MANAGEMENT'S DISCUSSION AND ANALYSIS

August 7, 2019

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS CONTENTS

Non-GAAP Measures

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

Forward-Looking Statements

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

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

The foregoing list of factors that may affect future results is not exhaustive. When reviewing Cineplex's forward-looking statements, readers should carefully consider the foregoing factors and other uncertainties and potential events. Additional information about factors that may cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements may be found in the "Risks and Uncertainties" section of 2018 Annual MD&A.

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

1. OVERVIEW OF CINEPLEX

A leading entertainment and media company, Cineplex is a top-tier Canadian brand that operates in the film entertainment and content, amusement and leisure, and media sectors. As Canada's largest film exhibitor, Cineplex welcomes over 70 million guests annually through its circuit of 165 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 "P1AG") 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's theatre circuit is concentrated in major metropolitan and mid-sized markets. As of June 30, 2019, Cineplex owned, leased or had a joint venture interest in 1,695 screens in 165 theatres from coast to coast.

Cineplex
Theatre locations and screens at June 30, 2019

Province	Locations	Screens	3D Digital Screens	UltraAVX	IMAX Screens (i)	VIP Auditoriums	D-BOX Auditoriums	Recliner Auditoriums	Other Screens (ii)
Ontario	68	732	359	41	13	43	45	96	3
Quebec	20	250	98	10	3	4	6	—	—
British Columbia	25	237	125	16	3	15	15	39	—
Alberta	19	208	111	20	2	11	16	37	1
Nova Scotia	12	91	44	1	1	—	2	—	—
Saskatchewan	6	54	28	2	1	3	2	10	—
Manitoba	5	49	26	1	1	3	2	—	—
New Brunswick	5	41	20	2	—	—	2	—	—
Newfoundland & Labrador	3	20	9	—	1	—	1	—	—
Prince Edward Island	2	13	6	—	—	—	1	—	—
TOTALS	**165**	**1,695**	**826**	**93**	**25**	**79**	**92**	**182**	**4**
Percentage of screens			49%	5%	1%	5%	5%	11%	—%

(i) All IMAX screens are 3D enabled. Total 3D screens including IMAX screens are 851 screens or 50% of the circuit.
(ii) Other screens includes 4DX, *Cineplex Clubhouse* and ScreenX.

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

	2019		2018				2017	
	Q2	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Theatres	165	165	164	165	164	163	163	163
Screens	1,695	1,692	1,686	1,696	1,683	1,676	1,676	1,676
3D Digital Screens	826	824	821	826	816	811	811	811
UltraAVX Screens	93	90	90	90	88	87	87	86
IMAX Screens	25	25	25	25	25	24	24	23
VIP Auditoriums	79	75	75	75	63	63	63	63
D-BOX Auditoriums	92	89	89	89	86	82	82	81
Recliner Auditoriums	182	173	173	173	155	149	130	108
Other Screens	4	4	4	3	2	1	1	1

Cineplex - Location Based Entertainment at June 30, 2019

Province	*The Rec Room*	*Playdium*
Ontario	3	1
Alberta	3	—
Newfoundland & Labrador	1	—
TOTALS	**7**	**1**

1.1 FINANCIAL HIGHLIGHTS

Financial highlights	**Second Quarter**			**Year to Date**		
(in thousands of dollars, except theatre attendance in thousands of patrons and per Share and per patron amounts)	**2019**	**2018**	**Change (i)**	**2019**	**2018**	**Change (i)**
Total revenues	$ 439,245	$ 409,053	7.4%	$ 804,183	$ 799,925	0.5%
Theatre attendance	17,011	17,307	-1.7%	31,999	35,072	-8.8%
Net income	$ 19,397	$ 24,367	-20.4%	$ 12,037	$ 39,593	-69.6%
Box office revenues per patron ("BPP") (ii)	$ 11.13	$ 10.82	2.9%	$ 10.81	$ 10.51	2.9%
Concession revenues per patron ("CPP") (ii)	$ 7.04	$ 6.59	6.8%	$ 6.72	$ 6.34	6.0%
Adjusted EBITDA (ii)	$ 112,249	$ 67,840	65.5%	$ 189,691	$ 121,372	56.3%
Adjusted EBITDAaL (ii) (iii)	$ 68,112	$ 63,737	6.9%	$ 102,443	$ 113,195	-9.5%
Adjusted EBITDAaL margin (ii) (iii)	15.5%	15.6%	-0.1%	12.7%	14.2%	-1.5%
Adjusted free cash flow (ii)	$ 49,299	$ 43,602	13.1%	$ 78,405	$ 82,200	-4.6%
Adjusted free cash flow per common share of Cineplex ("Share") (ii)	$ 0.778	$ 0.688	13.1%	$ 1.238	$ 1.298	-4.6%
Earnings per Share ("EPS") - basic	$ 0.31	$ 0.38	-18.4%	$ 0.19	$ 0.63	-69.8%
EPS - diluted	$ 0.31	$ 0.38	-18.4%	$ 0.19	$ 0.63	-69.8%

(i) Throughout this MD&A, changes in percentage amounts are calculated as 2019 value less 2018 value.
(ii) See Section 16, Non-GAAP measures.
(iii) Prior period figures have been revised to conform to current period presentation. See Section 17, IFRS 16 reconciliation for further details.

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

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

Total revenues for the second quarter of 2019 increased 7.4%, or $30.2 million, as compared to the prior year period to an all-time quarterly record of $439.2 million, due to growth across all businesses. Box office revenues increased 1.1% compared to the prior year to $189.4 million, the second highest box office revenues for a second quarter, with the all-time quarterly record BPP of $11.13 offsetting the impact of the 1.7% decline in the theatre attendance. Food service revenues increased 6.0% to an all-time quarterly record of $129.6 million due to the all-time quarterly record for CPP of $7.04 combined with the increased results from *The Rec Room* arising from the opening of additional locations. Amusement revenues increased 19.6% to a second quarter record of $58.1 million due to increased route and distribution revenue in the United States and the growth in the results from *The Rec Room.* Media increased 21.5% to a second quarter record of $49.6 million due to the growth in both in-theatre advertising and digital place-based media revenues arising from higher project installations. As a result of the growth in total revenue, adjusted EBITDAaL increased $4.4 million (6.9%) to $68.1 million and adjusted free cash flow per Share increased 13.1% to $0.778 in the current period from $0.688 in 2018.

Total revenues for the six months ended June 30, 2019 increased 0.5% as compared to the prior year period. This was primarily due to increases of $18.1 million (18.4%) in amusement revenues and $11.3 million (15.4%) in media revenues partially offset by weaker revenues from the exhibition business. The decrease in revenues from the exhibition business resulted from the 8.8% decrease in theatre attendance leading to a $22.7 million (6.2%) decrease in box office revenue despite the 2.9% growth in the BPP to $10.81 and a $7.3 million (3.3%) decrease in theatre food service revenues despite a 6.0% growth in the CPP to $6.72. Adjusted EBITDAaL decreased 9.5% to $102.4 million compared to the prior year period and Adjusted free cash flow per Share decreased 4.6% to $1.238 in the current period from $1.298 in 2018.

1.2 KEY DEVELOPMENTS IN THE SECOND QUARTER OF 2019

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 second quarter box office revenues of $189.4 million, an increase of $2.1 million (1.1%) from the $187.2 million reported in the prior year period. The impact of the growth in the BPP was partially offset by the decrease in the theatre attendance of $0.3 million (1.7%) over the prior year period.
- BPP was $11.13, an all-time quarterly record for Cineplex, $0.31 (2.9%) higher than $10.82 reported during the prior year period.
- Opened *Cineplex Cinemas Park Royal and VIP* in Vancouver, British Columbia, an eleven screen theatre featuring all recliner seating as well as an UltraAVX screen, D-BOX Motion Seats and four VIP auditoriums.
- Announced plans for a new all-in-one entertainment complex at Kildonan Place in Winnipeg, Manitoba which is scheduled to open in 2021. The entertainment complex will include a six screen theatre featuring all recliner seating including an UltraAVX screen, a large amusement game and attractions area featuring virtual reality ("VR") and a range of dining experiences.

Theatre Food Service

- Reported an all-time quarterly record for theatre food service revenues of $119.7 million in the second quarter, an increase of $5.8 million (5.1%) from the prior year period as a result of the growth in CPP more than offsetting the decline in theatre attendance.
- CPP was $7.04, an all-time quarterly record for Cineplex, $0.45 (6.8%) higher than $6.59 reported during the prior year period.
- Expanded alcohol beverage service to an additional 12 theatres, now totalling 66 (excluding VIP).
- Added nine additional locations to the Uber Eats delivery platform, which now provides home delivery from 101 theatres.

Alternative Programming

- Alternative Programming (Cineplex Events) featured two live performances from The Metropolitan Opera and WWE's WrestleMania 35 as well as the live broadcast of *All About Eve* from National Theatre Live and *Noah* from Sight and Sound Theatres.
- Cineplex international film program featured several strong performing international films, including Punjabi and Hindi in select markets across the country.
- In partnership with Maple Leaf Sports & Entertainment ("MLSE") Cineplex hosted Toronto Raptors viewing parties during the NBA Finals at 46 theatres coast-to-coast.

Digital Commerce

- Online and mobile ticketing represented 40% of total theatre admissions during the second quarter, up from 32% in the prior year period.
- Total registered users for Cineplex Store increased by 42% in the second quarter of 2019 as compared to the prior year period.
- Cineplex Store registered a 179% increase in device activations over the prior year period.
- Active users of the Cineplex Store increased by 86% as compared to the prior year period.

MEDIA

- Reported a record second quarter for total media revenues of $49.6 million, an increase of $8.8 million (21.5%) compared to the prior year period.

Cinema Media

- Reported record second quarter revenues of $30.0 million, compared to $26.9 million in the prior year period, an increase of 11.4%, primarily due to increases in show-time and pre-show advertising.

Digital Place-Based Media

- Reported an all-time quarterly record for digital place-based media revenues of $19.6 million, an increase of $5.7 million (41.3%) compared to the prior year period due to higher project installation revenues and other digital services revenues.
- Announced a new partnership with Mountain Equipment Co-op ("MEC") to deliver a unique digital signage solution that will optimize the retail experience for customers at MEC stores across Canada.

AMUSEMENT AND LEISURE

Amusement Solutions

- Reported record second quarter revenues of $48.4 million, an increase of $7.0 million (16.8%) over the prior year period as a result of increased route operations revenue and distribution sales.

Location-based Entertainment

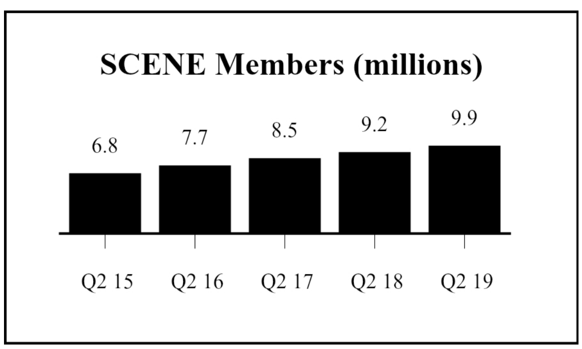
- *The Rec Room* reported second quarter revenue of $20.9 million, an increase of $5.2 million (33.4%) over the prior year period due to two additional locations open in the current period as compared to last year.
- Opened *The Rec Room* at *Avalon Mall* in St. John's, Newfoundland, on April 30, 2019, the seventh location of *The Rec Room*.
- Announced plans for a new *The Rec Room* at *Granville Entertainment District* in Vancouver, British Columbia, expected to open in 2021.

Esports

- WGN hosted its fourth annual *Call of Duty* esports tournament. The tournament finals took place on April 6 and 7, 2019 at the *Scotiabank Theatre Toronto* for a grand prize of $25,000.
- Collegiate Starleague ("CSL") held the 2019 Grand Finals in Atlantic City on April 26 to 28, 2019 where esports teams competed for over $100,000 in scholarships.

LOYALTY

- Membership in the SCENE loyalty program increased by 0.2 million members in the period, reaching 9.9 million at June 30, 2019.



CORPORATE

- During the second quarter of 2019, the Board of Directors of Cineplex (the "Board") announced a monthly dividend increase of 3.4% to $0.150 per share ($1.80 on an annual basis) up from $0.145 per share ($1.74 on an annual basis) effective with the May 2019 dividend paid in June 2019.

2. CINEPLEX'S BUSINESSES AND STRATEGY

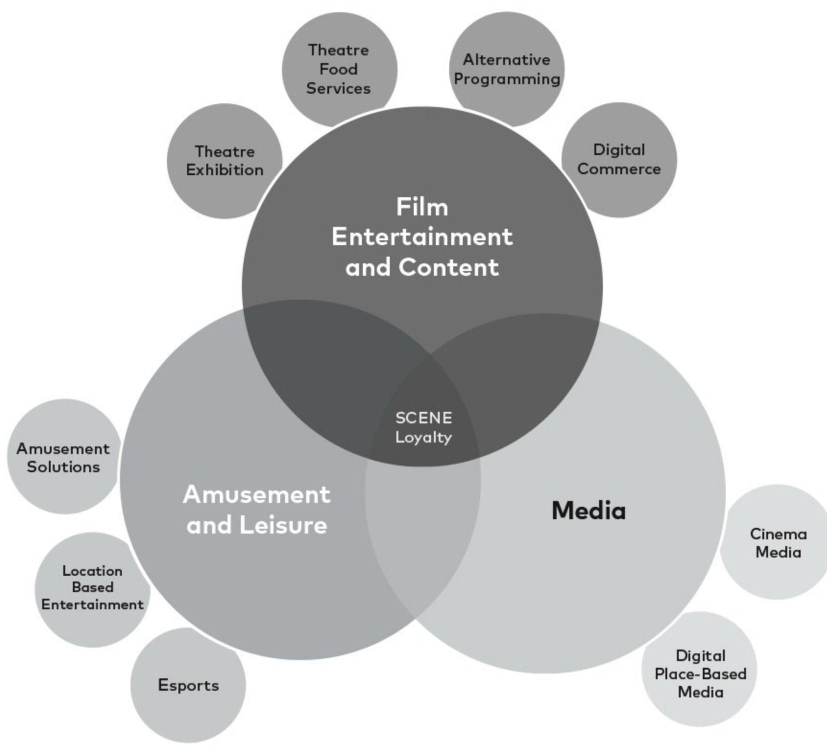
Cineplex's mission statement is "Passionately delivering exceptional experiences." All of its efforts are focused towards this mission and it is Cineplex's goal to consistently provide guests and customers with exceptional experiences.

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

- Continue to enhance and expand Cineplex's presence as an entertainment destination for Canadians in-theatre, at-home and on-the-go;
- Capitalize on core media strengths and infrastructure to provide continued growth of Cineplex's media business both inside and outside theatres;
- Develop and scale amusement and leisure concepts by extending existing capabilities and infrastructure;
- Drive value within businesses by leveraging opportunities to optimize value, realize synergies, implement customer-centric technology and leverage big data across the Cineplex ecosystems; and
- Pursue opportunities that are strategic, accretive and capitalize on Cineplex's core strengths.

Cineplex uses the SCENE loyalty program and database as a strategic asset to link these areas of focus and drive customer acquisition and ancillary businesses.

Diversified Entertainment and Media Company



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

While box office revenues (which include alternative programming) continue to account for the largest portion of Cineplex's revenues, expanded theatre food service offerings, cinema media, digital place-based media, amusement and leisure, the Cineplex Store, promotions and other revenue streams have increased as a share of total revenues. Cineplex is committed to diversifying its revenue streams outside of the traditional theatre exhibition model through its media and amusement and leisure businesses.

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

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

3. OVERVIEW OF OPERATIONS

Revenues

Cineplex generates revenues primarily from box office and food service sales. These revenues are affected primarily by theatre attendance levels and by changes in BPP and CPP. Box office revenue represented 43.1% of revenue in the second quarter of 2019 and continues to represent Cineplex's largest revenue component.

Revenue mix % by period	**Q2 2019**	**Q2 2018**	**Q2 2017**	**Q2 2016**	**Q2 2015**
Box office	**43.1%**	45.8%	46.9%	49.3%	55.3%
Food service	**29.5%**	29.9%	27.9%	28.6%	31.4%
Media	**11.3%**	10.0%	10.0%	11.9%	10.1%
Amusement	**13.2%**	11.9%	12.6%	7.3%	0.7%
Other	**2.9%**	2.4%	2.6%	2.9%	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**	
	2019	**2018**	**2019**	**2018**
Film Entertainment and Content	73.6%	76.7%	73.3%	77.0%
Media	11.1%	9.8%	10.4%	8.9%
Amusement and Leisure	15.3%	13.5%	16.3%	14.1%
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, 2019. As a result of Cineplex's focus on diversifying the business beyond the traditional movie exhibition model, its revenue mix has shifted from box office revenue to other revenue sources.

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

Food service revenues are comprised primarily of concession revenues, arising from food and beverage sales at theatre locations, as well as food and beverage sales at *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.

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

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

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

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

Theatre occupancy expenses include lease related expenses, percentage rent, property related taxes, business related taxes and insurance excluding cash rent.

Other operating expenses consist of fixed and variable expenses, with the largest component being theatre salaries and wages. Although theatre salaries and wages include a fixed cost component, these expenses vary in relation to revenues as theatre staffing levels are adjusted to handle fluctuations in theatre attendance. Other components of this category include marketing and advertising, media, amusement and leisure (including P1AG, *The Rec Room* and WGN), loyalty including SCENE, digital commerce, supplies and services, utilities and maintenance.

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

Accounting for Joint Arrangements

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

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

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

4. RESULTS OF OPERATIONS

4.1 SELECTED FINANCIAL DATA

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

	Three months ended June 30, 2019	Three months ended June 30, 2018	Variance (%)	Six months ended June 30, 2019	Six months ended June 30, 2018	Variance (%)
Box office revenues	$ 189,371	$ 187,234	1.1%	$ 345,867	$ 368,614	-6.2%
Food service revenues	129,563	122,270	6.0%	232,621	239,218	-2.8%
Media revenues	49,578	40,791	21.5%	84,591	73,304	15.4%
Amusement revenues	58,117	48,577	19.6%	116,617	98,482	18.4%
Other revenues	12,616	10,181	23.9%	24,487	20,307	20.6%
Total revenues	439,245	409,053	7.4%	804,183	799,925	0.5%
Film cost	103,005	102,346	0.6%	181,726	197,550	-8.0%
Cost of food service	28,247	25,020	12.9%	51,683	49,796	3.8%
Depreciation - right-of-use assets	36,557	—	NM	73,019	—	NM
Depreciation and amortization - other assets	33,589	32,260	4.1%	66,444	63,454	4.7%
Loss on disposal of assets	116	640	-81.9%	593	850	-30.2%
Other costs (a)	195,513	213,772	-8.5%	380,955	431,226	-11.7%
Costs of operations	397,027	374,038	6.1%	754,420	742,876	1.6%
Net income	$ 19,397	$ 24,367	-20.4%	$ 12,037	$ 39,593	-69.6%
Adjusted EBITDA (i)	$ 112,249	$ 67,840	65.5%	$ 189,691	$ 121,372	56.3%
Adjusted EBITDAaL (i) (ii)	$ 68,112	$ 63,737	6.9%	$ 102,443	$ 113,195	-9.5%
(a) Other costs include:						
Theatre occupancy expenses	16,748	52,788	-68.3%	35,155	104,686	-66.4%
Other operating expenses	161,658	143,162	12.9%	309,841	290,569	6.6%
General and administrative expenses	17,107	17,822	-4.0%	35,959	35,971	—%
Total other costs	$ 195,513	$ 213,772	-8.5%	$ 380,955	$ 431,226	-11.7%
EPS - basic	$ 0.31	$ 0.38	-18.4%	$ 0.19	$ 0.63	-69.8%
EPS - diluted	$ 0.31	$ 0.38	-18.4%	$ 0.19	$ 0.63	-69.8%
Total assets	$ 3,081,179	$ 1,798,813	71.3%	$ 3,081,179	$ 1,798,813	71.3%
Total long-term financial liabilities (iii)	$ 641,000	$ 597,500	7.3%	$ 641,000	$ 597,500	7.3%
Shares outstanding at period end	63,333,238	63,332,946	—%	63,333,238	63,332,946	—%
Cash dividends declared per Share	$ 0.445	$ 0.430	3.5%	$ 0.880	$ 0.850	3.5%
Adjusted free cash flow per Share (i)	$ 0.778	$ 0.688	13.1%	$ 1.238	$ 1.298	-4.6%
Box office revenue per patron (i)	$ 11.13	$ 10.82	2.9%	$ 10.81	$ 10.51	2.9%
Concession revenue per patron (i)	$ 7.04	$ 6.59	6.8%	$ 6.72	$ 6.34	6.0%
Film cost as a percentage of box office revenues	54.4%	54.7%	-0.3%	52.5%	53.6%	-1.1%
Theatre attendance (in thousands of patrons) (i)	17,011	17,307	-1.7%	31,999	35,072	-8.8%
Theatre locations (at period end)	165	164	0.6%	165	164	0.6%
Theatre screens (at period end)	1,695	1,683	0.7%	1,695	1,683	0.7%

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

(ii) Prior period figures have been revised to conform to current period presentation. See Section 17, IFRS 16 reconciliation for further details.

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

4.2 OPERATING RESULTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019

Total revenues

Total revenues for the three months ended June 30, 2019, increased $30.2 million (7.4%) to $439.2 million as compared to the prior year period. Total revenues for the six months ended June 30, 2019 increased $4.3 million (0.5%) to $804.2 million as compared to the prior year period. A discussion of the factors affecting the changes in box office, food service, media, amusement and other revenues for the period is provided below.

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

Box office revenues

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

Box office revenues	Second Quarter			Year to Date		
	2019	2018	Change	2019	2018	Change
Box office revenues	$ 189,371	$ 187,234	1.1%	$ 345,867	$ 368,614	-6.2%
Theatre attendance (i)	17,011	17,307	-1.7%	31,999	35,072	-8.8%
Box office revenue per patron (i)	$ 11.13	$ 10.82	2.9%	$ 10.81	$ 10.51	2.9%
BPP excluding premium priced product (i)	$ 9.30	$ 9.06	2.6%	$ 9.18	$ 8.92	2.9%
Canadian industry revenues (ii)			2.5%			-4.4%
Same theatre box office revenues (i)	$ 183,061	$ 185,231	-1.2%	$ 335,680	$ 365,078	-8.1%
Same theatre attendance (i)	16,543	17,105	-3.3%	31,209	34,697	-10.1%
% Total box from premium priced product (i)	50.9%	49.0%	1.9%	46.3%	45.1%	1.2%

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

(ii) Source: Gross box office receipts (inclusive of all taxes) from The Movie Theatre Association of Canada industry data adjusted for calendar quarter dates.

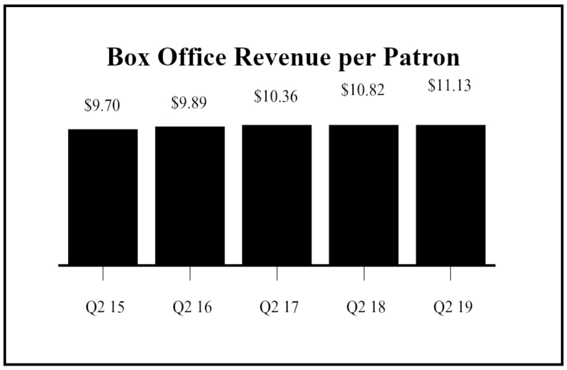
Box office continuity	Second Quarter		Year to Date	
	Box Office	Theatre Attendance	Box Office	Theatre Attendance
2018 as reported	$ 187,234	17,307	$ 368,614	35,072
Same theatre attendance change	(6,081)	(562)	(36,708)	(3,488)
Impact of same theatre BPP change	3,911	—	7,310	—
New and acquired theatres (i)	5,653	414	9,191	702
Disposed and closed theatres (i)	(1,346)	(148)	(2,540)	(287)
2019 as reported	$ 189,371	17,011	$ 345,867	31,999

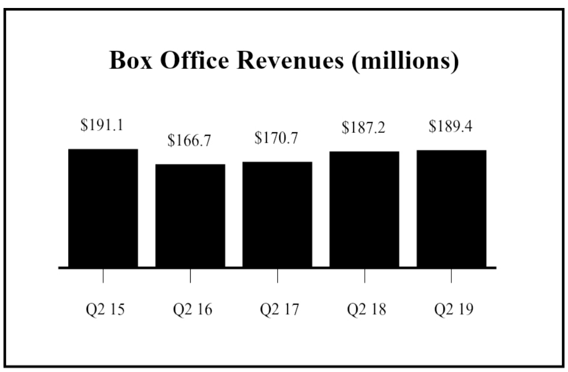
(i) See Section 16, Non-GAAP measures. Represents theatres opened, acquired, disposed or closed subsequent to the start of the prior year comparative period.

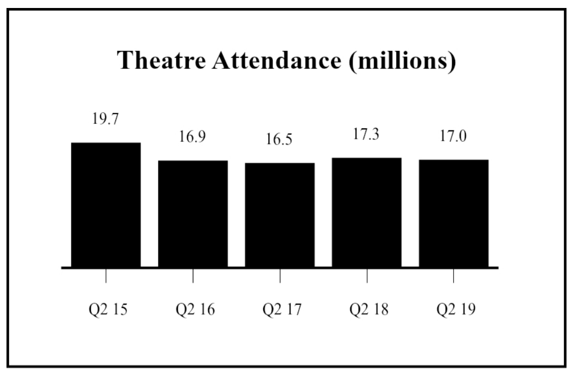
Second Quarter

	Second Quarter 2019 Top Cineplex Films	3D	% Box		Second Quarter 2018 Top Cineplex Films	3D	% Box
1	Avengers: Endgame	✔	31.6%	1	Avengers: Infinity War	✔	24.0%
2	Aladdin	✔	9.0%	2	Deadpool 2		11.3%
3	Pokémon Detective Pikachu	✔	5.1%	3	Incredibles 2	✔	9.6%
4	John Wick: Chapter 3 - Parabellum		5.1%	4	Jurassic World: Fallen Kingdom	✔	6.8%
5	Shazam!	✔	4.6%	5	Solo: A Star Wars Story	✔	6.0%

Box office revenues increased $2.1 million, or 1.1%, to $189.4 million during the period, compared to $187.2 million reported in the second quarter in 2018. The increase was due to a second quarter BPP of $11.13, a $0.31 increase (2.9%) from the prior year period, setting an all-time quarterly record for Cineplex. This increase was due to a higher percentage of box office revenue from premium price offerings as a result of the success of *Avengers: Endgame* which became the highest grossing film worldwide and the second highest in North America, in addition to price increases in selective markets. Premium priced offerings accounted for 50.9% of Cineplex's box office revenues in current year period as compared to 49.0% in the prior year period. The increase in BPP was partially offset by a 1.7% decrease to 17.0 million guests in theatre attendance, as compared to the prior year period. The theatre attendance decrease was due to the wider appeal of the film slate in the second quarter of 2018 as compared the second quarter of 2019 as well as also being negatively impacted by the Toronto Raptors' championship run. Although Cineplex hosted viewing parties for the finals series at 46 theatres coast to coast, the impact of home viewing of playoff games more than offset the impact of the in-theatre events.







Year to Date

	Year to Date 2019 Top Cineplex Films	3D	% Box		Year to Date 2018 Top Cineplex Films	3D	% Box
1	Avengers: Endgame	✔	17.4%	1	Avengers: Infinity War	✔	12.1%
2	Captain Marvel	✔	8.9%	2	Black Panther	✔	11.9%
3	Aladdin	✔	5.0%	3	Deadpool 2		5.7%
4	How To Train Your Dragon: The Hidden World	✔	3.4%	4	Jumanji: Welcome to The Jungle	✔	5.0%
5	Aquaman	✔	3.1%	5	Incredibles 2	✔	4.8%

Box office revenues for the six months ended June 30, 2019 were $345.9 million, a decrease of $22.7 million or 6.2% as compared to the prior year due to the 8.8% decrease in theatre attendance more than offsetting the higher BPP in the current year period compared to the 2018 period.

Cineplex's BPP for the period increased $0.30, or 2.9%, from $10.51 in the prior year period to $10.81 in the current period. This increase was due to a higher percentage of box office revenue from premium priced offerings, which accounted for 46.3% of Cineplex's box office revenues in the six months ended June 30, 2019, as compared to 45.1% in the prior year period, as well as price increases in selective markets as compared to the prior year period.

Food service revenues

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

Food service revenues	**Second Quarter**			**Year to Date**		
	2019	**2018**	**Change**	**2019**	**2018**	**Change**
Food service - theatres	$ 119,741	$ 113,969	5.1%	$ 214,913	$ 222,199	-3.3%
Food service - *The Rec Room*	9,822	8,301	18.3%	17,708	17,019	4.0%
Total food service revenues	$ 129,563	$ 122,270	6.0%	$ 232,621	$ 239,218	-2.8%
Theatre attendance (i)	17,011	17,307	-1.7%	31,999	35,072	-8.8%
CPP (i) (ii)	$ 7.04	$ 6.59	6.8%	$ 6.72	$ 6.34	6.0%
Same theatre food service revenues (i)	$ 114,868	$ 112,699	1.9%	$ 206,998	$ 220,035	-5.9%
Same theatre attendance (i)	16,543	17,105	-3.3%	31,209	34,697	-10.1%

(i) See Section 16, Non-GAAP Measures.
(ii) Food service revenue from *The Rec Room* is not included in the CPP calculation.

Theatre food service revenue continuity	**Second Quarter**		**Year to Date**	
	Theatre Food Service	**Theatre Attendance**	**Theatre Food Service**	**Theatre Attendance**
2018 as reported	$ 113,969	17,307	$ 222,199	35,072
Same theatre attendance change	(3,700)	(562)	(22,124)	(3,488)
Impact of same theatre CPP change	5,869	—	9,087	—
New and acquired theatres (i)	4,420	414	7,283	702
Disposed and closed theatres (i)	(817)	(148)	(1,532)	(287)
2019 as reported	$ 119,741	17,011	$ 214,913	31,999

(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

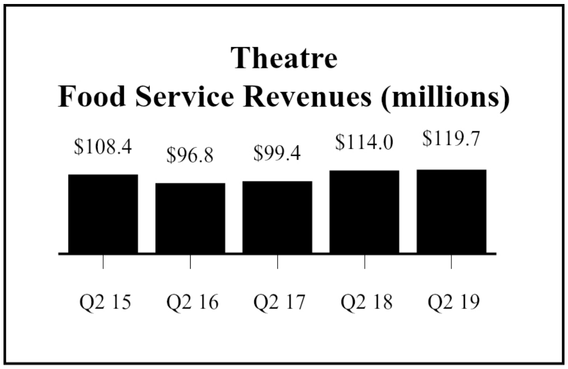
Food service revenues are comprised primarily of concession revenues, which includes food service sales at theatre locations. Food service revenues also include food and beverage sales at *The Rec Room*. Food service revenues increased $7.3 million or 6.0% mainly as a result of the increase of $5.8 million (5.1%) to $119.7 million in theatre food service revenues, an all-time quarterly record. The increase in theatre food service revenues was due to the higher CPP. CPP increased 6.8% to $7.04, 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 and expanded beverage services have contributed to increased visitation and higher average transaction values, resulting in the record CPP in the period. Food service revenue from *The Rec Room* is not included in the CPP calculation.

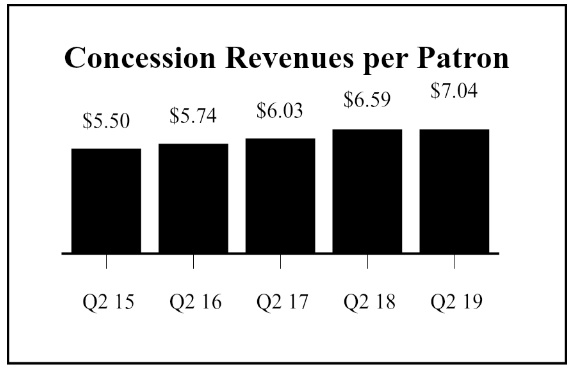
Food service revenues from *The Rec Room* increased $1.5 million (18.3%) compared to the prior year period primarily due to the increase in locations from five in 2018 to seven in 2019.

Year to Date

Food service revenues decreased $6.6 million, or 2.8% as compared to the prior year, primarily due to the impact of an 8.8% decrease in theatre attendance, partially offset by the 6.3% increase in CPP and the $0.7 million or 4.0% increase in contribution from *The Rec Room*. The CPP of $6.72 is the highest Cineplex has reported through the first six months of any year. Food service revenues from *The Rec Room* increased 4.0% to $17.7 million as a result of the increased locations as compared to the prior year period. Food service revenue from *The Rec Room* is not included in the CPP calculation.

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





Media revenues

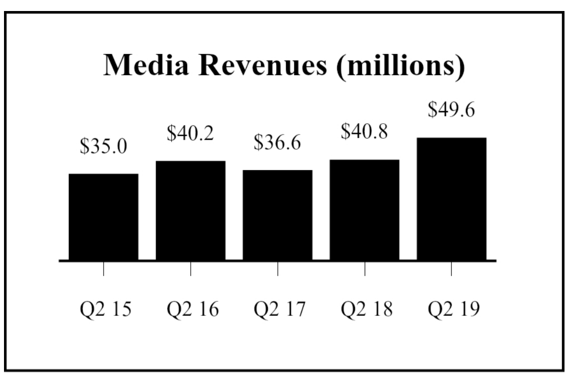
The following table highlights the movement in media revenues for the quarter and the year to date (in thousands of dollars):

Media revenues	Second Quarter			Year to Date		
	2019	2018	Change	2019	2018	Change
Cinema media	$ 29,978	$ 26,921	11.4%	$ 51,361	$ 48,253	6.4%
Digital place-based media	19,600	13,870	41.3%	33,230	25,051	32.6%
Total media revenues	$ 49,578	$ 40,791	21.5%	$ 84,591	$ 73,304	15.4%

Second Quarter

Total media revenues increased $8.8 million (21.5%) to a second quarter record $49.6 million as compared to the prior year period. The increase was primarily due to a $5.7 million (41.3%) increase in digital place-based media to an all-time quarterly record of $19.6 million primarily as a result of increased project installation revenues. Cinema media increased $3.1 million (11.4%) to a second quarter record of $30.0 million as a result of increases in show-time and pre-show advertising.

During the quarter, digital place-based media added 248 new locations (an increase of 1.8% from March 31, 2019) for a total of 14,095 locations as at June 30, 2019.



Year to Date

Total media revenues increased $11.3 million for the six months ended June 30, 2019 as compared to the prior year period. The increase resulted from an $8.2 million increase in digital place-based media revenues due to higher project installation revenue and a $3.1 million increase in Cinema media due to higher show-time and pre-show theatre advertising.

Year to date, digital place-based media added 593 new locations (an increase of 4.4% from December 31, 2018).

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

Digital place-based media revenues	Second Quarter			Year to Date		
	2019	2018	Change	2019	2018	Change
Project revenues (i)	$ 9,294	$ 4,934	88.4%	$ 14,515	$ 7,471	94.3%
Other revenues (ii)	10,306	8,936	15.3%	18,715	17,580	6.5%
Total digital place-based media revenues	$ 19,600	$ 13,870	41.3%	$ 33,230	$ 25,051	32.6%

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

Amusement revenues

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

Amusement revenues	Second Quarter			Year to Date		
	2019	2018	Change	2019	2018	Change
Amusement - P1AG excluding Cineplex exhibition and *The Rec Room* (i)	$ 45,817	$ 39,121	17.1%	$ 93,490	$ 79,359	17.8%
Amusement - Cineplex exhibition (i)	2,608	2,350	11.0%	5,392	5,087	6.0%
Amusement - *The Rec Room*	9,692	7,106	36.4%	17,735	14,036	26.4%
Total amusement revenues	$ 58,117	$ 48,577	19.6%	$ 116,617	$ 98,482	18.4%

(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 19.6%, or $9.5 million, to a second quarter record of $58.1 million in the second quarter of 2019 compared to the prior year period. The growth was primarily due to an increase in route revenues including the impact of the agreement signed with Cinemark in the second quarter of 2018 and an increase in distribution sales in Canada and the United States. Amusement revenues from *The Rec Room* increased 36.4% or $2.6 million compared to the prior year period as a result of the additional locations.

Year to Date

For the year to date period, amusement revenues increased 18.4% or $18.1 million, to $116.6 million compared to the prior year period due to the agreement signed with Cinemark resulting in increased route and distribution revenue and strong growth in revenue from the additional locations of *The Rec Room* as compared to the prior year period.

The following table presents the adjusted EBITDAaL for the quarter and the year to date for P1AG (in thousands of dollars) with the prior period presentation revised to provide the comparability of the impact of the transition to IFRS 16:

P1AG Summary	Second Quarter			Year to Date		
	2019	Revised 2018	Change	2019	Revised 2018	Change
Amusement revenues	$ 45,817	$ 39,121	17.1%	$ 93,490	$ 79,359	17.8%
Operating Expenses	38,993	36,119	8.0%	78,485	71,817	9.3%
Non-cash rent (i) (iii)	—	21	NM	—	42	NM
Cash rent related to lease obligations (ii)	1,536	—	NM	3,009	—	NM
Total adjusted operating expenses	$ 40,529	$ 36,140	12.1%	$ 81,494	$ 71,859	13.4%
P1AG Adjusted EBITDAaL (iii)	$ 5,288	$ 2,981	77.4%	$ 11,996	$ 7,500	59.9%
P1AG Adjusted EBITDAaL Margin (iii)	11.5%	7.6%	3.9%	12.8%	9.5%	3.3%

(i) Non-cash rent included in the 2018 balances in the previous reporting period. See Section 17, IFRS 16 reconciliation for further details.
(ii) Cash rent that has been reallocated to offset the lease obligations.
(iii) See Section 16, Non-GAAP measures.

Margins for P1AG increased during the second quarter and year to date compared to the prior year periods as a result of the increase route revenues in the United States and Canada.

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

***The Rec Room* Summary**	Second Quarter			Year to Date		
	2019	Revised 2018	Change	2019	Revised 2018	Change
Food service revenues	$ 9,822	$ 8,301	18.3%	$ 17,708	$ 17,019	4.0%
Amusement revenues	9,692	7,106	36.4%	17,735	14,036	26.4%
Media and other revenues	1,421	287	395.1%	1,911	770	148.2%
Total revenues	$ 20,935	$ 15,694	33.4%	$ 37,354	31,825	17.4%
Cost of food service	2,657	2,253	17.9%	4,822	4,593	5.0%
Operating expenses before adjustments (i)	12,459	11,406	9.2%	22,398	21,892	2.3%
Non-cash rent (ii) (iv)	—	55	NM	—	109	NM
Cash rent related to lease obligations (iii)	1,498	—	NM	2,707	—	NM
Total adjusted costs	$ 16,614	$ 13,714	21.1%	$ 29,927	$ 26,594	12.5%
Store level Adjusted EBITDAaL (iv)	4,321	1,980	118.2%	7,427	5,231	42.0%
Store level Adjusted EBITDAaL Margin (iv)	20.6%	12.6%	8.0%	19.9%	16.4%	3.5%

(i) Includes operating costs of *The Rec Room* locations. Pre-opening costs relating to *The Rec Room* locations and overhead relating to management of *The Rec Room* portfolio are not included.
(ii) Non-cash rent included in the 2018 balances in the previous reporting period. See Section 17, IFRS 16 reconciliation for further details.
(iii) Cash rent that has been reallocated to offset the lease obligations.
(iv) See Section 16, Non-GAAP measures.

Margins for *The Rec Room* increased during the second quarter and year-to-date compared to the prior year periods as a result of improved cost management focused on optimizing operating costs.

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		
	2019	2018	Change	2019	2018	Change
Other revenues	$ 12,616	$ 10,181	23.9%	$ 24,487	$ 20,307	20.6%

The quarterly and year to date increase in other revenues are primarily due to higher volume of digital commerce sales.

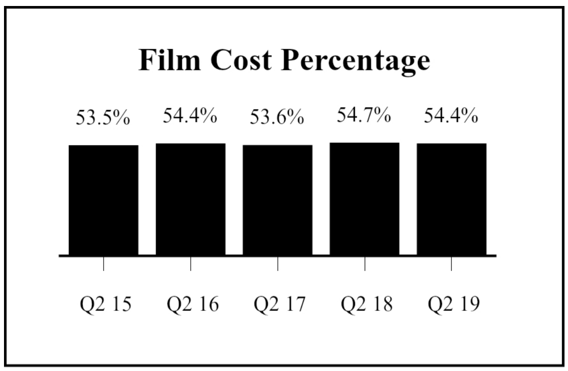
Film cost

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

Film cost	Second Quarter			Year to Date		
	2019	2018	Change	2019	2018	Change
Film cost	$ 103,005	$ 102,346	0.6%	$ 181,726	$ 197,550	-8.0%
Film cost percentage (i)	54.4%	54.7%	-0.3%	52.5%	53.6%	-1.1%
(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 2019 was 54.4%, a 0.3% decrease from the prior year.



Year to Date

The year to date decrease in film cost expense was due to a combination of the 1.1% decrease in the film cost percentage and the lower box office revenues in the current period compared to the prior year period. The decrease in film cost percentage is attributable to the top films in the current period having lower settlement rates compared to the prior year period.

Cost of food service

The following table highlights the movement in cost of food service and food service cost as a percentage of food service revenues ("concession cost percentage") for both theatres and *The Rec Room* 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		
	2019	2018	Change	2019	2018	Change
Cost of food service - theatre	$ 25,590	$ 22,767	12.4%	$ 46,861	$ 45,203	3.7%
Cost of food service - *The Rec Room*	2,657	2,253	17.9%	4,822	4,593	5.0%
Total cost of food service	$ 28,247	$ 25,020	12.9%	$ 51,683	$ 49,796	3.8%
Theatre concession cost percentage (i)	21.4%	20.0%	1.4%	21.8%	20.3%	1.5%
The Rec Room food cost percentage (i)	27.1%	27.1%	—%	27.2%	27.0%	0.2%
Theatre concession margin per patron (i)	$ 5.53	$ 5.27	4.9%	$ 5.25	$ 5.05	4.0%
(i) See Section 16, Non-GAAP measures						

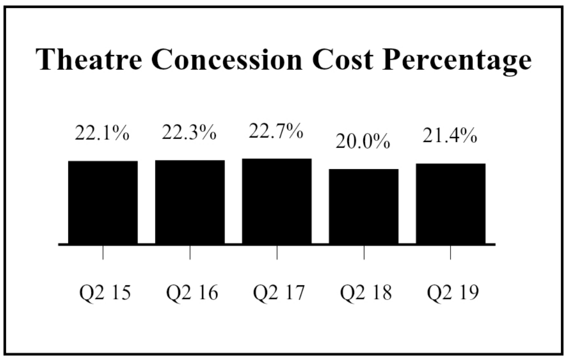
Second Quarter

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 2019 and the increase in the theatre concession cost percentage from 20.0% in the prior year period to 21.4% in 2019.

The theatre concession margin per patron increased 4.9% from $5.27 in the second quarter of 2018 to $5.53 in the same period in 2019, reflecting the impact of the higher CPP during the 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 Rec Room* food cost percentage during the quarter was flat as compared to the prior period.



Year to Date

The increase in the theatre cost of food service as compared to the prior year period was due to the increase in the concession cost percentage. The theatre concession margin per patron increased from $5.05 in the prior year period to $5.25 in the current period, reflecting the impact of the higher CPP in the current period.

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

Depreciation and amortization

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

Depreciation and amortization expenses	Second Quarter			Year to Date		
	2019	2018	Change	2019	2018	Change
Depreciation of property, equipment and leaseholds	$ 29,554	$ 28,231	4.7%	$ 58,411	$ 55,490	5.3%
Amortization of intangible assets and other	4,035	4,029	0.1%	8,033	7,964	0.9%
Sub-total - depreciation and amortization - other assets	$ 33,589	$ 32,260	4.1%	$ 66,444	$ 63,454	4.7%
Depreciation - right-of-use assets	36,557	—	NM	73,019	—	NM
Total depreciation and amortization	$ 70,146	$ 32,260	117.4%	$ 139,463	$ 63,454	119.8%

The quarterly and year to date increase in depreciation of property, equipment and leaseholds of $1.3 million and $2.9 million respectively was primarily due to the investments in amusement and leisure businesses.

The quarterly and year to date increase in amortization of intangible assets and other as compared to the prior year periods was primarily due to internally developed software for digital products including the Cineplex mobile app and website platform.

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

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		
	2019	2018	Change	2019	2018	Change
Loss on disposal of assets	$ 116	$ 640	-81.9%	$ 593	$ 850	-30.2%

Other costs

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

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

Other costs	Second Quarter			Year to Date		
	2019	2018	Change	2019	2018	Change
Theatre occupancy expenses	$ 16,748	$ 52,788	-68.3%	$ 35,155	$ 104,686	-66.4%
Other operating expenses	161,658	143,162	12.9%	309,841	290,569	6.6%
General and administrative expenses	17,107	17,822	-4.0%	35,959	35,971	—%
Total other costs	$ 195,513	$ 213,772	-8.5%	$ 380,955	$ 431,226	-11.7%

Theatre occupancy expenses

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

Theatre occupancy expenses	Second Quarter			Year to Date		
	2019	Revised 2018	Change	2019	Revised 2018	Change
Cash rent - theatre (i) (vii)	$ 38,889	$ 38,747	0.4%	$ 78,768	$ 77,217	2.0%
Other occupancy	18,543	18,706	-0.9%	36,961	37,373	-1.1%
One-time items (ii)	(1,711)	(608)	181.4%	(1,890)	(1,880)	0.5%
Total theatre occupancy including cash lease payments	$ 55,721	$ 56,845	-2.0%	$ 113,839	$ 112,710	1.0%
Non-cash rent (iii) (vi)	—	(3,068)	NM	—	(6,046)	NM
Rent previously recognized as a finance lease (iv)	—	(989)	NM	—	(1,978)	NM
Cash rent related to lease obligations (v)	(38,973)	—	NM	(78,684)	—	NM
Theatre occupancy as reported	$ 16,748	$ 52,788	-68.3%	$ 35,155	$ 104,686	-66.4%

(i) Represents the cash payments for theatre rent during the quarter. See Section 17, IFRS 16 reconciliation for further details.

(ii) One-time items include amounts related to both theatre rent and other theatre occupancy costs. They are isolated here to illustrate Cineplex's theatre rent and other theatre occupancy costs excluding these one-time, non-recurring items.

(iii) Non-cash rent included in the 2018 balances in the previous reporting period. See Section 17, IFRS 16 reconciliation for further details.

(iv) Rent payments that were charged to the finance lease obligations in the previous reporting period. See Section 17, IFRS 16 reconciliation for further details.

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

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

(vii) The 2019 year to date balance includes $0.7 million of cash rent paid not pertaining to the current period. See Section 16, Non-GAAP measures.

Theatre occupancy continuity	Second Quarter Occupancy	Year to Date Occupancy
2018 as reported	$ 52,788	$ 104,686
Impact of new and acquired theatres	1,736	2,486
Impact of disposed theatres	(697)	(1,233)
Same theatre rent change (i)	(582)	596
One-time items	(1,103)	(10)
Other	(478)	(709)
<u>Impact of IFRS 16 adoption:</u>		
Impact of non-cash rent in prior period	3,068	6,046
Rent previously recognized as a finance lease	989	1,977
Cash rent related to lease obligations	(38,973)	(78,684)
2019 as reported	$ 16,748	$ 35,155

(i) See Section 16, Non-GAAP measures

Second Quarter

Theatre occupancy expenses decreased $36.0 million (68.3%) during the second quarter of 2019 compared to the prior year period. This decrease was primarily due to the impact of the adoption of IFRS 16 partially offset by the impact of non-cash rent in the prior period.

Total theatre occupancy including cash lease payments decreased $1.1 million (2.0%) during the second quarter of 2018 compared to the prior year period. This decrease was due to a $1.1 million decrease in one-time credits.

Year to Date

For the year to date period, theatre occupancy expenses decreased $69.5 million (66.4%) compared to the prior year due to the impact of the adoption of IFRS partially offset by the impact of non-cash rent in the prior year period.

For the year to date period, theatre occupancy including cash payments increased $1.1 million (1.0%) as compared to the prior year period. The increase was primarily due to the impact of new theatres net of disposed theatres.

Other operating expenses

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

Other operating expenses	Second Quarter			Year to Date		
	2019	Revised 2018	Change	2019	Revised 2018	Change
Theatre payroll	$ 41,072	$ 37,506	9.5%	$ 77,782	$ 75,800	2.6%
Theatre operating expenses	30,225	28,913	4.5%	58,787	58,332	0.8%
Media (i)	21,185	17,288	22.5%	37,927	33,709	12.5%
P1AG (i)	40,529	36,140	12.1%	81,494	71,859	13.4%
The Rec Room (i) (ii)	13,957	11,461	21.8%	25,105	22,001	14.1%
Location-based entertainment pre-opening (i) (iii)	673	848	-20.6%	1,364	1,138	19.9%
SCENE	4,060	3,173	28.0%	9,098	7,288	24.8%
Marketing	4,192	3,495	19.9%	7,043	7,903	-10.9%
Business interruption insurance proceeds	—	(3,700)	NM	—	(3,700)	NM
Other (iv)	10,427	8,086	29.0%	20,236	16,392	23.5%
Other operating expenses including cash lease payments	$ 166,320	$ 143,210	16.1%	$ 318,836	$ 290,722	9.7%
Non-cash rent (v) (vi)	—	(48)	NM	—	(153)	NM
Cash rent related to lease obligations (vii)	(4,662)	—	NM	(8,995)	—	NM
Other operating expenses as reported	$ 161,658	$ 143,162	12.9%	$ 309,841	$ 290,569	6.6%

(i) Prior period balances were revised to exclude non-cash rent. See Section 17, IFRS 16 reconciliation for further details.

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

(iii) Includes pre-opening costs of *The Rec Room* and *Playdium* locations.

(iv) Other category includes overhead costs related to *The Rec Room*, operating costs of WGN and other Cineplex internal departments.

(v) Non-cash rent included in the 2018 balances in the previous reporting period. See Section 17, IFRS 16 reconciliation for further details.

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

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

Other operating continuity	Second Quarter Other Operating	Year to Date Other Operating
2018 as reported	$ 143,162	$ 290,569
Impact of new and acquired theatres	2,722	4,823
Impact of disposed theatres	(539)	(1,004)
Same theatre payroll change (i)	1,911	(779)
Same theatre operating expenses change (i)	810	(544)
Media operating expenses change	3,897	4,218
P1AG operating expenses change	4,389	9,635
The Rec Room operating expenses change	2,496	3,104
Location-based entertainment pre-opening change	(175)	226
SCENE change	887	1,810
Marketing change	697	(860)
Business interruption insurance proceeds change	3,700	3,700
Other	2,315	3,785
Impact of IFRS 16 adoption:		
Non-cash rent in prior period	48	153
Cash rent related to lease obligations	(4,662)	(8,995)
2019 as reported	$ 161,658	$ 309,841
(i) See Section 16, Non-GAAP measures		

Second Quarter

Other operating expenses during the second quarter of 2019 increased $18.5 million or 12.9% compared to the prior year period. Cineplex incurred higher amusement and leisure costs due to an increase in the route business from P1AG and from an increase in the number of locations of *The Rec Room*. Media operating expenses increased due to higher digital place-based media project installation revenue as compared to the prior year period. Same theatre payroll expenses increased due to higher minimum wages in Alberta and British Columbia. During the second quarter of 2018, Cineplex recognized business interruption insurance proceeds of $3.7 million, as a result of the fire at *Cineplex Seton and VIP* in late 2017.

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

Year to Date

For the six months ended June 30, 2019, other operating expenses increased $19.3 million or 6.6% compared to the prior year period. Cineplex incurred higher amusement and leisure costs due to an increase in distribution sales and route revenue from P1AG and from an increase in the number of locations of *The Rec Room*. Media operating expenses increased due to higher CDM project installation revenue as compared to the prior year period. SCENE expenses increased $1.8 million due to the timing of expenses. Other expenses increased due to higher digital commerce business volumes as compared to the prior year period.

These increases were partially offset by a decrease in same theatre payroll and operating expenses due to a decrease in business volumes for theatre exhibition business and cash rent allocated to lease obligations arising upon the adoption of IFRS 16.

General and administrative expenses

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

G&A expenses	Second Quarter			Year to Date		
	2019	Revised 2018	Change	2019	Revised 2018	Change
G&A excluding LTIP and option plan expense (i)	$ 15,892	$ 14,772	7.6%	$ 33,720	$ 32,545	3.6%
Restructuring	713	2,803	-74.6%	713	3,799	-81.2%
LTIP (ii)	247	(242)	NM	1,009	(1,291)	NM
Option plan	404	487	-17.0%	793	918	-13.6%
G&A expenses including cash lease payments	$ 17,256	$ 17,820	-3.2%	$ 36,235	$ 35,971	0.7%
Non-cash rent (iii) (iv)	—	2	NM	—	—	NM
Cash rent included as part of lease obligations (v)	(149)	—	NM	(276)	—	NM
G&A expenses as reported	$ 17,107	$ 17,822	-4.0%	$ 35,959	$ 35,971	—%

(i) Prior period balance was revised to exclude non-cash rent. See Section 17, IFRS 16 reconciliation for further details.
(ii) LTIP includes the expense for the LTIP program as well as the expense for the executive and Board deferred share unit plans.
(iii) Non-cash rent included in the 2018 balances in the previous reporting period.
(iv) See Section 16, Non-GAAP measures.
(v) Cash rent that has been reallocated to offset the lease obligations.

Second Quarter

G&A expenses decreased $0.7 million during the second quarter of 2019 compared to the prior year period. In the second quarter of 2018 Cineplex implemented a cost reduction initiative. Costs associated with this initiative decreased by $2.1 million as compared to the prior year. This was partially offset by a $1.1 million increase to G&A due to higher payroll costs and a $0.5 million increase in LTIP expense due to ongoing regular vesting and a nominal change in the share price.

Year to Date

G&A expenses for the year to date period were flat compared to the prior year period. Increases in G&A were primarily due to a $2.3 million increase in LTIP and a $1.2 million increase in G&A excluding LTIP and option plan expense. LTIP for the year to date reflected ongoing regular vesting and a relatively flat share price during the period, compared to a significant price decrease in the prior year period resulting in an expense recovery. G&A excluding LTIP and option plan expense increased due in part to an increase in consulting work including the software upgrade undertaken for IFRS 16. These increases were partially offset by $3.1 million reduction in the restructuring costs.

Share of income of joint ventures and associates

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

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

Share of income of joint ventures and associates	Second Quarter			Year to Date		
	2019	2018	Change	2019	2018	Change
Share of income of CDCP	$ (1,917)	$ (926)	107.0%	$ (2,234)	$ (1,744)	28.1%
Share of loss of other joint ventures and associates	274	91	201.1%	222	12	1,750.0%
Total income of joint ventures and associates	$ (1,643)	$ (835)	96.8%	$ (2,012)	$ (1,732)	16.2%

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		
	2019	2018	Change	2019	2018	Change
Long-term debt interest expense	$ 6,340	$ 4,439	42.8%	$ 12,289	$ 8,753	40.4%
Convertible debenture interest expense	—	1,207	NM	—	2,399	NM
Sub-total - long-term debt interest expense	$ 6,340	$ 5,646	12.3%	$ 12,289	$ 11,152	10.2%
Lease interest expense (i)	12,204	142	NM	23,891	299	NM
Sub-total - cash interest expense	$ 18,544	$ 5,788	220.4%	$ 36,180	$ 11,451	216.0%
Deferred financing fee accretion and other non-cash interest, net	291	101	188.1%	850	201	322.9%
Convertible debenture accretion	—	608	NM	—	1,209	NM
Interest rate swap - non-cash	(574)	88	NM	(1,132)	208	NM
Sub-total - non-cash interest expense	(283)	797	-135.5%	(282)	1,618	-117.4%
Total interest expense	$ 18,261	$ 6,585	177.3%	$ 35,898	$ 13,069	174.7%
(i) See Section 12, Accounting policies.						

Interest expense increased $11.7 million for the quarter and $22.8 million for the year to date compared to the prior year period. For both the second quarter and year to date periods, cash interest was higher primarily as a result of the adoption of IFRS 16, as well as higher average borrowings on Cineplex’s revolving facility (See section 6.4, Credit Facilities). This was partially offset by the decrease in the convertible debenture interest expense as the convertible debenture matured and were repaid with funds drawn on the Credit Facilities on December 31, 2018.

Interest income

Interest income during the second quarter of 2019 and the six months ended June 30, 2019 was as follows (in thousands of dollars):

Interest income	Second Quarter			Year to Date		
	2019	2018	Change	2019	2018	Change
Interest income	$ 59	$ 58	1.7%	$ 133	$ 145	-8.3%

Foreign exchange

The following table highlights the movement in foreign exchange during the second quarter of 2019 and the six months ended June 30, 2019 (in thousands of dollars):

Foreign exchange	Second Quarter			Year to Date		
	2019	2018	Change	2019	2018	Change
Foreign exchange loss (gain)	675	$ (67)	NM	1,216	$ (832)	NM

The movement in the foreign exchange during the quarter was due to a decrease in the CAD/USD foreign exchange month end rate from 1.3363 at March 31, 2019 to 1.3087 at June 30, 2019.

For the six months ended June 30, 2019, the movement in the foreign exchange was due to the decrease in the CAD/USD foreign exchange month end rate from 1.3642 at December 31, 2018 to 1.3087 at June 30, 2019.

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		
	2019	2018	Change	2019	2018	Change
Current income tax expense	$ 7,245	$ 10,145	-28.6%	$ 7,653	$ 12,180	-37.2%
Deferred income recovery	(1,658)	(5,122)	-67.6%	(4,896)	(5,084)	-3.7%
Provision for income taxes	$ 5,587	$ 5,023	11.2%	$ 2,757	$ 7,096	-61.1%

Second Quarter

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

Year to Date

The decrease in provision for income taxes was due to lower taxable income versus the prior year period and the impact of differences in the timing of deductions for tax as compared to accounting in the current period as compared to the prior year period.

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

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

Net income

Net income during the second quarter of 2019 and the six months ended June 30, 2019 was as follows (in thousands of dollars):

Net income	Second Quarter			Year to Date		
	2019	2018	Change	2019	2018	Change
Net income	$ 19,397	$ 24,367	-20.4%	$ 12,037	$ 39,593	-69.6%

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

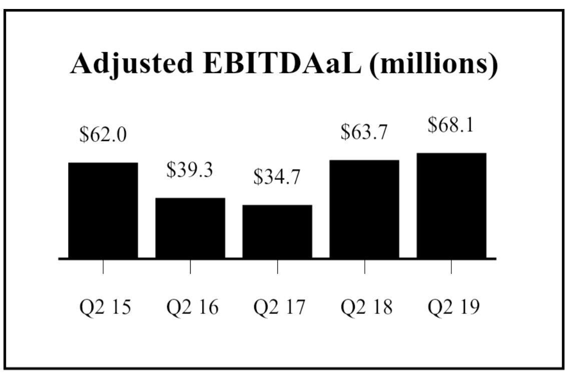
The following table presents EBITDA, adjusted EBITDA and adjusted EBITDAaL for the three and six months ended June 30, 2019 as compared to the prior year periods (in thousands of dollars, except adjusted EBITDAaL margin):

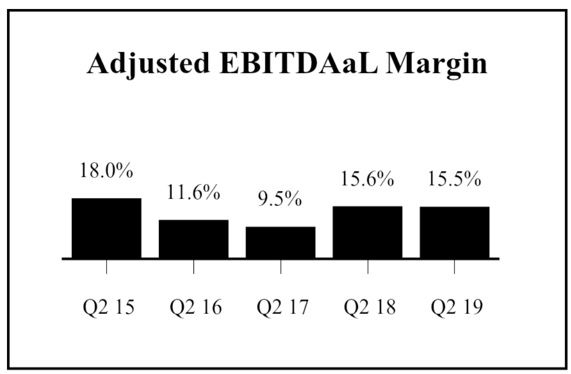
EBITDA	Second Quarter			Year to Date		
	2019	2018	Change	2019	2018	Change
EBITDA	$ 113,332	$ 68,177	66.2%	$ 190,022	$ 123,067	54.4%
Adjusted EBITDA	$ 112,249	$ 67,840	65.5%	$ 189,691	$ 121,372	56.3%
Adjusted EBITDAaL (i)	$ 68,112	$ 63,737	6.9%	$ 102,443	$ 113,195	-9.5%
Adjusted EBITDAaL margin (i)	15.5%	15.6%	-0.1%	12.7%	14.2%	-1.5%

(i) Prior period figures have been revised to conform to current period presentation. See Section 17, IFRS 16 reconciliation for further details.

Adjusted EBITDAaL for the second quarter of 2019 increased $4.4 million (6.9%) to a second quarter record of $68.1 million as compared to the prior year period. The increase was due to higher revenues across all businesses. The record BPP and CPP amounts resulted in higher box office and theatre food service revenues. Amusement revenues increased due to higher distribution and route revenues. Higher revenues from *The Rec Room,* Cineplex Media and Cineplex Digital Media also contributed to the increase for adjusted EBITDAaL. Adjusted EBITDAaL margin, calculated as adjusted EBITDAaL divided by total revenues, was 15.5%, relatively flat compared to the prior year period.

Adjusted EBITDAaL for the six months ended June 30, 2019 decreased $10.8 million, or 9.5%, as compared to the prior year period. The decrease was due to a decline in box office and theatre food service revenues as a result of reduced attendance. Adjusted EBITDAaL margin for the period was 12.7%, a decrease of 1.5% from 14.2% in the prior year period due to lower exhibition revenues and higher contributions from lower margin businesses including amusement and leisure.





5. BALANCE SHEETS

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

	June 30, 2019	December 31, 2018	Change ($)	Change (%)
Assets				
Current assets				
Cash and cash equivalents	$ 32,040	$ 25,242	$ 6,798	26.9%
Trade and other receivables	111,986	165,586	(53,600)	-32.4%
Income taxes receivable	11,501	4,944	6,557	132.6%
Inventories	36,740	30,592	6,148	20.1%
Prepaid expenses and other current assets	18,740	13,862	4,878	35.2%
Fair value of interest rate swap agreements	901	1,457	(556)	-38.2%
	211,908	241,683	(29,775)	-12.3%
Non-current assets				
Property, equipment and leaseholds	623,746	634,354	(10,608)	-1.7%
Right-of-use assets (i)	1,286,851	—	1,286,851	NM
Deferred income taxes	13,656	13,444	212	1.6%
Fair value of interest rate swap agreements	363	2,063	(1,700)	-82.4%
Interests in joint ventures	33,398	38,912	(5,514)	-14.2%
Intangible assets	94,399	108,758	(14,359)	-13.2%
Goodwill	816,858	817,235	(377)	—%
	$ 3,081,179	$ 1,856,449	$ 1,224,730	66.0%
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	$ 174,513	$ 186,407	$ (11,894)	-6.4%
Share-based compensation	2,301	4,862	(2,561)	-52.7%
Dividends payable	9,500	9,183	317	3.5%
Income taxes payable	518	12,167	(11,649)	-95.7%
Deferred revenue	178,472	214,016	(35,544)	-16.6%
Lease obligations (i)	109,258	3,058	106,200	3,472.9%
Fair value of interest rate swap agreements	1,782	1,184	598	50.5%
	476,344	430,877	45,467	10.6%
Non-current liabilities				
Share-based compensation	9,751	8,210	1,541	18.8%
Long-term debt	641,000	580,000	61,000	10.5%
Fair value of interest rate swap agreements	15,539	7,674	7,865	102.5%
Lease obligations (i)	1,289,729	10,789	1,278,940	11,854.1%
Post-employment benefit obligations	9,301	9,250	51	0.6%
Other liabilities	11,100	119,110	(108,010)	-90.7%
Deferred income taxes	3,679	11,528	(7,849)	-68.1%
	2,456,443	1,177,438	1,279,005	108.6%
Equity attributable to owners of Cineplex	624,839	679,096	(54,257)	-8.0%
Non-controlling interests	(103)	(85)	(18)	21.2%
Total equity	624,736	679,011	(54,275)	-8.0%
	$ 3,081,179	$ 1,856,449	$ 1,224,730	66.0%

(i) See Section 12, Accounting policies for recognition of right-of-use assets and lease obligations upon adoption of IFRS 16.

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

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

Inventories. The increase in inventories is primarily due to higher amusement solutions and digital place-based media inventories as a result of increased distribution sales and project installations respectively.

Prepaid expenses and other current assets. The increase in prepaid expenses and other current assets relates primarily to certain prepaid real estate and business tax installments which are paid in the first quarter.

Property, equipment and leaseholds. The decrease in property, equipment and leaseholds is due to new build and other capital expenditures ($48.9 million) and maintenance capital expenditures ($13.1 million), offset by amortization expenses ($58.4 million), asset dispositions ($0.7 million), foreign exchange impact ($1.9 million) and the reallocation of property, equipment and leasehold assets to the opening right-of-use assets in accordance with IFRS 16 ($11.2 million for finance lease assets and $0.4 million for asset retirement obligation). See Section 12, Accounting policies for further details.

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

Intangible assets. The decrease in intangible assets is primarily due to the reallocation of fair-value rent assets at December 31, 2018 to the opening right-of-use asset balance in accordance with IFRS 16. See Section 12, Accounting policies for further details.

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

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

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

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

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

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

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

6. LIQUIDITY AND CAPITAL RESOURCES

6.1 OPERATING ACTIVITIES

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

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

Cash flows provided by operating activities	Second Quarter			Year to Date		
	2019	2018	Change	2019	2018	Change
Net income	$ 19,397	$ 24,367	$ (4,970)	$ 12,037	$ 39,593	$ (27,556)
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation and amortization of other assets (i)	33,589	32,260	1,329	66,444	63,454	2,990
Depreciation of right-of-use assets	36,557	—	36,557	73,019	—	73,019
Other depreciation and amortization amounts (ii)	—	(3,114)	3,114	—	(6,199)	6,199
Unrealized foreign exchange	325	(294)	619	754	(294)	1,048
Interest rate swap agreements - non-cash interest	(574)	88	(662)	(1,132)	208	(1,340)
Accretion of convertible debentures	—	608	(608)	—	1,209	(1,209)
Other non-cash interest (iii)	291	100	191	850	201	649
Loss on disposal of assets	116	640	(524)	593	850	(257)
Deferred income taxes	(1,658)	(5,122)	3,464	(4,896)	(5,084)	188
Non-cash Share-based compensation	404	487	(83)	793	918	(125)
Net change in interests in joint ventures and associates	(1,403)	(424)	(979)	(3,089)	(1,629)	(1,460)
Changes in operating assets and liabilities	(29,550)	(20,679)	(8,871)	(27,299)	(19,760)	(7,539)
Net cash provided by operating activities	$ 57,494	$ 28,917	$ 28,577	$ 118,074	$ 73,467	$ 44,607

(i) Includes depreciation of property, equipment and leaseholds and amortization of intangible assets.

(ii) Includes amortization of tenant inducements and rent averaging liabilities. This accounting treatment was applied under IAS 17 Leases ("IAS 17") in 2018 but not applicable under IFRS 16 in 2019. See Section 17, IFRS 16 reconciliation for further details.

(iii) Includes accretion of debt issuance and other non-cash interest costs.

Second Quarter

Cash provided by operating activities increased $28.6 million in the second quarter of 2019 compared to the prior year period, primarily due to the impact of IFRS 16 as a result of cash rent no longer being deducted under operating activities. Tenant inducements have been reclassified from operating to investing activities.

Year to Date

For the six months ended June 30, 2019, cash provided in operating activities increased $44.6 million compared to the prior year period due to the impact of IFRS 16 as a result of cash rent no longer being deducted under operating activities ($64.1 million), partially offset by the movement in operating assets and liabilities and the $27.6 million decrease in net income.

6.2 INVESTING ACTIVITIES

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

Cash flows used in investing activities	Second Quarter			Year to Date		
	2019	2018	Change	2019	2018	Change
Proceeds from disposal of assets, including asset-related insurance recoveries	$ —	$ 1,604	$ (1,604)	$ —	$ 1,786	$ (1,786)
Purchases of property, equipment and leaseholds	(27,667)	(29,480)	1,813	(60,029)	(54,991)	(5,038)
Intangible assets additions	(1,305)	(1,013)	(292)	(2,917)	(2,368)	(549)
Tenant inducements (i)	734	6,372	(5,638)	1,349	8,248	(6,899)
Net cash received from joint ventures and associates	3,128	292	2,836	8,602	976	7,626
Net cash used in investing activities	$ (25,110)	$ (22,225)	$ (2,885)	$ (52,995)	$ (46,349)	$ (6,646)

(i) Prior period figures have been reclassified to conform to current period presentation. See Section 17, IFRS 16 reconciliation for further details.

Second Quarter

Cash used in investing activities during the second quarter of 2019 increased by $2.9 million compared to the prior year period. The change was primarily due to lower tenant inducements received in the current year period, partially offset by the higher amount of cash received from CDCP.

Year to Date

For the year to date period, cash used in investing activities was $6.6 million higher than the prior year period. The variance was primarily due to increased spending on property, equipment and leaseholds and lower tenant inducement received in the current period compared to the prior year period, partially offset by increased cash received from CDCP.

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

Capital expenditures	Second Quarter			Year to Date		
	2019	2018	Change	2019	2018	Change
Gross capital expenditures	$ 27,667	$ 29,480	$ (1,813)	$ 60,029	$ 54,991	$ 5,038
Less: tenant inducements	(734)	(6,372)	5,638	(1,349)	(8,248)	6,899
Net capital expenditures	$ 26,933	$ 23,108	$ 3,825	$ 58,680	$ 46,743	$ 11,937
Net capital expenditures consists of:						
Growth and acquisition capital expenditures (i)	$ 19,132	$ 19,254	$ (122)	$ 43,478	$ 38,028	$ 5,450
Tenant inducements	(734)	(6,372)	5,638	(1,349)	(8,248)	6,899
Media growth capital expenditures	207	357	(150)	302	758	(456)
Premium formats (ii)	2,483	1,472	1,011	4,483	3,581	902
Amusement gaming & leisure growth capital expenditures (excluding *The Rec Room* expenditures)	246	1,666	(1,420)	653	2,353	(1,700)
Maintenance capital expenditures	8,476	4,953	3,523	13,146	10,240	2,906
Other (iii)	(2,877)	1,778	(4,655)	(2,033)	31	(2,064)
	$ 26,933	$ 23,108	$ 3,825	$ 58,680	$ 46,743	$ 11,937

(i) Growth and acquisition capital expenditures include expenditures on the construction of new locations (including VIP cinemas) and other Board approved growth projects with the exception of premium formats, media growth, and amusement gaming and leisure growth capital expenditures.

(ii) Premium formats include capital expenditures for recliner seating, IMAX, UltraAVX, 3D and 4DX.

(iii) Primary component of Other is the impact of the timing of cash payments relating to the purchases of property, equipment and leaseholds.

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

6.3 FINANCING ACTIVITIES

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

Cash flows used in financing activities	Second Quarter			Year to Date		
	2019	2018	Change	2019	2018	Change
Dividends paid	$ (27,867)	$ (26,916)	$ (951)	$ (55,417)	$ (53,515)	$ (1,902)
Borrowings under credit facility, net	35,000	15,000	20,000	61,000	21,000	40,000
Repayments of lease obligations - principal	(31,580)	(847)	(30,733)	(64,064)	(1,679)	(62,385)
Deferred financing fees	—	—	—	(243)	—	(243)
Options exercised for cash	—	68	(68)	—	68	(68)
Net cash used in financing activities	$ (24,447)	$ (12,695)	$ (11,752)	$ (58,724)	$ (34,126)	$ (24,598)

Second Quarter

Cash flows used in financing activities were $24.4 million in the second quarter of 2019, as compared to $12.7 million used in financing activities in the prior year period, primarily due to the impact of IFRS 16 which resulted in principal repayments of lease obligations being recorded under financing activities. The repayments represent cash rent which was included in operating activities in the prior year period. This was partially offset by higher net borrowing in the current period to fund new build capital expenditures.

Year to Date

Net cash used in financing activities was $58.7 million year to date in 2019, as compared to the cash flow used in financing activities of $34.1 million in the prior year period. This was due to the impact of IFRS 16 which resulted in principal repayments of lease obligations being recorded under financing activities. The repayments represent cash rent which was included in operating activities in the prior year period. This was partially offset by higher net borrowing in the current period to fund new theatre, *Playdium* and *The Rec Room* capital expenditures.

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

6.4 CREDIT FACILITIES

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

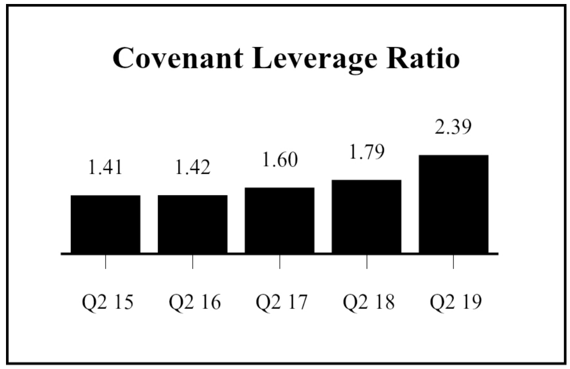
	Available	Drawn	Reserved	Remaining
(i) a five-year senior secured revolving credit facility ("Revolving Facility")	$ 650.0	$ 491.0	$ 8.7	$ 150.3
(ii) a seven-year senior secured non-revolving term facility ("Term Facility")	$ 150.0	$ 150.0	$ —	$ —
Letters of credit outstanding at June 30, 2019 of $8.7 million are reserved against the Revolving Facility.				

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

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

Cineplex's Credit Facilities contain restrictive covenants that limit the discretion of Cineplex's management with respect to certain business matters. These covenants place limits and restrictions on, among other things, the ability of Cineplex to create liens or other encumbrances, to pay dividends or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. The Credit Facilities are secured by all of Cineplex's assets.

One of the key financial covenants in the Credit Facilities is the leverage covenant which will be calculated in accordance with IFRS in effect at November 13, 2018 which excludes the impact of the adoption of IFRS 16 on Cineplex's financial reporting. As at June 30, 2019, Cineplex's leverage ratio as calculated in accordance with the Credit Facilities definition was 2.39, as compared to a covenant of 3.75x. The definition of debt in the Credit Facilities includes long-term debt, financing leases and letters of credit but does not include the lease obligations arising on the adoption of IFRS 16 or a reduction for cash on hand. For the purposes of the Credit Facilities definition, EBITDA is adjusted for certain non-cash, non-recurring items and the annualized impact of new operating locations or acquisitions.



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

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

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

Interest rate swap agreements

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

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

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

6.5 FUTURE OBLIGATIONS

Cineplex has aggregate gross capital commitments of $203.7 million ($129.0 million net of tenant inducements) related to the completion of construction of 22 operating locations including both theatres and location-based entertainment locations, in addition to the ongoing rollout of expanded entertainment offerings at select theatres and location-based entertainment locations, over the next four years.

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

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

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

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

7.1 ADJUSTED FREE CASH FLOW

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

Adjusted free cash flow	Second Quarter			Year to Date		
	2019	2018	Change	2019	2018	Change
Adjusted free cash flow per Share	$ 0.778	$ 0.688	13.1%	$ 1.238	$ 1.298	-4.6%
Dividends declared per Share	$ 0.445	$ 0.430	3.5%	$ 0.880	$ 0.850	3.5%
Payout ratio - twelve months ended June 30				63.6%	62.5%	1.1%

Adjusted free cash flow per Share is 13.1% 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 4.6% lower than the prior year period, primarily due to increased spending on maintenance capital purchases and lower net income.

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		
	2019	2018	Change	2019	2018	Change
Cash flows provided by operations (i)	$ 57,494	$ 28,917	98.8%	$ 118,074	$ 73,467	60.7%
Net income	$ 19,397	$ 24,367	-20.4%	$ 12,037	$ 39,593	-69.6%
Standardized free cash flow (i)	$ 29,827	$ 1,041	2,765%	$ 58,045	$ 20,262	186.5%
Adjusted free cash flow	$ 49,299	$ 43,602	13.1%	$ 78,405	$ 82,200	-4.6%
Cash dividends declared	$ 28,184	$ 27,233	3.5%	$ 55,733	$ 53,832	3.5%
Average number of Shares outstanding	63,333,238	63,332,067	—%	63,333,238	63,331,261	—%

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

7.2 DIVIDENDS

Subject to the discretion of the Board, dividends are typically declared on a monthly basis to common shareholders of record on the last business day of each month. For the three months ended June 30, 2019 and 2018, Cineplex declared dividends totaling $0.445 per Share and $0.430 per Share, respectively.

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

Distribution and dividend history

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

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

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

8. SHARE ACTIVITY

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

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

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

The grants of Share equivalents were as follows:

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

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

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

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

	2019			2018	
	Weighted average remaining contractual life (years)	Number of underlying Shares	Weighted average exercise price	Number of underlying Shares	Weighted average exercise price
Options outstanding - January 1	6.92	2,433,589	$ 42.84	2,157,589	$ 45.50
Granted		757,639	25.05	559,703	33.59
Forfeited		(59,115)	38.50	(182,995)	45.13
Exercised		—	—	(2,500)	27.33
Options outstanding – end of period	8.85	3,132,113	$ 38.62	2,531,797	$ 42.91

9. SEASONALITY AND QUARTERLY RESULTS

Historically, Cineplex's revenues have been seasonal, coinciding with the timing of major film releases. The most marketable motion pictures were traditionally released during the summer and the late-November through December holiday season. This caused changes from quarter to quarter in theatre attendance, affecting theatre exhibition reported results. The seasonality of theatre attendance has become less pronounced as film studios have expanded the historical summer and holiday release windows and increased the number of heavily marketed films released during traditionally weaker periods. Cineplex's diversification into other businesses such as digital media and amusement and leisure, which are not dependent on motion picture content, has contributed to reduce the impact of this seasonality on Cineplex's consolidated results. To meet working capital requirements during lower revenue quarters, Cineplex can draw upon the Revolving Facility, which had $491.0 million drawn and $8.7 million of letters of credit outstanding as of June 30, 2019, leaving $150.3 million available.

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

	2019		2018				2017	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues								
Box office revenues	**$ 189,371**	$156,496	$182,352	$173,278	$187,234	$181,380	$185,048	$164,493
Food service revenues	**129,563**	103,058	120,726	115,557	122,270	116,948	119,514	107,029
Media revenues	**49,578**	35,013	58,218	33,487	40,791	32,513	61,519	39,862
Amusement revenues	**58,117**	58,500	53,473	53,838	48,577	49,905	49,300	48,940
Other revenues	**12,616**	11,871	13,414	10,555	10,181	10,126	10,912	10,124
	439,245	364,938	428,183	386,715	409,053	390,872	426,293	370,448
Expenses								
Film cost	**103,005**	78,721	91,562	90,213	102,346	95,204	98,734	83,268
Cost of food service	**28,247**	23,436	26,138	24,257	25,020	24,776	26,935	23,669
Depreciation - right-of-use assets (i)	**36,557**	36,462	—	—	—	—	—	—
Depreciation and amortization - other	**33,589**	32,855	34,799	33,599	32,260	31,194	31,390	30,613
Loss on disposal of assets	**116**	477	1,064	783	640	210	369	275
Other costs	**195,513**	185,442	228,565	218,944	213,772	217,454	220,930	204,762
	397,027	357,393	382,128	367,796	374,038	368,838	378,358	342,587
Income from operations	**42,218**	7,545	46,055	18,919	35,015	22,034	47,935	27,861
Adjusted EBITDA (ii)	**112,249**	77,442	81,637	53,356	67,840	53,532	79,614	58,811
Adjusted EBITDAaL (ii) (iii)	**68,112**	34,331	78,325	49,783	63,737	49,458	75,763	55,379
Net income (loss)	**$ 19,397**	$ (7,360)	$ 27,154	$ 10,209	$ 24,367	$ 15,226	$ 28,786	$ 17,219
EPS - basic	**$ 0.31**	$ (0.12)	$ 0.43	$ 0.16	$ 0.38	$ 0.24	$ 0.45	$ 0.27
EPS - diluted (iv)	**$ 0.31**	$ (0.12)	$ 0.43	$ 0.16	$ 0.38	$ 0.24	$ 0.45	$ 0.27
Cash provided by operating activities (iii)	**$ 57,494**	$ 60,580	$ 81,980	$ 38,366	$ 28,917	$ 44,550	$118,151	$ 35,111
Cash used in investing activities (iii)	**(25,110)**	(27,885)	(22,550)	(30,343)	(22,225)	(24,124)	(44,986)	(44,924)
Cash (used in) provided by financing activities	**(24,447)**	(34,277)	(66,646)	(9,412)	(12,695)	(21,431)	(51,461)	7,320
Effect of exchange rate differences on cash	**226**	217	(104)	(173)	589	(54)	146	(184)
Net change in cash	**$ 8,163**	$ (1,365)	$ (7,320)	$ (1,562)	$ (5,414)	$ (1,059)	$ 21,850	$ (2,677)
BPP (ii)	**$ 11.13**	$ 10.44	$ 10.73	$ 10.07	$ 10.82	$ 10.21	$ 10.54	$ 9.81
CPP (ii)	**$ 7.04**	$ 6.35	$ 6.53	$ 6.25	$ 6.59	$ 6.09	$ 6.29	$ 6.01
Film cost percentage (ii)	**54.4%**	50.3%	50.2%	52.1%	54.7%	52.5%	53.4%	50.6%
Theatre attendance (in thousands of patrons) (ii)	**17,011**	14,988	16,992	17,208	17,307	17,765	17,551	16,766
Theatre locations (at period end)	**165**	165	164	165	164	163	163	163
Theatre screens (at period end)	**1,695**	1,692	1,686	1,696	1,683	1,676	1,676	1,676

(i) See Section 12, Accounting policies.

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

(iii) Prior period figures have been revised to conform to current period presentation. See Section 17, IFRS 16 reconciliation for further details.

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

Summary of adjusted free cash flow by quarter

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

	2019		2018				2017	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Cash provided by operating activities (i)	**$ 57,494**	$ 60,580	$ 81,980	$ 38,366	$ 28,917	$ 44,550	$ 118,151	$ 35,111
Less: Total capital expenditures net of proceeds on sale of assets	**(27,667)**	(32,362)	(24,447)	(30,538)	(27,876)	(25,329)	(44,205)	(47,869)
Standardized free cash flow	**29,827**	28,218	57,533	7,828	1,041	19,221	73,946	(12,758)
Add/(Less):								
Changes in operating assets and liabilities	**29,550**	(2,251)	(15,969)	(234)	20,679	(919)	(60,319)	12,675
Changes in operating assets and liabilities of joint ventures	**(240)**	1,317	(1,518)	1,012	(411)	308	506	(1,657)
Principal component of lease obligations	**(31,580)**	(32,484)	(878)	(863)	(847)	(832)	(817)	(802)
Principal portion of cash rent paid not pertaining to current period	**(346)**	1,037	—	—	—	—	—	—
Growth capital expenditures and other	**19,191**	27,692	19,871	26,105	22,923	20,042	37,553	38,149
Share of income of joint ventures, net of non-cash depreciation	**(238)**	92	(306)	2	(75)	94	(80)	62
Non-controlling interests	**7**	11	25	53	—	—	—	—
Net cash received from CDCP	**3,128**	5,474	684	2,606	292	684	550	2,246
Adjusted free cash flow	**$ 49,299**	$ 29,106	$ 59,442	$ 36,509	$ 43,602	$ 38,598	$ 51,339	$ 37,915
Average number of Shares outstanding	**63,333,238**	63,333,238	63,333,137	63,332,946	63,332,067	63,330,446	63,350,216	63,508,418
Adjusted free cash flow per Share	**$ 0.778**	$ 0.460	$ 0.939	$ 0.576	$ 0.688	$ 0.609	$ 0.810	$ 0.597

(i) Prior period figures have been revised to conform to current period presentation. See Section 17, IFRS 16 reconciliation for further details.

10. RELATED PARTY TRANSACTIONS

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

The Chief Executive Officer of Riocan Real Estate Investment Trust ("Riocan") serves as a member of the Board. During the three and six months ended June 30, 2019, Cineplex incurred theatre occupancy expenditures for theatres under lease commitments with Riocan in the amounts of $10.7 million and $21.6 million, (2018 - $11.2 million and $22.4 million, respectively).

11. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTIES

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

Critical Judgments in Determining Lease Terms

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

12. ACCOUNTING POLICIES

ACCOUNTING STANDARDS ADOPTED IN THE CURRENT YEAR

IFRS 16, Leases

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

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

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

	December 31, 2018	Finance lease (i)	Asset retirement obligation (ii)	Fair-value rent (iii)	Deferred tenant inducement (iv)	Rent averaging (v)	Density right (vi)	PVLP (vii)	Balances post IFRS 16 adoption at January 1, 2019
Assets									
Non-current assets									
Property, equipment and leaseholds	634,354	(11,239)	(405)	—	—	—	—	—	622,710
Right-of-use assets	—	11,239	1,167	(3,631)	(56,610)	(36,490)	(1,091)	1,428,009	1,342,593
Intangible assets	108,758	—	—	(9,689)	—	—	—	—	99,069
Total assets	$ 1,856,449	$ —	$ 762	$ (13,320)	$ (56,610)	$ (36,490)	$ (1,091)	$ 1,428,009	$ 3,177,709
Liabilities									
Current liabilities									
Lease obligations	3,058	(3,058)	—	—	—	—	—	106,892	106,892
Total current liabilities	430,877	(3,058)	—	—	—	—	—	106,892	534,711
Non-current liabilities									
Lease obligations	10,789	3,058	—	—	—	—	—	1,321,117	1,334,964
Other liabilities	119,110	—	762	(13,320)	(56,610)	(36,490)	(1,091)	—	12,361
Total liabilities	$ 1,177,438	$ —	$ 762	$ (13,320)	$ (56,610)	$ (36,490)	$ (1,091)	$ 1,428,009	$ 2,498,698

(i) Property, equipment and leaseholds associated with finance lease assets were reallocated to right-of-use assets, and finance lease liabilities were reallocated to lease obligations upon adoption of IFRS 16.

(ii) Asset retirement obligation ("ARO") assets were reallocated to right-of-use assets, and ARO liabilities were re-valued based on the lease term and incremental borrowing rate upon adoption of IFRS 16.

(iii) Fair-value rent assets and liabilities were reallocated to right-of-use assets upon adoption of IFRS 16.

(iv) Deferred tenant inducements were reallocated to right-of-use assets upon adoption of IFRS 16.

(v) Straight-line rent averaging liabilities were reallocated to right-of-use assets upon adoption of IFRS 16.

(vi) Density right deferred gains were reallocated to right-of-use assets upon adoption of IFRS 16.

(vii) Cineplex recognized right-of-use assets and lease obligations equal to the present value of future lease payments ("PVLP") upon adoption of IFRS 16 using the modified retrospective method.

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

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

13. RISKS AND UNCERTAINTIES

Cineplex is exposed to a number of risks and uncertainties in the normal course of business that have the potential to affect operating performance. For more information about Cineplex's risks and uncertainties, refer to Section 14 of the 2018 Annual MD&A. These risks and uncertainties remain substantially unchanged from those disclosed. This section describes the principal risks and uncertainties that could have a material adverse effect on Cineplex's business and financial results. The risks and uncertainties described therein are not the only risks that may impact Cineplex's business. Additional risks not currently known to Cineplex or that management currently believes are immaterial may also have a material adverse effect on future business and operations. Any discussion about risks should be read in conjunction with "Forward-Looking Statements".

14. CONTROLS AND PROCEDURES

14.1 DISCLOSURE CONTROLS AND PROCEDURES

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

14.2 INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management of Cineplex is responsible for designing and evaluating the effectiveness of internal controls over financial reporting for Cineplex as defined under National Instrument 52-109 issued by the Canadian Securities Administrators. Management has designed such internal controls over financial reporting using the Integrated Control - Integrated Framework: 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission, or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with GAAP.

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

15. OUTLOOK

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

FILM ENTERTAINMENT AND CONTENT

Theatre Exhibition

Cineplex box office revenues increased 1.1% in the second quarter as compared to the prior year period, the second highest box office revenues reported for a second quarter. The increase was due to an all-time record BPP which more than offset the marginal decrease in theatre attendance. Box office revenues are and will remain highly dependent on the marketability, quality and appeal of the film product released by major motion picture studios. Looking forward to the balance of 2019 there is a strong slate of films scheduled for release including *Spider-Man: Far from Home, The Lion King, Once Upon a Time in Hollywood, Fast & Furious Presents:Hobbs and Shaw, Good Boys, Artemis Fowl, IT: Chapter 2, Ad Astra, Joker, Gemini Man, Maleficent: Mistress of Evil, Terminator: Dark Fate, Ford v. Ferrari, A Beautiful Day in the Neighborhood, Frozen 2, Jumanji 2* and *Star Wars: The Rise of Skywalker.*

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

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

During the second quarter of 2019, Cineplex announced plans to open a new theatre and entertainment complex in Winnipeg, Manitoba in 2021. The new complex will offer an all-in-one entertainment experience that includes movies, dinning, amusement games and attractions.

Theatre Food Service

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

Alternative Programming

Cineplex offers a wide variety of alternative programming, including international film programming, the popular Metropolitan Opera live in HD series, sports programming and various concert performances by popular recording artists. Live stage performances captured in London and New York are seeing increased growth with more productions. Cineplex continues to look for compelling content to offer as alternative content to attract a wider audience to its locations, in addition to adding dedicated event screens.

Digital Commerce

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

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

MEDIA

Cinema Media

Cineplex believes that no other medium engages viewers like the cinema experience: engaged moviegoers, sitting in a darkened theatre, ready to be entertained and fully focused on the screen. Research has shown that cinema media advertising reaches the most sought-after demographics, as well as Canada's high-income households and educated populations. In addition to its successful show-time and pre-show advertising opportunities, Cineplex believes its cinema media business will continue to grow through its innovative media opportunities within Cineplex's theatres, including digital signage within theatre lobbies, the IMZs in select theatres and Timeplay, a third-party app that allows Cineplex to sell media integrated into real-time content on the big screen. Cineplex also sells media for Cineplex Digital Media clients, *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 digital place-based media networks. Cineplex will continue to explore opportunities outside of Canada, in order to better service its current customer base and to attract new clients. Cineplex believes that the strengths of its digital place-based media business will make Cineplex a leader in the indoor digital signage industry and will provide a platform for significant growth throughout Canada, the United States and internationally.

AMUSEMENT AND LEISURE

Amusement Solutions

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

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

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, a live entertainment venue and high definition screens for watching a wide range of entertainment programming. This entertainment is complemented with an upscale casual dining environment, as well as an expansive bar with a wide range of digital monitors and a large screen above the bar for watching events.

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

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 and a location in Dartmouth, Nova Scotia scheduled to open in 2020.

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

Esports

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

In 2019, WGN will invite gamers to compete in a number of online tournaments across the most popular gaming titles, leading to regional qualifiers at Cineplex and third-party locations, and will continue to work with strategic partners to grow the business.

LOYALTY

The SCENE loyalty program continues to grow its membership base, with approximately 9.9 million members at June 30, 2019. Cineplex continues to integrate SCENE elements into various film and other promotion campaigns, applying the data accumulated in the SCENE database to provide members targeted offers. Cineplex expects these programs to encourage increased frequency of visitation and spend by SCENE members and additional revenue opportunities through the use of the database. In addition, SCENE is implementing programs to drive consumer behavior through marketing automation initiatives. On October 30, 2018, SCENE launched a pilot of a new premium SCENE Gold loyalty card in Edmonton, Alberta at six participating theatre locations, offering bigger and better rewards for entertainment lovers.

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, 2019, Cineplex generated adjusted free cash flow per Share of $2.753, compared to $2.705 in the prior 12 month period. Cineplex declared dividends per Share of $1.750 and $1.690, respectively, in each 12 month period. The payout ratios for these periods were 63.6% and 62.5%, respectively.

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

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

16. NON-GAAP MEASURES

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

16.1 EBITDA, ADJUSTED EBITDA AND ADJUSTED EBITDaL

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

Cineplex's management believes that adjusted EBITDAaL is an important supplemental measure of Cineplex's profitability at an operational level and provides analysts and investors with comparability in evaluating and valuing Cineplex's performance period over period. EBITDA, adjusted for various unusual items, is also used to define certain financial covenants in Cineplex's Credit Facilities. Management calculates adjusted EBITDAaL margin by dividing adjusted EBITDAaL by total revenues.

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

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

	Three months ended June 30,		Six months ended June 30,	
	2019	**2018**	**2019**	**2018**
Net income	**$ 19,397**	**$ 24,367**	**$ 12,037**	**$ 39,593**
Depreciation and amortization - other	33,589	32,260	66,444	63,454
Depreciation - right-of-use assets	36,557	—	73,019	—
Interest expense - lease obligations	12,469	—	24,689	—
Interest expense - other	5,792	6,585	11,209	13,069
Interest income	(59)	(58)	(133)	(145)
Current income tax expense	7,245	10,145	7,653	12,180
Deferred income tax recovery	(1,658)	(5,122)	(4,896)	(5,084)
EBITDA	**$ 113,332**	**$ 68,177**	**$ 190,022**	**$ 123,067**
Loss on disposal of assets	116	640	593	850
CDCP equity income (i)	(1,917)	(926)	(2,234)	(1,744)
Foreign exchange loss (gain)	675	(67)	1,216	(832)
Non-controlling interest adjusted EBITDA	7	—	18	—
Depreciation and amortization - joint ventures and associates (ii)	24	3	53	5
Taxes and interest of joint ventures and associates (ii)	12	13	23	26
Adjusted EBITDA	**$ 112,249**	**$ 67,840**	**$ 189,691**	**$ 121,372**
Cash rent related to lease obligations (iii)	(43,784)	—	(87,955)	—
Cash rent paid not pertaining to current period	(353)	—	707	—
Rent previously recognized as a finance lease (iv)	—	(989)	—	(1,978)
Non-cash rent (v) (vi)	—	(3,114)	—	(6,199)
Adjusted EBITDAaL (vi) (vii)	**$ 68,112**	**$ 63,737**	**$ 102,443**	**$ 113,195**

(i) CDCP equity income not included in adjusted EBITDA as CDCP is a limited-life financing vehicle that is funded by virtual print fees collected from distributors.

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

(iii) Balance of cash rents that have been reallocated to offset the lease obligations.

(iv) Rent payments that were charged to the finance lease obligations in the previous reporting period. See Section 17, IFRS 16 reconciliation for further details.

(v) Non-cash rent included in the 2018 balances in the previous reporting period. See Section 17, IFRS 16 reconciliation for further details.

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

(vii) Prior period figures have been revised to conform to current period presentation. See Section 17, IFRS 16 reconciliation for further details.

16.2 ADJUSTED FREE CASH FLOW

Free cash flow measures the amount of cash from operating activities net of capital expenditures available for activities such as repayment of debt, dividends to owners and investments in future growth through acquisitions. Free cash flow is a non-GAAP measure generally used by Canadian corporations as an indicator of financial performance and it should not be viewed as a measure of liquidity or a substitute for comparable metrics prepared in accordance with GAAP. Standardized free cash flow is a non-GAAP measure recommended by the CICA in its 2008 interpretive release, *Improved Communication with Non-GAAP Financial Measures: General Principles and Guidance for Reporting EBITDA and Free Cash Flow,* and is designed to enhance comparability.

Cineplex presents standardized free cash flow and adjusted free cash flow per Share because they are key measures used by investors to value and assess Cineplex. Management of Cineplex defines adjusted free cash flow as standardized 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,	
	2019	2018	2019	2018
Cash provided by operating activities (i)	**$ 57,494**	**$ 28,917**	**$ 118,074**	**$ 73,467**
Less: Total capital expenditures net of proceeds on sale of assets	(27,667)	(27,876)	(60,029)	(53,205)
Standardized free cash flow	29,827	1,041	58,045	20,262
Add/(Less):				
Changes in operating assets and liabilities (ii)	29,550	20,679	27,299	19,760
Changes in operating assets and liabilities of joint ventures and associates (ii)	(240)	(411)	1,077	(103)
Principal component of lease obligations	(31,580)	(847)	(64,064)	(1,679)
Principal portion of cash rent paid not pertaining to current period	(346)	—	691	—
Growth capital expenditures and other (iii)	19,191	22,923	46,883	42,965
Share of income of joint ventures and associates, net of non-cash depreciation	(238)	(75)	(146)	19
Non-controlling interests	7	—	18	—
Net cash received from CDCP (iv)	3,128	292	8,602	976
Adjusted free cash flow	**$ 49,299**	**$ 43,602**	**$ 78,405**	**$ 82,200**
Average number of Shares outstanding	63,333,238	63,332,067	63,333,238	63,331,261
Adjusted free cash flow per Share	**$ 0.778**	**$ 0.688**	**$ 1.238**	**$ 1.298**
Dividends declared	**$ 0.445**	**$ 0.430**	**$ 0.880**	**$ 0.850**

(i) Prior period figures have been revised to conform to current period presentation. See Section 17, IFRS 16 reconciliation for further details.

(ii) Changes in operating assets and liabilities are not considered a source or use of adjusted free cash flow.

(iii) Growth capital expenditures and other represent expenditures on Board approved projects, exclude maintenance capital expenditures and are net of proceeds on asset sales. The Revolving Facility (discussed above in Section 6.4, Credit Facilities) is available to Cineplex to fund Board approved projects.

(iv) Excludes the share of income of CDCP, as CDCP is a limited-life financing vehicle funded by virtual print fees collected from distributors. Cash invested into CDCP, as well as cash distributions received from CDCP, are considered to be uses and sources of adjusted free cash flow.

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,	
	2019	**2018**	**2019**	**2018**
Net income	$ 19,397	$ 24,367	$ 12,037	$ 39,593
Adjust for:				
Depreciation and amortization - other	33,589	32,260	66,444	63,454
Depreciation - right-of-use assets	36,557	—	73,019	—
Loss on disposal of assets	116	640	593	850
Non-cash interest (i)	(283)	796	(282)	1,618
Non-cash foreign exchange	325	(294)	754	(294)
Share of income of CDCP (ii)	(1,917)	(926)	(2,234)	(1,744)
Non-controlling interests	7	—	18	—
Non-cash depreciation of joint ventures and associates	24	3	53	5
Deferred income tax recovery	(1,658)	(5,122)	(4,896)	(5,084)
Taxes and interest of joint ventures and associates	12	13	23	26
Maintenance capital expenditures	(8,476)	(4,953)	(13,146)	(10,240)
Principal component of finance lease obligations	(31,580)	(847)	(64,064)	(1,679)
Principal portion of cash rent paid not pertaining to current period	(346)	—	691	—
Net cash received from CDCP (ii)	3,128	292	8,602	976
Non-cash items:				
Amortization of tenant inducements, rent averaging liabilities and fair value lease contract assets	—	(3,114)	—	(6,199)
Non-cash Share-based compensation	404	487	793	918
Adjusted free cash flow	**$ 49,299**	**$ 43,602**	**$ 78,405**	**$ 82,200**

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

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

16.3 OTHER NON-GAAP MEASURES MONITORED BY MANAGEMENT

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

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

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

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

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

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

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

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

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

Same Theatre Analysis

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

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

Cost of sales percentages

Cineplex reviews and reports cost of sales percentages for its two largest revenue sources, box office revenues and food service revenues as these measures are widely used in the theatre exhibition industry. These measures are reported as film cost percentage and concession cost percentage, respectively, and are calculated as follows:

Film cost percentage: Calculated as total film cost expense divided by total box office revenues for the period.

Theatre concession cost percentage: Calculated as total theatre food service costs divided by total theatre food service revenues for the period.

***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 EBITDAaL

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

P1AG Adjusted EBITDAaL Margin

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

Adjusted Store Level EBITDAaL Metrics

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

Adjusted Store Level EBITDAaL Margin

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

Non-cash rent

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

17. IFRS 16 RECONCILIATION

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

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

Theatre occupancy expenses	**Revised 2018**			
	Q1	**Q2**	**Q3**	**Q4**
Cash rent - theatre (i)	$ 38,470	$ 38,747	$ 38,704	$ 38,624
Other occupancy	18,667	18,706	18,484	17,578
One-time items (ii)	(1,272)	(608)	(346)	(550)
Total theatre occupancy including cash lease payments	$ 55,865	$ 56,845	$ 56,842	$ 55,652
Non-cash rent (iii) (vi)	(2,978)	(3,068)	(2,692)	(2,672)
Rent previously recognized as a finance lease (iv)	(989)	(989)	(989)	(989)
Cash rent related to lease obligations (v)	—	—	—	—
Theatre occupancy as reported	$ 51,898	$ 52,788	$ 53,161	$ 51,991

(i) Represents the cash payments for theatre rent during the quarter. See below for reconciliation from previously reported figures.

(ii) One-time items include amounts related to both theatre rent and other theatre occupancy costs. They are isolated here to illustrate Cineplex's theatre rent and other theatre occupancy costs excluding these one-time, non-recurring items.

(iii) Non-cash rent included in the 2018 balances in the previous reporting period.

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

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

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

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

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

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

Other operating expenses	Revised 2018			
	Q1	Q2	Q3	Q4
Theatre payroll	$ 38,293	$ 37,506	$ 38,003	$ 38,663
Theatre operating expenses	29,419	28,913	29,152	29,940
Media (i)	16,421	17,288	14,235	18,881
P1AG (i)	35,719	36,140	38,603	40,096
The Rec Room (i) (ii)	10,540	11,461	11,067	11,665
Location-based entertainment pre-opening (i) (iii)	290	848	209	(87)
SCENE	4,217	3,173	3,168	6,889
Marketing	4,408	3,495	5,393	6,663
Business interruption insurance proceeds	—	(3,700)	—	(1,749)
Other (iv)	8,205	8,086	7,813	12,486
Other operating expenses including cash lease payments	$ 147,512	$ 143,210	$ 147,642	$ 163,447
Non-cash rent (v) (vi)	(105)	(48)	107	348
Cash rent related to lease obligations (vii)	—	—	—	—
Other operating expenses as reported	$ 147,407	143,162	147,749	163,795

(i) Prior period balances were revised to exclude non-cash rent. See below for changes from previously reported figures.

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

(iii) Includes pre-opening costs of *The Rec Room* and *Playdium* locations

(iv) Other category includes overhead costs related to *The Rec Room*, operating costs of WGN and other Cineplex internal departments.

(v) Non-cash rent included in the 2018 balances in the previous reporting period. See below for a reconciliation of previously reported figures.

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

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

The following tables show the changes to the previously disclosed balances for Media operating expenses, P1AG operating expenses, *The Rec Room* operating expenses and location-based entertaining pre-opening expenses for each quarter in 2018:

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

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

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

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

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

G&A expenses	Revised 2018			
	Q1	Q2	Q3	Q4
G&A excluding LTIP and option plan expense (i)	$ 17,773	$ 14,772	$ 14,586	$ 13,437
Restructuring	996	2,803	1,021	1,022
LTIP (i)	(1,049)	(242)	2,020	(2,076)
Option plan	431	487	405	395
G&A expenses including cash lease payments	$ 18,151	$ 17,820	$ 18,032	$ 12,778
Non-cash rent (iii) (iv)	(2)	2	1	1
Cash rent included as part of lease obligations (v)	—	—	—	—
G&A expenses as reported	$ 18,149	$ 17,822	$ 18,033	$ 12,779

(i) Prior period balance was revised to exclude non-cash rent. See below for changes from previously reported figures.
(ii) LTIP includes the expense for the LTIP program as well as the expense for the executive and Board deferred share unit plans.
(iii) Non-cash rent included in the 2018 balances in the previous reporting period. See below for a reconciliation of previously reported figures.
(iv) See Section 16, Non-GAAP measures.
(v) Cash rent that has been reallocated to offset the lease obligations.

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

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

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

Adjusted EBITDAaL	2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Adjusted EBITDA as previously reported	$ 81,637	$ 53,356	$ 67,840	$ 53,532	$ 79,614	$ 58,811	$ 38,055	$ 59,449
Rent previously recognized as a finance lease	(989)	(989)	(989)	(989)	(989)	(989)	(989)	(989)
Non-cash rent (i)	(2,323)	(2,584)	(3,114)	(3,085)	(2,862)	(2,443)	(2,404)	(2,653)
Adjusted EBITDAaL	$ 78,325	$ 49,783	$ 63,737	$ 49,458	$ 75,763	$ 55,379	$ 34,662	$ 55,807

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

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

Cash provided by (used in) operating activities	Revised 2018				Revised 2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Cash provided by (used in) operating activities as previously reported	$ 85,093	$ 41,847	$ 35,289	$ 46,426	$ 118,833	$ 37,705	$ 12,489	$ (14,675)
Tenant inducements previously included as part of operating cash flow	(3,113)	(3,481)	(6,372)	(1,876)	(682)	(2,594)	(89)	(309)
Cash provided by (used in) operating activities as revised	$ 81,980	$ 38,366	$ 28,917	$ 44,550	$ 118,151	$ 35,111	$ 12,400	$ (14,984)

Cash used in investing activities	Revised 2018				Revised 2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Cash used in investing activities as previously reported	$ (25,663)	$ (33,824)	$ (28,597)	$ (26,000)	$ (45,668)	$ (47,518)	$ (80,396)	$ (25,965)
Tenant inducements previously included as part of operating cash flow	3,113	3,481	6,372	1,876	682	2,594	89	309
Cash used in investing activities as revised	$ (22,550)	$ (30,343)	$ (22,225)	$ (24,124)	$ (44,986)	$ (44,924)	$ (80,307)	$ (25,656)