2015

CINEPLEX
INC.

SECOND QUARTER 2015 REPORT

Dear fellow shareholders,

I am very pleased to report that Cineplex delivered record-breaking results for the second quarter of 2015. New all-time records were set for total revenue, up 6.8% to $345.5 million and adjusted EBITDA, up 9.9% to $65.3 million.

Second quarter box office revenue grew to $186.2 million, compared to $181.4 million in the prior year period. Our top three films – *The Avengers: Age of Ultron*, *Jurassic World* and *Furious 7*, represented 43.5% of box office compared to the same period last year where the top three films represented 29.2%. These three films rank in the top 10 grossing films of all time, and contributed to the period's 2.0% attendance increase to 19.7 million.

A new quarterly record was also established for BPP, which reached $9.45. The period's top four films were all presented in IMAX and UltraAVX and three of the four in 3D, contributing to this increase. Box office revenues from premium product accounted for 46.3% of box office revenues in the current period, up from 41.8% in the prior year period. Cineplex continues to focus on expanding our premium offerings, installing seven UltraAVX auditoriums, two IMAX auditoriums, and adding D-BOX seats to five auditoriums during the second quarter.

All revenue sources increased in the second quarter. Food service revenue increased 10.6% to $108.4 million, primarily as a result of the 8.3% increase in concession revenue per patron to $5.50, an all-time quarterly record.

Total media revenue increased $4.0 million or 13.0% to $35.0 million for the quarter, primarily due to robust show time advertising sales. Cineplex Media revenue, which is primarily theatre-based, increased 15.2% and Cineplex Digital Media revenue increased 7.6%.

Key accomplishments during the second quarter included the opening of *Cineplex Cinemas Markham and VIP* in Markham, Ontario. This theatre has quickly become one of Markham's premier entertainment destinations, and offers a wide range of premium experiences, including Cineplex VIP Cinemas, IMAX and D-BOX motion seats.

In June, we announced the beginning of construction on *Cineplex Cinemas Kitchener and VIP*. The theatre will open in late 2016 and will feature 11 auditoriums, including three VIP Cinemas, an UltraAVX auditorium, and a licensed lounge.

Our SCENE loyalty program continued to grow, surpassing 6.8 million members as of June 30, 2015.

We recently increased our monthly dividend by 4%, to $0.13 per share, or $1.56 on an annual basis. We have announced a dividend increase each year since our conversion to a corporation.

We believe the film slate for the second half of 2015 looks strong and are excited about the strategic opportunities ahead which will continue to diversify our business and help us achieve meaningful growth.

On behalf of the Board of Directors and everyone at Cineplex, thank you for your continued support. See you at the movies!

Sincerely,

Ellis Jacob, President and CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

August 12, 2015

Cineplex Inc. ("Cineplex") owns 100% of Cineplex Entertainment Limited Partnership (the "Partnership"). The following management's discussion and analysis ("MD&A") of Cineplex's 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, 2015.

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 the Partnership and 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 17, 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") 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 "Risk Management" section of this MD&A.

Cineplex does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable Canadian securities law. Additionally, we undertake no obligation to comment on analyses, expectations or statements made by third parties in respect of Cineplex or the Partnership, their financial or operating results or their 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, can be found on SEDAR at www.sedar.com.

1. OVERVIEW OF CINEPLEX

Cineplex Galaxy Income Fund (the "Fund") was formed on November 26, 2003. On January 1, 2011, the Fund effected a reorganization, converting to an Ontario corporation, Cineplex, for tax efficiency and business purposes. Cineplex is Canada's largest film exhibition operator with theatres in ten provinces.

Cineplex's theatre circuit is concentrated in major metropolitan and mid-sized markets. As of June 30, 2015, Cineplex owned, leased or had a joint venture interest in 1,652 screens in 162 theatres.

Cineplex Locations and screens at June 30, 2015							
Province	**Locations**	**Screens**	**3D Screens**	**UltraAVX**	**IMAX Screens (i)**	**VIP Auditoriums**	**D-Box Locations**
Ontario	67	718	342	34	11	32	18
Quebec	21	257	100	10	3	4	6
British Columbia	23	215	109	12	3	8	3
Alberta	17	193	97	16	2	3	5
Nova Scotia	13	92	44	1	1	—	—
Saskatchewan	6	54	28	2	—	3	—
Manitoba	5	49	26	1	1	3	1
New Brunswick	5	41	20	1	—	—	—
Newfoundland & Labrador	3	20	9	—	1	—	—
Prince Edward Island	2	13	6	—	—	—	—
TOTALS	**162**	**1,652**	**781**	**77**	**22**	**53**	**33**
Percentage of screens			47%	5%	1%	3%	2%

(i) All IMAX screens are 3D enabled. Total 3D screens including IMAX screens is 803 screens or 49% of the circuit.

Cineplex - Theatres, screens and premium offerings in the last eight quarters								
	2015		**2014**				**2013**	
	Q2	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Theatres	162	161	161	161	162	161	161	136
Screens	1,652	1,648	1,639	1,639	1,638	1,632	1,630	1,454
3D Screens	781	778	767	767	764	738	723	633
UltraAVX Screens	77	70	66	66	66	60	55	50
IMAX Screens	22	20	20	20	20	20	20	18
VIP Auditoriums	53	50	43	43	38	33	28	25
D-Box Locations	33	28	25	21	21	21	21	21

1.1 FINANCIAL HIGHLIGHTS

Financial highlights	**Second Quarter**			**Year to Date**		
(in thousands of Canadian dollars, except attendance in thousands of patrons and per Share and per patron amounts)	**2015**	**2014**	**Change (i)**	**2015**	**2014**	**Change (i)**
Total revenues*	$ 345,540	$ 323,496	6.8%	$ 635,325	$ 603,515	5.3%
Attendance*	19,695	19,301	2.0%	37,233	36,573	1.8%
Net income	$ 25,478	$ 23,205	9.8%	36,005	28,276	27.3%
Box office revenues per patron ("BPP") (ii)*	$ 9.45	$ 9.40	0.5%	$ 9.19	$ 9.23	-0.4%
Concession revenues per patron ("CPP") (ii)*	$ 5.50	$ 5.08	8.3%	$ 5.35	$ 5.06	5.7%
Adjusted EBITDA (ii)*	$ 65,310	$ 59,430	9.9%	$ 105,558	$ 90,311	16.9%
Adjusted EBITDA margin (ii)	18.9%	18.4%	0.5%	16.6%	15.0%	1.6%
Adjusted free cash flow (ii)	$ 41,012	$ 48,699	-15.8%	$ 68,489	$ 67,083	2.1%
Adjusted free cash flow per common share of Cineplex ("Share") (ii)	$ 0.650	$ 0.773	-15.9%	$ 1.086	$ 1.066	1.9%
Earnings per Share ("EPS") - basic	$ 0.40	$ 0.37	8.1%	$ 0.57	$ 0.45	26.7%
EPS - diluted	$ 0.40	$ 0.37	8.1%	$ 0.57	$ 0.45	26.7%

(i) Throughout this MD&A, changes in percentage amounts are calculated as 2015 value less 2014 value.

(ii) See Section 17, Non-GAAP measures.

* Represents an all-time quarterly record for Cineplex

Total revenues for the second quarter of 2015 increased 6.8%, or $22.0 million compared to the prior year period due to increases in box office, food service and media revenues. The largest increase was in food service revenues, which increased 10.6% due to the increase in attendance and the record CPP of $5.50, $0.42 (8.3%) higher than the $5.08 reported in the prior year period. Media revenues increased 13.0%, or $4.0 million, with the increase primarily due to higher showtime revenues. Adjusted EBITDA increased $5.9 million (9.9%) to $65.3 million, an all-time quarterly record for Cineplex. Adjusted free cash flow per Share was $0.650, a $0.123 decrease from $0.773 in the prior year period mainly due to higher current income taxes recognized in the current period.

Total revenues for the six months ended June 30, 2015 increased 5.3%, or $31.8 million compared to the prior year period as a result of higher food service revenues due to the record CPP and higher media revenues due to higher showtime revenues as compared to the prior year period. Adjusted EBITDA increased 16.9%, from $90.3 million to $105.6 million due to the strong food service and media revenue growth as well as lower operating costs. Adjusted free cash flow per Share increased 1.9%, to $1.0862 in the current period from $1.0656 in the 2014 period.

1.2 KEY DEVELOPMENTS IN THE SECOND QUARTER OF 2015

During the second quarter of 2015, the board of directors of Cineplex (the "Board") announced a monthly dividend increase of 4.0% to $0.130 per Share ($1.56 on an annual basis) up from $0.125 per Share ($1.50 on an annual basis) effective with the May 2015 dividend.

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

THEATRE EXHIBITION

- Reported second quarter box office revenues of $186.2 million, an increase of $4.8 million from the $181.4 million reported in the prior year period due primarily to the success of the top three films in the period, *The Avengers: Age of Ultron, Jurassic World* and *Furious 7*.
- BPP was $9.45 for the period, a $0.05 (0.5%) increase from the prior year period and an all-time quarterly record for Cineplex.
- Opened *Cineplex Cinemas Markham and VIP* in Markham, Ontario, a 13 screen theatre featuring an IMAX auditorium and three VIP auditoriums.
- During the period, acquired a single screen IMAX theatre in Quebec City, Quebec, which is one of the largest IMAX screens in the world.

FOOD SERVICE

- Reported second quarter food service revenues of $108.4 million, an increase of $10.4 million over the $98.0 million reported in the prior year period.
- CPP was $5.50 for the period, an all-time quarterly record for Cineplex, and $0.42 (8.3%) higher than the $5.08 reported in the prior year period.
- Launched the 2015 edition of Cineplex's popular 'Peel and Pop' program where the purchase of qualifying movie snacks can result in instant prizes or SCENE points for guests.
- Continued the expansion of Cineplex's *Outtakes, Poptopia* and *YoYo's Yogurt Cafe* ("*YoYo's*") brands during the period. As at June 30, 2015, there were 93 *Outtakes* locations, 21 *Poptopia* locations and 63 *YoYo's* locations across Cineplex's circuit.

AMUSEMENT GAMING

- Opened a new XSCAPE location as part of the new *Cineplex Cinemas Markham and VIP* theatre, bringing the total number of XSCAPE locations across the circuit to 20.

MEDIA

- Total media revenues increased $4.0 million, or 13.0%, in the second quarter compared to the prior year period, with Cineplex Media increasing $3.3 million (15.2%) and Cineplex Digital Media revenues increasing $0.7 million (7.6%).
- Cineplex Media revenues increased due to robust showtime advertising sales, with strong results seen in the automotive and telecommunications categories.
- Cineplex Digital Media revenues increased due to higher advertising revenues including the TimsTV and Oxford shopping mall networks.
- Installed Interactive Media Zones in the lobbies of select theatres across the circuit. As at June 30, 2015, Cineplex has 38 Interactive Media Zones across its circuit.
- Cineplex Digital Networks ("CDN") was named Overall Content Creator of the Year at the 2015 International Design Signage Awards.

ALTERNATIVE PROGRAMMING

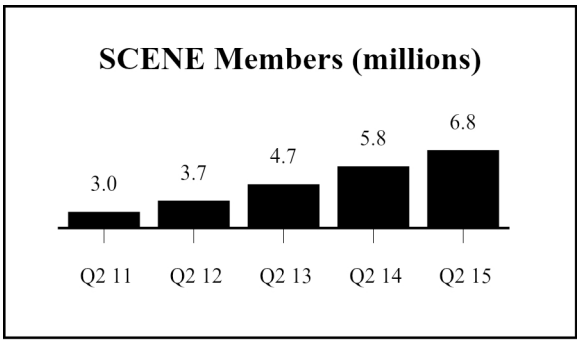
- Alternative programming in the second quarter of 2015 included live and encore performances from the Metropolitan Opera: Live in HD series, ethnic film programming, In The Gallery presentations and encore presentations of The National Theatre Live.
- Partnered with HBO Canada to show the Season 5 finale of *Game of Thrones* live in participating theatres across Canada.
- Announced Front Row Centre Events' *eSports Cinema Events* series, which will feature live broadcasts, a variety of gaming events and special content for cinemas that will give gamers the most exclusive access to the eSports phenomenon, with the first event scheduled for the third quarter of 2015.

DIGITAL COMMERCE

- Cineplex.com registered a 20% increase in unique visitors and a 22% increase in visits during the second quarter of 2015 compared to the prior year period.
- As at June 30, 2015, the Cineplex app had been downloaded 12.2 million times and recorded over 667 million app sessions, ranking it as the 12th most popular mobile brand in Canada with 17% penetration of the Canadian mobile market.
- Continued to enhance the Cineplex Store technology platform, releasing support for Chromecast in both iOS and Android apps, as well as supporting scaled SuperTicket offerings.

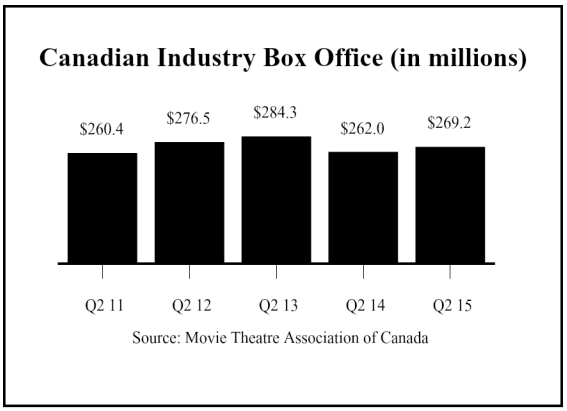
LOYALTY

- Membership in the SCENE loyalty program increased by 0.2 million members in the period, reaching a membership of 6.8 million at June 30, 2015.



2. THEATRE EXHIBITION INDUSTRY

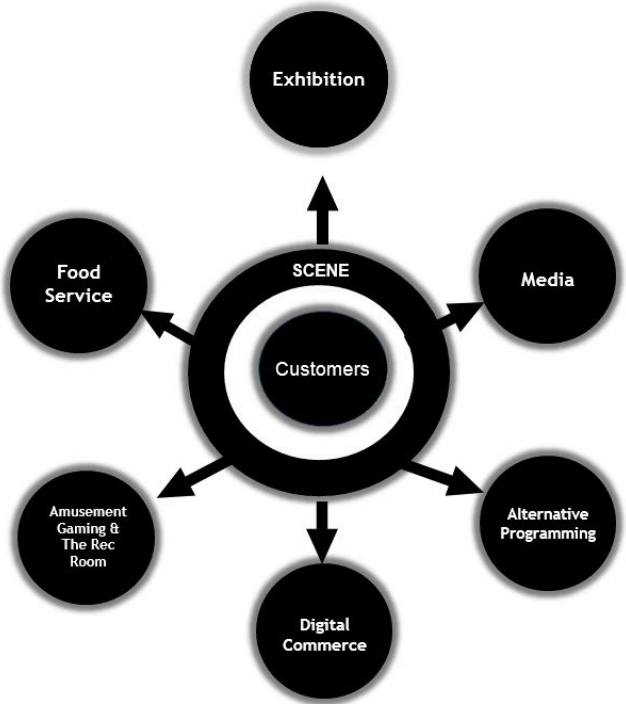
The motion picture industry consists of three principal activities: production, distribution and exhibition. Production involves the development, financing and creation of feature-length motion pictures. Distribution involves the promotion and exploitation of motion pictures in a variety of different channels. Theatrical exhibition is the primary channel for new motion picture releases and is the core business function of Cineplex. A detailed discussion of the motion picture exhibition industry in Canada can be found in Cineplex's MD&A for the year ended December 31, 2014.



3. BUSINESS STRATEGY

Cineplex's mission statement is "Passionately delivering an exceptional entertainment experience." All of its efforts are focused towards this mission and it is Cineplex's goal to consistently provide guests with an exceptional entertainment experience at a fair value. Cineplex's key strategic areas of focus include the following:

- Continue to enhance and expand existing exhibition infrastructure and service offerings to attract new customers, increase the frequency of visits by existing customers and maximize revenue per patron;
- Capitalize on core media strengths to provide continued growth of Cineplex's media business, with its own assets and with external clients;
- Continue to expand Cineplex's brand presence as an entertainment destination for Canadians, providing in-theatre, at home and on-the-go experiences - Cineplex Anywhere; and
- Pursue selective acquisitions that are strategic, accretive and capitalize on Cineplex's core strengths.



Key elements of this strategy include going beyond movies to reach customers in new ways and maximizing revenue per patron. With this in mind, 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 merchandising such as optimizing product offerings and improving service execution. The ultimate goal of these in-theatre customer service initiatives is to maximize revenue per patron and increase the frequency of movie-going at Cineplex's theatres.

While box office revenues (which include alternative programming) continue to account for the largest portion of Cineplex's revenues, expanded food service offerings, in-theatre and out of home advertising, gaming options provided through family entertainment centres ("FEC") and other stand-alone gaming options, promotions and other revenue streams have increased as a share of total revenues. The margins on these other revenue streams, particularly advertising, are much higher than on admission sales and have enhanced Cineplex's profitability. Cineplex is committed to diversifying its revenue streams outside of the traditional theatre exhibition model through pre-show, showtime and digital out of home advertising sales through Cineplex Media, as well as further expansion of digital signage installations, network support and advertising sales through Cineplex Digital Media which includes the Cineplex digital lobby network as well as Cineplex Digital Solutions ("CDS") and CDN. Additionally, at home and on-the-go entertainment options are available through the Cineplex Store, Cineplex's online digital commerce platform, which sells DVDs, Blu-ray discs, download-to-own ("DTO") and video-on-demand ("VoD") movies online.

A detailed discussion of Cineplex's business strategy can be found in Cineplex's MD&A for the year ended December 31, 2014. That strategy has not changed materially during the second quarter of 2015.

4. OVERVIEW OF OPERATIONS

Revenues

Cineplex generates revenues primarily from box office and concession sales. These revenues are affected primarily by attendance levels and by changes in BPP and CPP. Box office revenue represented 53.9% of revenue in the second quarter of 2015 and continues to represent Cineplex's largest revenue component.

Revenue mix % by year	Q2 2015	Q2 2014	Q2 2013	Q2 2012	Q2 2011
Box office	**53.9%**	56.1%	57.8%	59.3%	58.5%
Food service	**31.4%**	30.3%	29.7%	30.3%	29.5%
Media	**10.1%**	9.6%	8.8%	6.9%	8.7%
Other	**4.6%**	4.0%	3.7%	3.5%	3.3%
Total	**100.0%**	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 78% based on Canadian industry box office revenues for the year ended December 31, 2014. As a result of Cineplex's focus on diversifying the business beyond the traditional movie exhibition model, the revenue mix has shifted from box office revenue to other revenue sources. This revenue source typically provides a higher incremental contribution margin than traditional exhibition revenues.

The commercial appeal of the films and alternative content released during a given period, and the success of marketing as well as promotion for those films by film studios, distributors and content providers all drive attendance. BPP is affected by the mix of film and alternative content product that appeals to certain audiences (such as children or seniors who pay lower ticket prices), the surcharge related to 3D film and other enhanced product offerings, ticket prices during a given period and the appeal of premium priced product available. While BPP is negatively impacted by the SCENE loyalty program and the Cineplex Tuesdays program, these programs are designed to increase attendance frequency at Cineplex's theatres. Cineplex's main focus is to drive

incremental visits to theatres, to employ a ticket price strategy which takes into account the local demographics at each individual theatre, and to maximize BPP through premium offerings.

Food service revenues are comprised primarily of concession revenues, arising from food sales at theatre locations. CPP represents concession revenues divided by theatre attendance, and is impacted by concession product mix, concession prices, film genre, promotions, the 10% SCENE discount and the issuance of SCENE points on the purchase of certain concession combos. Film product targeted to families and teenagers tends 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 10% SCENE discount offer and SCENE points issued on concession purchases both decrease concession revenue on individual purchases. However, Cineplex believes the program drives incremental attendance and purchase incidence, increasing overall revenues. Although pricing has an impact on CPP, Cineplex focuses on growing CPP by optimizing the product offerings and improving operational excellence to increase purchase incidence and transaction value.

Cineplex Media generates revenues from selling pre-show and showtime advertising in Cineplex's theatres and through magazine advertising for *Cineplex Magazine* and *Le Magazine Cineplex.* In addition, it offers special media placements throughout Cineplex's circuit including the Interactive Media Zones in select Cineplex thetare lobbies and sells digital advertising for cineplex.com and the Cineplex mobile app. Cineplex Media also sells advertising through representation sales agreements and sells digital advertising on third party networks. Cineplex Digital Media designs, installs, maintains and operates digital signage networks through both CDS and CDN.

Games revenues include Cineplex's XSCAPE entertainment centres and game rooms in theatres. Cineplex also generates adjusted EBITDA from its 50% share of Cineplex Starburst Inc. ("CSI"). CSI supplies and services all of the games in Cineplex's circuit while also supplying equipment to third party arcades, amusement parks and centres, bowling alleys and theatre circuits in Canada and the US, in addition to owning and operating *Playdium*, an FEC located in Mississauga, Ontario. Cineplex has a commitment to acquire the 50% of the issued and outstanding equity of CSI that it does not already own. After the transaction closes in the third quarter of 2015, Cineplex will own 100% of the issued and outstanding equity of CSI, which during the year ended December 31, 2014 generated $60.6 million in gross gaming revenues inclusive of revenues earned from Cineplex. During 2015, CSI, through its wholly owned subsidiary Premier Amusements Inc., acquired an 80% interest in Brady Starburst LLC. The new company, formed with Brady Distribution Company, created one of North America's largest distributors of amusement games and vending machines.

Cineplex generates other revenues from the Cineplex Store, promotional activities, screenings, private parties, corporate events, breakage on gift card sales, revenues from enhanced in-theatre initiatives and 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. Although the film cost percentage is relatively stable when reviewed on an annual basis, there can be significant variances throughout the quarters depending on the concentration of box office revenues from a few titles.

Cost of food service represents the cost of concession items and other food service items sold and varies with changes in concession and other food service revenues as well as the quantity and mix of concession and other food service offerings sold. The 10% discount offered to members of the SCENE loyalty program affects the concession cost percentage, as food service revenues relating to these sales are reduced by 10% while the corresponding cost remains constant.

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

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

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

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

Other operating expenses consist of fixed and variable expenses, with the largest component being theatre salaries and wages. Although theatre salaries and wages include a fixed cost component, these expenses vary in relation to revenues as theatre staffing levels are adjusted to handle fluctuations in attendance. Other components of this category include marketing and advertising, media, loyalty including SCENE, interactive, gaming, 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 concession management, accounting and financial reporting, legal, treasury, construction and design, real estate development, information systems and administration. Included in these costs are payroll (including Cineplex's long-term incentive plan ("LTIP") and Share option plan costs) and occupancy costs related to Cineplex's corporate offices, professional fees (such as public accountant and legal fees) and travel and related costs. Cineplex maintains general and administrative staffing and associated costs at a level that it deems appropriate to manage and support the size and nature of its theatre portfolio and its business activities.

Accounting for Joint Arrangements

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

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

Cineplex has a commitment to acquire 50% of the issued and outstanding equity of CSI that it does not already own, for a minimum of $17.5 million in cash. After the transaction closes in the third quarter of 2015, Cineplex will own 100% of the issued and outstanding equity of CSI and will consolidate its results as of that date.

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

5. RESULTS OF OPERATIONS

5.1 SELECTED FINANCIAL DATA

The following table presents summarized financial data for Cineplex for the three and six months ended June 30, 2015 and 2014 (expressed in thousands of Canadian dollars except Shares outstanding, per Share data, and per patron data, unless otherwise noted):

	Three months ended June 30, 2015	Three months ended June 30, 2014	Variance (%)	Six months ended June 30, 2015	Six months ended June 30, 2014	Variance (%)
Box office revenues	$ 186,202	$ 181,419	2.6%	$ 342,243	$ 337,644	1.4%
Food service revenues	108,397	98,024	10.6%	199,182	185,167	7.6%
Media revenues	35,020	30,990	13.0%	64,092	55,345	15.8%
Other revenues	15,921	13,063	21.9%	29,808	25,359	17.5%
Total revenues	345,540	323,496	6.8%	635,325	603,515	5.3%
Film cost	102,155	94,950	7.6%	182,326	175,408	3.9%
Cost of food service	23,921	21,147	13.1%	43,369	40,028	8.3%
Depreciation and amortization	21,802	19,195	13.6%	42,702	37,863	12.8%
Loss on disposal of assets	1,033	1,989	-48.1%	1,350	1,933	-30.2%
Other costs (a)	155,334	148,977	4.3%	306,268	299,423	2.3%
Costs of operations	304,245	286,258	6.3%	576,015	554,655	3.9%
Net income	$ 25,478	$ 23,205	9.8%	$ 36,005	$ 28,276	27.3%
Adjusted EBITDA (i)	$ 65,310	$ 59,430	9.9%	$ 105,558	$ 90,311	16.9%
(a) Other costs include:						
Theatre occupancy expenses	50,473	50,229	0.5%	101,582	101,253	0.3%
Other operating expenses	89,237	83,537	6.8%	170,151	167,748	1.4%
General and administrative expenses	15,624	15,211	2.7%	34,535	30,422	13.5%
Total other costs	$ 155,334	$ 148,977	4.3%	$ 306,268	$ 299,423	2.3%
Basic EPS	$ 0.40	$ 0.37	8.1%	$ 0.57	$ 0.45	26.7%
Diluted EPS	$ 0.40	$ 0.37	8.1%	$ 0.57	$ 0.45	26.7%
Total assets	$ 1,575,931	$ 1,540,536	2.3%	$ 1,575,931	$ 1,540,536	2.3%
Total long-term financial liabilities (ii)	$ 389,500	$ 377,500	3.2%	$ 389,500	$ 377,500	3.2%
Shares outstanding at period end	63,085,949	62,987,428	0.2%	63,085,949	62,987,428	0.2%
Cash dividends declared per Share	$ 0.3850	$ 0.3700	4.1%	$ 0.7600	$ 0.7300	4.1%
Adjusted free cash flow per Share (i)	$ 0.6502	$ 0.7734	-15.9%	$ 1.0862	$ 1.0656	1.9%
Box office revenue per patron (i)	$ 9.45	$ 9.40	0.5%	$ 9.19	$ 9.23	-0.4%
Concession revenue per patron (i)	$ 5.50	$ 5.08	8.3%	$ 5.35	$ 5.06	5.7%
Film cost percentage (i)	54.9%	52.3%	2.6%	53.3%	52.0%	1.3%
Attendance (in thousands of patrons) (i)	19,695	19,301	2.0%	37,233	36,573	1.8%
Theatre locations (at period end)	162	162	—%	162	162	—%
Theatre screens (at period end)	1,652	1,638	0.9%	1,652	1,638	0.9%

(i) See Section 17, Non-GAAP measures, for the definitions of non-GAAP measures reported by Cineplex.

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

5.2 OPERATING RESULTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2015

Total revenues

Total revenues for the three months ended June 30, 2015 increased $22.0 million (6.8%) to $345.5 million as compared to the prior year period. Total revenues for the six months ended June 30, 2015 increased $31.8 million (5.3%) to $635.3 million as compared to the prior year period. A discussion of the factors affecting the changes in box office, food service, media and other revenues for the period is provided below.

Non-GAAP measures discussed throughout this MD&A, including adjusted EBITDA, adjusted free cash flow, attendance, BPP, premium priced product, same store metrics, CPP, film cost percentage, concession cost percentage and concession margin per patron are defined and discussed in Section 17, Non-GAAP measures.

Box office revenues

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

Box office revenues	Second Quarter			Year to Date		
	2015	2014	Change	2015	2014	Change
Box office revenues	$ 186,202	$ 181,419	2.6%	$ 342,243	$ 337,644	1.4%
Attendance (i)	19,695	19,301	2.0%	37,233	36,573	1.8%
Box office revenue per patron (i)	$ 9.45	$ 9.40	0.5%	$ 9.19	$ 9.23	-0.4%
BPP excluding premium priced product (i)	$ 8.35	$ 8.46	-1.3%	$ 8.34	$ 8.34	—%
Canadian industry revenues (ii)			2.6%			0.5%
Same store box office revenues (i)	$ 180,735	$ 179,303	0.8%	$ 334,165	$ 334,009	—%
Same store attendance (i)	19,156	19,073	0.4%	36,396	36,171	0.6%
% Total box from premium priced product (i)	46.3%	41.8%	4.5%	36.7%	40.1%	-3.4%

(i) See Section 17, Non-GAAP measures.

(ii) The Movie Theatre Association of Canada ("MTAC") reported that the Canadian exhibition industry reported a box office revenue increase of 2.8% for the period from April 3, 2015 to July 2, 2015 as compared to the period from April 4, 2014 to July 3, 2014. On a basis consistent with Cineplex's calendar reporting period (April 1 to June 30), the Canadian industry box office revenue change is estimated to be an increase of 2.6%. MTAC reported that the Canadian exhibition industry reported a box office revenue increase of 1.2% for the period from January 2, 2015 to July 2, 2015 as compared to the period from January 3, 2014 to July 3, 2014. On a basis consistent with Cineplex's calendar reporting period (January 1 to June 30), the Canadian industry box office revenues are estimated to be an increase of 0.5%.

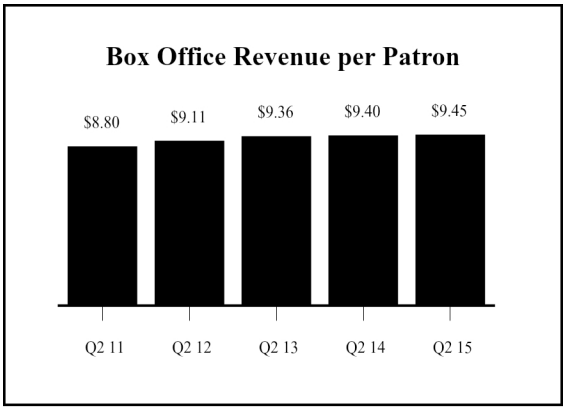
Box office continuity	Second Quarter		Year to Date	
	Box Office	Attendance	Box Office	Attendance
2014 as reported	$ 181,419	19,301	$ 337,644	36,573
Same store attendance change	776	82	2,070	224
Impact of same store BPP change	657	—	(1,914)	—
New and acquired theatres (i)	4,427	435	6,205	634
Disposed and closed theatres (i)	(1,077)	(123)	(1,762)	(198)
2015 as reported	$ 186,202	19,695	$ 342,243	37,233

(i) See Section 17, Non-GAAP measures. Represents theatres opened, acquired, disposed or closed subsequent to the start of the prior year comparative period.

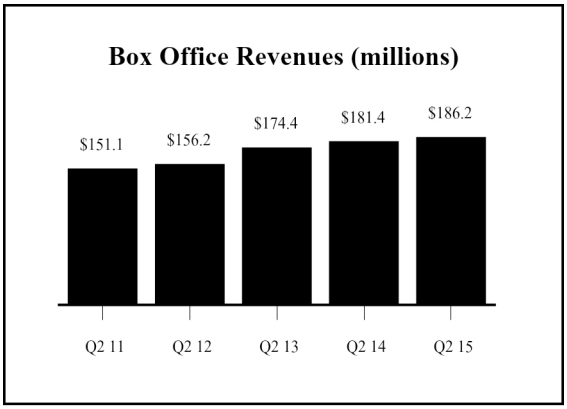
Second Quarter

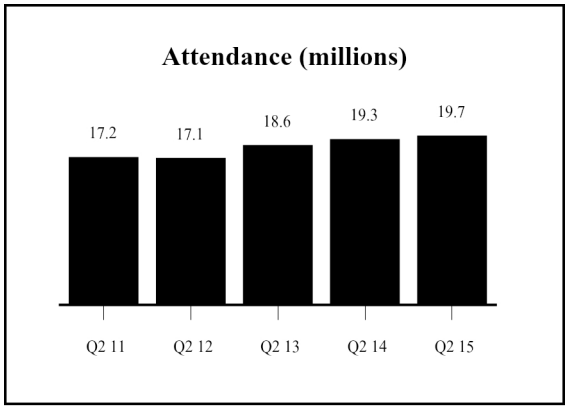
	Second Quarter 2015 Top Cineplex Films	3D	% Box		Second Quarter 2014 Top Cineplex Films	3D	% Box
1	The Avengers: Age of Ultron	✓	15.9%	1	Captain America: The Winter Soldier	✓	11.2%
2	Jurassic World	✓	15.6%	2	X-Men: Days of Future Past	✓	9.4%
3	Furious 7		12.0%	3	The Amazing Spider-Man 2	✓	8.6%
4	Mad Max: Fury Road	✓	7.2%	4	Godzilla	✓	7.5%
5	Inside Out	✓	5.3%	5	Maleficent	✓	6.1%

Box office revenues increased $4.8 million, or 2.6%, to $186.2 million during the second quarter of 2015, compared to $181.4 million recorded in the same period in 2014. The increase was due to the success of the top three films released in the period which accounted for 43.5% of Cineplex box office in the period. These three films all outperformed the top film from the prior year period and contributed to the 2.0% increase in attendance in the period.



BPP for the three months ended June 30, 2015 was $9.45, a $0.05 increase from the prior year period and an all-time quarterly record for Cineplex. This increase was mainly due to box office revenues from premium product accounting for 46.3% of box office revenues in the current period, up from 41.8% in the prior year period.





Year to Date

	Year to Date 2015 Top Cineplex Films	3D	% Box		Year to Date 2014 Top Cineplex Films	3D	% Box
1	The Avengers: Age of Ultron	✓	8.7%	1	The Lego Movie	✓	6.1%
2	Jurassic World	✓	8.5%	2	Captain America: The Winter Soldier	✓	5.6%
3	Furious 7		6.5%	3	X-Men: Days of Future Past	✓	4.7%
4	Mad Max: Fury Road	✓	3.9%	4	The Amazing Spider-Man 2	✓	4.3%
5	American Sniper		3.8%	5	Godzilla	✓	3.7%

Box office revenues for the six months ended June 30, 2015 were $342.2 million, an increase of $4.6 million or 1.4% over the prior year due to the 1.8% increase in attendance more than offsetting the impact of the lower BPP in the current year period compared to the 2014 period. The attendance and box office revenues increases in the period were due to the strong performance of the film product in the second quarter of 2015, with the top three films in the first half of 2015 all outperforming the top film from the prior year period. These increases were partially offset by the impact of extreme weather conditions in Atlantic Canada in the first quarter negatively impacting theatre attendance in the Atlantic Provinces in 2015.

Cineplex's BPP for the period decreased $0.04, or 0.4%, from $9.23 in the prior year period to $9.19 in the current period. This decrease was primarily due to the decrease in revenues from 3D product as only three of the top five films in the 2015 period were screened in 3D compared to all of the top five in 3D in the prior year period. Premium priced offerings accounted for 36.7% of Cineplex's box office revenues in the six months ended June 30, 2015, compared to 40.1% in the prior year period.

Food service revenues

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

Food service revenues	Second Quarter			Year to Date		
	2015	2014	Change	2015	2014	Change
Food service revenues	$ 108,397	$ 98,024	10.6%	$ 199,182	$ 185,167	7.6%
Attendance (i)	19,695	19,301	2.0%	37,233	36,573	1.8%
CPP (i)	$ 5.50	$ 5.08	8.3%	$ 5.35	$ 5.06	5.7%
Same store food service revenues (i)	$ 104,613	$ 96,898	8.0%	$ 193,595	$ 183,328	5.6%
Same store attendance (i)	19,156	19,073	0.4%	36,396	36,171	0.6%

(i) See Section 17, Non-GAAP Measures.

Food service revenue continuity	Second Quarter		Year to Date	
	Food Service	Attendance	Food Service	Attendance
2014 as reported	$ 98,024	19,301	$ 185,167	36,573
Same store attendance change	419	82	1,137	224
Impact of same store CPP change	7,296	—	9,130	—
New and acquired theatres (i)	3,108	435	4,588	634
Disposed and closed theatres (i)	(450)	(123)	(840)	(198)
2015 as reported	$ 108,397	19,695	$ 199,182	37,233

(i) See Section 17, Non-GAAP measures. Represents theatres opened, acquired, disposed or closed subsequent to the start of the prior year comparative period.

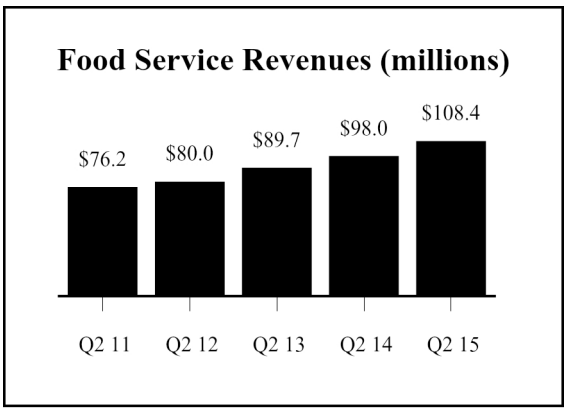
Second Quarter

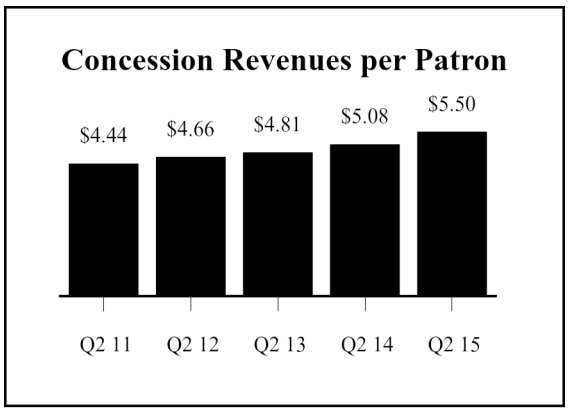
Food service revenues are comprised primarily of concession revenues, which includes food sales at theatre locations as well as non-theatre locations. Food service revenues increased $10.4 million, or 10.6% as compared to the prior year period primarily due to the 8.3% CPP increase and the 2.0% increase in attendance. CPP of $5.50 is an all-time quarterly record for Cineplex. Expanded offerings outside of core food service products, including offerings at Cineplex's VIP Cinemas, have resulted in higher average transaction values, resulting in the record CPP in the period.

Year to Date

Food service revenues increased $14.0 million, or 7.6% as compared to the prior year, due to the 5.7% increase in CPP and the 1.8% increase in attendance. The CPP of $5.35 in the current period is the highest CPP Cineplex has reported through the first six months of a year.

While the 10% SCENE discount and SCENE points issued on food service combo purchases reduce individual transaction values which impacts CPP, Cineplex believes that this program drives incremental visits and food service purchases, resulting in higher overall food service revenues.





Media revenues

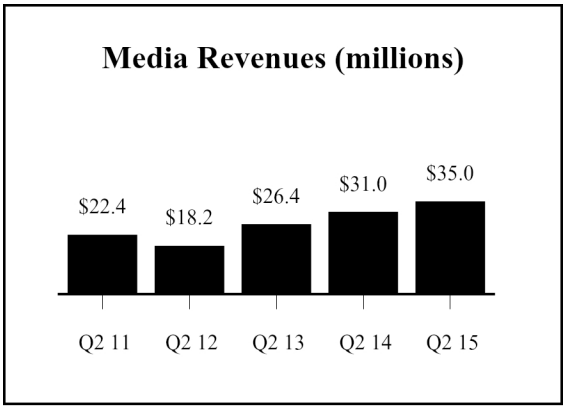
The following table highlights the movement in media revenues for the quarter and the year to date (in thousands of Canadian dollars):

Media revenues	Second Quarter			Year to Date		
	2015	2014	Change	2015	2014	Change
Cineplex Media	$ 25,323	$ 21,981	15.2%	$ 45,334	$ 38,401	18.1%
Cineplex Digital Media	9,697	9,009	7.6%	18,758	16,944	10.7%
Total media revenues	$ 35,020	$ 30,990	13.0%	$ 64,092	$ 55,345	15.8%
(i) Certain prior period comparatives have been reclassified to conform to the current period's presentation.						

Second Quarter

Total media revenues increased 13.0% to $35.0 million in the second quarter of 2015 compared to the prior year period, and represents a second quarter media revenues record for Cineplex. This increase was largely due to higher Cineplex Media revenues, up $3.3 million as compared to the prior year period due primarily to higher showtime revenues resulting from increases in automotive and telecommunications sector advertising.

Cineplex Digital Media revenues increased $0.7 million due to higher advertising revenues including the TimsTV and Oxford shopping mall networks. The increases due to higher advertising revenues were partially offset by lower project revenues as compared to the prior year period due to the timing of project installations in 2015 as compared to 2014. Project revenues tend to fluctuate with the timing of clients' installation requirements, whereas other digital media revenue streams are more consistent period to period.



Year to Date

Total media revenues increased $8.7 million in the six months ended June 30, 2015 compared to the prior year period. The increase was due to the $6.9 million increase in Cineplex Media revenues due primarily to higher showtime revenues and the $1.8 million increase in Cineplex Digital Media revenues, primarily due to higher digital advertising revenues including advertising on the TimsTV and Oxford shopping mall networks.

Other revenues

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

Other revenues	Second Quarter			Year to Date		
	2015	2014	Change	2015	2014	Change
Games	$ 2,473	$ 1,759	40.6%	$ 4,493	$ 3,637	23.5%
Other	13,448	11,304	19.0%	25,315	21,722	16.5%
Total other revenues	$ 15,921	$ 13,063	21.9%	$ 29,808	$ 25,359	17.5%

Second Quarter

Other revenues include gaming revenues as well as revenues from the Cineplex Store, promotional activities, screenings, private parties, corporate events, breakage on gift card and voucher sales, revenues from in-theatre guest service initiatives and management fees. Games revenues do not include Cineplex's 50% share of results of CSI, which are included in "Share of income of joint ventures".

Other revenues increased 21.9% to $15.9 million in the second quarter of 2015 compared to the prior year period. This increase was primarily due to additional revenues arising from enhanced guest service initiatives and increased SCENE partner revenues. Games revenues increased due to the conversion of select gaming rooms to XSCAPE Entertainment Centres, the addition of new XSCAPE locations since the prior year period, and the impact of a one-time adjustment ($0.4 million).

Year to Date

For the year to date period, other revenues have increased 17.5% compared to the prior year period primarily due to additional revenues arising from enhanced guest service initiatives and increased SCENE partner revenues. The games revenues increase is due to the conversion of select gaming rooms to XSCAPE Entertainment Centres as well as the addition of new XSCAPE locations since the prior year period.

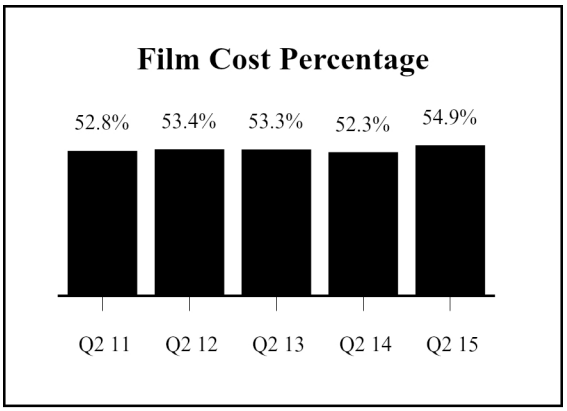
Film cost

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 Canadian dollars, except film cost percentage):

Film cost	Second Quarter			Year to Date		
	2015	2014	Change	2015	2014	Change
Film cost	$102,155	$ 94,950	7.6%	$ 182,326	$ 175,408	3.9%
Film cost percentage (i)	54.9%	52.3%	2.6%	53.3%	52.0%	1.3%
(i) See Section 17, Non-GAAP measures.						

Second Quarter

Film cost varies primarily with box office revenues, and can vary from quarter to quarter based on the relative strength of the titles exhibited during the period. The increase in film cost percentage in the current period is as a result of the concentration of box office revenues from a few titles, with the top three films in the current period, which rank in the top ten grossing films of all-time, accounting for 43.5% of box office revenues (2014 - top three represented 29.2%). The period over period film cost percentage increase is impacted by the prior year being the lowest second quarter film cost percentage reported by Cineplex.



Year to Date

The year to date increase in film cost expense was due to the 1.3% increase in the film cost percentage and the 1.8% increase in attendance in the period.

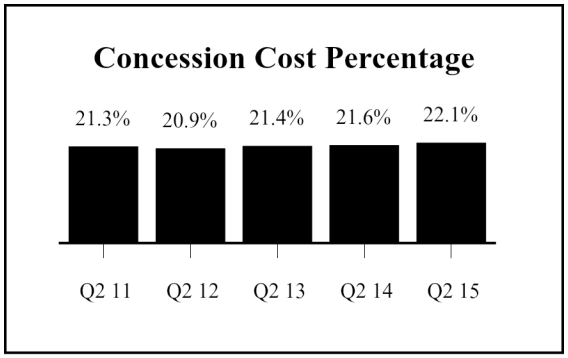
Cost of food service

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

Cost of food service	Second Quarter			Year to Date		
	2015	2014	Change	2015	2014	Change
Cost of food service	$ 23,921	$ 21,147	13.1%	$ 43,369	$ 40,028	8.3%
Concession cost percentage (i)	22.1%	21.6%	0.5%	21.8%	21.6%	0.2%
Concession margin per patron (i)	$ 4.29	$ 3.98	7.8%	$ 4.18	$ 3.97	5.3%
(i) See Section 17, Non-GAAP measures						

Second Quarter

Cost of food service varies primarily with theatre attendance as well as the quantity and mix of offerings sold. The increase in the cost of food service as compared to the prior year period was due to the higher food service revenues and the 0.5% increase in the concession cost percentage during the period, with the higher percentage due in part to expanded offerings including those at VIP theatres. The concession margin per patron increased from $3.98 in the second quarter of 2014 to $4.29 in the same period in 2015, reflecting the impact of the higher CPP during the period.



Year to Date

The increase in the cost of food service as compared to the prior year period was due to the higher food service revenues and the 0.2% increase in the concession cost percentage during the period. The concession margin per patron increased from $3.97 in the prior year period to $4.18 in the current period, reflecting the impact of the higher CPP in the current period.

Despite the 10% discount offered to SCENE members and SCENE points offered on select offerings, which contributes to a higher concession cost percentage, Cineplex believes the SCENE program drives incremental attendance and purchase incidence which increases food service revenues and CPP.

Depreciation and amortization

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

Depreciation and amortization expenses	Second Quarter			Year to Date		
	2015	2014	Change	2015	2014	Change
Depreciation of property, equipment and leaseholds	$ 19,879	$ 17,333	14.7%	$ 38,873	$ 34,163	13.8%
Amortization of intangible assets and other	1,923	1,862	3.3%	3,829	3,700	3.5%
Depreciation and amortization expenses as reported	$ 21,802	$ 19,195	13.6%	$ 42,702	$ 37,863	12.8%

The quarterly increase in depreciation of property, equipment and leaseholds of $2.5 million and year to date increase of $4.7 million is primarily due to the impact of equipment and leasehold improvements relating to assets acquired through acquisitions, new theatre construction and other growth projects. The increase in amortization of intangible assets in the quarter and year to date periods is due to the amortization of the intangible assets acquired in the prior year periods and subsequent to those periods.

Loss on disposal of assets

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

Loss on disposal of assets	Second Quarter			Year to Date		
	2015	2014	Change	2015	2014	Change
Loss on disposal of assets	$ 1,033	$ 1,989	-48.1%	$ 1,350	$ 1,933	-30.2%

During the second quarter of 2015, Cineplex recorded a loss of $1.0 million on the disposal of assets that were sold or otherwise disposed (2014 - $2.0 million). For the six months ended June 30, 2015, disposal of assets resulted in a loss of $1.4 million on the disposal of assets that were sold or otherwise disposed of (2014 - $1.9 million, including a $0.6 million gain on the sale of land that was previously a drive-in theatre which is offset by losses on certain assets that were sold or otherwise disposed of).

Other costs

Other costs include three main sub-categories of expenses, including theatre occupancy expenses, which capture the rent and associated occupancy costs for Cineplex's various operations; other operating expenses, which include the costs related to running Cineplex's theatres and ancillary businesses; and general and administrative expenses, which includes costs related to managing Cineplex's operations, including head office expenses. Please see the discussions below for more details on these categories. The following table highlights the movement in other costs for the quarter and year to date (in thousands of Canadian dollars):

Other costs	Second Quarter			Year to Date		
	2015	2014	Change	2015	2014	Change
Theatre occupancy expenses	$ 50,473	$ 50,229	0.5%	$ 101,582	$ 101,253	0.3%
Other operating expenses	89,237	83,537	6.8%	170,151	167,748	1.4%
General and administrative expenses	15,624	15,211	2.7%	34,535	30,422	13.5%
Total other costs	$ 155,334	$ 148,977	4.3%	$ 306,268	$ 299,423	2.3%

Theatre occupancy expenses

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

Theatre occupancy expenses	Second Quarter			Year to Date		
	2015	2014	Change	2015	2014	Change
Rent	$ 33,629	$ 33,775	-0.4%	$ 67,457	$ 67,284	0.3%
Other occupancy	18,048	17,845	1.1%	36,122	35,637	1.4%
One-time items (i)	(1,204)	(1,391)	-13.4%	(1,997)	(1,668)	19.7%
Total	$ 50,473	$ 50,229	0.5%	$ 101,582	$ 101,253	0.3%

(i) 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.

Theatre occupancy continuity	Second Quarter Occupancy	Year to Date Occupancy
2014 as reported	$ 50,229	$ 101,253
Impact of new and acquired theatres	725	1,534
Impact of disposed theatres	(238)	(1,125)
Same store rent change (i)	(364)	(15)
One-time items	188	(328)
Other	(67)	263
2015 as reported	$ 50,473	$ 101,582

(i) See Section 17, Non-GAAP measures

Second Quarter

Theatre occupancy expenses increased $0.2 million during the second quarter of 2015 compared to the prior year period. This increase was primarily due to the impact of new and acquired theatres net of disposed theatres ($0.5 million) and the impact of one-time credits ($0.2 million) partially offset by lower same store rent expenses ($0.4 million) due to the impact of non-cash occupancy amounts.

Year to Date

The increase in theatre occupancy expenses of $0.3 million for the 2015 period compared to the prior year was due to the impact of new and acquired theatres net of disposed theatres and higher real estate taxes included in Other, partially offset by the impact of one-time credits.

Other operating expenses

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

Other operating expenses	Second Quarter			Year to Date		
	2015	2014	Change	2015	2014	Change
Theatre payroll	$ 35,470	$ 33,127	7.1%	$ 68,024	$ 65,480	3.9%
Media	13,635	13,467	1.2%	26,645	25,877	3.0%
Other	40,132	36,943	8.6%	75,482	76,391	-1.2%
Other operating expenses	$ 89,237	$ 83,537	6.8%	$ 170,151	$ 167,748	1.4%

Other operating continuity	Second Quarter Other Operating	Year to Date Other Operating
2014 as reported	$ 83,537	$ 167,748
Impact of new and acquired theatres	2,253	3,134
Impact of disposed theatres	(330)	(822)
Same store payroll change (i)	966	756
Marketing change	1,266	9
Media change	168	768
New business initiatives change	(255)	(1,616)
Other	1,632	174
2015 as reported	$ 89,237	$ 170,151
(i) See Section 17, Non-GAAP measures		

Second Quarter

Other operating expenses during the second quarter of 2015 increased $5.7 million or 6.8% compared to the prior year period. The major components of the increase were the net impact of new and acquired theatres net of disposed theatres ($1.9 million), higher marketing expenses ($1.3 million) due to the timing of campaigns in the 2015 period compared to 2014, higher same store payroll due to higher business volumes and minimum wage increases in certain provinces ($1.0 million) and a $1.6 million increase in the Other category, discussed below.

The major movements in the Other category include the following:

- Higher SCENE costs in the current period due to the growing membership base and support for the SportChek partnership launched in the fourth quarter of 2014 ($0.9 million).
- Higher same store utility costs due in part to higher electricity rates and consumption, partially offset by lower fuel costs ($0.5 million).
- Higher other costs ($0.2 million) including ongoing theatre maintenance.

Year to Date

For the six months ended June 30, 2015, other operating expenses increased $2.4 million or 1.4% compared to the prior year period. The major components of this increase were the net impact of new and acquired theatres net of disposed theatres ($2.3 million) and higher media costs of $0.8 million and higher same store payroll costs of $0.8 million both due to higher business volumes. These increases were partially offset by lower spending on new business initiatives due in part to one-time digital platform development costs incurred in the prior year period ($1.6 million).

The $0.2 million increase in the Other category was primarily due to a $1.4 million increase in SCENE costs due to the growing membership base and support for the SportChek partnership and a $0.2 million increase in same store utility costs. These increases were partially offset by lower 3D royalty expenses due to lower 3D attendance in the 2015 period compared to the prior year ($1.0 million) and lower ongoing theatre maintenance costs due to the timing of repairs in the 2015 and 2014 periods.

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 Canadian dollars):

G&A expenses	Second Quarter			Year to Date		
	2015	2014	Change	2015	2014	Change
G&A excluding LTIP and option plan expense	$ 13,490	$ 13,523	-0.2%	$ 27,606	$ 27,252	1.3%
LTIP (i)	1,709	1,245	37.3%	6,092	2,324	162.1%
Option plan	425	443	-4.1%	837	846	-1.1%
G&A expenses as reported	$ 15,624	$ 15,211	2.7%	$ 34,535	$ 30,422	13.5%
(i) LTIP includes the expense for the LTIP program as well as the expense for the executive and Board deferred share unit plans.						

Second Quarter

G&A expenses increased $0.4 million during the second quarter of 2015 compared to the prior year period due to higher LTIP expenses. This increase was due to a larger increase in the average closing Share price for the 90 days prior to June 30, 2015 as compared to the prior year period, which is one of the variables used in calculating LTIP expense.

Year to Date

G&A expenses for the year to date period increased $4.1 million compared to the prior year period, due to a $3.8 million increase in LTIP expense as a result of the larger increase in the average closing Share price for the 90 days prior to June 30, 2015 as compared to the prior year period.

Share of income of joint ventures

Cineplex's joint ventures in the 2015 periods include its 78.2% interest in CDCP, 50% interest in CSI, 50% interest in one IMAX screen in Ontario and 50% interest in YoYo's. For the 2014 periods, Cineplex's joint ventures included the entities listed above as well as a 50% interest in one theatre in Quebec. Cineplex acquired the 50% interest in the theatre in Quebec that it did not already own on January 1, 2015. The following table highlights the components of share of income of joint ventures during the quarter and the year to date (in thousands of Canadian dollars):

Share of income of joint ventures	Second Quarter			Year to Date		
	2015	2014	Change	2015	2014	Change
Share of (income) of CDCP	$ (163)	$ (675)	-75.9%	$ (292)	$ (620)	-52.9%
Share of (income) of CSI	(510)	(308)	65.6%	(948)	(471)	101.3%
Share of loss (income) of other joint ventures	(79)	5	NM	(86)	58	NM
Total (income) of joint ventures	$ (752)	$ (978)	-23.1%	$ (1,326)	$ (1,033)	28.4%

Interest expense

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

Interest expense	Second Quarter			Year to Date		
	2015	2014	Change	2015	2014	Change
Long-term debt interest expense	$ 2,175	$ 2,434	-10.6%	$ 4,536	$ 4,445	2.0%
Convertible debenture interest expense	1,206	1,206	—%	2,399	2,399	—%
Finance lease interest expense	306	351	-12.8%	625	713	-12.3%
Sub-total - cash interest expense	$ 3,687	$ 3,991	-7.6%	$ 7,560	$ 7,557	—%
Deferred financing fee accretion and other non-cash interest	1,319	1,187	11.1%	2,592	2351	10.3%
Convertible debenture accretion	498	467	6.6%	991	938	5.7%
Interest rate swap - non-cash	16	(62)	NM	87	(46)	NM
Sub-total - non-cash interest expense	1,833	1,592	15.1%	3,670	3,243	13.2%
Total interest expense	$ 5,520	$ 5,583	-1.1%	$ 11,230	$ 10,800	4.0%

Interest expense decreased $0.1 million for the quarter and increased $0.4 million for the year to date compared to the prior year period. For the second quarter, cash interest decreased $0.3 million due to lower average rates on Cineplex's revolving facility. For the year to date period, cash interest is in line with the prior year. Non-cash interest in the quarter and year to date increased primarily due to the higher accretion of both the earn-out payment for the CDN acquisition and the convertible debentures.

Interest income

Interest income during the second quarter of 2015 and the six months ended June 30, 2015 was as follows (in thousands of Canadian dollars):

Interest income	Second Quarter			Year to Date		
	2015	2014	Change	2015	2014	Change
Interest income	$ 41	$ 43	-4.7%	$ 88	$ 113	-22.1%

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 Canadian dollars):

Income taxes	Second Quarter			Year to Date		
	2015	2014	Change	2015	2014	Change
Current income tax expense	$ 10,654	$ 1,010	954.9%	$ 13,075	$ 1,380	847.5%
Deferred income tax expense	$ 436	$ 8,461	-94.8%	$ 414	$ 9,550	-95.7%

The increase in current tax expense over the prior year periods is due in part to the higher net income in the current period. As a result of the $147 million of non-capital losses acquired through Cineplex's 2012 acquisition of AMC Ventures Inc., Cineplex's cash income taxes in 2014 were substantially reduced. None of those losses are available to reduce taxable income in 2015.

Cineplex's blended federal and provincial statutory tax rate at June 30, 2015 was 26.5% (2014 - 26.3%).

Net income

For the three months ended June 30, 2015, Cineplex reported net income of $25.5 million (2014 – $23.2 million). For the six months ended June 30, 2015, Cineplex reported net income of $36.0 million (2014 - $28.3 million) (in thousands of Canadian dollars):

Net income	Second Quarter			Year to Date		
	2015	2014	Change	2015	2014	Change
Net income	$ 25,478	$ 23,205	9.8%	$ 36,005	$ 28,276	27.3%

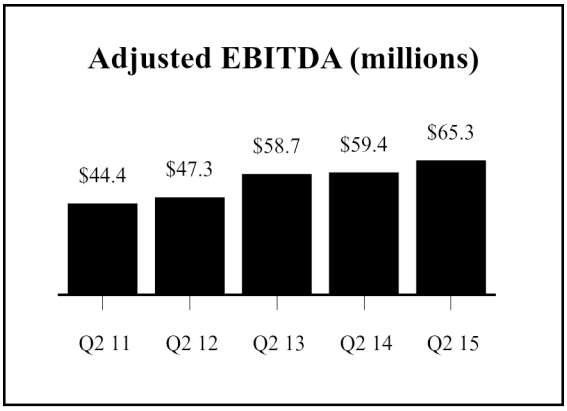
5.3 EARNINGS BEFORE INTEREST, INCOME TAXES, DEPRECIATION AND AMORTIZATION ("EBITDA") (see Section 17, Non-GAAP measures)

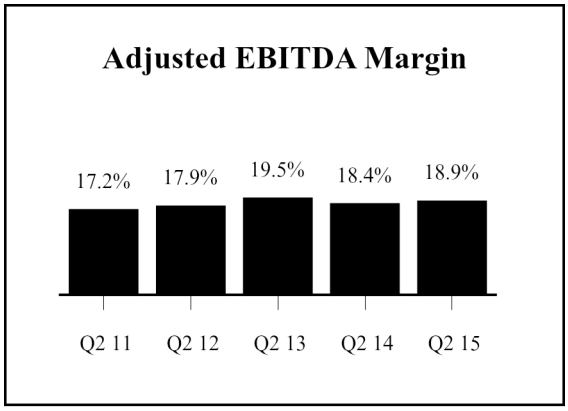
The following table presents EBITDA and adjusted EBITDA for the three and six months ended June 30, 2015 as compared to the prior year periods (expressed in thousands of Canadian dollars, except adjusted EBITDA margin):

EBITDA	Second Quarter			Year to Date		
	2015	2014	Change	2015	2014	Change
EBITDA	$ 63,849	$ 57,411	11.2%	$103,338	$ 87,756	17.8%
Adjusted EBITDA	$ 65,310	$ 59,430	9.9%	$105,558	$ 90,311	16.9%
Adjusted EBITDA margin	18.9%	18.4%	0.5%	16.6%	15.0%	1.6%

Adjusted EBITDA for the second quarter of 2015 increased $5.9 million, or 9.9%, as compared to the prior year period. The increase as compared to the prior year period was primarily due to the higher attendance and record BPP and CPP amounts resulting in higher exhibition revenues, and the higher contribution from Cineplex Media and Cineplex Digital Media. Adjusted EBITDA margin, calculated as adjusted EBITDA divided by total revenues, was 18.9% in the current period, up from 18.4% in the prior year period.

Adjusted EBITDA for the six months ended June 30, 2015 increased $15.2 million, or 16.9%, as compared to the prior year period, due to the higher contribution from Cineplex Media and Cineplex Digital Media, the impact of the higher CPP as well as lower operating costs compared to the prior year period. Adjusted EBITDA margin for the period was 16.6%, an increase of 1.6% from 15.0% in the prior year period.





6. BALANCE SHEETS

The following sets out significant changes to Cineplex's consolidated balance sheets during the six months ended June 30, 2015 (in thousands of Canadian dollars):

	June 30, 2015	December 31, 2014	Change ($)	Change (%)
Assets				
Current assets				
Cash and cash equivalents	$ 23,700	$ 34,367	$ (10,667)	-31.0%
Trade and other receivables	62,810	101,462	(38,652)	-38.1%
Inventories	8,361	7,978	383	4.8%
Prepaid expenses and other current assets	14,812	8,102	6,710	82.8%
	109,683	151,909	(42,226)	-27.8%
Non-current assets				
Property, equipment and leaseholds	504,112	495,532	8,580	1.7%
Deferred income taxes	6,181	6,971	(790)	-11.3%
Interests in joint ventures	48,589	46,457	2,132	4.6%
Intangible assets	106,031	109,746	(3,715)	-3.4%
Goodwill	801,335	798,801	2,534	0.3%
	$ 1,575,931	$ 1,609,416	$ (33,485)	-2.1%
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	$ 126,667	$ 159,152	$ (32,485)	-20.4%
Share-based compensation	7,092	6,160	932	15.1%
Dividends payable	8,201	7,877	324	4.1%
Income taxes payable	10,052	9,735	317	3.3%
Deferred revenue	108,826	149,644	(40,818)	-27.3%
Finance lease obligations	2,812	2,670	142	5.3%
Fair value of interest rate swap agreements	1,162	692	470	67.9%
	264,812	335,930	(71,118)	-21.2%
Non-current liabilities				
Share-based compensation	15,558	15,504	54	0.3%
Long-term debt	280,047	229,754	50,293	21.9%
Fair value of interest rate swap agreements	4,311	2,117	2,194	NM
Finance lease obligations	13,557	15,008	(1,451)	-9.7%
Post-employment benefit obligations	7,044	6,977	67	1.0%
Other liabilities	171,950	173,550	(1,600)	-0.9%
Convertible debentures	99,718	98,727	991	1.0%
	856,997	877,567	(20,570)	-2.3%
Equity	718,934	731,849	(12,915)	-1.8%
	$ 1,575,931	$ 1,609,416	$ (33,485)	-2.1%

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 2014 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.

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

Property, equipment and leaseholds. The increase in property, equipment and leaseholds is due to new build and other capital expenditures ($34.4 million), maintenance capital expenditures ($12.8 million) and acquisitions ($1.9 million), offset by amortization expenses ($38.9 million) and asset dispositions ($1.7 million).

Interests in joint ventures. The increase in interests in joint ventures is primarily due to the share of income from joint ventures in the period.

Intangible assets. The decrease in intangible assets represents amortization of intangible assets with finite lives during the period, partially offset by the acquisition of an intangible asset.

Goodwill. The increase in goodwill is due to the acquisition of the 50% of a theatre in Quebec that Cineplex did not already own during the first quarter of 2015 as well as the acquisition of an IMAX theatre in Quebec during the second quarter of 2015.

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

Deferred revenue. Deferred revenue decreased primarily due to the redemption of gift cards and vouchers sold during the 2014 holiday season.

Long-term debt. The increase in long-term debt primarily relates to borrowings under the Revolving Facility (defined and discussed in Section 7.4, Credit Facilities) and the deferred financing fee amortization recognized in the period.

Fair value of interest rate swap agreements. The increase in the fair value of interest rate swap agreements represents the fair value of the future settlements under the agreements.

Finance lease obligations. The decrease in finance lease obligations represents the payment of principal in the period.

Other liabilities. The decrease in other liabilities is primarily due to the amortization of lease-related liabilities, partially offset by the accretion of the deferred contingent consideration relating to CDN.

7. LIQUIDITY AND CAPITAL RESOURCES

7.1 OPERATING ACTIVITIES

Cash flow is generated primarily from the sale of admission tickets, concession sales, media sales and services and other revenues. Generally, this provides Cineplex with positive working capital, since 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, 2015 and 2014 (in thousands of Canadian dollars):

Cash flows provided by operating activities	**Second Quarter**			**Year to Date**		
	2015	**2014**	**Change**	**2015**	**2014**	**Change**
Net income	$ 25,478	$ 23,205	$ 2,273	$ 36,005	$ 28,276	$ 7,729
Adjustments to reconcile net income to net cash provided by operating activities:						
Non-cash amortization amounts (i)	20,819	18,903	1,916	41,291	37,335	3,956
Loss on disposal of assets	1,033	1,989	(956)	1,350	1,933	(583)
Deferred income taxes	436	8,461	(8,025)	414	9,550	(9,136)
Interest rate swap agreements - non-cash interest	16	(62)	78	87	(46)	133
Non-cash Share-based compensation	425	443	(18)	837	846	(9)
Accretion of convertible debentures	498	467	31	991	938	53
Net change in interests in joint ventures	(2,191)	(860)	(1,331)	(3,099)	(1,240)	(1,859)
Tenant inducements	—	—	—	757	2,842	(2,085)
Changes in operating assets and liabilities	7,920	(12,106)	20,026	(40,657)	(58,511)	17,854
Net cash provided by operating activities	**$ 54,434**	**$ 40,440**	**$ 13,994**	**$ 37,976**	**$ 21,923**	**$ 16,053**

(i) Includes amortization of property, equipment and leaseholds and intangible assets, amortization of tenant inducements and rent averaging liabilities, and accretion of debt issuance and other non-cash interest costs.

Second Quarter

Cash provided by operating activities increased $14.0 million in the second quarter of 2015 compared to the prior year period due to the $2.3 million increase in net income as well as the impact of the changes in operating assets and liabilities in the period compared to the prior year period, including higher current income tax liabilities and the timing of the settlement of accounts receivable and payable balances.

Year to Date

For the six months ended June 30, 2015, cash provided by operating activities increased $16.1 million compared to the prior year period due to the $7.7 million increase in net income and the movement in operating assets and liabilities, including the timing of the settlement of liabilities.

7.2 INVESTING ACTIVITIES

The following table highlights the movements in cash used in investing activities for the three and six months ended June 30, 2015 and 2014 (in thousands of Canadian dollars):

Cash flows used in investing activities	Second Quarter			Year to Date		
	2015	2014	Change	2015	2014	Change
Proceeds from sale of assets	$ —	$ —	$ —	$ 108	$ 404	$ (296)
Purchases of property, equipment and leaseholds	(20,406)	(19,225)	(1,181)	(47,325)	(50,695)	3,370
Acquisition of businesses, net of cash acquired	(2,674)	(1,516)	(1,158)	(3,158)	(2,466)	(692)
Intangible asset addition	—	(2,750)	2,750	(114)	(2,750)	2,636
Net cash received from joint ventures	329	769	(440)	756	769	(13)
Net cash used in investing activities	**$ (22,751)**	**$ (22,722)**	**$ (29)**	**$ (49,733)**	**$ (54,738)**	**$ 5,005**

Second Quarter

Cash used in investing activities during the second quarter of 2015 was in line with the prior year period, with higher purchases of property, equipment and leaseholds as well as higher cash paid for acquisitions, offset by the $2.8 million spent on an intangible asset addition in the prior year period.

Year to Date

For the year to date period, cash used in investing activities decreased $5.0 million as compared to the prior year period. This was due to lower spending on property, equipment and leaseholds and intangible asset additions in the current period compared to the prior year period.

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

Capital expenditures	Second Quarter			Year to Date		
	2015	2014	Change	2015	2014	Change
Gross capital expenditures	$ 20,406	$ 19,225	$ 1,181	$ 47,325	$ 50,695	$ (3,370)
Less: tenant inducements	—	—	—	(757)	(2,842)	2,085
Net capital expenditures	$ 20,406	$ 19,225	$ 1,181	$ 46,568	$ 47,853	$ (1,285)
Net capital expenditures consists of:						
Growth and acquisition capital expenditures (i)	$ 8,786	$ 13,515	$ (4,729)	$ 18,830	$ 34,955	$ (16,125)
Tenant inducements	—	—	—	(757)	(2,842)	2,085
Media growth capital expenditures	3,490	2,259	1,231	7,849	2,610	5,239
Premium formats (ii)	3,227	3,120	107	6,562	6,483	79
Maintenance capital expenditures	7,791	4,944	2,847	12,803	11,963	840
Other (iii)	(2,888)	(4,613)	1,725	1,281	(5,316)	6,597
	$ 20,406	$ 19,225	$ 1,181	$ 46,568	$ 47,853	$ (1,285)

(i) Growth and acquisition capital expenditures include expenditures on the construction of new theatre buildings (including VIP auditoriums) and other Board approved growth projects with the exception of premium formats (discussed below) and media growth capital expenditures.

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

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

Cineplex funds maintenance capital expenditures through internally generated cash flow and cash on hand. Cineplex's Revolving Facility (defined and discussed in Section 7.4, Credit Facilities) is available to fund new theatre capital expenditures.

7.3 FINANCING ACTIVITIES

The following table highlights the movements in cash from financing activities for the three and six months ended June 30, 2015 and 2014 (in thousands of Canadian dollars):

Cash flows (used in) provided by financing activities	Second Quarter			Year to Date		
	2015	2014	Change	2015	2014	Change
Dividends paid	$ (23,966)	$ (22,983)	$ (983)	$ (47,601)	$ (45,640)	$ (1,961)
Borrowings under credit facility, net	—	10,000	(10,000)	50,000	50,000	—
Payments under finance leases	(659)	(595)	(64)	(1,309)	(1,186)	(123)
Net cash (used in) provided by financing activities	**$ (24,625)**	**$ (13,578)**	**$ (11,047)**	**$ 1,090**	**$ 3,174**	**$ (2,084)**

Second Quarter

Net cash used in financing activities in the second quarter of 2015 increased by $11.0 million due to no net borrowings under the credit facility in the current period compared to $10.0 million in net borrowings in the prior year period, as well as the impact of higher dividend payments.

Year to Date

The decrease in net cash provided by financing activities of $2.1 million compared to the prior year period is primarily due to the $2.0 million higher dividend payments in the current period.

Cineplex believes that it will be able to meet its future cash obligations with its cash and cash equivalents, cash flows from operations and funds available under the Credit Facilities as described in Section 7.4, Credit Facilities.

7.4 CREDIT FACILITIES

Cineplex and the Partnership entered into certain credit facilities effective October 24, 2013 (the "Credit Facilities"). At June 30, 2015, the Credit Facilities consisted of the following (in millions of Canadian dollars):

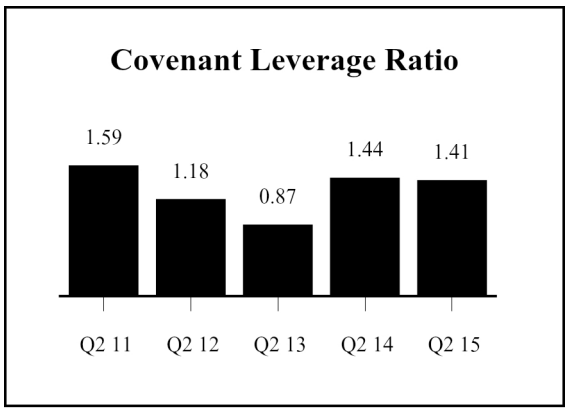
	Available	Drawn	Reserved	Remaining
(i) a five-year senior secured revolving credit facility ("Revolving Facility")	$ 250.0	$ 132.0	$ 5.4	$ 112.6
(ii) a five-year senior secured non-revolving term facility ("Term Facility")	$ 150.0	$ 150.0	$ —	$ —
Letters of credit outstanding at June 30, 2015 of $5.4 million are reserved against the Revolving Facility.				

There are provisions to increase the Revolving Facility commitment amount by an additional $150.0 million with the consent of the lenders.

The Credit Facilities bear interest at a floating rate based on the Canadian dollar prime rate, or bankers' acceptances rates plus, in each case, an applicable margin to those rates. The facilities mature in October 2018 and are payable in full at maturity, with no scheduled repayment of principal required prior to maturity.

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

One of the key financial covenants in the Credit Facilities is the leverage covenant. As at June 30, 2015, Cineplex's leverage ratio as calculated in accordance with the Credit Facilities definition was 1.41x, as compared to a covenant of 3.50x. The definition of debt in the Credit Facility includes long-term debt (excluding any convertible debentures), financing leases and letters of credit but does not include a reduction for cash on hand. For the purposes of the Credit Facility definition, EBITDA is adjusted for certain non-cash, non-recurring items and the annualized impact of new theatres or acquisitions.



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

Interest rate swap agreements. Effective August 24, 2011, Cineplex entered into three interest rate swap agreements. Under these agreements, Cineplex pays a fixed rate of 1.715% per annum, plus an applicable margin, and receives a floating rate of interest equal to the three-month Canadian deposit offering rate set quarterly in advance, with gross settlements quarterly. These interest rate swap agreements have a term of five years that commenced in August 2011 and have an aggregate notional principal amount of $150.0 million. Based on the leverage ratio covenant at June 30, 2015, Cineplex's effective cost of borrowing on the $150.0 million Term Facility was 3.115% (June 30, 2014 - 3.265%).

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

The purpose of the interest rate swap agreements is to act as a cash flow hedge of the floating interest rate payable under the Term Facility. Cineplex considered its hedging relationships and determined that the interest rate swap agreements on its Term Facility qualify for hedge accounting in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*. Under the provisions of IAS 39, 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.

7.5 FUTURE OBLIGATIONS

Cineplex has aggregate gross capital commitments of $81.3 million ($66.6 million net of tenant inducements) related to the completion of construction of eight theatre properties to include an aggregate of 78 screens (including 28 VIP auditoriums) over the next three years. In addition, Cineplex has gross commitments over the next two years of $26.7 million for other projects, including the conversion of regular auditoriums to VIP at certain theatres, certain digital media projects both in the theatre and for clients of CDS and CDN, and the first of The Rec Room locations. The first The Rec Room is scheduled to open at South Edmonton Common in Edmonton, Alberta in an approximately 60,000 square foot location in proximity to Cineplex's existing theatre at that location.

Cineplex has a commitment to acquire 50% of the issued and outstanding equity of CSI that it does not already own, for a minimum of $17.5 million in cash. After the transaction closes in the third quarter of 2015, Cineplex will own 100% of the issued and outstanding equity of CSI.

Cineplex's acquisition of CDN during the third quarter of 2013 included an earn-out payment subject to an aggregate maximum purchase price of $78.0 million for both the initial payment and the earn-out payment. The earn-out payment will be based on normalized 2015 operating results (as defined in the purchase agreement) and will be paid in early 2016. Cineplex estimates that the maximum earn-out will be achieved, and at June 30, 2015, the deferred contingent consideration is recognized in Cineplex's balance sheet at an estimated fair value of $36.7 million, with an undiscounted value of $39.6 million. The deferred contingent consideration is being accreted to its maximum cap using the effective interest method as prescribed by IAS 39, *Financial Instruments: Recognition and Measurement.*

At June 30, 2015, Cineplex had $107.5 million principal amount of convertible debentures outstanding that have a maturity date of December 31, 2018. At June 30, 2015, the convertible debentures were recorded on Cineplex's balance sheet at $99.7 million. The convertible debentures are being accreted to their maturity value using the effective interest method as prescribed by IAS 39, *Financial Instruments: Recognition and Measurement*. On and after December 31, 2016 and prior to December 31, 2017, Cineplex may, at its option, redeem the debentures in whole or in part from time to time, subject to specified market conditions. On or after December 31, 2017, the convertible debentures may be redeemed in whole or in part from time to time at the option of Cineplex at a price equal to their principal amount plus accrued and unpaid interest. Redemptions may be in cash or in the form of Shares, at the option of Cineplex. See Section 9, Share activity, for more information regarding the convertible debentures.

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

Cineplex is a guarantor under the leases for the remainder of the lease term for certain theatres that it has sold, in the event that the purchaser of each theatre does not fulfill its obligations under the respective lease. Should the purchasers of the theatres fail to fulfill their lease commitment obligations, Cineplex could face a substantial financial burden. Cineplex guarantees certain advertising revenues based on attendance levels for a majority of the theatres disposed to third parties. No amounts have been provided in the consolidated financial statements for guarantees for which Cineplex has not been notified of triggering events.

8. ADJUSTED FREE CASH FLOW AND DIVIDENDS (see Section 17, 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 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.

Effective for the May 2015 dividend payable in June 2015, the Board approved a dividend increase to $0.130 per month per Share.

8.1 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 months ended June 30, 2015 and 2014:

Adjusted free cash flow	Second Quarter			Year to Date		
	2015	2014	Change	2015	2014	Change
Adjusted free cash flow per Share	$ 0.650	$ 0.773	-15.9%	$ 1.086	$ 1.066	1.9%
Dividends declared per Share	$ 0.385	$ 0.370	4.1%	$ 0.760	$ 0.730	4.1%
Payout ratio - twelve months ended June 30				64.8%	60.3%	4.5%

Adjusted free cash flow per Share is 15.9% lower than the prior year period due to higher current income tax expense in the current period compared to the prior year. For the year to date period, adjusted free cash flow per Share is 1.9% higher than the prior year period due to the impact of the stronger business results in the current period more than offsetting the impact of higher current income tax expense.

Adjusted free cash flow per Share and the payout ratios for the 2014 periods are positively impacted by Cineplex's use of loss carryforwards acquired through Cineplex's acquisition of AMC Ventures Inc. in 2012, resulting in Cineplex's cash income taxes in 2014 being substantially reduced.
Measures relevant to the discussion of adjusted free cash flow per Share are as follows (expressed in thousands of Canadian dollars except Shares outstanding):

	Second Quarter			Year to Date		
	2015	2014	Change	2015	2014	Change
Cash flows provided by operations	$ 54,434	$ 40,440	34.6%	$ 37,976	$ 21,923	73.2%
Net income	$ 25,478	$ 23,205	9.8%	$ 36,005	$ 28,276	27.3%
Standardized free cash flow	$ 34,028	$ 21,215	60.4%	$ (9,241)	$ (28,368)	67.4%
Adjusted free cash flow	$ 41,012	$ 48,699	-15.8%	$ 68,489	$ 67,083	2.1%
Cash dividends declared	$ 24,284	$ 23,300	4.2%	$ 47,925	$ 45,961	4.3%
Average number of Shares outstanding	63,073,248	62,966,909	0.2%	63,053,866	62,954,227	0.2%

8.2 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, 2015, Cineplex declared dividends totaling $0.385 per Share. For the three months ended June 30, 2014, Cineplex declared dividends totaling $0.370 per Share. The following table outlines the Fund's and 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

(i) For the 36 day period from November 26, 2003 (the inception of the Fund) 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.

9. SHARE ACTIVITY

Share capital at June 30, 2015 and the transactions during the period are as follows (expressed in thousands of Canadian dollars except Share amounts):

				2015
				Amount
	Common shares issued and outstanding	Common shares	Equity component of convertible debentures	Total
Balance - December 31, 2014	63,015,023	$ 849,602	$ 4,471	$ 854,073
Issuance of shares on exercise of options	70,926	514	—	514
Balance - June 30, 2015	63,085,949	$ 850,116	$ 4,471	$ 854,587

Officers and key employees are eligible to participate in the LTIP. For the three-year service period beginning January 1, 2011, the LTIP awards consist of a "phantom" stock plan awarding base Share equivalents which may decrease by approximately 67% or increase by 100% 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 initial grants of Share equivalents were as follows:

	Base Share equivalents
2015 LTIP award	114,335
2014 LTIP award	135,602
2013 LTIP award	124,936

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

Cineplex has an incentive Share option plan for certain employees. The aggregate number of Shares that may be issued under the option plan is limited to 5,250,000 Shares. All of the outstanding options must be exercised over specified periods not to exceed 10 years from the date granted. As of June 30, 2015, 2.1 million Share options are 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, 2015, 2.6 million Share options are available for grant under the plan.

A summary of option activities for the six months ended June 30, 2015 and 2014 is as follows:

		2015		2014	
	Weighted average remaining contractual life (years)	Number of underlying Shares	Weighted average exercise price	Number of underlying Shares	Weighted average exercise price
Options outstanding - January 1	7.65	1,776,173	$ 31.37	1,459,772	$ 27.23
Granted		446,004	49.14	540,519	40.45
Cancelled		—	—	(10,694)	34.89
Exercised		(164,679)	28.16	(143,720)	25.86
Options outstanding – end of period	7.73	2,057,498	$ 35.48	1,845,877	$ 31.16

During the fourth quarter of 2013, Cineplex issued $107.5 million principal amount of convertible unsecured subordinated debentures, maturing on December 31, 2018 (the "Maturity Date") and bearing interest at a rate of 4.5% per annum, payable semi-annually in arrears on June 30 and December 31 in each year, commencing on December 31, 2013. At the holder's option, the debentures may be converted into Shares at a conversion price of $56 per Share at any time prior to the close of business five days before the earlier of the Maturity Date, the date fixed for redemption by Cineplex, or if called for repurchase in the event of a change in control, the payment date. The debentures are not redeemable by Cineplex prior to December 31, 2016.

On and after December 31, 2016 and prior to December 31, 2017, Cineplex may, at its option, redeem the convertible debentures in whole or in part from time to time, subject to the market price of the Shares. On or after December 31, 2017, the convertible debentures may be redeemed in whole or in part from time to time at the option of Cineplex at a price equal to their principal amount plus accrued and unpaid interest. Redemptions may be in cash or in the form of Shares, at the option of Cineplex.

10. SEASONALITY AND QUARTERLY RESULTS

Historically, Cineplex's revenues have been seasonal, coinciding with the timing of major film releases by the major distributors. The most marketable motion pictures have traditionally been released during the summer and the late-November through December holiday season. This may cause changes, from quarter to quarter, in attendance levels, theatre staffing levels and reported results. The seasonality of motion picture exhibition 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. To meet working capital requirements during the traditionally lower-revenue quarters, Cineplex can draw upon the Revolving Facility. As of June 30, 2015, there was $132.0 million drawn on the Revolving Facility, with $112.6 million undrawn and available for use.

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

	2015		2014				2013	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues								
Box office	$ 186,202	$ 156,041	$ 172,460	$ 162,574	$ 181,419	$ 156,225	$ 177,692	$ 168,066
Food service	108,397	90,785	97,778	92,094	98,024	87,143	93,294	91,487
Media	35,020	29,072	46,852	31,992	30,990	24,355	39,196	27,725
Other	15,921	13,887	15,121	12,330	13,063	12,296	13,025	11,080
	345,540	289,785	332,211	298,990	323,496	280,019	323,207	298,358
Expenses								
Film cost	102,155	80,171	88,657	85,499	94,950	80,458	91,867	88,144
Cost of food service	23,921	19,448	21,579	19,848	21,147	18,881	19,835	19,411
Depreciation and amortization	21,802	20,900	19,922	19,665	19,195	18,668	19,748	17,317
Loss (gain) on disposal of assets	1,033	317	626	834	1,989	(56)	432	1,564
Other costs	155,334	150,934	160,280	146,974	148,977	150,446	158,025	134,386
	304,245	271,770	291,064	272,820	286,258	268,397	289,907	260,822
Income from operations	41,295	18,015	41,147	26,170	37,238	11,622	33,300	37,536
Adjusted EBITDA (i)	65,310	40,248	62,649	48,042	59,430	30,881	54,144	57,896
Net income	$ 25,478	$ 10,527	$ 32,081	$ 15,914	$ 23,205	$ 5,071	$ 20,168	$ 26,030
Basic earnings per Share	$ 0.40	$ 0.17	$ 0.51	$ 0.25	$ 0.37	$ 0.08	$ 0.32	$ 0.41
Diluted earnings per Share (ii)	$ 0.40	$ 0.17	$ 0.51	$ 0.25	$ 0.37	$ 0.08	$ 0.32	$ 0.41
Cash provided by (used in) operating activities	54,434	(16,458)	135,425	22,910	40,440	(18,517)	134,455	22,546
Cash used in investing activities	(22,751)	(26,982)	(18,649)	(33,325)	(22,722)	(32,016)	(204,563)	(49,102)
Cash (used in) provided by financing activities	(24,625)	25,715	(91,281)	4,788	(13,578)	16,752	102,087	9,929
Net change in cash	$ 7,058	$ (17,725)	$ 25,495	$ (5,627)	$ 4,140	$ (33,781)	$ 31,979	$ (16,627)
Box office revenue per patron (i)	$ 9.45	$ 8.90	$ 9.06	$ 9.01	$ 9.40	$ 9.04	$ 9.42	$ 8.84
Concession revenue per patron (i)	$ 5.50	$ 5.18	$ 5.14	$ 5.11	$ 5.08	$ 5.05	$ 4.94	$ 4.81
Attendance (in thousands of patrons) (i)	19,695	17,538	19,037	18,038	19,301	17,272	18,872	19,011
Theatre locations (at period end)	162	161	161	161	162	161	161	136
Theatre screens (at period end)	1,652	1,648	1,639	1,639	1,638	1,632	1,630	1,454

(i) See Section 17, Non-GAAP measures.

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

Summary of adjusted free cash flow by quarter

Management calculates adjusted free cash flow per Share as follows (see Section 17, Non-GAAP measures, for a discussion of adjusted free cash flow) (expressed in thousands of Canadian dollars except per Share data and number of Shares outstanding):

	2015		2014				2013	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Cash provided by (used in) operating activities	$ 54,434	$ (16,458)	$ 135,425	$ 22,910	$ 40,440	$ (18,517)	$ 134,455	$ 22,546
Less: Total capital expenditures net of proceeds on sale of assets	(20,406)	(26,811)	(18,107)	(33,465)	(19,225)	(31,066)	(14,394)	(10,254)
Standardized free cash flow	34,028	(43,269)	117,318	(10,555)	21,215	(49,583)	120,061	12,292
Add/(Less):								
Changes in operating assets and liabilities	(7,920)	48,577	(87,666)	20,746	12,106	46,405	(85,812)	30,609
Changes in operating assets and liabilities of joint ventures	1,439	334	1,941	(2,400)	(118)	325	(549)	317
Tenant inducements	—	(757)	(818)	(555)	—	(2,842)	(500)	(1,612)
Principal component of financing lease obligations	(659)	(650)	(660)	(592)	(595)	(591)	(615)	(571)
Growth capital expenditures and other	12,615	21,799	10,893	27,668	14,281	24,047	2,561	5,526
Share of income of joint ventures, net of non-cash depreciation	1,180	1,016	985	1,431	1,041	623	593	1,391
Net cash received from (invested in) CDCP	329	427	547	140	769	—	535	(36)
Adjusted free cash flow	$ 41,012	$ 27,477	$ 42,540	$ 35,883	$ 48,699	$ 18,384	$ 36,274	$ 47,916
Average number of Shares outstanding	63,073,248	63,034,270	62,995,236	62,987,992	62,966,909	62,941,405	62,875,151	62,848,551
Adjusted free cash flow per Share	$ 0.650	$ 0.436	$ 0.675	$ 0.570	$ 0.773	$ 0.292	$ 0.577	$ 0.762

11. RELATED PARTY TRANSACTIONS

Cineplex may be party to 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.

A member of the Board is the Chief Executive Officer of Riocan Real Estate Investment Trust ("Riocan"). During the three and six months ended June 30, 2015, Cineplex incurred theatre occupancy expenses for theatres under lease commitments with Riocan in the amounts of $11.4 million and $22.7 million, respectively (2014 - $11.1 million and $22.1 million, respectively).

12. 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 Cineplex's annual MD&A. These estimates and assumptions have not changed materially since December 31, 2014.

13. ACCOUNTING POLICIES

FUTURE CHANGES IN ACCOUNTING POLICIES

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

IFRS 9, Financial Instruments

IFRS 9, *Financial Instruments* ("IFRS 9") was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39") for debt instruments, with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income ("OCI"). Where equity instruments are measured at fair value through OCI, dividends are recognized in profit or loss to the extent not clearly representing a return on investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk in liabilities designed at fair value through profit and loss would generally be recorded in OCI or OCL.

IFRS 9 was amended in November 2013 to: (i) include guidance on hedge accounting; (ii) allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity's own credit risk, from financial liabilities designated under the fair value option, in OCI (without having to adopt the remainder of IFRS 9); and (iii) remove the previous mandatory effective date of January 1, 2015, although the standard is available for early adoption. Cineplex has not yet assessed the impact of this standard and amendments or determined whether it will early adopt them.

IFRS 15, Revenue from Contracts with Customers

On May 28, 2014, the IASB issued the final revenue standard, IFRS 15 *Revenue from Contracts with Customers,* which will replace IAS 11 *Construction Contracts,* IAS 18 *Revenue,* IFRIC 13 *Customer Loyalty Programmes,* IFRIC 15 *Agreements for the Construction of Real Estate,* IFRIC 18 *Transfer of Assets from Customers,* and SIC 31 *Revenue - Barter Transactions Involving Advertising Services.* The new standard will be mandatorily effective for fiscal years beginning on or after January 1, 2018, and interim periods within that year. Earlier application is permitted. Cineplex is analyzing the new standard to determine its impact on Cineplex's balance sheet and statement of operations.

14. RISK MANAGEMENT

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

Cineplex conducts an annual enterprise risk management assessment which is overseen by Cineplex's executive management team and the audit committee of the Board, and is reported to the full Board. The enterprise risk management framework sets out principles and tools for identifying, evaluating, prioritizing and managing risk effectively and consistently across Cineplex. In addition Cineplex monitors risks and changing economic conditions on an ongoing basis and adapts its operating strategies as required.

Industry Risk

Cineplex's ability to operate successfully depends upon the availability, diversity and appeal of films, the availability, diversity and appeal of 3D product, the ability of Cineplex to license films and the performance of these films in Cineplex's markets. Cineplex primarily licenses first-run films, the success of which is dependent upon their quality, as well as on the marketing efforts of film studios and distributors. Cineplex continues to diversify its entertainment offerings to include alternative programming and to move into other sources of revenue such as digital commerce and expanded media offerings. Nonetheless, Cineplex is highly dependent on film product and film performance, including the number and success of blockbuster films. A reduction in quality or quantity of both 2D and 3D film product or any disruption in the production or release of films, including a strike or threat of a strike, a reduction in the marketing efforts of film studios and distributors or a significant change in film release patterns, would have a negative effect on film attendance and adversely affect Cineplex's business and results of operations.

In 2014, seven major film distributors accounted for approximately 93% of Cineplex's box office revenues, which is consistent with industry standards. Deterioration in Cineplex's relationships with any of the major film distributors could affect its ability to negotiate film licenses on favourable terms or its ability to obtain commercially successful films. Cineplex actively works on maintaining good relations with these distributors, as this affects its ability to negotiate commercially favourable licensing terms for first-run films or to obtain licenses at all.

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

Exhibition Competition Risk

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

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

Media Risk

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

Technology Risk

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

To mitigate these risks, Cineplex continues to enhance the out of home experience through the addition of new technologies and experiences including 3D, VIP, UltraAVX and digital projection in order to further differentiate the theatrical product from the home product. Approximately 47% of Cineplex's auditoriums are currently equipped to screen 3D content. Cineplex has also diversified its offerings to customers by operating the Cineplex Store which sells DVDs, Blu-ray discs, as well as VoD and DTO movies online in order to participate in the in-home and on-the-go entertainment markets.

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

Customer Risk

Cineplex competes for customers leisure time and disposable income with other forms of entertainment including home and online consumption of content, sporting events, live music concerts, live theatre and restaurants. Cineplex aims to deliver an affordable out of home entertainment experience. Cineplex monitors pricing in all markets to ensure that it offers a reasonably priced out of home experience compared to other entertainment alternatives. If Cineplex is too aggressive in raising ticket prices or concession prices, there may be an adverse effect on attendance and food service revenues. In addition, historical data shows that movie attendance has not been negatively affected by economic downturns over the past 25 years.

Cineplex monitors customer needs to ensure that the in-theatre experience meets the anticipated needs of key demographic groups. Cineplex is differentiating the movie-going experience by providing UltraAVX auditoriums, D-Box seating, VIP Cinemas and XSCAPE Entertainment Centres in select theatres and by providing alternative programming which appeals to specific demographic groups. In addition, the advent of digital technology has allowed for more niche programming. In the event that consumer preferences change, Cineplex may need to incur further capital expenditures to redevelop existing locations. In consideration of this risk, Cineplex continues to improve the quality of its theatre assets through ongoing theatre upgrades and retrofits.

Cineplex is dependent on its theatre locations to provide a satisfactory entertainment experience. If Cineplex's execution of processes does not consistently meet or exceed customer expectations due to poor customer service or poor quality of assets, movie attendance may be adversely affected. Cineplex monitors customer satisfaction through surveys, mystery shops and focus groups, and maintains a guest services department to address customer concerns. Guest satisfaction is tied to performance measures for theatre management ensuring alignment between corporate and operational objectives. There is the potential for misinformation to be spread virally through social media relating to Cineplex's theatre assets as well as the quality of its customer service. Cineplex monitors commentary on social media in order to respond quickly to potential social media misinformation.

Cineplex continues to pursue other revenue opportunities such as in-theatre and out of home advertising, gaming, promotions and alternative uses of its theatres during non-peak hours. Gaming includes in-theatre gaming locations, XSCAPE Entertainment Centres and Cineplex's share of CSI. In 2015, Cineplex announced its plans for its social entertainment destination The Rec Room. Cineplex's ability to achieve its business objectives may depend in part on its ability to successfully increase these revenue streams.

Cineplex's offerings through the Cineplex Store of DVD's and Blu-ray discs relies on third party shipping to deliver the hard goods purchased by the consumer. The VoD and DTO movies are delivered online via third parties. Delays in shipping hard goods or delays or other technological issues relating to online delivery could negatively impact customer satisfaction. Cineplex monitors delivery times for both hard goods and electronic delivery in order to proactively manage any potential customer satisfaction issues.

Human Resources Risk

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

Cineplex employs approximately 11,000 people, of whom approximately 90% are hourly workers whose compensation is based on the prevailing provincial minimum wages with incremental adjustments as required to match market conditions. Any increase in these minimum wages will increase employee related costs. Approximately 6% of Cineplex's employees are represented by unions, located primarily in the province of Quebec. Because of the small percentage of employees represented by unions, the impact of labour disruption nationally is low.

Real Estate Risk

The acquisition and development of new theatre sites to be operated by Cineplex is dependent on the ability of Cineplex to identify, acquire and develop suitable sites for potential theatre locations in both new and existing markets. The cost to develop a new theatre is substantial, but its success is not assured. While Cineplex is careful in selecting sites for new theatres, the significant time lag from identifying a new site to theatre opening can result in a change in local market circumstances and could negatively impact the theatre's chance of success. In addition, the building of new theatres may draw audiences away from less appealing older theatres owned by Cineplex. Cineplex considers the overall return for the theatres in a geographic area when making the decision to build a new theatre.

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

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

Financial Markets Risk

Cineplex requires efficient access to capital in order to fuel growth, execute strategies, and generate future financial returns. For this reason Cineplex has the Revolving Facility available.

Cineplex hedges interest rates on the Term Facility, thereby minimizing the impact of significant fluctuations in the market rates. Cineplex's exposure to currency and commodity risk is minimal as the majority of its transactions are in Canadian dollars and commodity costs are not a significant component of the overall cost structure. Counter party risk on the interest rate swap agreements is minimized through entering into these transactions with Cineplex's lenders.

Sourcing Risk

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

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

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

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

Health and Safety Risk

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

Business Continuity Risk

Cineplex's primary source of revenue is derived from providing an out of home entertainment experience. A terrorist threat or the outbreak of a pandemic may cause people to stay away from public places including movie theatres which would significantly impact business results. Cineplex operates in ten provinces which mitigates the risk to a specific location or locations. Cineplex also has communications and public relations procedures to deal with crises of this nature. These procedures identify risks, prioritize key services, plan for large staff absences and clarify communication processes. However, should there be a national threat, it is uncertain to what extent Cineplex could mitigate this risk and the costs that may be associated with any such crises. Further, Cineplex purchases insurance coverage from third-party insurance companies to cover certain operational risks, and is self-insured for other matters.

Legal, Taxation and Accounting Risk

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

To mitigate these risks, Cineplex uses third party tax and legal experts to assist in structuring significant transactions and contracts. Cineplex also has systems and controls that ensure the timely production of financial information in order to meet regulatory requirements and has implemented disclosure controls and internal controls over financial reporting which are tested for effectiveness on an ongoing basis. Cineplex also promotes a strong ethical culture through its values and code of conduct.

Environment/Sustainability Risk

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

Information Management Risk

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

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

At select times during the normal course of business, Cineplex collects and stores sensitive data, including intellectual property, proprietary business information including data with respect to suppliers, employees and business partners, as well as some personally identifiable information of Cineplex's customers. The secure processing, maintenance and transmission of this information is critical to Cineplex's operations and business strategy. As such Cineplex adheres to industry standards for the payment card industry ("PCI") data security standard ("DSS") compliance, as well as undertaking commercially reasonable efforts for non-financial data.

Cineplex recognizes that security breaches and other disruptions could compromise this information and expose Cineplex to liability, which would cause its business and reputation to suffer. Despite security measures, Cineplex's information technology and infrastructure may be vulnerable to unforeseen attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise Cineplex's networks and the information stored there could be accessed, publicly disclosed, lost or stolen.

Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disrupt Cineplex's operations and the services provided to customers, damage Cineplex's reputation and cause a loss of confidence in Cineplex's products and services, which could adversely affect Cineplex's business, financial condition, results of operations and cash flows.

15. CONTROLS AND PROCEDURES

15.1 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.

15.2 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.

16. 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 14, Risk management.

THEATRE EXHIBITION

Cineplex box office revenues increased 2.6% as compared to the prior year period due to a 2.0% increase in attendance, primarily due to the success of the three major blockbuster titles released in the period.

Box office revenues are highly dependent on the marketability, quality and appeal of the film product released by major motion picture studios. There is optimism for the remainder of 2015, with highly anticipated releases including *The Man from U.N.C.L.E., The Martian, Pan, The Peanuts Movie, Spectre*, *The Hunger Games: Mockingjay - Part 2, The Good Dinosaur* and *Star Wars: The Force Awakens*.

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 and 3D, generate higher revenues per patron and expand the customer base. Cineplex believes that 3D, UltraAVX, IMAX and VIP formats provide an enhanced guest experience and will continue to charge a ticket price premium for films and events presented in these formats.

In the next few years, Cineplex plans to open two to three new theatres per year while also expanding its premium offerings across the circuit. Cineplex is also focused on providing guests with a variety of premium viewing options through which to enjoy the theatre experience, and will continue to expand premium viewing options throughout its circuit in 2015 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.

FOOD SERVICE

Cineplex reported record quarterly food service revenues in the second quarter of 2015, exceeding $100 million in revenues for the first time in a quarter. CPP increased 8.3% to a quarterly record of $5.50. Although pricing does impact 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 in-house brands Outtakes, Poptopia and YoYo's (in which Cineplex is a joint venture partner) across the circuit; as well as leveraging digital menu board technologies which provide guests with more interactive messaging during visits to the food service locations.

AMUSEMENT GAMING AND THE REC ROOM

The acquisition of New Way Sales during 2011 and the creation of CSI in the first quarter of 2012 has allowed Cineplex to vertically integrate its gaming business. CSI now supplies and services all of the games in Cineplex's circuit, while also supplying equipment to third party arcades, amusement centers, bowling alleys, amusement parks and theatre circuits, in addition to owning and operating *Playdium*, a family entertainment centre located in Mississauga, Ontario. In 2015, this integration will continue as Cineplex has a commitment to acquire the 50% of the issued and outstanding equity of CSI that it does not already own. After the transaction closes in the third quarter of 2015, Cineplex will own 100% of the issued and outstanding equity of CSI, which during the year ended December 31, 2014 generated $60.6 million in gross gaming revenues, inclusive of revenues earned from Cineplex.

During 2015, CSI, through its wholly owned subsidiary Premier Amusements Inc., acquired an 80% interest in Brady Starburst LLC. The new company, formed with Brady Distribution Company, created one of North America's largest distributors of amusement games and vending machines.

During 2015, Cineplex announced its plans for The Rec Room, a social entertainment destination featuring a wide range of entertainment options including an attractions area featuring simulation, redemption and recreational gaming, an auditorium-style live entertainment venue and a theatre-sized high definition screen for watching a wide range of entertainment. This entertainment will be complemented by an upscale casual dining restaurant, featuring an open kitchen and contemporary menu, as well as a centre bar with a wide range of digital monitors and a large screen above the bar for watching the big game or other major events.

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. Cineplex Media will continue to leverage its new media opportunities within Cineplex's theatres, including digital poster cases, the Interactive Media Zone in select theatres, and the national rollout of Timeplay, the third-party app that allows Cineplex to sell media integrated into real-time content on the big screen.

Cineplex continues to enhance its media offerings outside of the theatre setting through its Cineplex Digital Media business, which includes CDS and CDN. Cineplex Digital Media is poised for growth in 2015 and beyond with CDN's completion of the national launch of TimsTV in 2014 in partnership with Tim Hortons. Additionally, CDN has opened an office in the United States, in order to better service its current base of US customers and to expand its presence there. CDS and Oxford continue to roll out North America's first place-based digital ecosystem in high-profile shopping centres across Canada. Cineplex believes that the strengths of Cineplex Digital Media will make Cineplex a leader in the indoor digital signage industry and provide a platform for significant growth throughout North America.

ALTERNATIVE PROGRAMMING

During the second quarter of 2015, Cineplex offered a wide variety of alternative programming, including live and encore performances from the Metropolitan Opera: Live in HD series, ethnic film programming, In The Gallery presentations and encore presentations of The National Theatre Live. Cineplex also screened the documentary *Kurt Cobain: Montage of Heck* and partnered with HBO Canada to show the Season 5 finale of *Game of Thrones* live in participating theatres across Canada.

In the second half of 2015, Cineplex is launching a new series focused on eSports - the global competitive gaming phenomenon attracting spectators to venues around the world. Front Row Centre Events' *eSports Cinema Events* series will feature live broadcasts, a variety of gaming events and special content for cinemas that will give gamers the most exclusive access to the eSports phenomenon.

DIGITAL COMMERCE

As at home and on-the-go content distribution and consumption continues to grow and evolve, Cineplex believes it is well positioned to take advantage of this exciting market with its digital commerce platform, the Cineplex Store, which offers enhanced device integration as well as download capabilities, supporting over thousands of movies that can be rented, purchased or viewed on multiple devices. The Cineplex Store supports the widest range of devices in Canada on which to watch content, and when combined with the continued expansion of SuperTicket and other offerings, provides exciting opportunities for Cineplex in this emerging market. Cineplex also operates Boutique Cineplex, showcasing the very best in French language movies, celebrating home-grown Quebec filmmaking talent, award-winning films from France and around the world as well as French-language versions of the latest Hollywood releases.

Cineplex will continue to offer promotions to grow Cineplex Store revenues including tie-ins with the SCENE loyalty program through the new digital delivery platform with an expanded device ecosystem for DTO and VoD sales.

SCENE

The SCENE loyalty program continues to grow its membership base, with approximately 6.8 million members at June 30, 2015. 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 by SCENE members and additional revenue opportunities through the use of the database and additional partnership agreements.

As SCENE looks to continue to grow its membership and reach, it has entered into a strategic marketing partnerships with sports and active lifestyle retailer SportChek and its exclusive restaurant partner CARA. These partnerships extend the benefits of SCENE by enabling members to earn and redeem points for products available at more than 180 SportChek locations across Canada, and will allow SCENE members to earn and redeem points at more than 800 CARA restaurants across Canada when the partnership launches in the second half of 2015.

FINANCIAL OUTLOOK

During the twelve months ended June 30, 2015, Cineplex generated adjusted free cash flow per Share of $2.331, compared to $2.405 in the prior year period. Cineplex declared dividends per Share of $1.510 and $1.450, respectively, in each period. The payout ratios for these periods were approximately 64.8% and 60.3% , respectively. The acquisition of AMC Ventures Inc. and its subsequent wind-up into Cineplex resulted in non-capital losses of $147.0 million being made available to offset taxable income earned by Cineplex beginning in 2013, positively impacting adjusted free cash flow per Share and the payout ratios for the 2014 period. None of the acquired losses are available to be used to reduce taxable income in 2015.

During the quarter, Cineplex announced a dividend increase to $1.56 per Share on an annual basis from $1.50 per Share. This increase was effective with the May 2015 dividend which was paid in June 2015. This increase represents Cineplex's fifth dividend increase since converting to a corporation on January 1, 2011.

Under Cineplex's Credit Facilities, which mature in October 2018, Cineplex has a $150.0 million Term Facility and a $250.0 million Revolving Facility which is available to finance acquisitions, new construction, media growth projects, working capital and dividends. As at June 30, 2015, Cineplex had $112.5 million available on the Revolving Facility. As defined under the Credit Facilities, as at June 30, 2015, Cineplex reported a leverage ratio of 1.41x as compared to a covenant of 3.50x.

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.

17. 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.

17.1 EBITDA AND ADJUSTED EBITDA

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

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

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

	Three months ended June 30,		Six months ended June 30,	
	2015	**2014**	**2015**	**2014**
Net income	**$ 25,478**	**$ 23,205**	**$ 36,005**	**$ 28,276**
Depreciation and amortization	21,802	19,195	42,702	37,863
Interest expense	5,520	5,583	11,230	10,800
Interest income	(41)	(43)	(88)	(113)
Current income tax expense	10,654	1,010	13,075	1,380
Deferred income tax expense	436	8,461	414	9,550
EBITDA	**$ 63,849**	**$ 57,411**	**$ 103,338**	**$ 87,756**
Loss on disposal of assets	1,033	1,989	1,350	1,933
CDCP equity income	(163)	(675)	(292)	(620)
Depreciation and amortization - joint ventures (ii)	519	564	1,017	1,084
Joint venture taxes and interest (ii)	72	141	145	158
Adjusted EBITDA	**$ 65,310**	**$ 59,430**	**$ 105,558**	**$ 90,311**

(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).

17.2 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 Canadian dollars except Shares outstanding, and per Share data):

	Three months ended June 30,		Six months ended June 30,	
	2015	**2014**	**2015**	**2014**
Cash provided by operating activities	$ 54,434	$ 40,440	$ 37,976	$ 21,923
Less: Total capital expenditures net of proceeds on sale of assets	(20,406)	(19,225)	(47,217)	(50,291)
Standardized free cash flow	34,028	21,215	(9,241)	(28,368)
Add/(Less):				
Changes in operating assets and liabilities (i)	(7,920)	12,106	40,657	58,511
Changes in operating assets and liabilities of joint ventures (i)	1,439	(118)	1,773	207
Tenant inducements (ii)	—	—	(757)	(2,842)
Principal component of finance lease obligations	(659)	(595)	(1,309)	(1,186)
Growth capital expenditures and other (iii)	12,615	14,281	34,414	38,328
Share of income of joint ventures, net of non-cash depreciation (iv)	1,180	1,041	2,196	1,664
Net cash received from CDCP (iv)	329	769	756	769
Adjusted free cash flow	**$ 41,012**	**$ 48,699**	**$ 68,489**	**$ 67,083**
Average number of Shares outstanding	63,073,248	62,966,909	63,053,866	62,954,227
Adjusted free cash flow per Share	**$ 0.650**	**$ 0.773**	**$ 1.086**	**$ 1.066**
Dividends declared	**$ 0.385**	**$ 0.370**	**$ 0.760**	**$ 0.730**

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

(ii) Tenant inducements received are for the purpose of funding new theatre capital expenditures and are not considered a source of adjusted free cash flow.

(iii) Growth capital expenditures and other represent expenditures on Board approved projects, exclude maintenance capital expenditures, and are net of proceeds on asset sales. The Revolving Facility (discussed above in Section 7.4, 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 and distributable cash using the income statement as a reference point would be as follows (expressed in thousands of Canadian dollars):

	Three months ended June 30,		Six months ended June 30,	
	2015	**2014**	**2015**	**2014**
Net income	$ 25,478	$ 23,205	$ 36,005	$ 28,276
Adjust for:				
Depreciation and amortization	21,802	19,195	42,702	37,863
Loss on disposal of assets	1,033	1,989	1,350	1,933
Non-cash interest (i)	1,833	1,592	3,670	3,243
Share of income of CDCP (ii)	(163)	(675)	(292)	(620)
Non-cash depreciation of joint ventures	519	564	1,017	1,084
Deferred income tax expense	436	8,461	414	9,550
Joint venture deferred income tax expense	72	174	145	167
Maintenance capital expenditures	(7,791)	(4,944)	(12,803)	(11,963)
Principal component of finance lease obligations	(659)	(595)	(1,309)	(1,186)
Net cash received from CDCP (ii)	329	769	756	769
Non-cash items:				
Amortization of tenant inducements, rent averaging liabilities and fair value lease contract assets	(2,302)	(1,479)	(4,003)	(2,879)
Non-cash Share-based compensation	425	443	837	846
Adjusted free cash flow	**$ 41,012**	**$ 48,699**	**$ 68,489**	**$ 67,083**

(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.

17.3 OTHER NON-GAAP MEASURES MONITORED BY MANAGEMENT

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

Per Patron Revenue Metrics

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

Attendance: Attendance is calculated as the total number of paying patrons that frequent Cineplex's theatres during the period.
BPP: Calculated as total box office revenues divided by total paid attendance for the period.
BPP excluding premium priced product: Calculated as total box office revenues for the period, less box office revenues from 3D, UltraAVX, VIP and IMAX product; divided by total paid attendance for the period, less paid attendance for 3D, UltraAVX, VIP and IMAX product.
CPP: Calculated as total food service revenues divided by total paid attendance for the period.
Premium priced product: Defined as 3D, UltraAVX, IMAX and VIP film product.
Concession margin per patron: Calculated as total concession revenues less total concession cost, divided by attendance for the period.

Same Store Analysis

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

Same store 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, 2015, the impact of the six locations that have been opened or acquired and the three locations that have been closed have been excluded, resulting in 156 theatres being included in the same store 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 food service 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.
Concession cost percentage: Calculated as total cost of food service divided by total food service revenues for the period.

Cineplex Inc.

Interim Condensed Consolidated Balance Sheets
(Unaudited)

(expressed in thousands of Canadian dollars)

	June 30, 2015	December 31, 2014
Assets		
Current assets		
Cash and cash equivalents	$ 23,700	$ 34,367
Trade and other receivables	62,810	101,462
Inventories	8,361	7,978
Prepaid expenses and other current assets	14,812	8,102
	109,683	151,909
Non-current assets		
Property, equipment and leaseholds	504,112	495,532
Deferred income taxes	6,181	6,971
Interests in joint ventures	48,589	46,457
Intangible assets	106,031	109,746
Goodwill (note 3)	801,335	798,801
	$ 1,575,931	$ 1,609,416

Business acquisitions (note 3)

Commitment (note 10)

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

(expressed in thousands of Canadian dollars)

	June 30, 2015	December 31, 2014
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	$ 126,667	$ 159,152
Share-based compensation (note 4)	7,092	6,160
Dividends payable	8,201	7,877
Income taxes payable	10,052	9,735
Deferred revenue	108,826	149,644
Finance lease obligations	2,812	2,670
Fair value of interest rate swap agreements	1,162	692
	264,812	335,930
Non-current liabilities		
Share-based compensation (note 4)	15,558	15,504
Long-term debt	280,047	229,754
Fair value of interest rate swap agreements	4,311	2,117
Finance lease obligations	13,557	15,008
Post-employment benefit obligations	7,044	6,977
Other liabilities	171,950	173,550
Convertible debentures	99,718	98,727
	592,185	541,637
Total liabilities	856,997	877,567
Equity		
Share capital (note 5)	854,587	854,073
Deficit	(135,691)	(123,771)
Accumulated other comprehensive loss	(5,237)	(3,405)
Contributed surplus	5,275	4,952
	718,934	731,849
	$ 1,575,931	$ 1,609,416

Approved by the Board of Directors

"Phyllis Yaffe" — Director

"Robert Bruce" — Director

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Operations
(Unaudited)

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

	Three months ended June 30,		Six months ended June 30,	
	2015	**2014**	**2015**	**2014**
Revenues				
Box office	$186,202	$181,419	$342,243	$337,644
Food service	108,397	98,024	199,182	185,167
Media	35,020	30,990	64,092	55,345
Other	15,921	13,063	29,808	25,359
	345,540	323,496	635,325	603,515
Expenses				
Film cost	102,155	94,950	182,326	175,408
Cost of food service	23,921	21,147	43,369	40,028
Depreciation and amortization	21,802	19,195	42,702	37,863
Loss on disposal of assets	1,033	1,989	1,350	1,933
Other costs (note 6)	155,334	148,977	306,268	299,423
Share of income of joint ventures	(752)	(978)	(1,326)	(1,033)
Interest expense	5,520	5,583	11,230	10,800
Interest income	(41)	(43)	(88)	(113)
	308,972	290,820	585,831	564,309
Income before income taxes	36,568	32,676	49,494	39,206
Provision for income taxes				
Current	10,654	1,010	13,075	1,380
Deferred	436	8,461	414	9,550
	11,090	9,471	13,489	10,930
Net income	$ 25,478	$ 23,205	$ 36,005	$ 28,276
Basic net income per share (note 7)	$ 0.40	$ 0.37	$ 0.57	$ 0.45
Diluted net income per share (note 7)	$ 0.40	$ 0.37	$ 0.57	$ 0.45

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

(expressed in thousands of Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2015	**2014**	**2015**	**2014**
Net income	$ 25,478	$ 23,205	$ 36,005	$ 28,276
Other comprehensive income (loss)				
Items that will be reclassified subsequently to net income:				
Income (loss) on hedging instruments	422	(981)	(2,500)	(1,556)
Associated deferred income taxes expense (recovery)	(100)	260	668	411
Other comprehensive income (loss)	322	(721)	(1,832)	(1,145)
Comprehensive income	$ 25,800	$ 22,484	$ 34,173	$ 27,131

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Changes in Equity
(Unaudited)

(expressed in thousands of Canadian dollars)

	Share capital (note 5)	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total
Balance - January 1, 2015	$ 854,073	$ 4,952	$ (3,405)	$ (123,771)	$ 731,849
Net income	—	—	—	36,005	36,005
Other comprehensive (loss) (page 4)	—	—	(1,832)	—	(1,832)
Total comprehensive income			**(1,832)**	**36,005**	**34,173**
Dividends declared	—	—	—	(47,925)	(47,925)
Share option expense	—	837	—	—	837
Issuance of shares on exercise of options	514	(514)	—	—	—
Balance - June 30, 2015	$ 854,587	$ 5,275	$ (5,237)	$ (135,691)	$ 718,934
Balance - January 1, 2014	$ 853,411	$ 3,899	$ (1,715)	$ (107,323)	$ 748,272
Net income	—	—	—	28,276	28,276
Other comprehensive (loss) (page 4)	—	—	(1,145)	—	(1,145)
Total comprehensive income			**(1,145)**	**28,276**	**27,131**
Dividends declared	—	—	—	(45,961)	(45,961)
Share option expense	—	846	—	—	846
Issuance of shares on exercise of options	459	(459)	—	—	—
Balance - June 30, 2014	$ 853,870	$ 4,286	$ (2,860)	$ (125,008)	$ 730,288

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Cash Flows
(Unaudited)

(expressed in thousands of Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Cash provided by (used in)				
Operating activities				
Net income	$ 25,478	$ 23,205	$ 36,005	$ 28,276
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization of property, equipment and leaseholds, and intangible assets	21,802	19,195	42,702	37,863
Amortization of tenant inducements, rent averaging liabilities and fair value lease contract liabilities	(2,302)	(1,479)	(4,003)	(2,879)
Accretion of debt issuance costs and other non-cash interest	1,319	1,187	2,592	2,351
Loss on disposal of assets	1,033	1,989	1,350	1,933
Deferred income taxes	436	8,461	414	9,550
Interest rate swap agreements - non-cash interest	16	(62)	87	(46)
Non-cash share-based compensation	425	443	837	846
Accretion of convertible debentures	498	467	991	938
Net change in interests in joint ventures	(2,191)	(860)	(3,099)	(1,240)
Tenant inducements	—	—	757	2,842
Changes in operating assets and liabilities (note 8)	7,920	(12,106)	(40,657)	(58,511)
Net cash provided by operating activities	54,434	40,440	37,976	21,923
Investing activities				
Proceeds from sale of assets	—	—	108	404
Purchases of property, equipment and leaseholds	(20,406)	(19,225)	(47,325)	(50,695)
Acquisition of businesses, net of cash acquired (note 3)	(2,674)	(1,516)	(3,158)	(2,466)
Intangible assets addition	—	(2,750)	(114)	(2,750)
Net cash received from CDCP	329	769	756	769
Net cash used in investing activities	(22,751)	(22,722)	(49,733)	(54,738)
Financing activities				
Dividends paid	(23,966)	(22,983)	(47,601)	(45,640)
Borrowings under credit facility, net	—	10,000	50,000	50,000
Payments under finance leases	(659)	(595)	(1,309)	(1,186)
Net cash (used in) provided by financing activities	(24,625)	(13,578)	1,090	3,174
Increase (decrease) in cash and cash equivalents	7,058	4,140	(10,667)	(29,641)
Cash and cash equivalents - Beginning of period	16,642	10,359	34,367	44,140
Cash and cash equivalents - End of period	$ 23,700	$ 14,499	$ 23,700	$ 14,499
Supplemental information				
Cash paid for interest	$ 4,801	$ 5,018	$ 7,278	$ 7,421
Cash paid for income taxes	$ 2,566	$ 768	$ 11,676	$ 1,986

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

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

1. General information

Cineplex Inc. ("Cineplex") an Ontario, Canada corporation, is Canada's largest film exhibition organization, with theatres in ten provinces. Cineplex operates primarily through its wholly owned subsidiaries, Cineplex Entertainment Limited Partnership (the "Partnership"), Famous Players Limited Partnership ("Famous Players"), Galaxy Entertainment Inc. ("GEI"), Cineplex Digital Media Inc. ("CDM"), and Cineplex Digital Networks Inc. ("CDN"). Cineplex is headquartered at 1303 Yonge Street, Toronto, Ontario, M4T 2Y9.

The Board of Directors approved these consolidated financial statements on August 12, 2015.

2. Basis of presentation and accounting standards changes

Basis of preparation and measurement

Cineplex prepares its unaudited interim condensed consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), defined as International Financial Reporting Standards ("IFRS") as set out in the CPA Canada Handbook. The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying Cineplex's accounting policies. These unaudited interim condensed consolidated financial statements are presented in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The disclosures contained in these unaudited interim condensed consolidated financial statements do not contain all requirements of Canadian GAAP for annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2014. These unaudited interim condensed consolidated financial statements follow the same accounting policies and methods of application as the audited financial statements for the year ended December 31, 2014.

Accounting standards issued but not yet applied

IFRS 9, *Financial Instruments* ("IFRS 9"), was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in International Accounting Standard ("IAS") 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through OCI. Where equity instruments are measured at fair value through OCI, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in AOCI indefinitely. The adoption of this standard did not have a material effect on Cineplex's financial statements.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instrument: Recognition and Measurement* ("IAS 39"), except that fair value changes due to credit risk for liabilities designated at fair value through profit or loss are generally recorded in OCI. In July 2014, the effective date was revised to January 1, 2018 with earlier application permitted. Cineplex has not yet assessed the impact of this standard and amendments or determined whether it will early adopt them.

IFRS 9 was amended in November 2013, to (i) include guidance on hedge accounting, and (ii) allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity's own

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

credit risk, from financial liabilities designated under the fair value option, in OCI (without having to adopt the remainder of IFRS 9).

On May 28, 2014, the IASB issued the final revenue standard, IFRS 15 *Revenue from Contracts with Customers,* which will replace IAS 11 *Construction Contracts,* IAS 18 *Revenue,* IFRIC 13 *Customer Loyalty Programmes,* IFRIC 15 *Agreements for the Construction of Real Estate,* IFRIC 18 *Transfer of Assets from Customers,* and SIC 31 *Revenue - Barter Transactions Involving Advertising Services.* The new standard will be mandatorily effective for fiscal years beginning on or after January 1, 2018, and interim periods within that year. Earlier application is permitted. Cineplex is analyzing the new standard to determine its impact on Cineplex's balance sheet and statement of operations.

3. Business acquisitions

a) Quebec theatres

On January 1, 2015, Cineplex acquired the 50% of common shares it did not already own of a corporation that operates a theatre in St. Jean, Quebec. The investment was equity-accounted prior to the acquisition. The acquisition and consolidation resulted in the recognition of an immaterial gain. The $1,676 of goodwill recognized is not deductible for tax purposes. The total cash consideration paid was $900. All transactions costs associated with the acquisition were expensed as incurred.

On April 30, 2015, Cineplex acquired a theatre in Quebec City, Quebec for approximately $2,674, net of cash acquired. All transactions costs associated with the acquisition were expensed as incurred. Approximately $644 of the $858 goodwill recognized is deductible for income taxes.

4. Share-based compensation

Option plan

Cineplex recorded $425 and $837 employee benefits expense with respect to share options during the three and six months ended June 30, 2015, respectively (2014 - $443 and $846, respectively).

Cineplex granted options in 2015 and 2014 as follows:

		2015		2014
Number of options granted		446,004		540,519
Share price	$	49.14	$	40.45
Exercise price	$	49.14	$	40.45
Expected option life (years)		4.0		3.0
Volatility		16%		18%
Dividend yield		3.05%		3.54%
Annual risk-free rate		1.24%		1.42%
Fair value of options granted	$	4.39	$	3.56

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

Upon cashless exercises, the options exercised in excess of shares issued are cancelled and returned to the pool available for future grants. At June 30, 2015, 2,588,218 options are available for grant.

A summary of option activities in 2015 and 2014 is as follows:

		2015		2014	
	Weighted average remaining contractual life (years)	Number of underlying shares	Weighted average exercise price	Number of underlying shares	Weighted average exercise price
Options outstanding, January 1	7.65	1,776,173	$ 31.37	1,459,772	$ 27.23
Granted		446,004	49.14	540,519	40.45
Cancelled		—	—	(10,694)	34.89
Exercised		(164,679)	28.16	(143,720)	25.86
Options outstanding, June 30	7.73	2,057,498	$ 35.48	1,845,877	$ 31.16

Long-term incentive plan ("LTIP")

For the three-year service period beginning on January 1, 2015, the LTIP award consists of a "phantom" stock plan, awarding 114,335 share equivalents (2014 - 135,602), which, subject to certain performance and market conditions, may decrease approximately 67% or increase by 100%. The base share equivalents attract compounding notional dividends at the same rate as outstanding common shares, which are notionally reinvested as additional base share equivalents. The awards will be settled in cash at the end of service periods, within 30 days of the approval of the consolidated financial statements by the Board of Directors.

LTIP costs are estimated at the grant date based on expected performance results then accrued and recognized on a graded basis over the vesting period. The effects of changes in estimates of performance results are recognized in the year of change. Forfeitures are estimated at $nil. Cineplex recognized compensation costs of $2,270, and $5,536, respectively under the LTIP for the three and six months ended June 30, 2015, respectively (2014 - $1,292 and $2,575, respectively).

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

5. Share capital

Cineplex is authorized to issue an unlimited number of common shares, and 10,000,000 preferred shares of which none are outstanding. Share capital at June 30, 2015 and 2014 and transactions during the years are as follows

		2015		
		Amount		
	Common shares issued and outstanding	Common shares	Equity component of convertible debentures	Total
Balance - December 31, 2014	63,015,023	$ 849,602	$ 4,471	$ 854,073
Issuance of shares on exercise of options	70,926	514	—	514
Balance - June 30, 2015	63,085,949	$ 850,116	$ 4,471	$ 854,587

		2014		
		Amount		
	Number of common shares issued and outstanding	Common shares	Equity component of convertible debentures	Total
Balance - December 31, 2013	62,934,028	$ 848,940	$ 4,471	$ 853,411
Issuance of shares on exercise of options	53,400	459	—	459
Balance - June 30, 2014	62,987,428	$ 849,399	$ 4,471	$ 853,870

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

6. Other costs

	Three months ended June 30,		Six months ended June 30,	
	2015	**2014**	**2015**	**2014**
Employee salaries and benefits	$ 55,367	$ 51,681	$ 110,862	$ 103,377
Rent	34,072	34,164	68,392	68,070
Realty and occupancy taxes and maintenance fees	16,672	16,042	33,484	33,266
Utilities	6,716	6,071	14,433	14,228
Purchased services	12,539	12,052	24,074	23,779
Other inventories consumed	3,836	3,709	6,938	6,391
Repairs and maintenance	5,656	5,051	10,274	10,558
Office and operating supplies	3,440	3,378	6,799	6,909
Licences and franchise fees	3,697	3,959	5,938	7,448
Insurance	562	711	1,358	1,284
Advertising and promotion	6,369	4,668	11,287	10,857
Professional and consulting fees	1,614	2,465	2,854	3,776
Telecommunications and data	1,208	1,287	2,539	2,620
Bad debts	179	92	515	215
Equipment rental	795	751	1,584	1,474
Other costs	2,612	2,896	4,937	5,171
	$ 155,334	$ 148,977	$ 306,268	$ 299,423

7. Net income per share

Basic

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

	Three months ended June 30,		Six months ended June 30,	
	2015	**2014**	**2015**	**2014**
Net income	$ 25,478	$ 23,205	$ 36,005	$ 28,276
Weighted average number of shares outstanding	63,073,248	62,966,909	63,053,866	62,954,227
Basic EPS	$ 0.40	$ 0.37	$ 0.57	$ 0.45

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

Diluted

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Net income	$ 25,478	$ 23,205	$ 36,005	$ 28,276
Weighted average number of shares outstanding	63,073,248	62,966,909	63,053,866	62,954,227
Adjustments for stock options	561,178	444,730	547,171	453,549
Weighted average number of shares for diluted EPS	63,634,426	63,411,639	63,601,037	63,407,776
Diluted EPS	$ 0.40	$ 0.37	$ 0.57	$ 0.45

8. Changes in operating assets and liabilities

The following summarizes the changes in operating assets and liabilities:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Trade and other receivables	$ (9,302)	$ (17,424)	$ 38,306	$ 38,029
Inventories	(667)	(625)	(374)	371
Prepaid expenses and other current assets	(2,800)	(1,364)	(6,784)	(3,820)
Accounts payable and accrued expenses	22,321	12,845	(29,661)	(47,712)
Income taxes payable	7,255	242	311	(606)
Deferred revenue	(9,944)	(6,742)	(40,952)	(33,249)
Post-employment benefit obligations	142	140	67	79
Share-based compensation	1,710	1,245	(157)	(10,682)
Other liabilities	(795)	(423)	(1,413)	(921)
	$ 7,920	$ (12,106)	$ (40,657)	$ (58,511)
Non-cash investing activities:				
Property, equipment and leasehold purchases financed through accounts payable and accrued expenses	$ 18,437	$ 16,039	$ 18,437	$ 16,039

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

9. Segment information

Cineplex has two reportable segments, Exhibition and Media. The reportable segments are business units offering differing products and services, and managed separately due to their distinct natures. These two reportable segments have been determined by Cineplex's chief operating decision makers.

Exhibition
The Exhibition reporting segment includes all direct and ancillary revenues from theatre attendance, including box office, food service and gaming revenues, and the associated costs to provide those products and services, including substantially all head office costs. Also included in the Exhibition segment are theatre rentals and digital commerce rental and sales, and associated costs.

Media
The Media reporting segment is comprised of the aggregation of two operating segments, Cineplex Media and Cineplex Digital Media. Cineplex Media consists of all in-theatre advertising revenues and costs, including pre-show, showtime, magazine and lobby advertising. Cineplex Digital Media is comprised of revenues and costs associated with the design, installation and operations of digital signage networks, along with advertising on certain networks. Aggregation of these operating segments is based on the segments having similar economic characteristics. There are substantially no inter-segment transactions. The Exhibition reporting segment does not charge an access fee to the Media reporting segment, and no overhead is allocated to the Media reporting segment.

In accordance with IFRS 8, Operating Segments, Cineplex discloses information about its reportable segments based upon the measures used by management in assessing the performance of those reportable segments. Cineplex uses EBITDA to measure the performance of its reportable segments. Management defines EBITDA as earnings before interest income and expense, income taxes and amortization expense. EBITDA is a non-GAAP measure generally used as an indicator of financial performance and should not be seen as a measure of liquidity or a substitute for comparable metrics prepared in accordance with Canadian GAAP. Cineplex's EBITDA may differ from similar calculations as reported by other entities and accordingly may not be comparable to EBITDA as reported by other entities.

	Three months ended June 30, 2015			Three months ended June 30, 2014		
	Exhibition	Media	Consolidated	Exhibition	Media	Consolidated
Revenues	$ 310,520	$ 35,020	$ 345,540	$ 292,506	$ 30,990	$ 323,496
EBITDA (i)	42,464	21,385	63,849	39,888	17,523	57,411
Depreciation and amortization	19,516	2,286	21,802	17,716	1,479	19,195
Interest expense			5,520			5,583
Interest income			(41)			(43)
Income taxes expense			11,090			9,471
Net income			$ 25,478			$ 23,205

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

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

	Six months ended June 30, 2015			Six months ended June 30, 2014		
	Exhibition	Media	Consolidated	Exhibition	Media	Consolidated
Revenues	$ 571,233	$ 64,092	$ 635,325	$ 548,170	$ 55,345	$ 603,515
EBITDA (i)	65,891	37,447	103,338	58,288	29,468	87,756
Depreciation and amortization	38,203	4,499	42,702	34,969	2,894	37,863
Interest expense			11,230			10,800
Interest income			(88)			(113)
Income taxes expense			13,489			10,930
Net income			$ 36,005			$ 28,276

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

Cineplex's cash management and other treasury functions are centralized; interest expense and income are not allocated to segments.

Income taxes are accounted for by entity, and cannot be attributable to individual segments.

Cineplex does not report balance sheet information by segment because that information is not used to evaluate the performance or allocate resources between segments.

10. Commitment

On April 10, 2014, Cineplex committed to acquire the 50% of the issued and outstanding equity of Cineplex Starburst Inc. ("CSI") that Cineplex does not already own, for a minimum of $17,500 cash. After the transaction closes in the third quarter of 2015, Cineplex will own 100% of the issued and outstanding equity of CSI.

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