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CINEPLEX GALAXY INCOME FUND Reports Second Quarter Results

TORONTO, CANADA – August 4, 2006 (TSX: CGX.UN) – Cineplex Galaxy Income Fund (the “Fund”) today released the financial results of Cineplex Entertainment Limited Partnership (the “Partnership”), for the second quarter of 2006.

Second Quarter Results

- **Distributable income per unit for the quarter increased 204% to \$0.3394 from \$0.1664 reported in the prior year.**
- **Total revenues for the quarter were \$183.6 million compared to \$75.2 million reported for 2005 and \$174.6 million on a pro forma basis for 2005.**
- **Adjusted EBITDA for the quarter was \$27.2 million compared to \$11.5 million reported for 2005 and \$12.9 million on a pro forma basis for 2005.**
- **Adjusted EBITDA margin for the quarter was 14.8% compared to 7.4% on a pro forma basis for 2005.**

“We are very pleased with our second quarter results, especially when compared to the Canadian industry results,” said Ellis Jacob, President and CEO. “Although box office revenues for the Canadian industry were up only 0.7% in the second quarter, Cineplex Entertainment’s box office revenues were up 3.0%. We are attributing this increase to a combination of film product and increased awareness for the movie-going experience resulting from our recent *GO BIG* marketing campaign. With the increase in revenues and the continued achievement of acquisition-related synergies, our distributable income per unit for the quarter increased 204% to \$0.3394, our adjusted EBITDA increased 210.9% to \$27.2 million and our adjusted EBITDA margin for the quarter doubled to 14.8%.”

Second Quarter Results

Total revenues for the first quarter increased to \$183.6 million for the quarter from \$75.2 million reported and \$174.6 million on a pro forma basis for the prior year. The revenue contribution from Famous Players for the quarter was \$99.2 million. Same store box office revenues increased 5.4%. With the inclusion of the Famous Players locations, our combined average ticket price was \$7.87 for the quarter versus \$7.50 reported and \$7.85 on a pro forma basis for the prior year.

Our combined average concession revenue per patron of \$3.72 equalled the new record set during the first quarter and compared to \$3.26 reported and \$3.53 on a pro forma basis for the prior year. Other income of \$15.8 million compared to \$6.1 million reported and \$14.2 million on a pro forma basis for the prior year. As with the first quarter, other income for the quarter was adversely impacted when compared to the pro forma amount as a result of the standardization and net extension of expiry dates on the Partnership’s gift certificate and discount ticket programs and modifications to the structuring of game supplier relationships.

Adjusted EBITDA for the first quarter increased to \$27.2 million from a reported Adjusted EBITDA of \$11.5 million and a pro forma Adjusted EBITDA of \$12.9 million for the prior year. The Adjusted EBITDA margin of 14.8% increased significantly from the 7.4% on a pro forma basis for the prior year.

EBITDA is not an earnings measure recognized by generally accepted accounting principles and does not have a standardized meaning in accordance with such principles. Therefore, EBITDA may not be comparable to similar measures presented by other issuers. EBITDA is calculated by adding back to net income, income tax expense, amortization and interest expense net of interest income. Adjusted EBITDA is calculated by adjusting EBITDA for non-controlling interests, loss on extinguishment of debt, impairment of long-lived assets, gains or losses on disposal of theatre assets and income from discontinued operations.

Distributable Income

For the second quarter, distributable income per unit increased 204% to \$0.3394 as compared to \$0.1664 reported in the prior year. The declared distributions per unit for this period were \$0.2874.

Trustee Changes

The Fund announced the resignation of John Bailey from the Board of Trustees. Ellis Jacob, President and CEO said, "On behalf of the Board I would like to thank John for his invaluable contributions especially during the past year, integrating the Famous Players business into Cineplex Entertainment."

The Fund also announced the appointment of Krystyna T. Hoeg, President and Chief Executive Officer of Corby Distilleries Limited, to the Board of Trustees. Ms. Hoeg will also assume a role on the Audit Committee of the Fund. "Krystyna's extensive business experience and many talents will be a tremendous addition to our Board. We are very pleased that she will be joining us and believe her expertise will add great value to our business," said Ellis Jacob.

This news release contains "forward-looking statements" within the meaning of applicable securities laws, such as statements concerning synergies and divestitures and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. These statements are not guarantees of future performance and are subject to numerous risks and uncertainties, including those described in our annual information form and in this news release. Those risks and uncertainties include adverse factors generally encountered in the film exhibition industry such as poor film product and unauthorized copying; risks associated with integrating Famous Players; the risks associated with world events, including war, terrorism, international conflicts, natural disasters, extreme weather conditions and infectious diseases; and general economic conditions. Many of these risks and uncertainties can affect our actual results and could cause our actual results to differ materially from those expressed or implied in any forward-looking statement made by us or on our behalf. All forward-looking statements in this news release are qualified by these cautionary statements. These statements are made as of the date of this news release and, except as required by applicable law, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Additionally, we undertake no obligation to comment on analyses, expectations or statements made by third parties in respect of Cineplex Entertainment, its financial or operating results or its securities.

About Cineplex Entertainment

The Partnership owns, leases or has a joint-venture interest in 132 theatres with 1,301 screens and is the largest motion picture exhibitor in Canada. The Partnership operates theatres with the following six top-tier brands: Cineplex Odeon, Galaxy and Famous Players (including Coliseum, Colossus and SilverCity). Proudly Canadian, the units of Cineplex Galaxy Income Fund, which owns approximately 58.8% of Cineplex Entertainment LP, are traded on the Toronto Stock Exchange under the symbol CGX.UN. More information can be found at cineplex.com.

Further information can be found in the disclosure documents filed by the Fund with the Canadian securities regulatory authorities, available at www.sedar.com.

You are cordially invited to participate in a teleconference call with the management of the Partnership (TSX: CGX.UN) to review our second quarter. **Ellis Jacob, Chief Executive Officer and Gord Nelson, Chief Financial Officer**, will host the call. The teleconference call is scheduled for:

**Friday, August 4, 2006
10:00 a.m. Eastern Time**

In order to participate in the conference call, **please dial 416-644-3415 or outside of Toronto dial 1-800-796-7558** at least five to ten minutes prior to 10:00 a.m. Eastern Time on Friday, August 4th, 2006.

- If you cannot participate in the live mode, a replay will be available. Please dial 416-640-1917 or 1-877-289-8525 and enter code 21194966#. The replay will begin at 12:00 p.m. ET on Friday, August 4th, 2006 and end at 11:59 p.m. ET on Friday, August 11, 2006.
- Note that media will be participating in the call in listen-only mode.
- Thank you in advance for your interest and participation.

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For further information:

Gord Nelson
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(416) 323-6602

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Vice President, Communications and Investor Relations
(416) 323-6648

Cineplex Entertainment Limited Partnership

Consolidated Supplemental Information

Consolidated Statements of Operations (including Pro Forma)

(Unaudited)

(expressed in thousands of Canadian dollars)

	Three months ended June 30, 2006	Pro Forma Three months ended June 30, 2005	Three months ended June 30, 2005	Six months ended June 30, 2006	Pro Forma Six months ended June 30, 2005	Six months ended June 30, 2005
Revenue						
Box office	\$ 114,013	\$ 110,723	\$ 48,152	\$ 217,027	\$ 212,115	\$ 93,919
Concessions	53,849	49,750	20,909	102,881	93,751	40,305
Other	15,780	14,152	6,136	26,396	26,361	11,010
	<u>183,642</u>	<u>174,625</u>	<u>75,197</u>	<u>346,304</u>	<u>332,227</u>	<u>145,234</u>
Expenses						
Film cost	60,384	60,651	26,234	111,691	111,330	49,320
Cost of concessions	11,793	10,040	4,317	21,489	18,432	8,341
Occupancy	35,879	37,948	11,849	72,904	75,850	23,912
Other theatre operating expenses	39,938	41,680	16,704	78,207	85,424	31,708
General and administrative	8,436	11,286	4,513	16,519	25,436	9,406
Management fee	-	71	71	-	224	224
	<u>156,430</u>	<u>161,676</u>	<u>63,688</u>	<u>300,810</u>	<u>316,696</u>	<u>122,911</u>
Income before undernoted	27,212	12,949	11,509	45,494	15,531	22,323
Amortization	15,834	17,099	6,364	31,072	34,432	12,577
Gain on disposal of theatre assets	(1,173)	(64)	(19)	(989)	(97)	(19)
Interest on long-term debt and capital lease obligations	8,026	7,265	2,344	15,440	14,749	4,550
Interest on loan from Cineplex Galaxy Trust	3,500	3,500	3,500	7,000	7,000	7,000
Interest income	(156)	(109)	(60)	(260)	(306)	(178)
Income (loss) before income taxes, non-controlling interest and discontinued operations	1,181	(14,742)	(620)	(6,769)	(40,247)	(1,607)
Provision for current income taxes	(346)	119	119	(291)	174	174
Provision for future income taxes	589	-	-	589	-	-
Provision for income taxes	243	119	119	298	174	174
Income (loss) before non-controlling interest and discontinued operations	938	(14,861)	(739)	(7,067)	(40,421)	(1,781)
Non-controlling interest	352	(689)	-	389	(1,016)	-
Income (loss) from continuing operations	1,290	(15,550)	(739)	(6,678)	(41,437)	(1,781)
Income from discontinued operations	1,607	1899	981	649	1,024	1,824
Net income (loss) for the period	\$ 2,897	\$ (13,651)	\$ 242	\$ (6,029)	\$ (40,413)	\$ 43

Cineplex Entertainment Limited Partnership
Consolidated Supplemental Information
(Unaudited)

(expressed in thousands of Canadian dollars)

Reconciliation to Adjusted EBITDA

	Three months ended June 30,			Six months ended June 30,		
	2006	Pro Forma 2005	2005	2006	Pro Forma 2005	2005
Net income (loss)	\$2,897	(\$13,651)	\$242	(\$6,029)	(\$40,413)	\$43
Amortization	15,834	17,099	6,364	31,072	34,432	12,577
Interest on long-term debt	8,026	7,265	2,344	15,440	14,749	4,550
Interest on loan from Cineplex Galaxy Trust	3,500	3,500	3,500	7,000	7,000	7,000
Interest income	(156)	(109)	(60)	(260)	(306)	(178)
Income tax expense	243	119	119	298	174	174
EBITDA	\$30,344	\$14,223	\$12,509	\$47,521	\$15,636	\$24,166
Non-controlling interest	(352)	689	-	(389)	1,016	-
Income from discontinued operations	(1,607)	(1,899)	(981)	(649)	(1,024)	(1,824)
Gain on disposal of theatre assets	(1,173)	(64)	(19)	(989)	(97)	(19)
Lease shutdown costs	-	-	-	-	3,900	-
Adjusted EBITDA	\$27,212	\$12,949	\$11,509	\$45,494	\$19,431	\$22,323

Cineplex Entertainment Limited Partnership

Consolidated Supplemental Information

(Unaudited)

(expressed in thousands of Canadian dollars, except number of units and per unit data)

Distributable Income

	For the three months ended June 30,		For the six months ended June 30,	
	2006	2005	2006	2005
Cash used in operating activities ⁽ⁱ⁾	\$15,109	\$6,710	(\$9,010)	\$5,144
Less: Changes in operating assets and liabilities ⁽ⁱⁱ⁾	4,487	(384)	36,945	7,732
Tenant Inducements ⁽ⁱⁱⁱ⁾	(2,907)	(605)	(3,881)	(1,896)
Capital lease payments	(339)	-	(666)	-
Dividends paid by subsidiary to non-controlling interest	(196)	-	(196)	-
Maintenance capital expenditures ^(iv)	(1,057)	(1,304)	(1,906)	(1,934)
Add: Interest on loan from Cineplex Galaxy Trust ^(v)	3,500	3,500	7,000	7,000
Non cash components in operating assets and liabilities ^(vi)	312	-	632	-
Expenses funded through integration and restructuring reserve ^(vii)	32	-	76	-
Distributable cash	\$18,941	\$7,917	\$28,994	\$16,046
Number of LP Units outstanding ^(viii)	55,809,762	47,566,974	55,481,913	47,566,974
Distributable cash per LP Unit	\$0.3394	\$0.1664	\$0.5226	\$0.3373

- (i) Comparative amounts for tenant inducements have been reclassified from a financing activity to an operating activity in the consolidated statements of cash flows to conform to the current year's financial statement presentation.
- (ii) Changes in operating assets and liabilities are not considered a source or use of distributable cash.
- (iii) Tenant inducements received are for the purpose of funding new theatre capital expenditures and are not considered a source of distributable cash flow.
- (iv) Maintenance capital expenditures are funded out of distributable income. Board approved projects are funded out of the Partnership's Development facility. Certain integration related capital expenditures are funded out of reserve funds established on November 26, 2003 and July 22, 2005.
- (v) Subject to "Catch-up Payment" provision and is considered part of distributable cash.
- (vi) Reflects non-cash expenses including accretion on Class C LP Units, amortization of deferred gain on RioCan sale-leaseback transaction and amortization of swap on extinguished debt.
- (vii) Amounts financed by the \$25 million reserve set up upon completion of the acquisition of Famous Players are not considered a use of distributable cash flow.
- (viii) LP units outstanding reflect the issuance on June 20, 2006 of 2,000,000 Class A LP Units

Cineplex Entertainment Limited Partnership

Consolidated Balance Sheets

(expressed in thousands of Canadian dollars)

	As at June 30, 2006 (Unaudited)	As at December 31, 2005
Assets		
Current assets		
Cash and cash equivalents	\$ 21,276	\$ 45,190
Accounts receivable	28,955	21,752
Inventories	3,778	4,162
Prepaid expenses and other current assets	10,830	3,803
Due from related parties	66	32
Assets held for sale - current	639	789
	<u>65,544</u>	75,728
Property, equipment and leaseholds	447,176	435,002
Goodwill	201,009	206,218
Intangible assets	60,706	63,464
Future income taxes	4,950	5,539
Deferred charges	8,713	9,319
Assets held for sale – long term	-	3,481
	<u>\$ 788,098</u>	<u>\$ 798,751</u>

Cineplex Entertainment Limited Partnership

Consolidated Balance Sheets ... *continued*

(expressed in thousands of Canadian dollars)

	June 30, 2006 (Unaudited)	December 31, 2005
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 71,154	\$ 88,243
Distributions payable	4,308	4,117
Due to related parties	384	2,442
Income taxes payable	298	667
Deferred revenue	30,561	41,003
Current portion of capital lease obligations	1,418	1,383
Current portion of long-term debt	26,418	35
Liabilities related to property held for sale - current	419	843
	<u>134,960</u>	138,733
Capital lease obligations – long-term	37,160	38,078
Long-term debt	235,000	243,500
Due to Cineplex Galaxy Trust	100,000	100,000
Accrued pension liability	4,725	5,229
Other liabilities	130,712	123,950
Class C Limited Partnership units – liability component	98,786	97,555
Liabilities related to property held for sale – long-term	10	3,235
	<u>741,353</u>	<u>750,280</u>
Non-controlling interest	444	1,030
	<u>46,301</u>	47,441
Partners' Equity	<u>46,301</u>	47,441
	<u>\$ 788,098</u>	<u>\$ 798,751</u>

Cineplex Entertainment Limited Partnership

Consolidated Statements of Operations

(Unaudited)

(expressed in thousands of Canadian dollars)

	Three months ended June 30, 2006		Three months ended June 30, 2005		Six months ended June 30, 2006		Six months ended June 30, 2005	
Revenue								
Box office	\$	114,013	\$	48,152	\$	217,027	\$	93,919
Concessions		53,849		20,909		102,881		40,305
Other		15,780		6,136		26,396		11,010
		<u>183,642</u>		<u>75,197</u>		<u>346,304</u>		<u>145,234</u>
Expenses								
Film cost		60,384		26,234		111,691		49,320
Cost of concessions		11,793		4,317		21,489		8,341
Occupancy		35,879		11,849		72,904		23,912
Other theatre operating expenses		39,938		16,704		78,207		31,708
General and administrative		8,436		4,513		16,519		9,406
Management fee		-		71		-		224
		<u>156,430</u>		<u>63,688</u>		<u>300,810</u>		<u>122,911</u>
Income before undernoted		27,212		11,509		45,494		22,323
Amortization		15,834		6,364		31,072		12,577
Gain on disposal of theatre assets		(1,173)		(19)		(989)		(19)
Interest on long-term debt and capital lease obligations		8,026		2,344		15,440		4,550
Interest on loan from Cineplex Galaxy Trust		3,500		3,500		7,000		7,000
Interest income		(156)		(60)		(260)		(178)
Income (loss) before income taxes, non-controlling interest and discontinued operations		1,181		(620)		(6,769)		(1,607)
Provision for (recovery of) income taxes								
Current		(346)		119		(291)		174
Future		589		-		589		-
		<u>243</u>		<u>119</u>		<u>298</u>		<u>174</u>
Income (loss) before non-controlling interest and discontinued operations		938		(739)		(7,067)		(1,781)
Non-controlling interest		352		-		389		-
Income (loss) from continuing operations		1,290		(739)		(6,678)		(1,781)
Income from discontinued operations		1,607		981		649		1,824
Net income (loss) for the period	\$	2,897	\$	242	\$	(6,029)	\$	43

Cineplex Entertainment Limited Partnership
Consolidated Statements of Partners' Equity (Deficiency)
(Unaudited)

(expressed in thousands of Canadian dollars)

For the six months ended June 30, 2006

	Partners' capital	Deficit	Accumulated earnings	Accumulated distributions	Total
Balance - January 1, 2006	\$ 232,975	\$ (147,795)	\$ 51,925	\$ (89,664)	\$ 47,441
Issuance of Partnership units	31,800	-	-	-	31,800
Issuance of Partnership units - costs	(2,056)	-	-	-	(2,056)
Distributions declared	-	-	-	(24,892)	(24,892)
Vesting of Fund Units	142	-	-	-	142
LTIP compensation obligation	(105)	-	-	-	(105)
Net loss for the period	-	-	(6,029)	-	(6,029)
Balance – June 30, 2006	\$ 262,756	\$ (147,795)	\$ 45,896	\$ (114,556)	\$ 46,301

For the six months ended June 30, 2005

	Partners' capital	Deficit	Accumulated earnings	Accumulated distributions	Total
Balance - January 1, 2005	\$ 110,203	\$ (147,795)	\$ 38,949	\$ (44,620)	\$ (43,263)
Distributions declared	-	-	-	(20,342)	(20,342)
Investment in Cineplex Galaxy Income Fund units	(282)	-	-	-	(282)
LTIP compensation obligation	160	-	-	-	160
Net income for the period	-	-	43	-	43
Balance – June 30, 2005	\$ 110,081	\$ (147,795)	\$ 38,992	\$ (64,962)	\$ (63,684)

Cineplex Entertainment Limited Partnership

Consolidated Statements of Cash Flows

(Unaudited)

(expressed in thousands of Canadian dollars)

	Three months ended June 30, 2006	Three months ended June 30, 2005	Six months ended June 30, 2006	Six months ended June 30, 2005
Cash provided by (used in)				
Operating activities				
Net income (loss) for the period	\$ 2,897	\$ 242	\$ (6,029)	\$ 43
Adjustments to reconcile net income to net cash used in operating activities				
Amortization of property, equipment and leaseholds, deferred charges and intangible assets	15,834	6,690	31,072	13,214
Amortization of tenant inducements and rent averaging liabilities	(189)	(1,426)	(273)	(2,727)
Amortization of debt issuance costs	667	234	1,319	469
Gain on disposal of theatre assets	(2,757)	(19)	(2,235)	(19)
Future income taxes	589	-	589	-
Non-controlling interest	(352)	-	(389)	-
Tenant inducements	2,907	605	3,881	1,896
Change in operating assets and liabilities	(4,487)	384	(36,945)	(7,732)
	<u>15,109</u>	<u>6,710</u>	<u>(9,010)</u>	<u>5,144</u>
Investing activities				
Proceeds from sale of theatre assets	150	19	722	25
Capital expenditures	(20,956)	(6,141)	(36,062)	(9,495)
Theatre shut down payment	(900)	-	(900)	-
Deposit paid for Famous Players acquisition	-	(17,500)	-	(17,500)
Acquisition of Famous Players branded magazines	-	-	(1,100)	-
Cash received from segregated account for distribution	-	-	-	8,297
Cash transferred to segregated account for future distributions	-	-	-	(691)
	<u>(21,706)</u>	<u>(23,622)</u>	<u>(37,340)</u>	<u>(19,364)</u>
Financing activities				
Borrowings under credit facility	20,400	18,500	51,000	19,500
Issuance of Partnership units – net of issuance costs	30,166	-	30,166	-
Distributions paid	(12,350)	(10,170)	(24,700)	(27,946)
Dividends paid to non-controlling interest	(196)	-	(196)	-
Payments under capital leases	(339)	-	(666)	-
Repayment of credit facility	(30,108)	(4,000)	(33,117)	(4,013)
Investment in Cineplex Galaxy Income Fund units	-	-	-	(423)
Deferred financing fees	(115)	(2,038)	(115)	(2,038)
	<u>7,458</u>	<u>2,292</u>	<u>22,372</u>	<u>(14,920)</u>
Increase (decrease) in cash and cash equivalents during the period	861	(14,620)	(23,978)	(29,140)
Cash and cash equivalents - Beginning of period	20,956	24,143	45,795	38,663
Cash and cash equivalents - End of period	\$ 21,817	\$ 9,523	\$ 21,817	\$ 9,523
Supplemental Information				
Cash paid for interest	\$ 8,875	\$ 5,693	\$ 17,551	\$ 11,087
Class C LP distributions paid and classified as interest	3,161	-	3,161	-
Cash paid for income taxes - net	263	313	315	377