CINEPLEX GALAXY INCOME FUND
2004 THIRD QUARTER REPORT

CINEPLEX GALAXY LP IS A LEADING EXHIBITOR OF MOTION PICTURES IN THE ENTERTAINMENT INDUSTRY. HEADQUARTERED IN TORONTO, CANADA, AT SEPTEMBER 30, 2004 CINEPLEX GALAXY LP OPERATED 84 THEATRES WITH A TOTAL OF 758 SCREENS IN 6 PROVINCES ACROSS CANADA. CINEPLEX ODEON CINEMAS, GALAXY CINEMAS AND THE ASSOCIATED BRANDS ARE OWNED AND OPERATED BY CINEPLEX GALAXY LP.

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Letter to Shareholders

It is a pleasure for me to share with you our third quarter report. This quarter has been busy and productive as we continue to implement our integration strategy and move forward with our theatre development plans.

Summer film product was especially good in July with the launch of *Spiderman 2* that to-date has grossed in excess of US$372 million making it the #2 top grossing film of 2004 just behind *Shrek 2* which has grossed more than US$439 million to-date. Other successful films this summer included *I, Robot*, *The Village* and *The Bourne Supremacy*, all of which grossed in excess of US$100 million each. August releases were softer with *Collateral* being the only film to reach the US$100 million blockbuster status. Overall, the third quarter was positive with total revenues up 6.0% versus the previous year's results.

During this quarter we also announced our plans to launch a new Digital Advertising Network in 21 Toronto extended market area theatres. Digital projectors will be installed in 215 theatre auditoriums during the first quarter 2005 with the capability of projecting full motion images onto our giant screens. Each auditorium will be fully automated and integrated into a broader system-wide network thus providing maximum flexibility and operating efficiency. This network will be used primarily to present advertising and pre-show content prior to our 35mm film presentations however, it will also provide us with the opportunity to present a wide variety of specialty programming events such as concerts, sporting events and other entertainment options either pre-recorded or live, via satellite. This network will offer our advertising clients far greater choices, flexibility and creativity in their marketing initiatives as well.

The next quarter will be a busy one with two new theatre openings -- in Orillia, Ontario and Pitt Meadows, British Columbia. This will bring our theatre count by year's end to 86 theatres and 775 screens.

Total revenue for the three months ended September 30, 2004 was $95,125,000 as compared to $89,713,000 for the three months ended September 30, 2003, representing an increase of 6.0%. Box office revenue, which represents the single largest component of total revenues, was $63,913,000 for the three months ended September 30, 2004 as compared to $60,914,000 for the same period in the prior year, representing a 4.9% increase.

For the period from November 26, 2003 to September 30, 2004 distributable cash flow per unit was $1.2016 while the declared distribution per unit for this period was $0.9740. For the three months ended September 30, 2004 distributable cash flow per unit was $0.3835 and the declared distribution per unit for this period was $0.2874, and for the nine months ended September 30th, 2004 distributable cash flow per unit was $0.9595 and the declared distribution was $0.8622.

Thank you for your continued support and interest in Cineplex Galaxy.

On behalf of the Board of Directors,

Ellis Jacob
President & Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cineplex Galaxy Income Fund indirectly owns an approximate 41.6% interest in Cineplex Galaxy Limited Partnership. Cineplex Galaxy Income Fund does not consolidate the results and operations of Cineplex Galaxy Limited Partnership. For this reason we present unaudited interim financial statements with accompanying notes therein for both Cineplex Galaxy Income Fund and Cineplex Galaxy Limited Partnership. The following management's discussion and analysis of the Cineplex Galaxy Limited Partnership financial condition and results of operations should be read together with the financial statements and related notes. This discussion contains forward-looking statements. Forward looking statements are subject by their nature to risks and uncertainties, and actual results, actions or events could differ materially from those set forth in this discussion. The forward-looking information contained herein is current only as at the date of this document. There should not be an expectation that such information will in all circumstances be updated, supplemented or revised whether as a result of new information, changing circumstances, future events or otherwise.

Overview

Cineplex Galaxy Limited Partnership (the "Partnership") is Canada's second largest film exhibition company with theatres in six provinces. The Partnership's theatre circuit is concentrated in major metropolitan and mid-sized markets with principal geographic areas being Toronto, Montreal, Vancouver, Calgary, Edmonton, Ottawa and Quebec City. As of September 30, 2004, the Partnership owned, operated or had an interest in 758 screens in 84 theatres including 57 screens in seven theatres held in joint ventures.

The Partnership was formed on November 26, 2003 to acquire substantially all of the business assets of Cineplex Odeon Corporation ("COC") and all of the shares of Galaxy Entertainment Inc. ("GEI"). The Partnership's investors include Cineplex Galaxy Trust (the "Trust"), Cineplex Galaxy General Partnership Corporation (the "General Partner"), certain Canadian subsidiaries of Loews Cineplex Theatres, Inc. ("LCT"), which were sold to an Onex Corporation controlled entity ("Onex") on July 30, 2004, and former investors in GEI. The Trust is wholly owned by Cineplex Galaxy Income Fund (the "Fund").

The Fund is an unincorporated, open-ended, limited purpose trust created on October 2, 2003 for the express purpose of indirectly acquiring an interest in the Partnership. On November 26, 2003 the Fund issued 17.5 million units at $10.00 per unit and on December 24, 2003, the underwriters exercised their over-allotment option to purchase an additional 1.9 million units at $10.00 per unit. After giving effect to the over-allotment the Fund indirectly owned an approximate 40.8% interest in the Partnership.

Under the provisions of the Exchange Agreement the Fund issued 219,470 units during the three months ended September 30, 2004, and 368,340 units during the nine months ended September 30, 2004, in exchange for Notes and Units from the Trust and, as a result, an indirect increase in it's ownership in the Partnership. As a result of the issuance of units by the Fund, in a one-for-one exchange of Partnership units, as at September 30, 2004, the Fund indirectly owns approximately 41.6% of the Partnership.

Revenues

The Partnership generates revenues primarily from box office and concession sales. These revenues are affected primarily by attendance levels and by changes in the average per patron admission and average concession revenue per patron. The commercial appeal of the films released during the period and the success of marketing and promotion for those films by film studios and distributors drives attendance.

Average admissions per patron are affected by the mix of film genres (*e.g.*, its appeal to certain audiences, such as children, teens or young adults) and established ticket prices. Average concession revenue per patron is affected by concession product mix, concession prices and type of film. In addition, the Partnership generates other revenues from screen advertising sales, promotional activities, game rooms, screenings, private parties, corporate events and theatre management fees.

Expenses

Film cost represents the film rental fees paid on films exhibited in the Partnership theatres. Film costs are calculated as a percentage of box office revenue and vary directly with changes in box office revenue. 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 on a mutually agreed settlement upon conclusion of the film's run, depending upon the film licensing arrangement.

Cost of concessions represent the costs of concession items sold and vary directly with changes in concession revenue.

Occupancy costs include lease related expenses, property and business related taxes and insurance. Lease expenses are primarily a fixed cost at the theatre level because the Partnership's theatre leases generally require a fixed monthly minimum rent payment. However, a number of the Partnership's theatre leases also include a percentage rent clause whereby the landlord is paid an additional amount of rent based primarily upon revenues over a specified threshold.

Other theatre operating expenses consist of fixed and variable expenses, including marketing and advertising, salaries and wages, utilities, and maintenance. Certain operating costs, such as salaries and wages, will vary directly with changes in revenues and attendance levels. 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.

General and administrative expenses are primarily costs associated with executive and corporate management and the overhead of the Partnership's business, which includes functions such as film buying, marketing and promotions, operations and concession management, accounting and financial reporting, legal, treasury, construction and design, real estate development and administration and information systems. The Partnership's general and administrative costs primarily consist of payroll, occupancy costs related to its corporate office in Toronto, Ontario, professional fees (such as public accountant and legal fees) and travel and related costs. The Partnership's general and administrative staffing and associated costs are maintained 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 Ventures

These unaudited interim financial statements incorporate the operating results of joint ventures in which the Partnership has an interest using the proportionate consolidation method as required by generally accepted accounting principles in Canada ("GAAP").

Results of Operations

The following table presents certain of the Partnership's financial data as a percentage of total revenues. The comparative amounts for the three and nine months ended September 30, 2003 represent the unaudited interim consolidated Partnership results accounted for under the continuity of interests approach as the formation of the Partnership did not result in a substantive change in the ultimate ownership interest of the Partnership. Accordingly, these unaudited interim consolidated financial statements reflect the financial position, results of operations and cash flows as if the Partnership has always carried on

businesses formerly carried on by COC and GEI. The comparative results include certain COC properties that were not transferred into the Partnership.

	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003	Nine months Ended September 30, 2004	Nine months Ended September 30, 2003
Revenues:				
Box office	67.2%	67.9%	67.5%	67.8%
Concessions	26.8%	26.9%	27.2%	26.7%
Other	6.0%	5.2%	5.3%	5.5%
Total operating revenues	100.0%	100.0%	100.0%	100.0%
Expenses:				
Film cost	34.6%	35.1%	34.9%	35.1%
Cost of concessions	4.9%	4.8%	4.9%	4.7%
Occupancy	14.1%	14.6%	15.1%	15.7%
Other theatre operating expenses	19.4%	18.6%	19.7%	19.7%
General and administrative	3.7%	4.2%	3.9%	4.4%
Management fee	0.2%	2.9%	0.2%	3.3%
Total expenses	76.9%	80.2%	78.7%	82.9%
Operating income	23.1%	19.8%	21.3%	17.1%

Three and Nine months Ended September 30, 2004 Compared to the Three and Nine months Ended September 30, 2003 for the Partnership

Total revenues. Total revenues for the three months ended September 30, 2004 increased $5.4 million, or 6.0%, to $95.1 million from $89.7 million for the three months ended September 30, 2003. Total revenues for the nine months ended September 30, 2004 increased $24.7 million, or 10.2%, to $266.6 million from $241.9 million for the nine months ended September 30, 2003. A discussion of the factors affecting the changes in box office, concession and other revenues for this period in comparison to the same period in 2003 is provided below.

Box office revenues. Box office revenues for the three months ended September 30, 2004 increased $3.0 million, or 4.9%, to $63.9 million. The average ticket price increased $0.11 or 1.5% from $7.27 for the three months ended September 30, 2003 to $7.38 for the three months ended September 30, 2004. This increase in box office revenues was due to additional revenue from the operation of new theatres ($2.3 million), increase in average admission revenues per patron ($0.2 million) and increased attendance levels at existing theatres due to stronger movie releases than in the prior year ($1.8 million) offset by the impact of disposed theatres including theatres not transferred into the Partnership ($1.3 million).

Box office revenues for the nine months ended September 30, 2004 increased $16.0 million, or 9.8%, to $180.0 million. The average ticket price increased $0.20 or 2.8% from $7.22 for the nine months ended September 30, 2003 to $7.42 for the nine months ended September 30, 2004. This increase in box office revenues was due to additional revenue from the operation of new theatres ($11.9 million), an improvement in average admission revenues per patron ($2.3 million) and increased attendance levels ($5.7 million) at existing theatres due to stronger movie releases over the prior year offset by the impact of disposed theatres including theatres not transferred into the Partnership ($3.9 million).

Concession revenues. Concession revenues for the three months ended September 30, 2004 increased $1.4 million, or 5.9%, to $25.5 million. The average concession revenue per patron increased $0.07 or 2.5%

from $2.88 for the three months ended September 30, 2003 to $2.95 for the three months ended September 30, 2004. The increase in concession revenues was due to additional revenues from the operation of new theatres ($0.9 million), an improvement in average concession revenues per patron ($0.3 million), higher attendance levels ($0.7 million) at existing theatres offset by the impact of disposed theatres including theatres not transferred into the Partnership ($0.5 million).

Concession revenues for the nine months ended September 30, 2004 increased $7.8 million, or 12.1%, to $72.4 million. The average concession revenue per patron increased $0.14 or 4.9% from $2.84 for the nine months ended September 30, 2003 to $2.98 for the nine months ended September 30, 2004. The increase in concession revenues was due to additional revenues from the operation of new theatres ($5.0 million), an improvement in average concession revenues per patron ($2.0 million) and higher attendance levels ($2.3 million) at existing theatres offset by the impact of disposed theatres including theatres not transferred into the Partnership ($1.5 million).

Other revenues. Other revenues for the three months ended September 30, 2004 increased $1.0 million, or 20.9%, to $5.7 million. This increase is due to higher advertising in the third quarter due to strong summer film releases.

Other revenues for the nine months ended September 30, 2004 increased $0.9 million, or 6.6%, to $14.2 million. This increase is due to higher advertising in the third quarter due to strong summer film releases.

Film cost. Film cost for the three months ended September 30, 2004 increased $1.5 million, or 4.7%, to $33.0 million. As a percentage of box office revenue, film cost decreased to 51.6% for the three months ended September 30, 2004 from 51.7% for the three months ended September 30, 2003.

Film cost for the nine months ended September 30, 2004 increased $8.1 million, or 9.5%, to $93.0 million. As a percentage of box office revenue, film cost decreased to 51.7% for the nine months ended September 30, 2004 from 51.8% for the nine months ended September 30, 2003.

Cost of concessions. Cost of concessions for the three months ended September 30, 2004 increased $0.4 million, or 9.0%, to $4.6 million. This increase in cost of concessions was due primarily to the incremental costs associated with new theatres that were opened ($0.2 million), increased attendance and purchase incidence ($0.3 million) partially offset by the impact of disposed theatres including theatres not transferred into the Partnership ($0.1 million). As a percentage of concession revenues, cost of concessions increased from 17.6% in the three months ended September 30, 2003, to 18.1% in the three months ended September 30, 2004.

Cost of concessions for the nine months ended September 30, 2004 increased $1.6 million, or 14.2%, to $13.0 million. This increase in cost of concessions was due primarily to the incremental costs associated with new theatres that were opened ($0.9 million), increased attendance and purchase incidence ($1.0 million) that was partially offset by the impact of disposed theatres including theatres not transferred into the Partnership ($0.3 million). As a percentage of concession revenues, cost of concessions increased from 17.6% in the nine months ended September 30, 2003, to 18.0% in the nine months ended September 30, 2004.

Occupancy. Occupancy expense for the three months ended September 30, 2004 increased $0.3 million, or 2.1%, to $13.4 million. The overall increase in occupancy expense was due to the incremental costs associated with new theatres that were opened ($0.3 million), general increases over the prior year related to inflationary and lease specific increases including the impact of leases that contain percentage rentals based primarily upon sales volume ($0.3 million). These increases are partially offset by the incremental impact of disposed theatres ($0.3 million).

Occupancy expense for the nine months ended September 30, 2004 increased $2.3 million, or 6.1%, to $40.4 million. The overall increase in occupancy expense was due to the incremental costs associated with new theatres that were opened ($1.9 million), general increases over the prior year related to inflationary and lease specific increases, including the impact of leases that contain percentage rentals based primarily upon sales volume ($1.2 million). These increases are partially offset by the incremental impact of disposed theatres ($0.8 million).

Other theatre operating expenses. Other theatre operating expenses for the three months ended September 30, 2004 increased $1.8 million, or 10.6%, to $18.5 million. The overall increase in other theatre operating expenses was due to the incremental impact of costs associated with new theatres that were opened ($0.6 million) and the impact of increased business volume and activities and inflationary increases ($1.8 million), which were offset by disposed theatres including theatres not transferred into the Partnership ($0.6 million). As a percentage of total revenues, other theatre operating expenses increased to 19.4% in the three months ended September 30, 2004 from 18.6% for the three months ended September 30, 2003.

Other theatre operating expenses for the nine months ended September 30, 2004 increased $4.9 million, or 10.3%, to $52.4 million. The overall increase in other theatre operating expenses was due to the incremental impact of costs associated with new theatres that were opened ($2.9 million) and the impact of increased business volume and activities and inflationary increases ($3.5 million), which were offset by disposed theatres including theatres not transferred into the Partnership ($1.5 million). As a percentage of total revenues, other theatre operating expenses remained flat at 19.7% for the nine months ended September 30, 2003 to September 30, 2004.

General and administrative costs. General and administrative costs for the three months ended September 30, 2004 decreased 6.3% to $3.5 million. As a percentage of total revenues, general and administrative expenses declined to 3.7% for the three months ended September 30, 2004 from 4.2% for the three months ended September 30, 2003.

General and administrative costs for the nine months ended September 30, 2004 decreased 2.5% to $10.5 million. As a percentage of total revenues, general and administrative expenses declined to 3.9% for the nine months ended September 30, 2004 from 4.4% for the nine months ended September 30, 2003.

General and administrative costs for the three and nine months ended September 30, 2004 include a charge of $188 and $681 respectively arising under the Partnership's Long Term Incentive Plan ("LTIP"). As the plan began on January 1, 2004, no corresponding charge is included in the results for 2003.

Management fee. The management fee, which was payable to LCT decreased to $0.2 million for the three months ended September 30, 2004 from $2.6 million for the three months ended September 30, 2003 and to $0.5 million from $7.9 million for the nine months ended September 2004 and 2003 respectively. These decreases are primarily due to the reduction in services covered under the management fee agreement. Effective November 26, 2003 the Partnership has entered into a services agreement with COC under which MIS support will be provided to the Partnership at a cost of US$ 500,000 per annum. Other than payments under this services agreement there is no longer a management fee payable to COC or LCT.

Income before undernoted. The Partnership reported income before undernoted for the three months ended September 30, 2004 of $22.0 million as compared to income before undernoted of $17.8 million for the three months ended September 30, 2003. This change was due to the aggregate effect of the factors described above.

The Partnership reported income before undernoted for the nine months ended September 30, 2004 of $56.8 million as compared to income before undernoted of $41.4 million for the nine months ended September 30, 2003. This change was due to the aggregate effect of the factors described above.

Amortization costs. Amortization costs for the three months ended September 30, 2004 increased $1.4 million, or 28.4%, to $6.2 million. For the nine months ended September 30, 2004 amortization costs increased $3.5 million or 25.2% to $17.2 million. This increase was due primarily to the incremental impact of new theatres.

Gain on disposal of theatre assets. The gain on disposal of theatre assets represents the gains on theatre assets that were sold or otherwise disposed of. For the three months ended September 30, 2004 the Partnership reported a gain of $72 thousand as compared to a loss of $69 thousand on disposal of theatre assets for the three months ended September 30, 2003. For the nine months ended September 30, 2004 the Partnership recorded a gain of $114 thousand as compared to a loss of $84 thousand for the nine months ended September 30, 2003.

Interest on long-term debt. Interest on long-term debt for the three months ended September 30, 2004 increased to $2.1 million from $1.0 million for the three months ended September 30, 2003. Interest expense is comprised of amortization of $0.3 million of deferred financing fees and $1.8 million of interest on long-term debt for the three months ended September 30, 2003. For the three months ended September 30, 2003 there is no amount for the amortization of deferred financing fees and $1.0 million of interest on long-term debt. The increase in interest expense was due primarily to a higher average outstanding debt balance during 2004 versus 2003 as a result of the new capital structure of the Partnership.

Interest on long-term debt for the nine months ended September 30, 2004 increased to $6.0 million from $2.2 million for the nine months ended September 30, 2003. Interest expense is comprised of amortization of $0.7 million of deferred financing fees and $5.3 million of interest on long-term debt for the nine months ended September 30, 2003. For the nine months ended September 30, 2003 there is no amount for the amortization of deferred financing fees and $2.2 million of interest on long-term debt. The increase in interest expense was due primarily to a higher average outstanding debt balance during 2004 versus 2003 as a result of the new capital structure of the Partnership.

Interest on loan from Cineplex Galaxy Trust. Interest on the loan from the Trust represents the interest on the $100 million loan from the Trust that was drawn on November 26, 2003.

Interest income. Interest income represents interest earned on cash and cash equivalents. Interest income for the three months ended September 30, 2004 was $0.2 million as compared to $0.4 million for the three months ended September 30, 2003. The decrease in interest income is primarily due to the decrease in cash and cash equivalents.

Interest income for the nine months ended September 30, 2004 was $0.4 million as compared to $0.9 million for the nine months ended September 30, 2003. The decrease in interest income is primarily due to the decrease in cash and cash equivalents.

Exchange gain. The Partnership reported an exchange gain of nil for the three and nine months ended September 30, 2004 as compared to an exchange loss of a nominal amount for the three months and a gain of $3.8 million for the nine months ended September 30, 2003. The Partnership has minimal foreign exchange exposure, as the Partnership's debt is no longer denominated in US dollars.

Net income. Net income for the three months ended September 30, 2004 decreased to $10.4 million from $11.1 million for the three months ended September 30, 2003, primarily due to the net effect of all of the other factors described above.

Net income for the nine months ended September 30, 2004 decreased to $23.4 million from $27.8 million for the nine months ended September 30, 2003, primarily due to the net effect of all of the other factors described above.

EBITDA

EBITDA is defined as income before interest expense, income taxes and amortization expense. Adjusted EBITDA excludes from EBITDA the loss (gain) on disposal of theatre assets. Partnership 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 the Partnership's credit facilities. EBITDA and adjusted EBITDA are not presentations made in accordance with GAAP in Canada and are not measures of financial condition or profitability.

While the Partnership's management uses these measures to remove non-cash items and non-operating charges in order to evaluate the performance of the business, they are not necessarily comparable to other similarly titled captions of other companies due to differences in methods of calculation. For the periods ended September 30, 2003, the calculations of EBITDA and adjusted EBITDA are based on the combined financial statements and include the results of certain COC properties that were not transferred into the Partnership and are shown below (expressed in thousands of Canadian dollars):

	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003	Nine months Ended September 30, 2004	Nine months Ended September 30, 2003
Net income	**$10,442**	**$11,146**	**$23,420**	**$27,807**
Non-controlling interest	-	506	-	722
Amortization	6,159	4,797	17,201	13,743
Interest on long-term debt	2,068	1,012	5,973	2,220
Interest on loan from Cineplex Galaxy Trust	3,500	-	10,500	-
Interest income	(200)	(408)	(355)	(905)
Income tax expense	74	630	171	1,475
EBITDA	**22,043**	**17,683**	**56,910**	**45,062**
(Gain)/loss on disposal of theatre assets	(72)	69	(114)	84
Foreign exchange gain	-	10	-	(3,779)
Non-recurring management fee (i)	-	2,622	-	7,867
Adjusted EBITDA	**$21,971**	**$20,384**	**$56,796**	**$49,234**

(i) Effective November 26, 2003 the existing arrangement between COC and LCT was terminated. The Partnership has entered into a services agreement with COC under which MIS support will be provided to the Partnership at a cost of US$500,000 per annum. The cost of this service has been included as an expense in the calculation of EBITDA for the three and nine months ended September 30, 2004.

Seasonality of Revenues

Historically, the Partnership's revenues have been seasonal, coinciding with the timing of major film releases by the major distributors. The most marketable motion pictures are generally 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. More recently, the seasonality

of film exhibition 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.

Liquidity and Capital Resources

Distributions

Partnership distributions are made on a monthly basis to holders of record of Class A LP Units and Class B LP Units on the last business day of each month. For the three months ending September 30, 2004, Partnership distributable cash flow per unit was $0.3835. The declared distribution per unit and interest on the GEI note per unit for this period totaled $0.2874. For the period from January 1, 2004 to September 30, 2004, Partnership distributable cash flow per unit was $0.9595. The declared distribution per unit and interest on the GEI note per unit for this period totaled $0.8622. From November 26, 2003 to September 30, 2004, Partnership distributable cash flow was $1.2016 and the declared distribution per unit was $0.9740. Distributable cash is a non-GAAP measure generally used by Canadian open-ended trusts, as an indicator of financial performance and it should not be seen as a measure of liquidity or a substitute for comparable metrics prepared in accordance with GAAP. The Partnership's distributable cash may differ from similar calculations as reported by other similar entities and accordingly may not be comparable to distributable cash as reported by such entities.

The Partnership has reconciled distributable cash beginning with cash provided by operations as suggested by Canadian Securities Administrators. Distributable cash flow per unit is calculated as follows (expressed in thousands of Canadian dollars):

	Three Months Ended September 30, 2004	Nine months Ended September 30, 2004
Cash provided by (used in) operating activities	12,573	15,749
Less: Changes in operating assets and liabilities (i)	2,801	21,536
Capital expenditures	(8,759)	(14,217)
Add: Interest on loan from Cineplex Galaxy Trust (ii)	3,500	10,500
New theatre capital expenditures (iii)	7,749	11,695
POS/Rebranding capital expenditures (iv)	378	378
Distributable	18,242	45,641
Number of units outstanding	47,566,974	47,566,974
Distributable cash per unit	$0.3835	$0.9595

(i) changes in operating assets and liabilities are not considered a source of distributable cash
(ii) subject to "Catch-up Payment" provision and is considered part of distributable cash
(iii) the capital expenditures total includes new theatre and maintenance capital expenditures of which the new theatre capital expenditures are to be funded out of the Partnership development loan facility.
(iv) Point-of-Sale ("POS") and Rebranding capital expenditures are funded out of the $5.5 million reserve fund established on November 26, 2003.

As part of the support arrangements with certain limited partners, distributions for certain Class B Series 2 Partnership units are dependent on the annual cash flows from certain new theatres and will be determined upon the completion of the fiscal year. Amounts totaling $5.5 million are considered in the

distribution amounts above and are being held in segregated accounts pending the finalization of these support arrangements at the end of the fiscal year.

For the three months and nine months ended September 30, 2004, the Fund declared distributions totaling $0.2874 and $0.8622 respectively. The Fund is entirely dependent on distributions from the Partnership and interest payments from GEI to make its own distributions.

As of September 30, 2004, approximately $5.1 million in cash remains of the $5.5 million that is to be used for certain expenditures (point-of-sale upgrades and rebranding). As at September 30, 2004 the Partnership had commitments of approximately $2.4 million related to point of sale upgrades and rebranding of which it had spent $0.4 million.

During the quarter, the Partnership announced its plans to move forward with the launch of a digital advertising network in its 21 Toronto extended market area theaters. Digital projectors will be installed in 215 theatre auditoriums during the first half of 2005. If the program is expanded outside of the Toronto extended market area the total expected cost is in the range of $7 million to $9 million over the next two years. The Partnership has not currently entered into any commitments under the project. This project will be funded through the development loan facility discussed below.

Assets

Assets decreased $14.4 million to $304.9 million as at September 30, 2004 from $319.3 million as at December 31, 2003. This decrease is due primarily to a decrease in cash and cash equivalents of $17.7 million partially offset by an increase in accounts receivable.

Accounts Receivable

Accounts receivable increased $0.5 million to $8.3 million as at September 30, 2004 from $7.8 million as at December 31, 2003. This increase is due to increased ancillary activities and quarterly volume rebates on increased business activity offset by the collection of tenant inducements on new theatres.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses decreased from $34.1 million as at December 31, 2003 to $21.3 million as at September 30, 2004. The decrease is due to the settlement of amounts accrued at December 31, 2003 with respect to theatres under construction that have since been completed and opened and fees arising from the initial public offering.

Deferred Revenue

Deferred revenues decreased $5.4 million to $5.8 million as at September 30, 2004 due primarily to the redemption of gift certificates that were sold during the holiday season in December and a traditional slow period in new gift certificate sales.

Operating Activities

Cash flow is generated primarily from the sale of admission tickets, concession sales and other revenues. Generally, this provides the Partnership with positive working capital, since cash revenues are generally collected in advance of the payment of certain expenses. Operating revenue levels are directly related to the success and appeal of the film product produced and distributed by the studios.

Cash provided by operating activities of $12.6 million for the three months ended September 30, 2004 and $15.7 million for the nine months ended September 30, 2004 was primarily due to theatre cash flow offset by changes in operating assets.

Investing Activities

Cash used in investing activities for the three and nine months ended September 30, 2004 and September 30, 2003 was primarily related to capital expenditures on new theatre builds.

The Partnership funds maintenance capital expenditures through internally generated cash flow and cash on hand. The Partnership will fund new theatre capital expenditures through the development loan facility discussed below.

In addition, for the three months ended September 30, 2004, the Partnership transferred $2.1 million ($5.5 million for the nine months ended September 30, 2004) to a segregated account representing distributions on certain Class B Series 2 Partnership units the payment of which is dependant on the annual cash flow from certain new theatres. These amounts will be held in a segregated account pending finalization of these amounts at the end of the fiscal year.

Financing Activities

Cash provided by financing activities for the three months ended September 30, 2004 was due primarily to borrowings of $5.5 million under new credit facilities offset by distribution payments of $8.1 million. In the three months ended September 30, 2003, cash provided by financing activities included additional borrowings under GEI's credit facility of $1.5 million and tenant inducements received of $2.8 million.

Cash provided by financing activities for the nine months ended September 30, 2004 was due primarily to borrowings of $11.0 million under new credit facilities offset by distribution payments of $25.5 million. In the nine months ended September 30, 2003, cash provided by financing activities included additional borrowings under GEI's credit facility of $11.5 million and tenant inducements received of $5.3 million.

The Partnership 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 existing credit agreements.

Credit Facilities

Revolving Facilities. On November 26, 2003, the Partnership entered into two senior secured revolving credit facilities, one in the principal amount of $20 million (the "Working Capital Facility") and the other in the principal amount of $40 million (the "Development Facility"). The Working Capital Facility is for general corporate purposes, including up to $10 million to stabilize monthly cash distributions to be paid by the Partnership throughout the year. The Development Facility is to be used for the development or acquisition of theatre projects approved by the Trustees of the Fund. Both facilities have a term of three years and are repayable in full at maturity. These revolving credit facilities bear interest at a floating rate based on the Canadian dollar prime rate or on the bankers acceptance rates plus, in each case, an applicable margin to those rates. As at September 30, 2004 the Partnership has borrowed $11.0 million under the Development Facility. No amounts were drawn under the Working Capital Facility as at September 30, 2004.

Term Facility. On November 26, 2003, the Partnership entered into a senior secured term facility in the amount of $110 million (the "Term Facility"). The Term Facility matures in three years with no scheduled repayments of principal required prior to maturity. The Term Facility bears interest at a floating rate based on the Canadian dollar prime rate or on the bankers acceptance rates plus, in each case, an applicable margin to those rates. The Term Facility was fully drawn as at September 30, 2004.

The above credit facilities are secured by all of the Partnership's assets and are guaranteed by the Trust.

Due to Cineplex Galaxy Trust. On November 26, 2003, the Trust entered into an agreement with GEI, a wholly-owned subsidiary of the Partnership, whereby it loaned to GEI $100 million (the "Galaxy Notes"). The Galaxy Notes bear interest at a rate of 14% per annum and have no scheduled repayments prior to maturity. The Galaxy Notes mature on November 26, 2028 at which time they are payable in full. The Galaxy Notes are subordinated to the bank credit facilities discussed above.

Future Obligations

The Partnership conducts a significant part of its operations in leased premises. The Partnership's leases generally provide for minimum rentals and a number of the leases also include percentage rentals based primarily upon sales volume. The Partnership'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.

Future minimum rental commitments for the next five years under the above-mentioned operating leases are set forth as follows (millions of dollars):

2004 (three months)	$	8.7
2005		35.8
2006		34.8
2007		34.1
2008		32.2
Thereafter		260.6
	$	406.2

Related Party Transactions

The Fund has entered into transactions with parties to which it is related. During the three and nine months ended September 30, 2004, distributions in the amount of $2.1 million and $6.4 million respectively were received from the Partnership and the Fund had distributions receivable from the Partnership at September 30, 2004 in the amount of $0.7 million.

The Fund earned interest income in the amount of $3.5 million for the three months ended September 30, 2004 and $10.5 million for the nine months ended September 30, 2004 with respect to its $100 million loan to GEI.

The Partnership has entered into transactions with certain parties to which it is related. A summary of significant transactions follows.

COC provided the Partnership management information systems support. For the period that COC was a related party, the Partnership was charged $55 thousand and $0.4 million for the three and nine months ended September 30, 2004. As a result of the sale of LCT by Onex on July 30, 2004 LCT, which is no longer a related party, provides these services to the Partnership.

COC charged the Partnership $0.1 million for rent for the head office for the three months ended September 30, 2004 and $0.4 million for the nine months ended September 30, 2004. The Partnership charged COC $41 thousand and $0.1 million for certain management services during the three and nine months ended September 30, 2004.

LCT provided certain services to COC in 2003 relating to the following activities: finance, administration and management information systems support. The net amount charged for these services for the three months ended September 30, 2003 was $2.6 million and $7.9 million for the nine months ended September 30, 2003.

For the three months ended September 30, 2004 and 2003 the Partnership incurred expenses for film rental totaling $6.9 million and $4.8 million respectively, to Alliance Atlantis Communications Inc. ("Alliance") and Motion Picture Distribution LP ("Motion Picture"). For the nine months ended September 30, 2004 and 2003, expenses totaling $17.8 million and $17.1 million respectively were incurred to Alliance and Motion Picture. Alliance is a former shareholder of GEI and Ellis Jacob, Chief Executive Officer of the Partnership, is a member of the Board of Directors and Audit Committee of Alliance and the Board of Trustees of Motion Picture.

A trustee of the Fund is the President and Chief Executive Officer of Riocan Real Estate Investment Trust ("Riocan"). The Partnership incurred rental costs for theatres under lease commitments with Riocan in the amount of $1.9 million and $1.3 million for the three months ended September 30, 2004 and 2003 respectively. For the nine months ended September 30, 2004 and 2003, rental costs incurred with respect to these lease commitments were $5.6 million and $4.3 million respectively.

Ellis Jacob, Chief Executive Officer of the Partnership, exchanged 148,870 Class B LP units for 148,870 Fund units under the provisions of the Exchange Agreement. The exchange was recorded at the carrying amount as required by Section 3840 of the CICA Handbook ("Handbook").

Stephen Brown, who at the time of the transaction was Chief Financial Officer of the Partnership, exchanged 83,724 Class B LP units for 83,724 Fund units under the provisions of the Exchange Agreement. The exchange was recorded at the carrying amount as required by Section 3840 of the CICA Handbook ("Handbook").

In April 2004, the Partnership acquired from COC two theatres for nominal consideration. The transaction has been recorded by the LP at $24 thousand, the amount for which the asset had been carried in the books of COC. The difference between COC's carrying value and the consideration paid by the LP has been credited to the Partners' Equity in accordance with Section 3840 of the Handbook.

Transactions noted above are in the normal course of business and unless otherwise noted are measured at the exchange amount, which is the amount of consideration established and agreed to by related parties.

Market Risk

The Partnership is exposed to financial market risks, including changes in interest rates and other relevant market prices. As of September 30, 2004, the Partnership had an interest rate swap agreement in place whereby the Partnership pays an interest rate of 4.29% and receives a floating rate. The swap is for a term of three years, expiring November 26, 2006 and the initial principal outstanding is $44 million. The principal outstanding under the swap increased to $77 million on August 26, 2004 and increases to $110 million on May 26, 2005. The estimated fair market value of the swap is an unrealized loss of $1.9 million that is not recognized on the balance sheet or statement of income in accordance with Canadian GAAP.

Interest Rate Risk

As of September 30, 2004, the Partnership had long-term debt and amounts due to the Trust (including current maturities) of $221.0 million. Approximately $121.0 million of this debt is variable rate debt. An increase or decrease in interest rates would affect interest costs relating to this debt. For comparative purposes, for every change of 0.125% in interest rates, the Partnership's interest costs would change by

approximately $151 thousand per year. Offsetting this risk is the impact of the interest rate swap referred to above.

Critical Accounting Policies

The Partnership prepares its financial statements in conformity with GAAP, which requires management to make estimates, judgments and assumptions that the Partnership believes are reasonable based upon the information available. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The policies which the Partnership believes are the most critical to aid in fully understanding and evaluating its reported financial results include the following:

Revenues

Box office and concession revenues are recognized, net of applicable taxes, when admission and concession sales are collected at the theatre. Amounts collected on advance ticket sales and long-term screen advertising agreements are deferred and recognized in the period earned. Amounts collected on the sale of gift certificates are deferred and recognized when redeemed by the patron.

Film Rental Costs

Film rental costs are recorded based upon the terms of the respective film license agreements. In some cases the final film cost is dependent upon the ultimate duration of the film play and until this is known, management uses its best estimate of the ultimate settlement of these film costs. Film costs and the related film costs payable are adjusted to the final film settlement in the period the Partnership settles with the distributors. Actual settlement of these film costs could differ from those estimates.

Leases

Tenant inducements received are amortized into occupancy expenses over the term of the related lease agreement. Lease payments are recorded in occupancy expenses on a straight-line basis over the term of the related lease. The unamortized portion of tenant inducements and the difference between the straight-line rent expense and the payments, as stipulated under the lease agreement, are included in other liabilities.

Income Taxes

The Partnership is not subject to income or capital taxes, as the income, if any, is taxed in the hands of the individual partners.

Income taxes for the Partnership's subsidiary, GEI, are accounted for under the asset and liability method, whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax base. Future tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Future income tax assets are recorded in the financial statements to the extent that realization of such benefits is more likely than not.

Long-Lived Assets

The Partnership continuously assesses the recoverability of its long-lived assets by determining whether the carrying value of these balances over the remaining life can be recovered through undiscounted projected cash flows associated with these assets. Generally this is determined on a theatre-by-theatre basis

for theatre related assets. In making its assessment, the Partnership also considers the useful lives of its assets, the competitive landscape in which those assets operate, the introduction of new technologies within the industry and other factors affecting the sustainability of asset cash flows.

Recent Accounting Developments

In 2002, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Section 3110, "Asset Retirement Obligations", is effective for annual and interim periods beginning on or after January 1, 2004. This standard requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The implementation of Section 3110 has had no material impact on the Partnership's financial position or results of operations. Details of the impact of this section are discussed in Note 2 to the Partnership's Consolidated Financial Statements for the third quarter of 2004.

In September 2003, the CICA issued Accounting Guideline 15, "Consolidation of variable interest entities" (the "Guideline"). In September 2003 the CICA amended the Guideline to make it effective for annual and interim periods beginning on or after November 1, 2004. The Guideline addresses the application of consolidation principles to entities that are subject to control on a basis other than ownership of voting interests. Management is assessing the impact of this Guideline on the Fund and the Partnership.

Effective January 1, 2004, the Partnership adopted CICA Accounting Guideline 13 ("AcG 13"). "Hedging Relationships" AcG 13 addresses the identification, designation, documentation and effectiveness of hedging transactions for the purpose of applying hedge accounting. It also establishes conditions for applying, and the discontinuance of, hedge accounting and hedge effectiveness testing requirements. Under the new guideline, the Partnership is required to document its hedging transactions and explicitly demonstrate that hedges are effective in order to continue hedge accounting for positions hedged with derivatives. Any derivative financial instruments that fail to meet the hedging criteria will be accounted for in accordance with EIC-128, "Accounting for Trading, Speculative or Non-Hedging Derivative Financial Instruments". These instruments will be recorded on the balance sheet at fair value, and changes in fair value will be recognized in income in the period in which the change occurs.

In connection with the implementation of AcG 13, the Partnership considered its hedging relationships as at January 1, 2004 and for the remainder of the period ending September 30, 2004, and determined that its interest rate swap agreement on its Term Facility qualified for hedge accounting for Canadian GAAP purposes and, therefore, the estimated fair value of the swap is not recognized in the balance sheet.

Risks and Uncertainties

Investment in the units is subject to a number of risk factors. Cash distributions to unitholders are dependent upon the ability of the Partnership to generate income. The ability to generate income is susceptible to a number of risk factors which include, (i) the reliance on film production and film performance, (ii) alternative film delivery methods and other forms of entertainment, (iii) increased capital expenditures resulting from the development of digital technologies for film exhibition, (iv) reliance on key personnel, (v) the acquisition and development of new theatre sites, (vi) impact of new theatres, (vii) unauthorized copying of films, (viii) rising insurance and labour costs and (ix) the ability to generate additional ancillary revenue. See "Risk Factors" detailed in the Fund's annual information form dated April 5, 2004 for a more detailed description of risks facing the Partnership.

Outlook

The Partnership believes that its 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 distributions. However, the Partnership's needs may change and in such event the Partnership'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 the Partnership's control.

On July 30, 2004 Onex announced that it completed the sale of its interest in LCT to an unrelated party. The sale did not include LCT's interest in the Partnership, which Onex will continue to hold indirectly through its investment in its subsidiary COC. The Partnership has a services agreement with COC, under which COC provides the Partnership management information systems support. These services will continue to be provided to the Partnership by LCT following the sale. The sale of LCT is not expected to have an impact on the ongoing operations of the Partnership.

Cineplex Galaxy Income Fund

Consolidated Balance Sheets

(expressed in thousands of Canadian dollars)

	September 30, 2004 (Unaudited)	December 31, 2003
Assets		
Current assets		
Cash and cash equivalents	$ 1,173	$ 460
Interest receivable from Galaxy Entertainment Inc.	-	1,381
Distributions receivable	727	788
	1,900	2,629
Due from Galaxy Entertainment Inc.	100,000	100,000
Investment in Cineplex Galaxy Limited Partnership	95,890	95,875
Investment in Cineplex Galaxy General Partner Corporation	2	2
	$ 197,792	$ 198,506
Liabilities		
Current liabilities		
Distributions payable (note 3)	$ 1,894	$ 2,169
Due to Cineplex Galaxy Limited Partnership	4	460
	1,898	2,629
Unitholders' Equity	195,894	195,877
	$ 197,792	$ 198,506

Approved by the Board of Directors

BRUCE BIRMINGHAM _____
Bruce Birmingham
Trustee

EDWARD SONSHINE_____
Edward Sonshine
Trustee

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

Cineplex Galaxy Income Fund

Consolidated Statements Of Earnings
(Unaudited)

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

	Three months ended September 30, 2004	Nine months ended September 30, 2004
Share of income of Cineplex Galaxy Limited Partnership (note 2)	$ 2,002	$ 2,670
Interest income	3,503	10,503
Net earnings	$ 5,505	$ 13,173
Basic earnings per unit	$ 0.28	$ 0.68
Weighted average number of units outstanding used in computing basic earnings per unit	19,682,390	19,506,770
Diluted earnings per unit	$ 0.28	$ 0.67
Weighted average number of units outstanding used in computing diluted earnings per unit	47,566,974	47,566,974

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

Cineplex Galaxy Income Fund

Consolidated Statements Of Unitholders' Equity
(Unaudited)
For the nine months ended September 30, 2004

(expressed in thousands of Canadian dollars)

	Unitholders' capital (note 4)	Accumulated earnings	Accumulated distributions	Total
Balance - January 1, 2004	$ 194,000	$ 4,046	$ (2,169)	$ 195,877
Issuance of units under Exchange Agreement (note 4)	3,678	-	-	3,678
Distributions declared (note 3)	-	-	(16,834)	(16,834)
Net earnings for the period	-	13,173	-	13,173
Balance - September 30, 2004	$ 197,678	$ 17,219	$ (19,003)	$ 195,894

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

Cineplex Galaxy Income Fund

Consolidated Statements Of Cash Flow
(Unaudited)

(expressed in thousands of Canadian dollars)

	Three months ended September 30, 2004	Nine months ended September 30, 2004
Cash provided by (used in)		
Operating activities		
Net earnings for the period	$ 5,505	$ 13,173
Item not affecting cash and cash equivalents		
Share of income from equity investee (note 2)	(2,002)	(2,670)
Interest receivable from Galaxy Entertainment Inc.	1,167	1,381
	4,670	11,884
Investing activities		
Distributions received from Cineplex Galaxy Limited Partnership	2,147	6,395
Financing activities		
Distributions paid	(5,648)	(17,110)
Due to Cineplex Galaxy Limited Partnership	(445)	(456)
	(6,093)	(17,566)
Increase in cash and cash equivalents during the period	724	713
Cash and cash equivalents - Beginning of period	449	460
Cash and cash equivalents - End of period	$ 1,173	$ 1,173
Supplemental information		
Cash received for interest	$ 4,668	$ 11,883

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

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

1. Description of the Fund

Cineplex Galaxy Income Fund (the "Fund") is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario on October 2, 2003 pursuant to the Fund Declaration of Trust. The Fund was established to invest, through Cineplex Galaxy Trust (the "Trust"), a newly constituted wholly owned trust, in partnership units of Cineplex Galaxy Limited Partnership (the "Partnership") and shares of Cineplex Galaxy General Partner Corporation (the "General Partner"), the general partner of the Partnership. The Partnership is Canada's second largest film exhibition organization with theatres in six provinces and commenced operations on November 26, 2003.

The Fund prepares its unaudited interim consolidated financial statements in accordance with Canadian generally accepted accounting principles. The disclosures contained in these unaudited interim consolidated financial statements do not include all requirements of Canadian generally accepted accounting principles for annual financial statements and should be read in conjunction with the audited consolidated financial statements for the period from October 2, 2003 to December 31, 2003.

Due to the limited amount of information that these unaudited interim consolidated financial statements provide on the underlying operations of the Partnership, these unaudited interim consolidated financial statements should be read in conjunction with the unaudited interim consolidated financial statements of the Partnership for the nine months ended September 30, 2004.

The unaudited interim consolidated financial statements follow the same accounting policies and methods of application as the audited consolidated financial statements for the period from October 2, 2003 to December 31, 2003.

Results for the nine months ended September 30, 2004 are not necessarily indicative of results expected for the full fiscal year or any other future period due to business seasonality of the Partnership. As the Fund has significant influence over the Partnership, its investment is accounted for using the equity method.

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

2. Share of Partnership income

The Fund's share of the Partnership's income has been calculated as follows:

	Three months ended September 30, 2004	Nine months ended September 30, 2004
Consolidated Partnership net income	$ 10,442	$ 23,420
Adjustment for Catch-up Payment from Partnership to Class B LP unitholders	(4,951)	(15,108)
Remaining income to be distributed pro rata to Class A LP and Class B LP unitholders	$ 5,491	$ 8,312
Fund's proportionate % share (a)	$ 2,248	$ 3,409
Adjustments for excess of purchase price over net assets acquired	(246)	(739)
Share of Partnership income	$ 2,002	$ 2,670

(a) During the period, the Fund's indirect ownership of the Partnership, held through the Trust, increased from approximately 40.8% as at December 31, 2003 to approximately 41.6% (note 4). The Fund's proportionate share of the income available to be distributed to the Class A LP and Class B LP unitholders has been adjusted to reflect its increased ownership.

3. Distributions

The Fund has declared the following distributions during the nine-month period ended September 30, 2004.

Record date	Amount	Amount per unit
January 30, 2004	$ 1,858.5	$ 0.0958
February 27, 2004	$ 1,858.5	$ 0.0958
March 31, 2004	$ 1,858.5	$ 0.0958
April 30, 2004	$ 1,858.5	$ 0.0958
May 31, 2004	$ 1,858.5	$ 0.0958
June 30, 2004	$ 1,872.8	$ 0.0958
July 30, 2004	$ 1,880.8	$ 0.0958
August 31, 2004	$ 1,893.8	$ 0.0958
September 30, 2004	$ 1,893.8	$ 0.0958

The distributions will be paid within 30 days following the end of each month.

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

4. Unitholders' capital

On June 9, 2004, under the provisions of the Exchange Agreement, an investor related to the Fund exchanged 148,870 Class B, Series 1 Partnership units for 148,870 Fund units.

As this was a related party transaction, the Fund recorded the Partnership units it acquired at the exchanging investor's carrying value. The difference between the investor's carrying value and the value at which the Fund units were issued has been charged to unitholders' equity in the amount of $205 resulting in a net increase in unitholders' capital of $1,303.

On July 16, 2004, under the provisions of the Exchange Agreement, an investor related to the Fund exchanged 83,724 Class B, Series 1 Partnership units for 83,724 Fund units.

As this was a related party transaction, the Fund recorded the Partnership units it acquired at the exchanging investor's carrying value. The difference between the investor's carrying value and the value at which the Fund units were issued has been charged to unitholders' equity in the amount of $150 resulting in a net increase in unitholders' capital of $733.

On August 19, 2004, under the provisions of the Exchange Agreement, an investor in the Fund exchanged 135,746 Class B, Series 1 Partnership units for 135,746 Fund units.

As this was an arms-length transaction, the Fund recorded the Partnership units it acquired at the fair market value of the Fund units on the date of the transaction. The difference between the fair market value and the value at which the Fund units were issued in the amount of $90 has been charged to unitholders' equity resulting in a net increase in unitholders' capital of $1,642.

There are 19,768,340 Fund units issued at September 30, 2004 for $197,678.

	Number of units		Amount
Units - Beginning of period	19,400,000	$	194,000
Issuance of units under Exchange Agreement	368,340		3,678
Units - End of period	19,768,340	$	197,678

Cineplex Galaxy Limited Partnership

Consolidated Balance Sheets

(expressed in thousands of Canadian dollars)

	September 30, 2004 (Unaudited)	December 31, 2003
Assets		
Current assets		
Cash and cash equivalents	**$ 25,840**	$ 43,527
Restricted cash (note 2)	**5,545**	-
Accounts receivable	**8,252**	7,801
Inventories	**1,921**	1,987
Prepaid expenses and other current assets	**3,199**	3,901
Due from related parties	**88**	1,860
	44,845	59,076
Property, equipment and leaseholds (note 2)	**232,721**	232,263
Goodwill	**22,942**	22,942
Future income taxes	**62**	62
Deferred charges and other intangibles	**4,301**	4,919
	$ 304,871	$ 319,262
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	**$ 21,255**	$ 34,110
Distributions payable	**8,922**	3,937
Due to related parties	**-**	5,108
Income taxes payable	**42**	234
Deferred revenue	**5,798**	11,215
Current portion of long-term debt	**51**	46
	36,068	54,650
Long-term debt (note 3)	**121,025**	110,067
Due to Cineplex Galaxy Trust	**100,000**	100,000
Accrued pension liability	**577**	465
Other liabilities (note 2)	**87,121**	86,710
	344,791	351,892
Partners' Deficiency		
Partners' deficit (note 2)	**(39,920)**	(32,630)
	$ 304,871	$ 319,262

Basis of presentation (note 2)
Commitments and contingencies (note 5)

Approved by the Board of Directors

ELLIS JACOB _____ ANTHONY MUNK _____

Ellis Jacob
Director

Anthony Munk
Director

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

Cineplex Galaxy Limited Partnership

Consolidated Statements Of Income
(Unaudited)

(expressed in thousands of Canadian dollars)

	Three months ended September 30, 2004	Three months ended September 30, 2003	Nine months ended September 30, 2004	Nine months ended September 30, 2003
Revenue				
Box office	**$ 63,913**	$ 60,914	**$ 180,023**	$ 163,984
Concessions	**25,535**	24,102	**72,365**	64,565
Other	**5,677**	4,697	**14,243**	13,363
	95,125	89,713	**266,631**	241,912
Expenses				
Film cost	**32,977**	31,511	**93,024**	84,955
Cost of concessions	**4,626**	4,245	**12,990**	11,370
Occupancy	**13,386**	13,105	**40,421**	38,087
Other theatre operating expenses	**18,464**	16,695	**52,446**	47,545
General and administrative	**3,536**	3,773	**10,454**	10,721
Management fee	**165**	2,622	**500**	7,867
	73,154	71,951	**209,835**	200,545
Income before undernoted	**21,971**	17,762	**56,796**	41,367
Amortization	**6,159**	4,797	**17,201**	13,743
(Gain) loss on disposal of theatre assets	**(72)**	69	**(114)**	84
Interest on long-term debt	**2,068**	1,012	**5,973**	2,220
Interest on loan from Cineplex Galaxy Trust	**3,500**	-	**10,500**	-
Interest income	**(200)**	(408)	**(355)**	(905)
Foreign exchange loss (gain)	**-**	10	**-**	(3,779)
Income before income taxes and non-controlling interests	**10,516**	12,282	**23,591**	30,004
Provision for (recovery of) income taxes				
Current	**74**	779	**171**	1,125
Future	**-**	(149)	**-**	350
	74	630	**171**	1,475
Income before non-controlling interests	**10,442**	11,652	**23,420**	28,529
Non-controlling interests	**-**	506	**-**	722
Net income	**$ 10,442**	$ 11,146	**$ 23,420**	$ 27,807

Basis of presentation (note 2)

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

Cineplex Galaxy Limited Partnership

Consolidated Statements Of Partners' Equity (Deficiency)
(Unaudited)

(expressed in thousands of Canadian dollars)

For the nine months ended September 30, 2004

	Partners' capital (note 6)	Deficit	Accumulated earnings	Accumulated distributions	Total
Balance - December 31, 2003, as previously reported	$ 110,425	$ (147,698)	$ 8,707	$ (3,937)	$ (32,503)
Adoption of new accounting standard (note 2)	-	(127)	-	-	(127)
Balance - December 31, 2003, as restated	$ 110,425	$ (147,825)	$ 8,707	$ (3,937)	$ (32,630)
Distributions declared	-	-	-	(30,512)	(30,512)
Formation of Partnership issuance costs (note 6)	(222)	-	-	-	(222)
Contribution of capital on acquisition of theatres (note 6)	-	24	-	-	24
Net income for the period	-	-	23,420	-	23,420
Balance - September 30, 2004	$ 110,203	$ (147,801)	$ 32,127	$ (34,449)	$ (39,920)

For the nine months ended September 30, 2003

	Capital stock	Contributed surplus	Equity (deficit)	Total
Balance - December 31, 2002, as previously reported	$ 480,300	$ 120,590	$ (509,362)	$ 91,528
Adoption of new accounting standard (note 2)	-	-	(104)	(104)
Balance - December 31, 2002, as restated	$ 480,300	$ 120,590	$ (509,466)	$ 91,424
Net income for the period	-	-	27,807	27,807
Balance - September 30, 2003	$ 480,300	$ 120,590	$ (481,659)	$ 119,231

Basis of presentation (note 2)

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

Cineplex Galaxy Limited Partnership

Consolidated Statements Of Cash Flows
(Unaudited)

(expressed in thousands of Canadian dollars)

	Three months ended September 30, 2004	Three months ended September 30, 2003	Nine months ended September 30, 2004	Nine months ended September 30, 2003
Cash provided by (used in)				
Operating activities				
Net income	**$ 10,442**	$ 11,146	**$ 23,420**	$ 27,807
Adjustments to reconcile net income to net cash used in operating activities				
Amortization of property, equipment and leaseholds	**6,159**	4,797	**17,201**	13,743
Amortization of tenant inducements and rent averaging liabilities	**(1,446)**	(1,025)	**(3,927)**	(3,202)
Amortization of debt issuance costs	**291**	-	**705**	-
Future income taxes	**-**	(149)	**-**	350
(Gain) loss on disposal of theatre assets	**(72)**	69	**(114)**	84
Unrealized foreign exchange loss (gain)	**-**	10	**-**	(3,779)
Non-controlling interests	**-**	506	**-**	722
Restructuring charges paid during the period	**-**	-	**-**	(4,924)
Reorganization costs paid during the period	**-**	-	**-**	(16)
Changes in operating assets and liabilities (note 4)	**(2,801)**	96	**(21,536)**	(8,547)
	12,573	15,450	**15,749**	22,238
Investing activities				
Proceeds from sale of theatre assets	**72**	-	**122**	-
Advance to Loews Cineplex Theatres, Inc.	**-**	-	**-**	(29,356)
Capital expenditures	**(8,759)**	(9,452)	**(14,217)**	(36,069)
Cash transferred to segregated account for future distributions (note 2)	**(2,073)**	-	**(5,531)**	-
	(10,760)	(9,452)	**(19,626)**	(65,425)
Financing activities				
Borrowings under credit facility (note 3)	**5,500**	1,500	**11,000**	11,500
Repayment of Priority Secured Credit Agreement	**-**	(69)	**-**	(216)
Formation of Partnership issuance costs paid (note 6)	**(120)**	-	**(222)**	-
Distributions paid	**(8,097)**	-	**(25,529)**	-
Tenant inducements	**428**	2,805	**978**	5,345
Repayment of long-term debt	**(12)**	(135)	**(37)**	(528)
	(2,301)	4,101	**(13,810)**	16,101
(Decrease) increase in cash and cash equivalents during the period	**(488)**	10,099	**(17,687)**	(27,086)
Cash and cash equivalents - Beginning of period	**26,328**	23,794	**43,527**	60,979
Cash and cash equivalents - End of period	**$ 25,840**	$ 33,893	**$ 25,840**	$ 33,893
Supplemental information				
Cash paid for interest	**$ 6,007**	$ 1,003	**$ 15,914**	$ 2,633
Cash paid for income taxes - net	**$ 73**	$ 248	**$ 177**	$ 547

Basis of presentation (note 2)

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

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

1. Description of business

Cineplex Galaxy Limited Partnership (the "Partnership") commenced operations on November 26, 2003 and was formed to acquire substantially all of the theatre business assets and liabilities of Cineplex Odeon Corporation ("COC") and all of the shares of Galaxy Entertainment Inc. ("GEI").

2. Summary of significant accounting policies

Basis of presentation

The Partnership prepares its unaudited interim consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). The disclosures contained in these unaudited interim consolidated financial statements do not include all requirements of GAAP for annual financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2003.

The formation of the Partnership has been accounted for under the continuity of interests' approach, as there was no substantive change in the ultimate ownership interests of the Partnership. Accordingly, these unaudited interim consolidated financial statements reflect the financial position, results of operations and cash flows as if the Partnership has always carried on the businesses formerly carried on by COC and GEI. The unaudited interim comparative consolidated financial statements of the Partnership prior to the legal formation of the Partnership on November 26, 2003 are not necessarily indicative of the results that would have been attained if COC and GEI had operated as a single legal entity during the periods presented and, therefore, are not necessarily indicative of future operating results. No adjustments have been made to the Partnership's financial statements prior to November 26, 2003 to reflect incremental changes to the cost structure as a result of the legal formation of the Partnership on November 26, 2003.

The unaudited interim consolidated financial statements follow the same accounting policies and methods of application as the audited consolidated financial statements for the year ended December 31, 2003, except as disclosed herein.

Asset retirement obligation

The Partnership implemented, on a retroactive basis with prior periods restated, the new Canadian Institute of Chartered Accountants' accounting standard for asset retirement obligations, which is effective for years beginning on or after January 1, 2004. The standard addresses the recognition and measurement of legal obligations associated with the retirement of property, equipment and leaseholds when those obligations result from the acquisition, construction, development or normal operation of the asset. The standard requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value is added to the carrying amount of the associated asset and amortized over the estimated remaining life of the corresponding asset. The asset retirement obligation accretes due to the increase in the fair value resulting from the passage of time. This accretion amount is charged to other theatre operating expense for the period.

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

As a result of the retroactive implementation of this new standard, the cumulative impact on beginning balances is as follows:

	January 1, 2003 $
Partners' deficit	(104)
Property, equipment and leaseholds	89
Other liabilities	193

The Partnership has recognized a discounted liability associated with obligations arising from specific provisions in certain lease agreements regarding the exiting of leased properties at the end of the respective lease terms and the removal of certain property, equipment and leaseholds from the leased building. The impact on net earnings for 2003 and 2004 was negligible.

The total undiscounted amount of the estimated cash flows required to settle the obligations, factoring in the effect of inflation and the dates that the leases are expected to end, which range from May 2005 to December 2045, has been estimated to be $1,000. The credit-adjusted risk free rate at which the cash flows have been discounted is 6.27%.

Financial instruments - hedging transactions

Effective January 1, 2004, the Partnership prospectively adopted The Canadian Institute of Chartered Accountants' Accounting Guideline 13 ("AcG 13"), "Hedging Relationships". AcG 13 addresses the identification, designation, documentation and effectiveness of hedging transactions for the purpose of applying hedge accounting. It also establishes conditions for applying, and the discontinuance of, hedge accounting and hedge effectiveness testing requirements. Under the new guideline, the Partnership is required to document its hedging transactions and explicitly demonstrate that hedges are effective in order to continue hedge accounting for positions hedged with derivatives. Any derivative financial instruments that fail to meet the hedging criteria will be accounted for in accordance with EIC-128, "Accounting for Trading, Speculative or Non-Hedging Derivative Financial Instruments". These instruments will be recorded on the balance sheets at fair value, and changes in fair value will be recognized in income in the period in which the change occurs.

The Partnership enters into interest rate swaps in order to reduce the impact of fluctuating interest rates on its long-term debt. These swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. In connection with the implementation of AcG 13, the Partnership considered its hedging relationships as at January 1, 2004 and for the remainder of the period ending September 30, 2004, and determined that its interest rate swap agreement on its Term Facility qualified for hedge accounting for Canadian GAAP purposes and, therefore, the estimated fair value of the swap is not recognized on the balance sheets. Interest expense on the debt is adjusted to include the payments made or received under the interest rate swaps.

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

Realized and unrealized gains or losses associated with derivative instruments, which have been terminated or cease to be effective prior to maturity, are deferred on the balance sheets and recognized in income in the period in which the underlying hedged transaction is recognized. In the event a designated hedged item is sold, extinguished or matures prior to the termination of the related derivative instrument, any realized or unrealized gain or loss on such derivative instrument is recognized in income.

Long-Term Incentive Plan

On January 1, 2004, the officers and key employees of the Partnership became eligible to participate in the Partnership's Long-Term Incentive Plan (the "LTIP"). Pursuant to the LTIP, the Partnership will set aside a pool of funds based upon the amount, if any, by which the Fund's per unit distributions, for the entire fiscal year, exceed certain defined distributable cash threshold amounts. This pool of funds will be transferred to a trustee, which will use the entire amount to purchase Fund units on the open market and will hold the Fund units until such time as ownership vests to each participant. Generally, one-third of these units will vest 30 days after the Fund's financial statements for the corresponding fiscal year are approved by its Board of Trustees, with an additional one-third vesting on the first and second anniversaries of this date. LTIP participants will be entitled to receive distributions on all Fund units held for their account prior to the applicable vesting date. Unvested units held by the trustee for LTIP participants will be forfeited if the participant resigns or is terminated for cause prior to the applicable vesting date, and those Fund units will be sold and the proceeds returned to the Partnership and excluded from future LTIP calculations.

Initially, the LTIP will provide for awards that may be earned based on the amount by which the Fund's per unit distributions exceed a base distribution threshold of $1.15 per unit per annum. The base distribution threshold is subject to adjustment at least every three years. The percentage amount of that excess which forms the LTIP incentive pool will be determined in accordance with the table below, subject to a $4,000 maximum in any fiscal year.

Percentage by which Fund distributions per unit exceed base distribution threshold	Maximum proportion of excess Fund distributions available for LTIP payments
5% or less	10%
Over 5% to 10%	15% of any excess over 5% to 10%
Greater than 10%	20% of any excess over 10%

LTIP costs are estimated at the grant date based on expected performance results and 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 period of change. Forfeitures are recognized as they occur as a reduction to compensation costs. For the three-month and nine-month periods ending September 30, 2004, the Partnership recognized $188 and $681 of compensation costs respectively under the LTIP.

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

Restricted cash

Restricted cash represents year to date distributions accrued and maintained in a segregated Partnership bank account for Class B, Series 2 Limited Partnership units (the "Support Units"). The actual distributable amount to the Support Units is dependent on the performance of seven new theatres that, as at November 26, 2003, had either not yet been opened or had been open for less than one year. For periods commencing January 2004, distributions on the Support Units will be held in a segregated account until the end of the fiscal year when a determination is made regarding the actual cash flows of the new theatres. A shortfall in the performance of the new theatres will result in a reduction in the distributions to the holders of the Support Units. At the end of each year, any remaining segregated cash amount not distributed to the holders of the Support Units due to the shortfall in performance of the seven new theatres will be returned to the Partnership to be paid as distributions to the other unitholders of the Partnership. The Support Arrangements may continue in effect until December 31, 2006 or may terminate as early as December 31, 2004 dependent on the performance of the new theatres.

Capitalized interest

The Partnership capitalizes interest on amounts drawn on the Development Facility that are used to finance the ongoing development of theatre projects (note 5). Interest is capitalized on projects under development up to the date the theatre enters productive use. During the three months and nine months ended September 30, 2004, the Partnership has capitalized $62 and $121, respectively.

3. Long-term debt

During the three months ended September 2004, the Partnership drew $5,500 under its $40,000 Development Facility for a total draw under this facility of $11,000 as at September 30, 2004. These funds are being used to finance the ongoing development of theatre projects (note 5).

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

4. Cash flow statement

The following summarizes the change in operating assets and liabilities:

	Three months ended September 30,		Nine months ended September 30,	
	2004	**2003**	**2004**	**2003**
Accounts receivable	**$ 2,964**	$ 8	**$ (451)**	$ (1,242)
Inventories	**16**	127	**66**	59
Prepaid expenses and other current assets	**961**	(829)	**702**	(3,318)
Due from related parties	**361**	-	**1,772**	-
Deferred charges and intangibles	**(148)**	(12)	**(333)**	(702)
Accounts payable and accrued expenses	**(4,557)**	(3,509)	**(12,855)**	(12,945)
Due to related parties	**(1,310)**	2,727	**(5,108)**	9,180
Income taxes payable	**(13)**	644	**(193)**	654
Deferred revenue	**(1,172)**	432	**(5,417)**	(4,707)
Accrued pension liability	**37**	75	**112**	137
Other liabilities	**60**	433	**169**	4,337
	$ (2,801)	$ 96	**$ (21,536)**	$ (8,547)

5. Commitments and contingencies

Commitments

As of September 30, 2004, the Partnership has aggregate capital commitments of $16,803 primarily related to the completion of construction of five theatre properties comprising 45 screens. The Partnership expects to complete construction and to open these theatres throughout the period from 2004 to 2006.

As of September 30, 2004, the Partnership has commitments of approximately $2,049 related to point-of-sale equipment and re-branding upgrades.

Other

The Partnership is a defendant in various claims and lawsuits arising in the ordinary course of business and is involved in certain environmental matters. From time to time, the Partnership is involved in disputes with landlords, contractors and other third parties. It is the opinion of management that any liability to the Partnership, which may arise as a result of these matters, will not have a material adverse effect on the Partnership's operating results, financial position or cash flows.

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

6. Partners' capital

During the three and nine months ended September 30, 2004, additional costs in the amount of $120 and $222, respectively, relating to issuance costs arising from the formation of the Partnership in November 2003 were charged to partners' capital.

In April 2004, the Partnership acquired from COC, a related party, two theatres for nominal consideration. The transaction has been recorded by the Partnership at $24, the carrying amount recorded by COC. The difference between COC's carrying value and the consideration paid by the Partnership has been credited to partners' deficit.

There have been no Partnership units issued or repurchased and cancelled during the three and nine months ended September 30, 2004. Partnership units issued at September 30, 2004 are as follows:

	September 30, 2004 Units		Amount
Class A Partnership units	19,400,000	$	79,480
Class B, Series 1 Partnership units	20,949,582		16,860
Class B, Series 2-C Partnership units	2,086,957		-
Class B, Series 2-G Partnership units	5,130,435		14,085
	47,566,974		110,425
Formation of Partnership issuance costs	-		(222)
Outstanding at September 30, 2004	47,566,974	$	110,203

7. Segment information

The Partnership has determined that the theatre exhibition industry qualifies as a single business segment with all of its revenue and assets generated and held within Canada.

8. Seasonal fluctuations

The Partnership's business is seasonal. Consequently, the results of operations and cash flows for the three- and nine-month periods ended September 30, 2004 and 2003 are not necessarily indicative of the results to be expected for the full year, although film studios have expanded the historical summer and holiday release windows and increased the number of heavily marketed films released during traditionally weaker periods.

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