAP measures.						

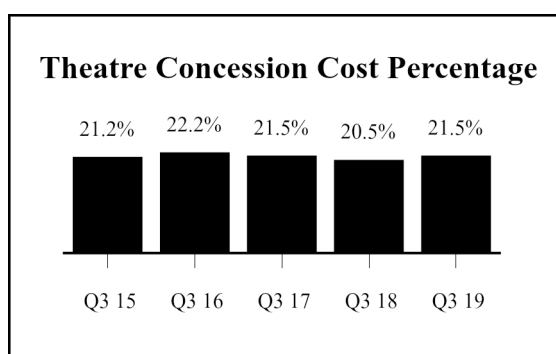
Third Quarter

Cost of food service at the theatres varies primarily with theatre attendance 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 the theatre cost of food service as compared to the prior year period was primarily due to the higher food service revenues in the third quarter of 2019 and the increase in the theatre concession cost percentage from 20.5% in the prior year period to 21.5% in 2019.

The theatre concession margin per patron increased 5.4% from \$4.97 in the third quarter of 2018 to \$5.24 in the same period in 2019, reflecting the impact of the higher CPP during the period.

The decrease in LBE cost of food service as compared to the prior year period was due to a 2.1% decrease in LBE food cost percentage from 28.2% in 2018 to 26.9% in 2019. LBE food cost percentage during the quarter decreased as compared to the prior period due to improved cost management.



Year to Date

The increase in the theatre cost of food service as compared to the prior year period was due to an increase in theatre food service revenues and an increase in the concession cost percentage. The theatre concession margin per patron increased from \$5.02 in the prior year period to \$5.25 in the current period, reflecting the impact of the higher CPP in the current period.

The increase in LBE cost of food service as compared to the prior year period was due to the higher food service revenues resulting from the increased number of locations.

Depreciation and amortization

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

Depreciation and amortization expenses	Third Quarter			Year to Date		
	2019	2018 Restated	Change	2019	2018 Restated	Change
Depreciation of property, equipment and leaseholds	\$ 28,714	\$ 29,338	-2.1%	\$ 86,944	\$ 84,629	2.7%
Amortization of intangible assets and other	2,998	3,145	-4.7%	8,804	9,114	-3.4%
Sub-total - depreciation and amortization - other assets	\$ 31,712	\$ 32,483	-2.4%	\$ 95,748	\$ 93,743	2.1%
Depreciation - right-of-use assets	36,456	—	NM	109,475	—	NM
Total depreciation and amortization from continuing operations	\$ 68,168	\$ 32,483	109.9%	\$ 205,223	\$ 93,743	118.9%
Depreciation and amortization from discontinued operations	1,215	1,116	8.9%	3,623	3,310	9.5%
Total depreciation and amortization	\$ 69,383	\$ 33,599	106.5%	\$ 208,846	\$ 97,053	115.2%

The quarterly decrease of \$0.6 million in depreciation of property, equipment and leaseholds from continuing operations was due to the reduction in depreciation resulting from fully depreciated assets more than offsetting the incremental depreciation from investments in amusement and leisure businesses. The year to date increase of \$2.3 million was primarily due to the investments in amusement and leisure businesses.

The quarterly and year to date decrease in amortization of intangible assets and other from continuing operations as compared to the prior year periods was due to internally developed software for digital products including the Cineplex mobile app and website platforms, net of the reallocation to amortization of intangible assets from discontinued operations.

The quarterly and year to date increase in depreciation of right-of-use assets from continuing operations was as a result of the adoption of IFRS 16 (Section 12, Accounting policies). The right-of-use assets are depreciated over the lease term. The current quarter and year to date expense represents the depreciation charge for the periods.

The quarterly and year to date increase in depreciation and amortization from discontinued operations was primarily due to internally developed software for WGN website platforms.

Loss on disposal of assets

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

Loss on disposal of assets	Third Quarter			Year to Date		
	2019	2018 Restated	Change	2019	2018 Restated	Change
Loss on disposal from continuing operations	\$ 303	\$ 783	-61.3%	\$ 896	\$ 1,617	-44.6%
Loss on disposal from discontinued operations	—	—	—%	—	16	-100.0%
Loss on disposal of assets	\$ 303	\$ 783	-61.3%	\$ 896	\$ 1,633	-45.1%

Other costs

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

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

Other costs	Third Quarter			Year to Date		
	2019	2018 Restated	Change	2019	2018 Restated	Change
Theatre occupancy expenses	\$ 18,219	\$ 53,161	-65.7%	\$ 53,374	\$ 157,847	-66.2%
Other operating expenses	156,732	145,809	7.5%	462,434	431,996	7.0%
General and administrative expenses	16,004	18,033	-11.3%	51,963	54,004	-3.8%
Total other costs from continuing operations	\$ 190,955	\$ 217,003	-12.0%	\$ 567,771	\$ 643,847	-11.8%
Other costs from discontinued operations	1,391	1,941	-28.3%	5,530	6,323	-12.5%
Total other costs	\$ 192,346	\$ 218,944	-12.1%	\$ 573,301	\$ 650,170	-11.8%

Theatre occupancy expenses

The following table highlights the movement in theatre occupancy expenses for the quarter and the year to date (in thousands of dollars) with the prior period presentation revised to provide comparability to the impact of the transition to IFRS 16:

Theatre occupancy expenses	Third Quarter			Year to Date		
	2019	2018 Revised	Change	2019	2018 Revised	Change
Cash rent - theatre (i) (vii)	\$ 39,111	\$ 38,704	1.1%	\$ 117,879	\$ 115,920	1.7%
Other occupancy	18,230	18,484	-1.4%	55,191	55,857	-1.2%
One-time items (ii)	(323)	(346)	-6.6%	(2,213)	(2,226)	-0.6%
Total theatre occupancy including cash lease payments	\$ 57,018	\$ 56,842	0.3%	\$ 170,857	\$ 169,551	0.8%
Non-cash rent (iii) (vi)	—	(2,692)	NM	—	(8,738)	NM
Rent previously recognized as a finance lease (iv)	—	(989)	NM	—	(2,966)	NM
Cash rent related to lease obligations (v)	(38,799)	—	NM	(117,483)	—	NM
Theatre occupancy as reported	\$ 18,219	\$ 53,161	-65.7%	\$ 53,374	\$ 157,847	-66.2%
(i) Represents the cash payments for theatre rent during the quarter. See Section 17, Reconciliation for further details.						
(ii) One-time items include amounts related to both theatre rent and other theatre occupancy costs. They are isolated here to illustrate Cineplex's theatre rent and other theatre occupancy costs excluding these one-time, non-recurring items.						
(iii) Non-cash rent included in the 2018 balances in the previous reporting period. See Section 17, Reconciliation for further details.						
(iv) Rent payments that were charged to the finance lease obligations in the previous reporting period. See Section 17, Reconciliation for further details.						
(v) Cash rent that has been reallocated to offset the lease obligations.						
(vi) See Section 16, Non-GAAP measures.						
(vii) The 2019 year to date balance includes \$0.4 million of cash rent paid not pertaining to the current period. See Section 16, Non-GAAP measures.						

Theatre occupancy continuity	Third Quarter Occupancy	Year to Date Occupancy
2018 as reported	\$ 53,161	\$ 157,847
Impact of new and acquired theatres	797	3,299
Impact of disposed theatres	(474)	(1,707)
Same theatre rent change (i)	106	702
One-time items	24	14
Other	(277)	(1,002)
<u>Impact of IFRS 16 adoption:</u>		
Impact of non-cash rent in prior period	2,692	8,738
Rent previously recognized as a finance lease	989	2,966
Cash rent related to lease obligations	(38,799)	(117,483)
2019 as reported	\$ 18,219	\$ 53,374
(i) See Section 16, Non-GAAP measures.		

Third Quarter

Theatre occupancy expenses decreased \$34.9 million (65.7%) during the third quarter of 2019 compared to the prior year period. This decrease was primarily due to the impact of the adoption of IFRS 16 partially offset by the impact of non-cash rent in the prior period.

Total theatre occupancy including cash lease payments increased \$0.2 million (0.3%) during the third quarter of 2019 compared to the prior year period. This increase was due to the impact of new theatres net of disposed theatres.

Year to Date

For the year to date period, theatre occupancy expenses decreased \$104.5 million (66.2%) compared to the prior year due to the impact of the adoption of IFRS 16 partially offset by the impact of non-cash rent in the prior year period.

For the year to date period, theatre occupancy including cash payments increased \$1.3 million (0.8%) as compared to the prior year period. The increase was primarily due to the impact of new theatres net of disposed theatres.

Other operating expenses

The following table highlights the movement in other operating expenses during the quarter and the year to date (in thousands of dollars) with the prior period presentation revised and restated to provide comparability to the impact of the transition to IFRS 16 and application of IFRS 5:

Other operating expenses	Third Quarter			Year to Date		
	2019	2018 Revised and Restated	Change	2019	2018 Revised and Restated	Change
Theatre payroll	\$ 40,886	\$ 38,003	7.6%	\$ 118,668	\$ 113,802	4.3%
Theatre operating expenses	30,060	29,152	3.1%	88,847	87,484	1.6%
Media (i)	22,932	14,235	61.1%	60,859	47,944	26.9%
PIAG (i)	38,375	38,603	-0.6%	119,869	110,462	8.5%
LBE (i) (ii)	13,313	11,067	20.3%	38,418	33,068	16.2%
LBE pre-opening (i) (iii)	480	209	129.8%	1,844	1,347	36.9%
SCENE	3,981	3,168	25.7%	13,079	10,456	25.1%
Marketing	4,083	5,393	-24.3%	11,126	13,296	-16.3%
Business interruption insurance proceeds	—	—	NM	—	(3,700)	NM
Other (iv)	7,128	5,872	21.4%	23,193	17,883	29.7%
Other operating expenses including cash lease payments	\$ 161,238	\$ 145,702	10.7%	\$ 475,904	\$ 432,042	10.2%
Non-cash rent (v) (vi)	—	107	NM	—	(46)	NM
Cash rent related to lease obligations (vii)	(4,506)	—	NM	(13,470)	—	NM
Other operating expenses from continuing operations	\$ 156,732	\$ 145,809	7.5%	\$ 462,434	\$ 431,996	7.0%
Other operating expenses from discontinued operations	1,391	1,941	-28.3%	5,530	6,323	-12.5%
Total other operating expenses	\$ 158,123	\$ 147,750	7.0%	\$ 467,964	\$ 438,319	6.8%
(i) Prior period balances were revised to exclude non-cash rent. See Section 17, Reconciliation for further details.						
(ii) Includes operating costs of LBE. Overhead relating to management of LBE portfolio are included in the 'Other' line.						
(iii) Includes pre-opening costs of LBE.						
(iv) Other category includes overhead costs related to LBE and other Cineplex internal departments.						
(v) Non-cash rent included in the 2018 balances in the previous reporting period. See Section 17, Reconciliation for further details.						
(vi) See Section 16, Non-GAAP measures.						
(vii) Cash rent that has been reallocated to offset the lease obligations.						

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Other operating continuity from continuing operations	Third Quarter Other Operating	Year to Date Other Operating
2018 as restated	\$ 145,809	\$ 431,996
Impact of new and acquired theatres	1,232	5,986
Impact of disposed theatres	(403)	(1,407)
Same theatre payroll change (i)	2,276	1,531
Same theatre operating expenses change (i)	687	158
Media operating expenses change	8,697	12,915
P1AG operating expenses change	(228)	9,407
LBE operating expenses change	2,246	5,350
LBE pre-opening change	271	497
SCENE change	813	2,623
Marketing change	(1,310)	(2,170)
Business interruption insurance proceeds change	—	3,700
Other	1,255	5,272
<u>Impact of IFRS 16 adoption:</u>		
Non-cash rent in prior period	(107)	46
Cash rent related to lease obligations	(4,506)	(13,470)
2019 as reported	\$ 156,732	\$ 462,434
(i) See Section 16, Non-GAAP measures.		

Third Quarter

Other operating expenses during the third quarter of 2019 increased \$10.9 million or 7.5% compared to the prior year period. Cineplex incurred higher amusement and leisure costs due to an increase in the number of LBE locations. Media operating expenses increased due to an increase in cinema media volumes and higher digital place-based media project installation revenue as compared to the prior year period. Same theatre payroll expenses increased due to higher business volumes for theatre exhibition and higher minimum wages in Alberta, Quebec and British Columbia.

These increases were partially offset by the cash rent allocated to lease obligations arising upon the adoption of IFRS 16.

Year to Date

For the nine months ended September 30, 2019, other operating expenses increased \$30.4 million or 7.0% compared to the prior year period. Cineplex incurred higher amusement and leisure costs due to an increase in distribution sales and route revenue from P1AG and from an increase in the number of LBE venues. Media operating expenses increased due to higher CDM project installation revenue and cinema media volumes as compared to the prior year period. SCENE expenses increased \$2.6 million due to the timing of expenses. Other expenses increased due to higher digital commerce business volumes as compared to the prior year period. During the second quarter of 2018, Cineplex recognized business interruption insurance proceeds of \$3.7 million, as a result of the fire at *Cineplex Seton and VIP* in late 2017.

These increases were partially offset by the cash rent allocated to lease obligations arising upon the adoption of IFRS 16.

General and administrative expenses

The following table highlights the movement in general and administrative ("G&A") expenses during the quarter and the year to date, including Share-based compensation costs and G&A net of these costs (in thousands of dollars) with the prior period presentation revised to provide comparability to the impact of the transition to IFRS 16:

G&A expenses	Third Quarter			Year to Date		
	2019	2018 Revised	Change	2019	2018 Revised	Change
G&A excluding LTIP and option plan expense (i)	\$ 13,985	\$ 14,586	-4.1%	\$ 47,705	\$ 47,131	1.2%
Restructuring	176	1,021	-82.8%	889	4,820	-81.6%
LTIP (ii)	1,598	2,020	-20.9%	2,607	729	257.6%
Option plan	408	405	0.7%	1,201	1,323	-9.2%
G&A expenses including cash lease payments	\$ 16,167	\$ 18,032	-10.3%	\$ 52,402	\$ 54,003	-3.0%
Non-cash rent (iii) (iv)	—	1	NM	—	1	NM
Cash rent included as part of lease obligations (v)	(163)	—	NM	(439)	—	NM
G&A expenses as reported	\$ 16,004	\$ 18,033	-11.3%	\$ 51,963	\$ 54,004	-3.8%
(i) Prior period balance was revised to exclude non-cash rent. See Section 17, Reconciliation for further details.						
(ii) LTIP includes the expense for the LTIP program as well as the expense for the executive and Board deferred share unit plans.						
(iii) Non-cash rent included in the 2018 balances in the previous reporting period.						
(iv) See Section 16, Non-GAAP measures.						
(v) Cash rent that has been reallocated to offset the lease obligations.						

Third Quarter

G&A expenses decreased \$2.0 million during the third quarter of 2019 compared to the prior year period. In the second quarter of 2018 Cineplex implemented a cost reduction initiative. Costs associated with this initiative decreased by \$0.8 million as compared to the prior year. In addition to other cost reductions, G&A costs decreased by \$0.4 million due to a decrease in LTIP expense as a result of lower Share prices.

Year to Date

G&A expenses for the year to date period decreased \$2.0 million (3.8%) as compared to the prior year period. The decrease in G&A was primarily due to the \$3.9 million reduction in restructuring costs as compared to the prior year period as a result of Cineplex's cost reduction initiative which was implemented in the second quarter of 2018. This was partially offset by a \$1.9 million increase in LTIP expense. The increase in LTIP expense was as a result of regular ongoing vesting in the current year and a relatively flat Share price as compared to the impact of higher forfeitures and a decrease in Share price by \$2.33 in the prior year.

Share of income of joint ventures and associates

Cineplex's joint ventures and associates include its 78.2% interest in CDCP, 50% interest in one IMAX screen in Ontario, 50% interest in YoYo's and 34.7% interest in VRstudios.

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

Share of income of joint ventures and associates	Third Quarter			Year to Date		
	2019	2018	Change	2019	2018	Change
Share of income of CDCP	\$ (790)	\$ (1,131)	-30.2%	\$ (3,024)	\$ (2,875)	5.2%
Share of loss of other joint ventures and associates	230	13	NM	452	25	NM
Total income of joint ventures and associates	\$ (560)	\$ (1,118)	-49.9%	\$ (2,572)	\$ (2,850)	-9.8%

Interest expense

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

Interest expense	Third Quarter			Year to Date		
	2019	2018	Change	2019	2018	Change
Long-term debt interest expense	\$ 6,505	\$ 4,656	39.7%	\$ 18,794	\$ 13,409	40.2%
Convertible debenture interest expense	—	1,219	NM	—	3,618	NM
Sub-total - long-term debt interest expense	\$ 6,505	\$ 5,875	10.7%	\$ 18,794	\$ 17,027	10.4%
Lease interest expense (i)	11,630	126	NM	35,521	425	NM
Sub-total - cash interest expense	\$ 18,135	\$ 6,001	202.2%	\$ 54,315	\$ 17,452	211.2%
Deferred financing fee accretion and other non-cash interest, net	487	100	387.0%	1,337	301	344.2%
Convertible debenture accretion	—	606	NM	—	1,815	NM
Interest rate swap - non-cash	(287)	185	NM	(1,419)	393	NM
Sub-total - non-cash interest expense	200	891	-77.6%	(82)	2,509	-103.3%
Total interest expense	\$ 18,335	\$ 6,892	166.0%	\$ 54,233	\$ 19,961	171.7%
(i) See Section 12, Accounting policies.						

Interest expense increased \$11.4 million for the quarter and \$34.3 million for the year to date compared to the prior year period. For both the third quarter and year to date periods, cash interest was higher primarily as a result of the adoption of IFRS 16, as well as higher average borrowings on Cineplex's revolving facility (See section 6.4, Credit Facilities). This was partially offset by the decrease in the convertible debenture interest expense as the convertible debenture matured and were repaid with funds drawn on the Credit Facilities on December 31, 2018.

Interest income

Interest income during the third quarter of 2019 and the nine months ended September 30, 2019 was as follows (in thousands of dollars):

Interest income	Third Quarter			Year to Date		
	2019	2018	Change	2019	2018	Change
Interest income	\$ 75	\$ 60	25.0%	\$ 208	\$ 205	1.5%

Foreign exchange

The following table highlights the movement in foreign exchange during the third quarter of 2019 and the nine months ended September 30, 2019 (in thousands of dollars):

Foreign exchange	Third Quarter			Year to Date		
	2019	2018	Change	2019	2018	Change
		Restated			Restated	
Foreign exchange (gain) loss from continuing operations	\$ (449)	\$ 391	NM	\$ 569	\$ (438)	NM
Foreign exchange (gain) loss from discontinued operations	(12)	—	NM	186	(3)	NM
Total foreign exchange (gain) loss	\$ (461)	\$ 391	NM	\$ 755	\$ (441)	NM

The movement in the foreign exchange during the quarter was due to a increase in the CAD/USD foreign exchange month end rate from 1.3087 at June 30, 2019 to 1.3243 at September 30, 2019.

For the nine months ended September 30, 2019, the movement in the foreign exchange was due to the decrease in the CAD/USD foreign exchange month end rate from 1.3642 at December 31, 2018 to 1.3243 at September 30, 2019.

Cineplex Inc.

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Income taxes

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

Income taxes	Third Quarter			Year to Date		
	2019	2018 Restated	Change	2019	2018 Restated	Change
Current income tax expense	\$ 7,932	\$ 6,182	28%	\$ 16,345	\$ 19,008	-14%
Deferred income tax recovery	(2,435)	(2,979)	-18%	(6,762)	(8,101)	-17%
Provision for income taxes from continuing operations	\$ 5,497	\$ 3,203	72%	\$ 9,583	\$ 10,907	-12%
Provision for income taxes from discontinued operations	(738)	(598)	23.4%	(2,067)	(1,206)	71.4%
Provision for income taxes	\$ 4,759	\$ 2,605	82.7%	\$ 7,516	\$ 9,701	-22.5%

Third Quarter

The increase in provision for income taxes was due to higher taxable income for the quarter as well as the impact of differences in the timing of deductions for tax as compared to accounting in the current period as compared to the prior year period.

Year to Date

The decrease in provision for income taxes was due to lower taxable income versus the prior year period and the impact of differences in the timing of deductions for tax as compared to accounting in the current period as compared to the prior year period. The timing of deductions for the prior year period were primarily related to Cineplex recognizing a previously unrecognized deferred tax asset of \$5.0 million at June 30, 2018 related to its joint venture SCENE.

In October 2018, Cineplex received a proposal letter from the Canada Revenue Agency ("CRA") proposing to deny a portion of the losses of AMC Ventures Inc. ("AMC"), which was acquired by Cineplex in 2012. Subsequent to year end, the CRA issued a notice of reassessment ("NOR") denying the use of \$26.6 million of losses by Cineplex, which offset taxable income generated in 2014, thereby increasing taxes and interest payable by approximately \$8.6 million, 50% of which was payable immediately. Cineplex disagrees with the CRA's position and has filed a notice of objection in respect of the NOR. Cineplex believes that it should prevail in defending its original filing position although no assurance can be given in this regard. The payment relating to the disputed tax reassessment of Cineplex's 2014 tax return was recorded in income taxes receivable.

Cineplex's blended federal and provincial statutory tax rate at September 30, 2019 was 26.8% (2018 - 26.9%).

Net income

Net income during the third quarter of 2019 and the nine months ended September 30, 2019 was as follows (in thousands of dollars):

Net income	Third Quarter			Year to Date		
	2019	2018	Change	2019	2018	Change
Net income from continued operations	\$ 15,100	\$ 12,342	22.3%	\$ 31,848	\$ 56,197	-43.3%
Net loss from discontinued operations	(1,718)	(2,133)	-19.5%	(6,429)	(6,395)	0.5%
Net income	\$ 13,382	\$ 10,209	31.1%	\$ 25,419	\$ 49,802	-49.0%

4.3 EARNINGS BEFORE INTEREST, INCOME TAXES, DEPRECIATION AND AMORTIZATION (“EBITDA”) (see Section 16, Non-GAAP measures)

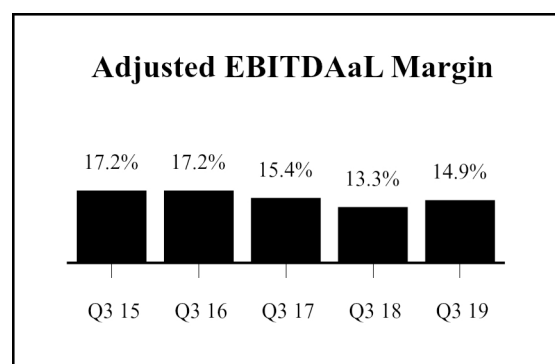
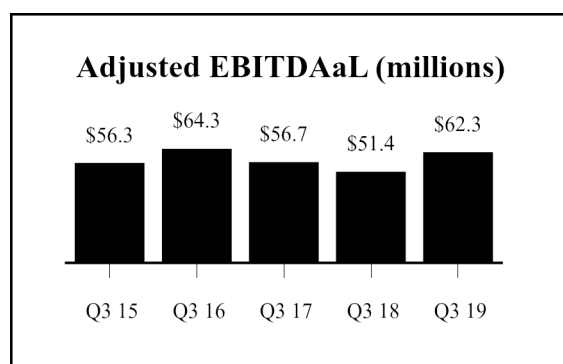
The following table presents EBITDA, adjusted EBITDA and adjusted EBITDAaL for the three and nine months ended September 30, 2019 as compared to the prior year periods (in thousands of dollars, except adjusted EBITDAaL margin):

EBITDA	Third Quarter			Year to Date		
	2019	2018	Change	2019	2018	Change
	Restated			Restated		
EBITDA	\$ 107,025	\$ 54,860	95.1%	\$ 300,679	\$ 180,603	66.5%
Adjusted EBITDA	\$ 106,132	\$ 54,971	93.1%	\$ 299,257	\$ 179,006	67.2%
Adjusted EBITDAaL (i)	\$ 62,312	\$ 51,398	21.2%	\$ 168,219	\$ 167,256	0.6%
Adjusted EBITDAaL margin (i)	14.9%	13.3%	1.6%	13.8%	14.1%	-0.3%

(i) Prior period figures have been revised to conform to current period presentation. See Section 17, Reconciliation for further details.

Adjusted EBITDAaL for the third quarter of 2019 increased \$10.9 million (21.2%) to \$62.3 as compared to the prior year period. The increase was due to higher revenues across all businesses. The third quarter records for BPP and CPP, coupled with the increase in theatre attendance resulted in higher box office and theatre food service revenues. Media revenues increased as a result of an all-time quarterly record for digital-placed based media due to increased project installation revenues and an increase in theatre advertising for cinema media. Higher revenues from LBE and P1AG also contributed to the increase for adjusted EBITDAaL. Adjusted EBITDAaL margin, calculated as adjusted EBITDAaL divided by total revenues, was 14.9%, an increase of 1.6% from 13.3% in the prior year period due to higher exhibition and media revenues.

Adjusted EBITDAaL for the nine months ended September 30, 2019 increased \$1.0 million, or 0.6%, as compared to the prior year period. The increase was due to the growth in amusement and media revenues which was partially offset by the decline in box office revenues as a result of reduced attendance. Adjusted EBITDAaL margin for the period was 13.8%, a decrease of 0.3% from 14.1% in the prior year period due to lower exhibition revenues and higher contributions from lower margin businesses including amusement and leisure.



5. BALANCE SHEETS

The following sets out significant changes to Cineplex's consolidated balance sheets during the nine months ended September 30, 2019 as compared to December 31, 2018 (in thousands of dollars):

	September 30, 2019	December 31, 2018	Change (\$)	Change (%)
Assets				
Current assets				
Cash and cash equivalents	\$ 30,074	\$ 25,242	\$ 4,832	19.1%
Trade and other receivables	97,299	165,586	(68,287)	-41.2%
Income taxes receivable	8,462	4,944	3,518	71.2%
Inventories	35,725	30,592	5,133	16.8%
Prepaid expenses and other current assets	19,334	13,862	5,472	39.5%
Fair value of interest rate swap agreements	944	1,457	(513)	-35.2%
Assets held for sale (i)	5,858	—	5,858	NM
	197,696	241,683	(43,987)	-18.2%
Non-current assets				
Property, equipment and leaseholds	628,374	634,354	(5,980)	-0.9%
Right-of-use assets (i) (ii)	1,257,068	—	1,257,068	NM
Deferred income taxes	14,178	13,444	734	5.5%
Fair value of interest rate swap agreements	471	2,063	(1,592)	-77.2%
Interests in joint ventures	29,638	38,912	(9,274)	-23.8%
Intangible assets	88,147	108,758	(20,611)	-19.0%
Goodwill	816,964	817,235	(271)	—%
	\$ 3,032,536	\$ 1,856,449	\$ 1,176,087	63.4%
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	\$ 154,758	\$ 186,407	\$ (31,649)	-17.0%
Share-based compensation	2,250	4,862	(2,612)	-53.7%
Dividends payable	9,500	9,183	317	3.5%
Income taxes payable	1,870	12,167	(10,297)	-84.6%
Deferred revenue	170,553	214,016	(43,463)	-20.3%
Lease obligations (ii)	112,152	3,058	109,094	3,567.5%
Fair value of interest rate swap agreements	1,868	1,184	684	57.8%
Liabilities related to assets held for sale (i)	2,584	—	2,584	NM
	455,535	430,877	24,658	5.7%
Non-current liabilities				
Share-based compensation	11,612	8,210	3,402	41.4%
Long-term debt	649,000	580,000	69,000	11.9%
Fair value of interest rate swap agreements	15,878	7,674	8,204	106.9%
Lease obligations (i)	1,269,982	10,789	1,259,193	11,671.1%
Post-employment benefit obligations	9,484	9,250	234	2.5%
Other liabilities	10,443	119,110	(108,667)	-91.2%
Deferred income taxes	219	11,528	(11,309)	-98.1%
	2,422,153	1,177,438	1,244,715	105.7%
Equity attributable to owners of Cineplex	610,488	679,096	(68,608)	-10.1%
Non-controlling interests	(105)	(85)	(20)	23.5%
Total equity	610,383	679,011	(68,628)	-10.1%
	\$ 3,032,536	\$ 1,856,449	\$ 1,176,087	63.4%
(i) See Section 12, Accounting policies for discontinued operations.				
(ii) See Section 12, Accounting policies for recognition of right-of-use assets and lease obligations upon adoption of IFRS 16.				

Trade and other receivables. The decrease in trade and other receivables is primarily due to the collection of receivables from the sales of gift cards, vouchers and media sales from the 2018 holiday period. December represents the highest volume month for gift card and voucher sales and is one of the strongest months for media sales during the year.

Income taxes receivable. The increase in income taxes receivable represents the income tax installments paid by several taxable entities in Cineplex's consolidated group to various tax authorities in excess of their income tax provisions, in addition to \$3.9 million representing 50% of the disputed tax reassessment of Cineplex's 2014 tax return.

Inventories. The increase in inventories is primarily due to higher digital place-based media inventories as a result of increased project installations.

Prepaid expenses and other current assets. The increase in prepaid expenses and other current assets relates primarily to certain prepaid real estate and business tax installments which are paid in the first half of the year and amortized over the second half of the year.

Property, equipment and leaseholds. The decrease in property, equipment and leaseholds is due to new build and other capital expenditures (\$78.6 million) and maintenance capital expenditures (\$17.4 million), offset by amortization expenses (\$86.9 million from continuing operations and \$0.3 million from discontinued operations), asset dispositions (\$1.1 million), foreign exchange impact (\$1.4 million), as well as the impact of adoption of IFRS 16 and application of IFRS 5 in 2019. The adoption of IFRS 16 resulted in the reallocation of property, equipment and leasehold assets to the opening right-of-use assets (\$11.2 million for finance lease assets and \$0.4 million for asset retirement obligation). The property, equipment and leasehold assets from discontinued operations were reclassified to assets held for sale in accordance with IFRS 5 (\$0.7 million). See Section 12, Accounting policies for further details.

Assets held for sale. Assets held for sale are WGN related assets with WGN being classified as a discontinued operation in accordance with the application of IFRS 5 effective with the quarter ended September 30, 2019. See Section 12, Accounting policies for further details.

Right-of-use assets. The increase in right-of-use assets is due to the adoption of IFRS 16. See Section 12, Accounting policies for further details.

Interest in joint venture. The decrease in interest in joint venture is primarily due to the distributions from CDCP (\$12.5 million).

Intangible assets. The decrease in intangible assets is due to the amortization expense (\$8.8 million from continuing operations and \$3.3 million from discontinued operations), combined with the reallocation of fair-value rent assets to the opening right-of-use asset balance in accordance with IFRS 16 (\$9.7 million) and reclassification of intangible assets to assets held for sale in accordance with IFRS 5 (\$4.9 million) as well as foreign exchange impact (\$0.3 million), partially offset by capitalization of software development costs (\$5.4 million from continuing operations and \$1 million from discontinued operations). See Section 12, Accounting policies for further details.

Goodwill. The change in goodwill is due to the impact of foreign exchange.

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

Income taxes payable. The decrease in income taxes payable represents the amount paid by Cineplex during 2019 for taxes due based on its 2018 operations, offset by liabilities for current income tax expense relating to 2019 in excess of tax installments paid for certain taxable entities in the consolidated group.

Deferred revenue. Deferred revenue decreased is primarily due to the redemption of gift cards and vouchers sold during the 2018 holiday season.

Lease obligations. The increase in lease obligations is due to the adoption of IFRS 16. See Section 12, Accounting policies for further details.

Liabilities related to assets held for sale. Liabilities related to assets held for sale are WGN related liabilities with WGN being classified as a discontinued operation in accordance with the application of IFRS 5 effective with the quarter ended September 30, 2019. See Section 12, Accounting policies for further details.

Long-term debt. The increase in long-term debt relates to increased net borrowings under the Revolving Facility (defined and discussed in Section 6.4, Credit Facilities).

Other liabilities. The decrease in other liabilities is primarily due to the reallocation of fair-value rent, deferred tenant inducements, straight-line rent averaging and density rights accounts at December 31, 2018 to the opening right-of-use asset balance in accordance with IFRS 16. See Section 12, Accounting policies for further details.

6. LIQUIDITY AND CAPITAL RESOURCES

6.1 OPERATING ACTIVITIES

Cash flow is generated primarily from film entertainment (the sale of admission tickets and food service sales), media sales and services, amusement and leisure (amusement and food service sales) and other revenues. Generally, this provides Cineplex with positive working capital, since certain cash revenues are normally collected in advance of the payment of certain expenses. Box office revenues are directly related to the success and appeal of the film product produced and distributed by the studios.

The following table highlights the movements in cash from operating activities for the three and nine months ended September 30, 2019 and 2018 (in thousands of dollars):

Cash flows provided by operating activities	Third Quarter			Year to Date		
	2019	2018	Change	2019	2018	Change
	Restated			Restated		
Net income from continuing operations	\$ 15,100	\$ 12,342	\$ 2,758	\$ 31,848	\$ 56,197	\$ (24,349)
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation and amortization of other assets (i)	31,712	32,483	(771)	95,748	93,743	2,005
Depreciation of right-of-use assets	36,456	—	36,456	109,475	—	109,475
Other depreciation and amortization amounts (ii)	—	(2,584)	2,584	—	(8,783)	8,783
Unrealized foreign exchange	(169)	175	(344)	389	(119)	508
Interest rate swap agreements - non-cash interest	(287)	185	(472)	(1,419)	393	(1,812)
Accretion of convertible debentures	—	606	(606)	—	1,815	(1,815)
Other non-cash interest (iii)	487	100	387	1,337	301	1,036
Loss on disposal of assets	303	783	(480)	896	1,617	(721)
Deferred income taxes	(2,435)	(2,979)	544	(6,762)	(8,101)	1,339
Non-cash Share-based compensation	408	405	3	1,201	1,323	(122)
Net change in interests in joint ventures and associates	(149)	(2,130)	1,981	(3,238)	(3,759)	521
Changes in operating assets and liabilities	(3,666)	(239)	(3,427)	(31,943)	(19,191)	(12,752)
Net cash provided by operating activities	\$ 77,760	\$ 39,147	\$ 38,613	\$ 197,532	\$ 115,436	\$ 82,096
(i) Includes depreciation of property, equipment and leaseholds and amortization of intangible assets.						
(ii) Includes amortization of tenant inducements and rent averaging liabilities. This accounting treatment was applied under IAS 17 Leases ("IAS 17") in 2018 but not applicable under IFRS 16 in 2019. See Section 17, Reconciliation for further details.						
(iii) Includes accretion of debt issuance and other non-cash interest costs.						

Third Quarter

Cash provided by operating activities increased \$38.6 million in the third quarter of 2019 compared to the prior year period, primarily due to the impact of IFRS 16 as a result of which cash rent is no longer being deducted under operating activities. Tenant inducements have been reclassified from operating to investing activities.

Year to Date

For the nine months ended September 30, 2019, cash provided in operating activities increased \$82.1 million compared to the prior year period due to the impact of IFRS 16 as a result of which cash rent is no longer being deducted under operating activities, partially offset by the movement in operating assets and liabilities and the \$24.3 million decrease in net income.

6.2 INVESTING ACTIVITIES

The following table highlights the movements in cash used in investing activities for the three and nine months ended September 30, 2019 and 2018 (in thousands of dollars):

Cash flows used in investing activities	Third Quarter			Year to Date		
	2019	2018	Change	2019	2018	Change
	Restated			Restated		
Proceeds from disposal of assets, including asset-related insurance recoveries	\$ —	\$ 44	\$ (44)	\$ —	\$ 1,830	\$ (1,830)
Purchases of property, equipment and leaseholds	(34,905)	(30,582)	(4,323)	(94,919)	(85,546)	(9,373)
Acquisition of businesses, net of cash acquired	—	(4,685)	4,685	—	(4,685)	4,685
Intangible assets additions	(2,600)	(992)	(1,608)	(5,156)	(3,082)	(2,074)
Tenant inducements (i)	7,804	3,481	4,323	9,153	11,729	(2,576)
Net cash received from joint ventures and associates	3,910	2,606	1,304	12,512	3,582	8,930
Net cash used in investing activities	\$ (25,791)	\$ (30,128)	\$ 4,337	\$ (78,410)	\$ (76,172)	\$ (2,238)
(i) Prior period figures have been reclassified to conform to current period presentation. See Section 17, Reconciliation for further details.						

Third Quarter

Cash used in investing activities during the third quarter of 2019 decreased by \$4.3 million compared to the prior year period. Higher additions of \$4.3 million to property, equipment and leaseholds including spending on the construction of *The Rec Room* and *Playdium* locations, recliner seat conversions and theatre construction net of tenant inducements were offset by a \$4.3 million increase in tenant inducements. The prior year period included spending on a business acquisition for a 34.7% interest in VRstudios for \$4.7 million.

Year to Date

For the year to date period, cash used in investing activities was \$2.2 million higher than the prior year period. The variance was primarily due to increased increased spending on property, equipment and leaseholds, lower tenant inducement received in the current period compared to the prior year period, partially offset by increased cash received from CDCP and the 34.7% interest acquired in VRstudios for \$4.7 million in the prior year.

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Components of capital expenditures include (in thousands of dollars):

Capital expenditures	Third Quarter			Year to Date		
	2019	2018 Restated	Change	2019	2018 Restated	Change
Gross capital expenditures	\$ 34,905	\$ 30,582	\$ 4,323	\$ 94,919	\$ 85,546	\$ 9,373
Less: tenant inducements	(7,804)	(3,481)	(4,323)	(9,153)	(11,729)	2,576
Net capital expenditures	\$ 27,101	\$ 27,101	\$ —	\$ 85,766	\$ 73,817	\$ 11,949
Net capital expenditures consists of:						
Growth and acquisition capital expenditures (i)	\$ 25,780	\$ 14,341	\$ 11,439	\$ 69,258	\$ 52,369	\$ 16,889
Tenant inducements	(7,804)	(3,481)	(4,323)	(9,153)	(11,729)	2,576
Media growth capital expenditures	74	132	(58)	376	890	(514)
Premium formats (ii)	3,228	1,325	1,903	7,711	4,906	2,805
Amusement gaming & leisure growth capital expenditures (excluding LBE expenditures)	534	7,659	1,903	1,187	10,012	(8,825)
Maintenance capital expenditures	4,325	4,433	(108)	17,456	14,646	2,810
Other (iii)	964	2,692	(1,728)	(1,069)	2,723	(3,792)
	\$ 27,101	\$ 27,101	\$ —	\$ 85,766	\$ 73,817	\$ 11,949
(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 and 4DX.						
(iii) Primary component of Other is the impact of the timing of cash payments relating to the purchases of property, equipment and leaseholds.						

Cineplex funds maintenance capital expenditures through internally generated cash flow and cash on hand. Cineplex's Revolving Facility (defined and discussed in Section 6.4, Credit Facilities) is available to fund capital expenditure projects including theatre, *The Rec Room*, *Playdium* and *Topgolf*.

6.3 FINANCING ACTIVITIES

The following table highlights the movements in cash from financing activities for the three and nine months ended September 30, 2019 and 2018 (in thousands of dollars):

Cash flows used in financing activities	Third Quarter			Year to Date		
	2019	2018	Change	2019	2018	Change
Dividends paid	\$ (28,500)	\$ (27,549)	\$ (951)	\$ (83,917)	\$ (81,064)	\$ (2,853)
Borrowings under credit facility, net	8,000	19,000	(11,000)	69,000	40,000	29,000
Repayments of lease obligations - principal	(31,836)	(863)	(30,973)	(95,900)	(2,542)	(93,358)
Deferred financing fees	—	—	—	(243)	—	(243)
Options exercised for cash	—	—	—	—	68	(68)
Net cash used in financing activities	\$ (52,336)	\$ (9,412)	\$ (42,924)	\$ (111,060)	\$ (43,538)	\$ (67,522)

Third Quarter

Cash flows used in financing activities were \$52.3 million in the third quarter of 2019, as compared to \$9.4 million used in financing activities in the prior year period, with the increase due primarily to the impact of IFRS 16 which resulted in principal repayments of lease obligations being recorded under financing activities. The repayments represent cash rent which was included in operating activities in the prior year period. Net borrowings decreased \$11.0 million in the third quarter of 2019, compared to the prior year period, primarily due to the stronger operational results across all businesses in the current period.

Year to Date

Net cash used in financing activities was \$111.1 million year to date in 2019, as compared to the cash flow used in financing activities of \$43.5 million in the prior year period. The increase was due primarily to the impact of IFRS 16 which resulted in principal repayments of lease obligations being recorded under financing activities. The repayments represent cash rent which was included in operating activities in the prior year period. This was partially offset by higher net borrowing in the current period to fund new theatre, *Playdium* and *The Rec Room* capital expenditures.

Cineplex believes that it will be able to meet its future cash obligations with its cash and cash equivalents, cash flows from operations and funds available under the Credit Facilities as described in Section 6.4, Credit Facilities.

6.4 CREDIT FACILITIES

Cineplex increased and extended its bank credit facilities effective November 13, 2018 (the "Credit Facilities"). At September 30, 2019, the Credit Facilities consisted of the following (in millions of Canadian dollars):

	Available	Drawn	Reserved	Remaining
(i) a five-year senior secured revolving credit facility ("Revolving Facility")	\$ 650.0	\$ 499.0	\$ 8.7	\$ 142.3
(ii) a seven-year senior secured non-revolving term facility ("Term Facility")	\$ 150.0	\$ 150.0	\$ —	\$ —
Letters of credit outstanding at September 30, 2019 of \$8.7 million are reserved against the Revolving Facility.				

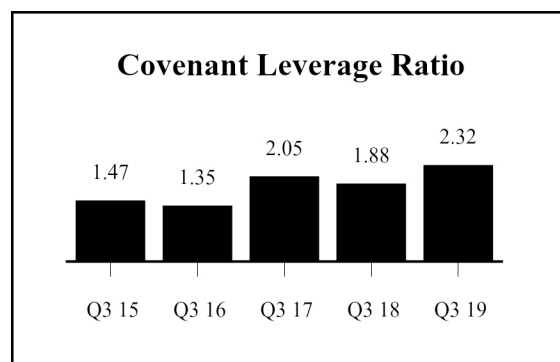
There are provisions to increase the amount of either the Revolving Facility commitment or Term Facility commitment amount by an additional \$150.0 million (the combined aggregate of both Facilities) with the consent of the lenders.

The Credit Facilities bear interest at a floating rate based on the Canadian dollar prime rate, U.S. Base Rate, LIBOR or bankers' acceptances rates plus, in each case, an applicable margin to those rates. The Revolving Facility matures in November 2023 and the Term Facility matures in November 2025, payable in full at maturity with no scheduled repayment of principal required prior to maturity.

Cineplex's Credit Facilities contain restrictive covenants that limit the discretion of Cineplex's management with respect to certain business matters. These covenants place limits and restrictions on, among other things, the ability of Cineplex

to create liens or other encumbrances, to pay dividends or make certain other payments, 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.

One of the key financial covenants in the Credit Facilities is the leverage covenant which will be 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. As at September 30, 2019, Cineplex's leverage ratio as calculated in accordance with the Credit Facilities definition was 2.32, as compared to a covenant of 3.75x. The definition of debt in the Credit Facilities includes long-term debt, financing leases and letters of credit but does not include the lease obligations arising on the adoption of IFRS 16 or a reduction for cash on hand. For the purposes of the Credit Facilities definition, EBITDA is adjusted for certain non-cash, non-recurring items and the annualized impact of new operating locations or acquisitions.



Cineplex believes that the Credit Facilities and ongoing cash flow from operations, will be sufficient to allow it to meet ongoing requirements for capital expenditures, investments in working capital and dividend payments. However, Cineplex's needs may change and in such event Cineplex's ability to satisfy its obligations will be dependent upon future financial performance, which in turn will be subject to financial, tax, business and other factors, including elements beyond Cineplex's control.

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

The following table outlines Cineplex's current interest rate swap agreements as of September 30, 2019:

Interest rate swap agreements					
	Notional amount	Inception date	Effective date	Maturity date	Fixed rate payable
Swap - 1	\$200.0 million	April 25, 2016	October 24, 2018	April 26, 2021	1.484%
Swap - 2	\$200.0 million	November 13, 2018	April 26, 2021	November 14, 2023	2.945%
Swap - 3	\$100.0 million	November 13, 2018	November 13, 2018	November 14, 2023	2.830%
Swap - 4	\$150.0 million	November 13, 2018	November 13, 2018	November 14, 2025	2.898%

The purpose of the interest rate swap agreements is to act as a cash flow hedge of the floating interest rate payable on Cineplex's first \$450.0 million of borrowings. Cineplex considered its hedging relationships and determined that the interest rate swap agreements on its first \$450.0 million of borrowings qualify for hedge accounting in accordance with IFRS 9, *Financial Instruments*. Under the provisions of IFRS 9, the interest rate swap agreements are recorded on the balance sheet at their fair values, with subsequent changes in fair value recorded in either net income or other comprehensive income.

Based on the leverage ratio covenant in effect at September 30, 2019 Cineplex's effective cost of borrowing on the \$450.0 million hedged borrowings was 4.079% (September 30, 2018 - \$200.0 million hedged borrowings - 3.783%).

6.5 FUTURE OBLIGATIONS

Cineplex has aggregate gross capital commitments of \$176.3 million (\$111.6 million net of tenant inducements) related to the completion of construction of 23 operating locations including both theatres and LBE locations, in addition to the ongoing rollout of expanded entertainment offerings at select theatres and LBE locations, over the next four years.

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

Cineplex is guarantor under the leases for the remainder of the lease terms in the event that the purchaser of the theatres does not fulfill its obligations under the respective lease; ten or fewer of those theatres are still operated by a third-party lease under which Cineplex arguably could be responsible as a guarantor. Cineplex has assessed the fair value of the lease guarantees and determined that the fair value of these guarantees at September 30, 2019 is nominal. As such, no additional amounts have been provided in the consolidated financial statements for these guarantees. Should the purchasers of the theatres fail to fulfill their lease commitment obligations, Cineplex could face a substantial financial burden, which could be mitigated by Cineplex operating any theatres under default.

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

Cineplex's dividend policy is subject to the discretion of the Board and may vary depending on, among other things, Cineplex's results of operations, cash requirements, financial condition, contractual restrictions, business opportunities, provisions of applicable law and other factors that the Board may deem relevant. It is anticipated that Cineplex will pay a monthly dividend, subject to the discretion of the Board, at an annualized rate in the range between 60% and 85% of adjusted free cash flow per Share. Cineplex hereby currently designates all dividends paid or deemed to be paid as "eligible dividends" for purposes of subsection 89(14) of the *Income Tax Act* (Canada) and similar provincial and territorial legislation, unless indicated otherwise.

7.1 ADJUSTED FREE CASH FLOW

Cineplex distributes cash to its shareholders on a monthly basis. The following table illustrates adjusted free cash flow per Share, dividends paid per Share and the payout ratio of dividends relative to adjusted free cash flow for the three and nine months ended September 30, 2019 and 2018:

Adjusted free cash flow	Third Quarter			Year to Date		
	2019	2018 Restated	Change	2019	2018 Restated	Change
Adjusted free cash flow per Share	\$ 0.762	\$ 0.596	27.9%	\$ 2.042	\$ 1.926	6.0%
Dividends declared per Share	\$ 0.450	\$ 0.435	3.4%	\$ 1.330	\$ 1.285	3.5%
Payout ratio - 12 months ended September 30				58.8%	62.4%	-3.6%

Adjusted free cash flow per Share for the third quarter of 2019 is 27.9% higher than the prior year period due to the stronger operating results as compared to the prior year period. For the year to date period, adjusted free cash flow per Share is 6.0% higher than the prior year period, primarily due to stronger results.

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Measures relevant to the discussion of adjusted free cash flow per Share are as follows (in thousands of dollars except Shares outstanding):

	Third Quarter			Year to Date		
	2019	2018	Change	2019	2018	Change
	Revised and Restated			Revised and Restated		
Cash flows provided by continuing operations (i)	\$ 77,760	\$ 39,147	98.6%	\$ 197,532	\$ 115,436	71.1%
Net income from continuing operations	\$ 15,100	\$ 12,342	22.3%	\$ 31,848	\$ 56,197	-43.3%
Standardized free cash flow (i)	\$ 42,855	\$ 8,609	397.8%	\$ 102,613	\$ 31,720	223.5%
Adjusted free cash flow	\$ 48,232	\$ 37,763	27.7%	\$ 129,328	\$ 122,004	6.0%
Cash dividends declared	\$ 28,501	\$ 27,549	3.5%	\$ 84,234	\$ 81,381	3.5%
Average number of Shares outstanding	63,333,238	63,332,946	—%	63,333,238	63,331,829	—%

(i) Prior period figures have been revised and restated to conform to current period presentation.

7.2 DIVIDENDS

Subject to the discretion of the Board, dividends are typically declared on a monthly basis to common shareholders of record on the last business day of each month. For the three months ended September 30, 2019 and 2018, Cineplex declared dividends totaling \$0.450 per Share and \$0.435 per Share, respectively.

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

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

(i) Cineplex Galaxy Income Fund (the "Fund") was formed on November 26, 2003. For the 36 day period from November 26, 2003 to December 31, 2003, the Fund declared a distribution of \$0.1118.

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

8. SHARE ACTIVITY

Share capital balances at December 31, 2018 and September 30, 2019 are as follows (expressed in thousands of dollars except Share amounts):

	Shares	Amount	
	Number of common shares issued and outstanding	Common shares	Total
Balance - December 31, 2018 and September 30, 2019	63,333,238	\$ 852,379	\$ 852,379

Officers and key employees are eligible to participate in the LTIP. Each annual LTIP grant is for a three-year service period beginning October 1. The LTIP award consists of a restricted stock unit ("RSU") plan awarding base Share

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equivalents which may decrease or increase subject to certain market conditions and a phantom share unit ("PSU") plan awarding Share equivalents which may decrease or increase subject to certain performance and market conditions. The base Share equivalents attract compounding notional dividends at the same rate as outstanding Shares, which are notionally re-invested as additional base Share equivalents. The awards will be settled in cash at the end of the service period, within 30 days of the approval of the annual consolidated financial statements by the Board.

The grants of Share equivalents were as follows:

	PSU Share equivalents granted	RSU Share equivalents granted	PSU Share equivalents minimum payout	PSU Share equivalents maximum payout
2019 LTIP award	105,777	54,940	7,788	211,553
2018 LTIP award	79,089	39,549	—	158,178
2017 LTIP award	129,136	—	49,976	236,104

LTIP costs are estimated at the grant date based on expected performance results and recognized on a graded basis over the vesting period. The effects of changes in estimates of performance results are recognized in the period of change. Forfeitures are estimated at nil, based on historical forfeiture rates.

Cineplex has an incentive Share option plan for certain employees. The aggregate number of Shares that may be issued under the option plan is limited to 5.3 million Shares. All of the options must be exercised over specified periods not to exceed ten years from the date granted. As of September 30, 2019, 3.1 million Share options were outstanding under the Share option plan. Upon cashless exercise, the Share options exercised in excess of Shares issued are canceled and returned to the pool available for future grants. At September 30, 2019, 1.1 million Share options were available for grant under the plan.

A summary of option activities for the nine months ended September 30, 2019 and 2018 is as follows:

	2019			2018	
	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	6.92	2,433,589	\$ 42.84	2,157,589	\$ 45.50
Granted		757,639	25.05	559,703	33.59
Forfeited		(67,707)	38.51	(233,847)	45.17
Exercised		—	—	(2,500)	27.33
Options outstanding – end of period	7.60	3,123,521	\$ 38.62	2,480,945	\$ 42.86

9. SEASONALITY AND QUARTERLY RESULTS

Historically, Cineplex's revenues have been seasonal, coinciding with the timing of major film releases. The most marketable motion pictures were traditionally released during the summer and the late-November through December holiday season. This caused changes from quarter to quarter in theatre attendance, affecting theatre exhibition reported results. The seasonality of theatre attendance has become less pronounced as film studios have expanded the historical summer and holiday release windows and increased the number of heavily marketed films released during traditionally weaker periods. Cineplex's diversification into other businesses such as digital media and amusement and leisure, which are not dependent on motion picture content, has contributed to reduce the impact of this seasonality on Cineplex's consolidated results. To meet working capital requirements during lower revenue quarters, Cineplex can draw upon the Revolving Facility, which had \$499.0 million drawn and \$8.7 million of letters of credit outstanding as of September 30, 2019, leaving \$142.3 million available.

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

Cineplex Inc.

Management's Discussion and Analysis

	2019			2018			2017	
	Q3	Q2 Restated	Q1 Restated	Q4 Restated	Q3 Restated	Q2 Restated	Q1 Restated	Q4 Restated
Revenues								
Box office revenues	\$177,865	\$ 189,371	\$ 156,496	\$ 182,352	\$ 173,278	\$ 187,234	\$ 181,380	\$ 185,048
Food service revenues	125,550	129,563	103,058	120,726	115,557	122,270	116,948	119,514
Media revenues	43,308	49,196	34,706	57,907	33,162	40,414	31,337	59,600
Amusement revenues	58,143	58,117	58,500	53,473	53,838	48,577	49,905	49,300
Other revenues	13,582	12,608	11,864	13,385	10,554	10,161	9,980	10,842
	418,448	438,855	364,624	427,843	386,389	408,656	389,550	424,304
Expenses								
Film cost	93,735	103,005	78,721	91,562	90,213	102,346	95,204	98,734
Cost of food service	27,439	28,247	23,436	26,138	24,257	25,020	24,776	26,935
Depreciation - right-of-use assets (i)	36,456	36,557	36,462	—	—	—	—	—
Depreciation and amortization - other	31,712	32,403	31,633	33,680	32,483	31,149	30,111	30,278
Loss on disposal of assets	303	116	477	1,064	783	624	210	369
Other costs	190,955	192,988	183,828	226,510	217,003	211,628	215,216	219,123
	380,600	393,316	354,557	378,954	364,739	370,767	365,517	375,439
Income from continuing operations	\$ 37,848	\$ 45,539	\$ 10,067	\$ 48,889	\$ 21,650	\$ 37,889	\$ 24,033	\$ 48,865
Adjusted EBITDA (ii)	106,132	114,383	78,743	83,352	54,971	69,587	54,448	79,432
Adjusted EBITDAaL (ii) (iii)	62,312	70,255	35,653	80,040	51,398	65,484	50,374	75,581
Net income (loss) from continuing operations	\$ 15,100	\$ 22,077	\$ (5,329)	\$ 29,263	\$ 12,342	\$ 26,630	\$ 17,225	\$ 29,563
Net loss from discontinued operations	(1,718)	(2,680)	(2,031)	(2,109)	(2,133)	(2,263)	(1,999)	(777)
Net income (loss)	\$ 13,382	\$ 19,397	\$ (7,360)	\$ 27,154	\$ 10,209	\$ 24,367	\$ 15,226	\$ 28,786
EPS - basic and diluted from continuing operations	\$ 0.24	\$ 0.35	\$ (0.09)	\$ 0.46	\$ 0.19	\$ 0.42	\$ 0.27	\$ 0.46
EPS - basic and diluted from discontinued operations	\$ (0.03)	\$ (0.04)	\$ (0.03)	\$ (0.03)	\$ (0.03)	\$ (0.04)	\$ (0.03)	\$ (0.01)
EPS - basic and diluted	\$ 0.21	\$ 0.31	\$ (0.12)	\$ 0.43	\$ 0.16	\$ 0.38	\$ 0.24	\$ 0.45
Cash provided by operating activities (iii)	\$ 77,760	58,346	61,426	\$ 82,928	\$ 39,147	\$ 30,387	\$ 45,902	\$ 118,962
Cash used in investing activities (iii)	(25,791)	(24,851)	(27,768)	(22,462)	(30,128)	(22,101)	(23,943)	(44,506)
Cash used in financing activities	(52,336)	(24,447)	(34,277)	(66,646)	(9,412)	(12,695)	(21,431)	(51,461)
Effect of exchange rate differences on cash	(158)	235	61	137	(204)	647	20	144
Net change in cash	\$ (525)	\$ 9,283	\$ (558)	\$ (6,043)	\$ (597)	\$ (3,762)	\$ 548	\$ 23,139
Cash flows used in discontinued operations	\$ (1,441)	\$ (1,120)	\$ (807)	\$ (1,277)	\$ (965)	\$ (1,652)	\$ (1,607)	\$ (1,289)
BPP (ii)	\$ 10.16	\$ 11.13	\$ 10.44	\$ 10.73	\$ 10.07	\$ 10.82	\$ 10.21	\$ 10.54
CPP (ii)	\$ 6.68	\$ 7.04	\$ 6.35	\$ 6.53	\$ 6.25	\$ 6.59	\$ 6.09	\$ 6.29
Film cost percentage (ii)	52.7%	54.4%	50.3%	50.2%	52.1%	54.7%	52.5%	53.4%
Theatre attendance (in thousands of patrons) (ii)	17,512	17,011	14,988	16,992	17,208	17,307	17,765	17,551
Theatre locations (at period end)	165	165	165	164	165	164	163	163
Theatre screens (at period end)	1,695	1,695	1,692	1,686	1,696	1,683	1,676	1,676

(i) See Section 12, Accounting policies.

(ii) See Section 16, Non-GAAP measures.

(iii) Prior period figures have been revised to conform to current period presentation. See Section 17, Reconciliation for further details.

Summary of adjusted free cash flow by quarter

Management calculates adjusted free cash flow per Share as follows (see Section 16, Non-GAAP measures, for a discussion of adjusted free cash flow) (in thousands of dollars except per Share data and number of Shares outstanding):

	2019			2018			2017	
	Q3	Q2 Restated	Q1 Restated	Q4 Restated	Q3 Restated	Q2 Restated	Q1 Restated	Q4 Restated
Cash provided by operating activities (i)	\$ 77,760	\$ 58,346	\$ 61,426	\$ 82,928	\$ 39,147	\$ 30,387	\$ 45,902	\$ 118,962
Less: Total capital expenditures net of proceeds on sale of assets	(34,905)	(27,653)	(32,361)	(24,433)	(30,538)	(27,877)	(25,301)	(44,025)
Standardized free cash flow	42,855	30,693	29,065	58,495	8,609	2,510	20,601	74,937
Add/(Less):								
Changes in operating assets and liabilities	3,666	30,432	(2,155)	(15,531)	239	20,622	(1,670)	(61,306)
Changes in operating assets and liabilities of joint ventures	(411)	(240)	1,317	(1,518)	1,012	(411)	308	506
Principal component of lease obligations	(31,836)	(31,580)	(32,484)	(878)	(863)	(847)	(832)	(817)
Principal portion of cash rent paid not pertaining to current period	(345)	(346)	1,037	—	—	—	—	—
Growth capital expenditures and other	30,580	19,190	27,693	19,872	26,105	22,923	20,042	37,373
Share of income of joint ventures, net of non-cash depreciation	(189)	(238)	92	(306)	2	(75)	94	(80)
Non-controlling interests	2	7	11	25	53	—	—	—
Net cash received from CDCP	3,910	3,128	5,474	684	2,606	292	684	550
Adjusted free cash flow	\$ 48,232	\$ 51,046	\$ 30,050	\$ 60,843	\$ 37,763	\$ 45,014	\$ 39,227	\$ 51,163
Average number of Shares outstanding	63,333,238	63,333,238	63,333,238	63,333,137	63,332,946	63,332,067	63,330,446	63,350,216
Adjusted free cash flow per Share	\$ 0.762	\$ 0.806	\$ 0.474	\$ 0.961	\$ 0.596	\$ 0.711	\$ 0.619	\$ 0.808

(i) Prior period figures have been revised to conform to current period presentation. See Section 17, Reconciliation for further details.

10. RELATED PARTY TRANSACTIONS

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

The Chief Executive Officer of Riocan Real Estate Investment Trust ("Riocan") serves as a member of the Board. During the three and nine months ended September 30, 2019, Cineplex incurred theatre occupancy expenditures for theatres under lease commitments with Riocan in the amounts of \$10.7 million and \$32.3 million, (2018 - \$11.3 million and \$33.7 million, respectively).

11. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTIES

Cineplex makes estimates and assumptions concerning the future that may not equal actual results. These estimates and assumptions are outlined in Section 12 of the Annual MD&A. These estimates and assumptions have not changed materially since December 31, 2018, except addition of the following effective January 1, 2019 upon the adoption of IFRS 16.

Critical Judgments in Determining Lease Terms

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

12. ACCOUNTING POLICIES

ACCOUNTING STANDARDS APPLIED OR ADOPTED IN THE CURRENT YEAR

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

Cineplex has met the criteria of recording WGN as a discontinued operation under the accounting standard IFRS 5. Therefore, effective with the quarter ended September 30, 2019, WGN'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 in 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;
- 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 loss from discontinued operations in the consolidated statement of operations and comparative period have been restated.

IFRS 16, Leases

Effective January 1, 2019, Cineplex adopted IFRS16, replacing IAS 17 and related interpretations. IFRS 16 specifies how to recognize, measure, present and disclose leases and provides a single lessee accounting model requiring lessees to recognize assets and lease obligations for all major leases. The accounting policies for IFRS 16 applied in these unaudited interim condensed consolidated financial statements for the third quarter of 2019 are the same as those applied for the first quarter of 2019.

In general, under IFRS 16, substantially all of Cineplex's leases are recorded on the balance sheet as right-of-use assets and corresponding lease obligations. Depreciation related to the right-of-use asset and interest expense related to lease obligations are deducted in computing net income. The principal component for these leases is reported as the repayment of lease obligations within cash flows from financing activities and the interest component is included in cash flows from operating activities.

Cineplex Inc.

Management's Discussion and Analysis

On adoption, Cineplex implemented IFRS 16 using a modified retrospective approach whereby the financial statements of prior periods presented had not been restated and continue to be reported under IAS 17. The following table shows the impact on each individual line item on the balance sheet as of December 31, 2018 resulting from the adoption of IFRS 16 on January 1, 2019. Line items that were not affected by the changes have not been included. As a result, the sub totals and totals disclosed cannot be recalculated from the numbers provided.

	December 31, 2018	Finance lease (i)	Asset retirement obligation (ii)	Fair-value rent (iii)	Deferred tenant inducement (iv)	Rent averaging (v)	Density right (vi)	PVLP (vii)	Balances post IFRS 16 adoption at January 1, 2019
Assets									
Non-current assets									
Property, equipment and leaseholds	634,354	(11,239)	(405)	—	—	—	—	—	622,710
Right-of-use assets	—	11,239	1,167	(3,631)	(56,610)	(36,490)	(1,091)	1,428,009	1,342,593
Intangible assets	108,758	—	—	(9,689)	—	—	—	—	99,069
Total assets	\$ 1,856,449	\$ —	\$ 762	\$ (13,320)	\$ (56,610)	\$ (36,490)	\$ (1,091)	\$ 1,428,009	\$ 3,177,709
Liabilities									
Current liabilities									
Lease obligations	3,058	(3,058)	—	—	—	—	—	106,892	106,892
Total current liabilities	430,877	(3,058)	—	—	—	—	—	106,892	534,711
Non-current liabilities									
Lease obligations	10,789	3,058	—	—	—	—	—	1,321,117	1,334,964
Other liabilities	119,110	—	762	(13,320)	(56,610)	(36,490)	(1,091)	—	12,361
Total liabilities	\$ 1,177,438	\$ —	\$ 762	\$ (13,320)	\$ (56,610)	\$ (36,490)	\$ (1,091)	\$ 1,428,009	\$ 2,498,698
(i) Property, equipment and leaseholds associated with finance lease assets were reallocated to right-of-use assets, and finance lease liabilities were reallocated to lease obligations upon adoption of IFRS 16.									
(ii) Asset retirement obligation ("ARO") assets were reallocated to right-of-use assets, and ARO liabilities were re-valued based on the lease term and incremental borrowing rate upon adoption of IFRS 16.									
(iii) Fair-value rent assets and liabilities were reallocated to right-of-use assets upon adoption of IFRS 16.									
(iv) Deferred tenant inducements were reallocated to right-of-use assets upon adoption of IFRS 16.									
(v) Straight-line rent averaging liabilities were reallocated to right-of-use assets upon adoption of IFRS 16.									
(vi) Density right deferred gains were reallocated to right-of-use assets upon adoption of IFRS 16.									
(vii) Cineplex recognized right-of-use assets and lease obligations equal to the present value of future lease payments ("PVLP") upon adoption of IFRS 16 using the modified retrospective method.									

IFRIC 23, Uncertainty over Income Tax Treatments ("IFRIC 23")

IFRIC 23 clarifies how to apply the recognition and measurement requirements in IAS 12, *Income Taxes* when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognize and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this interpretation. IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019 and did not have any impact on Cineplex's balance sheet and statement of operations.

13. RISKS AND UNCERTAINTIES

Cineplex is exposed to a number of risks and uncertainties in the normal course of business that have the potential to affect operating performance. For more information about Cineplex's risks and uncertainties, refer to Section 14 of the 2018 Annual MD&A. These risks and uncertainties remain substantially unchanged from those disclosed. 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 therein 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".

14. CONTROLS AND PROCEDURES

14.1 DISCLOSURE CONTROLS AND PROCEDURES

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

14.2 INTERNAL CONTROLS OVER FINANCIAL REPORTING

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.

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

15. OUTLOOK

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

FILM ENTERTAINMENT AND CONTENT

Theatre Exhibition

Cineplex box office revenues increased 2.6% in the third quarter as compared to the prior year period. The increase was due to a third quarter record BPP and a 1.8% increase in theatre attendance. Box office revenues are and will remain highly dependent on the marketability, quality and appeal of the film product released by major motion picture studios. Looking forward to the balance of 2019 there is a strong slate of films scheduled for release including *Joker*, *Maleficent: Mistress of Evil*, *Terminator: Dark Fate*, *Last Christmas*, *Charlie's Angels*, *Ford v. Ferrari*, *A Beautiful Day in the Neighborhood*, *Frozen 2*, *Knives Out*, *Jumanji: The Next Level* and *Star Wars: The Rise of Skywalker*.

Cineplex continues to focus on providing guests with a variety of premium viewing options through which to enjoy the theatre experience. These premium-priced offerings, which include UltraAVX, VIP Cinemas, IMAX, D-BOX, 3D, 4DX, *Cineplex Clubhouse* and ScreenX generate higher revenues per patron and expand the customer base. Cineplex believes that these premium formats provide an enhanced guest experience and will continue to charge a ticket price premium for films and events presented in these formats. In 2018, Cineplex entered into an exclusive expansion agreement that allows Cineplex to expand the 4DX experience across Canada. In April 2019, Cineplex announced an agreement to expand ScreenX to an additional 20 locations across Canada.

Over the next few years, Cineplex plans to open on average two to three new theatres per year. Cineplex is also focused on providing guests with a variety of premium viewing options, including recliner seating, through which to enjoy the theatre experience, and will continue to expand premium viewing options throughout its circuit in 2019 and beyond. VIP Cinemas and other premium viewing options are a key component to Cineplex's theatre exhibition strategy, and have been well received by audiences. Additionally, Cineplex is looking to expand its entertainment options, including VR and other experiences in its theatres beyond filmed content.

In the second quarter of 2019, Cineplex announced plans to open a new theatre and entertainment complex in Winnipeg, Manitoba in 2021. The new complex will offer an all-in-one entertainment experience that includes movies, dining, amusement games and attractions. During the third quarter of 2019, Cineplex announced plans for a new VIP Cinemas at Royalmount in Montreal, Quebec which is expected to open in 2022. The VIP Cinemas will include five luxury auditoriums and a fully licensed lounge.

Theatre Food Service

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

Alternative Programming

Cineplex offers a wide variety of alternative programming, including international film programming, the popular Metropolitan Opera live in HD series, sports programming and various concert performances by popular recording artists. Live stage performances captured in London and New York are seeing increased growth with more productions. 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 continue to grow and evolve, Cineplex believes it is well positioned to take advantage of this market with its transactional video-on-demand ("TVoD") digital commerce platform, the Cineplex Store, which offers thousands of movies that can be rented or purchased digitally and viewed on multiple devices. The Cineplex Store supports a wide range of devices in Canada on which to buy or rent digital movies, and continues to add new transactional storefronts on connected devices. The wide range of device integration and the breadth of our content offering provides exciting opportunities for Cineplex in this market.

In addition to continuing to develop and improve the Cineplex Store user experience, Cineplex will continue to offer promotions to grow Cineplex Store revenues including tie-ins with the SCENE loyalty program, Uber Eats and Skip the Dishes digital combos with an expanded device ecosystem for TVoD sales.

MEDIA

Cinema Media

Cineplex believes that no other medium engages viewers like the cinema experience: engaged moviegoers, sitting in a darkened theatre, ready to be entertained and fully focused on the screen. Research has shown that cinema media advertising reaches the most sought-after demographics, as well as Canada's high-income households and educated populations. In addition to its successful show-time and pre-show advertising opportunities, Cineplex believes its cinema media business will continue to grow through its innovative media opportunities within Cineplex's theatres, including digital signage within theatre lobbies, the IMZs in select theatres and Timeplay, a third-party app that allows Cineplex to sell media integrated into real-time content on the big screen. Cineplex also sells media for Cineplex Digital Media clients and LBE.

Digital Place-Based Media

Cineplex's digital place-based media business will continue to roll out its world-class solutions in quick service restaurants, financial service and retail sectors as well as immersive digital place-based media networks. Cineplex will continue to explore opportunities outside of Canada, in order to better service its current customer base and to attract

new clients. Cineplex believes that the strengths of its digital place-based media business will make Cineplex a leader in the indoor digital signage industry and will provide a platform for significant growth throughout Canada, the United States and internationally.

AMUSEMENT AND LEISURE

Amusement Solutions

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

In 2018, Cineplex entered into a partnership with VRstudios and acquired a 34.7% interest in the largest provider of turn-key, location-based virtual reality solutions. The VRstudios agreement will allow Cineplex to supply virtual reality solutions in Cineplex's theatres and LBE locations, and to provide expansion opportunities in other third-party locations throughout North America and internationally using P1AG as a distributor. During 2018 Cineplex also announced a new exclusive expansion agreement with The VOID, a state-of-the-art VR experience which combines VR technology with physical stages and multi-sensory effects. The VOID agreement will allow Cineplex to open new VOID experiences across Canada. Currently Cineplex has three VOID installations in *The Rec Room* locations.

Recently enacted legislation in Quebec, allowing for redemption gaming in the province for the first time, will increase business opportunities for P1AG in the province. In addition, the law will allow for expanded gaming choices at Cineplex's recently announced plans to open Quebec's first *The Rec Room* location in Montreal, Quebec in 2022.

Location Based Entertainment

Cineplex's LBE business features entertainment destination locations that cater to a wide range of guests. In 2016, Cineplex launched *The Rec Room*, a social entertainment destination targeting millennials featuring a wide range of entertainment options including an attractions area featuring recreational gaming, a live entertainment venue and high definition screens for watching a wide range of entertainment programming. This entertainment is complemented with an upscale casual dining environment, as well as an expansive bar with a wide range of digital monitors and a large screen above the bar for watching events.

Subsequent to the first location of *The Rec Room* opening in Edmonton, Alberta in 2016, Cineplex opened three locations in Toronto, Ontario, Edmonton and Calgary, Alberta in 2017, one location in London, Ontario in 2018 and two locations in Mississauga, Ontario and St. John's, Newfoundland in 2019. Another location will open in Winnipeg, Manitoba in 2020. Two new locations, in Burnaby, British Columbia and Barrie, Ontario, are scheduled to open in 2020. One location is also scheduled to open in Vancouver, British Columbia in 2021. In addition, as announced during the third quarter of 2019, one location is scheduled to open in Montreal, Quebec in 2022.

Cineplex has relaunched the *Playdium 2.0* brand concept targeting families and teens, rolling them out in mid-sized communities across Canada. The first location opened in Brampton, Ontario in the third quarter of 2019 with the second location in Whitby, Ontario scheduled to open in the fourth quarter of 2019 and a location in Dartmouth, Nova Scotia expected to open in 2020.

With a joint venture with *Topgolf* to operate Topgolf sports and entertainment venues, Cineplex intends to open multiple venues in markets across the country during the next several years.

Esports

During the quarter ended September 30, 2019, recognizing that working with a third-party would result in better growth for WGN given the global nature of the business, Cineplex initiated a review process of WGN's online esports business. A third-party adviser was engaged to identify a strategic equity partner. Cineplex may retain a minority equity interest in the operations of the business.

LOYALTY

The SCENE loyalty program continues to grow its membership base, with approximately 10.1 million members at September 30, 2019. Cineplex continues to integrate SCENE elements into various film and other promotion campaigns, applying the data accumulated in the SCENE database to provide members targeted offers. Cineplex expects these programs to encourage increased frequency of visitation and spend by SCENE members and additional revenue opportunities through the use of the database. In addition, SCENE is implementing programs to drive consumer behavior through marketing automation initiatives.

As SCENE continues to grow its membership and reach, it continually works to develop strategic marketing partnerships.

FINANCIAL OUTLOOK

During the 12 months ended September 30, 2019, Cineplex generated adjusted free cash flow per Share of \$3.003, compared to \$2.734 in the prior 12 month period. Cineplex declared dividends per Share of \$1.765 and \$1.705, respectively, in each 12 month period. The payout ratios for these periods were 58.8% and 62.4%, respectively.

During the second quarter of 2019, Cineplex announced a dividend increase to \$1.80 per Share on an annualized basis from \$1.74 per Share. This increase became effective with the May 2019 dividend which was paid in June 2019. This increase represents Cineplex's ninth dividend increase since converting to a corporation on January 1, 2011.

Between the free cash flow generated in excess of the dividends paid and amounts available under its Credit Facilities, Cineplex believes that it has sufficient financial resources to meet its ongoing requirements for capital expenditures, investments in working capital and dividends. However, Cineplex's needs may change and in such event Cineplex's ability to satisfy its obligations will be dependent upon future financial performance, which in turn will be subject to financial, tax, business and other factors, including elements beyond Cineplex's control.

16. NON-GAAP MEASURES

The following measures included in this MD&A do not have a standardized meaning under GAAP and may not be comparable to similar measures provided by other issuers. Cineplex includes these measures because its management believes that they assist investors in assessing financial performance.

16.1 EBITDA, ADJUSTED EBITDA AND ADJUSTED EBITDAaL

Management defines EBITDA as earnings before interest income and expense, income taxes and depreciation and amortization expense from continuing operations. Adjusted EBITDA excludes the change in fair value of financial instrument, loss on disposal of assets, foreign exchange gain, the equity income of CDCP, the non-controlling interests' share of adjusted EBITDA of *Topgolf*, and depreciation, amortization, interest and taxes of Cineplex's other joint ventures and associates. Adjusted EBITDAaL modifies adjusted EBITDA to deduct current period cash rent related to lease obligations. Prior year adjusted EBITDAaL deducts rent previously recognized as a reduction in finance lease obligations, and non-cash rent previously presented as amortization of tenant inducements, rent averaging liabilities, density rights and fair-value lease contract liabilities. EBITDA, adjusted EBITDA and adjusted EBITDAaL measure Cineplex's operational performance from continuing operations, and prior year measurements have been restated to exclude discontinued operations accordingly.

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

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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.

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

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018 Restated	2019	2018 Restated
Net income from continuing operations	\$ 15,100	\$ 12,342	\$ 31,848	\$ 56,197
Depreciation and amortization - other	31,712	32,483	95,748	93,743
Depreciation - right-of-use assets	36,456	—	109,475	—
Interest expense - lease obligations	12,091	126	36,780	425
Interest expense - other	6,244	6,766	17,453	19,536
Interest income	(75)	(60)	(208)	(205)
Current income tax expense	7,932	6,182	16,345	19,008
Deferred income tax recovery	(2,435)	(2,979)	(6,762)	(8,101)
EBITDA from continuing operations	\$ 107,025	\$ 54,860	\$ 300,679	\$ 180,603
Loss on disposal of assets	303	783	896	1,617
CDCP equity income (i)	(790)	(1,131)	(3,024)	(2,875)
Foreign exchange (gain) loss	(449)	391	569	(438)
Non-controlling interest adjusted EBITDA	2	53	20	53
Depreciation and amortization - joint ventures and associates (ii)	23	2	76	7
Taxes and interest of joint ventures and associates (ii)	18	13	41	39
Adjusted EBITDA from continuing operations	\$ 106,132	\$ 54,971	\$ 299,257	\$ 179,006
Cash rent related to lease obligations (iii)	(43,466)	—	(131,391)	—
Cash rent paid not pertaining to current period	(354)	—	353	—
Rent previously recognized as a finance lease (iv)	—	(989)	—	(2,967)
Non-cash rent (v) (vi)	—	(2,584)	—	(8,783)
Adjusted EBITDAaL (vi) (vii)	\$ 62,312	\$ 51,398	\$ 168,219	\$ 167,256
(i) CDCP equity income not included in adjusted EBITDA as CDCP is a limited-life financing vehicle that is funded by virtual print fees collected from distributors.				
(ii) Includes the joint ventures with the exception of CDCP (see (i) above).				
(iii) Balance of cash rents that have been reallocated to offset the lease obligations.				
(iv) Rent payments that were charged to the finance lease obligations in the previous reporting period. See Section 17, Reconciliation for further details.				
(v) Non-cash rent included in the 2018 balances in the previous reporting period. See Section 17, Reconciliation for further details.				
(vi) See Section 16, Non-GAAP measures.				
(vii) Prior period figures have been revised to conform to current period presentation. See Section 17, Reconciliation for further details.				

16.2 ADJUSTED FREE CASH FLOW

Free cash flow measures the amount of cash from operating activities net of capital expenditures available for activities such as repayment of debt, dividends to owners and investments in future growth through acquisitions. 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 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.

Cineplex presents standardized free cash flow and adjusted free cash flow per Share because they are key measures used by investors to value and assess Cineplex. Management of Cineplex defines adjusted free cash flow as standardized

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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):

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018 Restated	2019	2018 Restated
Cash provided by operating activities (i)	\$ 77,760	\$ 39,147	\$ 197,532	\$ 115,436
Less: Total capital expenditures net of proceeds on sale of assets	(34,905)	(30,538)	(94,919)	(83,716)
Standardized free cash flow	42,855	8,609	102,613	31,720
Add/(Less):				
Changes in operating assets and liabilities (ii)	3,666	239	31,943	19,191
Changes in operating assets and liabilities of joint ventures and associates (ii)	(411)	1,012	666	909
Principal component of lease obligations	(31,836)	(863)	(95,900)	(2,542)
Principal portion of cash rent paid not pertaining to current period	(345)	—	346	—
Growth capital expenditures and other (iii)	30,580	26,105	77,463	69,070
Share of income of joint ventures and associates, net of non-cash depreciation	(189)	2	(335)	21
Non-controlling interests	2	53	20	53
Net cash received from CDCP (iv)	3,910	2,606	12,512	3,582
Adjusted free cash flow	\$ 48,232	\$ 37,763	\$ 129,328	\$ 122,004
Average number of Shares outstanding	63,333,238	63,332,946	63,333,238	63,331,829
Adjusted free cash flow per Share	\$ 0.762	\$ 0.596	\$ 2.042	\$ 1.926
Dividends declared	\$ 0.450	\$ 0.435	\$ 1.330	\$ 1.285
(i) Prior period figures have been revised to conform to current period presentation. See Section 17, Reconciliation for further details.				
(ii) Changes in operating assets and liabilities are not considered a source or use of adjusted free cash flow.				
(iii) Growth capital expenditures and other represent expenditures on Board approved projects, exclude maintenance capital expenditures and are net of proceeds on asset sales. The Revolving Facility (discussed above in Section 6.4, Credit Facilities) is available to Cineplex to fund Board approved projects.				
(iv) Excludes the share of income of CDCP, as CDCP is a limited-life financing vehicle funded by virtual print fees collected from distributors. Cash invested into CDCP, as well as cash distributions received from CDCP, are considered to be uses and sources of adjusted free cash flow.				

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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):

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018 Restated	2019	2018 Restated
Net income from continuing operations	\$ 15,100	\$ 12,342	\$ 31,848	\$ 56,197
Adjust for:				
Depreciation and amortization - other	31,712	32,483	95,748	93,743
Depreciation - right-of-use assets	36,456	—	109,475	—
Loss on disposal of assets	303	783	896	1,617
Non-cash interest (i)	200	891	(82)	2,509
Non-cash foreign exchange	(169)	175	389	(119)
Share of income of CDCP (ii)	(790)	(1,131)	(3,024)	(2,875)
Non-controlling interests	2	53	20	53
Non-cash depreciation of joint ventures and associates	23	2	76	7
Deferred income tax recovery	(2,435)	(2,979)	(6,762)	(8,101)
Taxes and interest of joint ventures and associates	18	13	41	39
Maintenance capital expenditures	(4,325)	(4,433)	(17,456)	(14,646)
Principal component of finance lease obligations	(31,836)	(863)	(95,900)	(2,542)
Principal portion of cash rent paid not pertaining to current period	(345)	—	346	—
Net cash received from CDCP (ii)	3,910	2,606	12,512	3,582
Non-cash items:				
Amortization of tenant inducements, rent averaging liabilities and fair value lease contract assets	—	(2,584)	—	(8,783)
Non-cash Share-based compensation	408	405	1,201	1,323
Adjusted free cash flow	\$ 48,232	\$ 37,763	\$ 129,328	\$ 122,004
(i) Non-cash interest includes amortization of deferred financing costs on the long-term debt, accretion expense on the convertible debentures and other non-cash interest expense items.				
(ii) Excludes the share of income of CDCP, as CDCP is a limited-life financing vehicle funded by virtual print fees collected from distributors. Cash invested into CDCP, as well as cash distributions received from CDCP, are considered to be uses and sources of adjusted free cash flow.				

16.3 OTHER NON-GAAP MEASURES MONITORED BY MANAGEMENT

Management uses the following non-GAAP measures as indicators of performance for Cineplex.

Earnings per Share Metrics

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

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 and IMAX product; divided by total paid theatre attendance for the period, less paid theatre attendance for 3D, 4DX, UltraAVX, VIP 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 and VIP film product.

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

Same Theatre Analysis

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

Same theatre metrics are calculated by removing the results for all theatres that have been opened, acquired, closed or otherwise disposed of subsequent to the start of the prior year comparative period. For the three months ended September 30, 2019 the impact of four locations that have been opened or acquired and three locations that have been closed or otherwise disposed of have been excluded, resulting in 161 theatres being included in the same theatre metrics. For the nine months ended September 30, 2019 the impact of the five locations that have been opened or acquired and three locations that have been closed or otherwise disposed of have been excluded, resulting in 160 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.

P1AG Adjusted EBITDAaL

Calculated as amusement revenues of P1AG less the total operating expenses, cash rent related to lease obligations and non-cash rent of P1AG, which excludes foreign exchange.

P1AG Adjusted EBITDAaL Margin

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

Adjusted Store Level EBITDAaL Metrics

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

Adjusted Store Level EBITDAaL Margin

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

Non-cash rent

Calculated as the total amortization of tenant inducements, rent averaging liabilities, density rights and fair-value lease contract liabilities. This accounting treatment was applicable under IAS 17 in 2018 but not applicable under IFRS 16 in 2019 and onwards.

17. RECONCILIATION

As disclosed in Section 12, Accounting policies, Cineplex has adopted the new accounting standard, IFRS 16 as at January 1, 2019. Cineplex has applied IFRS 16 using the modified retrospective approach and as a result the standard has been applied prospectively. Prior period figures have been revised in the MD&A in order to provide comparability to the current year period.

The following table discloses the revised theatre occupancy expenses for each quarter in 2018:

Theatre occupancy expenses	Revised 2018			
	Q1	Q2	Q3	Q4
Cash rent - theatre (i)	\$ 38,470	\$ 38,747	\$ 38,704	\$ 38,624
Other occupancy	18,667	18,706	18,484	17,578
One-time items (ii)	(1,272)	(608)	(346)	(550)
Total theatre occupancy including cash lease payments	\$ 55,865	\$ 56,845	\$ 56,842	\$ 55,652
Non-cash rent (iii) (vi)	(2,978)	(3,068)	(2,692)	(2,672)
Rent previously recognized as a finance lease (iv)	(989)	(989)	(989)	(989)
Cash rent related to lease obligations (v)	—	—	—	—
Theatre occupancy as reported	\$ 51,898	\$ 52,788	\$ 53,161	\$ 51,991
(i) Represents the cash payments for theatre rent during the quarter. See below for reconciliation from previously reported figures.				
(ii) One-time items include amounts related to both theatre rent and other theatre occupancy costs. They are isolated here to illustrate Cineplex's theatre rent and other theatre occupancy costs excluding these one-time, non-recurring items.				
(iii) Non-cash rent included in the 2018 balances in the previous reporting period.				
(iv) Rent payments that were charged to the finance lease obligation in the previous reporting period.				
(v) Cash rent that has been reallocated to offset the lease obligations.				
(vi) See Section 16, Non-GAAP measures.				

The following table shows the changes to the previously disclosed balances in the theatre occupancy expenses table for each quarter in 2018:

Rent - theatre reconciliation	Revised 2018			
	Q1	Q2	Q3	Q4
Rent- theatre as previously reported	\$ 34,503	\$ 34,690	\$ 35,023	\$ 34,963
Non-cash rent included as in Rent - theatre	2,978	3,068	2,692	2,672
Cash rent previously charged to the finance lease obligations	989	989	989	989
Cash rent - theatre as revised	\$ 38,470	\$ 38,747	\$ 38,704	\$ 38,624

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The following table discloses the changes to the other operating expenses for each quarter in 2018:

Other operating expenses	Restated 2019		Revised and restated 2018			
	Q1	Q2	Q1	Q2	Q3	Q4
Theatre payroll	\$ 36,710	\$ 41,072	\$ 38,293	\$ 37,506	\$ 38,003	\$ 38,663
Theatre operating expenses	28,562	30,225	29,419	28,913	29,152	29,940
Media (i)	16,742	21,185	16,421	17,288	14,235	18,881
P1AG (i)	40,965	40,529	35,719	36,140	38,603	40,096
LBE (i) (ii)	11,148	13,957	10,540	11,461	11,067	11,665
LBE pre-opening (i) (iii)	691	673	290	848	209	(87)
SCENE	5,038	4,060	4,217	3,173	3,168	6,889
Marketing	2,851	4,192	4,408	3,495	5,393	6,663
Business interruption insurance proceeds	—	—	—	(3,700)	—	(1,749)
Other (iv)	8,174	7,892	5,967	5,942	5,872	10,431
Other operating expenses including cash lease payments	\$ 50,881	\$ 163,785	\$ 45,274	\$ 141,066	\$ 145,702	\$ 161,392
Non-cash rent (v) (vi)	—	—	(105)	(48)	107	348
Cash rent related to lease obligations (vii)	(4,313)	(4,652)	—	—	—	—
Other operating expenses from continuing operations as reported	\$ 46,568	\$ 159,133	\$ 45,169	\$ 141,018	\$ 145,809	\$ 161,740
Other operating expenses from discontinued operations as reported	1,635	2,535	2,238	2,144	1,941	2,055
Total other operating expenses	\$ 48,203	\$ 161,668	\$ 47,407	\$ 143,162	\$ 147,750	\$ 163,795
(i) Prior period balances were revised to exclude non-cash rent. See below for changes from previously reported figures.						
(ii) Includes operating costs of LBE. Overhead relating to management of LBE portfolio are included in the 'Other' line.						
(iii) Includes pre-opening costs of LBE.						
(iv) Other category includes overhead costs related to LBE and other Cineplex internal departments.						
(v) Non-cash rent included in the 2018 balances in the previous reporting period. See below for a reconciliation of previously reported figures.						
(vi) See Section 16, Non-GAAP measures.						
(vii) Cash rent that has been reallocated to offset the lease obligations.						

The following tables show the changes to the previously disclosed balances for Media operating expenses, P1AG operating expenses, LBE operating expenses and LBE pre-opening expenses for each quarter in 2018:

Media operating expenses reconciliation	Revised 2018			
	Q1	Q2	Q3	Q4
Media operating expenses as previously reported	\$ 16,409	\$ 17,275	\$ 14,223	\$ 18,869
Non-cash rent included as part of the operating expenses	12	13	12	12
Media operating expenses as revised	\$ 16,421	\$ 17,288	\$ 14,235	\$ 18,881

P1AG operating expenses reconciliation	Revised 2018			
	Q1	Q2	Q3	Q4
P1AG operating expenses as previously reported	\$ 35,698	\$ 36,119	\$ 38,583	\$ 40,076
Non-cash rent included as part of the operating expenses	21	21	20	20
P1AG operating expenses as revised	\$ 35,719	\$ 36,140	\$ 38,603	\$ 40,096

LBE operating expenses reconciliation	Revised 2018			
	Q1	Q2	Q3	Q4
LBE operating expenses as previously reported	\$ 10,486	\$ 11,406	\$ 11,011	\$ 11,609
Non-cash rent included as part of the operating expenses	54	55	56	56
LBE operating expenses as revised	\$ 10,540	\$ 11,461	\$ 11,067	\$ 11,665

LBE pre-opening expenses	Revised 2018			
	Q1	Q2	Q3	Q4
LBE pre-opening expenses as previously reported	\$ 272	\$ 889	\$ 405	\$ 349
Non-cash rent included as part of the operating expenses	18	(41)	(195)	(436)
LBE pre-opening expenses as revised	\$ 290	\$ 848	\$ 209	\$ (87)

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Other	Restated 2019		Restated 2018			
	Q1	Q2	Q1	Q2	Q3	Q4
Other expenses included in other operating expense as previously reported	\$ 9,809	\$ 10,427	\$ 8,205	\$ 8,086	\$ 7,813	\$ 12,486
Other expenses included in other operating expense from discontinued operations	(1,635)	(2,535)	(2,238)	(2,144)	(1,941)	(2,055)
Other expenses included in other operating expense as restated	\$ 8,174	\$ 7,892	\$ 5,967	\$ 5,942	\$ 5,872	\$ 10,431

The following table discloses the changes to G&A expenses for each quarter in 2018:

G&A expenses	Revised 2018			
	Q1	Q2	Q3	Q4
G&A excluding LTIP and option plan expense (i)	\$ 17,773	\$ 14,772	\$ 14,586	\$ 13,437
Restructuring	996	2,803	1,021	1,022
LTIP (i)	(1,049)	(242)	2,020	(2,076)
Option plan	431	487	405	395
G&A expenses including cash lease payments	\$ 18,151	\$ 17,820	\$ 18,032	\$ 12,778
Non-cash rent (iii) (iv)	(2)	2	1	1
Cash rent included as part of lease obligations (v)	—	—	—	—
G&A expenses as revised	\$ 18,149	\$ 17,822	\$ 18,033	\$ 12,779
(i) Prior period balance was revised to exclude non-cash rent. See below for changes from previously reported figures.				
(ii) LTIP includes the expense for the LTIP program as well as the expense for the executive and Board deferred share unit plans.				
(iii) Non-cash rent included in the 2018 balances in the previous reporting period. See below for a reconciliation of previously reported figures.				
(iv) See Section 16, Non-GAAP measures.				
(v) Cash rent that has been reallocated to offset the lease obligations.				

The following table shows the changes to the previously disclosed balances in the G&A expenses table for each quarter in 2018:

G&A excluding LTIP and option plan expense operating expenses reconciliation	Revised 2018			
	Q1	Q2	Q3	Q4
G&A excluding LTIP and option plan as previously reported	\$ 17,771	\$ 14,774	\$ 14,587	\$ 13,438
Non-cash rent included as part of the expense	2	(2)	(1)	(1)
G&A excluding LTIP and option plan as revised	\$ 17,773	\$ 14,772	\$ 14,586	\$ 13,437

The following table shows the calculation of adjusted EBITDAaL from adjusted EBITDA as previously disclosed for each quarter in 2017 and 2018 as well as the first and second quarter in 2019.

Adjusted EBITDAaL	Restated 2019		Restated 2018				Restated 2017
	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Adjusted EBITDA as previously reported	\$ 112,249	\$ 77,442	\$ 81,637	\$ 53,356	\$ 67,840	\$ 53,532	\$ 79,614
Net loss from discontinued operations	2,680	2,032	2,109	2,133	2,263	1,999	777
Depreciation and amortization from discontinued operations	(1,186)	(1,222)	(1,119)	(1,116)	(1,111)	(1,083)	(1,112)
Income tax recovery from discontinued operations	658	671	518	598	612	(4)	154
Foreign exchange (gain) loss from discontinued operations	(18)	(180)	207	—	(1)	4	(2)
Loss on disposal of assets from discontinued operations	—	—	—	—	(16)	—	—
Interest income from discontinued operations	—	—	—	—	—	—	1
Adjusted EBITDA from continuing operations	\$ 114,383	\$ 78,743	\$ 83,352	\$ 54,971	\$ 69,587	\$ 54,448	\$ 79,432
Cash rent previously recognized as a finance lease	—	—	(989)	(989)	(989)	(989)	(989)
Non-cash rent adjustment	—	—	(2,323)	(2,584)	(3,114)	(3,085)	(2,862)
Cash rent related to lease obligations	(43,775)	(44,150)	—	—	—	—	—
Cash rent paid not pertaining to current period	(353)	1,060	—	—	—	—	—
Adjusted EBITDAaL as restated	\$ 70,255	\$ 35,653	\$ 80,040	\$ 51,398	\$ 65,484	\$ 50,374	\$ 75,581
(i) See Section 16, Non-GAAP measures.							

The following tables show the changes to the previously disclosed balances in cash provided by operating activities and in cash used in investing activities, for each quarter in 2017 and 2018. The changes reflected the reclassification of tenant inducements received from operating cash flows to cash flows from investing activities.

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Cash provided by operating activities	Restated 2019		Revised and restated 2018				Revised and restated 2017
	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Cash provided by operating activities as previously reported	\$ 57,494	\$ 60,580	\$ 85,093	\$ 41,847	\$ 35,289	\$ 46,426	\$ 118,833
Tenant inducements previously included as part of operating cash flow	—	—	(3,113)	(3,481)	(6,372)	(1,876)	(682)
Cash provided by operating activities as revised	\$ 57,494	\$ 60,580	\$ 81,980	\$ 38,366	\$ 28,917	\$ 44,550	\$ 118,151
Less:							
Operating cash flows in discontinued operations	(852)	(846)	(948)	(781)	(1,470)	(1,352)	(811)
Cash provided by operating activities as restated	\$ 58,346	\$ 61,426	\$ 82,928	\$ 39,147	\$ 30,387	\$ 45,902	\$ 118,962

Cash used in investing activities	Restated 2019		Revised and restated 2018				Revised and restated 2017
	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Cash used in investing activities as previously reported	\$ (25,110)	\$ (27,885)	\$ (25,663)	\$ (33,824)	\$ (28,597)	\$ (26,000)	\$ (45,668)
Tenant inducements previously included as part of operating cash flow	—	—	3,113	3,481	6,372	1,876	682
Cash used in investing activities as revised	\$ (25,110)	\$ (27,885)	\$ (22,550)	\$ (30,343)	\$ (22,225)	\$ (24,124)	\$ (44,986)
Less:							
Investing cash flows in discontinued operations	(259)	(117)	(88)	(215)	(124)	(181)	(480)
Cash used in investing activities as restated	\$ (24,851)	\$ (27,768)	\$ (22,462)	\$ (30,128)	\$ (22,101)	\$ (23,943)	\$ (44,506)

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Interim Condensed Consolidated Balance Sheets (Unaudited)

(expressed in thousands of Canadian dollars)

	September 30, 2019	December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	\$ 30,074	\$ 25,242
Trade and other receivables	97,299	165,586
Income taxes receivable	8,462	4,944
Inventories	35,725	30,592
Prepaid expenses and other current assets	19,334	13,862
Fair value of interest rate swap agreements	944	1,457
Assets held for sale (note 2)	5,858	—
	<u>197,696</u>	<u>241,683</u>
Non-current assets		
Property, equipment and leaseholds (note 12)	628,374	634,354
Right-of-use assets (notes 3 and 12)	1,257,068	—
Deferred income taxes	14,178	13,444
Fair value of interest rate swap agreements	471	2,063
Interests in joint ventures and associates	29,638	38,912
Intangible assets (note 12)	88,147	108,758
Goodwill	816,964	817,235
	<u>\$ 3,032,536</u>	<u>\$ 1,856,449</u>

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

Cineplex Inc.Interim Condensed Consolidated Balance Sheets...continued
(Unaudited)

(expressed in thousands of Canadian dollars)

	September 30, 2019	December 31, 2018
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 154,758	\$ 186,407
Share-based compensation (note 4)	2,250	4,862
Dividends payable	9,500	9,183
Income taxes payable	1,870	12,167
Deferred revenue (note 5)	170,553	214,016
Lease obligations (notes 6 and 12)	112,152	3,058
Fair value of interest rate swap agreements	1,868	1,184
Liabilities related to assets held for sale (note 2)	2,584	—
	<u>455,535</u>	<u>430,877</u>
Non-current liabilities		
Share-based compensation (note 4)	11,612	8,210
Long-term debt	649,000	580,000
Fair value of interest rate swap agreements	15,878	7,674
Lease obligations (notes 6 and 12)	1,269,982	10,789
Post-employment benefit obligations	9,484	9,250
Other liabilities	10,443	119,110
Deferred income taxes	219	11,528
	<u>1,966,618</u>	<u>746,561</u>
Total liabilities	<u>2,422,153</u>	<u>1,177,438</u>
Equity		
Share capital (note 7)	852,379	852,379
Deficit	(238,516)	(179,721)
Hedging reserves and other	(12,577)	(3,678)
Contributed surplus	9,016	7,815
Cumulative translation adjustment	186	2,301
Total equity attributable to owners of Cineplex	<u>610,488</u>	<u>679,096</u>
Non-controlling interests	<u>(105)</u>	<u>(85)</u>
Total equity	<u>610,383</u>	<u>679,011</u>
	<u>\$ 3,032,536</u>	<u>\$ 1,856,449</u>

Approved by the Board of Directors

“Ian Greenberg”
Director

“Janice Fukakusa”
Director

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Operations

(Unaudited)

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

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018 Restated (note 2)	2019	2018 Restated (note 2)
Revenues (note 5)				
Box office	\$ 177,865	\$ 173,278	\$ 523,732	\$ 541,892
Food service	125,550	115,557	358,171	354,775
Media	43,308	33,162	127,210	104,913
Amusement	58,143	53,838	174,760	152,320
Other	13,582	10,554	38,053	30,695
	<u>418,448</u>	<u>386,389</u>	<u>1,221,926</u>	<u>1,184,595</u>
Expenses				
Film cost	93,735	90,213	275,461	287,763
Cost of food service	27,439	24,257	79,122	74,053
Depreciation - right-of-use assets	36,456	—	109,475	—
Depreciation and amortization - other assets	31,712	32,483	95,748	93,743
Loss on disposal of assets	303	783	896	1,617
Other costs (note 8)	190,955	217,003	567,771	643,847
Share of income of joint ventures and associates	(560)	(1,118)	(2,572)	(2,850)
Interest expense - lease obligations	12,091	126	36,780	425
Interest expense - other	6,244	6,766	17,453	19,536
Interest income	(75)	(60)	(208)	(205)
Foreign exchange	(449)	391	569	(438)
	<u>397,851</u>	<u>370,844</u>	<u>1,180,495</u>	<u>1,117,491</u>
Income from continuing operations before income taxes	<u>20,597</u>	<u>15,545</u>	<u>41,431</u>	<u>67,104</u>
Provision for income taxes				
Current	7,932	6,182	16,345	19,008
Deferred	(2,435)	(2,979)	(6,762)	(8,101)
	<u>5,497</u>	<u>3,203</u>	<u>9,583</u>	<u>10,907</u>
Net income from continuing operations	<u>\$ 15,100</u>	<u>\$ 12,342</u>	<u>\$ 31,848</u>	<u>\$ 56,197</u>
Net loss from discontinued operations, net of taxes (note 2)	<u>(1,718)</u>	<u>(2,133)</u>	<u>(6,429)</u>	<u>(6,395)</u>
Net income	<u>\$ 13,382</u>	<u>\$ 10,209</u>	<u>\$ 25,419</u>	<u>\$ 49,802</u>
Net income from continuing operations attributable to:				
Owners of Cineplex	\$ 15,102	\$ 12,414	\$ 31,868	\$ 56,269
Non-controlling interests	(2)	(72)	(20)	(72)
Net income from continuing operations	<u>\$ 15,100</u>	<u>\$ 12,342</u>	<u>\$ 31,848</u>	<u>\$ 56,197</u>
Net income attributable to:				
Owners of Cineplex	\$ 13,384	\$ 10,281	\$ 25,439	\$ 49,874
Non-controlling interests	(2)	(72)	(20)	(72)
Net income	<u>\$ 13,382</u>	<u>\$ 10,209</u>	<u>\$ 25,419</u>	<u>\$ 49,802</u>
Net income per share attributable to owners of Cineplex - basic and diluted:				
Continuing operations (note 9)	\$ 0.24	\$ 0.19	\$ 0.50	\$ 0.89
Discontinued operations (note 2 and 9)	(0.03)	(0.03)	(0.10)	(0.10)
Total operations	<u>\$ 0.21</u>	<u>\$ 0.16</u>	<u>\$ 0.40</u>	<u>\$ 0.79</u>

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

(expressed in thousands of Canadian dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
		Restated		Restated
Net income from continuing operations	<u>\$ 15,100</u>	<u>\$ 12,342</u>	<u>\$ 31,848</u>	<u>\$ 56,197</u>
Other comprehensive income (loss) from continuing operations				
<i>Items that will be reclassified subsequently to net income:</i>				
(Loss) income on hedging instruments	(527)	1,418	(12,148)	2,585
Associated deferred income taxes recovery (expense)	128	(332)	3,249	(650)
Foreign currency translation adjustment	<u>727</u>	<u>(1,230)</u>	<u>(2,209)</u>	<u>2,242</u>
Other comprehensive income (loss)	<u>328</u>	<u>(144)</u>	<u>(11,108)</u>	<u>4,177</u>
Comprehensive income from continuing operations	<u>15,428</u>	<u>12,198</u>	<u>20,740</u>	<u>60,374</u>
Net loss from discontinued operations, net of taxes (note 2)	(1,718)	(2,133)	(6,429)	(6,395)
Foreign currency translation adjustment from discontinued operations	<u>(65)</u>	<u>37</u>	<u>94</u>	<u>(92)</u>
Comprehensive income	<u>\$ 13,645</u>	<u>\$ 10,102</u>	<u>\$ 14,405</u>	<u>\$ 53,887</u>
Comprehensive income from continuing operations attributable to:				
Owners of Cineplex	\$ 15,430	\$ 12,270	\$ 20,760	\$ 60,446
Non-controlling interests	<u>(2)</u>	<u>(72)</u>	<u>(20)</u>	<u>(72)</u>
	<u>\$ 15,428</u>	<u>\$ 12,198</u>	<u>\$ 20,740</u>	<u>\$ 60,374</u>
Comprehensive income attributable to:				
Owners of Cineplex	\$ 13,647	\$ 10,174	\$ 14,425	\$ 53,959
Non-controlling interests	<u>(2)</u>	<u>(72)</u>	<u>(20)</u>	<u>(72)</u>
	<u>\$ 13,645</u>	<u>\$ 10,102</u>	<u>\$ 14,405</u>	<u>\$ 53,887</u>

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Changes in Equity (Unaudited)

(expressed in thousands of Canadian dollars)

	Share capital	Contributed surplus	Hedging reserves and other	Cumulative translation adjustment	Deficit	Non- controlling interests	Total
January 1, 2019	\$ 852,379	\$ 7,815	\$ (3,678)	\$ 2,301	\$ (179,721)	\$ (85)	\$ 679,011
Net income	—	—	—	—	25,439	(20)	25,419
Other comprehensive loss (page 4)	—	—	(8,899)	(2,115)	—	—	(11,014)
Total comprehensive income	—	—	(8,899)	(2,115)	25,439	(20)	14,405
Dividends declared	—	—	—	—	(84,234)	—	(84,234)
Share option expense	—	1,201	—	—	—	—	1,201
September 30, 2019	\$ 852,379	\$ 9,016	\$ (12,577)	\$ 186	\$ (238,516)	\$ (105)	\$ 610,383
January 1, 2018	\$ 856,761	\$ 1,647	\$ 1,332	\$ (2,817)	\$ (148,060)	\$ —	\$ 708,863
Net income	—	—	—	—	49,874	(72)	49,802
Other comprehensive income (page 4)	—	—	1,935	2,150	—	—	4,085
Total comprehensive income	—	—	1,935	2,150	49,874	(72)	53,887
Dividends declared	—	—	—	—	(81,381)	—	(81,381)
Share option expense	—	1,323	—	—	—	—	1,323
Issuance of shares on exercise of options	74	(6)	—	—	—	—	68
TGLP non-controlling interests recognized on formation	—	—	—	—	—	12	12
September 30, 2018	\$ 856,835	\$ 2,964	\$ 3,267	\$ (667)	\$ (179,567)	\$ (60)	\$ 682,772

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Cash Flows (Unaudited)

(expressed in thousands of Canadian dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018 Restated (Note 2)	2019	2018 Restated (Note 2)
Cash provided by (used in)				
Operating activities				
Net income from continuing operations	\$ 15,100	\$ 12,342	\$ 31,848	\$ 56,197
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization of property, equipment and leaseholds, and intangible assets	31,712	32,483	95,748	93,743
Depreciation of right-of-use assets	36,456	—	109,475	—
Amortization of tenant inducements, rent averaging liabilities and fair value lease contract liabilities	—	(2,584)	—	(8,783)
Unrealized foreign exchange	(169)	175	389	(119)
Interest rate swap agreements - non-cash interest	(287)	185	(1,419)	393
Accretion of convertible debentures	—	606	—	1,815
Other non-cash interest	487	100	1,337	301
Loss on disposal of assets	303	783	896	1,617
Deferred income taxes	(2,435)	(2,979)	(6,762)	(8,101)
Non-cash share-based compensation	408	405	1,201	1,323
Net change in interests in joint ventures and associates	(149)	(2,130)	(3,238)	(3,759)
Changes in operating assets and liabilities (note 10)	(3,666)	(239)	(31,943)	(19,191)
Net cash provided by operating activities	77,760	39,147	197,532	115,436
Investing activities				
Proceeds from disposal of assets, including asset-related insurance recoveries	—	44	—	1,830
Purchases of property, equipment and leaseholds	(34,905)	(30,582)	(94,919)	(85,546)
Acquisition of businesses, net of cash acquired	—	(4,685)	—	(4,685)
Intangible assets additions	(2,600)	(992)	(5,156)	(3,082)
Tenant inducements (note 13)	7,804	3,481	9,153	11,729
Net cash received from CDCP	3,910	2,606	12,512	3,582
Net cash used in investing activities	(25,791)	(30,128)	(78,410)	(76,172)
Financing activities				
Dividends paid	(28,500)	(27,549)	(83,917)	(81,064)
Borrowings under credit facilities, net	8,000	19,000	69,000	40,000
Options exercised for cash	—	—	—	68
Repayments of lease obligations - principal	(31,836)	(863)	(95,900)	(2,542)
Financing fees	—	—	(243)	—
Net cash used in by financing activities	(52,336)	(9,412)	(111,060)	(43,538)
Effect of exchange rate differences on cash	(158)	(204)	138	463
(Decrease) increase in cash and cash equivalents from continuing operations	(525)	(597)	8,200	(3,811)
Cash flows used in discontinued operations (note 2)	(1,441)	(965)	(3,368)	(4,224)
Cash and cash equivalents - Beginning of period	32,040	34,124	25,242	40,597
Cash and cash equivalents - End of period	\$ 30,074	\$ 32,562	\$ 30,074	\$ 32,562
Supplemental information				
Cash paid for interest - lease obligation	\$ 11,684	\$ 126	\$ 35,575	\$ 425
Cash paid for interest - other	\$ 6,406	\$ 7,276	\$ 18,668	\$ 18,383
Cash paid for income taxes, net	\$ 2,999	\$ 4,225	\$ 29,087	\$ 22,267

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

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements
For the three and nine months ended September 30, 2019 and 2018
(Unaudited)

(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”), Player One Amusement Group Inc. (“PIAG”), WorldGaming Network LP (“WGN”), and its majority-owned subsidiary TG-CPX Limited Partnership (“TGLP”). Cineplex is headquartered at 1303 Yonge Street, Toronto, Ontario, M4T 2Y9.

The Board of Directors approved these consolidated financial statements on November 13, 2019.

2. Assets held for sale and discontinued operations

During the quarter ended September 30, 2019, Cineplex initiated a review process of WGN’s online esports business, engaging a third party adviser to identify a strategic equity partner. Cineplex may retain a minority equity interest in the operations of the business.

Cineplex applied IFRS 5, *Non-current assets held for sale and discontinued operations* (“IFRS 5”) to measure, present and disclose the financial information for WGN. Under this standard, Cineplex has met the criteria to record WGN as a discontinued operation, therefore effective with the quarter ended September 30, 2019, WGN’s financial performance and cash flows are presented in these unaudited interim condensed 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.

The major classes of assets and liabilities at September 30, 2019 classified as held for sale are as follows:

Trade and other receivables	\$	257
Prepaid expenses and other current assets		7
Property, equipment and leaseholds		722
Intangible assets		4,872
Assets held for sale	\$	<u>5,858</u>
Accounts payable and accrued liabilities	\$	1,189
Deferred revenue		178
Deferred income taxes		1,217
Liabilities related to assets held for sale	\$	<u>2,584</u>
Net assets held for sale	\$	<u>3,274</u>

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements
For the three and nine months ended September 30, 2019 and 2018
(Unaudited)

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

The following table discloses revenues and expenses for the three and nine months ended September 30, 2019 and 2018:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Revenues				
Media revenues	\$ 138	\$ 325	\$ 827	\$ 1,878
Other revenues	—	1	16	167
	<u>138</u>	<u>326</u>	<u>843</u>	<u>2,045</u>
Expenses				
Depreciation and amortization - other assets	1,215	1,116	3,623	3,310
Loss on disposal of assets	—	—	—	16
Other costs	1,391	1,941	5,530	6,323
Foreign exchange	(12)	—	186	(3)
	<u>2,594</u>	<u>3,057</u>	<u>9,339</u>	<u>9,646</u>
Loss before income taxes	<u>(2,456)</u>	<u>(2,731)</u>	<u>(8,496)</u>	<u>(7,601)</u>
Provision of income taxes				
Current	(524)	(361)	(1,284)	(1,007)
Deferred	(214)	(237)	(783)	(199)
	<u>(738)</u>	<u>(598)</u>	<u>(2,067)</u>	<u>(1,206)</u>
Net loss from discontinued operations	<u>\$ (1,718)</u>	<u>\$ (2,133)</u>	<u>\$ (6,429)</u>	<u>\$ (6,395)</u>
Foreign currency translation adjustment from discontinued operations	(65)	37	94	(92)
Other comprehensive loss from discontinued operations	<u>\$ (1,783)</u>	<u>\$ (2,096)</u>	<u>\$ (6,335)</u>	<u>\$ (6,487)</u>

The following table discloses cash flows for the three and nine months ended September 30, 2019 and 2018:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Net cash used in operating activities	\$ (951)	\$ (781)	\$ (2,649)	\$ (3,603)
Net cash used in investing activities	(492)	(215)	(868)	(520)
Effect of exchange rate differences on cash	2	31	149	(101)
Net cash outflow from discontinued operations	<u>\$ (1,441)</u>	<u>\$ (965)</u>	<u>\$ (3,368)</u>	<u>\$ (4,224)</u>

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements
For the three and nine months ended September 30, 2019 and 2018
(Unaudited)

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

3. Right-of-use assets

The following table presents right-of-use assets for Cineplex for the nine months ended September 30, 2019:

Right-of-use assets consist of:

	Property	Equipment	Total
At September 30, 2019			
Cost	\$ 1,347,060	\$ 19,474	\$ 1,366,534
Accumulated depreciation	(105,692)	(3,774)	(109,466)
Net book value	<u>\$ 1,241,368</u>	<u>\$ 15,700</u>	<u>\$ 1,257,068</u>
Nine months ended September 30, 2019			
Opening net book value upon adoption of IFRS 16	\$ 1,323,187	\$ 19,406	\$ 1,342,593
Additions, net of modifications	24,255	70	24,325
Foreign exchange rate changes	(373)	(2)	(375)
Depreciation for the period	(105,701)	(3,774)	(109,475)
Closing net book value	<u>\$ 1,241,368</u>	<u>\$ 15,700</u>	<u>\$ 1,257,068</u>

4. Share-based compensation

Option plan

Cineplex recorded \$408 and \$1,201 in employee benefits expense with respect to share options during the three and nine months ended September 30, 2019 (2018 - \$405 and \$1,323, respectively).

Upon cashless exercises, the options exercised in excess of shares issued are canceled and returned to the pool available for future grants. At September 30, 2019, 1,057,704 options are available for grant.

A summary of option activities in 2019 and 2018 is as follows:

		2019		2018	
	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	6.92	2,433,589	\$ 42.84	2,157,589	\$ 45.50
Granted		757,639	25.05	559,703	33.59
Forfeited		(67,707)	38.51	(233,847)	45.17
Exercised		—	—	(2,500)	27.33
Options outstanding, September 30	7.60	<u>3,123,521</u>	\$ 38.62	<u>2,480,945</u>	\$ 42.86
Options vested and exercisable, September 30		<u>1,695,456</u>		<u>1,300,065</u>	

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements
For the three and nine months ended September 30, 2019 and 2018
(Unaudited)

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

Long-term incentive plan (“LTIP”)

Officers and key employees are eligible to participate in the LTIP. Each annual LTIP grant is for a three-year service period beginning October 1. The LTIP award consists of a restricted stock unit (“RSU”) plan awarding base Share equivalents which may decrease or increase subject to certain market conditions and a phantom share unit (“PSU”) plan awarding Share equivalents which may decrease or increase subject to certain performance and market conditions. The base Share equivalents attract compounding notional dividends at the same rate as outstanding Shares, which are notionally re-invested as additional base Share equivalents. The awards will be settled in cash at the end of the service period, within 30 days of the approval of the annual consolidated financial statements by the Board.

The grants of Share equivalents were as follows:

	PSU Share equivalents granted	RSU Share equivalents granted	PSU Share equivalents minimum payout	PSU Share equivalents maximum payout
2019 LTIP award	105,777	54,940	7,788	211,553
2018 LTIP award	79,089	39,549	—	158,178
2017 LTIP award	129,136	—	49,976	236,104

LTIP costs are estimated at the grant date based on expected performance results then accrued and recognized on a graded basis over the vesting period. The effects of changes in estimates of performance results are recognized in the period of change. Forfeitures are estimated at \$nil. Cineplex recognized compensation costs of \$857 and \$2,387 under the LTIP for the three and nine months ended September 30, 2019 (2018 - \$340 and \$884, respectively). At September 30, 2019, \$5,605 (2018 - \$5,630) was included in share-based compensation liability.

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 three and nine months ended September 30, 2019, Cineplex recognized compensation expense recoveries of \$741 and \$220 associated with the deferred equity units (2018 - costs (recoveries) of \$1,680 and \$(155), respectively). At September 30, 2019, \$8,256 (2018 - \$9,570) was included in share-based compensation liability.

5. Revenue

The following tables disclose the changes in deferred revenue for the nine months ended September 30, 2019 and 2018:

	December 31, 2018	Additions	Revenue Recognized	September 30, 2019
Gift cards	\$ 172,301	\$ 73,326	\$ 117,132	\$ 128,495
SCENE loyalty program	24,893	34,232	37,560	21,565
Advances and deposits	16,822	52,378	48,707	20,493
	<u>\$ 214,016</u>	<u>\$ 159,936</u>	<u>\$ 203,399</u>	<u>\$ 170,553</u>

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements
For the three and nine months ended September 30, 2019 and 2018
(Unaudited)

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

	December 31, 2017	Additions	Revenue Recognized	September 30, 2018
Gift cards	\$ 157,169	\$ 81,320	\$ 123,367	\$ 115,122
SCENE loyalty program	22,465	34,634	32,379	24,720
Advances and deposits	16,174	39,504	39,799	15,879
	<u>\$ 195,808</u>	<u>\$ 155,458</u>	<u>\$ 195,545</u>	<u>\$ 155,721</u>

The following tables provide the disaggregation of revenue into categories by nature for the three and nine months ended September 30, 2019 and 2018:

Box revenues	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Box office revenues	<u>\$ 177,865</u>	<u>\$ 173,278</u>	<u>\$ 523,732</u>	<u>\$ 541,892</u>
Food service revenues	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Food service - theatres	\$ 117,048	\$ 107,519	\$ 331,961	\$ 329,718
Food service - location-based entertainment	8,502	8,038	26,210	25,057
Total food service revenues	<u>\$ 125,550</u>	<u>\$ 115,557</u>	<u>\$ 358,171</u>	<u>\$ 354,775</u>
Media revenues	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
		Restated		Restated
		(Note 2)		(Note 2)
Cinema media	\$ 22,572	\$ 19,967	\$ 73,244	\$ 66,667
Digital place-based media	20,736	13,195	53,966	38,246
Total media revenues	<u>\$ 43,308</u>	<u>\$ 33,162</u>	<u>\$ 127,210</u>	<u>\$ 104,913</u>
Amusement revenues	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Amusement solutions excluding exhibition	\$ 44,788	\$ 42,820	\$ 138,278	\$ 122,179
Amusement solutions - exhibition	2,847	2,880	8,239	7,967
Amusement solutions - location based entertainment	10,508	8,138	28,243	22,174
Total amusement revenues	<u>\$ 58,143</u>	<u>\$ 53,838</u>	<u>\$ 174,760</u>	<u>\$ 152,320</u>
Other revenues	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
		Restated		Restated
		(Note 2)		(Note 2)
Other revenues	<u>\$ 13,582</u>	<u>\$ 10,554</u>	<u>\$ 38,053</u>	<u>\$ 30,695</u>

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements
For the three and nine months ended September 30, 2019 and 2018
(Unaudited)

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

6. Lease obligations

The following table presents lease obligations for Cineplex for the nine months ended September 30, 2019:

	Property	Equipment	Total
Nine months ended September 30,			
Opening balance	\$ 1,422,579	\$ 19,277	\$ 1,441,856
Additions, net of modifications	24,179	70	24,249
Tenant inducement	11,047	—	11,047
Lease payment	(127,508)	(3,914)	(131,422)
Interest expense	36,336	443	36,779
Foreign exchange rate changes	(374)	(1)	(375)
Closing lease obligations	\$ 1,366,259	\$ 15,875	\$ 1,382,134
Less: current portion	107,348	4,804	112,152
Non-current portion of lease obligations	<u>\$ 1,258,911</u>	<u>\$ 11,071</u>	<u>\$ 1,269,982</u>

7. Share capital

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

Share capital balances at September 30, 2019 and 2018 and transactions during the periods are as follows:

2019		Amount		
	Number of common shares issued and outstanding	Common shares	Equity component of convertible debentures	Total
Balance - December 31, 2018 and September 30, 2019	63,333,238	\$ 852,379	\$ —	\$ 852,379

2018		Amount		
	Number of common shares issued and outstanding	Common shares	Equity component of convertible debentures	Total
Balance - December 31, 2017	63,330,446	\$ 852,290	\$ 4,471	\$ 856,761
Issuance of shares on exercise of options	2,500	74	—	74
Balance - September 30, 2018	63,332,946	\$ 852,364	\$ 4,471	\$ 856,835

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8. Other costs

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
		Restated (note 2)		Restated (note 2)
Employee salaries and benefits	\$ 77,996	\$ 74,062	\$ 231,655	\$ 227,143
Rent	1,159	39,062	2,833	115,842
Realty and occupancy taxes and maintenance fees	18,923	18,643	55,568	54,891
Utilities	8,751	8,930	24,965	25,124
Purchased services	17,594	15,544	50,921	44,276
Other inventories consumed, including amusement and digital place-based media	22,316	16,477	67,492	50,556
Venue revenue share	12,883	13,249	38,424	34,925
Repairs and maintenance	8,656	8,057	25,487	23,895
Advertising and promotion	5,913	6,716	16,158	17,901
Office and operating supplies	3,638	2,802	11,055	10,653
Licences and franchise fees	4,739	4,007	14,797	12,473
Insurance	1,247	1,404	3,683	3,944
Professional and consulting fees	1,749	1,713	5,795	4,836
Telecommunications and data	1,929	1,742	5,555	5,586
Bad debts	49	326	865	809
Equipment rental	320	786	949	2,398
Business interruption insurance proceeds	—	—	—	(3,700)
Other costs	3,093	3,483	11,569	12,295
	<u>\$ 190,955</u>	<u>\$ 217,003</u>	<u>\$ 567,771</u>	<u>\$ 643,847</u>

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9. Net income per share

Basic

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

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
		Restated (note 2)		Restated (note 2)
Net income attributable to owners of Cineplex - continuing operations	\$ 15,102	\$ 12,414	\$ 31,868	\$ 56,269
Net income attributable to owners of Cineplex	\$ 13,384	\$ 10,281	\$ 25,439	\$ 49,874
Weighted average number of shares outstanding	63,333,238	63,332,946	63,333,238	63,331,829
Basic EPS from continuing operations	\$ 0.24	\$ 0.19	\$ 0.50	\$ 0.89
Basic EPS from discontinued operations	(0.03)	(0.03)	(0.10)	(0.10)
Basic EPS	\$ 0.21	\$ 0.16	\$ 0.40	\$ 0.79

Diluted

Diluted EPS is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the outstanding shares for the period), based on the monetary value of the rights attached to the potentially dilutive shares. The number of shares calculated above is compared with the number of shares that would have been issued assuming exercise of conversions, exchanges or options.

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
		Restated (note 2)		Restated (note 2)
Net income attributable to owners of Cineplex - continuing operations	\$ 15,102	\$ 12,414	\$ 31,868	\$ 56,269
Net income attributable to owners of Cineplex	\$ 13,384	\$ 10,281	\$ 25,439	\$ 49,874
Weighted average number of shares outstanding	63,333,238	63,332,946	63,333,238	63,331,829
Adjustments for stock options	751	10,069	951	9,794
Weighted average number of shares for diluted EPS	63,333,989	63,343,015	63,334,189	63,341,623
Diluted EPS from continuing operations	\$ 0.24	\$ 0.19	\$ 0.50	\$ 0.89
Diluted EPS from discontinued operations	(0.03)	(0.03)	(0.10)	(0.10)
Diluted EPS	\$ 0.21	\$ 0.16	\$ 0.40	\$ 0.79

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10. Changes in operating assets and liabilities

The following summarizes the changes in operating assets and liabilities:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
		Restated (note 2)		Restated (note 2)
Trade and other receivables	\$ 16,595	\$ 12,763	\$ 66,897	\$ 72,089
Inventories	1,301	604	(4,877)	(1,807)
Prepaid expenses and other current assets	(355)	1,924	(5,141)	(4,939)
Accounts payable and accrued liabilities	(19,194)	(12,783)	(30,448)	(35,797)
Income taxes payable	4,935	1,932	(12,603)	(2,369)
Deferred revenue	(7,992)	(5,530)	(43,781)	(39,887)
Post-employment benefit obligations	183	163	235	159
Share-based compensation	1,583	1,491	(158)	(4,490)
Other liabilities	(722)	(803)	(2,067)	(2,150)
	<u>\$ (3,666)</u>	<u>\$ (239)</u>	<u>\$ (31,943)</u>	<u>\$ (19,191)</u>

Property, equipment and leasehold purchases are included in accounts payable and accrued liabilities as at September 30, 2019, in the amount of \$18,394 (2018 - \$11,775).

11. Operating segments

Cineplex has three reportable segments; Film Entertainment and Content, Media and Amusement and Leisure. 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. Cinema media consists of all in-theatre advertising revenues and costs, including pre-show, showtime, magazine 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.

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Amusement and Leisure

The Amusement and Leisure reporting segment is comprised of the aggregation of three operating segments, amusement solutions, location-based entertainment and eSports. Amusement solutions is comprised of revenues and costs associated with operating and distributing amusement, gaming and vending equipment. Location-based entertainment is comprised of the social entertainment destinations featuring gaming, entertainment and dining. ESports is comprised of the revenues and costs related to facilitating tournaments, leagues and gaming ladders for the competitive gaming community. Previously reported periods included results for eSports in the Amusement and Leisure segment. These financial statements present eSports in net loss from discontinued operations. Prior periods have been restated to reflect this presentation.

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

Management defines EBITDA as earnings before interest income and expense, income taxes and depreciation and amortization expense. Adjusted EBITDA excludes the change in fair value of financial instrument, loss on disposal of assets, foreign exchange gain, the equity income of CDCP, the non-controlling interests' share of adjusted EBITDA of TG-CPX Limited Partnership, and depreciation, amortization, interest and taxes of Cineplex's other joint ventures and associates. Adjusted EBITDAaL modifies adjusted EBITDA to deduct current period cash rent related to lease obligations. Prior year adjusted EBITDAaL deducts rent previously recognized as a reduction in finance lease obligations, and non-cash rent previously presented as amortization of tenant inducements, rent averaging liabilities, density rights and fair-value lease contract liabilities.

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.

The following tables disclose the results of the Film Entertainment and Content, Media and Amusement and Leisure segments for the three and nine months ended September 30, 2019 and 2018:

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Three months ended September 30, 2019	Film Entertainment and Content (i)	Media (i)	Amusement and Leisure	Corporate and other (iii)	Consolidated
Major product and service lines					
Box office	\$ 177,865	\$ —	\$ —	\$ —	\$ 177,865
Food service	117,048	—	8,502	—	125,550
Media	—	43,064	244	—	43,308
Amusement	2,847	—	55,296	—	58,143
Other	13,257	—	325	—	13,582
Total revenues	\$ 311,017	\$ 43,064	\$ 64,367	\$ —	\$ 418,448
Primary geographical markets					
Canada	\$ 311,017	\$ 39,235	\$ 34,660	\$ —	\$ 384,912
United States and other countries	—	3,829	29,707	—	33,536
Total revenues	\$ 311,017	\$ 43,064	\$ 64,367	\$ —	\$ 418,448
Timing of revenue recognition					
Transferred at a point in time	\$ 311,017	\$ 13,761	\$ 64,367	\$ —	\$ 389,145
Transferred over time	—	29,303	—	—	29,303
Total revenues	\$ 311,017	\$ 43,064	\$ 64,367	\$ —	\$ 418,448
Adjusted EBITDAaL	49,926	20,171	8,382	(16,167)	62,312
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 related to lease obligations paid with respect to the current period.					4,726
Other adjustments (ii)					(892)
Depreciation and amortization - other assets					31,712
Interest expense - other					6,244
Interest income					(75)
Income taxes expense					5,497
Net income from continuing operations					\$ 15,100
Net loss from discontinued operations (note 2)					(1,718)
Net income					\$ 13,382
Other operating segment disclosures					
Depreciation - right-of-use assets	\$ 32,572	\$ 815	\$ 2,907	\$ 162	\$ 36,456
Depreciation and amortization - other assets	\$ 14,671	\$ 3,353	\$ 13,688	\$ —	\$ 31,712
Interest expense - lease obligations	\$ 11,012	\$ 127	\$ 943	\$ 9	\$ 12,091

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Three months ended September 30, 2018	Film Entertainment and Content (i)	Media (i)	Amusement and Leisure (Restated)	Corporate and other (iii)	Consolidated
Major product and service lines					
Box office	\$ 173,278	\$ —	\$ —	\$ —	\$ 173,278
Food service	107,519	—	8,038	—	115,557
Media	—	32,970	192	—	33,162
Amusement	2,880	—	50,958	—	53,838
Other	10,130	—	424	—	10,554
Total revenues	\$ 293,807	\$ 32,970	\$ 59,612	\$ —	\$ 386,389
Primary geographical markets					
Canada	\$ 293,807	\$ 30,204	\$ 30,843	\$ —	\$ 354,854
United States and other countries	—	2,766	28,769	—	31,535
Total revenues	\$ 293,807	\$ 32,970	\$ 59,612	\$ —	\$ 386,389
Timing of revenue recognition					
Transferred at a point in time	\$ 293,807	\$ 6,038	\$ 59,612	\$ —	\$ 359,457
Transferred over time	—	26,932	—	—	26,932
Total revenues	\$ 293,807	\$ 32,970	\$ 59,612	\$ —	\$ 386,389
Adjusted EBITDAaL	44,040	18,735	6,657	(18,033)	51,399
Non-cash rent - included in rent expense (iv)					(2,584)
Cash rent previously recognized as a finance lease (v)					(989)
Other adjustments (ii)					112
Depreciation and amortization - other assets					32,483
Interest expense - lease obligations					126
Interest expense - other					6,766
Interest income					(60)
Income taxes expense					3,203
Net income from continuing operations					\$ 12,342
Net loss from discontinued operations (note 2)					(2,133)
Net income					\$ 10,209
Other operating segment disclosures					
Depreciation and amortization - other assets	\$ 22,333	\$ 2,819	\$ 7,332	\$ —	\$ 32,483
Interest expense - lease obligations	\$ 126	\$ —	\$ —	\$ —	\$ 126

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Nine months ended September 30, 2019	Film Entertainment and Content (i)	Media (i)	Amusement and Leisure	Corporate and other (iii)	Consolidated
Major product and service lines					
Box office	\$ 523,732	\$ —	\$ —	\$ —	\$ 523,732
Food service	\$ 331,961	—	26,210	—	358,171
Media		126,370	840	—	127,210
Amusement	\$ 8,239	—	166,521	—	174,760
Other	\$ 36,413	—	1,640	—	38,053
Total revenues	\$ 900,345	\$ 126,370	\$ 195,211	\$ —	\$ 1,221,926
Primary geographical markets					
Canada	\$ 900,345	\$ 110,114	\$ 97,530	\$ —	\$ 1,107,989
United States and other countries	—	16,256	97,681	—	113,937
Total revenues	\$ 900,345	\$ 126,370	\$ 195,211	\$ —	\$ 1,221,926
Timing of revenue recognition					
Transferred at a point in time	\$ 900,345	\$ 33,949	\$ 195,211	\$ —	\$ 1,129,505
Transferred over time	—	92,421	—	—	92,421
Total revenues	\$ 900,345	\$ 126,370	\$ 195,211	\$ —	\$ 1,221,926
Adjusted EBITDAaL	133,055	64,932	22,634	(52,402)	168,219
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 related to lease obligations paid with respect to the current period.					15,216
Other adjustments (ii)					(1,421)
Depreciation and amortization - other assets					95,748
Interest expense - other					17,453
Interest income					(208)
Income taxes expense					9,583
Net income from continuing operations					\$ 31,848
Net loss from discontinued operations (note 2)					(6,429)
Net income					\$ 25,419
Other operating segment disclosures					
Depreciation - right-of-use assets	\$ 97,815	\$ 2,621	\$ 8,562	\$ 477	\$ 109,475
Depreciation and amortization - other assets	\$ 52,401	\$ 10,590	\$ 32,757		\$ 95,748
Interest expense - lease obligations	\$ 33,695	\$ 383	\$ 2,671	\$ 31	\$ 36,780

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Nine months ended September 30, 2018	Film Entertainment and Content (i)	Media (i)	Amusement and Leisure (Restated)	Corporate and other (iii)	Consolidated
Major product and service lines					
Box office	\$ 541,892	\$ —	\$ —	\$ —	\$ 541,892
Food service	329,718	—	25,057	—	354,775
Media	—	104,366	547	—	104,913
Amusement	7,967	—	144,353	—	152,320
Other	29,856	—	839	—	30,695
Total revenues	\$ 909,433	\$ 104,366	\$ 170,796	\$ —	\$ 1,184,595
Primary geographical markets					
Canada	\$ 909,433	\$ 95,789	\$ 86,995	\$ —	\$ 1,092,217
United States and other countries	—	8,577	83,801	—	92,378
Total revenues	\$ 909,433	\$ 104,366	\$ 170,796	\$ —	\$ 1,184,595
Timing of revenue recognition					
Transferred at a point in time	\$ 909,433	\$ 19,240	\$ 170,796	\$ —	\$ 1,099,469
Transferred over time	—	85,126	—	—	85,126
Total revenues	\$ 909,433	\$ 104,366	\$ 170,796	\$ —	\$ 1,184,595
Adjusted EBITDAaL	149,043	56,421	15,796	(54,004)	167,256
Non-cash rent - included in rent expense (iv)					(8,783)
Cash rent previously recognized as a finance lease (v)					(2,967)
Other adjustments (ii)					(1,597)
Depreciation and amortization - other assets					93,743
Interest expense - lease obligations					425
Interest expense - other					19,536
Interest income					(205)
Income taxes expense					10,907
Net income from continuing operations					\$ 56,197
Net loss from discontinued operations (note 2)					(6,395)
Net income					\$ 49,802
Other operating segment disclosures					
Depreciation and amortization - other assets	\$ 64,717	\$ 8,461	\$ 20,565	\$ —	\$ 93,743
Interest expense - lease obligations	\$ 425	\$ —	\$ —	\$ —	\$ 425

(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 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.

(iv) Calculated as the total amortization of tenant inducements, rent averaging liabilities and fair-value lease contract liabilities. This accounting treatment was applicable under IAS 17 *Leases* in 2018 but not applicable under IFRS 16 *Leases* in 2019.

(v) Rent payments that were charged to the finance lease obligations in the previous reporting period.

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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.

12. Basis of presentation and accounting standards changes

Basis of preparation and measurement

Cineplex prepares its unaudited interim condensed consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), defined as International Financial Reporting Standards ("IFRS") as set out in the CPA Canada Handbook. The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires that management exercise judgment in applying Cineplex's accounting policies. These unaudited interim condensed consolidated financial statements are presented in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The disclosures contained in these unaudited interim condensed consolidated financial statements do not contain all requirements of Canadian GAAP for annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2018. These unaudited interim condensed consolidated financial statements follow the same accounting policies and methods of application as the audited financial statements for the year ended December 31, 2018, with the exception of the accounting standards adopted in the current year.

Accounting standards applied or adopted in the current year

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

Cineplex has met the criteria of recording WGN as a discontinued operation under the accounting standard IFRS 5. Therefore, effective with the quarter ended September 30, 2019, WGN'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 and nine months ended September 30, 2019 and 2018 are provided in note 2.

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 in 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;

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- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations;
- 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 income or loss from discontinued operations in the consolidated statement of operations and comparative period have been restated.

IFRS 16, Leases (“IFRS 16”)

Effective January 1, 2019, Cineplex adopted IFRS16, replacing IAS 17, *Leases* (“IAS 17”) and related interpretations. IFRS 16 specifies how to recognize, measure, present and disclose leases and provides a single lessee accounting model requiring lessees to recognize assets and lease obligations for all major leases. The accounting policies for IFRS 16 applied in these unaudited interim condensed consolidated financial statements for the third quarter of 2019 are the same as those applied for the first quarter of 2019.

In general, under IFRS 16, substantially all of Cineplex’s leases are recorded on the balance sheet as right-of-use assets and corresponding lease obligations. Depreciation related to the right-of-use asset and interest expense related to lease obligations are deducted in computing net income. The principal component for these leases is reported as the repayment of lease obligations within cash flows from financing activities and the interest component is included in cash flows from operating activities.

On adoption, Cineplex implemented IFRS 16 using a modified retrospective approach whereby the financial statements of prior periods presented had not been restated and continue to be reported under IAS 17. The following table shows the impact on each individual line item on the balance sheet as of December 31, 2018 resulting from the adoption of IFRS 16 on January 1, 2019. Line items that were not affected by the changes have not been included. As a result, the sub totals and totals disclosed cannot be recalculated from the numbers provided.

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	December 31, 2018	Finance lease (i)	Asset retirement obligation (ii)	Fair-value rent (iii)	Deferred tenant inducement (iv)	Rent averaging (v)	Density right (vi)	PVLP (vii)	Balances post IFRS 16 adoption at January 1, 2019
Assets									
Non-current assets									
Property, equipment and leaseholds	634,354	(11,239)	(405)	—	—	—	—	—	622,710
Right-of-use assets	—	11,239	1,167	(3,631)	(56,610)	(36,490)	(1,091)	1,428,009	1,342,593
Intangible assets	108,758	—	—	(9,689)	—	—	—	—	99,069
Total assets	\$ 1,856,449	\$ —	\$ 762	\$ (13,320)	\$ (56,610)	\$ (36,490)	\$ (1,091)	\$ 1,428,009	\$ 3,177,709
Liabilities									
Current liabilities									
Lease obligations	3,058	(3,058)	—	—	—	—	—	106,892	106,892
Total current liabilities	430,877	(3,058)	—	—	—	—	—	106,892	534,711
Non-current liabilities									
Lease obligations	10,789	3,058	—	—	—	—	—	1,321,117	1,334,964
Other liabilities	119,110	—	762	(13,320)	(56,610)	(36,490)	(1,091)	—	12,361
Total liabilities	\$ 1,177,438	\$ —	\$ 762	\$ (13,320)	\$ (56,610)	\$ (36,490)	\$ (1,091)	\$ 1,428,009	\$ 2,498,698
(i) Property, equipment and leaseholds associated with finance lease assets were reallocated to right-of-use assets, and finance lease liabilities were reallocated to lease obligations upon adoption of IFRS 16.									
(ii) Asset retirement obligation (“ARO”) assets were reallocated to right-of-use assets, and ARO liabilities were re-valued based on the lease term and incremental borrowing rate upon adoption of IFRS 16.									
(iii) Fair-value rent assets and liabilities were reallocated to right-of-use assets upon adoption of IFRS 16.									
(iv) Deferred tenant inducements were reallocated to right-of-use assets upon adoption of IFRS 16.									
(v) Straight-line rent averaging liabilities were reallocated to right-of-use assets upon adoption of IFRS 16.									
(vi) Density right deferred gains were reallocated to right-of-use assets upon adoption of IFRS 16.									
(vii) Cineplex recognized right-of-use assets and lease obligations equal to the present value of future lease payments (“PVLP”) upon adoption of IFRS 16 using the modified retrospective method.									

Critical Judgments in Determining 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.

IFRIC 23, Uncertainty over Income Tax Treatments (“IFRIC 23”)

IFRIC 23 clarifies how to apply the recognition and measurement requirements in IAS 12 *Income Taxes* (“IAS 12”) when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this interpretation. IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019 and did not have any impact on Cineplex’s balance sheet and statement of operations.

13. Comparative figures

Certain 2018 consolidated financial statement comparative figures have been reclassified to conform to the current year’s presentation.

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