



2018

SECOND QUARTER

June 30, 2018

LETTER TO SHAREHOLDERS

Dear fellow shareholders,

Cineplex reported a record second quarter with increases in revenue across all reportable segments. Total revenue increased 12.4% to a second quarter record of \$409.1 million and adjusted EBITDA increased 78.3% to a second quarter record of \$67.8 million versus the same period last year.

Second quarter box office revenue increased 9.7% to \$187.2 million, due to a 5.0% increase in attendance; theatre food service revenue increased 14.6% to a record \$114.0 million; and both BPP of \$10.82 and CPP of \$6.59 represented all-time quarterly records. Media revenue increased 11.5% to \$40.8 million due to growth in cinema advertising and digital place-based media revenue; and amusement revenue increased 6.3% to \$48.5 million due to contributions from the additional locations of *The Rec Room*.

Accomplishments during the quarter included the opening of the fifth location of *The Rec Room* in London, Ontario, and the opening of a new theatre, *Cineplex Cinemas East Hills* in Calgary, Alberta. Additionally, Player One Amusement Group announced an exclusive agreement with Cinemark to install, operate and service amusement gaming equipment in over 270 Cinemark locations across the U.S. and our SCENE program continued to grow as we reached 9.2 million members by the end of the quarter.

In addition to growing our revenue sources, we continued to focus on optimizing our cost structure across our ecosystem. During the second quarter, we implemented a cost reduction program and expect to realize an annualized cost savings of \$25.0 million by the end of the year.

Subsequent to quarter end, we opened two additional new theatres—*Cineplex Cinemas Pickering and VIP* and *Cineplex Cinemas Seton and VIP* in Calgary. We also announced an agreement with The VOID to open additional locations of the virtual reality concept as the business continues to grow.

Overall, Cineplex reported a record second quarter as we continued to pursue our diversification strategy, leverage synergies within the Cineplex ecosystem and identify new opportunities for revenue growth. We remain confident in our approach to deliver future value for our shareholders.

Sincerely,



Ellis Jacob
President and CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

August 9, 2018

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 June 30, 2018 and all amounts are in Canadian dollars.

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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, 2017 ("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 this MD&A.

Cineplex does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable Canadian securities law. Additionally, 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 164 theatres 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 location based entertainment business through Canada's newest destination for 'Eats & Entertainment' (*The Rec Room*), and will also be opening new complexes specially 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 Inc.

Management's Discussion and Analysis

Cineplex's theatre circuit is concentrated in major metropolitan and mid-sized markets. As of June 30, 2018, Cineplex owned, leased or had a joint venture interest in 1,683 screens in 164 theatres from coast to coast.

Cineplex								
Theatre locations and screens at June 30, 2018								
Province	Theatres	Screens	3D Screens	Ultra AVX	IMAX (i)	VIP	D-BOX	Recliner Screens
Ontario	68	733	358	40	13	39	43	93
Quebec	20	250	98	10	3	4	6	—
British Columbia	25	232	123	15	3	11	14	32
Alberta	18	200	103	17	2	3	13	20
Nova Scotia	12	91	44	1	1	—	2	—
Saskatchewan	6	54	29	2	1	3	2	10
Manitoba	5	49	26	1	1	3	2	—
New Brunswick	5	41	20	1	—	—	2	—
Newfoundland & Labrador	3	20	9	1	1	—	1	—
Prince Edward Island	2	13	6	—	—	—	1	—
TOTALS	164	1,683	816	88	25	63	86	155
Percentage of screens			48%	5%	1%	4%	5%	9%
(i) All IMAX are 3D enabled. Total 3D screens including IMAX and screens is 841 screens or 49% of the circuit.								

Cineplex - Theatres, screens and premium offerings in the last eight quarters								
	2018		2017				2016	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Theatres	164	163	163	163	164	164	165	164
Screens	1,683	1,676	1,676	1,676	1,677	1,677	1,683	1,677
3D Screens	816	811	811	811	799	799	801	799
UltraAVX Screens	88	87	87	86	85	85	85	85
IMAX Screens	25	24	24	23	23	23	23	23
VIP Auditoriums	63	63	63	63	63	63	63	63
D-BOX Auditoriums	86	82	82	81	80	78	77	68
Recliner Screens	155	149	130	108	82	42	5	5

Cineplex - Location based entertainment - at June 30, 2018		
Province	The Rec Room	Playdium
Ontario	2	1
Alberta	3	—
TOTALS	5	1

Cineplex Inc.

Management's Discussion and Analysis

1.1 FINANCIAL HIGHLIGHTS

Financial highlights (in thousands of dollars, except attendance in thousands of patrons and per Share and per patron amounts)	Second Quarter			Year to Date		
	2018	2017	Change (i)	2018	2017	Change (i)
Total revenues	\$ 409,053	\$ 364,083	12.4%	\$ 799,925	\$ 758,326	5.5%
Attendance	17,307	16,484	5.0%	35,072	36,077	-2.8%
Net income	\$ 24,367	\$ 1,376	1670.9%	\$ 39,593	\$ 24,341	62.7%
Box office revenues per patron ("BPP") (ii)	\$ 10.82	\$ 10.36	4.4%	\$ 10.51	\$ 10.15	3.5%
Concession revenues per patron ("CPP") (ii)	\$ 6.59	\$ 6.03	9.3%	\$ 6.34	\$ 5.86	8.2%
Adjusted EBITDA (ii)	\$ 67,840	\$ 38,055	78.3%	\$ 121,372	\$ 97,504	24.5%
Adjusted EBITDA margin (ii)	16.6%	10.5%	6.1%	15.2%	12.9%	2.3%
Adjusted free cash flow (ii)	\$ 43,602	\$ 18,008	142.1%	\$ 82,200	\$ 61,343	34.0%
Adjusted free cash flow per common share of Cineplex ("Share") (ii)	\$ 0.688	\$ 0.283	143.1%	\$ 1.298	\$ 0.966	34.4%
Earnings per Share ("EPS") - basic	\$ 0.38	\$ 0.02	1800.0%	\$ 0.63	\$ 0.39	61.5%
EPS excluding change in fair value of financial instrument - basic (ii)	\$ 0.38	\$ 0.02	1800.0%	\$ 0.63	\$ 0.37	70.3%
EPS - diluted	\$ 0.38	\$ 0.02	1800.0%	\$ 0.63	\$ 0.39	61.5%
EPS excluding change in fair value of financial instrument - diluted (ii)	\$ 0.38	\$ 0.02	1800.0%	\$ 0.63	\$ 0.37	70.3%
(i) Throughout this MD&A, changes in percentage amounts are calculated as 2018 value less 2017 value.						
(ii) See Section 16, Non-GAAP measures.						

Total revenues for the second quarter of 2018 increased 12.4%, or \$45.0 million to a second quarter record of \$409.1 million as compared to the prior year period, due to increases across all reportable segments. Box office revenues increased 9.7% compared to the prior year to \$187.2 million as a result of a 5.0% increase in attendance and an all-time quarterly BPP record of \$10.82. Food service revenues increased to an all-time quarterly record of \$122.3 million as a result of an all-time quarterly record for CPP of \$6.59 combined with the increased results from *The Rec Room* due to the rollout of additional locations. Media increased 11.5% to a second quarter record of \$40.8 million due to an increase in in-theatre advertising and digital place-based media revenues owing to higher project installation revenue. Amusement revenues in the second quarter increased 6.3% to \$48.6 million due to the growth in results reported by *The Rec Room*. As a result of these increases, adjusted EBITDA increased \$29.8 million (78.3%) to a second quarter record of \$67.8 million, as compared to the prior year period. Adjusted free cash flow per Share increased 143.1% to \$0.688 in the current period from \$0.283 in 2017.

Total revenues for the six months ended June 30, 2018 increased 5.5%, or \$41.6 million compared to the prior year period. This increase was mainly due to contributions from *The Rec Room* (\$24.1 million) as a result of new location openings and an \$11.0 million (5.2%) increase in theatre food service revenue due to the \$0.48 (8.2%) growth in the CPP, which more than offset a 2.8% decrease in attendance. Adjusted EBITDA increased 24.5% to \$121.4 million compared to the prior year period. Adjusted free cash flow per Share increased 34.4% to \$1.298 in the current period from \$0.966 in 2017.

During the quarter, Cineplex announced its plans to undertake a cost reduction program designed to optimize and integrate the overall cost structure and technology of the business. The program, once fully implemented, is expected to realize annualized corporate savings of \$25 million. Costs of \$2.8 million (\$3.8 million year to date) incurred during the second quarter with respect to the plan are included in general and administrative costs.

1.2 KEY DEVELOPMENTS IN THE SECOND QUARTER OF 2018

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

FILM ENTERTAINMENT AND CONTENT

Theatre Exhibition

- Reported a second quarter record for box office revenues of \$187.2 million, an increase of \$16.5 million (9.7%) from the \$170.7 million reported in the prior year period. This was due to a 5.0% increase in attendance as a result of the record success of *Avengers: Infinity War* and the strong performances of *Deadpool 2* and *The Incredibles 2*, and the growth in BPP.
- BPP was \$10.82, an all-time quarterly record for Cineplex, \$0.46 (4.4%) higher than \$10.36 reported during the prior year period.
- Opened *Cineplex Cinemas East Hills* in Calgary, Alberta, a seven screen theatre featuring an UltraAVX and D-Box auditorium and *The Club House*, a unique auditorium dedicated to children's programming.
- Opened the first IMAX auditorium in Saskatoon at the *Scotiabank Theatre Saskatoon and VIP*.
- Announced plans for a new theatre complex at The Centre mall in Saskatoon, Saskatchewan which is scheduled to open in 2019.
- Announced plans to add four VIP auditoriums and a licensed lounge to *Cineplex Odeon North Edmonton Cinemas* in Edmonton, Alberta which is scheduled to open this fall.

Theatre Food Service

- Reported record second quarter theatre food service revenues of \$114.0 million, an increase of \$14.6 million or 14.6% from the prior year period as a result of the increase in attendance and higher CPP.
- CPP was \$6.59, an all-time quarterly record for Cineplex, \$0.56 (9.3%) higher than \$6.03 reported during the prior year period.
- Launched an expanded partnership with Uber Eats to deliver theatre food products with digital movie rentals through 60 Cineplex theatres in British Columbia, Alberta, Ontario and Quebec.

Alternative Programming

- Alternative Programming (Cineplex Events) featured two live and multiple encore performances from The Metropolitan Opera in addition to the classic ballet Giselle, broadcast live from The Bolshoi Ballet.
- Cineplex international film reported a record second quarter due to strong performing international films, including Punjabi and Hindi films in select markets across the country.

Digital Commerce

- Online and mobile ticketing represented 32.3% of total admissions during the second quarter, up from 22.5% in the prior year period.
- Registered users of the Cineplex Store increased by 40% compared to the prior year period.
- Cineplex store registered a 88% increase in device activations compared to the prior year period.

MEDIA

- Reported record second quarter total media revenues of \$40.8 million, a increase of \$4.2 million, or 11.5% compared to the prior year period.

Cinema Media

- Reported record second quarter revenues of \$26.9 million, compared to \$24.0 million in the prior year period, an increase of 12.3% primarily due to an increase in Show-time advertising.

Digital Place-Based Media

- Reported second quarter revenues of \$13.9 million, an increase of \$1.3 million (9.9%) compared to the prior year period due to an expanded client base which contributed to increased project installation revenues and advertising revenue growth.

AMUSEMENT AND LEISURE

Amusement Solutions

- Reported second quarter revenues of \$41.5 million, a decrease of \$2.6 million (5.8%) over the prior year period as a result of a decrease in revenues in the United States.
- P1AG entered into an agreement to be the exclusive amusement services provider for Cinemark. P1AG will install, operate and service gaming equipment in over 270 Cinemark locations across the United States and will pilot three premium gaming locations.

Location Based Entertainment

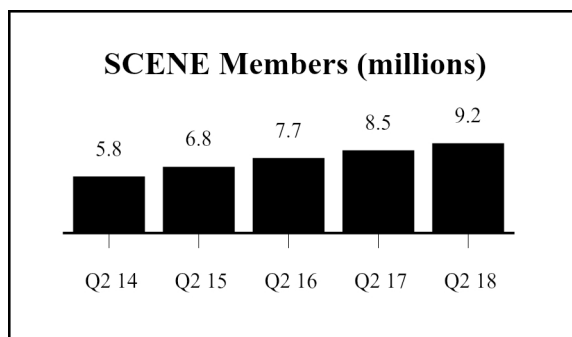
- *The Rec Room* reported second quarter revenue of \$15.7 million which included food service revenues of \$8.3 million and amusement revenues of \$7.1 million.
- Opened *The Rec Room* at *CF Masonville Place* in London, Ontario, on April 30, 2018, the fifth location for *The Rec Room*.
- Announced plans for a new *Playdium* location in Brampton, Ontario which is expected to open in 2019. Cineplex will be converting the space that is currently being utilized by *Cineplex Odeon Orion Gate Cinemas*.

eSports

- WGN announced the Rocket League Canadian Championship tournament with qualifying running in June and July with the finals being held on August 18-19 at the *Scotiabank Theatre* in Toronto, Ontario.
- WGN announced it has been named the official tournament operator for the United States and Canada for the 2018-2019 World Electronic Sports Games, in partnership with Alisports.
- On April 28th and 29th, Collegiate StarLeague, a subsidiary of WGN hosted the 2018 North American Collegiate Grand Finals in Huntington Beach, California.

LOYALTY

- Membership in the SCENE loyalty program increased by 0.1 million members in the period, reaching 9.2 million at June 30, 2018.



CORPORATE

- During the second quarter of 2018, the Board of Directors of Cineplex (the “Board”) announced a monthly dividend increase of 3.6% to \$0.145 per share (\$1.74 on an annual basis) up from \$0.140 per share (\$1.68 on an annual basis) effective with the May 2018 dividend paid in June 2018.
- During the quarter, announced a cost reduction program and incurred \$2.8 million (\$3.8 million year to date) in associated costs.

2. CINEPLEX'S BUSINESSES AND STRATEGY

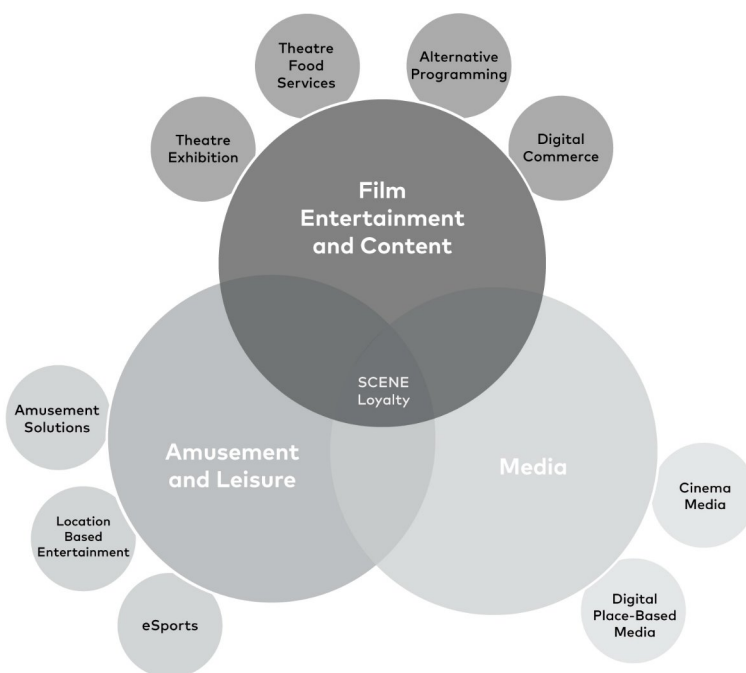
Cineplex's mission statement is "Passionately delivering exceptional experiences." All of its efforts are focused towards this mission and it is Cineplex's goal to consistently provide guests and customers with exceptional experiences.

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 existing infrastructure 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, synergies and data across the Cineplex ecosystems; and
- Pursue selective acquisitions and 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,

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continued development of the SCENE loyalty program and initiatives in theatre food service such as optimizing 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 most recent Annual MD&A. These have not changed materially during the second quarter of 2018.

3. OVERVIEW OF OPERATIONS

Revenues

Cineplex generates revenues primarily from box office and concession sales. These revenues are affected primarily by attendance levels and by changes in BPP and CPP. Box office revenue represented 45.8% of revenue in the second quarter of 2018 and continues to represent Cineplex's largest revenue component.

Revenue mix % by period	Q2 2018	Q2 2017	Q2 2016	Q2 2015	Q2 2014
Box office	45.8%	46.9%	49.3%	55.3%	57.1%
Food service	29.9%	27.9%	28.6%	31.4%	30.3%
Media	10.0%	10.0%	11.9%	10.1%	9.6%
Amusement	11.9%	12.6%	7.3%	0.7%	0.5%
Other	2.4%	2.6%	2.9%	2.5%	2.5%
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	Second Quarter		Year to date	
	2018	2017	2018	2017
Film Entertainment and Content	76.7%	77.5%	77.0%	79.4%
Media	9.8%	9.9%	8.9%	9.1%
Amusement and Leisure	13.5%	12.6%	14.1%	11.5%
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 was approximately 76% based on Canadian industry box office revenues for the quarter and period ended June 30, 2018. 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 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 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 sales at theatre locations, as well as food and beverage sales at *The Rec Room*. 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 *The Rec Room* include food and beverage revenues from the various bars and restaurants located throughout the venues.

Media revenues include both cinema media and digital place-based media revenues. Cinema 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 cinema 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 *The Rec Room*. Cinema media also sells digital advertising for cineplex.com, the Cineplex mobile app and on third party networks operated by Cineplex Digital Media. Digital place-based 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 *The Rec Room*.

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.

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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* is also included in cost of food service.

Depreciation and amortization 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, property and business related taxes and insurance. Lease expenses are primarily a fixed cost at the theatre level because Cineplex's theatre leases generally require a fixed monthly minimum rent payment. However, a number of Cineplex's theatre leases also include a percentage rent clause whereby the landlord is paid an additional amount of rent based either in part or wholly upon box office revenues.

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 attendance. Other components of this category include marketing and advertising, media, amusement and leisure (including P1AG, *The Rec Room* 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) 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") and 50% interest in *YoYo's Yogurt Cafe* ("YoYo's") are classified as joint ventures. Through equity accounting, Cineplex's share of the results of operations for these joint ventures are reported as a single item in the statements of operations, 'Share of income of joint ventures'. Theatre attendance for the IMAX auditorium held in a joint venture is not reported in Cineplex's consolidated 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 LP 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 six months ended June 30, 2018 and 2017 (in thousands of dollars except Shares outstanding, per Share data and per patron data, unless otherwise noted):

	Three months ended June 30, 2018			Three months ended June 30, 2017			Six months ended June 30, 2018			Six months ended June 30, 2017		
			Variance (%)									Variance (%)
Box office revenues	\$ 187,234	\$ 170,710	9.7%	\$ 368,614	\$ 366,064	0.7%						
Food service revenues	122,270	101,398	20.6%	239,218	215,333	11.1%						
Media revenues	40,791	36,581	11.5%	73,304	70,493	4.0%						
Amusement revenues	48,577	45,700	6.3%	98,482	87,101	13.1%						
Other revenues	10,181	9,694	5.0%	20,307	19,335	5.0%						
Total revenues	409,053	364,083	12.4%	799,925	758,326	5.5%						
Film cost	102,346	91,468	11.9%	197,550	194,757	1.4%						
Cost of food service	25,020	23,180	7.9%	49,796	48,834	2.0%						
Depreciation and amortization	32,260	29,646	8.8%	63,454	57,913	9.6%						
Loss on disposal of assets	640	36	1,677.8%	850	62	1,271.0%						
Other costs (a)	213,772	211,456	1.1%	431,226	417,527	3.3%						
Costs of operations	374,038	355,786	5.1%	742,876	719,093	3.3%						
Net income	\$ 24,367	\$ 1,376	1,670.9%	\$ 39,593	\$ 24,341	62.7%						
Adjusted EBITDA	\$ 67,840	\$ 38,055	78.3%	\$ 121,372	\$ 97,504	24.5%						
(a) Other costs include:												
Theatre occupancy expenses	52,788	52,614	0.3%	104,686	104,577	0.1%						
Other operating expenses	143,162	138,935	3.0%	290,569	270,935	7.2%						
General and administrative expenses	17,822	19,907	-10.5%	35,971	42,015	-14.4%						
Total other costs	\$ 213,772	\$ 211,456	1.1%	\$ 431,226	\$ 417,527	3.3%						
EPS - basic	\$ 0.38	\$ 0.02	1,800.0%	\$ 0.63	\$ 0.39	61.5%						
EPS excluding change in fair value of financial instrument - basic (i)	\$ 0.38	\$ 0.02	1,800.0%	\$ 0.63	\$ 0.37	70.3%						
EPS - diluted	\$ 0.38	\$ 0.02	1,800.0%	\$ 0.63	\$ 0.39	61.5%						
EPS excluding change in fair value of financial instrument - diluted (i)	\$ 0.38	\$ 0.02	1,800.0%	\$ 0.63	\$ 0.37	70.3%						
Total assets	\$ 1,798,813	\$ 1,749,509	2.8%	\$ 1,798,813	\$ 1,749,509	2.8%						
Total long-term financial liabilities (ii)	\$ 597,500	\$ 557,500	7.2%	\$ 597,500	\$ 557,500	7.2%						
Shares outstanding at period end	63,332,946	63,539,302	-0.3%	63,332,946	63,539,302	-0.3%						
Cash dividends declared per Share	\$ 0.430	\$ 0.415	3.6%	\$ 0.850	\$ 0.820	3.7%						
Adjusted free cash flow per Share (i)	\$ 0.688	\$ 0.283	143.1%	\$ 1.298	\$ 0.966	34.4%						
Box office revenue per patron (i)	\$ 10.82	\$ 10.36	4.4%	\$ 10.51	\$ 10.15	3.5%						
Concession revenue per patron (i)	\$ 6.59	\$ 6.03	9.3%	\$ 6.34	\$ 5.86	8.2%						
Film cost as a percentage of box office revenues	54.7%	53.6%	1.1%	53.6%	53.2%	0.4%						
Attendance (in thousands of patrons) (i)	17,307	16,484	5.0%	35,072	36,077	-2.8%						
Theatre locations (at period end)	164	164	—%	164	164	—%						
Theatre screens (at period end)	1,683	1,677	0.4%	1,683	1,677	0.4%						
(i) See Section 16, Non-GAAP measures, for the definition of non-GAAP measures reported by Cineplex.												
(ii) Comprised of the principal components of long-term debt and convertible debentures. Excludes share-based compensation, fair value of interest rate swap agreements, financing lease obligations, 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 SIX MONTHS ENDED JUNE 30, 2018

Total revenues

Total revenues for the three months ended June 30, 2018, increased \$45.0 million (12.4%) to \$409.1 million as compared to the prior year period. Total revenues for the six months ended June 30, 2018 increased \$41.6 million (5.5%) to \$799.9 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 store level EBITDA, adjusted free cash flow, 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, attendance and BPP for the quarter and the year to date (in thousands of dollars, except attendance reported in thousands of patrons and per patron amounts, unless otherwise noted):

Box office revenues	Second Quarter			Year to Date		
	2018	2017	Change	2018	2017	Change
Box office revenues	\$ 187,234	\$ 170,710	9.7%	\$ 368,614	\$ 366,064	0.7%
Attendance (i)	17,307	16,484	5.0%	35,072	36,077	-2.8%
Box office revenue per patron (i)	\$ 10.82	\$ 10.36	4.4%	\$ 10.51	\$ 10.15	3.5%
BPP excluding premium priced product (i)	\$ 9.06	\$ 8.60	5.3%	\$ 8.92	\$ 8.57	4.1%
Canadian industry revenues (ii)			9.9%			1.8%
Same theatre box office revenues (i)	\$ 186,579	\$ 170,580	9.4%	\$ 367,960	\$ 365,863	0.6%
Same theatre attendance (i)	17,253	16,467	4.8%	35,018	36,052	-2.9%
% Total box from premium priced product (i)	49.0%	51.6%	-2.6%	45.1%	48.0%	-2.9%
(i) See Section 16, Non-GAAP measures.						
(ii) Source: The Movie Theatre Association of Canada industry data adjusted for calendar quarter dates.						

Box office continuity	Second Quarter		Year to Date	
	Box Office	Attendance	Box Office	Attendance
2017 as reported	\$ 170,710	16,484	\$ 366,064	36,077
Same theatre attendance change	8,142	786	(10,492)	(1,034)
Impact of same theatre BPP change	7,857	—	12,589	—
New and acquired theatres (i)	654	54	654	54
Disposed and closed theatres (i)	(129)	(17)	(201)	(25)
2018 as reported	\$ 187,234	17,307	\$ 368,614	35,072
(i) See Section 16, Non-GAAP measures. Represents theatres opened, acquired, disposed or closed subsequent to the start of the prior year comparative period.				

Second Quarter

Second Quarter 2018 Top Cineplex Films			Second Quarter 2017 Top Cineplex Films		
	3D	% Box		3D	% Box
1 Avengers: Infinity War	✓	24.0%	1 Guardians Of The Galaxy Vol. 2	✓	16.3%
2 Deadpool 2		11.3%	2 Wonder Woman	✓	11.5%
3 Incredibles 2	✓	9.6%	3 The Fate of the Furious		9.1%
4 Jurassic World: Fallen Kingdom	✓	6.8%	4 Beauty and the Beast	✓	6.5%
5 Solo: A Star Wars Story	✓	6.0%	5 Pirates of the Caribbean: Dead Men Tell No Tales	✓	6.1%

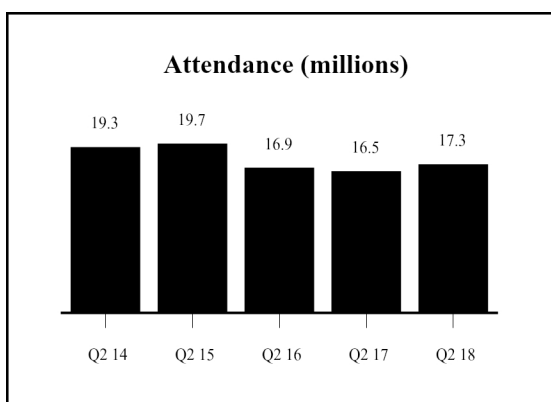
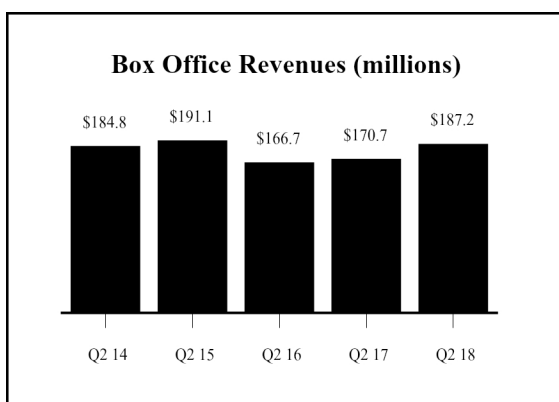
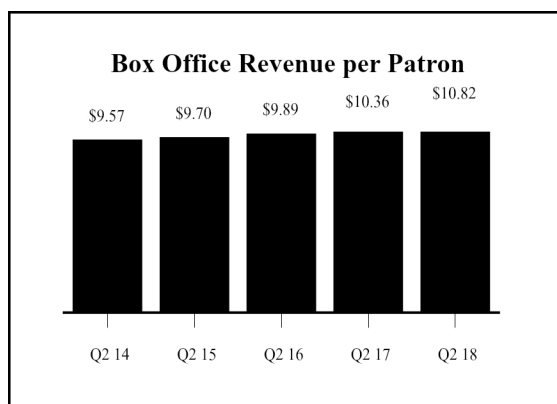
Box office revenues increased \$16.5 million, or 9.7%, to \$187.2 million during the period, compared to \$170.7 million reported in the second quarter in 2017. The increase was due to a 5.0% increase in attendance to 17.3

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million guests and the higher BPP. The attendance increase was due in large part to the record breaking success of *Avengers: Infinity War*.

BPP for the three months ended June 30, 2018 was \$10.82, a \$0.46 increase (4.4%) from the prior year period, setting an all-time quarterly record for Cineplex. The increase in BPP was due to price increases in selective markets as compared to the prior year.



Year to Date

Year to Date 2018 Top Cineplex Films		3D	% Box	Year to Date 2017 Top Cineplex Films		3D	% Box
1	Avengers: Infinity War	✓	12.1%	1	Beauty and the Beast	✓	9.5%
2	Black Panther	✓	11.9%	2	Guardians Of The Galaxy Vol. 2	✓	7.6%
3	Deadpool 2		5.7%	3	Wonder Woman	✓	5.4%
4	Jumanji: Welcome to The Jungle	✓	5.0%	4	Logan		4.6%
5	Incredibles 2	✓	4.8%	5	The Fate Of The Furious		4.3%

Box office revenues for the six months ended June 30, 2018 were \$368.6 million, an increase of \$2.6 million or 0.7% over the prior year due to the higher BPP in the current year period compared to the 2017 period more than offsetting the 2.8% decrease in attendance period over period.

Cineplex's BPP for the period increased \$0.36, or 3.5%, from \$10.15 in the prior year period to a record \$10.51 in the current period. This increase was due to price increases in selective markets as compared to the prior year period.

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Food service revenues

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

Food service revenues	Second Quarter			Year to Date		
	2018	2017	Change	2018	2017	Change
Food service - theatres	\$ 113,969	\$ 99,414	14.6%	\$ 222,199	\$ 211,241	5.2%
Food service - <i>The Rec Room</i>	8,301	1,984	318.4%	\$ 17,019	4,092	315.9%
Total food service revenues	\$ 122,270	\$ 101,398	20.6%	\$ 239,218	\$ 215,333	11.1%
Attendance (i)	17,307	16,484	5.0%	35,072	36,077	-2.8%
CPP (i) (ii)	\$ 6.59	\$ 6.03	9.3%	\$ 6.34	\$ 5.86	8.2%
Same theatre food service revenues (i)	\$ 113,518	\$ 99,366	14.2%	\$ 221,747	\$ 211,167	5.0%
Same theatre attendance (i)	17,253	16,467	4.8%	35,018	36,052	-2.9%
(i) See Section 16, Non-GAAP Measures.						
(ii) Food service revenue from <i>The Rec Room</i> is not included in the CPP calculation.						

Theatre food service revenue continuity	Second Quarter		Year to Date	
	Theatre Food Service	Attendance	Theatre Food Service	Attendance
2017 as reported	\$ 99,414	16,484	\$ 211,241	36,077
Same theatre attendance change	4,742	786	(6,056)	(1,034)
Impact of same theatre CPP change	9,410	—	16,636	—
New and acquired theatres (i)	452	54	452	54
Disposed and closed theatres (i)	(49)	(17)	(74)	(25)
2018 as reported	\$ 113,969	17,307	\$ 222,199	35,072
(i) See Section 16, Non-GAAP measures. Represents theatres opened, acquired, disposed or closed subsequent to the start of the prior year comparative period.				

Second Quarter

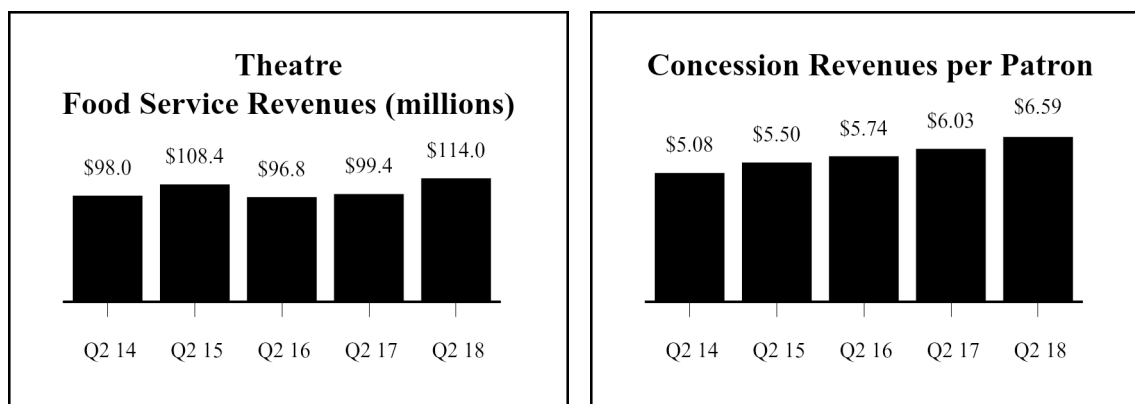
Food service revenues are comprised primarily of concession revenues, which includes food service sales at theatre locations and food and beverage sales at *The Rec Room*. Food service revenues increased \$20.9 million or 20.6% in part as a result of the operations of *The Rec Room* which contributed \$8.3 million and an increase of \$14.6 million (14.6%) to \$114.0 million in theatre food service revenues, a second quarter record. The increase in theatre food service revenues was due to the 5.0% increase in attendance and the higher CPP.

CPP increased 9.3% to \$6.59, an all-time quarterly record for Cineplex. Expanded offerings outside of core food service products, including offerings at Cineplex's VIP Cinemas and Outtakes locations, increased alcohol beverage service and price increases have resulted in higher average transaction values, resulting in the higher CPP in the period. In addition, the CPP was positively impacted by the program change to offer SCENE points instead of the 10% discount in the fourth quarter of 2017.

Year to Date

Food service revenues increased \$23.9 million, or 11.1% as compared to the prior year, due to the 8.2% increase in CPP and \$17.0 million contributed by *The Rec Room* partially offset by the impact of a 2.8% decrease in attendance. The CPP of \$6.34 is the highest CPP Cineplex has reported through the first six months of any year.

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



Media revenues

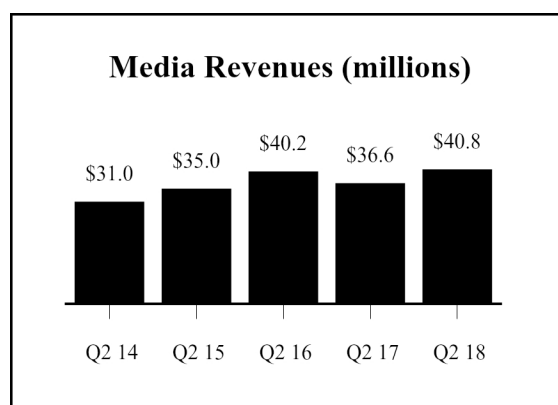
The following table highlights the movement in media revenues for the quarter and the year to date (in thousands of dollars):

Media revenues	Second Quarter			Year to Date		
	2018	2017	Change	2018	2017	Change
Cinema media	\$ 26,921	\$ 23,964	12.3%	\$ 48,253	\$ 45,556	5.9%
Digital place-based media	13,870	12,617	9.9%	25,051	24,937	0.5%
Total media revenues	\$ 40,791	\$ 36,581	11.5%	\$ 73,304	\$ 70,493	4.0%

Second Quarter

Total media revenues increased \$4.2 million (11.5%) to \$40.8 million in the second quarter of 2018 compared to the prior year period, representing a second quarter media revenue record for Cineplex. The increase was due to increased Show-time theatre advertising which resulted in a second quarter record of \$26.9 million for cinema media and higher digital place-based media revenue as a result of increased project installation revenues.

During the quarter, digital place-based media added 308 new locations for a total of 13,461 locations (an increase of 2.3%).



Year to Date

Total media revenues increased \$2.8 million for the six months ended June 30, 2018 as compared to the prior year period. The increase resulted from the \$2.7 million increase in cinema media due to higher Show-time theatre advertising and a \$0.1 million increase in digital place-based media revenues due to higher project

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installation revenue.

Year to date, digital place-based media added 535 new locations (an increase of 4.1%).

Amusement revenues

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

Amusement revenues	Second Quarter			Year to Date		
	2018	2017	Change	2018	2017	Change
Amusement - P1AG excluding Cineplex exhibition and <i>The Rec Room</i> (i)	\$ 39,121	\$ 41,547	-5.8%	\$ 79,359	\$ 78,063	1.7%
Amusement - Cineplex exhibition (i)	2,350	2,476	-5.1%	5,087	5,406	-5.9%
Amusement - <i>The Rec Room</i>	7,106	1,677	323.7%	14,036	3,632	286.5%
Total amusement revenues	\$ 48,577	\$ 45,700	6.3%	\$ 98,482	\$ 87,101	13.1%
(i) Cineplex receives a venue revenue share on games revenues earned at in-theatre game rooms and XSCAPE Entertainment Centres. Amusement - Cineplex exhibition reports the total of this venue revenue share which is consistent with the historical presentation of Cineplex's amusement revenues. Amusement - P1AG excluding Cineplex exhibition reflects P1AG's gross amusement revenues, net of the venue revenue share paid to Cineplex reflected in Amusement - Cineplex exhibition above.						

Second Quarter

Amusement revenues increased 6.3%, or \$2.9 million, to \$48.6 million in the second quarter of 2018 compared to the prior year period due to strong growth in revenue from the additional *The Rec Room* locations partially offset by a decrease in amusement gaming revenue from P1AG and Cineplex exhibition and due to the impact of foreign exchange rates on US sourced revenue in addition to a non-recurring item in the prior year.

Year to Date

For the year to date period, amusement revenues increased 13.1% or \$11.4 million, to \$98.5 million compared to the prior year period due to the acquisition of Dandy Amusements International Inc. ("Dandy") in the second quarter of 2017 and strong growth in revenue from the additional locations of *The Rec Room* compared to the prior year period.

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

P1AG Summary	Second Quarter			Year to Date		
	2018	2017	Change	2018	2017	Change
Amusement revenues	\$ 39,121	\$ 41,547	-5.8%	\$ 79,359	\$ 78,063	1.7%
Operating Expenses	36,119	36,421	-0.8%	71,817	67,498	6.4%
P1AG adjusted EBITDA (i)	\$ 3,002	\$ 5,126	-41.4%	\$ 7,542	\$ 10,565	-28.6%
(i) See Section 16, Non-GAAP measures.						

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The following table presents the adjusted store level EBITDA for the quarter and year to date for *The Rec Room* (in thousands of dollars):

<i>The Rec Room</i> Summary	Second Quarter			Year to Date		
	2018	2017	Change	2018	2017	Change
Food service revenues	\$ 8,301	\$ 1,984	318.4%	\$ 17,019	\$ 4,092	315.9%
Amusement revenues	7,106	1,677	323.7%	14,036	3,632	286.5%
Media and other revenues	287	—	NM	770	—	NM
Total revenues	15,694	3,661	328.7%	31,825	7,724	312.0%
Cost of food service	2,253	614	266.9%	4,593	1,359	238.0%
Operating expenses (i)	11,406	2,799	307.5%	21,892	5,681	285.4%
Total costs	13,659	3,413	300.2%	26,485	7,040	276.2%
Adjusted store level EBITDA (ii)	\$ 2,035	\$ 248	720.6%	\$ 5,340	\$ 684	680.7%
(i) Includes operating costs of <i>The Rec Room</i> locations. Pre-opening costs relating to <i>The Rec Room</i> locations and overhead relating to management of <i>The Rec Room</i> portfolio are not included.						
(ii) See Section 16, Non-GAAP measures.						

Margins for The Rec Room were down during the second quarter compared to the first quarter due to unseasonably warm weather during May in Alberta resulting in reduced patronage and revenues while fixed costs remained consistent.

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	Second Quarter			Year to Date		
	2018	2017	Change	2018	2017	Change
Other revenues	\$ 10,181	\$ 9,694	5.0%	\$ 20,307	\$ 19,335	5.0%

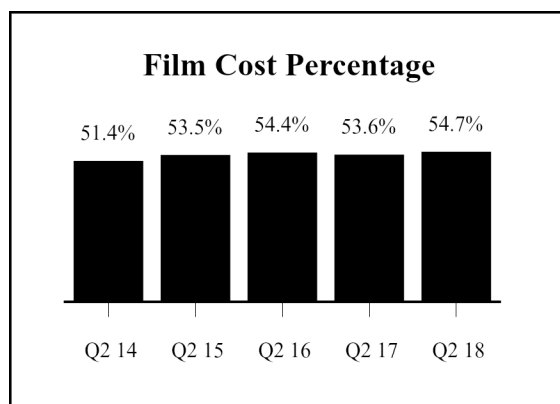
Film cost

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	Second Quarter			Year to Date		
	2018	2017	Change	2018	2017	Change
Film cost	\$102,346	\$ 91,468	11.9%	\$ 197,550	\$ 194,757	1.4%
Film cost percentage (i)	54.7%	53.6%	1.1%	53.6%	53.2%	0.4%
(i) See Section 16, Non-GAAP measures.						

Second 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 second quarter of 2018 was 54.7%, a 1.1% increase from the prior year period.



Year to Date

The year to date increase in film cost expense was due to a combination of the 0.4% increase in the film cost percentage and the higher box office revenues in the current period compared to the prior year period. The increase in film cost percentage is attributable to the top films in the current period having higher 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 the quarter and the year to date (in thousands of dollars, except percentages and margins per patron):

Cost of food service	Second Quarter			Year to Date		
	2018	2017	Change	2018	2017	Change
Cost of food service - theatre	\$ 22,767	\$ 22,566	0.9%	\$ 45,203	\$ 47,475	-4.8%
Cost of food service - <i>The Rec Room</i>	2,253	614	266.9%	4,593	1,359	238.0%
Total cost of food service	\$ 25,020	\$ 23,180	7.9%	\$ 49,796	\$ 48,834	2.0%
Theatre concession cost percentage (i)	20.0%	22.7%	-2.7%	20.3%	22.5%	-2.2%
<i>The Rec Room</i> food cost percentage (i)	27.1%	30.9%	-3.8%	27.0%	33.2%	-6.2%
Theatre concession margin per patron (i)	\$ 5.27	\$ 4.66	13.1%	\$ 5.05	\$ 4.54	11.2%

(i) See Section 16, Non-GAAP measures

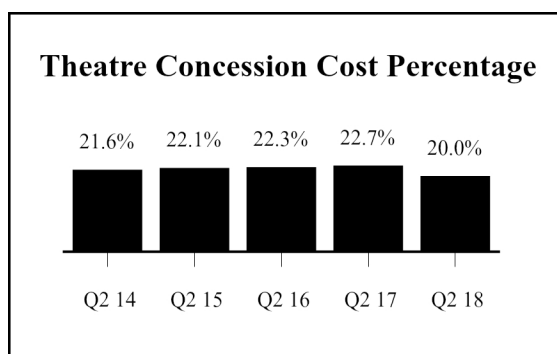
Second Quarter

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 *The Rec Room* 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 second quarter of 2018, partially offset by a decrease in the theatre concession cost percentage from 22.7% in the prior year period to 20.0% in 2018.

The theatre concession margin per patron increased 13.1% from \$4.66 in the second quarter of 2017 to \$5.27 in the same period in 2018, reflecting the impact of the higher CPP during the period and the lower concession cost percentage.

The increase in *The Rec Room* cost of food service as compared to the prior year period was due to the higher food service revenues as a result of the increase in operating locations. The decrease of 3.8% in *The Rec Room* food cost percentage during the quarter compared to the prior period was due to improved cost management as new locations opened.



Year to Date

The decrease in the theatre cost of food service as compared to the prior year period was due to the decrease in the concession cost percentage partially offset by the higher theatre food service revenues. The theatre concession margin per patron increased from \$4.54 in the prior year period to \$5.05 in the current period, reflecting the impact of the higher CPP in the current period.

The increase in *The Rec Room* cost of food service as compared to the prior year period was due to the higher food service revenues as a result of the increase in operating locations. The decrease of 6.2% for the food cost percentage regarding *The Rec Room* was due to improved cost management with the rollout of new 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	Second Quarter			Year to Date		
	2018	2017	Change	2018	2017	Change
Depreciation of property, equipment and leaseholds	\$ 28,231	\$ 25,388	11.2%	\$ 55,490	\$ 49,553	12.0%
Amortization of intangible assets and other	4,029	4,258	-5.4%	7,964	8,360	-4.7%
Depreciation and amortization expenses as reported	\$ 32,260	\$ 29,646	8.8%	\$ 63,454	\$ 57,913	9.6%

The quarterly and year to date increase in depreciation of property, equipment and leaseholds of \$2.8 million and \$5.9 million respectively was primarily due to the investments in amusement and leisure businesses, including *The Rec Room*.

The quarterly and year to date decrease in amortization of intangible assets and other as compared to the prior year periods is due to assets being fully amortized.

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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	Second Quarter			Year to Date		
	2018	2017	Change	2018	2017	Change
Loss on disposal of assets	\$ 640	\$ 36	1677.8%	\$ 850	\$ 62	1271.0%

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, amusement and leisure as well as Cineplex's ancillary businesses; and general and administrative expenses, which includes costs related to managing Cineplex's operations, including head office expenses. Please see the discussions below for more details on these categories.

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

Other costs	Second Quarter			Year to Date		
	2018	2017	Change	2018	2017	Change
Theatre occupancy expenses	\$ 52,788	\$ 52,614	0.3%	\$ 104,686	\$ 104,577	0.1%
Other operating expenses	143,162	138,935	3.0%	290,569	270,935	7.2%
General and administrative expenses	17,822	19,907	-10.5%	35,971	42,015	-14.4%
Total other costs	\$ 213,772	\$ 211,456	1.1%	\$ 431,226	\$ 417,527	3.3%

Theatre occupancy expenses

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

Theatre occupancy expenses	Second Quarter			Year to Date		
	2018	2017	Change	2018	2017	Change
Rent	\$ 34,690	\$ 34,674	—%	\$ 69,193	\$ 68,971	0.3%
Other occupancy	18,706	18,272	2.4%	37,373	36,471	2.5%
One-time items (i)	(608)	(332)	83.1%	(1,880)	(865)	117.3%
Total	\$ 52,788	\$ 52,614	0.3%	\$ 104,686	\$ 104,577	0.1%
(i) One-time items include amounts related to both 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.						

Theatre occupancy continuity	Second Quarter Occupancy	Year to Date Occupancy
2017 as reported	\$ 52,614	\$ 104,577
Impact of new and acquired theatres	154	256
Impact of disposed theatres	(12)	5
Same theatre rent change (i)	(67)	35
One-time items	(276)	(1,015)
Other	375	828
2018 as reported	\$ 52,788	\$ 104,686
(i) See Section 16, Non-GAAP measures		

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Second Quarter

Theatre occupancy expenses increased \$0.2 million (0.3%) during the second quarter of 2018 compared to the prior year period. This increase was primarily due to the impact of new and acquired theatres net of disposed theatres.

Year to Date

For the year to date period, theatre occupancy expenses increased \$0.1 million (0.1%) compared to the prior year. The increase was due to an increase in other charges (\$0.8 million) and the impact of new and acquired theatres (\$0.3 million) partially offset by a decrease in one-time items of \$1.0 million related to real estate taxes.

Other operating expenses

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

Other operating expenses	Second Quarter			Year to Date		
	2018	2017	Change	2018	2017	Change
Theatre payroll	\$ 37,506	\$ 34,980	7.2%	\$ 75,800	\$ 71,077	6.6%
Theatre operating expenses	28,913	27,837	3.9%	58,332	57,037	2.3%
Media	17,275	18,079	-4.4%	33,684	35,181	-4.3%
PIAG	36,119	36,421	-0.8%	71,817	67,498	6.4%
<i>The Rec Room</i> (i)	11,406	2,799	307.5%	21,892	5,681	285.4%
SCENE	3,173	3,536	-10.3%	7,288	7,105	2.6%
Marketing	3,495	4,367	-20.0%	7,903	8,528	-7.3%
Business interruption insurance proceeds	(3,700)	—	NM	(3,700)	—	NM
Other (ii)	8,975	10,916	-17.8%	17,553	18,828	-6.8%
Other operating expenses	\$ 143,162	\$ 138,935	3.0%	\$ 290,569	\$ 270,935	7.2%
(i) Includes operating costs of <i>The Rec Room</i> locations. Pre-opening costs relating to <i>The Rec Room</i> locations and overhead relating to management of <i>The Rec Room</i> portfolio are included in the 'Other' line.						
(ii) Other category includes pre-opening and overhead costs related to <i>The Rec Room</i> , operating costs of WGN and other Cineplex internal departments.						

Other operating continuity	Second Quarter Other Operating	Year to Date Other Operating
2017 as reported	\$ 138,935	\$ 270,935
Impact of new and acquired theatres	354	361
Impact of disposed theatres	(45)	(116)
Same theatre payroll change (i)	2,340	4,549
Same theatre operating expenses change (i)	959	1,229
Media operating expenses change	(804)	(1,496)
PIAG operating expenses change	(302)	4,319
<i>The Rec Room</i> operating expenses change	8,607	16,211
SCENE change	(363)	183
Marketing change	(872)	(625)
Business interruption insurance proceeds change	(3,700)	(3,700)
Other	(1,947)	(1,281)
2018 as reported	\$ 143,162	\$ 290,569
(i) See Section 16, Non-GAAP measures		

Second Quarter

Other operating expenses during the second quarter of 2018 increased \$4.2 million or 3.0% compared to the prior year period. The increase is primarily due to higher amusement and leisure costs related to *The Rec Room*. Same theatre payroll also increased as a result of higher business volumes during the quarter and the minimum wage increases in Ontario, Quebec and Alberta, which were partially offset by labor efficiencies achieved during the quarter. Reductions in certain line items reflect the initial impact of the rollout of the cost reduction program.

During the quarter, Cineplex recognized business interruption insurance proceeds of \$3.7 million, as a result of the fire at *Cineplex Seton and VIP*.

Year to Date

For the six months ended June 30, 2018, other operating expenses increased \$19.6 million or 7.2% compared to the prior year period. The increase is primarily due to higher amusement and leisure costs, including higher P1AG costs due to the acquisition of Dandy in the second quarter of 2017, as well as costs related to *The Rec Room*. Same theatre payroll also increased as a result of the minimum wage increases in Ontario, Quebec and Alberta which more than offset any labor efficiencies achieved during the quarter.

During the quarter, Cineplex recognized business interruption insurance proceeds of \$3.7 million, as a result of the fire at *Cineplex Seton and VIP*.

General and administrative expenses

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

G&A expenses	Second Quarter			Year to Date		
	2018	2017	Change	2018	2017	Change
G&A excluding LTIP and option plan expense	\$ 14,774	\$ 16,046	-7.9%	\$ 32,545	\$ 34,383	-5.3%
Restructuring	2,803	—	NM	3,799	—	NM
LTIP (i)	(242)	3,385	-107.1%	(1,291)	6,747	-119.1%
Option plan	487	476	2.3%	918	885	3.7%
G&A expenses as reported	\$ 17,822	\$ 19,907	-10.5%	\$ 35,971	\$ 42,015	-14.4%

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

Second Quarter

G&A expenses decreased \$2.1 million during the second quarter of 2018 compared to the prior year period due to a \$3.6 million decrease in LTIP expense as a result of Cineplex's lower Share price at June 30, 2018, of \$29.18, compared to \$50.50 at March 31, 2017. Restructuring costs of \$2.8 million were due to Cineplex's recently implemented cost reduction initiative. This initiative is focused on achieving \$25.0 million in annualized cost savings, a component of which will be realized in G&A. Decreases in G&A in part reflect the initial impact of the rollout of the initiative.

Year to Date

G&A expenses for the year to date period decreased \$6.0 million compared to the prior year period primarily due to the decrease in LTIP expense as a result of Cineplex's lower Share price of \$29.18 at June 30, 2018 compared to \$51.22 at December 31, 2016. Restructuring costs of \$3.8 million were due to Cineplex's recently implemented cost reduction initiative.

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Share of income of joint ventures

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

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

Share of income of joint ventures	Second Quarter			Year to Date		
	2018	2017	Change	2018	2017	Change
Share of income of CDCP	\$ (926)	\$ (1,160)	-20.2%	\$ (1,744)	\$ (2,127)	-18.0%
Share of loss (income) of other joint ventures	91	(33)	-375.8%	12	(64)	-118.8%
Total income of joint ventures	\$ (835)	\$ (1,193)	-30.0%	\$ (1,732)	\$ (2,191)	-20.9%

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	Second Quarter			Year to Date		
	2018	2017	Change	2018	2017	Change
Long-term debt interest expense	\$ 4,439	\$ 3,297	34.6%	\$ 8,753	\$ 6,205	41.1%
Convertible debenture interest expense	1,207	1,207	—%	2,399	2,399	—%
Finance lease interest expense	142	202	-29.7%	299	417	-28.3%
Sub-total - cash interest expense	\$ 5,788	\$ 4,706	23.0%	\$ 11,451	\$ 9,021	26.9%
Deferred financing fee accretion and other non-cash interest, net	101	158	-36.1%	201	318	-36.8%
Convertible debenture accretion	608	570	6.7%	1,209	1,132	6.8%
Interest rate swap - non-cash	88	(131)	NM	208	(306)	NM
Sub-total - non-cash interest expense	797	597	33.5%	1,618	1,144	41.4%
Total interest expense	\$ 6,585	\$ 5,303	24.2%	\$ 13,069	\$ 10,165	28.6%

Interest expense increased \$1.3 million for the quarter and \$2.9 million for the year to date compared to the prior year period. For both the second quarter and year to date periods, cash interest is higher due to higher average borrowings on Cineplex's revolving facility (See section 6.4, Credit Facilities).

Interest income

Interest income during the second quarter of 2018 and the six months ended June 30, 2018 was as follows (in thousands of dollars):

Interest income	Second Quarter			Year to Date		
	2018	2017	Change	2018	2017	Change
Interest income	\$ 58	\$ 51	13.7%	\$ 145	\$ 103	40.8%

Foreign exchange

The following table highlights the movement in foreign exchange during the second quarter of 2018 and the six months ended June 30, 2018 (in thousands of dollars):

Foreign exchange	Second Quarter			Year to Date		
	2018	2017	Change	2018	2017	Change
Foreign exchange (gain) loss	(67)	\$ 592	NM	(832)	\$ 575	NM

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Foreign exchange gain is due to an increase in the CAD/USD foreign exchange month end rate from 1.2894 at March 31, 2018, and 1.2545 at December 31, 2017, to 1.3168 at June 30, 2018.

Change in fair value of financial instrument

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

Change in fair value of financial instrument	Second Quarter			Year to Date		
	2018	2017	Change	2018	2017	Change
Gain on change in fair value of financial instrument	\$ —	\$ —	NM	—	(987)	NM

The WGN put option liability, included in accounts payable and accrued liabilities, was reduced from \$5.0 million to \$4.0 million at March 31, 2017, resulting in a \$987 change in fair value of financial instrument. On April 13, 2017, the put liability was settled for \$4.0 million in cash.

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	Second Quarter			Year to Date		
	2018	2017	Change	2018	2017	Change
Current income tax expense	\$ 10,145	\$ 3,559	185.1%	\$ 12,180	\$ 8,145	49.5%
Deferred income tax recovery	\$ (5,122)	\$ (1,289)	NM	\$ (5,084)	\$ (712)	NM
Provision for income taxes	\$ 5,023	\$ 2,270	121.3%	\$ 7,096	\$ 7,433	-4.5%

The increase in second quarter provision for income taxes is due to higher income before income taxes, which was partially offset by the result of timing deductions for tax versus accounting in the current period as compared to the prior year period. The timing deductions 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. This conclusion and the resulting recognition of the deferred tax asset is based on management's reassessment of the amount of its deferred tax assets that are more likely than not to be realized.

The year to date decrease in provision for income taxes in spite of higher income before income taxes as compared to 2017 is primarily due to an increase to deferred income tax recovery resulting from Cineplex recognizing a deferred tax asset of \$5.0 million at June 30, 2018, related to its joint venture in SCENE as discussed above.

Cineplex's blended federal and provincial statutory tax rate at June 30, 2018 was 26.9% (2017 - 26.8%).

Net income

Net income during the second quarter of 2018 and the six months ended June 30, 2018 was as follows (in thousands of dollars):

Net income	Second Quarter			Year to Date		
	2018	2017	Change	2018	2017	Change
Net income	\$ 24,367	\$ 1,376	1670.9%	\$ 39,593	\$ 24,341	62.7%

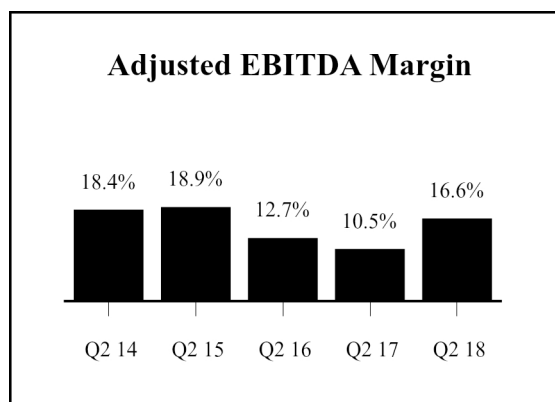
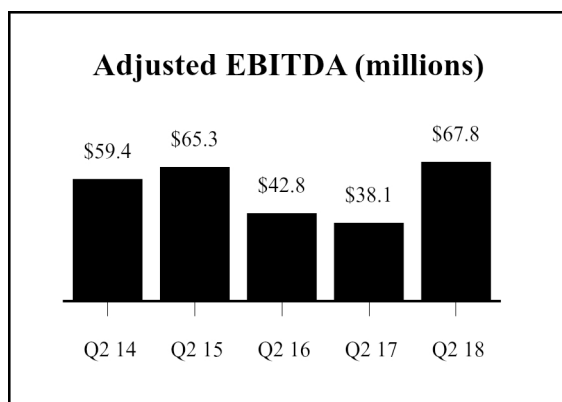
4.3 EARNINGS BEFORE INTEREST, INCOME TAXES, DEPRECIATION AND AMORTIZATION ("EBITDA") (see Section 16, Non-GAAP measures)

The following table presents EBITDA and adjusted EBITDA for the three and six months ended June 30, 2018 as compared to the prior year periods (in thousands of dollars, except adjusted EBITDA margin):

EBITDA	Second Quarter			Year to Date		
	2018	2017	Change	2018	2017	Change
EBITDA	\$ 68,177	\$ 38,544	76.9%	\$123,067	\$ 99,749	23.4%
Adjusted EBITDA	\$ 67,840	\$ 38,055	78.3%	\$121,372	\$ 97,504	24.5%
Adjusted EBITDA margin	16.6%	10.5%	6.1%	15.2%	12.9%	2.3%

Adjusted EBITDA, a second quarter record of \$68.2 million increased \$29.8 million, or 78.3%, as compared to the prior year period. The increase was a result of the higher attendance and record BPP and CPP amounts resulting in higher box office and food service revenues. The growth in results from expanded locations of *The Rec Room* and higher revenues from Cineplex Media and Cineplex Digital Media coupled with lower startup costs at *The Rec Room* also contributed to the second quarter record for adjusted EBITDA. Adjusted EBITDA margin, calculated as adjusted EBITDA divided by total revenues, was 16.6% in the current period.

Adjusted EBITDA for the six months ended June 30, 2018 increased \$23.9 million, or 24.5%, as compared to the prior year period. The increase was due to higher revenues in all reportable segments compared to the prior year. Adjusted EBITDA margin for the period was 15.2%, a increase of 2.3% from 12.9% in the prior year period.



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5. BALANCE SHEETS

The following sets out significant changes to Cineplex's consolidated balance sheets during the six months ended June 30, 2018 as compared to December 31, 2017 (in thousands of dollars):

	June 30, 2018	Restated December 31, 2017	Change (\$)	Change (%)
Assets				
Current assets				
Cash and cash equivalents	\$ 34,124	\$ 40,597	\$ (6,473)	-15.9%
Trade and other receivables	101,688	160,938	(59,250)	-36.8%
Income taxes receivable	2,680	1,344	1,336	99.4%
Inventories	31,825	28,966	2,859	9.9%
Prepaid expenses and other current assets	19,761	13,013	6,748	51.9%
Fair value of interest rate swap agreements	773	314	459	146.2%
	190,851	245,172	(54,321)	-22.2%
Non-current assets				
Property, equipment and leaseholds	628,019	628,129	(110)	—%
Deferred income taxes	9,362	7,134	2,228	31.2%
Fair value of interest rate swap agreements	3,798	3,880	(82)	-2.1%
Interests in joint ventures	36,006	35,353	653	1.8%
Intangible assets	113,864	119,011	(5,147)	-4.3%
Goodwill	816,913	816,489	424	0.1%
	\$ 1,798,813	\$ 1,855,168	\$ (56,355)	-3.0%
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	\$ 165,952	\$ 189,929	\$ (23,977)	-12.6%
Share-based compensation	2,554	4,732	(2,178)	-46.0%
Dividends payable	9,183	8,866	317	3.6%
Income taxes payable	5,547	9,157	(3,610)	-39.4%
Deferred revenue	161,242	195,808	(34,566)	-17.7%
Finance lease obligations	3,547	3,420	127	3.7%
Fair value of interest rate swap agreements	620	1,332	(712)	-53.5%
Convertible debentures	106,289	105,080	1,209	1.2%
	454,934	518,324	(63,390)	-12.2%
Non-current liabilities				
Share-based compensation	10,910	13,816	(2,906)	-21.0%
Long-term debt	489,038	467,867	21,171	4.5%
Finance lease obligations	3,646	5,451	(1,805)	-33.1%
Post-employment benefit obligations	9,223	9,227	(4)	—%
Other liabilities	119,718	117,589	2,129	1.8%
Deferred income taxes	11,542	14,031	(2,489)	-17.7%
	1,099,011	1,146,305	(47,294)	-4.1%
Equity attributable to owners of Cineplex (i)	699,802	708,863	(9,061)	-1.3%
	\$ 1,798,813	\$ 1,855,168	\$ (56,355)	-3.0%

(i) See Section 12, Accounting Policies, for the reclassification of long-term debt to equity for December 31, 2017 due to the adoption of IFRS 9 *Financial Instruments*.

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 2017 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.

Inventories. The increase in inventories is primarily due to higher amusement solutions inventories as a result of the growth of business.

Income taxes receivable. The balance represents the excess of income tax installments paid by several taxable entities in Cineplex's consolidated group to various tax authorities in excess of their current period income tax provisions.

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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 second quarter.

Property, equipment and leaseholds. The increase in property, equipment and leaseholds is due to new build and other capital expenditures (\$46.3 million) and maintenance capital expenditures (\$10.2 million), offset by amortization expenses (\$55.5 million) and asset disposition (\$1.1 million).

Intangible assets. The decrease in intangible assets is primarily due to amortization of intangible assets with finite lives partially offset by the capitalization of costs associated with internally generated software.

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

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

Share-based compensation. The decrease in Share-based compensation is primarily due to the lower share price of Cineplex shares and the payment of the 2015 LTIP, which vested in the first quarter of 2018.

Income taxes payable. The decrease in income taxes payable represents the amount paid by Cineplex during the second quarter of 2018 for taxes due based on its 2017 operations, offset by liabilities for current income tax expense relating to the second quarter of 2018 in excess of tax installments paid for certain taxable entities in the consolidated group.

Deferred revenue. Deferred revenue decreased mainly due to the redemption of gift cards and vouchers sold during the 2017 holiday season.

Long-term debt. The increase in long-term debt relates to net borrowings under the Revolving Facility (defined and discussed in Section 6.4, Credit Facilities) and the deferred financing fee amortization recognized in the period.

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 six months ended June 30, 2018 and 2017 (in thousands of dollars):

Cash flows provided by operating activities	Second Quarter			Year to Date		
	2018	2017	Change	2018	2017	Change
Net income	\$ 24,367	\$ 1,376	\$ 22,991	\$ 39,593	\$ 24,341	\$ 15,252
Adjustments to reconcile net income to net cash provided by operating activities:						
Non-cash amortization amounts (i)	28,952	27,406	1,546	57,162	53,141	4,021
Loss on disposal of assets	640	36	604	850	62	788
Deferred income taxes	(5,122)	(1,289)	(3,833)	(5,084)	(712)	(4,372)
Interest rate swap agreements - non-cash interest	88	(131)	219	208	(306)	514
Non-cash Share-based compensation	487	476	11	918	885	33
Accretion of convertible debentures	608	569	39	1,209	1,132	77
Change in fair value of financial instruments	—	—	—	—	(987)	987
Net change in interests in joint ventures	(424)	(1,510)	1,086	(1,629)	(3,887)	2,258
Tenant inducements	6,372	89	6,283	8,248	398	7,850
Changes in operating assets and liabilities	(20,679)	(14,533)	(6,146)	(19,760)	(76,253)	56,493
Net cash provided by (used in) operating activities	\$ 35,289	\$ 12,489	\$ 22,800	\$ 81,715	\$ (2,186)	\$ 83,901
(i) Includes amortization of property, equipment and leaseholds and intangible assets, amortization of tenant inducements and rent averaging liabilities, and other non-cash interest costs and non-cash foreign exchange gain/loss.						

Second Quarter

Cash provided by operating activities increased \$22.8 million in the second quarter of 2018 compared to the prior year period primarily due to the \$23.0 million increase in net income and tenant inducements partially offset by the impact of the changes in operating assets and liabilities, including the timing of the settlement of accounts receivable and payable balances.

Year to Date

For the six months ended June 30, 2018, cash provided in operating activities increased \$83.9 million compared to the prior year period due to the \$15.3 million increase in net income, \$7.9 million increase in tenant inducements and the impact of changes in operating assets and liabilities mainly due to the increase in the collection of year end receivables.

6.2 INVESTING ACTIVITIES

The following table highlights the movements in cash used in investing activities for the three and six months ended June 30, 2018 and 2017 (in thousands of dollars):

Cash flows used in investing activities	Second Quarter			Year to Date		
	2018	2017	Change	2018	2017	Change
Proceeds from disposal of assets, including asset-related insurance recoveries	\$ 1,604	\$ 78	\$ 1,526	\$ 1,786	\$ 310	\$ 1,476
Purchases of property, equipment and leaseholds	(29,480)	(50,318)	20,838	(54,991)	(75,771)	20,780
Acquisition of businesses, net of cash acquired	—	(29,581)	29,581	—	(29,687)	29,687
Intangible assets additions	(1,013)	(1,260)	247	(2,368)	(2,582)	214
Net cash received from joint ventures	292	685	(393)	976	1,369	(393)
Net cash used in investing activities	\$ (28,597)	\$ (80,396)	\$ 51,799	\$ (54,597)	\$ (106,361)	\$ 51,764

Second Quarter

Cash used in investing activities during the second quarter of 2018 decreased by \$51.8 million over the prior year period. The change was primarily due to the higher additions to property, equipment and leaseholds and business acquisitions in the prior year period, including the acquisition of Dandy for net \$13.2 million, the non-controlling interest in WGN for \$4.0 million, the \$9.3 million deferred consideration payment for EK3 Technologies Inc. ("EK3") and \$3.1 million remaining consideration for Tricorp Amusements Inc. (Tricorp). Insurance proceeds of \$1.5 million received during the quarter with the respect to the fire at *Cineplex Cinemas Seton and VIP* in 2017 are included in proceeds from disposal of assets, including asset-related insurance recoveries.

Year to Date

For the year to date period, cash used in investing activities was \$51.8 million lower than the prior year period. The variance was primarily due to increased spending in the prior year period on the construction of *The Rec Room* locations, recliner seating conversions, theatre construction and acquisitions. Acquisitions included Dandy for net \$13.2 million, the non-controlling interest in WGN for \$4.0 million, \$10.0 million deferred consideration payment for EK3 and \$3.1 million of remaining consideration for Tricorp.

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

Capital expenditures	Second Quarter			Year to Date		
	2018	2017	Change	2018	2017	Change
Gross capital expenditures	\$ 29,480	\$ 50,318	\$ (20,838)	\$ 54,991	\$ 75,771	\$ (20,780)
Less: tenant inducements	(6,372)	(89)	(6,283)	(8,248)	(398)	(7,850)
Net capital expenditures	\$ 23,108	\$ 50,229	\$ (27,121)	\$ 46,743	\$ 75,373	\$ (28,630)
Net capital expenditures consists of:						
Growth and acquisition capital expenditures (i)	\$ 19,254	\$ 23,822	\$ (4,568)	\$ 38,028	\$ 40,357	\$ (2,329)
Tenant inducements	(6,372)	(89)	(6,283)	(8,248)	(398)	(7,850)
Media growth capital expenditures	357	1,244	(887)	758	3,184	(2,426)
Premium formats (ii)	1,472	11,306	(9,834)	3,581	22,444	(18,863)
Amusement gaming & leisure growth capital expenditures (excluding <i>The Rec Room</i> expenditures)	1,666	2,034	(368)	2,353	2,682	(329)
Maintenance capital expenditures	4,953	9,215	(4,262)	10,240	14,126	(3,886)
Other (iii)	1,778	2,697	(919)	31	(7,022)	7,053
	\$ 23,108	\$ 50,229	\$ (27,121)	\$ 46,743	\$ 75,373	\$ (28,630)
(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 and 3D.						
(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 new theatre capital expenditures.

6.3 FINANCING ACTIVITIES

The following table highlights the movements in cash from financing activities for the three and six months ended June 30, 2018 and 2017 (in thousands of dollars):

Cash flows (used in) provided by financing activities	Second Quarter			Year to Date		
	2018	2017	Change	2018	2017	Change
Dividends paid	\$ (26,916)	\$ (26,042)	\$ (874)	\$ (53,515)	\$ (51,766)	\$ (1,749)
Borrowings under credit facility, net	15,000	75,000	(60,000)	21,000	150,000	(129,000)
Payments under finance leases	(847)	(788)	(59)	(1,679)	(1,561)	(118)
Options exercised for cash	68	—	68	68	—	68
Net cash (used in) provided by financing activities	\$ (12,695)	\$ 48,170	\$ (60,865)	\$ (34,126)	\$ 96,673	\$ (130,799)

Second Quarter

Cash flows used in financing activities were \$12.7 million in the second quarter of 2018, as compared to the cash flow of \$48.2 million provided by financing activities in the prior year period, primarily due to lower net borrowings in the current period.

Year to Date

Net cash used in financing activities was \$34.1 million year to date in 2018, as compared to the cash flow of \$96.7 million provided by financing activities in the prior year period. This was due to \$129.0 million of higher borrowings in the prior year period to fund acquisitions, new build capital expenditures, and recliner seating conversions partially offset by \$1.7 million in additional dividend payments during the current period.

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 entered into certain credit facilities effective May 2, 2016 (the "Credit Facilities"). At June 30, 2018, 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")	\$ 475.0	\$ 340.0	\$ 8.4	\$ 126.6
(ii) a five-year senior secured non-revolving term facility ("Term Facility")	\$ 150.0	\$ 150.0	\$ —	\$ —

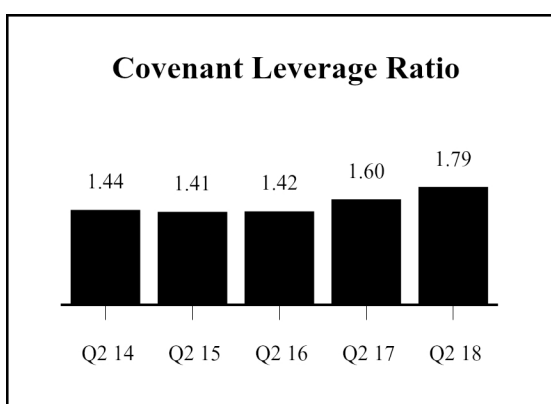
Letters of credit outstanding at June 30, 2018 of \$8.4 million are reserved against the Revolving Facility.

There are provisions to increase the Revolving Facility commitment amount by an additional \$75.0 million with the consent of the lenders.

The Credit Facilities bear interest at a floating rate based on the Canadian dollar prime rate, or bankers' acceptances rates plus, in each case, an applicable margin to those rates. The facilities mature in April 2021 and are 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 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. As at June 30, 2018, Cineplex's leverage ratio as calculated in accordance with the Credit Facilities definition was 1.79x, as compared to a covenant of 3.50x. The definition of debt in the Credit Facility includes long-term debt (excluding any convertible debentures), financing leases and letters of credit but does not include a reduction for cash on hand. For the purposes of the Credit Facility definition, EBITDA is adjusted for certain non-cash, non-recurring items and the annualized impact of new theatres 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.

During the first quarter of 2014, Cineplex entered into three interest rate swap agreements which commenced in August 2016 for an aggregate notional principal amount of \$150.0 million and mature on October 24, 2018, the maturity of the Credit Facilities at that time. Under these agreements, Cineplex pays a fixed rate of 2.62% per annum, plus an applicable margin and receives a floating rate of interest equal to the three-month Canadian deposit offering rate set quarterly in advance, with net settlements quarterly.

During the second quarter of 2016, Cineplex entered into three interest rate swap agreements which commenced April 26, 2016 for an aggregate notional principal amount of \$50.0 million, and mature on October 24, 2018. Under these agreements, Cineplex pays a fixed rate of 1.07% per annum, plus an applicable margin, and receives a floating rate of interest equal to the three-month Canadian deposit offering rate set quarterly in advance, with net settlements quarterly.

Also during the second quarter of 2016, Cineplex entered into three interest rate swap agreements which commence on October 24, 2018 for an aggregate notional principal amount of \$200.0 million and mature on April 26, 2021, the same date as the maturity of the Credit Facilities. Under these agreements, Cineplex pays a fixed rate of 1.484% per annum, plus an applicable margin, and receives a floating rate of interest equal to the three-month Canadian deposit offering rate set quarterly in advance, with net settlements quarterly.

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 \$200.0 million of borrowings. Cineplex considered its hedging relationships and determined that the interest rate swap agreements on its first \$200.0 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 June 30, 2018 Cineplex's effective cost of borrowing on the \$200.0 million hedged borrowings was 3.783% (June 30, 2017 - \$200.0 million hedged borrowings - 3.633%).

6.5 FUTURE OBLIGATIONS

Cineplex has aggregate gross capital commitments of \$174.1 million (\$127.6 million net of tenant inducements) related to the completion of construction of 23 operating locations, including theatres, *The Rec Room* and *Playdium* 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 a guarantor under the leases for the remainder of the lease term for certain theatres that it has sold, in the event that the purchaser of each theatre does not fulfill its obligations under the respective lease. 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. Cineplex guarantees certain advertising revenues based on attendance levels for a majority of the theatres disposed to third parties. No amounts have been provided in the consolidated financial statements for guarantees for which Cineplex has not been notified of triggering events.

At June 30, 2018, Cineplex had \$107.5 million principal amount of convertible debentures outstanding that have a maturity date of December 31, 2018. At June 30, 2018, the convertible debentures were recorded on Cineplex's balance sheet at \$106.3 million. The convertible debentures are being accreted to their maturity value using the effective interest method as prescribed by IFRS 9, *Financial Instruments*. On or after December 31, 2017, the convertible debentures may be redeemed in whole or in part from time to time at the option of Cineplex at a price equal to their principal amount plus accrued and unpaid interest. Redemptions may be in cash or in the form of Shares, at the option of Cineplex. See Section 8, Share activity, for more information regarding the convertible debentures.

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 six months ended June 30, 2018 and 2017:

Adjusted free cash flow	Second Quarter			Year to Date		
	2018	2017	Change	2018	2017	Change
Adjusted free cash flow per Share	\$ 0.688	\$ 0.283	143.1%	\$ 1.298	\$ 0.966	34.4%
Dividends declared per Share	\$ 0.430	\$ 0.415	3.6%	\$ 0.850	\$ 0.820	3.7%
Payout ratio - twelve months ended June 30				62.5%	70.1%	-7.6%

Adjusted free cash flow per Share is 143.1% 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 34.4% higher than the prior year period.

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

	Second Quarter			Year to Date		
	2018	2017	Change	2018	2017	Change
Cash flows provided by (used in) operations	\$ 35,289	\$ 12,489	182.6%	\$ 81,715	\$ (2,186)	NM
Net income	\$ 24,367	\$ 1,376	1,670.9%	\$ 39,593	\$ 24,341	62.7%
Standardized free cash flow	\$ 7,413	\$ (37,751)	-120%	\$ 28,510	\$ (77,647)	NM
Adjusted free cash flow	\$ 43,602	\$ 18,008	142.1%	\$ 82,200	\$ 61,343	34.0%
Cash dividends declared	\$ 27,233	\$ 26,363	3.3%	\$ 53,832	\$ 52,087	3.4%
Average number of Shares outstanding	63,332,067	63,520,645	-0.3%	63,331,261	63,518,583	-0.3%

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 June 30, 2018 and 2017, Cineplex declared dividends totaling \$0.430 per Share and \$0.415 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
(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 at June 30, 2018 and the transactions during the six month period are as follows (expressed in thousands of dollars except Share amounts):

	Shares	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 - June 30, 2018	63,332,946	\$ 852,364	\$ 4,471	\$	856,835

Officers and key employees are eligible to participate in the LTIP. Beginning with the 2018 awards, each annual LTIP grant is for a three-year service period beginning October 1. The LTIP award consists of a restricted stock unit plan ("RSU") awarding base Share equivalents which may decrease or increase subject to certain market conditions and a phantom share unit plan ("PSU") awarding Share equivalents which may decrease by approximately 0% or increase by 200% 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.

LTIP awards granted in 2017 and 2016 consist of a PSU awarding Share equivalents which may decrease by approximately 61% or increase by 83% 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

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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 initial grants of Share equivalents were as follows:

	PSU Share equivalents	RSU Share equivalents
2018 LTIP award	79,089	39,549
2017 LTIP award	129,136	—
2016 LTIP award	112,804	—

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.

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 June 30, 2018, 2.5 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 and are available for future grants. At June 30, 2018, 1.6 million Share options were available for grant under the plan.

A summary of option activities for the six months ended June 30, 2018 and 2017 is as follows:

	2018			2017	
	Weighted average remaining contractual life (years)	Number of underlying Shares	Weighted average exercise price	Number of underlying Shares	Weighted average exercise price
Options outstanding - January 1	7.37	2,157,589	\$ 45.50	1,705,338	43.21
Granted		559,703	33.59	544,992	51.25
Forfeited		(182,995)	45.13	—	—
Exercised		(2,500)	27.33	(72,814)	35.23
Options outstanding – end of period	7.43	2,531,797	\$ 42.91	2,177,516	\$ 45.49

During the fourth quarter of 2013, Cineplex issued \$107.5 million principal amount of convertible unsecured subordinated debentures, maturing on December 31, 2018 (the “Maturity Date”) and bearing interest at a rate of 4.5% per annum, payable semi-annually in arrears on June 30 and December 31 in each year, commencing on December 31, 2013. At the holder’s option, the debentures may be converted into Shares at a conversion price of \$56 per Share at any time prior to the close of business five days before the earlier of the Maturity Date, the date fixed for redemption by Cineplex, or if called for repurchase in the event of a change in control, the payment date. On or after December 31, 2017, the convertible debentures may be redeemed in whole or in part from time to time at the option of Cineplex at a price equal to their principal amount plus accrued and unpaid interest. Redemptions may be in cash or in the form of Shares, at the option of Cineplex.

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 attendance, affecting theatre exhibition reported results. The seasonality of 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 \$340.0 million drawn as of June 30, 2018.

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

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	2018		2017				2016	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues								
Box office revenues	\$ 187,234	\$181,380	\$185,048	\$164,493	\$170,710	\$195,354	\$183,413	\$185,412
Food service revenues	122,270	116,948	119,514	107,029	101,398	113,935	105,535	109,565
Media revenues	40,791	32,513	61,519	39,862	36,581	33,912	52,720	44,828
Amusement revenues	48,577	49,905	49,300	48,940	45,700	41,401	33,737	26,971
Other revenues	10,181	10,126	10,912	10,124	9,694	9,641	10,031	9,176
	409,053	390,872	426,293	370,448	364,083	394,243	385,436	375,952
Expenses								
Film cost	102,346	95,204	98,734	83,268	91,468	103,289	96,068	95,471
Cost of food service	25,020	24,776	26,935	23,669	23,180	25,654	24,786	24,356
Depreciation and amortization	32,260	31,194	31,390	30,613	29,646	28,267	28,254	26,703
Loss on disposal of assets	640	210	369	275	36	26	168	468
Other costs	213,772	217,454	220,930	204,762	211,456	206,071	198,067	189,127
	374,038	368,838	378,358	342,587	355,786	363,307	347,343	336,125
Income from operations	35,015	22,034	47,935	27,861	8,297	30,936	38,093	39,827
Adjusted EBITDA (i)	67,840	53,532	79,614	58,811	38,055	59,449	66,841	67,260
Net income	\$ 24,367	\$ 15,226	\$ 28,786	\$ 17,219	\$ 1,376	\$ 22,965	\$ 23,328	\$ 25,996
EPS -basic	\$ 0.38	\$ 0.24	\$ 0.45	\$ 0.27	\$ 0.02	\$ 0.37	\$ 0.37	\$ 0.42
EPS - diluted (ii)	\$ 0.38	\$ 0.24	\$ 0.45	\$ 0.27	\$ 0.02	\$ 0.37	\$ 0.37	\$ 0.41
Cash provided by (used in) operating activities	\$ 35,289	\$ 46,426	\$118,833	\$ 37,705	\$ 12,489	\$(14,675)	\$131,414	\$ 36,597
Cash used in investing activities	(28,597)	(26,000)	(45,668)	(47,518)	(80,396)	(25,965)	(60,176)	(27,548)
Cash (used in) provided by financing activities	(12,695)	(21,431)	(51,461)	7,320	48,170	48,503	(61,475)	(20,683)
Effect of exchange rate differences on cash	589	(54)	146	(184)	(253)	(2)	105	231
Net change in cash	\$ (5,414)	\$ (1,059)	\$ 21,850	\$ (2,677)	\$(19,990)	\$ 7,861	\$ 9,868	\$(11,403)
BPP (i)	\$ 10.82	\$ 10.21	\$ 10.54	\$ 9.81	\$ 10.36	\$ 9.97	\$ 10.23	\$ 9.65
CPP (i)	\$ 6.59	\$ 6.09	\$ 6.29	\$ 6.01	\$ 6.03	\$ 5.71	\$ 5.75	\$ 5.69
Film cost percentage (i)	54.7%	52.5%	53.4%	50.6%	53.6%	52.9%	52.4%	51.5%
Attendance (in thousands of patrons) (i)	17,307	17,765	17,551	16,766	16,484	19,593	17,934	19,219
Theatre locations (at period end)	164	163	163	163	164	164	165	164
Theatre screens (at period end)	1.683	1.676	1.676	1.676	1.677	1.677	1.683	1.677

(i) See Section 16, Non-GAAP measures

(ii) Excludes the conversion of convertible debentures as such conversion would be anti-dilutive for all quarters.

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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):

	2018		2017				2016	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Cash provided by (used in) operating activities	\$ 35,289	\$ 46,426	\$ 118,833	\$ 37,705	\$ 12,489	\$ (14,675)	\$ 131,414	\$ 36,597
Less: Total capital expenditures net of proceeds on sale of assets	(27,876)	(25,329)	(44,205)	(47,869)	(50,240)	(25,221)	(27,864)	(28,787)
Standardized free cash flow	7,413	21,097	74,628	(10,164)	(37,751)	(39,896)	103,550	7,810
Add/(Less):								
Changes in operating assets and liabilities	20,679	(919)	(60,319)	12,675	14,533	61,720	(80,385)	16,025
Changes in operating assets and liabilities of joint ventures	(411)	308	506	(1,657)	317	1,379	777	642
Tenant inducements	(6,372)	(1,876)	(682)	(2,594)	(89)	(309)	(1,235)	(1,291)
Principal component of financing lease obligations	(847)	(832)	(817)	(802)	(788)	(773)	(760)	(746)
Growth capital expenditures and other	22,923	20,042	37,553	38,149	41,025	20,310	16,480	22,621
Share of income of joint ventures, net of non-cash depreciation	(75)	94	(80)	62	55	52	50	44
Non-controlling interest EBITDA of WGN	—	—	—	—	21	168	276	218
Net cash received from CDCP	292	684	550	2,246	685	684	684	1,568
Adjusted free cash flow	\$ 43,602	\$ 38,598	\$ 51,339	\$ 37,915	\$ 18,008	\$ 43,335	\$ 39,437	\$ 46,891
Average number of Shares outstanding	63,332,067	63,330,446	63,350,216	63,508,418	63,520,645	63,516,499	63,495,944	63,491,658
Adjusted free cash flow per Share	\$ 0.688	\$ 0.609	\$ 0.810	\$ 0.597	\$ 0.283	\$ 0.682	\$ 0.621	\$ 0.739

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 six months ended June 30, 2018, Cineplex incurred theatre occupancy expenses for theatres under lease commitments with Riocan in the amounts of \$11.2 million and \$22.4 million, (2017 - \$11.3 million and \$22.5 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, 2017.

12. ACCOUNTING POLICIES

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. The unaudited interim condensed consolidated financial statements are presented in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The disclosures contained in the 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, 2017. The 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, 2017, with the exception of the accounting standards adopted in the current year as referenced in the interim condensed consolidated financial statements for the three months ended March 31, 2018.

ACCOUNTING STANDARDS ADOPTED IN THE CURRENT YEAR

IFRS 9 Financial Instruments

Following the adoption of IFRS 9, Cineplex will no longer defer and amortize the deferred financing fees associated with the previous amended bank credit facilities. Under IAS 39, when Cineplex extended its bank credit facilities in 2016, it was considered a renegotiation of debt and the financing fees related to the transaction were added to the previous unamortized deferred financing fees and amortized over the remaining term on a straight-line basis. The adjustments below were made to the amounts recognized in the balance sheet and statement of changes in equity. The impact on the statement of operations is not material.

IFRS 15 Revenue from Contracts with Customers

Following the adoption of IFRS 15, Cineplex defers unused cash balances on rechargeable game cards.

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The following table shows the adjustments recognized for each individual line item. 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.

Consolidated Statement of Changes in Equity:

	January 1, 2017 as originally presented	Adjustment	January 1, 2017 Restated
Equity			
Deficit	\$ (108,342)	\$ (2,913)	\$ (111,255)
Total Equity	\$ 751,895	\$ (2,913)	\$ 748,982

Consolidated Balance Sheet:

	January 1, 2017 as originally presented	Adjustment	January 1, 2017 Restated
Current liabilities			
Deferred revenue	\$ 172,140	\$ 3,000	\$ 175,140
Non-current liabilities			
Long-term debt	297,496	976	298,472
Deferred income taxes	11,210	(1,063)	10,147
Total Liabilities	\$ 976,291	\$ 2,913	\$ 979,204

ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

IFRS 16, Leases

On January 13, 2016, the IASB issued IFRS 16 *Leases*, which will replace IAS 17 *Leases*. The new standard will be mandatorily effective for fiscal years beginning on or after January 1, 2019. Earlier application is permitted. Under the new standard, all leases will be on the balance sheet of lessees, except those that meet limited exception criteria. Cineplex is analyzing the new standard and policy decisions to determine its impact on Cineplex's balance sheet and statement of operations. Cineplex has also identified and reviewed all contracts from its various lines of business to determine their potential inclusion, lease and non-lease components. As Cineplex has significant contractual obligations classified as operating leases under the existing standard, there will be a material increase to both assets and liabilities upon adoption of the new standard, and material changes to the timing of recognition and presentation of expenses associated with the lease arrangements. Cineplex is currently in the process of upgrading its existing accounting systems, processes and internal controls to account for IFRS 16.

13. RISKS AND UNCERTAINTIES

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

Cineplex conducts an annual enterprise risk management assessment which is overseen by Cineplex's executive management team and the audit committee of the Board and is reported to the full Board. The enterprise risk

management framework sets out principles and tools for identifying, evaluating, prioritizing and managing risk effectively and consistently across Cineplex. Senior management participate in a detailed review of enterprise risk in four major categories: environment risks, process risks, information risks and business unit risks. In addition, Cineplex monitors risks and changing economic conditions on an ongoing basis and adapts its operating strategies as required.

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

General Economic Conditions

Entertainment operations compete for guests' entertainment spending, and as such can be sensitive to global, national or regional economic conditions and any changes in the economy may either adversely influence these revenues in times of an economic downturn or positively influence these revenue streams should economic conditions improve. Historical data shows that movie attendance has not been negatively affected by economic downturns over the past 25 years. Further, to mitigate this risk, Cineplex continues to innovate and pursue cost savings in order to deliver an affordable out of home entertainment experience.

Customer Risk

In its consumer-facing entertainment businesses, Cineplex competes for the leisure time and disposable income of all potential customers. All other forms of entertainment are substantial competitors to the movie-going experience including home and online consumption of content, sporting events, streaming services, gaming, live music concerts, live theatre, other entertainment venues and restaurants. Cineplex aims to deliver value to its guests through a wide variety of entertainment experiences and price points. Cineplex monitors pricing in all markets to ensure that it offers a reasonably priced out of home experience compared to other entertainment alternatives. If Cineplex is too aggressive in raising ticket prices or concession prices, there may be an adverse effect on attendance and food service revenues.

To mitigate this risk, Cineplex offers the SCENE loyalty program, which rewards guests for their patronage with special offers as well as the ability to earn and redeem points. However, loyalty programs also carry risk in that customers may not be satisfied with the offering or any change in offerings. There also exists a risk of saturation of loyalty programs in a market or the inability to further grow membership such that the program may generate costs in excess of the benefits. Cineplex monitors customer needs to try and ensure that its entertainment experiences meet the anticipated needs of key demographic groups. Cineplex is differentiating the movie-going experience by providing premium alternatives such as UltraAVX, VIP, 4DX and D-BOX seating. Cineplex also includes XSCAPE Entertainment Centres in select theatres and provides alternative programming with appeals to specific demographic groups. In addition, the advent of digital technology has allowed for more niche programming.

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

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

Cineplex developed its Cineplex Store in response to the risk created by new in-home and on-the-go entertainment offerings. Cineplex's offerings through the Cineplex Store of Video on Demand ("VoD") and Download To Own ("DTO") movies are delivered online via third party technology platforms. Technological issues relating to online delivery of content could negatively impact customer satisfaction. Cineplex monitors performance metrics for electronic delivery in order to proactively manage any potential customer satisfaction issues.

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

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

Film Entertainment and Content Risk

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

Cineplex box office revenues depend upon movie production and its relationships with film distributors, including a number of major Hollywood and Canadian distributors. In 2017, seven major film distributors accounted for approximately 85% of Cineplex's box office revenues, which is consistent with industry standards. Deterioration in Cineplex's relationships with any of the major film distributors or an increase in studio concentration or consolidation could affect its ability to negotiate film licenses on favourable terms or its ability to obtain commercially successful films. Cineplex actively works on maintaining good relations with these distributors, as this affects its ability to negotiate commercially favourable licensing terms for first-run films or to obtain licenses at all. In addition, a change in the type and breadth of movies offered by studios may adversely affect the demographic base of moviegoers.

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

Exhibition Industry Risk

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

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

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

Media Risk

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

Amusement and Leisure Risk

Cineplex's location based entertainment concepts are new concepts in the Canadian marketplace, and as such there is a risk that consumers may not react as favourably to the concepts, entertainment options or food service options as Cineplex's projections indicate. As part of Cineplex's vertical integration, P1AG is the primary supplier of games and amusement offerings for Cineplex's theatres, *The Rec Room* and *Playdium* locations, mitigating supplier risk.

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

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

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

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

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

P1AG competes with other providers of amusement and gaming services across North America. P1AG manages the risk of customers switching gaming providers by continually monitoring the performance of its amusement solutions and reacting quickly to replace underperforming solutions with newer or more relevant equipment. P1AG's expertise and experience in the industry and proven success maximizing revenue for its customers helps mitigate this switching risk. Certain of P1AG's revenue is dependent on the customer traffic of the venues in which they operate. Any reduction in traffic could have a material impact on their business.

Technology Risk

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

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

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

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

Information Management Risk

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

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

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

Cineplex recognizes that security breaches of the information systems of Cineplex or any one of its third party suppliers could compromise this information and expose Cineplex to liability, which could cause their businesses or reputations to suffer. Despite security measures, information technology and infrastructure may be vulnerable to unforeseen attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disrupt operations and the services provided to customers, damage reputation and cause a loss of confidence in products and services, which could adversely affect business, financial condition, results of operations and cash flows. In response to this risk, Cineplex has employees whose role is to monitor information technology and processes to ensure risk is minimized.

Real Estate Risk

The acquisition and development of potential operating locations by Cineplex is dependent on the ability of Cineplex to identify, acquire and develop suitable sites for these locations with favorable economic terms in both new and existing markets, while competing with other entertainment and non-entertainment companies for site locations. The cost to develop a new building is substantial and its success is not assured. While Cineplex is diligent in selecting sites, the significant time lag from identifying a new site to opening can result in a change in local market circumstances and could negatively impact the location's chance of success. In addition, building new operating locations may draw audiences away from existing sites operated by Cineplex. Cineplex considers the overall return for the theatres in a geographic area when making the decision to build new locations.

The majority of Cineplex's operating sites are subject to long-term leases. In accordance with the terms of these leases, Cineplex is responsible for costs associated with utilities consumed at the location and property taxes associated with the location. Cineplex has no control over these costs and these costs have been increasing over the last number of years.

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

Sourcing Risk

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

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

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

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

Human Resources Risk

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

Cineplex employs approximately 13,000 people, of whom approximately 87% are hourly workers whose compensation is based on the prevailing provincial minimum wages with incremental adjustments as required to match market conditions. Any increase in these minimum wages will increase employee related costs. Minimum wage increases in Ontario, Quebec and Alberta for 2018 and proposed for 2019 will impact employee-related costs. In order to mitigate the impact of the proposed increases, Cineplex plans to expand automation, take advantage of technological efficiencies and review pricing.

Approximately 6% of Cineplex's employees are represented by unions, located primarily in the province of Quebec. Because of the small percentage of employees represented by unions, the impact of labour disruption nationally is low.

Health and Safety Risk

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

Environment/Sustainability Risk

Cineplex's business is primarily a service and retail business which delivers guest experiences rather than physical commercial products and thus does not have substantial environmental risk. Cineplex operates multiple locations in major urban markets and does not anticipate any dramatic changes to operations due to climate change. Should legislation change to require more stringent management of carbon emissions or more stringent reporting of environmental impacts, Cineplex anticipates this will result in minimal cost increases or changes to operating procedures.

Integration Risk

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

Financial and Markets Risk

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

Foreign Currency Risk

Cineplex is exposed to foreign currency risk related to transactions in its normal course of business that are denominated in currencies other than the Canadian dollar. Cineplex's largest foreign currency exposure is to the US dollar, as its amusement solutions, digital place-based media and eSports businesses all operate in the United States and which represent 7.6% of Cineplex's revenues.

Interest Rate Risk

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

Legal, Regulatory, Taxation and Accounting Risk

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

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

Cineplex Inc.

Management's Discussion and Analysis

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

Business Continuity Risk

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

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 9.7% in the second quarter as compared to the prior year due to increased attendance and a record second quarter BPP. 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 2018 there is a strong slate of films scheduled for release including *Ant-Man and the Wasp*, *Mission Impossible - Fallout*, *Disney's Christopher Robin*, *Alita Battle Angel*, *Venom*, *Fantastic Beasts: The Crimes of Grindelwald*, *Ralph Breaks the Internet: Wreck-It Ralph 2*, *Bohemian Rhapsody*, *Aquaman*, *Spider-Man: Into the Spider-Verse* and *Mary Poppins Returns*.

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, 3D, and 4DX 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.

Over the next few years, Cineplex plans to open on average one to two 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 2018 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 and experiences in its theatres beyond filmed content.

Cineplex Inc.

Management's Discussion and Analysis

Cineplex has also installed Virtual Reality ("VR") experiences and expects to expand VR offerings in the future.

Theatre Food Service

Cineplex reported an all-time quarterly record CPP in the current period. 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. In provinces where legislation allows, Cineplex continues to expand its alcohol offerings.

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.

Digital Commerce

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

In addition to continuing to develop and improve the Cineplex Store user interface, Cineplex will continue to offer promotions to grow Cineplex Store revenues including tie-ins with the SCENE loyalty program through its digital delivery platform with an expanded device ecosystem for DTO and VoD 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, in 2018 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, *The Rec Room* and sponsorship for eSports.

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 place-based digital ecosystems. 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, United States and internationally.

AMUSEMENT AND LEISURE

Amusement Solutions

The acquisition of P1AG in 2015 has allowed Cineplex to complete the vertical integration of its gaming business. P1AG now supplies and services all of the games in Cineplex's circuit, 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. Cineplex extended this vertical integration in 2017 as P1AG sources the amusement and gaming equipment for location based entertainment venues.

In 2017 P1AG expanded its presence in the United States through the acquisition of Dandy. P1AG continues to integrate its acquisitions into its North American operations, recognizing synergies while expanding P1AG's brand presence throughout both Canada and the United States.

Location Based Entertainment

Cineplex's location based entertainment 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, an auditorium-style live entertainment venue and a theatre-sized high definition screen 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.

The first location of *The Rec Room* opened in Edmonton, Alberta in 2016 with subsequent openings in 2017 at the Roundhouse in Toronto, Ontario, the West Edmonton Mall in Edmonton, Calgary, Alberta and in 2018, London, Ontario. Additional locations have been announced for Mississauga, Ontario, Burnaby, British Columbia, Winnipeg, Manitoba and St. John's, Newfoundland.

Cineplex has 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. Cineplex will open new VOID experience centres across Canada.

Cineplex has announced its plans to relaunch the *Playdium* brand concept targeting families and teens, rolling them out in mid-sized communities across Canada, with locations planned in Whitby and Brampton, Ontario which are scheduled to open in 2019.

With the recent announcement of Cineplex's joint venture with *Topgolf*, Cineplex intends to open multiple venues in markets across the country during the next several years.

eSports

WGN has created a community that connects live online gaming with unique in-theatre tournament experiences held in Cineplex theatres across the country.

In 2018, WGN will invite gamers to compete in a number of online tournaments featuring the most popular gaming titles, leading to regional qualifiers at Cineplex and third party locations throughout North America.

LOYALTY

The SCENE loyalty program continues to grow its membership base, with approximately 9.2 million members at June 30, 2018. Cineplex continues to integrate SCENE elements into various film and other promotional 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 June 30, 2018, Cineplex generated adjusted free cash flow per Share of \$2.705, compared to \$2.326 in the prior year period. Cineplex declared dividends per Share of \$1.690 and \$1.630, respectively, in each 12 month period. The payout ratios for these periods were approximately 62.5% and 70.1% , respectively.

Under Cineplex's Credit Facilities, which mature in April 2021, Cineplex has a \$150.0 million Term Facility and a \$475.0 million Revolving Facility which is available to finance acquisitions, new construction, media growth projects, working capital and dividends. With the \$75 million increase in the Revolving Facility during the third quarter of 2017, as at June 30, 2018, Cineplex had \$126.6 million available on the Revolving Facility. As defined under the Credit Facilities, as at June 30, 2018, Cineplex reported a leverage ratio of 1.79x as compared to a covenant of 3.50x.

During the second quarter of 2018, Cineplex announced a dividend increase to \$1.74 per Share on an annual basis from \$1.68 per Share. This increase became effective with the May 2018 dividend which was paid in June 2018. This increase represents Cineplex's eighth 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.

During the quarter, Cineplex announced its plans to undertake a cost reduction program designed to optimize and integrate the overall cost structure and technology of the business. The program, once fully implemented, is expected to realize annualized corporate savings of \$25 million. Costs of \$2.8 million (\$3.8 million year to date) incurred during the second quarter with respect to the plan are included in general and administrative costs.

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 AND ADJUSTED EBITDA

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 WGN, and depreciation, amortization, interest and taxes of Cineplex's other joint ventures. Cineplex's management uses adjusted EBITDA to evaluate performance primarily because of the significant effect certain unusual or non-recurring charges and other items have on EBITDA from period to period. EBITDA, adjusted for various unusual items, is also used to define certain financial covenants in Cineplex's Credit Facilities. Management calculates adjusted EBITDA margin by dividing adjusted EBITDA by total revenues.

EBITDA and adjusted EBITDA 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 and adjusted EBITDA may differ from similar calculations as reported by other entities and accordingly may not be comparable to EBITDA or adjusted EBITDA as reported by other entities.

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

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Net income	\$ 24,367	\$ 1,376	\$ 39,593	\$ 24,341
Depreciation and amortization	32,260	29,646	63,454	57,913
Interest expense	6,585	5,303	13,069	10,165
Interest income	(58)	(51)	(145)	(103)
Current income tax expense	10,145	3,559	12,180	8,145
Deferred income tax recovery	(5,122)	(1,289)	(5,084)	(712)
EBITDA	\$ 68,177	\$ 38,544	\$ 123,067	\$ 99,749
Loss on disposal of assets	640	36	850	62
CDCP equity income (i)	(926)	(1,160)	(1,744)	(2,127)
Foreign exchange (gain) loss	(67)	592	(832)	575
Non-controlling interest EBITDA of WGN	—	21	—	189
Depreciation and amortization - joint ventures (ii)	3	9	5	18
Joint venture taxes and interest (ii)	13	13	26	25
Change in fair value of financial instrument	—	—	—	(987)
Adjusted EBITDA	\$ 67,840	\$ 38,055	\$ 121,372	\$ 97,504
(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).				

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

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

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

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Cash provided by (used in) operating activities	\$ 35,289	\$ 12,489	\$ 81,715	\$ (2,186)
Less: Total capital expenditures net of proceeds on sale of assets	(27,876)	(50,240)	(53,205)	(75,461)
Standardized free cash flow	7,413	(37,751)	28,510	(77,647)
Add/(Less):				
Changes in operating assets and liabilities (i)	20,679	14,533	19,760	76,253
Changes in operating assets and liabilities of joint ventures (i)	(411)	317	(103)	1,696
Tenant inducements (ii)	(6,372)	(89)	(8,248)	(398)
Principal component of finance lease obligations	(847)	(788)	(1,679)	(1,561)
Growth capital expenditures and other (iii)	22,923	41,025	42,965	61,335
Share of income of joint ventures, net of non-cash depreciation (iv)	(75)	55	19	107
Non-controlling interests of WGN	—	21	—	189
Net cash received from CDCP (iv)	292	685	976	1,369
Adjusted free cash flow	\$ 43,602	\$ 18,008	\$ 82,200	\$ 61,343
Average number of Shares outstanding	63,332,067	63,520,645	63,331,261	63,518,583
Adjusted free cash flow per Share	\$ 0.688	\$ 0.283	\$ 1.298	\$ 0.966
Dividends declared	\$ 0.430	\$ 0.415	\$ 0.850	\$ 0.820
(i) Changes in operating assets and liabilities are not considered a source or use of adjusted free cash flow.				
(ii) Tenant inducements received are for the purpose of funding new theatre capital expenditures and are not considered a source 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 June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Net income	\$ 24,367	\$ 1,376	\$ 39,593	\$ 24,341
Adjust for:				
Depreciation and amortization	32,260	29,646	63,454	57,913
Loss on disposal of assets	640	36	850	62
Non-cash interest (i)	796	597	1,618	1,144
Non-cash foreign exchange	(294)	5	(294)	(33)
Share of income of CDCP (ii)	(926)	(1,160)	(1,744)	(2,127)
Non-controlling interest of WGN	—	21	—	189
Non-cash depreciation of joint ventures	3	9	5	18
Deferred income tax expense	(5,122)	(1,289)	(5,084)	(712)
Joint venture interest and taxes	13	13	26	25
Maintenance capital expenditures	(4,953)	(9,215)	(10,240)	(14,126)
Principal component of finance lease obligations	(847)	(788)	(1,679)	(1,561)
Net cash received from CDCP (ii)	292	685	976	1,369
Non-cash items:				
Amortization of tenant inducements, rent averaging liabilities and fair value lease contract assets	(3,114)	(2,404)	(6,199)	(5,057)
Change in fair value of financial instruments	—	—	—	(987)
Non-cash Share-based compensation	487	476	918	885
Adjusted free cash flow	\$ 43,602	\$ 18,008	\$ 82,200	\$ 61,343
(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 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:

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

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BPP: Calculated as total box office revenues divided by total paid 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 attendance for the period, less paid attendance for 3D, 4DX, UltraAVX, VIP and IMAX product.

CPP: Calculated as total theatre food service revenues divided by total paid 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 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 June 30, 2018 the impact of the one location that has been opened or acquired and one location that has been closed has been excluded, resulting in 163 theatres being included in the same theatre metrics. For the six months ended June 30, 2018 the impact of the one location that has been opened or acquired and two locations that have been closed have been excluded, resulting in 163 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.

The Rec Room food cost percentage: Calculated as total *The Rec Room* food costs divided by total *The Rec Room* food service revenues for the period.

P1AG Adjusted EBITDA

P1AG adjusted EBITDA is calculated as amusement revenues of P1AG less the total operating expenses of P1AG, which excludes foreign exchange.

Adjusted Store Level EBITDA Metrics

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

Store Level Margin

Calculated as adjusted store level EBITDA divided by total revenues for *The Rec Room* for the period.

Cineplex Inc.

Interim Condensed Consolidated Balance Sheets
(Unaudited)

(expressed in thousands of Canadian dollars)

	June 30, 2018	Restated December 31, 2017 (note 9)
Assets		
Current assets		
Cash and cash equivalents	\$ 34,124	\$ 40,597
Trade and other receivables	101,688	160,938
Income taxes receivable	2,680	1,344
Inventories	31,825	28,966
Prepaid expenses and other current assets	19,761	13,013
Fair value of interest rate swap agreements	773	314
	<u>190,851</u>	<u>245,172</u>
Non-current assets		
Property, equipment and leaseholds	628,019	628,129
Deferred income taxes	9,362	7,134
Fair value of interest rate swap agreements	3,798	3,880
Interests in joint ventures	36,006	35,353
Intangible assets	113,864	119,011
Goodwill	816,913	816,489
	<u>\$ 1,798,813</u>	<u>\$ 1,855,168</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)

	June 30, 2018	Restated December 31, 2017 (note 9)
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 165,952	\$ 189,929
Share-based compensation (note 2)	2,554	4,732
Dividends payable	9,183	8,866
Income taxes payable	5,547	9,157
Deferred revenue (note 3)	161,242	195,808
Finance lease obligations	3,547	3,420
Fair value of interest rate swap agreements	620	1,332
Convertible debentures	106,289	105,080
	<u>454,934</u>	<u>518,324</u>
Non-current liabilities		
Share-based compensation (note 2)	10,910	13,816
Long-term debt	489,038	467,867
Finance lease obligations	3,646	5,451
Post-employment benefit obligations	9,223	9,227
Other liabilities	119,718	117,589
Deferred income taxes	11,542	14,031
	<u>644,077</u>	<u>627,981</u>
Total liabilities	<u>1,099,011</u>	<u>1,146,305</u>
Equity		
Share capital (note 4)	856,835	856,761
Deficit	(162,299)	(148,060)
Hedging reserves and other	2,181	1,332
Contributed surplus	2,559	1,647
Cumulative translation adjustment	526	(2,817)
	<u>699,802</u>	<u>708,863</u>
Total equity	<u>\$ 1,798,813</u>	<u>\$ 1,855,168</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 June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Revenues (note 3)				
Box office	\$ 187,234	\$ 170,710	\$ 368,614	\$ 366,064
Food service	122,270	101,398	239,218	215,333
Media	40,791	36,581	73,304	70,493
Amusement	48,577	45,700	98,482	87,101
Other	10,181	9,694	20,307	19,335
	<u>409,053</u>	<u>364,083</u>	<u>799,925</u>	<u>758,326</u>
Expenses				
Film cost	102,346	91,468	197,550	194,757
Cost of food service	25,020	23,180	49,796	48,834
Depreciation and amortization	32,260	29,646	63,454	57,913
Loss on disposal of assets	640	36	850	62
Other costs (note 5)	213,772	211,456	431,226	417,527
Share of income of joint ventures	(835)	(1,193)	(1,732)	(2,191)
Interest expense	6,585	5,303	13,069	10,165
Interest income	(58)	(51)	(145)	(103)
Foreign exchange	(67)	592	(832)	575
Change in fair value of financial instruments	—	—	—	(987)
	<u>379,663</u>	<u>360,437</u>	<u>753,236</u>	<u>726,552</u>
Income before income taxes	<u>29,390</u>	<u>3,646</u>	<u>46,689</u>	<u>31,774</u>
Provision for income taxes				
Current	10,145	3,559	12,180	8,145
Deferred	(5,122)	(1,289)	(5,084)	(712)
	<u>5,023</u>	<u>2,270</u>	<u>7,096</u>	<u>7,433</u>
Net income	<u>\$ 24,367</u>	<u>\$ 1,376</u>	<u>\$ 39,593</u>	<u>\$ 24,341</u>
Attributable to:				
Owners of Cineplex	\$ 24,367	\$ 1,426	\$ 39,593	\$ 24,758
Non-controlling interests	—	(50)	—	(417)
Net income	<u>\$ 24,367</u>	<u>\$ 1,376</u>	<u>\$ 39,593</u>	<u>\$ 24,341</u>
Basic net income per share attributable to owners of Cineplex (note 6)	\$ 0.38	\$ 0.02	\$ 0.63	\$ 0.39
Diluted net income per share attributable to owners of Cineplex (note 6)	\$ 0.38	\$ 0.02	\$ 0.63	\$ 0.39

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 June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Net income	<u>\$ 24,367</u>	<u>\$ 1,376</u>	<u>\$ 39,593</u>	<u>\$ 24,341</u>
Other comprehensive income (loss)				
<i>Items that will be reclassified subsequently to net income:</i>				
Income on hedging instruments	391	1,965	1,167	2,047
Associated deferred income taxes expense	(107)	(526)	(318)	(549)
Foreign currency translation adjustment	1,836	(1,656)	3,343	(1,990)
<i>Items that will not be reclassified to net income:</i>				
Actuarial gains of post-employment benefit obligations	—	—	—	1,298
Associated deferred income taxes expense	—	—	—	(348)
Other comprehensive income (loss)	<u>2,120</u>	<u>(217)</u>	<u>4,192</u>	<u>458</u>
Comprehensive income	<u>\$ 26,487</u>	<u>\$ 1,159</u>	<u>\$ 43,785</u>	<u>\$ 24,799</u>
Attributable to:				
Owners of Cineplex	\$ 26,487	\$ 1,209	\$ 43,785	\$ 25,205
Non-controlling interests	—	(50)	—	(406)
Comprehensive income	<u>\$ 26,487</u>	<u>\$ 1,159</u>	<u>\$ 43,785</u>	<u>\$ 24,799</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 (note 4)	Contributed surplus	Hedging reserves and other	Cumulative translation adjustment	Restated Deficit (note 9)	Non- controlling interests	Total
January 1, 2018	\$ 856,761	\$ 1,647	\$ 1,332	\$ (2,817)	\$ (148,060)	\$ —	\$ 708,863
Net income	—	—	—	—	39,593	—	39,593
Other comprehensive income (page 4)	—	—	849	3,343	—	—	4,192
Total comprehensive income	—	—	849	3,343	39,593	—	43,785
Dividends declared	—	—	—	—	(53,832)	—	(53,832)
Share option expense	—	918	—	—	—	—	918
Issuance of shares on exercise of options	74	(6)	—	—	—	—	68
June 30, 2018	\$ 856,835	\$ 2,559	\$ 2,181	\$ 526	\$ (162,299)	\$ —	\$ 699,802
January 1, 2017	\$ 859,351	\$ 81	\$ (3,170)	\$ 1,175	\$ (111,255)	\$ 2,800	\$ 748,982
Net income	—	—	—	—	24,758	(417)	24,341
Other comprehensive income (page 4)	—	—	1,498	(2,001)	950	11	458
Total comprehensive income	—	—	1,498	(2,001)	25,708	(406)	24,799
Dividends declared	—	—	—	—	(52,087)	—	(52,087)
Share option expense	—	885	—	—	—	—	885
Issuance of shares on exercise of options	228	(228)	—	—	—	—	—
WGN non-controlling interests recognized on acquisition	—	—	—	(63)	2,457	(2,394)	—
June 30, 2017	\$ 859,579	\$ 738	\$ (1,672)	\$ (889)	\$ (135,177)	\$ —	\$ 722,579

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 June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Cash provided by (used in)				
Operating activities				
Net income	\$ 24,367	\$ 1,376	\$ 39,593	\$ 24,341
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization of property, equipment and leaseholds, and intangible assets	32,260	29,646	63,454	57,913
Amortization of tenant inducements, rent averaging liabilities and fair value lease contract liabilities	(3,114)	(2,404)	(6,199)	(5,057)
Other non-cash interest and non-cash foreign exchange, net	(194)	164	(93)	285
Loss on disposal of assets	640	36	850	62
Deferred income taxes	(5,122)	(1,289)	(5,084)	(712)
Interest rate swap agreements - non-cash interest	88	(131)	208	(306)
Non-cash share-based compensation	487	476	918	885
Change in fair value of financial instruments	—	—	—	(987)
Accretion of convertible debentures	608	569	1,209	1,132
Net change in interests in joint ventures	(424)	(1,510)	(1,629)	(3,887)
Tenant inducements	6,372	89	8,248	398
Changes in operating assets and liabilities (note 7)	(20,679)	(14,533)	(19,760)	(76,253)
Net cash provided by (used in) operating activities	<u>35,289</u>	<u>12,489</u>	<u>81,715</u>	<u>(2,186)</u>
Investing activities				
Proceeds from disposal of assets, including asset-related insurance recoveries	1,604	78	1,786	310
Purchases of property, equipment and leaseholds	(29,480)	(50,318)	(54,991)	(75,771)
Acquisition of businesses, net of cash acquired	—	(29,581)	—	(29,687)
Intangible assets additions	(1,013)	(1,260)	(2,368)	(2,582)
Net cash received from CDCP	292	685	976	1,369
Net cash used in investing activities	<u>(28,597)</u>	<u>(80,396)</u>	<u>(54,597)</u>	<u>(106,361)</u>
Financing activities				
Dividends paid	(26,916)	(26,042)	(53,515)	(51,766)
Borrowings under credit facilities, net	15,000	75,000	21,000	150,000
Options exercised for cash	68	—	68	—
Payments under finance leases	(847)	(788)	(1,679)	(1,561)
Net cash (used in) provided by financing activities	<u>(12,695)</u>	<u>48,170</u>	<u>(34,126)</u>	<u>96,673</u>
Effect of exchange rate differences on cash	589	(253)	535	(255)
Decrease in cash and cash equivalents	(5,414)	(19,990)	(6,473)	(12,129)
Cash and cash equivalents - Beginning of period	<u>39,538</u>	<u>41,414</u>	<u>40,597</u>	<u>33,553</u>
Cash and cash equivalents - End of period	<u>\$ 34,124</u>	<u>\$ 21,424</u>	<u>\$ 34,124</u>	<u>\$ 21,424</u>
Supplemental information				
Cash paid for interest	\$ 4,476	\$ 6,088	\$ 11,406	\$ 11,831
Cash paid for income taxes, net	\$ 10,970	\$ 8,060	\$ 18,042	\$ 14,398

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 six months ended June 30, 2018 and 2017

(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 in ten provinces. Cineplex operates primarily 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”) and WorldGaming Network LP (“WGN”). Cineplex is headquartered at 1303 Yonge Street, Toronto, Ontario, M4T 2Y9.

The Board of Directors approved these consolidated financial statements on August 9, 2018.

2. Share-based compensation

Option plan

Cineplex recorded \$487 and \$918 in employee benefits expense with respect to share options during the three and six months ended June 30, 2018 (2017 - \$476 and \$885, respectively).

Upon cashless exercises, the options exercised in excess of shares issued are cancelled and returned to the pool available for future grants. At June 30, 2018, 1,655,430 options are available for grant.

A summary of option activities in 2018 and 2017 is as follows:

		2018		2017	
	Weighted average remaining contractual life (years)	Number of underlying shares	Weighted average exercise price	Number of underlying shares	Weighted average exercise price
Options outstanding, January 1	7.37	2,157,589	\$ 45.50	1,705,338	\$ 43.21
Granted		559,703	33.59	544,992	51.25
Forfeited		(182,995)	45.13	—	—
Exercised		(2,500)	27.33	(72,814)	35.23
Options outstanding, June 30	7.43	2,531,797	\$ 42.91	2,177,516	\$ 45.49
Options vested and exercisable, June 30		1,322,501		1,018,885	

Long-term incentive plan (“LTIP”)

Phantom Share Unit Plan

For the three-year service period ending on September 30, 2020, granted in 2018, 79,089 share equivalents were awarded and subject to certain performance and market conditions, may decrease approximately 0% or increase by 200%. The base share equivalents attract compounding notional dividends at the same rate as outstanding common shares, which are notionally reinvested as additional base share equivalents. The awards

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2018 and 2017

(Unaudited)

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will be settled in cash at the end of service periods, within 30 days of the approval of the annual consolidated financial statements by the Board of Directors.

For the three-year service period ending on September 30, 2019, granted in 2017, 129,136 share equivalents were awarded and subject to certain performance and market conditions, which may decrease approximately 61% or increase by 83%. The base share equivalents attract compounding notional dividends at the same rate as outstanding common shares, which are notionally reinvested as additional base share equivalents. The awards will be settled in cash at the end of service periods, within 30 days of the approval of the annual consolidated financial statements by the Board of Directors.

Restricted Share Unit Plan

For the three-year service period ending on September 30, 2020, granted in 2018, 39,549 share equivalents were awarded and subject to certain market conditions. The base share equivalents attract compounding notional dividends at the same rate as outstanding common shares, which are notionally reinvested as additional base share equivalents. The awards will be settled in cash at the end of service periods, within 30 days of the approval of the annual consolidated financial statements by the Board of Directors.

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 year of change. Forfeitures are estimated at \$nil. Cineplex recognized compensation costs of \$226 and \$544 under the LTIP for the three and six months ended June 30, 2018 (2017 - \$2,689 and \$6,138, respectively). At June 30, 2018, \$5,295 (2017 - \$11,816) 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 six months ended June 30, 2018, Cineplex recognized \$(468) and \$(1,835) of expense recoveries associated with the deferred equity units (2017 - \$697 and \$609, respectively). At June 30, 2018, \$8,169 (2017 - \$12,814) was included in share-based compensation liability.

3. Revenue

The following tables disclose the changes in deferred revenue for the three and six months ended June 30, 2018:

	March 31, 2018	Additions	Revenue Recognized	June 30, 2018
Gift cards	\$ 129,886	\$ 29,077	\$ 36,487	\$ 122,476
SCENE loyalty program	23,489	11,920	11,319	24,090
Advances and deposits	12,728	14,676	12,728	14,676
	<u>\$ 166,103</u>	<u>\$ 55,673</u>	<u>\$ 60,534</u>	<u>\$ 161,242</u>

Cineplex Inc.

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(Unaudited)

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	December 31, 2017	Additions	Revenue Recognized	June 30, 2018
Gift cards	\$ 157,169	\$ 53,847	\$ 88,540	\$ 122,476
SCENE loyalty program	22,465	23,063	21,438	24,090
Advances and deposits	16,174	23,625	25,123	14,676
	<u>\$ 195,808</u>	<u>\$ 100,535</u>	<u>\$ 135,101</u>	<u>\$ 161,242</u>

The following tables provide the disaggregation of revenue into categories by nature for the three and six months ended June 30, 2018 and 2017:

Box office revenues	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Box office revenues	<u>\$ 187,234</u>	<u>\$ 170,710</u>	<u>\$ 368,614</u>	<u>\$ 366,064</u>
Food service revenues	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Food service - theatres	\$ 113,969	\$ 99,414	\$ 222,199	\$ 211,241
Food service - location-based entertainment	\$ 8,301	\$ 1,984	\$ 17,019	\$ 4,092
Total food service revenues	<u>\$ 122,270</u>	<u>\$ 101,398</u>	<u>\$ 239,218</u>	<u>\$ 215,333</u>
Media revenues	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Cinema media	\$ 26,921	\$ 23,964	\$ 48,253	\$ 45,556
Digital place-based media	\$ 13,870	\$ 12,617	\$ 25,051	\$ 24,937
Total media revenues	<u>\$ 40,791</u>	<u>\$ 36,581</u>	<u>\$ 73,304</u>	<u>\$ 70,493</u>
Amusement revenues	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Amusement solutions excluding exhibition	\$ 39,121	\$ 41,547	\$ 79,359	\$ 78,063
Amusement solutions - exhibition	\$ 2,350	\$ 2,476	\$ 5,087	\$ 5,406
Amusement solutions - location based entertainment	\$ 7,106	\$ 1,677	\$ 14,036	\$ 3,632
Total amusement revenues	<u>\$ 48,577</u>	<u>\$ 45,700</u>	<u>\$ 98,482</u>	<u>\$ 87,101</u>
Other revenues	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Other revenues	<u>\$ 10,181</u>	<u>\$ 9,694</u>	<u>\$ 20,307</u>	<u>\$ 19,335</u>

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements

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(Unaudited)

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4. 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 at June 30, 2018 and 2017 and transactions during the periods are as follows:

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 - June 30, 2018	63,332,946	\$ 852,364	\$ 4,471	\$ 856,835

2017		Amount		
	Number of common shares issued and outstanding	Common shares	Equity component of convertible debentures	Total
Balance - December 31, 2016	63,515,875	\$ 854,880	\$ 4,471	\$ 859,351
Issuance of shares on exercise of options	23,427	228	—	228
Balance - June 30, 2017	63,539,302	\$ 855,108	\$ 4,471	\$ 859,579

Cineplex Inc.

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(Unaudited)

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5. Other costs

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Employee salaries and benefits	\$ 76,820	\$ 73,491	\$ 154,838	\$ 146,700
Rent	38,880	37,992	76,892	75,337
Realty and occupancy taxes and maintenance fees	18,452	18,404	36,248	36,197
Utilities	7,425	7,141	16,194	15,604
Purchased services	14,831	14,352	30,127	29,843
Other inventories consumed, including amusement and digital place-based media	19,559	18,333	34,272	33,939
Venue revenue share	10,271	10,147	21,676	18,897
Repairs and maintenance	7,958	7,799	15,900	14,565
Office and operating supplies	3,750	3,915	7,864	7,573
Licences and franchise fees	4,412	3,854	8,512	7,667
Insurance	1,105	1,075	2,543	1,928
Advertising and promotion	5,081	6,335	11,581	12,526
Professional and consulting fees	1,280	1,650	3,330	3,697
Telecommunications and data	1,897	1,518	3,856	2,993
Bad debts	355	40	532	212
Equipment rental	862	772	1,614	1,538
Business interruption insurance proceeds	(3,700)	—	(3,700)	—
Other costs	4,534	4,638	8,947	8,311
	<u>\$ 213,772</u>	<u>\$ 211,456</u>	<u>\$ 431,226</u>	<u>\$ 417,527</u>

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2018 and 2017

(Unaudited)

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

6. 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 June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Net income attributable to owners of Cineplex	\$ 24,367	\$ 1,426	\$ 39,593	\$ 24,758
Weighted average number of shares outstanding	63,332,067	63,520,645	63,331,261	63,518,583
Basic EPS	\$ 0.38	\$ 0.02	\$ 0.63	\$ 0.39

Diluted

Diluted EPS is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. Cineplex has several categories of 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 June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Net income attributable to shareholders of Cineplex	\$ 24,367	\$ 1,426	\$ 39,593	\$ 24,758
Weighted average number of shares outstanding	63,332,067	63,520,645	63,331,261	63,518,583
Adjustments for stock options	6,942	273,481	9,647	264,286
Weighted average number of shares for diluted EPS	63,339,009	63,794,126	63,340,908	63,782,869
Diluted EPS	\$ 0.38	\$ 0.02	\$ 0.63	\$ 0.39

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2018 and 2017

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7. Changes in operating assets and liabilities

The following summarizes the changes in operating assets and liabilities:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Trade and other receivables	\$ (13,136)	\$ (4,266)	\$ 59,146	\$ 32,880
Inventories	(446)	(3,198)	(2,411)	(4,613)
Prepaid expenses and other current assets	(2,376)	(5,314)	(6,856)	(9,583)
Accounts payable and accrued liabilities	772	(42)	(22,794)	(54,598)
Income taxes payable	117	(4,501)	(4,947)	(5,607)
Deferred revenue	(4,861)	392	(34,566)	(32,167)
Post-employment benefit obligations	159	132	(4)	393
Share-based compensation	(273)	2,651	(5,981)	(1,944)
Other liabilities	(635)	(387)	(1,347)	(1,014)
	<u>\$ (20,679)</u>	<u>\$ (14,533)</u>	<u>\$ (19,760)</u>	<u>\$ (76,253)</u>

Property, equipment and leasehold purchases that are included in accounts payable and accrued liabilities as at June 30, 2018, are \$18,958 (2017 - \$25,319).

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

8. 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.

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.

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 EBITDA to measure the performance of its reportable segments.

Management defines EBITDA as earnings before interest income and expense (including foreign exchange effects), income taxes and amortization expense. EBITDA is a non-GAAP measure generally used as an indicator of financial performance and should not be seen as a measure of liquidity or a substitute for comparable metrics prepared in accordance with Canadian GAAP. Cineplex's EBITDA may differ from similar calculations as reported by other entities and accordingly may not be comparable to EBITDA as reported by other entities.

Cineplex Inc.

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Three months ended June 30, 2018	Film Entertainment and Content	Media	Amusement and Leisure	Corporate and other (ii)	Consolidated
Major product and service lines					
Box office	\$ 187,234	\$ —	\$ —	\$ —	\$ 187,234
Food service	113,969	—	8,301	—	122,270
Media	—	40,239	552	—	40,791
Amusement	2,350	—	46,227	—	48,577
Other	10,049	—	132	—	10,181
Total revenues	\$ 313,602	\$ 40,239	\$ 55,212	\$ —	\$ 409,053
Primary geographical markets					
Canada	\$ 313,602	\$ 36,009	\$ 27,364	\$ —	\$ 376,975
United States and other countries	—	4,230	27,848	—	32,078
Total revenues	\$ 313,602	\$ 40,239	\$ 55,212	\$ —	\$ 409,053
Timing of revenue recognition					
Transferred at a point in time	\$ 313,602	\$ 7,880	\$ 55,212	\$ —	\$ 376,694
Transferred over time	—	32,359	—	—	32,359
Total revenues	\$ 313,602	\$ 40,239	\$ 55,212	\$ —	\$ 409,053
EBITDA (i)	61,156	23,886	957	(17,822)	68,177
Depreciation and amortization	21,399	2,907	7,954	—	32,260
Interest expense					6,585
Interest income					(58)
Income taxes expense					5,023
Net income					\$ 24,367

Three months ended June 30, 2017	Film Entertainment and Content	Media	Amusement and Leisure	Corporate and other (ii)	Consolidated
Major product and service lines					
Box office	\$ 170,710	\$ —	\$ —	\$ —	\$ 170,710
Food service	99,413	—	1,985	—	101,398
Media	—	36,084	497	—	36,581
Amusement	2,476	—	43,224	—	45,700
Other	9,639	—	55	—	9,694
Total revenues	\$ 282,238	\$ 36,084	\$ 45,761	\$ —	\$ 364,083
Primary geographical markets					
Canada	\$ 282,238	\$ 34,754	\$ 16,346	\$ —	\$ 333,338
United States and other countries	—	1,330	29,415	—	30,745
Total revenues	\$ 282,238	\$ 36,084	\$ 45,761	\$ —	\$ 364,083
Timing of revenue recognition					
Transferred at a point in time	\$ 282,238	\$ 6,433	\$ 45,761	\$ —	\$ 334,432
Transferred over time	—	29,651	—	—	29,651
Total revenues	\$ 282,238	\$ 36,084	\$ 45,761	\$ —	\$ 364,083
EBITDA (i)	40,910	18,401	(860)	(19,907)	38,544
Depreciation and amortization	21,454	2,472	5,720	—	29,646
Interest expense					5,303
Interest income					(51)
Income taxes expense					2,270
Net income					\$ 1,376

Cineplex Inc.

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Six months ended June 30, 2018	Film Entertainment and Content	Media	Amusement and Leisure	Corporate and other (ii)	Consolidated
Major product and service lines					
Box office	\$ 368,614	\$ —	\$ —	\$ —	\$ 368,614
Food service	222,199	—	17,019	—	239,218
Media	—	71,396	1,908	—	73,304
Amusement	5,087	—	93,395	—	98,482
Other	19,726	—	581	—	20,307
Total revenues	\$ 615,626	\$ 71,396	\$ 112,903	\$ —	\$ 799,925
Primary geographical markets					
Canada	\$ 615,626	\$ 65,585	\$ 57,871	\$ —	\$ 739,082
United States and other countries	—	5,811	55,032	—	60,843
Total revenues	\$ 615,626	\$ 71,396	\$ 112,903	\$ —	\$ 799,925
Timing of revenue recognition					
Transferred at a point in time	\$ 615,626	\$ 13,202	\$ 112,903	\$ —	\$ 741,731
Transferred over time	—	58,194	—	—	58,194
Total revenues	\$ 615,626	\$ 71,396	\$ 112,903	\$ —	\$ 799,925
EBITDA (i)	114,377	37,936	6,725	(35,971)	123,067
Depreciation and amortization	42,384	5,642	15,428	—	63,454
Interest expense					13,069
Interest income					(145)
Income taxes expense					7,096
Net income					\$ 39,593

Six months ended June 30, 2017	Film Entertainment and Content	Media	Amusement and Leisure	Corporate and other (ii)	Consolidated
Major product and service lines					
Box office	\$ 366,064	\$ —	\$ —	\$ —	\$ 366,064
Food service	211,240	—	4,093	—	215,333
Media	—	68,680	1,813	—	70,493
Amusement	5,406	—	81,695	—	87,101
Other	19,171	—	164	—	19,335
Total revenues	\$ 601,881	\$ 68,680	\$ 87,765	\$ —	\$ 758,326
Primary geographical markets					
Canada	\$ 601,881	\$ 65,598	\$ 35,652	\$ —	\$ 703,131
United States and other countries	—	3,082	52,113	—	55,195
Total revenues	\$ 601,881	\$ 68,680	\$ 87,765	\$ —	\$ 758,326
Timing of revenue recognition					
Transferred at a point in time	\$ 601,881	\$ 13,210	\$ 87,765	\$ —	\$ 702,856
Transferred over time	—	55,470	—	—	55,470
Total revenues	\$ 601,881	\$ 68,680	\$ 87,765	\$ —	\$ 758,326
EBITDA (i)	104,941	34,415	2,408	(42,015)	99,749
Depreciation and amortization	42,944	4,855	10,114	—	57,913
Interest expense					10,165
Interest income					(103)
Income taxes expense					7,433
Net income					\$ 24,341

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

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

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Cineplex's cash management and other treasury functions are centralized; interest expense and 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.

9. 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, 2017. 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, 2017, with the exception of the accounting standards adopted in the current year as referenced in the interim condensed consolidated financial statements for the three months ended March 31, 2018.

Accounting standards adopted in the current year

IFRS 9 Financial Instruments

Following the adoption of IFRS 9, Cineplex will no longer defer and amortize the deferred financing fees associated with the previous amended bank credit facilities. Under IAS 39, when Cineplex extended its bank credit facilities in 2016, it was considered a renegotiation of debt and the financing fees related to the transaction were added to the previous unamortized deferred financing fees and amortized over the remaining term on a straight-line basis. The adjustments below were made to the amounts recognized in the balance sheet and statement of changes in equity. The impact on the statement of operations is not material.

IFRS 15 Revenue from Contracts with Customers

Following the adoption of IFRS 15, Cineplex defers unused cash balances on rechargeable game cards.

The following table shows the adjustments recognized for each individual line item. 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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Consolidated Statement of Changes in Equity:

	January 1, 2017 as originally presented	Adjustment	January 1, 2017 Restated
Equity			
Deficit	\$ (108,342)	\$ (2,913)	\$ (111,255)
Total Equity	\$ 751,895	\$ (2,913)	\$ 748,982

Consolidated Balance Sheet:

	January 1, 2017 as originally presented	Adjustment	January 1, 2017 Restated
Current liabilities			
Deferred revenue	\$ 172,140	\$ 3,000	\$ 175,140
Non-current liabilities			
Long-term debt	297,496	976	298,472
Deferred income taxes	11,210	(1,063)	10,147
Total Liabilities	\$ 976,291	\$ 2,913	\$ 979,204

Accounting standards issued but not yet applied

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

IFRS 16, Leases

On January 13, 2016, the IASB issued IFRS 16 *Leases*, which will replace IAS 17 *Leases*. The new standard will be mandatorily effective for fiscal years beginning on or after January 1, 2019. Earlier application is permitted. Under the new standard, all leases will be on the balance sheet of lessees, except those that meet limited exception criteria. Cineplex is analyzing the new standard and policy decisions to determine its impact on Cineplex's balance sheet and statement of operations. Cineplex has also identified and reviewed all contracts from its various lines of business to determine their potential inclusion, lease and non-lease components. As Cineplex has significant contractual obligations classified as operating leases under the existing standard, there will be a material increase to both assets and liabilities upon adoption of the new standard, and material changes to the timing of recognition and presentation of expenses associated with the lease arrangements. Cineplex is currently in the process of upgrading its existing accounting systems, processes and internal controls to account for IFRS 16.

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