Cineplex Inc.
Interim Condensed Consolidated Balance Sheets
(Unaudited)

(expressed in thousands of Canadian dollars)

	September 30, 2018	Restated December 31, 2017 (note 10)
Assets		
Current assets		
Cash and cash equivalents	$ 32,562	$ 40,597
Trade and other receivables	87,469	160,938
Income taxes receivable	1,235	1,344
Inventories	31,331	28,966
Prepaid expenses and other current assets	17,941	13,013
Fair value of interest rate swap agreements	1,313	314
	171,851	245,172
Non-current assets		
Property, equipment and leaseholds	624,922	628,129
Deferred income taxes	9,358	7,134
Fair value of interest rate swap agreements	4,138	3,880
Interests in joint ventures and associates	40,216	35,353
Intangible assets	110,740	119,011
Goodwill	816,761	816,489
	$ 1,777,986	$ 1,855,168

Business acquisitions and formations (note 2)
Subsequent events (note 11)

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

(expressed in thousands of Canadian dollars)

	September 30, 2018	Restated December 31, 2017 (note 10)
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 150,381	$ 189,929
Share-based compensation (note 3)	2,286	4,732
Dividends payable	9,183	8,866
Income taxes payable	5,673	9,157
Deferred revenue (note 4)	155,721	195,808
Finance lease obligations	3,612	3,420
Fair value of interest rate swap agreements	262	1,332
Convertible debentures	106,895	105,080
	434,013	518,324
Non-current liabilities		
Share-based compensation (note 3)	12,914	13,816
Long-term debt	508,123	467,867
Finance lease obligations	2,718	5,451
Post-employment benefit obligations	9,386	9,227
Other liabilities	119,422	117,589
Deferred income taxes	8,638	14,031
	661,201	627,981
Total liabilities	1,095,214	1,146,305
Equity		
Share capital (note 5)	856,835	856,761
Deficit	(179,567)	(148,060)
Hedging reserves and other	3,267	1,332
Contributed surplus	2,964	1,647
Cumulative translation adjustment	(667)	(2,817)
Total equity attributable to owners of Cineplex	682,832	708,863
Non-controlling interests (note 2)	(60)	—
Total equity	682,772	708,863
	$ 1,777,986	$ 1,855,168

Approved by the Board of Directors

"Ian Greenberg"
Director

"Janice Fukakusa"
Director

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Operations
(Unaudited)

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

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Revenues (note 4)				
Box office	$ 173,278	$ 164,493	$ 541,892	$ 530,557
Food service	115,557	107,029	354,775	322,362
Media	33,487	39,862	106,791	110,355
Amusement	53,838	48,940	152,320	136,041
Other	10,555	10,124	30,862	29,459
	386,715	370,448	1,186,640	1,128,774
Expenses				
Film cost	90,213	83,268	287,763	278,025
Cost of food service	24,257	23,669	74,053	72,503
Depreciation and amortization	33,599	30,613	97,053	88,526
Loss on disposal of assets	783	275	1,633	337
Other costs (note 6)	218,944	204,762	650,170	622,289
Share of income of joint ventures and associates	(1,118)	(382)	(2,850)	(2,573)
Interest expense	6,892	5,973	19,961	16,138
Interest income	(60)	(60)	(205)	(163)
Foreign exchange	391	282	(441)	857
Change in fair value of financial instruments	—	(1,750)	—	(2,737)
	373,901	346,650	1,127,137	1,073,202
Income before income taxes	12,814	23,798	59,503	55,572
Provision for income taxes				
Current	5,821	5,235	18,001	13,380
Deferred	(3,216)	1,344	(8,300)	632
	2,605	6,579	9,701	14,012
Net income	$ 10,209	$ 17,219	$ 49,802	$ 41,560
Attributable to:				
Owners of Cineplex	$ 10,281	$ 17,219	$ 49,874	$ 41,977
Non-controlling interests	(72)	—	(72)	(417)
Net income	$ 10,209	$ 17,219	$ 49,802	$ 41,560
Basic net income per share attributable to owners of Cineplex (note 7)	$ 0.16	$ 0.27	$ 0.79	$ 0.66
Diluted net income per share attributable to owners of Cineplex (note 7)	$ 0.16	$ 0.27	$ 0.79	$ 0.66

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

(expressed in thousands of Canadian dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2018	**2017**	**2018**	**2017**
Net income	$ 10,209	$ 17,219	$ 49,802	$ 41,560
Other comprehensive (loss) income				
Items that will be reclassified subsequently to net income:				
Income on hedging instruments	1,418	3,088	2,585	5,135
Associated deferred income taxes expense	(332)	(825)	(650)	(1,374)
Foreign currency translation adjustment	(1,193)	(2,203)	2,150	(4,193)
Items that will not be reclassified to net income:				
Actuarial gains of post-employment benefit obligations	—	—	—	1,298
Associated deferred income taxes expense	—	—	—	(348)
Other comprehensive (loss) income	(107)	60	4,085	518
Comprehensive income	$ 10,102	$ 17,279	$ 53,887	$ 42,078
Attributable to:				
Owners of Cineplex	$ 10,174	$ 17,279	$ 53,959	$ 42,484
Non-controlling interests	(72)	—	(72)	(406)
Comprehensive income	$ 10,102	$ 17,279	$ 53,887	$ 42,078

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

(expressed in thousands of Canadian dollars)

	Share capital (note 5)	Contributed surplus	Hedging reserves and other	Cumulative translation adjustment	Restated Deficit (note 10)	Non-controlling interests	Total
January 1, 2018	$ 856,761	$ 1,647	$ 1,332	$ (2,817)	$ (148,060)	$ —	$ 708,863
Net income	—	—	—	—	49,874	(72)	49,802
Other comprehensive income (page 4)	—	—	1,935	2,150	—	—	4,085
Total comprehensive income	**—**	**—**	**1,935**	**2,150**	**49,874**	**(72)**	**53,887**
Dividends declared	—	—	—	—	(81,381)	—	(81,381)
Share option expense	—	1,323	—	—	—	—	1,323
Issuance of shares on exercise of options	74	(6)	—	—	—	—	68
TGLP non-controlling interests recognized on formation (note 2 b)	—	—	—	—	—	12	12
September 30, 2018	$ 856,835	$ 2,964	$ 3,267	$ (667)	$ (179,567)	$ (60)	$ 682,772
January 1, 2017	$ 859,351	$ 81	$ (3,170)	$ 1,175	$ (111,255)	$ 2,800	$ 748,982
Net income	—	—	—	—	41,977	(417)	41,560
Other comprehensive income (page 4)	—	—	3,761	(4,204)	950	11	518
Total comprehensive income	**—**	**—**	**3,761**	**(4,204)**	**42,927**	**(406)**	**42,078**
Dividends declared	—	—	—	—	(78,753)	—	(78,753)
Share option expense	—	1,355	—	—	—	—	1,355
Issuance of shares on exercise of options	256	(256)	—	—	—	—	—
Shares repurchased and cancelled	(2,115)	—	—	—	(3,892)	—	(6,007)
WGN non-controlling interests recognized on acquisition	—	—	—	(63)	2,457	(2,394)	—
September 30, 2017	$ 857,492	$ 1,180	$ 591	$ (3,092)	$ (148,516)	$ —	$ 707,655

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

(expressed in thousands of Canadian dollars)

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Cash provided by (used in)				
Operating activities				
Net income	$ 10,209	$ 17,219	$ 49,802	$ 41,560
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization of property, equipment and leaseholds, and intangible assets	33,599	30,613	97,053	88,526
Amortization of tenant inducements, rent averaging liabilities and fair value lease contract liabilities	(2,584)	(2,443)	(8,783)	(7,500)
Other non-cash interest and non-cash foreign exchange, net	275	156	182	441
Loss on disposal of assets	783	275	1,633	337
Deferred income taxes	(3,216)	1,344	(8,300)	632
Interest rate swap agreements - non-cash interest	185	62	393	(244)
Non-cash share-based compensation	405	470	1,323	1,355
Change in fair value of financial instruments	—	(1,750)	—	(2,737)
Accretion of convertible debentures	606	565	1,815	1,697
Net change in interests in joint ventures and associates	(2,130)	1,275	(3,759)	(2,612)
Tenant inducements	3,481	2,594	11,729	2,992
Changes in operating assets and liabilities (note 8)	234	(12,675)	(19,526)	(88,928)
Net cash provided by operating activities	41,847	37,705	123,562	35,519
Investing activities				
Proceeds from disposal of assets, including asset-related insurance recoveries	44	—	1,830	310
Purchases of property, equipment and leaseholds	(30,582)	(47,869)	(85,573)	(123,640)
Acquisition of businesses, net of cash acquired	(4,685)	(735)	(4,685)	(30,422)
Intangible assets additions	(1,207)	(1,160)	(3,575)	(3,742)
Net cash received from CDCP	2,606	2,246	3,582	3,615
Net cash used in investing activities	(33,824)	(47,518)	(88,421)	(153,879)
Financing activities				
Dividends paid	(27,549)	(26,688)	(81,064)	(78,454)
Borrowings under credit facilities, net	19,000	41,000	40,000	191,000
Options exercised for cash	—	—	68	—
Payments under finance leases	(863)	(802)	(2,542)	(2,363)
Deferred financing fees	—	(183)	—	(183)
Shares repurchased and cancelled	—	(6,007)	—	(6,007)
Net cash (used in) provided by financing activities	(9,412)	7,320	(43,538)	103,993
Effect of exchange rate differences on cash	(173)	(184)	362	(439)
Decrease in cash and cash equivalents	(1,562)	(2,677)	(8,035)	(14,806)
Cash and cash equivalents - Beginning of period	34,124	21,424	40,597	33,553
Cash and cash equivalents - End of period	$ 32,562	$ 18,747	$ 32,562	$ 18,747
Supplemental information				
Cash paid for interest	$ 7,402	$ 4,401	$ 18,808	$ 16,232
Cash paid for income taxes, net	$ 4,225	$ 588	$ 22,267	$ 14,986

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

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

1. General information

Cineplex Inc. ("Cineplex") an Ontario, Canada corporation, is one of Canada's largest entertainment organizations, with theatres 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. ("P1AG") 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 November 13, 2018.

2. Business acquisitions and formations

a) VRstudios Inc.

On September 12, 2018, Cineplex acquired a 34.7% interest in VRstudios Inc. ("VRstudios") for $4,685. VRstudios is based in Seattle, Washington and is a worldwide provider of turn-key location-based virtual reality solutions. Cineplex will recognize revenue in the Exhibition and Amusement and Leisure segments for installations that occur in the theatre network and location-based entertainment network respectively. Cineplex accounts for its investment in VRstudios as an associate using the equity method.

b) Topgolf

On July 25, 2017, Cineplex formed TG-CPX Limited Partnership ("TGLP"), a joint venture with Topgolf Canada Holding ("Topgolf"). Cineplex contributed an immaterial amount of cash totaling $38 for an initial 75% interest in TGLP and has 75% of the voting rights. Cineplex will recognize revenue from the joint venture in the Amusement and Leisure segment. Cineplex consolidates TGLP's financial results from the inception date and recognizes a non-controlling interest for the portion of the joint venture it does not own. Topgolf has the right to require Cineplex to acquire the interest owned by Topgolf under certain circumstances at any time after July 25, 2022.

3. Share-based compensation

Option plan

Cineplex recorded $405 and $1,323 in employee benefits expense with respect to share options during the three and nine months ended September 30, 2018 (2017 - $470 and $1,355, respectively).

Upon cashless exercises, the options exercised in excess of shares issued are cancelled and returned to the pool available for future grants. At September 30, 2018, 1,706,282 options are available for grant.

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

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		(233,847)	45.17	(11,395)	47.71
Exercised		(2,500)	27.33	(81,346)	35.38
Options outstanding, September 30	7.17	2,480,945	$ 42.86	2,157,589	$ 45.50
Options vested and exercisable, September 30		1,300,065	$ 42.95	1,009,650	$ 40.91

Long-term incentive plan ("LTIP")

Phantom Share Unit Plan

For the 2018 grant, for the three-year service period ending on September 30, 2020, 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 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 $340 and $884 under the LTIP for the three and nine months ended September 30, 2018 (2017 - (recovery)

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

costs of $(3,193) and $2,945, respectively). At September 30, 2018, $5,630 (2017 - $8,617) was included in share-based compensation liability.

Deferred equity units

Members of the Board of Directors and certain officers of Cineplex may elect to defer a portion of their compensation in the form of deferred equity units. For the three and nine months ended September 30, 2018, Cineplex recognized compensation costs (recovery) of $1,680 and $(155) respectively, associated with the deferred equity units, respectively (2017 - $3,232 and $2,623 of expense recoveries, respectively). At September 30, 2018, $9,570 (2017 - $10,085) was included in share-based compensation liability.

4. Revenue

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

	June 30, 2018	Additions	Revenue Recognized	September 30, 2018
Gift cards	$ 122,476	$ 27,473	$ 34,827	$ 115,122
SCENE loyalty program	24,090	11,571	10,941	24,720
Advances and deposits	14,676	15,879	14,676	15,879
	$ 161,242	$ 54,923	$ 60,444	$ 155,721

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

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

Box office revenues	**Three months ended September 30,**		**Nine months ended September 30,**	
	2018	**2017**	**2018**	**2017**
Box office revenues	$ 173,278	$ 164,493	$ 541,892	$ 530,557

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

Food service revenues	**Three months ended September 30, 2018**	**2017**	**Nine months ended September 30, 2018**	**2017**
Food service - theatres	$ 107,519	$ 100,737	$ 329,718	$ 311,978
Food service - location-based entertainment	8,038	6,292	25,057	10,384
Total food service revenues	$ 115,557	$ 107,029	$ 354,775	$ 322,362

Media revenues	**Three months ended September 30, 2018**	**2017**	**Nine months ended September 30, 2018**	**2017**
Cinema media	$ 20,292	$ 27,409	$ 68,545	$ 72,965
Digital place-based media	13,195	12,453	38,246	37,390
Total media revenues	$ 33,487	$ 39,862	$ 106,791	$ 110,355

Amusement revenues	**Three months ended September 30, 2018**	**2017**	**Nine months ended September 30, 2018**	**2017**
Amusement solutions excluding exhibition	$ 42,820	$ 41,986	$ 122,179	$ 120,049
Amusement solutions - exhibition	2,880	2,681	7,967	8,087
Amusement solutions - location based entertainment	8,138	4,273	22,174	7,905
Total amusement revenues	$ 53,838	$ 48,940	$ 152,320	$ 136,041

Other revenues	**Three months ended September 30, 2018**	**2017**	**Nine months ended September 30, 2018**	**2017**
Other revenues	$ 10,555	$ 10,124	$ 30,862	$ 29,459

5. 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 September 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 - September 30, 2018	63,332,946	$ 852,364	$ 4,471	$ 856,835

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

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	26,063	256	—	256
Shares repurchased and cancelled under the normal course issuer bid	(157,192)	(2,115)	—	(2,115)
Balance - September 30, 2017	63,384,746	$ 853,021	$ 4,471	$ 857,492

6. Other costs

	Three months ended September 30,		Nine months ended September 30,	
	2018	**2017**	**2018**	**2017**
Employee salaries and benefits	$ 74,681	$ 62,584	$ 229,519	$ 209,284
Rent	39,148	38,666	116,040	114,003
Realty and occupancy taxes and maintenance fees	18,643	17,919	54,891	54,116
Utilities	8,930	8,931	25,124	24,535
Purchased services	15,853	15,090	45,980	44,933
Other inventories consumed, including amusement and digital place-based media	16,519	17,214	50,791	51,153
Venue revenue share	13,249	11,348	34,925	30,245
Repairs and maintenance	8,067	8,371	23,967	22,936
Office and operating supplies	2,807	4,098	10,671	11,671
Licences and franchise fees	4,026	2,908	12,538	10,575
Insurance	1,406	1,195	3,949	3,123
Advertising and promotion	6,782	7,282	18,363	19,808
Professional and consulting fees	1,817	2,032	5,147	5,729
Telecommunications and data	1,747	2,109	5,603	5,102
Bad debts	916	168	1,448	380
Equipment rental	786	748	2,400	2,286
Business interruption insurance proceeds	—	—	(3,700)	—
Other costs	3,567	4,099	12,514	12,410
	$ 218,944	$ 204,762	$ 650,170	$ 622,289

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

7. Net income per share

Basic

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

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Net income attributable to owners of Cineplex	$ 10,281	$ 17,219	$ 49,874	$ 41,977
Weighted average number of shares outstanding	63,332,946	63,508,418	63,331,829	63,515,158
Basic EPS	$ 0.16	$ 0.27	$ 0.79	$ 0.66

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 September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Net income attributable to shareholders of Cineplex	$ 10,281	$ 17,219	$ 49,874	$ 41,977
Weighted average number of shares outstanding	63,332,946	63,508,418	63,331,829	63,515,158
Adjustments for stock options	10,069	102,324	9,794	177,018
Weighted average number of shares for diluted EPS	63,343,015	63,610,742	63,341,623	63,692,176
Diluted EPS	$ 0.16	$ 0.27	$ 0.79	$ 0.66

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

8. Changes in operating assets and liabilities

The following summarizes the changes in operating assets and liabilities:

	Three months ended September 30,		Nine months ended September 30,	
	2018	**2017**	**2018**	**2017**
Trade and other receivables	$ 13,814	$ 811	$ 72,960	$ 33,691
Inventories	604	(9)	(1,807)	(4,622)
Prepaid expenses and other current assets	1,819	1,078	(5,037)	(8,505)
Accounts payable and accrued liabilities	(12,904)	(3,909)	(35,698)	(58,507)
Income taxes payable	1,571	4,648	(3,376)	(959)
Deferred revenue	(5,521)	(7,727)	(40,087)	(39,894)
Post-employment benefit obligations	163	1,440	159	1,833
Share-based compensation	1,491	(8,005)	(4,490)	(9,949)
Other liabilities	(803)	(1,002)	(2,150)	(2,016)
	$ 234	$ (12,675)	$ (19,526)	$ (88,928)

Property, equipment and leasehold purchases that are included in accounts payable and accrued liabilities as at September 30, 2018, are $11,775 (2017 - $19,579).

9. 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.

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

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.

Three months ended September 30, 2018	Film Entertainment and Content	Media	Amusement and Leisure	Corporate and other (ii)	Consolidated
Major product and service lines					
Box office	$ 173,278	$ —	$ —	$ —	$ 173,278
Food service	107,519	—	8,038	—	115,557
Media	—	32,970	517	—	33,487
Amusement	2,880	—	50,958	—	53,838
Other	10,130	—	425	—	10,555
Total revenues	$ 293,807	$ 32,970	$ 59,938	$ —	$ 386,715
Primary geographical markets					
Canada	$ 293,807	$ 30,204	$ 31,169	$ —	$ 355,180
United States and other countries	—	2,766	28,769	—	31,535
Total revenues	$ 293,807	$ 32,970	$ 59,938	$ —	$ 386,715
Timing of revenue recognition					
Transferred at a point in time	$ 293,807	$ 6,038	$ 59,938	$ —	$ 359,783
Transferred over time	—	26,932	—	—	26,932
Total revenues	$ 293,807	$ 32,970	$ 59,938	$ —	$ 386,715
EBITDA (i)	48,312	18,627	4,339	(18,033)	53,245
Depreciation and amortization	22,333	2,819	8,447	—	33,599
Interest expense					6,892
Interest income					(60)
Income taxes expense					2,605
Net income					$ 10,209

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

Three months ended September 30, 2017	Film Entertainment and Content	Media	Amusement and Leisure	Corporate and other (ii)	Consolidated
Major product and service lines					
Box office	$ 164,493	$ —	$ —	$ —	$ 164,493
Food service	100,738	—	6,291	—	107,029
Media	—	38,794	1,068	—	39,862
Amusement	2,681	—	46,259	—	48,940
Other	10,041	—	83	—	10,124
Total revenues	$ 277,953	$ 38,794	$ 53,701	$ —	$ 370,448
Primary geographical markets					
Canada	$ 277,953	$ 37,053	$ 28,249	$ —	$ 343,255
United States and other countries	—	1,741	25,452	—	27,193
Total revenues	$ 277,953	$ 38,794	$ 53,701	$ —	$ 370,448
Timing of revenue recognition					
Transferred at a point in time	$ 277,953	$ 6,159	$ 53,701	$ —	$ 337,813
Transferred over time	—	32,635	—	—	32,635
Total revenues	$ 277,953	$ 38,794	$ 53,701	$ —	$ 370,448
EBITDA (i)	47,612	21,798	(19)	(9,067)	60,324
Depreciation and amortization	21,665	2,543	6,405	—	30,613
Interest expense					5,973
Interest income					(60)
Income taxes expense					6,579
Net income					$ 17,219

Nine months ended September 30, 2018	Film Entertainment and Content	Media	Amusement and Leisure	Corporate and other (ii)	Consolidated
Major product and service lines					
Box office	$ 541,892	$ —	$ —	$ —	$ 541,892
Food service	329,718	—	25,057	—	354,775
Media	—	104,366	2,425	—	106,791
Amusement	7,967	—	144,353	—	152,320
Other	29,856	—	1,006	—	30,862
Total revenues	$ 909,433	$ 104,366	$ 172,841	$ —	$ 1,186,640
Primary geographical markets					
Canada	$ 909,433	$ 95,789	$ 89,040	$ —	$ 1,094,262
United States and other countries	—	8,577	83,801	—	92,378
Total revenues	$ 909,433	$ 104,366	$ 172,841	$ —	$ 1,186,640
Timing of revenue recognition					
Transferred at a point in time	$ 909,433	$ 19,240	$ 172,841	$ —	$ 1,101,514
Transferred over time	—	85,126	—	—	85,126
Total revenues	$ 909,433	$ 104,366	$ 172,841	$ —	$ 1,186,640
EBITDA (i)	162,689	56,563	11,064	(54,004)	176,312
Depreciation and amortization	64,717	8,461	23,875	—	97,053
Interest expense					19,961
Interest income					(205)
Income taxes expense					9,701
Net income					$ 49,802

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

Nine months ended September 30, 2017	Film Entertainment and Content	Media	Amusement and Leisure	Corporate and other (ii)	Consolidated
Major product and service lines					
Box office	$ 530,557	$ —	$ —	$ —	$ 530,557
Food service	311,978	—	10,384	—	322,362
Media	—	107,474	2,881	—	110,355
Amusement	8,087	—	127,954	—	136,041
Other	29,212	—	247	—	29,459
Total revenues	$ 879,834	$ 107,474	$ 141,466	$ —	$ 1,128,774
Primary geographical markets					
Canada	$ 879,834	$ 102,651	$ 63,901	$ —	$ 1,046,386
United States and other countries	—	4,823	77,565	—	82,388
Total revenues	$ 879,834	$ 107,474	$ 141,466	$ —	$ 1,128,774
Timing of revenue recognition					
Transferred at a point in time	$ 879,834	$ 19,369	$ 141,466	$ —	$ 1,040,669
Transferred over time	—	88,105	—	—	88,105
Total revenues	$ 879,834	$ 107,474	$ 141,466	$ —	$ 1,128,774
EBITDA (i)	152,553	56,213	2,389	(51,082)	160,073
Depreciation and amortization	64,609	7,398	16,519	—	88,526
Interest expense					16,138
Interest income					(163)
Income taxes expense					14,012
Net income					$ 41,560

(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.

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.

10. 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

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

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.

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

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

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 is mandatorily effective for fiscal years beginning on or after January 1, 2019. Under the new standard, all leases will be reported on lessees' balance sheets, except those that meet limited exception criteria. Cineplex is reviewing its analysis of the new standard and has made policy decisions to determine its impact on Cineplex's balance sheet and statement of operations. Cineplex will apply IFRS 16 using the modified retrospective approach and as a result comparative information will not be restated and will continue to be reported under IAS 17 and IFRIC 4. Additional disclosure will include a reconciliation between operating lease commitments at December 31, 2018 under IAS 17 and the opening lease liabilities at January 1, 2019 under IFRS 16. Cineplex has also identified and reviewed all contracts from all lines of its business to assess if they fall within the scope of IFRS 16, in whole or in part and to quantify 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 will recognize a lease liability and right-of-use asset at the date of adoption. The lease liability will be measured at the present value of the future lease payments at the date of adoption, discounted using Cineplex's incremental borrowing rate at the date of adoption. Cineplex is in the process of assessing the methodology and the deemed commencement date for the calculation of the right-of-use assets.

In general, the right-of-use asset will be depreciated using the straight line method from the date of adoption to the end of the lease term. Interest on the lease liability will be calculated using the effective interest method with rent payments reducing the liability. As a result of these changes, there will be a material increase in interest expense and depreciation, as well as a material reduction in Other Costs on the Statement of Operations due to the decrease in rent expense and all lease related non-cash components being removed. Cineplex is currently in the process of upgrading its existing accounting systems, processes and internal controls to account for IFRS 16.

11. Subsequent Events

Subsequent to September 30, 2018, Cineplex increased and extended its bank credit facilities (the "Amended Credit Facilities"), with the same lenders.

The Amended Credit Facilities consist of the following:

a) a five-year, $650,000, senior, secured, revolving, credit facility (the "Amended Revolving Facility"); and
b) a seven-year, $150,000, senior, secured, non-revolving, credit facility.

The Amended Revolving Facility was increased $175,000 from the prior Revolving Facility. The financial covenants and nominal variable interest rates of the Amended Credit Facilities are substantially similar to the prior Credit Facilities.