# IMAX CHINA HOLDING, INC.

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1970)**

# ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

# INTERIM DIVIDEND ANNOUNCEMENT

# CLOSURE OF REGISTER OF MEMBERS

# AND

# INSIDE INFORMATION

# OUR CONTROLLING SHAREHOLDER IMAX CORPORATION RELEASED ITS UNAUDITED RESULTS AND QUARTERLY REPORT FOR THE SECOND QUARTER AND THE FIRST HALF OF FISCAL 2021

## INTERIM RESULTS ANNOUNCEMENT

The Board of Directors of IMAX China Holding, Inc. (the "**Company**" or "**IMAX China**") announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2021. The interim results have been reviewed by the Group's external auditor and the Audit Committee.

## INTERIM DIVIDEND ANNOUNCEMENT

The Board of Directors of the Company is pleased to announce it has declared an interim dividend of US$0.028 per share (equivalent to HK$0.217 per share) for the six months ended 30 June 2021 to the Shareholders.

The interim dividend will be paid on Friday, 27 August 2021 to the Shareholders whose names appear on the register of members of the Company as at the close of business on Tuesday, 17 August 2021. There will be no scrip dividend option for the 2021 interim dividend.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 13 August 2021 to Tuesday, 17 August 2021 (both days inclusive) during which period no transfer of Shares will be registered. In order to qualify for entitlement to the 2021 interim dividend, all share transfers documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration, no later than 4:30 p.m. on Thursday, 12 August 2021.

## INSIDE INFORMATION

This is an announcement made pursuant to the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571) and Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Our controlling shareholder, IMAX Corporation has, on 27 July 2021 (New York time), released its unaudited results for the second quarter of 2021 and its quarterly report for the second quarter of 2021.

# FINANCIAL HIGHLIGHTS

| | Six months ended 30 June | |
|---|---|---|
| | **2021** | 2020 |
| | ***(Unaudited)*** | *(Unaudited)* |
| Total revenue (US$'000) | **53,431** | 6,662 |
| Gross profit (loss) (US$'000) | **33,123** | (4,042) |
| Gross profit (loss) % | **62.0%** | (60.7%) |
| Profit (loss) for the period (US$'000) | **19,198** | (35,248) |
| Profit (loss) for the period % | **35.9%** | (529.1%) |
| Profit (loss) per share (US$) | **0.06** | (0.10) |
| Adjusted profit (loss) (US$'000) | **21,312** | (15,512) |
| Adjusted profit (loss) % | **39.9%** | (232.8%) |
| Selling, general and administrative expenses (US$'000) | **(7,723)** | (7,564) |
| Adjusted EBITDA (US$'000) | **33,797** | (13,424) |
| Adjusted EBITDA % | **63.3%** | (201.5%) |
| Total theatre system signings | **12** | 22 |
| Sales arrangements | **5** | 12 |
| Revenue sharing arrangements | **3** | — |
| IMAX with Laser upgrades | **—** | 10 |
| Sales renewals | **4** | — |
| Total theatre system installations | **23** | 3 |
| Sales arrangements | **10** | 1 |
| Revenue sharing arrangements | **12** | 2 |
| IMAX with Laser upgrades | **1** | — |
| Gross box office (US$'000) | **132,828** | 7,393 |
| Box office per screen (US$'000) | **185** | 11 |

# 2021 OUTLOOK

The Company expects total technology sales and maintenance revenue to come in largely in-line with 2019 level for the full year.

# FINANCIAL INFORMATION

The financial information set out below in this announcement represents an extract from the condensed consolidated interim financial information, which is unaudited but has been reviewed by the Group's external auditor, PricewaterhouseCoopers ("**PwC**"), in accordance with International Standard on Review Engagements 2410 and by the audit committee of the Company. PwC's unmodified review report is included in the Interim Report to be sent to shareholders.

*Condensed Consolidated Interim Statement of Comprehensive Income (Loss)*
*(In thousands of U.S. dollars)*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2021** | 2020 |
| | *Notes* | ***(Unaudited)*** | *(Unaudited)* |
| Revenues | 6 | **53,431** | 6,662 |
| Cost of sales | 7 | **(20,308)** | (10,704) |
| **Gross profit (loss)** | 6 | **33,123** | (4,042) |
| Selling, general and administrative expenses | 7 | **(7,723)** | (7,564) |
| Reversals (provision) of impairment losses on financial assets | 7 | **2,612** | (9,299) |
| Other operating expenses | 7 | **(3,049)** | (1,494) |
| **Operating profit (loss)** | | **24,963** | (22,399) |
| Interest income | | **785** | 709 |
| Interest expense | | **(203)** | (50) |
| **Profit (Loss) before income tax** | | **25,545** | (21,740) |
| Income tax expense | 8 | **(6,347)** | (13,508) |
| **Profit (Loss) for the period attributable to owners of the Company** | | **19,198** | (35,248) |
| Other comprehensive income (loss): | | | |
| **Items that may be subsequently reclassified to profit or loss:** | | | |
| Change in foreign currency translation adjustments | | **1,019** | (2,698) |
| **Items that may not be subsequently reclassified to profit or loss:** | | | |
| Change in fair value of financial assets at fair value through other comprehensive income (“**FVOCI**”) | | **5,219** | (2,514) |
| Other comprehensive income (loss): | | **6,238** | (5,212) |
| **Total comprehensive income (loss) for the period, attributable to owners of the Company** | | **25,436** | (40,460) |
| **Profit (Loss) per share attributable to owners of the Company — basic and diluted (expressed in U.S. dollars per share):** | | | |
| From profit (loss) for the period — basic | 9 | **0.06** | (0.10) |
| From profit (loss) for the period — diluted | 9 | **0.05** | (0.10) |

***Condensed Consolidated Interim Statement of Financial Position***
*(In thousands of U.S. dollars)*

| | Notes | **As at 30 June 2021 *(Unaudited)*** | As at 31 December 2020 *(Audited)* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 10 | **100,419** | 104,752 |
| Other assets | 11 | **319** | 12,825 |
| Variable consideration receivable from contracts | | **2,615** | 2,712 |
| Deferred income tax asset | 13 | **7,423** | 7,089 |
| Financing receivables | | **53,933** | 48,958 |
| | | **164,709** | 176,336 |
| **Current assets** | | | |
| Other assets | 11 | **122** | 150 |
| Contract acquisition costs | | **1,293** | 1,374 |
| Film assets | | **—** | 180 |
| Inventories | | **5,438** | 5,968 |
| Prepayments | | **3,169** | 2,902 |
| Variable consideration receivable from contracts | | **489** | 434 |
| Financing receivables | | **15,141** | 16,755 |
| Trade and other receivables | 12 | **49,574** | 42,223 |
| Cash and cash equivalents | | **115,250** | 88,472 |
| | | **190,476** | 158,458 |
| **Total assets** | | **355,185** | 334,794 |

| | Notes | As at 30 June 2021 (Unaudited) | As at 31 December 2020 (Audited) |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Deferred income tax liability | 13 | **19,681** | 19,134 |
| Accruals and other liabilities | | **38** | 496 |
| Deferred revenue | 17 | **22,582** | 24,077 |
| | | **42,301** | 43,707 |
| **Current liabilities** | | | |
| Trade and other payables | 16 | **21,850** | 21,296 |
| Accruals and other liabilities | | **11,246** | 10,735 |
| Income tax liabilities | | **5,021** | 4,293 |
| Borrowings | | **11,017** | 7,643 |
| Deferred revenue | 17 | **12,968** | 15,514 |
| | | **62,102** | 59,481 |
| **Total liabilities** | | **104,403** | 103,188 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | | **35** | 35 |
| Share premium and reserves | | **267,902** | 269,641 |
| Accumulated deficit | | **(17,155)** | (38,070) |
| **Total equity** | | **250,782** | 231,606 |
| **Total equity and liabilities** | | **355,185** | 334,794 |

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

*(Tabular amounts in thousands of U.S. dollars unless otherwise stated)*

## 1. General information

IMAX China Holding, Inc. (the "**Company**") was incorporated in the Cayman Islands on 30 August 2010, as an exempted company with limited liability under the laws of the Cayman Islands. The ultimate holding company of the Company is IMAX Corporation (the "**Controlling Shareholder**"), incorporated in Canada. The Company's registered office is located at Post Office Box 309, Ugland House, Grand Cayman, Cayman Islands, KY1-1104.

The Company is an investment holding company and its subsidiaries (together the "**Group**") are principally engaged in the entertainment industry specialising in digital film technologies in Mainland China, Hong Kong, Taiwan and Macau ("**Greater China**").

The Group refers to all the theatres using the IMAX theatre system in Greater China as "IMAX theatres".

The Company has listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 8 October 2015 (the "**Listing**").

The condensed consolidated interim financial information is presented in United States dollars ("**US$**"), unless otherwise stated.

## 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the condensed consolidated interim financial information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

### *(a) Basis of preparation*

The condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with International Accounting Standard 34 ("**IAS 34**"), "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

The preparation of condensed consolidated interim financial information in conformity with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

*(b) Summary of significant accounting policies*

Except as described in note 3, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2020, as described in those annual financial statements.

Taxes on income in the six months ended 30 June 2021 and 2020 are accrued using the tax rate that would be applicable to expected total annual profits.

## 3. New accounting standards and accounting changes

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

| | | **Effective for annual periods beginning on or after** |
|---|---|---|
| IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments) | Interest Rate Benchmark Reform — Phase 2 | 1 January 2021 |

## 4. Impact of COVID-19 Pandemic

The impact of the COVID-19 pandemic is complex and continuously evolving, resulting in significant disruption to the Group's business and the global economy. As a result of the theatre closures, movie studios postponed the theatrical release of most films originally scheduled for release in 2020 and early 2021, including many scheduled to be shown in IMAX theatres, while several other films were released directly or concurrently to streaming platforms. During the third quarter of 2020, substantially all of the theatres in Greater China in the IMAX commercial multiplex network reopened with capacity restrictions in place. As of 30 June 2021, over 90% of IMAX theatres in Greater China had resumed operations. Audiences have returned to theatres, particularly IMAX theatres, in numbers approximating pre-pandemic attendance levels for Chinese language films and Hollywood films that were available. The delay of certain Hollywood films release dates impacted IMAX Hollywood films box office during the six months ended 30 June 2021. Pre-COVID-19, Hollywood films normally accounted for about 70% of IMAX box office ticket sales. The Group believes release dates for Hollywood films will return to normal in the second half of 2021 given the reopening of the U.S. film, cinema and entertainment market.

The repercussions of the COVID-19 global pandemic resulted in a significant decrease in the Group's revenues, profits and operating cash flows during the six months ended 30 June 2020 as gross box office ("**GBO**") results declined significantly, the installation of theatre systems were delayed, and maintenance services were generally suspended for theatres that were closed. Installation and maintenance activity during the six months ended 30 June 2021 approximated pre pandemic activity in Mainland China but may continue to be impacted in the event of any future COVID-19 outbreaks and theatre closures.

The Group experienced, and is likely to continue to experience, delays in collecting payments due under existing theatre sale or lease arrangements and digital remastering services agreements from certain of its local studio and exhibitor partners who are facing financial difficulties as a result of the past theatre closures and reduced box office levels. In response, the Group provided temporary relief to exhibitor partners by waiving maintenance fees during periods when theatres were closed and, in certain situations, by providing extended payment terms on annual minimum payment obligations in exchange for a corresponding or longer extension of the term of the underlying sale or lease arrangement.

The Group may continue to be significantly impacted by the COVID-19 global pandemic in 2021 and beyond. Hollywood films production and release date delays may continue, impacting the supply of Hollywood films in China and significantly impacting GBO-based revenue. Any future outbreaks of COVID-19 in Greater China may also result in theatre closures and impact consumer behaviour towards indoor gatherings once again. The reduced box office and revenue as a result of any of the above factors may also place continued financial pressure on our exhibitor and local studio partners.

## 5. Financial instruments

### *(a) Financial instruments*

The Group's financial instruments at the following year/period-ends are comprised of the following:

| | **Financial assets at amortised costs** | **Financial assets at FVOCI** | **Total** |
|---|---|---|---|
| **30 June 2021 (unaudited)** | | | |
| **Assets as per statement of financial position** | | | |
| Net financed sales receivable | **50,457** | **—** | **50,457** |
| Net investment in finance leases | **18,617** | **—** | **18,617** |
| Trade and other receivables | **49,574** | **—** | **49,574** |
| Cash and cash equivalents | **115,250** | **—** | **115,250** |
| | **233,898** | **—** | **233,898** |

| | **Liabilities at amortised cost** | **Total** |
|---|---|---|
| **Liabilities as per statement of financial position** | | |
| Trade and other payables | **21,850** | **21,850** |
| Borrowings | **11,017** | **11,017** |
| Lease liabilities | **877** | **877** |
| | **33,744** | **33,744** |

| | Financial assets at amortised costs | Financial assets at FVOCI | Total |
|---|---|---|---|
| **31 December 2020 (audited)** | | | |
| **Assets as per statement of financial position** | | | |
| Investment in an equity security | — | 12,550 | 12,550 |
| Net financed sales receivable | 50,483 | — | 50,483 |
| Net investment in finance leases | 15,230 | — | 15,230 |
| Trade and other receivables | 42,223 | — | 42,223 |
| Cash and cash equivalents | 88,472 | — | 88,472 |
| | 196,408 | 12,550 | 208,958 |

| | Liabilities at amortised cost | Total |
|---|---|---|
| **Liabilities as per statement of financial position** | | |
| Trade and other payables | 21,296 | 21,296 |
| Borrowings | 7,643 | 7,643 |
| Lease liabilities | 1,405 | 1,405 |
| | 30,344 | 30,344 |

***(b) Fair value measurements***

The Group has classified its financial instruments into the three levels prescribed under the accounting standards.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The investment in an equity security is classified as financial asset with fair value change through other comprehensive income under IFRS 9 and this investment is classified as Level 1 financial instruments with the fair value determined by using quoted market prices at the end of the reporting period. As of 30 June 2021, the fair value of investment in an equity security was $nil (31 December 2020: $12.6 million).

The carrying value of the Group's cash and cash equivalents, trade and other receivables, trade and other payables and accruals and other liabilities due within one year approximate fair values due to the short-term maturity of these instruments.

Cash and cash equivalents are comprised of cash and interest-bearing investments with original maturity dates of 90 days or less. Cash and cash equivalents are recorded at cost, which approximates fair value as at 30 June 2021 and 31 December 2020, respectively.

The estimated fair values of the net financed sales receivable and net investment in finance leases are estimated based on discounting future cash flows at currently available interest rates with comparable terms as at 30 June 2021 and 31 December 2020, respectively.

| | **As at 30 June 2021** *(Unaudited)* | | As at 31 December 2020 *(Audited)* | |
|---|---|---|---|---|
| | **Carrying Amount** | **Estimated Fair Value** | Carrying Amount | Estimated Fair Value |
| Net financed sales receivable | **50,457** | **50,545** | 50,483 | 50,573 |
| Net investment in finance leases | **18,617** | **18,617** | 15,230 | 15,230 |
| Variable consideration receivable from contracts | **3,104** | **3,104** | 3,146 | 3,146 |
| Borrowings | **11,017** | **11,017** | 7,643 | 7,643 |
| Lease liabilities | **877** | **877** | 1,405 | 1,405 |

There were no significant transfers within Level 1, Level 2 and Level 3 during the six months ended 30 June 2021 (30 June 2020: none). When a determination is made to classify an asset or liability within Level 3, the determination is based upon the significance of the unobservable inputs to the overall fair value measurement.

## 6. Revenue and segment information

Management, including the Group's executive directors, assesses segment performance based on segment revenues, gross margins and film performance. Selling, general and administrative expenses, reversals (provision) of impairment losses on financial asset, other operating expenses, interest income, interest expense and income tax expense are not allocated to the segments.

The Group now has six operating and reportable segments: IMAX DMR films, revenue sharing arrangements, IMAX Systems, IMAX Maintenance, Other Theatre Business, New Business Initiatives and Other.

The Group's reportable segments are organised under three primary groups identified by nature of product sold or service provided: (1) IMAX Technology Network, which earns revenue based on contingent box office receipts and includes the IMAX DMR films segment and contingent rent from revenue sharing arrangements segment; (2) IMAX Technology Sales and Maintenance, which includes results from IMAX Systems, IMAX Maintenance and Other Theatre Business, as well as upfront fees from revenue sharing arrangements; and (3) New Business Initiatives and Other, which includes activities related to the exploration of new lines of business and new initiatives outside of the Group's core business.

Inter-segment profits are eliminated upon consolidation, as well as for the disclosures below.

Transactions between the other segments are not significant.

*(a) Operating Segments*

| | Six months ended 30 June | |
|---|---|---|
| | **2021** | 2020 |
| | ***(Unaudited)*** | *(Unaudited)* |
| **Revenue** | | |
| IMAX Technology Network | | |
| IMAX DMR films | **11,493** | 701 |
| Revenue sharing arrangements — contingent rent | **10,210** | 419 |
| | **21,703** | 1,120 |
| IMAX Technology Sales and Maintenance | | |
| IMAX Systems | **16,003** | 2,796 |
| Revenue sharing arrangements — upfront fees | **2,484** | 369 |
| IMAX Maintenance | **12,630** | 2,099 |
| Other Theatre Business | **569** | 145 |
| | **31,686** | 5,409 |
| New Business Initiatives and Other | **42** | 133 |
| Total | **53,431** | 6,662 |

| | Six months ended 30 June | |
|---|---|---|
| | **2021** | 2020 |
| | ***(Unaudited)*** | *(Unaudited)* |
| **Gross profit (loss)** | | |
| IMAX Technology Network | | |
| IMAX DMR films | **9,284** | 678 |
| Revenue sharing arrangements — contingent rent | **3,794** | (6,167) |
| | **13,078** | (5,489) |
| IMAX Technology Sales and Maintenance | | |
| IMAX Systems | **10,729** | 2,118 |
| Revenue sharing arrangements — upfront fees | **569** | (126) |
| IMAX Maintenance | **8,464** | (455) |
| Other Theatre Business | **221** | 48 |
| | **19,983** | 1,585 |
| New Business Initiatives and Other | **62** | (138) |
| Total gross profit (loss) | **33,123** | (4,042) |
| Selling, general and administrative expenses | **(7,723)** | (7,564) |
| Reversals (provision) of impairment losses on financial assets | **2,612** | (9,299) |
| Other operating expenses | **(3,049)** | (1,494) |
| Interest income | **785** | 709 |
| Interest expense | **(203)** | (50) |
| Profit (Loss) before income tax | **25,545** | (21,740) |

The Group's operating assets and liabilities are located in Greater China. All revenue earned by the Group is generated by the activities of IMAX theatres operating in Greater China.

The following table summarizes revenue recognised under IFRS 15 and IFRS 16, respectively.

| | Six months ended 30 June | | | |
|---|---|---|---|---|
| | **Recognised under IFRS 15** | | **Recognised under IFRS 16** | |
| | **2021** | 2020 | **2021** | 2020 |
| **Revenue** | | | | |
| IMAX Technology Network | | | | |
| IMAX DMR films | **11,493** | 701 | **—** | — |
| Revenue sharing arrangements — contingent rent | **—** | — | **10,210** | 419 |
| | **11,493** | 701 | **10,210** | 419 |
| IMAX Technology Sales and Maintenance | | | | |
| IMAX Systems | **12,192** | 1,706 | **3,811** | 1,090 |
| Revenue sharing arrangements — upfront fees | **—** | — | **2,484** | 369 |
| IMAX Maintenance | **12,630** | 2,099 | **—** | — |
| Other Theatre Business | **569** | 145 | **—** | — |
| | **25,391** | 3,950 | **6,295** | 1,459 |
| New Business Initiatives and Other | **42** | 133 | **—** | — |
| Total | **36,926** | 4,784 | **16,505** | 1,878 |

Of the revenue from IMAX systems, finance income was approximately $2.0 million for the six months ended 30 June 2021 (2020: $1.6 million).

Of the revenue sharing arrangements — contingent rent, approximately $8.7 million for the six months ended 30 June 2021 (2020: $0.4 million) were from revenues under operating leases and approximately $1.5 million for the six months ended 30 June 2021 (2020: less than $0.1 million) were from revenues under finance leases.

The selling profit for the Group's finance leases was approximately $2.7 million for the six months ended 30 June 2021 (2020: $0.4 million).

### *(b) Significant customers*

Revenue from the Group's significant customers (individually defined as greater than 10% of total revenues) as reported in segments are as follows:

*Customer A*

Revenues of approximately $17.7 million in the six months ended 30 June 2021 (30 June 2020: $1.3 million) are derived from a single external customer. These revenues are attributable to Revenue sharing arrangements, IMAX DMR films, IMAX Systems, IMAX Maintenance and Other Theatre Business.

*Customer B*

Revenues of approximately $5.7 million in the six months ended 30 June 2021 (30 June 2020: $0.3 million) are derived from a related party. These revenues are attributable to IMAX DMR films, IMAX Maintenance and Other Theatre Business.

*Customer C*

Revenues of approximately $3.3 million in the six months ended 30 June 2021 (30 June 2020: $1.8 million) are derived from a single external customer. These revenues are attributable to Revenue sharing arrangements, IMAX Systems, and IMAX Maintenance.

No other single customers comprises of more than 10% of total revenues in the six months ended 30 June 2021 or 2020.

## 7. Expenses by nature

A breakdown of the Group's expenses by nature is provided in the table below:

| | Six months ended 30 June | |
|---|---|---|
| | **2021** | 2020 |
| | ***(Unaudited)*** | *(Unaudited)* |
| Depreciation, including joint revenue sharing arrangements and film cost | **7,557** | 7,269 |
| Cost of theatre system sales and finance leases | **7,098** | 1,088 |
| Employee salaries and benefits | **5,882** | 4,600 |
| Technology and trademark fees | **3,044** | 529 |
| Theatre maintenance fees | **2,881** | 1,716 |
| Advertising and marketing expenses | **2,372** | 370 |
| Share-based compensation expenses | **2,027** | 1,634 |
| Professional fees | **537** | 461 |
| Travel and transportation expenses | **240** | 141 |
| (Recoveries of) Write-downs | **(30)** | 1,149 |
| Lease expenses | **109** | 104 |
| Utilities and maintenance expenses | **57** | 90 |
| (Decrease) Increase in allowance for expected credit losses | **(2,612)** | 9,299 |
| Foreign exchange gains | **(1,193)** | (72) |
| Other film (recoveries) costs | **(62)** | 28 |
| Cost of new business | **11** | 190 |
| Other expenses | **310** | 273 |
| Auditor's remuneration | | |
| — Non-audit services | **69** | 13 |
| — Audit services | **171** | 179 |
| Total costs of sales, selling, general and administrative expenses and other operating expenses | **28,468** | 29,061 |

## 8. Income tax expense

| | Six months ended 30 June | |
|---|---|---|
| | **2021** | 2020 |
| | ***(Unaudited)*** | *(Unaudited)* |
| Current income tax: | | |
| Current tax on profits for the period | **5,195** | — |
| Adjustments in respect of prior years | **880** | — |
| Total current income tax | **6,075** | — |
| Deferred income tax: | | |
| Origination of deductible temporary differences and losses | **(275)** | (4,967) |
| Withholding tax on historical earnings | **547** | 18,475 |
| Total deferred income tax | **272** | 13,508 |
| Income tax expense | **6,347** | 13,508 |

Income tax expense for the six months ended 30 June 2021 and 2020 is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

## 9. Profit per share

Reconciliations of the numerator and denominator of the basic and diluted per-share computations are comprised of the following:

| | Six months ended 30 June | |
|---|---|---|
| | **2021** | 2020 |
| | ***(Unaudited)*** | *(Unaudited)* |
| Profit (Loss) for the period | **19,198** | (35,248) |
| Weighted average number of common shares (in ’000s): | | |
| Issued and outstanding, beginning of period | **348,063** | 348,789 |
| Weighted average number of shares increased (decreased) during the period | **162** | (241) |
| Weighted average number of shares used in computing basic earnings per share | **348,225** | 348,548 |
| Adjustments for: | | |
| Stock options | **1,204** | — |
| Restricted share units | **1,103** | — |
| Performance stock units | **131** | — |
| Weighted average number of shares used in computing diluted earnings per share | **350,663** | 348,548 |

For the six months ended 30 June 2020, the potential ordinary shares from stock options, restricted share units and performance stock units were not included in the calculation of loss per share as their inclusion would be anti-dilutive.

## 10. Property, plant and equipment

| | Theatre System Components | Office and Production Equipment | Right-of-use Assets | Leasehold Improvements | Construction in Process | Total |
|---|---|---|---|---|---|---|
| **As at 1 January 2021** | | | | | | |
| Cost | **158,203** | **2,842** | **3,022** | **1,869** | **2,042** | **167,978** |
| Accumulated depreciation and impairment | **(57,606)** | **(2,125)** | **(1,642)** | **(1,853)** | **—** | **(63,226)** |
| **Net book amount** | **100,597** | **717** | **1,380** | **16** | **2,042** | **104,752** |
| **Six months ended 30 June 2021 (unaudited)** | | | | | | |
| Opening net book amount | **100,597** | **717** | **1,380** | **16** | **2,042** | **104,752** |
| Exchange differences | **895** | **(2)** | **(14)** | **—** | **2** | **881** |
| Additions | **—** | **50** | **—** | **—** | **1,732** | **1,782** |
| Transfers | **2,769** | **—** | **—** | **—** | **(2,769)** | **—** |
| Disposals | **(137)** | **(5)** | **(79)** | **—** | **—** | **(221)** |
| Depreciation charge | **(6,215)** | **(187)** | **(397)** | **(8)** | **—** | **(6,807)** |
| Impairment loss | **32** | **—** | **—** | **—** | **—** | **32** |
| **Closing net book amount** | **97,941** | **573** | **890** | **8** | **1,007** | **100,419** |
| **As at 30 June 2021 (unaudited)** | | | | | | |
| Cost | **162,300** | **2,839** | **2,918** | **1,890** | **1,007** | **170,954** |
| Accumulated depreciation and impairment | **(64,359)** | **(2,266)** | **(2,028)** | **(1,882)** | **—** | **(70,535)** |
| **Net book amount** | **97,941** | **573** | **890** | **8** | **1,007** | **100,419** |
| **As as at 1 January 2020** | | | | | | |
| Cost | 142,028 | 2,545 | 3,136 | 1,735 | 2,423 | 151,867 |
| Accumulated depreciation and impairment | (42,291) | (1,638) | (885) | (1,705) | — | (46,519) |
| **Net book amount** | 99,737 | 907 | 2,251 | 30 | 2,423 | 105,348 |
| **Six months ended 30 June 2020 (unaudited)** | | | | | | |
| Opening net book amount | 99,737 | 907 | 2,251 | 30 | 2,423 | 105,348 |
| Exchange differences | (965) | (15) | (8) | — | (35) | (1,023) |
| Additions | — | 124 | 284 | — | 853 | 1,261 |
| Transfers | 172 | — | — | — | (172) | — |
| Disposals | (13) | — | — | — | — | (13) |
| Depreciation charge | (6,495) | (176) | (590) | (8) | — | (7,269) |
| Impairment loss | (52) | — | — | — | — | (52) |
| **Closing net book amount** | 92,384 | 840 | 1,937 | 22 | 3,069 | 98,252 |

The recognised right-of-use assets all relate to the type of properties.

## 11. Other assets

The Group's other assets balance is comprised of the following:

| | **As at 30 June 2021** ***(Unaudited)*** | As at 31 December 2020 *(Audited)* |
|---|---|---|
| Deposits | **71** | 99 |
| Other | **51** | 51 |
| Other assets, current | **122** | 150 |
| Investment in an equity security (note i) | **—** | 12,550 |
| Deposits over one year | **319** | 275 |
| Other assets, non-current | **319** | 12,825 |
| Other assets | **441** | 12,975 |

*Notes:*

(i) On 4 February 2019, IMAX China (Hong Kong), Limited, a wholly-owned subsidiary of the Company, purchased 7,949,000 shares (representing approximately 0.706% equity at the time) in Maoyan Entertainment ("**Maoyan**") with the amount of $15.1 million at the final offer price pursuant to the global offering of the share capital of Maoyan. During the six months ended 30 June 2021, the Group sold out all of its 7,949,000 shares of Maoyan for a net proceed of $17.8 million. During the six months ended 30 June 2021, an increase in fair value of $5.2 million was recorded in other comprehensive income and the accumulated gain of $2.7 million was transferred to retained profit upon the disposal of the shares (2020: decrease in fair value of $3.1 million recorded in other comprehensive income).

## 12. Trade and other receivables

| | As at 30 June 2021 *(Unaudited)* | As at 31 December 2020 *(Audited)* |
|---|---|---|
| Trade receivables: | | |
| Trade receivables from third parties | **32,310** | 30,110 |
| Less: allowance for expected credit losses of trade receivables from third parties | **(5,000)** | (6,791) |
| Trade receivables from third parties — net | **27,310** | 23,319 |
| Trade receivables from IMAX Corporation | **18,493** | 14,634 |
| Accrued trade receivables | **3,851** | 4,748 |
| Less: allowance for expected credit losses of accrued trade receivables | **(211)** | (608) |
| Accrued trade receivables — net | **3,640** | 4,140 |
| Total trade receivables | **49,443** | 42,093 |
| Other receivables: | | |
| Loan and interest receivables from related parties | **554** | 549 |
| Less: allowance for expected credit losses of loan and interest receivables | **(423)** | (419) |
| Loan and interest receivables from a joint venture — net | **131** | 130 |
| Total other receivables | **131** | 130 |
| Total trade and other receivables | **49,574** | 42,223 |

The fair value of trade and other receivables approximates the carrying value.

The aging analysis of the trade receivables, including receivables from IMAX Corporation, based on invoice date is as follows:

| | **As at 30 June 2021** *(Unaudited)* | As at 31 December 2020 *(Audited)* |
|---|---|---|
| 0–30 days | **10,438** | 5,710 |
| 31–60 days | **1,610** | 3,169 |
| 61–90 days | **2,303** | 4,415 |
| Over 90 days | **36,452** | 31,450 |
| | **50,803** | 44,744 |

## 13. Deferred income tax

The gross movements in the deferred income tax asset and deferred income tax liability are as follows:

| | **As at 30 June 2021** *(Unaudited)* | As at 31 December 2020 *(Audited)* |
|---|---|---|
| **Deferred income tax asset** | | |
| Opening balance | **7,089** | 3,143 |
| Exchange differences | **59** | 480 |
| Credited to profit or loss | **275** | 3,466 |
| Closing balance | **7,423** | 7,089 |
| **Deferred income tax liability** | | |
| Opening balance | **19,134** | — |
| Charged to profit or loss | **547** | 19,134 |
| Closing balance | **19,681** | 19,134 |

During the six months ended 30 June 2020, management completed a reassessment of its strategy with respect to the most efficient means of deploying the Group's capital resources. Based on the results of this reassessment, management concluded that the historical earnings of one subsidiary in the People's Republic of China ("**PRC**") in excess of amounts required to sustain business operations would no longer be indefinitely reinvested. As a result, the Group recognised a deferred tax liability of $18.5 million during the six months ended 30 June 2020 (2021: $0.5 million) for the applicable withholding taxes associated with these historical earnings, which will become payable upon the repatriation of any such earnings.

## 14. Interests in a joint venture

A joint venture was established in 2017. As at 30 June 2021, no capital has been injected to the joint venture yet.

Details of the Group's joint venture at 30 June 2021 are as follows:

| Name of the entity | Place of incorporation, kind of legal entity and date of incorporation | Principal activities and place of operation | Issued shares/ registered capital | Paid up capital | Proportion of ordinary shares directly held by parent (%) | Proportion of ordinary shares held by the Group (%) |
|---|---|---|---|---|---|---|
| IMAX Fei Er Mu (Shanghai) Investment Management Co., Ltd. | The PRC Joint venture invested by foreign invested enterprise and domestic enterprise 25 January 2017 | Investment management, investment consulting | Registered capital of RMB 7,000,000 | $nil | — | 50% |

## 15. Share capital and reserves

### *(a) Share capital*

| | Number of shares | | Share capital | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | | | **US$** | US$ |
| Ordinary shares of US$0.0001 each | | | | |
| **Authorised** | | | | |
| At beginning and end of six months ended | **625,625,000** | 625,625,000 | **62,562.50** | 62,562.50 |

| | Number of shares | | Share capital | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | | | **US$** | US$ |
| **Issued and fully paid** | | | | |
| At beginning of 1 January | **348,063,015** | 348,788,902 | **34,806.30** | 34,878.89 |
| Shares issued for vested restricted share units | **301,263** | 175,685 | **30.13** | 17.57 |
| Share cancellation | **—** | (480,600) | **—** | (48.06) |
| Number of shares as at 30 June (unaudited) | **348,364,278** | 348,483,987 | **34,836.43** | 34,848.40 |

The holders of common shares are entitled to receive dividends if, as and when declared by the directors of the Group. The holders of the common shares are entitled to one vote for each common share held at all meetings of the shareholders.

### *(b) Treasury shares*

For the six months ended 30 June:

| | | Number of shares | | US$'000 | |
|---|---|---|---|---|---|
| | *Notes* | **2021** | 2020 | **2021** | 2020 |
| **Treasury shares** | | | | | |
| At beginning of period | | **—** | 131,726 | **—** | 294 |
| Acquisition of shares by the Trust | (i) | **688,257** | 250,828 | **1,323** | 413 |
| Shares issued for vested RSUs | | **6,035** | — | **—** | — |
| Issued to employees for vested restricted share units | | **(479,535)** | (382,554) | **(991)** | (707) |
| Shares bought back on-market | (ii) | **—** | 906,400 | **—** | 1,525 |
| Buy-back transaction costs | (ii) | **—** | — | **—** | 7 |
| Shares cancelled | (ii) | **—** | (480,600) | **—** | (893) |
| At end of period | | **214,757** | 425,800 | **332** | 639 |

*Notes:*

(i) These shares are shares in IMAX China Holding, Inc. that are held by Computershare Hong Kong Trustees Limited (the "**Trust**") for the purpose of issuing shares under China long-term incentive plan. Shares issued to employees are recognised on a first-in-first-out basis.

(ii) During the six months ended 30 June 2020, the Company conducted shares buy-back pursuant to a general mandate granted by the shareholders to the Directors during the Annual General Meeting held on 6 June 2019 and resolutions of the Board adopted on 6 June 2019, and a general mandate granted by the shareholders to the Directors during the Annual General Meeting held on 11 June 2020 and resolutions of the Board adopted on 15 June 2020.

During the six months ended 30 June 2020, the Company purchased 906,400 shares on-market and 480,600 shares were cancelled. The shares were acquired at an average price of $1.69, with prices ranging from $1.43 to $1.89.

### *(c) Share-based payments*

IMAX Corporation issued share-based compensation to eligible Group employees under IMAX Corporation's 2013 Long-Term Incentive Plan and the China Long-Term Incentive Plan, as described below.

On 11 June 2013, IMAX Corporation's shareholders approved the IMAX 2013 Long-Term Incentive Plan ("**IMAX LTIP**") at IMAX Corporation's Annual and Special Meeting. Awards to employees under the IMAX LTIP may consist of stock options, restricted share units ("**RSUs**"), and other awards.

IMAX Corporation's Stock Option Plan ("**SOP**") which shareholders approved in June 2008, permitted the grant of stock options to employees. As a result of the implementation of the IMAX LTIP on 11 June 2013, stock options will no longer be granted under the SOP.

A separate China Long-Term Incentive Plan (the "**China LTIP**") was adopted by the Group in October 2012. Each stock option issued prior to the IPO ("**China IPO Option**"), stock options issued after the IPO ("**China Option**"), RSU ("**China RSUs**"), performance stock units ("**China PSUs**") or cash settled share-based payment ("**CSSBP**") issued under the China LTIP represents an opportunity to participate economically in the future growth and value creation of the Company.

The compensation costs recorded in the condensed consolidated interim statement of comprehensive income for these plans were $2.0 million in the six months ended 30 June 2021 (30 June 2020: $1.6 million).

#### *(i) China Long-Term Incentive Plan ("**China LTIP**")*

China IPO Options Summary

The China IPO Options issued under China LTIP vest and become exercisable only upon specified events, including upon the likely event of a qualified initial public offering or upon a change in control on or prior to the fifth anniversary of the grant date. If such a specified event is likely to occur, the China IPO Options vest over a 5 year period beginning on the date of grant. In addition to China IPO Options, the Group has granted options to certain employees that operate in tandem with options granted under the IMAX Corporation's SOP and IMAX LTIP ("**Tandem Options**"). The Group would recognise the Tandem Options expense over a 5 year period if it is determined that a qualified initial public offering is unlikely. Upon vesting of the China IPO Options, the Tandem Options would not vest and be forfeited.

No China IPO Options were granted after 2015. Both the China IPO Options and Tandem Options have a maximum contractual life of 7 years.

In the six months ended 30 June 2021, the Group recorded an expense of $nil (30 June 2020: $nil) related to equity-settled China IPO Options issued under the China LTIP.

China IPO Options were priced using Binomial Model. Expected volatility rate is estimated based on a blended volatility method which take into consideration IMAX Corporation's historical stock price volatility, IMAX Corporation's implied volatility which is implied by the observed current market prices of IMAX Corporation's traded options and IMAX Corporation's peer group volatility.

The following table summarizes certain information in respect of China IPO Option activity in the Group:

For the six months ended 30 June:

| | **Number of Shares** | | **Weighted Average Exercise Price Per Share** | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | ***(Unaudited)*** | *(Unaudited)* | ***(Unaudited)*** | *(Unaudited)* |
| Options outstanding, beginning of period | **5,163,800** | 5,163,800 | **1.45** | 1.45 |
| Expired | **(270,000)** | — | **1.81** | — |
| Options outstanding, end of period | **4,893,800** | 5,163,800 | **1.43** | 1.45 |
| Options exercisable, end of period | **4,893,800** | 5,163,800 | **1.43** | 1.45 |

As at 30 June 2021, the weighted average remaining contractual life of options outstanding is 1.0 years (31 December 2020: 1.4 years).

China Options Summary

The China Options vest between a three and four year period beginning on the date of grant. The China Options have a maximum contractual life of 7 years. No China Options were granted after 2019.

In the six months ended 30 June 2021, the Group recorded an expense of $0.1 million (30 June 2020: $0.1 million) related to China Options issued under the China LTIP.

The following table summarizes certain information in respect of China Options activity in the Group:

For the six months ended 30 June:

| | Number of Shares | | Weighted Average Exercise Price Per Share | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | ***(Unaudited)*** | *(Unaudited)* | ***(Unaudited)*** | *(Unaudited)* |
| Options outstanding, beginning of period | **1,343,039** | 1,602,128 | **3.23** | 3.36 |
| Expired | **—** | (74,973) | **—** | 5.84 |
| Options outstanding, end of period | **1,343,039** | 1,527,155 | **3.23** | 3.24 |
| Options exercisable, end of period | **871,368** | 600,166 | **3.56** | 3.90 |

As at 30 June 2021, the weighted average remaining contractual life of options outstanding is 3.9 years (31 December 2020: 4.9 years).

*(ii) Restricted Share Units*

China RSUs under China LTIP

China RSUs have been granted to employees of the Group under the IMAX China LTIP. Each China RSU represents a contingent right to receive one common share of the Company and its economic equivalent of one common share of the Company. China RSUs were not issued before 2015. The grant date fair value of each China RSU is equal to the share price of the Company's stock at the grant date. The Group recorded an expense of $1.7 million for the six months ended 30 June 2021 (30 June 2020: $1.4 million) related to China RSU grants issued to employees in the plan. The annual termination probability assumed for the six months ended 30 June 2021 was nil (30 June 2020: nil).

RSUs granted under the China LTIP vest between immediately and four years. Vesting of the RSUs is subject to continued employment or service with the Group or IMAX Corporation.

China RSUs under China LTIP Summary

The following table summarizes certain information in respect of China RSUs activity under the China LTIP:

For the six months ended 30 June:

| | Number of Awards | | Weighted Average Grant Date Fair Value Per Share | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | ***(Unaudited)*** | *(Unaudited)* | ***(Unaudited)*** | *(Unaudited)* |
| RSUs outstanding, beginning of period | **2,102,349** | 1,350,954 | **2.18** | 2.94 |
| Granted | **962,792** | 1,368,777 | **2.10** | 1.80 |
| Vested and settled | **(774,763)** | (558,239) | **2.35** | 2.73 |
| Forfeited | **(8,709)** | (3,738) | **1.88** | 2.13 |
| RSUs outstanding, end of period | **2,281,669** | 2,157,754 | **2.09** | 2.27 |

*(iii) Performance Stock Units*

During the six months ended 30 June 2020, the Group expanded its share-based compensation program to include performance stock units ("**PSUs**"). The Group grants PSU awards which vests based on a combination of employee service and the achievement of certain EBITDA-based targets. These awards vest over a three-year performance period. The fair value of PSUs with EBITDA-based targets is equal to the closing price on the date of grant.

The amount and timing of compensation expense recognised for PSUs with EBITDA-based targets is dependent upon management's assessment of the likelihood and timing of achieving these targets. If, as a result of management's assessment, it is projected that a greater number of PSUs will vest than previously anticipated, a life-to-date adjustment to increase compensation expense is recorded in the period such determination is made. Conversely, if, as a result of management's assessment, it is projected that a lower number of PSUs will vest than previously anticipated, a life-to-date adjustment to decrease compensation expense is recorded in the period such determination is made.

At the conclusion of the three-year performance period, the number of PSUs that ultimately vest can range from 0% to a maximum vesting opportunity of 175% of the initial award, depending upon actual performance versus the established EBITDA.

In the six months ended 30 June 2021, the Group recorded an expense of $0.2 million (2020: $0.1 million) related to China PSUs issued under the China LTIP.

The following table summarized the activity in respect of PSUs issued under the IMAX LTIP for the six months ended 30 June:

For the six months ended 30 June:

| | Number of Shares | | Weighted Average Grant Date Fair Value Per Share | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | ***(Unaudited)*** | *(Unaudited)* | ***(Unaudited)*** | *(Unaudited)* |
| PSUs outstanding, beginning of period | **317,998** | — | **1.81** | — |
| Granted | **169,200** | 253,677 | **2.11** | 1.83 |
| PSUs outstanding, end of period | **487,198** | 253,677 | **1.92** | 1.83 |

***(d) Reserves***

The Group's reserves and movement therein for the current and prior periods are presented in the condensed consolidated interim statement of changes in equity.

*Share premium*

The application of the share premium account is governed by Section 34(2) of the Companies Law (2013 Revision) of the Cayman Islands. Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business. The Company distributed a dividend of $7.0 million out of share premium for the six months ended 30 June 2021 (30 June 2020: $7.0 million).

*Capital reserve*

The Group's capital reserve represents the net contributions from the Controlling Shareholder and share-based payment expenses.

*Statutory reserves*

The PRC laws and regulations require companies registered in the PRC to provide certain statutory reserves, which are to be appropriated from the net profit (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holders. All statutory reserves are created for specific purposes. PRC companies are required to appropriate 10% of statutory net profits to statutory surplus reserves, upon distribution of their post-tax profits. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the companies, to expand the companies' production operations, or to increase the capital of the companies. In addition, a company may make further contribution to the discretional surplus reserve using its post-tax profits in accordance with resolutions of the Board of Directors. The PRC companies of the Group had not distributed any of their post-tax profits up to 30 June 2021 accordingly, no statutory reserves were appropriated (31 December 2020: $nil).

*FVOCI reserve*

The FVOCI reserve represents the changes in fair value net of tax of financial assets at FVOCI of the Group.

## 16. Trade and other payables

| | **As at 30 June 2021 *(Unaudited)*** | As at 31 December 2020 *(Audited)* |
|---|---|---|
| Trade payables | **883** | 2,172 |
| Payables to IMAX Corporation | **20,273** | 17,978 |
| Other payables | **694** | 1,146 |
| | **21,850** | 21,296 |

The aging analysis of trade and other payables based on recognition date is as follows:

| | **As at 30 June 2021** ***(Unaudited)*** | As at 31 December 2020 *(Audited)* |
|---|---|---|
| 0–30 days | **5,780** | 8,120 |
| 31–60 days | **2,016** | 2,905 |
| 61–90 days | **1,671** | 476 |
| Over 90 days | **12,383** | 9,795 |
| | **21,850** | 21,296 |

As at 30 June 2021 and 31 December 2020, the carrying amounts of trade and other payables approximated their fair values due to short maturity. Trade and other payables over 90 days primarily consist of amounts due to IMAX Corporation.

## 17. Deferred revenue

| | **As at 30 June 2021** ***(Unaudited)*** | As at 31 December 2020 *(Audited)* |
|---|---|---|
| Theatre system deposits | **27,909** | 30,081 |
| Maintenance prepayments | **7,641** | 9,510 |
| | **35,550** | 39,591 |
| Deferred revenue, current | **12,968** | 15,514 |
| Deferred revenue, non-current | **22,582** | 24,077 |
| | **35,550** | 39,591 |

The following table shows the amount of revenue recognised in the consolidate statements of comprehensive income for the six months ended 30 June 2021 and 2020 relating to deferred revenue brought forward:

| | **Six months ended 30 June** | |
|---|---|---|
| | **2021** | 2020 |
| | ***(Unaudited)*** | *(Unaudited)* |
| Upfront revenue | **5,480** | 95 |
| Maintenance revenue | **4,638** | 502 |
| Total | **10,118** | 597 |

The unsatisfied performance obligations as at 30 June 2021 was approximately $40.8 million (31 December 2020: $43.7 million).

## 18. Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

IMAX Corporation (incorporated in Canada) is the Controlling Shareholder of the Company who holds 69.83% of the Company's shares as at 30 June 2021.

IMAX Fei Er Mu (Shanghai) Investment Management Co., Ltd. is the joint venture established by the Group with 50% equity interest.

IMAX (Barbados) Holding, Inc. and IMAX Virtual Reality Content Fund, LLC are subsidiaries of IMAX Corporation.

The following continuing transactions were carried out with related parties:

***(a) Purchases and sales of goods and services and other transactions***

| | Six months ended 30 June | |
|---|---|---|
| | **2021** | 2020 |
| | ***(Unaudited)*** | *(Unaudited)* |
| Purchase of goods: | | |
| IMAX Corporation (theatres systems) | **6,210** | 3,675 |
| Purchase of services: | | |
| IMAX Corporation (film related transactions) | **2,049** | 253 |
| IMAX Corporation (management fees — legal and administration services) | **304** | 160 |
| Other transactions: | | |
| IMAX (Barbados) Holding, Inc. (dividends paid to) | **4,865** | 4,865 |
| IMAX Corporation (trademark and technology fees) | **3,013** | 526 |
| Gross revenue earned from film services through IMAX Corporation (Note below) | **5,626** | 281 |
| Revenue earned from maintenance services provided to IMAX Corporation | **49** | 53 |

Goods and services are bought from IMAX Corporation (the Controlling Shareholder) on a cost-plus basis. Management services, trademark and technology fees are paid to IMAX Corporation (the Controlling Shareholder) based on service and fee agreements.

*Note:*

The amounts shown in the table are gross amount for transactions with IMAX Corporation. For the six months ended 30 June 2021, conversion cost of $1.5 million (2020: $nil) paid to IMAX Corporation in relation to Hollywood films is considered as a payment to customer and is net against DMR revenue earned from IMAX Corporation as presented in the revenues of condensed consolidated interim statement of comprehensive income, with the adoption of IFRS 15.

### (b) *Period/Year-end balances*

| | **As at 30 June 2021** *(Unaudited)* | As at 31 December 2020 *(Audited)* |
|---|---|---|
| Receivables from related parties: | | |
| IMAX Corporation | **18,493** | 14,634 |
| Loan and interest receivables from a joint venture: | | |
| Suzhou IMAX Fei Er Mu Project Investment Partnership Enterprise (Limited Partnership) | **350** | 328 |
| IMAX Fei Er Mu (Shanghai) Investment Management Co., Ltd. | **204** | 221 |
| Payables to related parties: | | |
| IMAX Corporation | **20,273** | 17,978 |

The receivables and payables from related parties arise mainly from purchase, sale, service and fee transactions and do not bear interest nor have fixed repayment terms and are due on demand, except that the loan receivable from IMAX Fei Er Mu (Shanghai) Investment Management Co., Ltd. and Suzhou IMAX Fei Er Mu Project Investment Partnership Enterprise (Limited Partnership) are unsecured, with fixed interest rates and repayable within one year.

### (c) *Key management compensation*

Key management includes members of the executive committee. The compensation paid or payable to key management for employee services is shown below:

| | **Six months ended 30 June** | |
|---|---|---|
| | **2021** *(Unaudited)* | 2020 *(Unaudited)* |
| Salaries and other short-term employee benefits | **1,613** | 1,152 |
| Post-employment benefits | **17** | 15 |
| Other benefits[1] | **399** | 438 |
| Share-based payments | **1,134** | 841 |
| | **3,163** | 2,446 |

1 Includes perquisites such as educational reimbursements of minor children, housing, car, and relocation allowances.

# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

The management discussion and analysis is based on the Company's condensed consolidated interim financial information for 1HFY2021 prepared in accordance with International Accounting Standard 34 and must be read together with the condensed consolidated interim financial information and the notes which form an integral part of the condensed consolidated interim financial information.

## DESCRIPTION OF SELECTED LINE ITEMS IN THE CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

### Revenue

We derive a majority of our revenue from our three primary groups — IMAX Technology Network, IMAX Technology Sales and Maintenance and New Business Initiatives and Other.

### IMAX Technology Network

Our IMAX Technology Network represents all variable revenue generated by box-office results and includes three segments:

- IMAX DMR films, pursuant to which the Company generates revenue from a certain percentage of IMAX box office received by our studio partners for the conversion and release of Hollywood and Chinese language films to the IMAX theatre network. IMAX DMR films revenue is recognized when reported by our exhibitor partners;

- Revenue sharing arrangements, of which the Company has two types — full revenue sharing arrangements and hybrid revenue sharing arrangements. Under its full revenue sharing arrangements, the Company leases IMAX theatre systems to its exhibitor partners, and provides related services, in return for ongoing fees of contingent rent based on a percentage of the IMAX box office from the relevant IMAX theatre. Under full revenue sharing arrangements, the customer pays no upfront fee. Under hybrid revenue sharing arrangements, the Company receives ongoing fees of contingent rent based on a percentage of IMAX box office from the relevant IMAX theatre. The Company also receives a fixed upfront fee, which is less than the sales price, and which is recorded in the IMAX Technology Sales and Maintenance segment. Contingent rent revenue from joint revenue sharing arrangements is recognized when reported by our exhibitor partners; and,

- Sales-type lease arrangements, consist of contingent rent in excess of certain fixed minimum ongoing payments. The contingent rent on sales-type lease arrangements is recognized after the fixed minimum amount per annum is exceeded as driven by box office performance. Contingent rent on sales arrangements is estimated and that amount is recognized with the revenue under IMAX Technology Sales and Maintenance.

## IMAX Technology Sales and Maintenance

The IMAX Technology Sales and Maintenance represents all fixed revenues that are primarily derived from exhibitor partners through either sales and sales-type lease or revenue sharing arrangements, and the revenue generated by maintenance services and aftermarket sales. IMAX Technology Sales and Maintenance revenue is revenue not directly tied to box office results and includes the following four segments:

- IMAX System, consists of the design, manufacture and installation of IMAX theatre projection system equipment under sales or sales-type lease arrangements for upfront and ongoing fees, which can include a fixed minimum amount per annum and contingent rent in excess of the minimum payments. The upfront fees vary depending on the system configuration and location of the theatre. Any upfront fees are paid to the Company in installments between the time of system signing and the time of system installation, which is when the total of these fees, in addition to the present value of future annual minimum payments and contingent rent on sales arrangement as discussed under IMAX Technology Network above, are recognized as revenue at the time of installation and exhibitor acceptance of the respective IMAX theatre system;

- Revenue sharing arrangements, pursuant to which the Company receives a reduced, fixed upfront fee under its hybrid revenue sharing arrangement. In addition, the Company receives ongoing fees of contingent rent based on a percentage of IMAX box office from the relevant IMAX theatre which is recorded in IMAX Technology Network revenue group described above. Revenue sharing arrangements upfront fees revenue is recognized at the time of installation and exhibitor acceptance of the IMAX theatre system;

- IMAX Maintenance, pursuant to which the Company generates revenue from the provision of ongoing maintenance services. The revenue recognized is primarily comprised of an annual maintenance fee payable by exhibitor partners under all sales and revenue sharing arrangements; and,

- Other theatre, pursuant to which the Company generates revenue from the aftermarket sales of 3D glasses, screen sheets, parts and other items.

## New Business Initiatives and Other

New business Initiatives and other includes all revenue in connection with any other non-core business initiatives that are in development and/or start-up phase.

## Impact of COVID-19 Pandemic

The impact of the COVID-19 pandemic is complex and continuously evolving, resulting in significant disruption to the Company's business and the global economy. As a result of the theatre closures, movie studios postponed the theatrical release of most films originally scheduled for release in 2020 and early 2021, including many scheduled to be shown in IMAX theatres, while several other films were released directly or concurrently to streaming platforms. During the third quarter of 2020, substantially all of the theatres in Greater China in the IMAX commercial multiplex network reopened with capacity restrictions in place. As of 30 June 2021, over 90% of IMAX theatres in Greater China had resumed operations. Audiences have returned to theatres, particularly IMAX theatres, in numbers approximating pre-pandemic attendance levels for Chinese language films and Hollywood films that were available. The delay of certain Hollywood films release dates impacted IMAX Hollywood films box office during the six months ended June 30, 2021. Pre-COVID-19, Hollywood films normally accounted for about 70% of IMAX box office ticket sales. The Group believes release dates for Hollywood films will return to normal in the second half of 2021 given the reopening of the U.S. film, cinema and entertainment market.

The repercussions of the COVID-19 global pandemic resulted in a significant decrease in the Group's revenues, profits and operating cash flows during the six months ended June 30, 2020 as gross box office ("**GBO**") results declined significantly, the installation of theatre systems were delayed, and maintenance services were generally suspended for theatres that were closed. Installation and maintenance activity during the six months ended June 30, 2021 approximated pre pandemic activity in Mainland China but may continue to be impacted in the event of any future COVID-19 outbreaks and theatre closures.

The Group experienced, and is likely to continue to experience, delays in collecting payments due under existing theatre sale or lease arrangements and digital remastering services agreements from certain of its local studio and exhibitor partners who are facing financial difficulties as a result of the past theatre closures and reduced box office levels. In response, the Group provided temporary relief to exhibitor partners by waiving maintenance fees during periods when theatres were closed and, in certain situations, by providing extended payment terms on annual minimum payment obligations in exchange for a corresponding or longer extension of the term of the underlying sale or lease arrangement.

The Group may continue to be significantly impacted by the COVID-19 global pandemic in 2021 and beyond. Hollywood films production and release date delays may continue, impacting the supply of Hollywood films in China and significantly impacting GBO-based revenue. Any future outbreaks of COVID-19 in Greater China may also result in theatre closures and impact consumer behaviour towards indoor gatherings once again. The reduced box office and revenue as a result of any of the above factors may also place continued financial pressure on our exhibitor and local studio partners.

The following table sets out the revenue for our respective business segments for the periods indicated, as well as the percentage of total revenue they each represent:

| | **1HFY2021** | | 1HFY2020 | |
|---|---|---|---|---|
| | ***US$'000*** | ***%*** | *US$'000* | *%* |
| **IMAX Technology Network** | | | | |
| IMAX DMR films | **11,493** | **21.5%** | 701 | 10.5% |
| Revenue sharing arrangements — contingent rent | **10,210** | **19.1%** | 419 | 6.3% |
| **Sub-total** | **21,703** | **40.6%** | 1,120 | 16.8% |
| **IMAX Technology Sales and Maintenance** | | | | |
| IMAX Systems | **16,003** | **30.0%** | 2,796 | 42.0% |
| Revenue sharing arrangements — upfront fees | **2,484** | **4.6%** | 369 | 5.5% |
| IMAX Maintenance | **12,630** | **23.6%** | 2,099 | 31.5% |
| Other Theatre Business | **569** | **1.1%** | 145 | 2.2% |
| **Sub-total** | **31,686** | **59.3%** | 5,409 | 81.2% |
| **New Business Initiatives and Other** | **42** | **0.1%** | 133 | 2.0% |
| **Total** | **53,431** | **100.0%** | 6,662 | 100.0% |

**Cost of Sales**

Our cost of sales are primarily comprised of costs for the rights of all digital re-mastered films purchased under our intercompany agreement with IMAX Corporation (excluding Hollywood films which are recorded as a reduction of film revenue received from IMAX Corporation according *IFRS 15*), the costs of IMAX theatre systems and related services under sales and hybrid revenue sharing arrangements, depreciation of IMAX theatre systems capitalized under full revenue sharing arrangements and certain one-time, upfront costs at the time of system installation and exhibitor acceptance of the respective IMAX theatre system such as marketing costs for IMAX theatre launches, commissions and the cost for providing any maintenance service during a warranty period.

The following table sets out the cost of sales for our respective business segments for the periods indicated, as well as the percentage of respective revenue they each represent:

| | **1HFY2021** | | 1HFY2020 | |
|---|---|---|---|---|
| | ***US$'000*** | *%* | *US$'000* | *%* |
| **IMAX Technology Network** | | | | |
| IMAX DMR films | **2,209** | **19.2%** | 23 | 3.3% |
| Revenue sharing arrangements — contingent rent | **6,416** | **62.8%** | 6,586 | 1,571.8% |
| **Sub-total** | **8,625** | **39.7%** | 6,609 | 590.1% |
| **IMAX Technology Sales and Maintenance** | | | | |
| IMAX Systems | **5,274** | **33.0%** | 678 | 24.2% |
| Revenue sharing arrangements — upfront fees | **1,915** | **77.1%** | 495 | 134.1% |
| IMAX Maintenance | **4,166** | **33.0%** | 2,554 | 121.7% |
| Other Theatre Business | **348** | **61.2%** | 97 | 66.9% |
| **Sub-total** | **11,703** | **36.9%** | 3,824 | 70.7% |
| **New Business Initiatives and Other** | **(20)** | **(47.6%)** | 271 | 203.8% |
| **Total** | **20,308** | **38.0%** | 10,704 | 160.7% |

*Gross Profit (Loss) and Gross Profit (Loss) Margin*

The following table sets out the gross profit (loss) and gross profit (loss) margin for our respective segments for the periods indicated:

| | **1HFY2021** | | 1HFY2020 | |
|---|---|---|---|---|
| | ***US$'000*** | *%* | *US$'000* | *%* |
| **IMAX Technology Network** | | | | |
| IMAX DMR films | **9,284** | **80.8%** | 678 | 96.7% |
| Revenue sharing arrangements — contingent rent | **3,794** | **37.2%** | (6,167) | (1,471.8%) |
| **Sub-total** | **13,078** | **60.3%** | (5,489) | (490.1%) |
| **IMAX Technology Sales and Maintenance** | | | | |
| IMAX Systems | **10,729** | **67.0%** | 2,118 | 75.8% |
| Revenue sharing arrangements — upfront fees | **569** | **22.9%** | (126) | (34.1%) |
| IMAX Maintenance | **8,464** | **67.0%** | (455) | (21.7%) |
| Other Theatre Business | **221** | **38.8%** | 48 | 33.1% |
| **Sub-total** | **19,983** | **63.1%** | 1,585 | 29.3% |
| **New Business Initiatives and Other** | **62** | **147.6%** | (138) | (103.8%) |
| **Total** | **33,123** | **62.0%** | (4,042) | (60.7%) |

**Selling, General and Administrative Expenses**

The following table sets out the selling, general and administration expenses we incurred as well as the percentage of total revenue they represented for the periods indicated:

| | **1HFY2021** | | 1HFY2020 | |
|---|---|---|---|---|
| | ***US$'000*** | ***%*** | *US$'000* | *%* |
| Employee salaries and benefits | **3,970** | **7.4%** | 3,762 | 56.5% |
| Share-based compensation expenses | **2,027** | **3.8%** | 1,634 | 24.5% |
| Travel and transportation | **240** | **0.4%** | 141 | 2.1% |
| Advertising and marketing | **675** | **1.3%** | 263 | 3.9% |
| Professional fees | **778** | **1.5%** | 654 | 9.8% |
| Other employee expense | **160** | **0.3%** | 113 | 1.7% |
| Facilities | **562** | **1.1%** | 610 | 9.2% |
| Depreciation | **190** | **0.4%** | 175 | 2.6% |
| Foreign exchange and other expenses | **(879)** | **(1.6%)** | 212 | 3.2% |
| **Total** | **7,723** | **14.5%** | 7,564 | 113.5% |

**Reversals (Provision) of Impairment Losses on Financial Assets**

Net impairment reversal on financial assets in 1HFY2021 is due to better than expected collection experience on trade receivables, financing receivables and variable consideration. Net impairment impact on financial assets for 1HFY2021 and 1HFY2020 were a reversal of US$2.6 million and a loss of US$9.3 million, respectively.

**Other Operating Expenses**

Other operating expenses primarily include the annual license fees payable to IMAX Corporation in respect of the trademark and technology licensed under the Technology License Agreements and the Trademark License Agreements, charged at an aggregate of 5% of our revenue. Our other operating expenses for 1HFY2021 and 1HFY2020 were US$3.0 million and US$1.5 million, respectively.

**Interest Income**

Interest income mainly represents interest earned on various term deposits. None of the term deposits had a term of more than 90 days. Our interest income for 1HFY2021 and 1HFY2020 was US$0.8 million and US$0.7 million, respectively.

**Income Tax Expenses**

We are subject to PRC and Hong Kong income tax. We are also subject to withholding taxes in Taiwan. The enterprise income tax ("**EIT**") rate generally levied in the PRC is 25%. The entity incorporated in Hong Kong is subject to Hong Kong profits tax at a rate of 8.25% on assessable profits up to HKD2 million and 16.5% on any part of assessable profits over HKD2 million for the years presented. Our effective tax rate differs from the statutory tax rate and varies from year to year primarily as a result of numerous permanent differences, subsidies, and the provision for income taxes at different rates in different jurisdictions, the application of Hong Kong's territorial tax system and changes due to our recoverability assessments of deferred tax assets.

Our income tax expense for 1HFY2021 and 1HFY2020 was US$6.3 million and US$13.5 million, respectively.

## YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

### Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

The following table sets out items in our condensed consolidated interim statements of comprehensive income (loss) and as a percentage of revenue for the periods indicated:

| | **1HFY2021** | | 1HFY2020 | |
|---|---|---|---|---|
| | ***US$'000*** | ***%*** | *US$'000* | *%* |
| Revenues | **53,431** | **100.0%** | 6,662 | 100.0% |
| Cost of sales | **(20,308)** | **(38.0)%** | (10,704) | (160.7)% |
| **Gross profit (loss)** | **33,123** | **62.0%** | (4,042) | (60.7)% |
| Selling, general and administrative expenses | **(7,723)** | **(14.5)%** | (7,564) | (113.5)% |
| Reversals (provision) of impairment losses on financial assets | **2,612** | **4.9%** | (9,299) | (139.6)% |
| Other operating expenses | **(3,049)** | **(5.7)%** | (1,494) | (22.4)% |
| **Operating profit (loss)** | **24,963** | **46.7%** | (22,399) | (336.2)% |
| Interest income | **785** | **1.5%** | 709 | 10.6% |
| Interest expense | **(203)** | **(0.4)%** | (50) | (0.8)% |
| **Profit (loss) before income tax** | **25,545** | **47.8%** | (21,740) | (326.3)% |
| Income tax expense | **(6,347)** | **(11.9)%** | (13,508) | (202.8)% |
| **Profit (loss) for the period, attributable to owners of the Company** | **19,198** | **35.9%** | (35,248) | (529.1)% |
| Other comprehensive income (loss): | | | | |
| **Items that may be subsequently reclassified to profit or loss:** | | | | |
| Change in foreign currency translation adjustments | **1,019** | **1.9%** | (2,698) | (40.5)% |
| **Items that may not be subsequently reclassified to profit or loss:** | | | | |
| Change in fair value of financial assets at fair value through other comprehensive income ("**FVOCI**") | **5,219** | **9.8%** | (2,514) | (37.7)% |
| Other comprehensive income (loss): | **6,238** | **11.7%** | (5,212) | (78.2)% |
| **Total comprehensive income (loss) for the period, attributable to owners of the Company** | **25,436** | **47.6%** | (40,460) | (607.3)% |

**Adjusted Profit (Loss)**

Adjusted profit (loss) is not a measure of performance under IFRS. This measure does not represent and should not be used as a substitute for gross profit (loss) or profit (loss) for the year as determined in accordance with IFRS. This measure is not necessarily an indication of whether cash flow will be sufficient to fund our cash requirements or whether our business will be profitable. In addition, our definition of adjusted profit may not be comparable to other similarly titled measures used by other companies.

The following table sets out our adjusted profit (loss) for the periods indicated:

| | **1HFY2021** | 1HFY2020 |
|---|---|---|
| | ***US$'000*** | *US'000* |
| Profit (loss) for the period | **19,198** | (35,248) |
| Adjustments: | | |
| Share-based compensation | **2,027** | 1,634 |
| Tax impact on items listed above | **(460)** | (373) |
| Provisional tax | **547** | 18,475 |
| **Adjusted profit (loss)** | **21,312** | (15,512) |

**1HFY2021 COMPARED WITH 1HFY2020**

**Revenue**

Our revenue increased from US$6.7 million in 1HFY2020 to US$53.4 million in 1HFY2021 driven by an increase of US$20.6 million in our IMAX Technology Network revenue and an increase of US$26.3 million in the IMAX Technology Sales and Maintenance revenue, as explained further below.

**IMAX Technology Network**

Revenue from our IMAX Technology Network increased from US$1.1 million in 1HFY2020 to US$21.7 million in 1HFY2021 primarily due to a US$125.4 million increase in box office revenue in 1HFY2021 compared to the prior year period.

*IMAX DMR Films*

IMAX DMR films revenue increased from US$0.7 million in 1HFY2020 to US$11.5 million in 1HFY2021 as a result of an increase in box office revenue. The box office revenue generated by IMAX formatted films increased from US$7.4 million in 1HFY2020 to US$132.8 million in 1HFY2021 due to the reopening of theatres. Beginning 2HFY2020, a majority of IMAX theatres that were closed for most of 1HFY2020 due to the COVID-19 pandemic reopened ("**Theatre Reopenings**").

Box office revenue per screen increased from US$0.01 million in 1HFY2020 to US$0.19 million in 1HFY2021 due to Theatre Reopenings, and continued growth of the IMAX theatre network, which increased 6.3% from 714 IMAX theatres in 1HFY2020 to 759 IMAX theatres in 1HFY2021.

The following table sets out the number of films we released in the IMAX format in 1HFY2021 and 1HFY2020 in Greater China:

| | **1HFY2021** | 1HFY2020 |
|---|---|---|
| Hollywood films | **8** | — |
| Hollywood films (Hong Kong and Taiwan only) | **3** | 8 |
| Chinese language films | **7** | — |
| **Total IMAX films released** | **18** | 8 |

*Revenue Sharing Arrangements — Contingent Rent*

Contingent rent from revenue sharing arrangements increased from US$0.4 million in 1HFY2020 to US$10.2 million in 1HFY2021 primarily due to Theatre Reopenings with higher box office revenue per screen, and also a greater number of IMAX theatres operating under revenue sharing arrangements in 1HFY2021 compared to 1HFY2020. This included (i) contingent rent from full revenue sharing arrangements that increased from US$0.4 million in 1HFY2020 to US$8.7 million in 1HFY2021; (ii) contingent rent from hybrid revenue sharing arrangements that increased from US$nil million in 1HFY2020 to nearly US$1.5 million in 1HFY2021. 462 theatres were operating under revenue sharing arrangements at the end of 1HFY2020 as compared to 492 at the end of 1HFY2021, which represented an increase of 6.5%.

*IMAX Technology Sales and Maintenance*

Revenue from our IMAX Technology Sales and Maintenance increased from US$5.4 million in 1HFY2020 to US$31.7 million in 1HFY2021.

The following table provides a breakdown of IMAX theatres in operation in Greater China by type and geographic location as at the dates indicated:

| **Commercial** | **As at 30 June** | | |
|---|---|---|---|
| | **2021** | 2020 | Growth (%) |
| The PRC[1] | **728** | 684 | 6.4% |
| Hong Kong | **5** | 5 | — |
| Taiwan[2] | **9** | 10 | (10.0)% |
| Macau | **1** | — | 100.0% |
| | **743** | 699 | 6.3% |
| **Institutional**[3] | **16** | 15 | 6.7% |
| **Total** | **759** | 714 | 6.3% |

*Note:*

(1) Seven theatres in the PRC were closed in 1HFY2021, one of which was relocated to another site in 1HFY2021.

(2) One theatre in Taiwan was closed in 2HFY2020 due to a redevelopment of the complex.

(3) Institutional IMAX theatres include museums, zoos, aquaria and other destination entertainment sites that do not exhibit commercial films.

The following table sets out the number of IMAX theatre systems installed by business arrangements in 1HFY2021 and 1HFY2020:

| | **1HFY2021** | 1HFY2020 |
|---|---|---|
| Sales and sales-type lease arrangements | **10** | 1 |
| Revenue sharing arrangements | **12** | 2 |
| IMAX with Laser upgrades | **1** | — |
| **Total theatre systems installed** | **23**[1] | 3 |

*Note:*

(1) Includes 20 new theatre systems, 2 relocations (sales and sales-type lease), and 1 upgrade (sales and sales-type lease)

*IMAX Systems*

Revenue from sales and sales-type lease arrangements increased from US$2.8 million in 1HFY2020 to US$16.0 million in 1HFY2021, primarily due to 8 more sales and sales-type lease arrangements (including 1 IMAX with Laser upgrade) in 1HFY2021 over 1HFY2020 due to the construction recovery from the previous slowdown as a result of the COVID-19 global pandemic in 1HFY2020. We recognised sales revenue on 1 new theatre system with a value of US$1.2 million in 1HFY2020, compared to 9 new theatre systems, (including 1 IMAX with Laser upgrade) in 1HFY2021 with a total value of US$13.2 million.

Average revenue per new system under sales and sales-type lease arrangements increased from US$1.2 million in 1HFY2020 to US$1.5 million in 1HF2021 as a result of one installation coming from a larger scale client in 1HFY2020.

*Revenue Sharing Arrangements — Upfront Fees*

Upfront revenue from hybrid revenue sharing arrangement increased from US$0.4 million in 1HFY2020 to US$2.5 million in 1HFY2021, primarily due to 3 more hybrid revenue sharing installations in 1HFY2021.

*IMAX Maintenance*

IMAX maintenance revenue increased from US$2.1 million in 1HFY2020 to US$12.6 million in 1HFY2021. Maintenance revenue increased in 1HFY2021 as a result of: (i) a 6.3% increase in the size of the IMAX network, which increased to 759 theatres as at 30 June 2021 from 714 theatres as at 30 June 2020; (ii) regular maintenance services resumed in 1HFY2021 as a result of Theatre Reopenings

*New Business Initiatives and Other*

Revenue from New Business Initiatives and other decreased from US$0.1 million in 1HFY2020 to less than US$0.1 million in 1HFY2021.

***Cost of Sales***

Our cost of sales increased from US$10.7 million in 1HFY2020 to US$20.3 million in 1HFY2021. This increase was primarily due to an increase of US$2.0 million in our IMAX Technology Network and an increase of US$7.9 million in our IMAX Technology Sales and Maintenance, explained below.

***IMAX Technology Network***

The cost of sales for our IMAX Technology Network increased from US$6.6 million to US$8.6 million due to increased costs associated with the more films exhibited in 1HFY2021, increased one-time upfront costs related to the installation of 7 more full revenue sharing arrangements in 1HFY2021 versus 1HFY2020. This was partly offset by the decreased depreciation costs mainly associated with additional relief period extension on depreciation starting in 2HFY2020.

*IMAX DMR Films*

The cost of sales for IMAX DMR films increased from US$nil in 1HFY2020 to US$2.2 million in 1HFY2021 driven by the increased DMR and film marketing costs resulting from 15 films exhibited in PRC during 1HFY2021 as compared to no new films exhibited in PRC during 1HFY2020 due to the COVID-19 theatre closures.

*Revenue Sharing Arrangements — Contingent Rent*

The cost of sales for contingent rent from revenue sharing arrangements decreased 3.0% from US$6.6 million in 1HFY2020 to US$6.4 million in 1HFY2021, primarily due to decreased depreciation costs associated with additional relief period extension on depreciation starting in 2HFY2020, partially offset by a larger full revenue sharing network, currently 384 theatres at 1HFY2021 versus 358 theatres as at 1HFY2020, and one-time upfront costs related to the installation of 7 more full revenue sharing arrangements in 1HFY2021 versus 1HFY2020.

***IMAX Technology Sales and Maintenance***

The cost of sales for our IMAX Technology Sales and Maintenance increased from US$3.8 million in 1HFY2020 to US$11.7 million in 1HFY2021, primarily due to 8 more IMAX theatre systems installations under sales and sales-type lease arrangements (including 1 IMAX with Laser upgrade) and 3 more hybrid revenue sharing arrangements in 1HFY2021 as compared to 1HFY2020, and increased theatre maintenance costs.

*IMAX Systems*

Cost of sales under sales and sales-type lease arrangements increased from US$0.7 million in 1HFY2020 to US$5.3 million in 1HFY2021, primarily due to the costs recognised on 9 new theatre systems (including 1 IMAX with Laser upgrade) in 1HFY2021 as compared to 1 theatre system installation under sales and sales-type lease arrangement in 1HFY2020.

*Revenue Sharing Arrangements — Upfront Fees*

Cost of sales from installation of hybrid revenue sharing arrangements increased from US$0.5 million in 1HFY2020 to US$1.9 million in 1HFY2021, primarily due to the costs recognised on 4 theatre system installations under hybrid revenue sharing arrangements in 1HFY2021 as compared to 1 in 1HFY2020.

*IMAX Maintenance*

Cost of sales with respect to theatre system maintenance increased from US$2.6 million in 1HFY2020 to US$4.2 million in 1HFY2021 as a result of: (i) a 6.3% increase in the size of the IMAX network, which increased to 759 theatres as at 30 June 2021 from 714 theatres as at 30 June 2020; (ii) the resumption of regular maintenance services that were generally suspended due to the COVID-19 global pandemic in 1HFY2020.

*New Business Initiatives and Other*

Cost from new business initiatives and other decreased from US$0.3 million in 1HFY2020 to a recovery of less than US$0.1 million in 1HFY2021, respectively.

**Gross Profit (Loss) and Gross Profit (Loss) Margin**

Our gross profit in 1HFY2021 was US$33.1 million, compared to a loss of US$4.0 million 1HFY2020, and our gross margin increased from negative 60.7% in 1HFY2020 to a profit of 62.0% in 1HFY2021. The increase in gross profit was largely attributable to US$18.6 million increase in our IMAX Technology Network, and a US$18.4 million increase in our IMAX Technology Sales and Maintenance further explained below.

***IMAX Technology Network***

The gross profit from our IMAX Technology Network increased 338.2% from a loss of US$5.5 million in 1HFY2020 to a profit of US$13.1 million in 1HFY2021, and the gross margin for our IMAX Technology Network increased from negative 490.1% in 1HFY2020 to a profit of 60.3% in 1HFY2021. The increase was primarily related to an increase in our overall box office revenue in 1HFY2021 due to Theatre Reopenings.

*IMAX DMR Films*

The gross profit for IMAX DMR films increased from US$0.7 million in 1HFY2020 to US$9.3 million in 1HFY2021, and the gross profit margin decreased from 96.7% in 1HFY2020 to 80.8% in 1HFY2021. The increase of gross profit was primarily due to an increase in our overall box office revenue from US$7.4 million in 1HFY2020 to US$132.8 million in 1HFY2021. The higher margin in 1HFY2020 was due to reduced costs related to no new film releases in Mainland China.

*Revenue Sharing Arrangements — Contingent Rent*

The gross profit for contingent rent from revenue sharing arrangements increased from a loss of US$6.2 million in 1HFY2020 to a profit of US$3.8 million in 1HFY2021. The gross profit for contingent rent from full revenue sharing arrangements increased from a loss of US$6.2 million in 1HFY2020 to a profit of US$2.3 million in 1HFY2021. Gross profit increased primarily due to much higher overall box office revenue as a result of Theatre Reopenings, a decreased depreciation cost mainly associated with additional relief period extension on depreciation starting in 2HFY2020, partially offset by one-time upfront costs related to the installation of 7 more full revenue sharing arrangements in 1HFY2021 versus 1HFY2020.

The gross profit for contingent rent from hybrid revenue sharing arrangements increased from US$nil in 1HFY2020 to US$1.5 million in 1HFY2021, mainly driven by higher box office revenue per screen as a result of Theatre Reopenings.

***IMAX Technology Sales and Maintenance***

The gross profit for our IMAX Technology Sales and Maintenance increased from US$1.6 million in 1HFY2020 to US$20.0 million in 1HFY2021. During the same period, our gross profit margin increased from 29.3% to 63.1%. The increase in gross profit and gross profit margin were primarily driven by the installation of 8 more system under sales and sales-type lease arrangements (including 1 IMAX with Laser upgrade), 3 more theatres under hybrid revenue sharing arrangements, and higher maintenance service revenue.

*IMAX Systems*

The gross profit from sales of new IMAX theatre systems increased from US$2.1 million in 1HFY2020 to US$10.7 million in 1HFY2021 primarily due to the installation of 8 more systems in 1HFY2021. Our gross profit margin decreased from 75.8% in 1HFY2020 to 67.0% in 1HFY2021 due to higher costs of sales for specific IMAX with Laser installations in the current year.

*Revenue Sharing Arrangements — Upfront Fees*

The gross profit from upfront fees derived from hybrid revenue sharing arrangements increased from a loss of US$0.1 million in 1HFY2020 to a profit of US$0.6 million in 1HFY2021, primarily due to 3 more installations under hybrid revenue sharing arrangements and higher gross profit margin of 22.9% in 1HFY2021 compared to a negative gross margin of 34.1% in 1HFY2020 due to the one installation in 1HFY2020 coming from a larger scale client with a higher, ongoing percentage rent.

*IMAX Maintenance*

The gross profit for our theatre system maintenance increased from a loss of US$0.5 million in 1HFY2020 to a profit of US$8.5 million in 1HFY2021 and our gross margin increased from a negative gross margin of 21.7% in 1HFY2020 to gross profit margin of 67.0% in 1HFY2021 as a result of: (i) a 6.3% increase in the size of the IMAX network, which increased to 759 theatres as at 30 June 2021 from 714 theatres as at 30 June 2020; (ii) a resumption of regular maintenance services that were generally suspended due to the COVID-19 global pandemic in 1HFY2020.

*New Business Initiatives and Other*

The gross profit for new business initiatives and other increased from a loss of US$0.1 million in 1HFY2020 to a profit of less than US$0.1 million in 1HFY2021.

**Selling, General and Administrative Expenses**

Selling, general and administrative expenses were flat in 1HFY2020 and 1HFY2021 at US$7.6 million and at US$7.7 million, respectively. We incurred: (i) a US$0.4 million increase in advertising and marketing expenses due to the resumption of more normalized marketing operations in 1HFY2021; (ii) a US$0.1 million slight increase in professional fees, offset by a higher foreign exchange gain related to cash payments collected in 1HFY2021 for old aged receivables from clients.

**Reversals (Provision) of Impairment Losses on Financial Assets**

Net impairment impact on financial assets for 1HFY2021 and 1HFY2020 were a reversal of US$2.6 million and a loss of US$9.3 million, respectively. The reversal of US$2.6 million in 1HFY2021 was primarily related to better than expected collection experience on trade receivables, financing receivables and variable consideration.

**Other Operating Expenses**

Other operating expenses increased from US$1.5 million in 1HFY2020 to US$3.0 million in 1HFY2021, primarily due to an increase in annual license fees payable to IMAX Corporation in respect of the trademark and technology licensed under the Technology License Agreements and the Trademark License agreements due to higher revenues in 1HFY2021 versus 1HFY2020.

**Income Tax Expense**

Our income tax expense decreased 53.3% from US$13.5 million in 1HFY2020 to US$6.3 million in 1HFY2021. The decrease in income tax expense was primarily due to a decrease in provisional tax from US$18.5 million in 1HFY2020 to US$0.5 million in 1HFY2021 for applicable withholding taxes associated with the historical earnings of one subsidiary in the PRC. It was partially offset by the increase of our operating income before income tax of US$47.2 million from a loss of US$21.7 million in 1HFY2020 to a profit of US$25.5 million in 1HFY2021.

**Profit (Loss) for the Period**

We reported a profit for the period of US$19.2 million in 1HFY2021 as compared to a loss of US$35.2 million in 1HFY2020 due to Theatre Reopenings and the resulting increase in box office, installation and maintenance related revenue discussed above.

**Other Comprehensive Income (Loss) for the Period**

We reported other comprehensive income for the period of US$6.2 million in 1HFY2021 as compared to a loss of US$5.2 million in 1HFY20. The increase was primarily due to a profit of US$1.0 million due to foreign currency translation adjustments and a profit of US$5.2 million related to change in fair value, net of tax, of financial assets at FVOCI in 1HFY2021. This was as compared to a loss of US$2.7 million related to foreign currency translation adjustment and a loss of US$2.5 million related to change in fair value net of tax of financial assets at FVOCI in 1HFY2020.

**Adjusted Profit (Loss)**

Adjusted profit, which consists of profit for the period adjusted for the impact of share-based compensation and the related tax impact, and provisional tax, was a loss of US$15.5 million in 1HFY2020 as compared to an income of US$21.3 million in 1HFY2021, an increase of 237.4%.

## LIQUIDITY AND CAPITAL RESOURCES

| | **As at 30 June 2021** ***US$'000*** | As at 31 December 2020 *US$'000* |
|---|---|---|
| **Current assets** | | |
| Other assets | **122** | 150 |
| Contract acquisition costs | **1,293** | 1,374 |
| Film assets | **—** | 180 |
| Inventories | **5,438** | 5,968 |
| Prepayments | **3,169** | 2,902 |
| Variable consideration receivable from contracts | **489** | 434 |
| Financing receivables | **15,141** | 16,755 |
| Trade and other receivables | **49,574** | 42,223 |
| Cash and cash equivalents | **115,250** | 88,472 |
| **Total Current Assets** | **190,476** | 158,458 |
| **Current liabilities** | | |
| Trade and other payables | **21,850** | 21,296 |
| Accruals and other liabilities | **11,246** | 10,735 |
| Income tax liabilities | **5,021** | 4,293 |
| Borrowings | **11,017** | 7,643 |
| Deferred revenue | **12,968** | 15,514 |
| **Total Current Liabilities** | **62,102** | 59,481 |
| **Net Current Assets** | **128,374** | 98,977 |

As at 30 June 2021, we had net current assets of US$128.4 million compared to net current assets of US$99.0 million as at 31 December 2020. The increase in net current assets in 1HFY2021 was mainly attributable to a US$26.8 million increase in cash and cash equivalents, a US$7.4 million increase in trade and other receivables, and a US$2.5 million decrease in deferred revenue. This was offset by a US$3.4 million increase in borrowings, a US$1.6 million decrease in financing receivables, a US$0.7 million increase in income tax liabilities, a US$0.6 million increase in trade and other payables, a US$0.5 million decrease in inventory, and a US$0.5 million increase in accruals and other liabilities.

We have cash and cash equivalent balances denominated in various currencies. The following is a breakdown of our cash and cash equivalent balances by currency as at the end of each period/year:

| | **As at 30 June 2021** | As at 31 December 2020 |
|---|---|---|
| Cash and cash equivalents denominated in US$ (in thousands) | **$19,232** | $9,803 |
| Cash and cash equivalents denominated in RMB (in thousands) | **¥612,258** | ¥507,999 |
| Cash denominated in Hong Kong dollars HK$ (in thousands) | **$9,460** | $5,838 |

## CAPITAL MANAGEMENT

Our objectives when managing capital are to safeguard our ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

We consider our capital structure as the aggregate of total equity and long-term debt less cash and short-term deposits. We manage our capital structure and make adjustments to it in order to have funds available to support the business activities which the Board intends to pursue in addition to maximising the return to shareholders. The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Group's management to sustain future development of the business.

In order to carry out current operations and pay for administrative costs, we will spend our existing working capital and raise additional amounts as needed. Management reviews our capital management approach on an on-going basis and believes that this approach, given the relative size of the Group, is reasonable.

## CASH FLOW ANALYSIS

The following table shows our net cash from operating activities, net cash used in investing activities and net cash used in financing activities for the periods indicated:

| | **1HFY2021** | 1HFY2020 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Net cash provided by (used in) operating activities | **16,094** | (3,819) |
| Net cash provided by (used in) investing activities | **15,014** | (1,284) |
| Net cash used in financing activities | **(5,412)** | (8,983) |
| Effects of exchange rate changes on cash | **1,082** | (1,166) |
| Increase (decrease) in cash and cash equivalents during period | **26,778** | (15,252) |
| Cash and cash equivalents, beginning of period | **88,472** | 89,308 |
| Cash and cash equivalents, end of period | **115,250** | 74,056 |

### Cash Provided by (Used in) Operating Activities

***1HFY2021***

Our net cash provided by operations was approximately US$16.1 million in 1HFY2021. We had profit before income tax for the period of US$25.6 million in 1HFY2021, and positive adjustments for depreciation of property, plant and equipment of US$6.8 million, amortisation of film assets of US$2.3 million, settlement of equity and other non-cash compensation of US$2.0 million, reduced by changes in working capital of US$12.2 million, taxes paid of US$5.9 million, and reversal of the expected credit loss of US$2.6 million. Changes in working capital primarily consisted of: (i) an increase in trade and other receivables of US$5.5 million; (ii) a decrease in deferred revenue of US$4.6 million; (iii) an increase of financing receivables of US$2.4 million; and (iv) an increase in film assets of US$2.1 million; partially offset by: (i) an increase in trade and other payables of US$1.4 million; (ii) a decrease in inventories of US$0.6 million; and (iii) an increase in accruals and other liabilities of US$0.5 million.

***1HFY2020***

Our net cash used in operations was approximately US$3.8 million in 1HFY2020. We had loss before income tax for the period of US$21.7 million in 1HFY2020 and positive adjustments for depreciation of property, plant and equipment of US$7.3 million, settlement of equity and other non-cash compensation of US$1.6 million, allowance for expected credit loss of US$9.3 million, write-downs of US$1.1 million, and changes in working capital of US$2.6 million, reduced by our taxes paid of US$3.8 million. Changes in working capital primarily consisted of: (i) a decrease in trade and other receivables of US$5.8 million; and (ii) an increase in deferred revenue of US$3.6 million, partially offset by: (i) an increase in inventories of US$2.5 million; (ii) an increase of financing receivables of US$1.7 million; (iii) a decrease in accruals and other liabilities of US$1.6 million, and (iv) a decrease in trade and other payables of US$0.7 million.

### Cash Provided by (Used in) Investing Activities

*1HFY2021*

Our net cash provided by investing activities was approximately US$15.0 million for 1HFY2021, primarily related to the proceeds on disposal of investment in Maoyan of US$17.8 million, partially offset by investments in IMAX theatre equipment amounting to US$2.7 million installed in our exhibitor partners' theatres under full revenue sharing arrangements.

*1HFY2020*

Our net cash used in investing activities was approximately US$1.3 million for 1HFY2020, primarily related to investments in IMAX theatre equipment amounting to US$1.2 million installed in our exhibitor partners' theatres under full revenue sharing arrangements.

### Cash Used in Financing Activities

*1HFY2021*

Our net cash used in financing activities was approximately US$5.4 million for 1HFY2021 primarily due to: (i) dividends paid to owners of the Company amounting to US$7.0 million; (ii) settlement of restricted share units and options of US$1.3 million; (iii) principal elements of lease payments of US$0.5 million; and (iv) repayment of borrowings US$0.2 million; partially offset by proceeds from borrowings of US$3.6 million.

*1HFY2020*

Our net cash used in financing activities was approximately US$9.0 million for 1HFY2020 primarily due to: (i) dividends paid to owners of the Company amounting to US$7.0 million; (ii) payment for share buy-back of US$1.5 million; and (iii) settlement of restricted share units and options of US$0.4 million.

## CONTRACTUAL OBLIGATIONS AND CAPITAL COMMITMENTS

### Lease Commitments

We have lease commitments within one year amounting to US$0.1 million related primarily to leased office and apartment space in Shanghai.

### Capital Commitments

As at 30 June 2021, we had capital expenditures contracted but not provided for of US$25.0 million (31 December 2020: US$25.1 million) primarily related to a film fund.

## CAPITAL EXPENDITURES AND CONTINGENT LIABILITIES

### Capital Expenditures

Our capital expenditures primarily relate to the acquisition of IMAX theatre systems. During 1HFY2021 and 1HFY2020, our capital expenditures were US$2.8 million and US$1.3 million, respectively.

Going forward, we plan to allocate a significant portion of our capital expenditures to the continued expansion of the IMAX technology network under revenue sharing arrangements to execute on our existing contractual backlog and future signings.

### Contingent Liabilities

Lawsuits, claims and proceedings arise in the ordinary course of business. In accordance with our internal policies, in connection with any such lawsuits, claims or proceedings, we will make a provision for a liability when it is both probable that a loss has been incurred and the amount of the loss can be reasonably estimated.

As at 30 June 2021, we had drawn down RMB71 million (approximately US$11.2 million) on our bank borrowing facility with interest rate of 4.15%–4.35% per annum, and RMB2.4 million (approximately US$0.4 million) on our letter of guarantee facility. Except as disclosed above or as otherwise disclosed herein, as at 30 June 2021, we did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities. The Directors confirm that there has been no material change in our commitments and contingent liabilities since 30 June 2021.

## WORKING CAPITAL

We finance our working capital needs primarily through cash flow from operating activities. Cash flow generated from operating activities was US$16.1 million in 1HFY2021 and cash flow used in operating activities was US$3.8 million in 1HFY2020 significantly impacted from the COVID-19 theatre closure. As the IMAX theatre network recovered from the COVID-19 global pandemic and continues to grow, we believe our cash flow from operating activities will continue to increase and fund existing business operations and any initial capital expenditures required under revenue sharing arrangements.

In July 2021, we renewed an unsecured revolving facility for up to RMB200 million (approximately US$31.2 million) to fund ongoing working capital requirements. The total amounts drawn and available under the working capital loan at 30 June 2021 were RMB71 million and RMB119 million for bank borrowing facility, and RMB2.4 million and RMB7.6 million for letter of guarantee facility, respectively.

## STATEMENT OF INDEBTEDNESS

As at 30 June 2021:

- Except for the drawdown of RMB71 million on the bank borrowing facility for up to RMB190 million, and the drawdown of RMB2.4 million on the letter of guarantee facility for up to RMB10 million, we did not have any bank borrowings or committed bank facilities;

- we did not have any borrowing from IMAX Corporation or any related parties; and

- we did not have any hire purchase commitments or bank overdrafts.

Since 30 June 2021, being the latest date of our condensed interim statements, there has been no material adverse change to our indebtedness.

## OFF BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We had no off-balance sheet arrangements as at 30 June 2021.

## KEY FINANCIAL RATIOS

The following table lays out certain financial ratios as at the dates and for the periods indicated. We presented adjusted profit margin because we believe it presents a more meaningful picture of our financial performance than unadjusted numbers as it excludes the impact from share-based compensation and the related tax impact.

| | **As at 30 June 2021** | As at 31 December 2020 |
|---|---|---|
| Gearing ratio[(1)] | **41.6%** | 44.6% |
| | **1HFY2021** | 1HFY2020 |
| Adjusted (loss) profit margin[(2)] | **39.9%** | (232.8%) |

*Notes:*

(1) Gearing ratio is calculated by dividing total liabilities by total equity and multiplying the result by 100.

(2) Adjusted profit margin is calculated by dividing adjusted profit for the period by revenue and multiplying the result by 100.

### Gearing Ratio

Our gearing ratio decreased from 44.6% as at 31 December 2020 to 41.6% as at 30 June 2021, primarily due to the increase in equity of US$19.2 million and a decrease in deferred revenue of US$4.0 million, partially offset by an increase in borrowings of US$3.4 million, current income tax liability of US$0.7 million, trade and other payable of US$0.6 million, and deferred income tax liability of US$0.5 million.

### Adjusted Profit (Loss) Margin

Our adjusted profit margin increased from negative 232.8% as at 30 June 2020 to a profit of 39.9% as at 30 June 2021, primarily due to Theatre Reopenings.

## DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

The proposal of payment and the amount of our dividends will be made at the discretion of our Board and will depend on our general business condition and strategies, cash flows, financial results and capital requirements, the interests of our Shareholders, taxation conditions, statutory and regulatory restrictions and other factors that our Board deems relevant. Our Board recommended the payment of an interim dividend, for 1HFY2021, of US$0.028 per share (equivalent to approximately HK$0.217 per share).

In addition, as our Company is a holding company registered in the Cayman Islands and our operations are conducted through our subsidiaries, two of which are incorporated in the PRC, the availability of funds to pay distributions to Shareholders and to service our debts depends on dividends received from these subsidiaries. Our PRC subsidiaries are restricted from distributing profits before the losses from previous years have been remedied and amounts for mandated reserves have been deducted.

As at 30 June 2021, the Company had a total equity of US$23.3 million. Under the Companies Law of the Cayman Islands, subject to the provisions of memorandum of association of the Company or the articles of association (the "**Articles of Association**"), the Company's share premium account may be applied to pay distributions or dividends to shareholders provided that immediately following the date of distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

### Dividend

During the Company's board meeting held on 27 July 2021, the Board of Directors approved an interim dividend of US$0.028 per share (equivalent to HK$0.217 per share) for the six months ended 30 June 2021 to the Shareholders.

The interim dividend will be paid on Friday, 27 August 2021 to the shareholders whose names appear on the register of members of the Company as at the close of business on Tuesday, 17 August 2021. There will be no scrip dividend option for the 2021 interim dividend.

## MATERIAL ACQUISITIONS OR DISPOSALS

We have not undertaken any material acquisition or disposal for the period ended 30 June 2021.

## SIGNIFICANT INVESTMENTS

We are entitled to IMAX Hong Kong Holding's share of any distributions and dividends paid by TCL-IMAX Entertainment in respect of profit from Greater China as a result of a preferred share we hold in IMAX Hong Kong Holding, which holds 50% of TCL-IMAX Entertainment, a 50:50 joint venture between IMAX Hong Kong Holding (which is indirectly wholly owned by IMAX Corporation) and Sino Leader (Hong Kong) Limited (which is wholly owned by TCL Multimedia Technology Holdings Limited). TCL-IMAX Entertainment engages in the design, development, manufacturing and global sale of premium home theatre systems incorporating components of IMAX's projection and sound technology adapted for a broader home environment. TCL-IMAX Entertainment commenced offering home theatre systems in Greater China in the second half of 2016. We did not receive any distributions or dividends from TCL-IMAX Entertainment during the period ended 30 June 2021.

The purpose of the investment was to enable the Group to share in any profit earned in Greater China by TCL-IMAX Entertainment. We do not have any management or operational role, responsibilities or rights in TCL-IMAX Entertainment, nor are we subject to any funding obligations (either in respect of capital funding or bearing of losses) in relation to TCL-IMAX Entertainment. As at 30 June 2021, the fair value of TCL-IMAX Entertainment was nil (31 December 2020: nil).

In February 2019, IMAX China (Hong Kong), Limited, a wholly-owned subsidiary of the Company, purchased 7,949,000 shares (representing approximately 0.706% equity at the time) in Maoyan Entertainment ("**Maoyan**") with the amount of US$15.1 million at the final offer price pursuant to the global offering of the share capital of Maoyan. We did not receive any distributions or dividends from Maoyan during the period ended 30 June 2021.

We do not have any management or operational role, responsibilities or rights in Maoyan, nor are we subject to any further funding obligations (either in respect of capital funding or bearing of losses) in relation to Maoyan.

In February 2021, IMAX China (Hong Kong), Limited sold out all of its 7,949,000 shares of Maoyan for gross proceeds of US$17.8 million. No shares of Maoyan are currently held by IMAX China (Hong Kong), Limited as of the date of these financial statements.

There was no plan authorised by the Board for any material investments or divestments at the date of this report.

# OTHER INFORMATION

## CORPORATE GOVERNANCE

The Company is dedicated to maintaining and ensuring high standards of corporate governance practices and the corporate governance principles of the Company are adopted in the best interest of the Company and its Shareholders. The Company's corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the Corporate Governance Code set out in Appendix 14 of the Listing Rules (the "**CG Code**"). The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

Mr. Richard Gelfond, the Chairman of the Company, was unable to attend the annual general meeting of the Company convened on 6 May 2021 due to other important business commitments. Mr. Gelfond appointed Mr. Jim Athanasopoulos, an Executive Director and the Chief Financial Officer and Chief Operating Officer of the Company, to be his delegate as the Chair of the Board and as the Chair of the Nomination Committee to attend, chair and answer questions at the annual general meeting. Saved as disclosed above, during the Reporting Period, the Company has complied with all the code provisions of the CG Code.

## PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

There have been no convertible securities issued or granted by the Group, no exercise of any conversion or subscription rights, nor any sale or redemption by the Group of its listed Shares for the six months ended 30 June 2021, other than the purchase of 149,481 listed Shares, 149,482 listed Shares, 182,384 listed Shares, and 206,910 listed Shares conducted through Computershare Hong Kong Trustees Limited, the professional trustee engaged by the Company for administering its restricted share unit scheme, on 11 March 2021 at an average price per Share of HK$16.4006, on 15 March 2021 at an average price per Share of HK$17.4695, on 14 May 2021 at an average price per Share of HK$14.4385 and on 15 June 2021 at an average price per Share of HK$12.2711 on the Stock Exchange, for satisfying the vesting of the relevant restricted share units.

## INTENTION TO CONDUCT ON-MARKET SHARE REPURCHASE

The Board announces that it has an intention to exercise its powers under the general mandate (the "**Share Repurchase Mandate**") given to the Board pursuant to the resolutions of the Shareholders passed at the annual general meeting held on 6 May 2021, to repurchase Shares not exceeding 10% of the total number of the issued Shares as at 6 May 2021 (the "**Proposed Share Repurchase**"). On 27 July 2021 (after trading hours), the Board formally resolved to utilize the Share Repurchase Mandate to repurchase Shares in the open market from time to time (i) initially up to US$5 million (equivalent to HK$38.74 million), and (ii) as further authorised by a committee of the Board comprising of Richard Gelfond, John Davison and Jim Athanasopoulos, up to US$20 million (equivalent to HK$154.96 million). The Proposed Share Repurchase will be subject to market conditions and will be at the absolute discretion of the Board. Accordingly, there is no assurance of the timing, quantity or price of any share repurchase.

The Company will conduct the share repurchase in compliance with the memorandum and articles of association of the Company, the Listing Rules, the Codes on Takeovers and Mergers and Share Buy-backs, the Companies Act of the Cayman Islands and all applicable laws and regulations to which the Company is subject.

## SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Directors' dealing policy on 21 September 2015 in order to ensure compliance with the Model Code. The terms of the Directors' dealing policy are no less exacting than those set out in the Model Code. Having made specific enquiry of the Directors, all Directors have confirmed that they have complied with the required standard of dealings and code of conduct regarding securities dealings by directors as set out in the Model Code and the Company's own Directors' dealing policy for the six months ended 30 June 2021.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company and within the knowledge of the Directors, as at the date of this announcement, the Company has maintained the prescribed public float under the Listing Rules throughout the six months ended 30 June 2021.

## REVIEW OF INTERIM RESULTS

The interim report, including the unaudited condensed consolidated interim financial information of the Group, for the six months ended 30 June 2021 have been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The audit committee members have reviewed the interim report, including the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2021.

## INTERIM REPORT

The Company's interim report for the six months ended 30 June 2021 containing all the relevant information required by Appendix 16 of the Listing Rules will be published on the websites of the Company and the Stock Exchange and dispatched to Shareholders in due course.

## LITIGATION

The Group did not have any material litigation outstanding as at 30 June 2021.

## INTERIM DIVIDEND ANNOUNCEMENT

The Board of Directors of the Company is pleased to announce it has declared an interim dividend of US$0.028 per share (equivalent to HK$0.217 per share) for the six months ended 30 June 2021 to the Shareholders.

The interim dividend will be paid on Friday, 27 August 2021 to the Shareholders whose names appear on the register of members of the Company as at the close of business on Tuesday, 17 August 2021. There will be no scrip dividend option for the 2021 interim dividend.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 13 August 2021 to Tuesday, 17 August 2021 (both days inclusive) during which period no transfer of Shares will be registered. In order to qualify for entitlement to the 2021 interim dividend, all share transfers documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration, no later than 4:30 p.m. on Thursday, 12 August 2021.

## INSIDE INFORMATION

This is an announcement made pursuant to the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571) and Rule 13.09 of the Listing Rules.

**Results of IMAX Corporation**

Our controlling shareholder, IMAX Corporation, is a company listed on the New York Stock Exchange in the United States. As of the date of this announcement, IMAX Corporation beneficially owns 69.83% of the issued share capital of the Company.

On 27 July 2021 (New York time), IMAX Corporation made an announcement regarding its unaudited results for the second quarter of 2021 (the "**Earnings Release**"). If you wish to review the Earnings Release, please visit: https://www.sec.gov/Archives/edgar/data/921582/000156459021038278/imax-ex991_6.htm. Unless otherwise provided therein, all dollar amounts in the Earnings Release are denominated in United States dollars.

On 27 July 2021 (New York time), IMAX Corporation filed its unaudited quarterly report on the Form 10-Q for the second quarter of 2021 (the "**Quarterly Report**") with the United States Securities and Exchange Commission (the "**SEC**"), in accordance with the ongoing disclosure obligations applicable to the companies listed on the New York Stock Exchange. If you wish to review the Quarterly Report as filed with the SEC, please visit: https://www.sec.gov/ix?doc=/Archives/edgar/data/921582/000156459021038333/imax-10q_20210630.htm. Unless otherwise provided therein, all dollar amounts in the Quarterly Report are denominated in United States dollars.

The financial information disclosed in the Earnings Release, and the unaudited condensed consolidated financial results contained in the Quarterly Report and the financial information included in this announcement have been prepared in accordance with the Generally Accepted Accounting Principles of the United States. These principles are different from the IFRS, the standard employed by the Company, as a company listed on the Main Board of the Stock Exchange, to prepare and present financial information. As such financial information of the Company in the Earnings Release and in the Quarterly Report is not directly comparable to the financial results published directly by the Company.

**Our shareholders and potential investors are advised to exercise caution in dealing in securities in the Company**

The Earnings Release and Quarterly Report may contain forward-looking statements. Forward-looking statements involve a number of risks, uncertainties or other factors beyond our control, which may cause material differences in actual results, performance or other expectations. These factors include, but are not limited to, general economic conditions, competition, changes of government policies and regulations and other factors detailed in the Company's prospectus dated 24 September 2015. We are under no obligation to (and expressly disclaim any such obligation to) update the forward-looking statements as a result of new information, future events or otherwise.

The Earnings Release and Quarterly Report include certain quarterly financial information and operating statistics regarding the Company. To ensure that all shareholders of and potential investors in our Company have equal and timely access to the information pertaining to our Company, we have provided links to the Earnings Release and Quarterly Report above. We have also set forth below key highlights of the Quarterly Report that relate to our Company, some of which may constitute material inside information about our Company:

# (1) QUARTERLY REPORT EXTRACTS

## IMAX CORPORATION

## PART I. FINANCIAL INFORMATION

**Item 1.** ***Financial Statements***

## IMAX CORPORATION
## CONDENSED CONSOLIDATED BALANCE SHEETS

*(In thousands of U.S. dollars except share amounts)*

**(Unaudited)**

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | **$ 214,125** | $ 317,379 |
| Accounts receivable, net | **68,755** | 56,300 |
| Financing receivables, net | **133,221** | 131,810 |
| Variable consideration receivables, net | **41,596** | 40,526 |
| Inventories | **37,299** | 39,580 |
| Prepaid expenses | **11,892** | 10,420 |
| Film assets, net | **5,387** | 5,777 |
| Property, plant and equipment, net | **265,517** | 277,397 |
| Investment in equity securities | **1,089** | 13,633 |
| Other assets | **20,330** | 21,673 |
| Deferred income tax assets, net | **18,720** | 17,983 |
| Goodwill | **39,027** | 39,027 |
| Other intangible assets, net | **24,932** | 26,245 |
| **Total assets** | **$ 881,890** | $ 997,750 |
| **Liabilities** | | |
| Accounts payable | **$ 15,206** | $ 20,837 |
| Accrued and other liabilities | **91,557** | 99,354 |
| Revolving credit facility borrowings, net | **9,544** | 305,676 |
| Convertible notes, net | **222,888** | — |
| Deferred revenue | **87,489** | 87,982 |
| Deferred income tax liabilities | **19,681** | 19,134 |
| **Total liabilities** | **446,365** | 532,983 |

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| **Commitments and contingencies** | | |
| **Non-controlling interests** | **766** | 759 |
| **Shareholders' equity** | | |
| Capital stock common shares — no par value. Authorized — unlimited number. 59,396,411 issued and 59,395,909 outstanding (December 31, 2020 — 58,921,731 issued and 58,921,008 outstanding) | **415,857** | 407,031 |
| Less: Treasury stock, 502 shares at cost (December 31, 2020 — 723) | **(8)** | (11) |
| Other equity | **160,658** | 180,330 |
| Accumulated deficit | **(226,900)** | (202,849) |
| Accumulated other comprehensive income | **1,062** | 988 |
| **Total shareholders' equity attributable to common shareholders** | **350,669** | 385,489 |
| Non-controlling interests | **84,090** | 78,519 |
| **Total shareholders' equity** | **434,759** | 464,008 |
| **Total liabilities and shareholders' equity** | **$ 881,890** | $ 997,750 |

*(See the accompanying notes, which are an integral part of these Condensed Consolidated Financial Statements.)*

# IMAX CORPORATION
# CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

*(In thousands of U.S. dollars, except per share amounts)*

**(Unaudited)**

| | Three Months Ended June 30, **2021** | Three Months Ended June 30, 2020 | Six Months Ended June 30, **2021** | Six Months Ended June 30, 2020 |
|---|---|---|---|---|
| **Revenues** | | | | |
| Technology sales | **$ 15,173** | $ 2,687 | **$ 21,348** | $ 8,349 |
| Image enhancement and maintenance services | **24,711** | 3,799 | **46,326** | 24,520 |
| Technology rentals | **8,130** | (137) | **16,489** | 5,834 |
| Finance income | **2,941** | 2,506 | **5,546** | 5,054 |
| | **50,955** | 8,855 | **89,709** | 43,757 |
| **Costs and expenses applicable to revenues** | | | | |
| Technology sales | **6,496** | 2,546 | **11,549** | 6,415 |
| Image enhancement and maintenance services | **12,357** | 7,244 | **22,121** | 25,060 |
| Technology rentals | **6,499** | 6,753 | **13,155** | 14,884 |
| | **25,352** | 16,543 | **46,825** | 46,359 |
| **Gross margin (margin loss)** | **25,603** | (7,688) | **42,884** | (2,602) |
| Selling, general and administrative expenses | **28,807** | 29,796 | **54,016** | 58,432 |
| Research and development | **2,200** | 1,232 | **3,671** | 3,432 |
| Amortization of intangibles | **1,190** | 1,344 | **2,331** | 2,665 |
| Credit loss (reversal) expense, net | **(1,872)** | 1,440 | **(1,567)** | 11,657 |
| Asset impairments | **—** | — | **—** | 1,151 |
| Legal judgment and arbitration awards (see Note 8) | **(1,770)** | — | **(1,770)** | — |
| **Loss from operations** | **(2,952)** | (41,500) | **(13,797)** | (79,939) |
| Realized and unrealized investment gains (losses) | **33** | 2,025 | **5,281** | (2,514) |
| Retirement benefits non-service expense | **(116)** | (130) | **(230)** | (246) |
| Interest income | **559** | 891 | **1,142** | 1,256 |
| Interest expense | **(1,690)** | (1,581) | **(3,994)** | (2,229) |
| **Loss before taxes** | **(4,166)** | (40,295) | **(11,598)** | (83,672) |
| Income tax (expense) benefit | **(1,946)** | 10,248 | **(5,014)** | (5,257) |
| Equity in losses of investees, net of tax | **—** | — | **—** | (529) |
| **Net loss** | **(6,112)** | (30,047) | **(16,612)** | (89,458) |
| Less: Net (income) loss attributable to non-controlling interests | **(3,099)** | 4,080 | **(7,439)** | 14,137 |
| **Net loss attributable to common shareholders** | **$ (9,211)** | $ (25,967) | **$ (24,051)** | $ (75,321) |
| **Net loss per share attributable to common shareholders — basic and diluted:** | | | | |
| Net loss per share — basic and diluted | **$ (0.16)** | $ (0.44) | **$ (0.41)** | $ (1.26) |

*(See the accompanying notes, which are an integral part of these Condensed Consolidated Financial Statements.)*

# IMAX CORPORATION
# CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

*(In thousands of U.S. dollars)*

**(Unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| **Net loss** | **$ (6,112)** | $ (30,047) | **$ (16,612)** | $ (89,458) |
| **Other comprehensive income (loss), before tax** | | | | |
| Unrealized net gain (loss) from cash flow hedging instruments | **305** | 1,334 | **600** | (1,526) |
| Realized net (gain) loss from cash flow hedging instruments | **(824)** | 337 | **(1,055)** | 695 |
| Reclassification of unrealized gain from ineffective cash flow hedging instruments | **(271)** | — | **(293)** | — |
| Foreign currency translation adjustments | **2,960** | 496 | **794** | (615) |
| Defined benefit and postretirement benefit plans | **48** | 4 | **96** | 17 |
| **Total other comprehensive income (loss), before tax** | **2,218** | 2,171 | **142** | (1,429) |
| Income tax benefit (expense) related to other comprehensive income (loss) | **194** | (442) | **170** | 253 |
| Other comprehensive income (loss), net of tax | **2,412** | 1,729 | **312** | (1,176) |
| **Comprehensive loss** | **(3,700)** | (28,318) | **(16,300)** | (90,634) |
| Comprehensive (income) loss attributable to non-controlling interests | **(3,990)** | 3,930 | **(7,677)** | 14,323 |
| **Comprehensive loss attributable to common shareholders** | **$ (7,690)** | $ (24,388) | **$ (23,977)** | $ (76,311) |

*(See the accompanying notes, which are an integral part of these Condensed Consolidated Financial Statements.)*

# IMAX CORPORATION
# CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

*(In thousands of U.S. dollars)*

**(Unaudited)**

| | Six Months Ended June 30, 2021 | 2020 |
|---|---|---|
| **Operating Activities** | | |
| Net loss | **$ (16,612)** | $ (89,458) |
| Adjustments to reconcile net loss to cash used in operating activities: | | |
| Depreciation and amortization | **25,671** | 26,883 |
| Amortization of deferred financing costs | **1,008** | 299 |
| Credit loss (reversal) expense, net | **(1,567)** | 11,657 |
| Write-downs | **462** | 6,806 |
| Deferred income tax expense | **33** | (4,878) |
| Share-based and other non-cash compensation | **12,332** | 10,850 |
| Unrealized foreign currency exchange (gain) loss | **(490)** | 312 |
| Realized and unrealized investment (gains) losses | **(5,281)** | 2,514 |
| Equity in losses of investees | **—** | 529 |
| Changes in assets and liabilities: | | |
| Accounts receivable | **(11,049)** | 36,971 |
| Inventories | **1,867** | (16,887) |
| Film assets | **(5,808)** | (4,057) |
| Deferred revenue | **(447)** | 9,799 |
| Changes in other operating assets and liabilities | **(17,135)** | (12,220) |
| **Net cash used in operating activities** | **(17,016)** | (20,880) |
| **Investing Activities** | | |
| Purchase of property, plant and equipment | **(1,365)** | (594) |
| Investment in equipment for joint revenue sharing arrangements | **(2,397)** | (3,908) |
| Acquisition of other intangible assets | **(2,631)** | (1,221) |
| Proceeds from sale of equity securities | **17,769** | — |
| **Net cash provided by (used in) investing activities** | **11,376** | (5,723) |

| | Six Months Ended June 30, 2021 | 2020 |
|---|---|---|
| **Financing Activities** | | |
| Proceeds from issuance of convertible notes, net | **223,675** | — |
| Debt issuance costs related to convertible notes | **(242)** | — |
| Purchase of capped calls related to convertible notes | **(19,067)** | — |
| Revolving credit facility borrowings | **3,600** | 280,244 |
| Repayments of revolving credit facility borrowings | **(300,243)** | — |
| Credit facility amendment fees paid | **(32)** | (959) |
| Repurchase of common shares | **—** | (36,624) |
| Repurchase of common shares, IMAX China | **—** | (1,532) |
| Treasury stock purchased for future settlement of restricted share units | **—** | (3,086) |
| Taxes withheld and paid on employee stock awards vested | **(3,045)** | (251) |
| Common shares issued — stock options exercised | **883** | — |
| Dividends paid to non-controlling interests | **(2,099)** | (2,118) |
| **Net cash (used in) provided by financing activities** | **(96,570)** | 235,674 |
| Effects of exchange rate changes on cash | **(1,044)** | 431 |
| **(Decrease) increase in cash and cash equivalents during period** | **(103,254)** | 209,502 |
| **Cash and cash equivalents, beginning of period** | **317,379** | 109,484 |
| **Cash and cash equivalents, end of period** | **$ 214,125** | $ 318,986 |

*(See the accompanying notes, which are an integral part of these Condensed Consolidated Financial Statements.)*

### 1. Basis of Presentation

***Accounting Principles***

IMAX Corporation, together with its consolidated subsidiaries (the "**Company**"), prepares its financial statements in accordance with United States Generally Accepted Accounting Principles ("**U.S. GAAP**") and pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted from this report, as is permitted by such rules and regulations. In the Company's opinion, the unaudited Condensed Consolidated Financial Statements reflect all adjustments of a normal recurring nature that are necessary for a fair statement of the results for the interim periods presented. The interim results presented in the Company's Condensed Consolidated Statements of Operations are not necessarily indicative of results for a full year, particularly in this interim period due to the impacts of the COVID-19 global pandemic (see Note 2).

These Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements included in the Company's 2020 Annual Report on Form 10-K (the "**2020 Form 10-K**"), which should be consulted for a summary of the significant accounting policies utilized by the Company. The Condensed Consolidated Financial Statements are prepared following the same accounting policies disclosed in the 2020 Form 10-K.

***Principles of Consolidation***

These Condensed Consolidated Financial Statements include the accounts of the Company together with its consolidated subsidiaries, except for subsidiaries which have been identified as variable interest entities ("**VIEs**") where the Company is not the primary beneficiary. All intercompany accounts and transactions have been eliminated. The Company has evaluated its various variable interests to determine whether they are VIEs as required by U.S. GAAP.

***Estimates and Assumptions***

In preparing the Company's Condensed Consolidated Financial Statements, management makes judgments in applying various accounting policies. The areas of policy judgment are consistent with those reported in Note 3(b) in the 2020 Form 10-K. In addition, management makes assumptions about the Company's future operating results and cash flows in deriving critical accounting estimates used in preparing the Condensed Consolidated Financial Statements. The significant estimates made by management include, but are not limited to: (i) the allocation of the transaction price in an IMAX Theatre System arrangement to distinct performance obligations; (ii) estimates of variable consideration related to future box office performance; (iii) expected credit losses on accounts receivable, financing receivables and variable consideration receivables; (iv) provisions for the write-down of excess and obsolete inventory; (v) the fair values of the reporting units used in assessing the recoverability of goodwill; (vi) the cash flow estimates used in testing the recoverability of long-lived assets such as the theatre system equipment supporting joint revenue sharing arrangements; (vii) the economic lives of the theatre system equipment supporting joint revenue sharing arrangements; (viii) the useful lives of intangible assets; (ix) the ultimate revenue forecasts used to test the recoverability of film assets; (x) the discount rates used to determine the present value of lease liabilities; (xi) pension plan assumptions; (xii) estimates related to the fair value and projected vesting of share-based payment awards; (xiii) the valuation of deferred income tax assets; and (xiv) reserves related to uncertain tax positions.

The Company's operations have been significantly impacted by the COVID-19 global pandemic, as described in Note 2. There is significant ongoing uncertainty surrounding the extent and duration of the impacts that the pandemic will continue to have on box office results and the installation of IMAX Theatre Systems, as well as the Company's customers, suppliers, and employees. There is heightened potential for future credit losses on receivables, inventory write downs, impairments of film assets, impairments of long-lived assets (including the theatre system equipment supporting the Company's joint revenue sharing arrangements), impairments of goodwill, a further valuation allowance against deferred tax assets, and the reversal of variable consideration receivables that are based on estimates of future box office performance. In the current environment, assumptions about box office results, IMAX Theatre System installations, and customer creditworthiness have greater variability than normal, which could in the future significantly affect the valuation of the Company's financial and non-financial assets. The cash flow estimates used to test the recoverability of certain of the Company's long-lived assets are based on a longer time horizon due to the long-term nature of the underlying contracts, allowing time for a recovery of the cash flows associated with the underlying asset groups, which management has factored into its estimates. The accuracy of management's estimates is dependent, in part, on the timing and extent of the reopening of theatres in the IMAX network, and on the release of new films by movie studios. These theatre reopening and film release scenarios are highly uncertain and have been factored into management's cash flow estimates. As an understanding of the longer-term impacts of COVID-19 on the Company's customers and business develops, there is a heightened potential for changes in management's estimates over the remainder of 2021.

## 2. Impact of COVID-19 Pandemic

The impact of the COVID-19 pandemic is complex and continuously evolving, resulting in significant disruption to the Company's business and the global economy. The pandemic has led authorities around the world to impose measures intended to control the spread of COVID-19, including stay-at-home orders and restrictions on large public gatherings, which caused movie theatres in countries around the world to temporarily close, including the IMAX theatres in those countries. As a result of the theatre closures, movie studios postponed the theatrical release of most films originally scheduled for release in 2020 and early 2021, including many scheduled to be shown in IMAX theatres, while several other films were released directly or concurrently to streaming platforms. More recently, stay-at-home orders and capacity restrictions have been lifted in many key markets and, beginning in the third quarter of 2020, movie theatres throughout the IMAX network gradually reopened. As of

June 30, 2021, 89% of the theatres in the global IMAX commercial multiplex network were open, spanning 62 countries. This included 93% of Domestic theatres (i.e., in the United States and Canada), 90% of the theatres in Greater China and 75% of the theatres in Rest of World markets.

The impact of the COVID-19 global pandemic has resulted in significantly lower levels of revenues, earnings and operating cash flows for the Company during 2020 and through the end of the second quarter of 2021, when compared to periods prior to the onset of the pandemic, as gross box office ("**GBO**") results from the Company's theatre customers declined significantly, the installation of certain theatre systems was delayed, and maintenance services were generally suspended for theatres that were closed. In response to uncertainties associated with the pandemic, the Company took significant steps to preserve cash by eliminating non-essential costs, temporarily furloughing certain employees, reducing the working hours of other employees and reducing all non-essential capital expenditures to minimum levels. The Company also implemented an active cash management process, which, among other things, required senior management approval of all outgoing payments. In addition, as a result of the financial difficulties faced by certain of the Company's exhibition customers arising out of pandemic-related closures, the Company has experienced and may continue to experience delays in collecting payments due under existing theatre sale or lease arrangements. The Company has provided temporary relief to certain exhibitor customers by waiving or reducing maintenance fees during periods when theatres are closed or operating with reduced capacities and, in certain situations, by providing extended payment terms on annual minimum payment obligations in exchange for a corresponding or longer extension of the term of the underlying sale or lease arrangement.

For the six months ended June 30, 2021, GBO receipts generated by IMAX DMR films totaled $218.8 million, surpassing the total for the second half of 2020 by $57.6 million (36%). Management is encouraged by these box office results and the strong pipeline of Hollywood movies scheduled to be released for theatrical exhibition in the second half of 2021. However, the impact of the COVID-19 global pandemic on the Company's business and financial results will continue to depend on numerous evolving factors that cannot be accurately predicted and that will vary by jurisdiction and market, including the duration and scope of the pandemic, the emergence of variants of the virus, the progress made on administering vaccines, the continuing impact of the pandemic on global economic conditions and ongoing government responses to the pandemic, which could lead to further theatre closures, theatre capacity restrictions and/or delays in the release of films.

## 4. Current Expected Credit Losses

The Company's accounts receivable, financing receivables and variable consideration receivables are measured on the amortized cost basis and presented at the net amount expected to be collected.

*Accounts Receivable*

Accounts receivable principally includes amounts currently due to the Company under theatre sale and sales-type lease arrangements, contingent fees owed by theatre operators as a result of box office performance and fees for theatre maintenance services. Accounts receivable also includes amounts due to the Company from movie studios and other content creators for digitally remastering films into IMAX formats, as well as for film distribution and post-production services.

In order to mitigate the credit risk associated with accounts receivable, management performs an initial credit evaluation prior to entering into an arrangement with a customer and then regularly monitors the credit quality of each customer through an analysis of collections history and aging. This monitoring process includes meetings on at least a monthly basis to identify credit concerns and potential changes in credit quality classification. A customer may improve their credit quality classification once a substantial payment is made on an overdue balance or when the customer has agreed to a payment plan and payments have commenced in accordance with that plan. Changes in credit quality classification are dependent upon management approval. The Company's internal credit quality classifications for theatre operators are as follows:

- Good Standing — The theatre operator continues to be in good standing as payments and reporting are up to date.

- Credit Watch — The theatre operator has demonstrated a delay in payments, but continues to be in active communication with the Company. Theatre operators placed on Credit Watch are subject to enhanced monitoring. In addition, depending on the size of the outstanding balance, length of time in arrears and other factors, future transactions may need to be approved by management. These receivables are in better condition than those in the Pre-Approved Transactions Only category, but are not in as good condition as the receivables in the Good Standing category.

- Pre-Approved Transactions Only — The theatre operator has demonstrated a delay in payments with little or no communication with the Company. All services and shipments to the theatre operator must be reviewed and approved by management. These receivables are in better condition than those in the All Transactions Suspended category, but are not in as good condition as the receivables in the Credit Watch category. In certain situations, depending on the individual facts and circumstances related to each customer, finance income recognition may be suspended for the net investment in lease and financed sale receivable balances for customers in the Pre-Approved Transactions Only category. See below for a discussion of the Company's net investment in leases and financed sale receivables.

- All Transactions Suspended — The theatre operator is severely delinquent, non-responsive or not negotiating in good faith with the Company. Once a theatre operator is classified within the All Transactions Suspended category, the theatre is placed on nonaccrual status and all revenue recognitions related to the theatre are stopped.

The ability of the Company to collect its accounts receivable balances is heavily dependent on the viability and solvency of individual theatre operators which is significantly influenced by consumer behavior and general economic conditions. Theatre operators, or other customers, may experience financial difficulties, such as those imposed by the COVID-19 global pandemic, that could cause them to be unable to fulfill their payment obligations to the Company.

The Company develops its estimate of credit losses by class of receivable and customer type through a calculation that utilizes historical loss rates which are then adjusted for specific receivables that are judged to have a higher than normal risk profile after taking into account management's internal credit quality classifications, as well as macro-economic and industry risk factors.

The following tables summarize the activity in the Allowance for Credit Losses related to Accounts Receivable for the three and six months ended June 30, 2021 and 2020:

| | **Three Months Ended June 30, 2021** | | | | **Six Months Ended June 30, 2021** | | | |
|---|---|---|---|---|---|---|---|---|
| ***(In thousands of U.S. dollars)*** | **Theatre Operators** | **Studios** | **Other** | **Total** | **Theatre Operators** | **Studios** | **Other** | **Total** |
| Beginning balance | **$ 8,783** | **$ 3,771** | **$ 1,188** | **$ 13,742** | **$ 8,368** | **$ 4,481** | **$ 1,446** | **$ 14,295** |
| Current period (reversal) provision, net | **(221)** | **(1,178)** | **4** | **(1,395)** | **378** | **(1,677)** | **(245)** | **(1,544)** |
| Write-offs | **(65)** | **(103)** | **—** | **(168)** | **(235)** | **(252)** | **—** | **(487)** |
| Foreign exchange | **100** | **27** | **—** | **127** | **86** | **(35)** | **(9)** | **42** |
| Ending balance | **$ 8,597** | **$ 2,517** | **$ 1,192** | **$ 12,306** | **$ 8,597** | **$ 2,517** | **$ 1,192** | **$ 12,306** |

| | Three Months Ended June 30, 2020 | | | | Six Months Ended June 30, 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| *(In thousands of U.S. dollars)* | Theatre Operators | Studios | Other | Total | Theatre Operators | Studios | Other | Total |
| Beginning balance | $ 6,504 | $ 3,983 | $ 1,041 | $ 11,528 | $ 3,302 | $ 893 | $ 942 | $ 5,137 |
| Current period (reversal) provision, net | (107) | 1,596 | (203) | 1,286 | 3,095 | 4,686 | (104) | 7,677 |
| Foreign exchange | (80) | (124) | — | (204) | (80) | (124) | — | (204) |
| Ending balance | $ 6,317 | $ 5,455 | $ 838 | $ 12,610 | $ 6,317 | $ 5,455 | $ 838 | $ 12,610 |

For the three and six months ended June 30, 2021, the Company reduced its allowance for current expected credit losses related to Accounts Receivable by $1.4 million and $2.0 million, respectively, principally as a result of better than anticipated collection experience with respect to foreign theatre and studio receivable balances, which allowed the reversal of previously recorded Credit Loss Expense. For the three and six months ended June 30, 2020, the Company increased it allowance for current expected credit losses related to Accounts Receivable by $1.1 million and $7.5 million, respectively, principally due to a reduction in the credit quality of and heightened collection risk associated with theatre and foreign movie studio accounts receivable primarily due to the COVID-19 global pandemic.

Management believes that the June 30, 2021 allowance for current expected credit losses related to Accounts Receivable adequately addresses the risk of not collecting these receivables in full. Management's judgments regarding expected credit losses are based on the facts available to management and involve estimates about the future. Due to the unprecedented nature of the COVID-19 pandemic, its effect on the Company's customers and their ability to meet their financial obligations to the Company is difficult to predict. As a result, the Company's judgments and associated estimates of credit losses may ultimately prove, with the benefit of hindsight, to be incorrect (see Note 2).

***Financing Receivables***

Financing receivables are due from theatre operators and consist of the Company's net investment in sales-type leases and receivables associated with financed sales of IMAX Theatre Systems. Similar to accounts receivable, management performs an initial credit evaluation prior to entering into an arrangement with a customer and then regularly monitors the credit quality of each customer through an analysis of collections history and aging. This monitoring process includes meetings on at least a monthly basis to identify credit concerns and potential changes in credit quality classification. A customer may improve their credit quality classification once a substantial payment is made on an overdue balance or when the customer has agreed to a payment plan and payments have commenced in accordance with that plan. Changes in credit quality classification are dependent upon management approval. The internal credit quality classifications utilized by the Company for accounts receivable, as described above, are also used for financing receivables.

The ability of the Company to collect its financing receivable balances is heavily dependent on the viability and solvency of individual theatre operators which is significantly influenced by consumer behavior and general economic conditions. Theatre operators may experience financial difficulties, such as those imposed by the COVID-19 global pandemic, that could cause them to be unable to fulfill their payment obligations to the Company.

The Company develops its estimate of credit losses by class of receivable and customer type through a calculation that utilizes historical loss rates which are then adjusted for specific receivables that are judged to have a higher than normal risk profile after taking into account management's internal credit quality classifications, as well as macro-economic and industry risk factors.

As of June 30, 2021 and December 31, 2020, financing receivables consist of the following:

| *(In thousands of U.S. dollars)* | **June 30, 2021** | December 31, 2020 |
|---|---|---|
| **Net investment in leases** | | |
| Gross minimum payments due under sales-type leases | **$ 23,614** | $ 20,830 |
| Unearned finance income | **(844)** | (859) |
| Present value of minimum payments due under sales-type leases | **22,770** | 19,971 |
| Allowance for credit losses | **(579)** | (557) |
| Net investment in leases | **22,191** | 19,414 |
| **Financed sales receivables** | | |
| Gross minimum payments due under financed sales | **150,468** | 150,917 |
| Unearned finance income | **(32,325)** | (31,247) |
| Present value of minimum payments due under financed sales | **118,143** | 119,670 |
| Allowance for credit losses | **(7,113)** | (7,274) |
| Net financed sales receivables | **111,030** | 112,396 |
| Total financing receivables | **$ 133,221** | $ 131,810 |
| Net financed sales receivables due within one year | **$ 31,779** | $ 34,937 |
| Net financed sales receivables due after one year | **$ 79,251** | $ 77,459 |
| Total financed sales receivables | **$ 111,030** | $ 112,396 |

As of June 30, 2021 and December 31, 2020, the weighted-average remaining lease term and weighted-average interest rate associated with the Company's sales-type lease arrangements and financed sale receivables, as applicable, are as follows:

| | **June 30, 2021** | December 31, 2020 |
|---|---|---|
| **Weighted-average remaining lease term (in years)** | | |
| Sales-type lease arrangements | **8.7** | 8.3 |
| **Weighted-average interest rate** | | |
| Sales-type lease arrangements | **6.52%** | 6.56% |
| Financed sales receivables | **8.73%** | 8.92% |

The tables below provide information on the Company's net investment in leases by credit quality indicator as of June 30, 2021 and December 31, 2020. The amounts disclosed in these tables are determined on a customer-by-customer basis and include both billed and unbilled amounts.

| *(In thousands of U.S. dollars)* | | | By Origination Year | | | | |
|---|---|---|---|---|---|---|---|
| **As of June 30, 2021** | **2021** | **2020** | **2019** | **2018** | **2017** | **Prior** | **Total** |
| **Net investment in leases:** | | | | | | | |
| Credit quality classification: | | | | | | | |
| In good standing | $ 4,379 | $ 2,832 | $ 7,943 | $ 1,494 | $ — | $ 1,231 | $ 17,879 |
| Credit Watch | — | 1,226 | — | 1,039 | 918 | 888 | 4,071 |
| Pre-approved transactions | — | — | — | — | — | — | — |
| Transactions suspended | — | — | — | — | — | 820 | 820 |
| **Total net investment in leases** | **$ 4,379** | **$ 4,058** | **$ 7,943** | **$ 2,533** | **$ 918** | **$ 2,939** | **$ 22,770** |

| *(In thousands of U.S. dollars)* | | | By Origination Year | | | | |
|---|---|---|---|---|---|---|---|
| As of December 31, 2020 | 2020 | 2019 | 2018 | 2017 | 2016 | Prior | Total |
| **Net investment in leases:** | | | | | | | |
| Credit quality classification: | | | | | | | |
| In good standing | $ 2,143 | $ 1,190 | $ 2,730 | $ — | $ — | $ 1,826 | $ 7,889 |
| Credit Watch | 2,005 | 7,278 | — | 988 | — | 1,047 | 11,318 |
| Pre-approved transactions | — | — | — | — | — | — | — |
| Transactions suspended | — | — | — | — | — | 764 | 764 |
| **Total net investment in leases** | $ 4,148 | $ 8,468 | $ 2,730 | $ 988 | $ — | $ 3,637 | $ 19,971 |

The tables below provide information on the Company's financed sale receivables by credit quality indicator as of June 30, 2021 and December 31, 2020. The amounts disclosed in these tables are determined on a customer-by-customer basis and include both billed and unbilled amounts.

| ***(In thousands of U.S. dollars)*** | | | **By Origination Year** | | | | |
|---|---|---|---|---|---|---|---|
| **As of June 30, 2021** | **2021** | **2020** | **2019** | **2018** | **2017** | **Prior** | **Total** |
| **Financed sales receivables:** | | | | | | | |
| Credit quality classification: | | | | | | | |
| In good standing | **$ 3,322** | **$ 4,804** | **$ 5,135** | **$ 4,566** | **$ 5,746** | **$ 20,936** | **$ 44,509** |
| Credit Watch | **1,612** | **3,969** | **6,871** | **9,621** | **10,132** | **37,864** | **70,069** |
| Pre-approved transactions | **—** | **—** | **—** | **—** | **—** | **991** | **991** |
| Transactions suspended | **—** | **—** | **—** | **—** | **675** | **1,899** | **2,574** |
| **Total financed sales receivables** | **$ 4,934** | **$ 8,773** | **$ 12,006** | **$ 14,187** | **$ 16,553** | **$ 61,690** | **$118,143** |

| *(In thousands of U.S. dollars)* | | | By Origination Year | | | | |
|---|---|---|---|---|---|---|---|
| As of December 31, 2020 | 2020 | 2019 | 2018 | 2017 | 2016 | Prior | Total |
| **Financed sales receivables:** | | | | | | | |
| Credit quality classification: | | | | | | | |
| In good standing | $ 6,830 | $ 5,480 | $ 3,547 | $ 3,740 | $ 5,072 | $ 12,660 | $ 37,329 |
| Credit Watch | 1,986 | 6,501 | 11,356 | 12,520 | 11,446 | 34,351 | 78,160 |
| Pre-approved transactions | — | — | — | — | 613 | 755 | 1,368 |
| Transactions suspended | — | — | — | 987 | 728 | 1,098 | 2,813 |
| **Total financed sales receivables** | $ 8,816 | $ 11,981 | $ 14,903 | $ 17,247 | $ 17,859 | $ 48,864 | $119,670 |

The following tables provide an aging analysis for the Company's net investment in leases and financed sale receivables as of June 30, 2021 and December 31, 2020:

| | As of June 30, 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *(In thousands of U.S. dollars)* | **Accrued and Current** | **30–89 Days** | **90+ Days** | **Billed** | **Unbilled** | **Recorded Receivable** | **Allowance for Credit Losses** | **Net** |
| Net investment in leases | **$ 154** | **$ 112** | **$ 500** | **$ 766** | **$ 22,004** | **$ 22,770** | **$ (579)** | **$ 22,191** |
| Financed sales receivables | **1,552** | **2,756** | **9,084** | **13,392** | **104,751** | **118,143** | **(7,113)** | **111,030** |
| Total | **$ 1,706** | **$ 2,868** | **$ 9,584** | **$ 14,158** | **$ 126,755** | **$ 140,913** | **$ (7,692)** | **$ 133,221** |

| | As of December 31, 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *(In thousands of U.S. dollars)* | Accrued and Current | 30–89 Days | 90+ Days | Billed | Unbilled | Recorded Receivable | Allowance for Credit Losses | Net |
| Net investment in leases | $ 298 | $ 180 | $ 689 | $ 1,167 | $ 18,804 | $ 19,971 | $ (557) | $ 19,414 |
| Financed sales receivables | 3,307 | 1,943 | 10,699 | 15,949 | 103,721 | 119,670 | (7,274) | 112,396 |
| Total | $ 3,605 | $ 2,123 | $ 11,388 | $ 17,116 | $ 122,525 | $ 139,641 | $ (7,831) | $ 131,810 |

The Company considers Financing Receivables with an aging between 60–89 days as indications of theatres with potential collection concerns. At this point, the Company will begin to focus its review on these Financing Receivables and increase its discussions internally and with the theatre regarding payment status. Once a theatre's aging exceeds 90 days, the Company's policy is to perform an enhanced review to assess collectibility of the theatre's past due accounts. The over 90 days past due category may be an indicator of potential impairment as up to 90 days outstanding is considered to be a reasonable time to resolve any issues. Given the potential impacts of the COVID-19 global pandemic on the Company's customers, management has enhanced its monitoring procedures with respect to overdue receivables.

The following table provides information about the Company's net investment in leases and financed sale receivables with billed amounts past due for which it continues to accrue finance income as of June 30, 2021 and December 31, 2020:

| | As of June 30, 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| ***(In thousands of U.S. dollars)*** | **Accrued and Current** | **30–89 Days** | **90+ Days** | **Billed** | **Unbilled** | **Allowance for Credit Losses** | **Net** |
| Net investment in leases | **$ 37** | **$ 77** | **$ 119** | **$ 233** | **$ 3,838** | **$ (124)** | **$ 3,947** |
| Financed sales receivables | **955** | **2,139** | **7,756** | **10,850** | **49,871** | **(3,237)** | **57,484** |
| Total | **$ 992** | **$ 2,216** | **$ 7,875** | **$ 11,083** | **$ 53,709** | **$ (3,361)** | **$ 61,431** |

| (In thousands of U.S. dollars) | As of December 31, 2020<br>Accrued and Current | 30–89 Days | 90+ Days | Billed | Unbilled | Allowance for Credit Losses | Net |
|---|---|---|---|---|---|---|---|
| Net investment in leases | $ 231 | $ 162 | $ 359 | $ 752 | $ 13,912 | $ (310) | $ 14,354 |
| Financed sales receivables | 2,026 | 1,551 | 10,249 | 13,826 | 62,602 | (4,434) | 71,994 |
| Total | $ 2,257 | $ 1,713 | $ 10,608 | $ 14,578 | $ 76,514 | $ (4,744) | $ 86,348 |

The following table provides information about the Company's net investment in leases and financed sale receivables that are on nonaccrual status as of June 30, 2021 and December 31, 2020:

| *(In thousands of U.S. dollars)* | **As of June 30, 2021**<br>**Recorded Receivable** | **Allowance for Credit Losses** | **Net** | As of December 31, 2020<br>Recorded Receivable | Allowance for Credit Losses | Net |
|---|---|---|---|---|---|---|
| Net investment in leases | **$ 820** | **$ (16)** | **$ 804** | $ 764 | $ (18) | $ 746 |
| Net financed sales receivables | **3,566** | **(1,399)** | **2,167** | 2,813 | (1,482) | 1,331 |
| Total | **$ 4,386** | **$ (1,415)** | **$ 2,971** | $ 3,577 | $ (1,500) | $ 2,077 |

A theatre operator that is classified within the "All Transactions Suspended" category is placed on nonaccrual status and all revenue recognitions related to the theatre are stopped. In certain cases, a theatre operator classified within the "Pre-Approved Transactions" category may also be placed on nonaccrual status. While the recognition of Finance Income is suspended, payments received by a customer are applied against the outstanding balance owed. If payments are sufficient to cover any unreserved receivables, a recovery of provision taken on the billed amount, if applicable, is recorded to the extent of the residual cash received. Once the collectibility issues are resolved and the customer has returned to being in good standing, the Company will resume recognition of Finance Income.

For the three and six months ended June 30, 2021, the Company recognized less than $0.1 million and $0.1 million, respectively, (2020 — $0.1 million and $0.2 million, respectively) in Finance Income related to the net investment in leases with billed amounts past due. For the three and six months ended June 30, 2021, the Company recognized $1.1 million and $2.3 million, respectively, (2020 — $0.9 million and $3.0 million, respectively) in Finance Income related to the financed sale receivables with billed amounts past due.

The following table summarizes the activity in the allowance for credit losses related to the Company's net investment in leases and financed sale receivables for the three and six months ended June 30, 2021 and 2020:

| | Three Months Ended June 30, 2021 | | Six Months Ended June 30, 2021 | |
|---|---|---|---|---|
| ***(In thousands of U.S. dollars)*** | **Net Investment in Leases** | **Financed Sales Receivables** | **Net Investment in Leases** | **Financed Sales Receivables** |
| Beginning balance | **$ 581** | **$ 7,491** | **$ 557** | **$ 7,274** |
| Current period (reversal) provision, net | **(7)** | **(432)** | **20** | **(205)** |
| Foreign exchange | **5** | **54** | **2** | **44** |
| Ending balance | **$ 579** | **$ 7,113** | **$ 579** | **$ 7,113** |

| | Three Months Ended June 30, 2020 | | Six Months Ended June 30, 2020 | |
|---|---|---|---|---|
| *(In thousands of U.S. dollars)* | Net Investment in Leases | Net Financed Sales Receivables | Net Investment in Leases | Net Financed Sales Receivables |
| Beginning balance | $ 464 | $ 3,557 | $ 155 | $ 915 |
| Current period (reversal) provision, net | (5) | 171 | 304 | 2,813 |
| Foreign exchange | — | (19) | — | (19) |
| Ending balance | $ 459 | $ 3,709 | $ 459 | $ 3,709 |

For the three and six months ended June 30, 2021, the Company reduced its allowance for current expected credit losses related to Financing Receivables by $0.4 million and $0.1 million, respectively, principally as a result of better than anticipated collection experience with respect to foreign theatre customers, which allowed the reversal of previously recorded Credit Loss Expense. For the three and six months ended June 30, 2020, the Company increased its allowance for current expected credit losses related to Financing Receivables by $0.2 million and $3.1 million, respectively. The provisions recorded in the prior year period reflect a reduction in the credit quality of and heightened collection risk associated with theatre related Financing Receivables primarily due to the COVID-19 global pandemic.

Management believes that the June 30, 2021 allowance for current expected credit losses related to Financing Receivables adequately addresses the risk of not collecting these receivables in full. Management's judgments regarding expected credit losses are based on the facts available to management and involve estimates about the future. Due to the unprecedented nature of the COVID-19 pandemic, its effect on the Company's customers and their ability to meet their financial obligations to the Company is difficult to predict. As a result, the Company's judgments and associated estimates of credit losses may ultimately prove, with the benefit of hindsight, to be incorrect (see Note 2).

*Variable Consideration Receivables*

In sale arrangements, variable consideration may become due to the Company from theatre operators if certain annual minimum box office receipt thresholds are exceeded. Such variable consideration is recorded as revenue in the period when the sale is recognized and adjusted in future periods based on actual results and changes in estimates. Variable consideration is only recognized to the extent the Company believes there is not a risk of significant revenue reversal.

The ability of the Company to collect its variable consideration receivables is heavily dependent on the viability and solvency of individual theatre operators which is significantly influenced by consumer behavior and general economic conditions. Theatre operators may experience financial difficulties, such as those imposed by the COVID-19 global pandemic, that could cause them to be unable to fulfill their payment obligations to the Company.

The Company develops its estimate of credit losses by class of receivable and customer type through a calculation utilizing historical loss rates for financed sale receivables which are then adjusted for specific receivables that are judged to have a higher than normal risk profile after taking into account management's internal credit quality classifications, as well as macro-economic and industry risk factors.

The following table summarizes the activity in the Allowance for Credit Losses related to Variable Consideration Receivables for the three and six months ended June 30, 2021 and 2020:

| | **Three Months Ended June 30,** | | **Six Months Ended June 30,** | |
|---|---|---|---|---|
| *(In thousands of U.S. dollars)* | **2021 Theatre Operators** | 2020 Theatre Operators | **2021 Theatre Operators** | 2020 Theatre Operators |
| Beginning balance | **$ 2,088** | $ 875 | **$ 1,887** | $ — |
| Current period (reversal) provision, net | **(38)** | (12) | **162** | 863 |
| Foreign Exchange | **(22)** | — | **(21)** | — |
| Ending balance | **$ 2,028** | $ 863 | **$ 2,028** | $ 863 |

For the six months ended June 30, 2021 and 2020, the Company increased its allowance for current expected credit losses related to Variable Consideration Receivables by $0.1 million and $0.9 million, respectively. The provision recorded in the prior year period reflects a reduction in the credit quality of and heightened collection risk associated with Variable Consideration Receivables primarily due to the COVID-19 global pandemic.

Management believes that the June 30, 2021 allowance for current expected credit losses related to Variable Consideration Receivables adequately addresses the risk of not collecting these receivables in full. Management's judgments regarding expected credit losses are based on the facts available to management and involve estimates about the future. Due to the unprecedented nature of the COVID-19 pandemic, its effect on the Company's customers and their ability to meet their financial obligations to the Company is difficult to predict. As a result, the Company's judgments and associated estimates of credit losses may ultimately prove, with the benefit of hindsight, to be incorrect (see Note 2).

## 5. Lease Arrangements

### *(a) IMAX Corporation as a Lessee*

The Company's operating lease arrangements principally involve office and warehouse space. Office equipment is generally purchased outright. Leases with an initial term of less than 12 months are not recorded on the Condensed Consolidated Balance Sheets and the related lease expense is recognized on a straight-line basis over the lease term. Most of the Company's leases include one or more options to renew, with renewal terms that can extend the lease term from one to five years or more. The Company has determined that it is reasonably certain that the renewal options on its warehouse leases will be exercised based on previous history, its current understanding of future business needs and its level of investment in leasehold improvements, among other factors. The incremental borrowing rate used in the calculation of the Company's lease liability is based on the location of each leased property. None of the Company's leases include options to purchase the leased property. The depreciable lives of right-of-use assets and related leasehold improvements are limited by the expected lease term. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Company rents or subleases certain office space to third parties, which have a remaining term of less than 12 months and are not expected to be renewed.

For the three and six months ended June 30, 2021 and 2020, the components of lease expense recorded within Selling, General and Administrative expenses are as follows:

| *(In thousands of U.S. dollars)* | **Three Months Ended June 30, 2021** | Three Months Ended June 30, 2020 | **Six Months Ended June 30, 2021** | Six Months Ended June 30, 2020 |
|---|---|---|---|---|
| Operating lease cost(1) | **$ 211** | $ 121 | **$ 383** | $ 259 |
| Amortization of lease assets | **666** | 701 | **1,414** | 1,449 |
| Interest on lease liabilities | **231** | 245 | **473** | 507 |
| Total lease cost | **$ 1,108** | $ 1,067 | **$ 2,270** | $ 2,215 |

(1) Includes short-term leases and variable lease costs, which are not significant for the three and six months ended June 30, 2021 and 2020.

For the six months ended June 30, 2021 and 2020, supplemental cash and non-cash information related to leases is as follows:

| *(In thousands of U.S. dollars)* | | Six Months Ended June 30, **2021** | | 2020 |
|---|---|---|---|---|
| Cash paid for amounts included in the measurement of lease liabilities | **$** | **1,929** | $ | 1,730 |
| Right-of-use assets obtained in exchange for lease obligations | **$** | **928** | $ | 286 |

As of June 30, 2021 and December 31, 2020, supplemental balance sheet information related to leases is as follows:

| *(In thousands of U.S. dollars)* | | | **June 30, 2021** | | December 31, 2020 |
|---|---|---|---|---|---|
| **Assets** | **Balance Sheet Classification** | | | | |
| Right-of-Use Assets | Property, plant and equipment | **$** | **13,413** | $ | 13,911 |
| **Liabilities** | **Balance Sheet Classification** | | | | |
| Operating Leases | Accrued and other liabilities | **$** | **16,034** | $ | 16,634 |

As of June 30, 2021 and December 31, 2020, the weighted-average remaining lease term and weighted-average interest rate associated with the Company's operating leases are as follows:

| | **June 30, 2021** | December 31, 2020 |
|---|---|---|
| Weighted-average remaining lease term (years) | **7.1** | 7.6 |
| Weighted-average discount rate | **5.95%** | 5.91% |

As of June 30, 2021, the maturities of the Company's operating lease liabilities are as follows:

*(In thousands of U.S. dollars)*

| | | |
|---|---|---|
| 2021 (six months remaining) | $ | 1,894 |
| 2022 | | 3,308 |
| 2023 | | 2,446 |
| 2024 | | 2,246 |
| 2025 | | 2,093 |
| Thereafter | | 7,986 |
| Total lease payments | $ | 19,973 |
| Less: interest expense | | (3,939) |
| Present value of operating lease liabilities | $ | 16,034 |

***(b) IMAX Corporation as a Lessor***

The Company provides IMAX Theatre Systems to customers through long-term lease arrangements that for accounting purposes are classified as sales-type leases. Under these arrangements, in exchange for providing the IMAX Theatre System, the Company earns fixed upfront and ongoing consideration. Certain arrangements that are legal sales are also classified as sales-type leases as certain clauses within the arrangements limit transfer of title or provide the Company with conditional rights to the system. The customer's rights under the Company's sales-type lease arrangements are described in Note 3(n) in the Company's 2020 Form 10-K. Under the Company's sales-type lease arrangements, the customer has the ability and the right to operate the hardware components or direct others to operate them in a manner determined by the customer. The Company's lease portfolio terms are typically non-cancellable for 10 to 20 years with renewal provisions from inception. The Company's sales-type lease arrangements do not contain a guarantee of residual value at the end of the lease term. The customer is required to pay for executory costs such as insurance and taxes and is required to pay the Company for maintenance and an extended warranty generally after the first year of the lease until the end of the lease term. The customer is responsible for obtaining insurance coverage for the IMAX Theatre System commencing on the date specified in the arrangement's shipping terms and ending on the date the IMAX Theatre System is returned to the Company.

The Company also provides IMAX Theatre Systems to customers through joint revenue sharing arrangements. Under the traditional form of these arrangements, in exchange for providing the IMAX Theatre System under a long-term lease, the Company earns rent based on a percentage of contingent box office receipts and, in some cases, concession revenues, rather than requiring the customer to pay a fixed upfront fee or annual minimum payments. Under certain other joint revenue sharing arrangements, known as hybrid arrangements, the customer is responsible for making fixed upfront payments prior to the delivery and installation of the IMAX Theatre System. Under joint revenue sharing arrangements, the customer has the ability and the right to operate the hardware components or direct others to operate them in a manner determined by the customer. The Company's joint revenue sharing arrangements are typically non-cancellable for 10 years or longer with renewal provisions. Title to the IMAX Theatre System under a joint revenue sharing arrangement generally does not transfer to the customer. The Company's joint revenue sharing arrangements do not contain a guarantee of residual value at the end of the lease term. The customer is required to pay for executory costs such as insurance and taxes and is required to pay the Company for maintenance and an extended warranty throughout the term. The customer is responsible for obtaining insurance coverage for the IMAX Theatre System commencing on the date specified in the arrangement's shipping terms and ending on the date the IMAX Theatre System is returned to the Company.

(See Note 4 for information related to the net investment in leases related to the Company's sales-type lease arrangements.)

## 6. Inventories

As of June 30, 2021 and December 31, 2020, Inventories consist of the following:

| ***(In thousands of U.S. dollars)*** | | **June 30, 2021** | | December 31, 2020 |
|---|---|---|---|---|
| Raw materials | **$** | **27,825** | $ | 30,096 |
| Work-in-process | | **2,655** | | 3,014 |
| Finished goods | | **6,819** | | 6,470 |
| | **$** | **37,299** | $ | 39,580 |

At June 30, 2021, Inventories include finished goods of $2.3 million (December 31, 2020 — $2.1 million) for which title had passed to the customer, but the criteria for revenue recognition were not met as of the balance sheet date.

During the three and six months ended June 30, 2021, the Company recognized write-downs of $0.1 million and $0.2 million, respectively, (2020 — $0.1 million) for excess and obsolete inventory based on current estimates of net realizable value.

## 7. Debt

### (a) *Revolving Credit Facility Borrowings*

As of June 30, 2021 and December 31, 2020, Revolving Credit Facility Borrowings consist of the following:

| *(In thousands of U.S. dollars)* | **June 30, 2021** | December 31, 2020 |
|---|---|---|
| Credit Facility borrowings | **$ —** | $ 300,000 |
| Working Capital Facility borrowings | **11,017** | 7,643 |
| Unamortized debt issuance costs | **(1,473)** | (1,967) |
| Revolving Credit Facility Borrowings, net | **$ 9,544** | $ 305,676 |

***Working Capital Facility***

On July 1, 2021, IMAX (Shanghai) Multimedia Technology Co., Ltd. ("**IMAX Shanghai**"), one of the Company's majority-owned subsidiaries in China, renewed its unsecured revolving facility for up to 200.0 million Chinese Renminbi ("**RMB**") (approximately $30.9 million) to fund ongoing working capital requirements (the "**Working Capital Facility**"). The Working Capital Facility expires in July 2022.

As of June 30, 2021, outstanding Working Capital Facility borrowings were RMB71.2 million ($11.0 million) and outstanding letters of guarantee were RMB2.4 million ($0.4 million). As of December 31, 2020, outstanding Working Capital Facility borrowings were RMB49.9 million ($7.6 million) and no letters of guarantee were issued. As of June 30, 2021, the amount available for future borrowings under the Working Capital Facility was RMB118.8 million ($18.4 million) and the amount available for letters of guarantee was RMB7.6 million ($1.1 million). The amount available for future borrowings under the Working Capital Facility is not subject to a standby fee. The effective interest rate for borrowings under the Working Capital Facility for the three and six months ended June 30, 2021 was 4.35% (2020 — 4.35%).

## 9. Condensed Consolidated Statements of Operations Supplemental Information

### (a) *Selling Expenses*

Sales commissions and other selling expenses paid prior to the recognition of the related revenue are deferred and recognized in the Condensed Consolidated Statements of Operations upon the recognition of the related theatre system revenue. For the three and six months ended June 30, 2021, the sales commission costs recognized within Costs and Expenses Applicable to Revenues — Technology Sales are $0.3 million and $0.4 million, respectively (2020 — $0.1 million and $0.1 million, respectively). Direct advertising and marketing costs for each theatre are expensed as incurred. For the three and six months ended June 30, 2021, the total of all such costs recognized within Costs and Expenses Applicable to Revenues — Technology Sales was $0.1 million and $0.2 million, respectively (2020 — $0.1 million and $0.3 million, respectively).

Sales commissions related to joint revenue sharing arrangements accounted for operating leases are recognized as Costs and Expenses Applicable to Revenues — Technology Rentals in the month they are earned by the salesperson, which is typically the month of installation. For the three and six months ended June 30, 2021, sales commissions related to such joint revenue sharing arrangements totaled $0.1 million and $0.3 million, respectively (2020 — less than $0.1 million and $0.2 million, respectively). Direct advertising and marketing costs for each theatre are expensed as incurred. For the three and six months ended June 30, 2021, the total of such costs recognized within Costs and Expenses Applicable to Revenues — Technology Rentals was $0.2 million and $0.8 million, respectively (2020 — less than $0.1 million and $0.4 million, respectively).

Film exploitation costs, including advertising and marketing expense, totaled $1.5 million and $2.7 million, respectively, for the three and six months ended June 30, 2021 (2020 — recovery of less than $0.1 million and expense of $2.6 million, respectively), and are expensed as incurred within Costs and Expenses Applicable to Revenues — Image Enhancement and Maintenance Services.

***(b) Foreign Exchange***

Included in Selling, General and Administrative Expenses for the three and six months ended June 30, 2021 is a net gain of $1.1 million and $1.7 million, respectively (2020 — loss of $(0.3) million and $(1.0) million, respectively) resulting from changes in exchange rates related to foreign currency denominated monetary assets and liabilities. See Note 16(c) for additional information.

***(c) Collaborative Arrangements***

*Joint Revenue Sharing Arrangements*

The Company provides IMAX Theatre Systems to customers through joint revenue sharing arrangements. Under the traditional form of these arrangements, in exchange for providing the IMAX Theatre System under a long-term lease, the Company earns rent based on a percentage of contingent box office receipts and, in some cases, concession revenues, rather than requiring the customer to pay a fixed upfront fee or annual minimum payments. Under certain other joint revenue sharing arrangements, known as hybrid arrangements, the customer is responsible for making fixed upfront payments prior to the delivery and installation of the IMAX Theatre System. Under joint revenue sharing arrangements, the customer has the ability and the right to operate the hardware components or direct others to operate them in a manner determined by the customer. The Company's joint revenue sharing arrangements are typically non-cancellable for 10 years or longer with renewal provisions. Title to the IMAX Theatre System under a joint revenue sharing arrangement generally does not transfer to the customer. The Company's joint revenue sharing arrangements do not contain a guarantee of residual value at the end of the lease term. The customer is required to pay for executory costs such as insurance and taxes and is required to pay the Company for maintenance and an extended warranty throughout the term. The customer is responsible for obtaining insurance coverage for the IMAX Theatre System commencing on the date specified in the arrangement's shipping terms and ending on the date the IMAX Theatre System is returned to the Company.

As of June 30, 2021, the Company has signed traditional and hybrid joint revenue sharing agreements with 42 exhibitors (2020 — 41) for a total of 1,226 IMAX Theatre Systems (2020 — 1,237), of which 897 theatres (2020 — 868) were operational and included in the network as of that date. The terms of these arrangements are similar in nature, rights and obligations. The accounting policy for the Company's joint revenue sharing arrangements is disclosed in Note 3(n) of the Company's 2020 Form 10-K.

Revenue attributable to transactions arising between the Company and its customers under joint revenue sharing arrangements are recorded within Revenues — Technology Sales and Revenues — Technology Rentals. For the three and six months ended June 30, 2021, such revenues totaled $8.9 million and $19.0 million, respectively (2020 — $0.1 million and $6.9 million, respectively). (See Note 13(a) for a disaggregated presentation of the Company's revenues.)

*IMAX DMR*

In an IMAX DMR arrangement, the Company receives a percentage of the box office receipts from a third party who owns the copyright to a film in exchange for converting the film into IMAX DMR format and distributing it through the IMAX network. In recent years, the percentage of gross box office receipts earned in IMAX DMR arrangements has averaged approximately 12.5%, except for within Greater China, where the Company receives a lower percentage of net box office receipts for certain Hollywood films.

For the three and six months ended June 30, 2021, the majority of IMAX DMR revenue was earned from the exhibition of 17 films (14 new and 3 carryovers) and 32 films (26 new and 6 carryovers), respectively, and the re-release of classic titles throughout the IMAX theatre network, as compared to one new film and 14 films (4 new and 10 carryovers), respectively, in the three and six months ended June 30, 2020. The accounting policy for the Company's IMAX DMR arrangements is disclosed in Note 3(n) of the Company's 2020 Form 10-K.

Revenue attributable to transactions arising between the Company and its customers under IMAX DMR arrangements are included in Revenues — Image Enhancement and Maintenance Services. For the three and six months ended June 30, 2021, such revenues totaled $11.8 million and $23.7 million, respectively (2020 — $0.6 million and $11.2 million, respectively). (See Note 13(a) for a disaggregated presentation of the Company's revenues.)

## 11. Income Taxes

### *(a) Income Tax Expense*

For the three months ended June 30, 2021, the Company recorded income tax expense of $1.9 million (2020 — income tax benefit of $10.2 million). For the three months ended June 30, 2021, the Company's effective tax rate of (46.7)% varies from the Canadian statutory tax rate of 26.2% that was in effect during the period as follows:

| *(In thousands of U.S. dollars, except rates)* | **Three Months Ended June 30, 2021** | | Three Months Ended June 30, 2020 | |
|---|---|---|---|---|
| | **Amount** | **Rate** | Amount | Rate |
| Income tax benefit at combined statutory rates | **$ 1,092** | **26.2%** | $ 10,557 | 26.2% |
| Adjustments resulting from: | | | | |
| Unrealized investment gains not taxable | **—** | **—** | 530 | 1.3% |
| Increase of valuation allowance | **(3,007)** | **(72.1%)** | — | — |
| Changes to tax reserves | **892** | **21.4%** | (307) | (0.8%) |
| Withholding taxes resulting from management's decision to no longer indefinitely reinvest the historical earnings of certain foreign subsidiaries | **—** | **—** | 1,206 | 3.0% |
| (Reduction) increase in tax benefits resulting from the vesting of share-based compensation | **(28)** | **(0.7%)** | 748 | 1.9% |
| Other non-deductible/non-taxable items | **(895)** | **(21.5%)** | (2,486) | (6.2%) |
| Income tax (expense) benefit | **$ (1,946)** | **(46.7%)** | $ 10,248 | 25.4% |

For the three months ended June 30, 2021, the Company recorded an additional $3.0 million valuation allowance against deferred tax assets in jurisdictions where management could not reliably forecast that future tax liabilities would arise, principally due to the uncertainties around the long-term impact of the COVID-19 global pandemic. Accordingly, the tax benefit associated with the current period losses in these jurisdictions is not ultimately reflected in the Company's Condensed Consolidated Statements of Operations.

For the six months ended June 30, 2021, the Company recorded income tax expense of $5.0 million (2020 — $5.3 million). For the six months ended June 30, 2021, the Company's effective tax rate of (43.2)% varies from the Canadian statutory tax rate of 26.2% that was in effect during the period as follows:

| ***(In thousands of U.S. dollars, except rates)*** | **Six Months Ended June 30, 2021** | | Six Months Ended June 30, 2020 | |
|---|---|---|---|---|
| | **Amount** | **Rate** | Amount | Rate |
| Income tax benefit at combined statutory rates | **$ 3,039** | **26.2%** | $ 21,922 | 26.2% |
| Adjustments resulting from: | | | | |
| Realized and unrealized investment gains (losses) not taxable | **1,367** | **11.8%** | (659) | (0.8%) |
| Increase of valuation allowance | **(9,978)** | **(86.0%)** | — | — |
| Changes to tax reserves | **1,449** | **12.5%** | (4,797) | (5.7%) |
| Withholding taxes resulting from management's decision to no longer indefinitely reinvest the historical earnings of certain foreign subsidiaries | **(547)** | **(4.7%)** | (18,475) | (22.1%) |
| Increase in tax benefits resulting from the vesting of share-based compensation | **713** | **6.1%** | 71 | 0.1% |
| Other non-deductible/non-taxable items | **(1,057)** | **(9.1%)** | (3,319) | (4.0%) |
| Income tax expense | **$ (5,014)** | **(43.2%)** | $ (5,257) | (6.3%) |

As of June 30, 2021, the Company's Condensed Consolidated Balance Sheets include net deferred income tax assets of $18.7 million, net of a valuation allowance of $41.3 million (December 31, 2020 — $18.0 million, net of a valuation allowance of $28.8 million). The $12.5 million valuation allowance change recorded during the six months ended June 30, 2021 is reflected within Income Tax Expense in the Company's Condensed Consolidated Statements of Operations ($10.0 million) and within Shareholder's Equity on the Company's Condensed Consolidated Balance Sheets ($2.5 million). The valuation allowance is expected to reverse at the point in time when management determines it is more likely than not that the Company will incur sufficient tax liabilities to allow it to utilize the deferred tax assets against which the valuation allowance is recorded. Despite the valuation allowance recorded against its deferred tax assets, the Company remains entitled to benefit from tax attributes which currently have a valuation allowance applied to them.

## 12. Capital Stock

### *(a) Share-Based Compensation*

For the three and six months ended June 30, 2021, share-based compensation expense totaled $6.8 million and $12.1 million, respectively (2020 — $6.5 million and $10.7 million, respectively) and is reflected in the following accounts in the Condensed Consolidated Statements of Operations:

| *(In Thousands of U.S. dollars)* | **Three Months Ended June 30,** | | **Six Months Ended June 30,** | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| Cost and expenses applicable to revenues | **$ 312** | $ — | **$ 606** | $ 400 |
| Selling, general and administrative expenses | **6,396** | 6,467 | **11,340** | 10,174 |
| Research and development | **87** | — | **156** | 85 |
| | **$ 6,795** | $ 6,467 | **$ 12,102** | $ 10,659 |

There were no share-based compensation expenses allocated to Costs and Expense Applicable to Revenues or Research and Development in the three months ended June 30, 2020 due to the idling of the Company's productive capacity and slowdown in business activities during the COVID-19 global pandemic.

The following table summarizes the Company's share-based compensation expense by each award type:

| *(In Thousands of U.S. dollars)* | **Three Months Ended June 30,** | | **Six Months Ended June 30,** | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| Stock Options | **$ 204** | $ 503 | **$ 555** | $ 1,016 |
| Restricted Share Units | **4,473** | 4,534 | **7,624** | 7,436 |
| Performance Stock Units | **972** | 467 | **1,986** | 746 |
| IMAX China Stock Options | **46** | 15 | **102** | 101 |
| IMAX China Long Term Incentive Plan Restricted Share Units | **985** | 909 | **1,617** | 1,313 |
| IMAX China Long Term Incentive Plan Performance Stock Units | **115** | 39 | **218** | 47 |
| | **$ 6,795** | $ 6,467 | **$ 12,102** | $ 10,659 |

Included in the above table is an expense of $nil in the three and six months ended June 30, 2021 (2020 — $0.1 million and $0.1 million, respectively) related to restricted share units granted to a certain advisor of the Company.

*Stock Option Summary*

The following table summarizes the activity under the Company's Stock Option Plan ("**SOP**") and IMAX Corporation Second Amended and Restated Long-Term Incentive Plan (as may be amended, "**IMAX LTIP**") for the six months ended June 30, 2021 and 2020:

| | **Number of Shares** | | **Weighted Average Exercise Price Per Share** | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| Stock options outstanding, beginning of period | **4,892,962** | 5,732,209 | **$ 26.81** | $ 26.82 |
| Granted | **—** | — | **—** | — |
| Exercised | **(41,613)** | — | **21.23** | — |
| Forfeited | **(86,587)** | (23,633) | **22.51** | 22.35 |
| Expired | **(903,038)** | (772,665) | **28.31** | 27.03 |
| Cancelled | **(10,917)** | (18,483) | **27.20** | 27.97 |
| Stock options outstanding, end of period | **3,850,807** | 4,917,428 | **26.61** | 26.80 |
| Stock options exercisable, end of period | **3,600,160** | 4,313,890 | **26.92** | 27.32 |

Stock options are no longer granted under the Company's previously approved SOP.

*Restricted Share Units ("**RSU**") Summary*

The following table summarizes the activity in respect of RSUs issued under the IMAX LTIP for the six months ended June 30, 2021 and 2020:

| | **Number of Awards** | | **Weighted Average Grant Date Fair Value Per Share** | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| RSUs outstanding, beginning of period | **1,564,838** | 1,065,347 | **$ 18.33** | $ 23.17 |
| Granted | **829,057** | 1,047,369 | **21.05** | 15.36 |
| Vested and settled | **(568,714)** | (383,126) | **19.10** | 21.58 |
| Forfeited | **(220,195)** | (39,912) | **19.66** | 20.29 |
| RSUs outstanding, end of period | **1,604,986** | 1,689,678 | **19.28** | 18.76 |

*Performance Stock Units Summary*

The Company grants awards for two types of performance stock units ("**PSUs**"), one which vests based on a combination of employee service and the achievement of certain EBITDA-based targets and one which vests based on a combination of employee service and the achievement of total shareholder return ("**TSR**") targets. The achievement of the EBITDA and TSR targets in these PSUs is determined over a three-year performance period. The grant date fair value of PSUs with EBITDA-based targets is equal to the closing price of the Company's common shares on the date of grant or the average closing price of the Company's common shares for five days prior to the date of grant. The grant date fair value of PSUs with TSR targets is determined on the grant date using a Monte Carlo simulation, which is a valuation model that takes into account the likelihood of achieving the TSR targets embedded in the award ("**Monte Carlo Model**"). The compensation expense attributable to each type of PSU is recognized on a straight-line basis over the requisite service period.

The fair value determined by the Monte Carlo Model is affected by the Company's share price, as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, market conditions as of the grant date, the Company's expected share price volatility over the term of the awards, and other relevant data. The compensation expense is fixed on the date of grant based on the fair value of the PSUs granted.

The amount and timing of compensation expense recognized for PSUs with EBITDA-based targets is dependent upon management's assessment of the likelihood of achieving these targets. If, as a result of management's assessment, it is projected that a greater number of PSUs will vest than previously anticipated, a life-to-date adjustment to increase compensation expense is recorded in the period that such determination is made. Conversely, if, as a result of management's assessment, it is projected that a lower number of PSUs will vest than previously anticipated, a life-to-date adjustment to decrease compensation expense is recorded in the period that such determination is made. The expense recognized in the six months ended June 30, 2021 includes adjustments reflecting management's estimate of the number of PSUs with EBITDA-based targets expected to vest.

The following table summarizes the activity in respect of PSUs issued under the IMAX LTIP for the six months ended June 30, 2021 and 2020:

| | **Number of Awards** | | **Weighted Average Grant Date Fair Value Per Share** | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| PSUs outstanding, beginning of period | **361,844** | — | **$ 15.68** | $ — |
| Granted | **309,574** | 369,260 | **20.77** | 15.67 |
| Forfeited | **(54,634)** | (2,526) | **16.08** | 14.84 |
| PSUs outstanding, end of period | **616,784** | 366,734 | **18.20** | 15.68 |

As of June 30, 2021, the maximum number of shares of common stock that may be issued with respect to PSUs outstanding is 1,079,372, assuming full achievement of the EBITDA and TSR targets.

***(b) Issuer Purchases of Equity Securities***

In June 2020, the Company's Board of Directors approved a 12-month extension to its share repurchase program through June 30, 2021. The extension authorized the Company to repurchase up to approximately $89.4 million worth of common shares, the remaining amount available of the original $200.0 million initially authorized under the share repurchase program when it commenced on July 1, 2017. In the second quarter of 2021, the Company's Board of Directors approved a further 12-month extension of the current share repurchase program through June 30, 2022. The repurchases may be made either in the open market or through private transactions, subject to market conditions, applicable legal requirements, and other relevant factors. The Company has no obligation to repurchase shares and the share repurchase program may be suspended or discontinued by the Company at any time.

The Company did not repurchase any common shares during the three and six months ended June 30, 2021. During the three and six months ended June 30, 2020, the Company repurchased nil and 2,484,123 common shares, respectively, at an average price of $nil and $14.72 per share, respectively, excluding commissions. The total number of shares purchased during the three and six months ended June 30, 2020, does not include nil and 200,000 common shares, respectively, purchased in the administration of employee share-based compensation plans, at an average price of $nil and $15.43 per share, respectively.

As of June 30, 2021, the IMAX LTIP trustee held 502 shares purchased for less than $0.1 million (December 31, 2020 — 723 shares for less than $0.1 million), in the open market to be issued upon the settlement of RSUs and certain stock options. The shares held with the trustee are recorded at cost and are reported as a reduction against Capital Stock on the Company's Condensed Consolidated Balance Sheets.

In 2021, IMAX China announced that its shareholders granted its Board of Directors a general mandate authorizing the Board, subject to applicable laws, to repurchase of shares of IMAX China not to exceed 10% of the total number of issued shares as of May 6, 2021 (34,835,824 shares). This program will be valid until the 2022 Annual General Meeting of IMAX China. The repurchases may be made in the open market or through other means permitted by applicable laws. IMAX China has no obligation to repurchase its shares and the share repurchase program may be suspended or discontinued by IMAX China at any time. IMAX China did not repurchase any common shares during the three and six months ended June 30, 2021. During three and six months ended June 30, 2020, IMAX China repurchased 425,800 and 906,400 common shares, respectively, at an average price of HKD 11.63 and HKD 13.13 per share (U.S. $1.50 and $1.69 per share, respectively).

### *(c) Basic and Diluted Weighted Average Shares Outstanding*

The following table reconciles the denominator of the basic and diluted weighted average share computations:

| *(In thousands)* | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2020 | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 |
|---|---|---|---|---|
| Issued and outstanding, beginning of period | **59,358** | 58,787 | **58,921** | 61,176 |
| Weighted average number of shares issued (repurchased), net | **9** | 21 | **269** | (1,563) |
| Weighted average number of shares outstanding — basic | **59,367** | 58,808 | **59,190** | 59,613 |
| Weighted average effect of potential common shares, if dilutive | **—** | — | **—** | — |
| Weighted average number of shares outstanding — diluted | **59,367** | 58,808 | **59,190** | 59,613 |

For the three and six months ended June 30, 2021, the calculation of diluted weighted average shares outstanding excludes 6,239,713 shares (2020 — 6,973,840 shares) that are issuable upon the vesting or exercise of share-based compensation including: (i) 1,604,986 RSUs (2020 — 1,689,678 RSUs), (ii) 783,920 PSUs (2020 — 366,734 PSUs) and (iii) 3,850,807 stock options (2020 — 4,917,428 stock options), as the effect would be anti-dilutive.

The calculation of diluted weighted average shares outstanding for the three and six months ended June 30, 2021 also excludes any shares potentially issuable upon the conversion of the Convertible Notes as the average market price of the Company's common shares during the period of time they were outstanding was less than the conversion price of the Convertible Notes. (See Note 7(b).)

## 13. Revenue from Contracts with Customers

### *(a) Disaggregated Information About Revenue*

The following tables summarize the Company's revenues by type and reportable segment for the three and six months ended June 30, 2021:

| | Three Months Ended June 30, 2021 | | | | |
|---|---|---|---|---|---|
| | Revenue from Contracts with Customers | | | | |
| *(In thousands of U.S. dollars)* | Fixed Consideration | Variable Consideration | Revenue from Lease Arrangements | Finance Income | Total |
| **Technology sales** | | | | | |
| IMAX Systems[1] | $ 9,604 | $ 691 | $ 2,746 | $ — | $ 13,041 |
| Joint Revenue Sharing Arrangements, fixed fees | — | — | 1,002 | — | 1,002 |
| Other Theatre Business | 475 | — | — | — | 475 |
| Other sales[2] | 652 | 3 | — | — | 655 |
| Sub-total | 10,731 | 694 | 3,748 | — | 15,173 |
| **Image enhancement and maintenance services** | | | | | |
| IMAX DMR | — | 11,793 | — | — | 11,793 |
| IMAX Maintenance | 11,235 | — | — | — | 11,235 |
| Film Post-Production | 1,396 | — | — | — | 1,396 |
| Film Distribution | 1 | 193 | — | — | 194 |
| Other | — | 93 | — | — | 93 |
| Sub-total | 12,632 | 12,079 | — | — | 24,711 |
| **Technology rentals** | | | | | |
| Joint Revenue Sharing Arrangements, contingent rent | — | — | 7,862 | — | 7,862 |
| Other | — | — | 268 | — | 268 |
| Sub-total | — | — | 8,130 | — | 8,130 |
| **Finance income** | | | | | |
| IMAX Systems | — | — | — | 2,941 | 2,941 |
| Total | $ 23,363 | $ 12,773 | $ 11,878 | $ 2,941 | $ 50,955 |

| (In thousands of U.S. dollars) | Six Months Ended June 30, 2021 Revenue from Contracts with Customers Fixed consideration | Variable consideration | Revenue from Lease Arrangements | Finance Income | Total |
|---|---|---|---|---|---|
| **Technology sales** | | | | | |
| IMAX Systems(1) | $ 10,442 | $ 1,771 | $ 4,122 | $ — | $ 16,335 |
| Joint Revenue Sharing Arrangements, fixed fees | — | — | 2,740 | — | 2,740 |
| Other Theatre Business | 912 | — | — | — | 912 |
| Other sales(2) | 1,320 | 41 | — | — | 1,361 |
| Sub-total | 12,674 | 1,812 | 6,862 | — | 21,348 |
| **Image enhancement and maintenance services** | | | | | |
| IMAX DMR | — | 23,737 | — | — | 23,737 |
| IMAX Maintenance | 20,141 | — | — | — | 20,141 |
| Film Post-Production | 1,987 | — | — | — | 1,987 |
| Film Distribution | 1 | 415 | — | — | 416 |
| Other | — | 45 | — | — | 45 |
| Sub-total | 22,129 | 24,197 | — | — | 46,326 |
| **Technology rentals** | | | | | |
| Joint Revenue Sharing Arrangements, contingent rent | — | — | 16,221 | — | 16,221 |
| Other | — | — | 268 | — | 268 |
| Sub-total | — | — | 16,489 | — | 16,489 |
| **Finance income** | | | | | |
| IMAX Systems | — | — | — | 5,546 | 5,546 |
| Total | $ 34,803 | $ 26,009 | $ 23,351 | $ 5,546 | $ 89,709 |

(1) Includes revenues earned from sales or sales-type lease arrangements involving new and upgraded IMAX Theatre Systems, as well as the impact on revenue of renewals and amendments to existing theatre system arrangements.

(2) Other sales include revenues associated with New Business Initiatives.

The following tables summarize the Company's revenues by type and reportable segment for the three and six months ended June 30, 2020:

| | Three Months Ended June 30, 2020 | | | | |
|---|---|---|---|---|---|
| | Revenue from Contracts with Customers | | | | |
| *(In thousands of U.S. dollars)* | Fixed Consideration | Variable Consideration | Revenue from Lease Arrangements | Finance Income | Total |
| **Technology sales** | | | | | |
| IMAX Systems[1][2] | $ 1,259 | $ 765 | $ 19 | $ — | $ 2,043 |
| Joint Revenue Sharing Arrangements, fixed fees | — | — | 369 | — | 369 |
| Other Theatre Business[3] | (309) | — | — | — | (309) |
| Other sales[4] | 505 | 79 | — | — | 584 |
| Sub-total | 1,455 | 844 | 388 | — | 2,687 |
| **Image enhancement and maintenance services** | | | | | |
| IMAX DMR | — | 546 | — | — | 546 |
| IMAX Maintenance | — | — | — | — | — |
| Film Post-production | 738 | — | — | — | 738 |
| Film Distribution | 2,250 | 194 | — | — | 2,444 |
| Other | — | 71 | — | — | 71 |
| Sub-total | 2,988 | 811 | — | — | 3,799 |
| **Technology rentals** | | | | | |
| Joint Revenue Sharing Arrangements, contingent rent[5] | — | — | (137) | — | (137) |
| Sub-total | — | — | (137) | — | (137) |
| **Finance income** | | | | | |
| IMAX Systems | — | — | — | 2,506 | 2,506 |
| Total | $ 4,443 | $ 1,655 | $ 251 | $ 2,506 | $ 8,855 |

| (In thousands of U.S. dollars) | Six Months Ended June 30, 2020 Revenue from Contracts with Customers Fixed consideration | Variable consideration | Revenue from Lease Arrangements | Finance Income | Total |
|---|---|---|---|---|---|
| **Technology sales** | | | | | |
| IMAX Systems[(1)(2)] | $ 2,355 | $ 1,662 | $ 1,166 | $ — | $ 5,183 |
| Joint Revenue Sharing Arrangements, fixed fees | — | — | 1,139 | — | 1,139 |
| Other Theatre Business | 954 | — | — | — | 954 |
| Other sales[(4)] | 983 | 90 | — | — | 1,073 |
| Sub-total | 4,292 | 1,752 | 2,305 | — | 8,349 |
| **Image enhancement and maintenance services** | | | | | |
| IMAX DMR | — | 11,175 | — | — | 11,175 |
| IMAX Maintenance | 7,370 | — | — | — | 7,370 |
| Film Post-production | 2,349 | — | — | — | 2,349 |
| Film Distribution | 2,250 | 1,077 | — | — | 3,327 |
| Other | — | 299 | — | — | 299 |
| Sub-total | 11,969 | 12,551 | — | — | 24,520 |
| **Technology rentals** | | | | | |
| Joint Revenue Sharing Arrangements, contingent rent | — | — | 5,834 | — | 5,834 |
| Sub-total | — | — | 5,834 | — | 5,834 |
| **Finance income** | | | | | |
| IMAX Systems | — | — | — | 5,054 | 5,054 |
| Total | $ 16,261 | $ 14,303 | $ 8,139 | $ 5,054 | $ 43,757 |

(1) Includes revenues earned from sales or sales-type lease arrangements involving new and upgraded IMAX Theatre Systems, as well as the impact on revenue of renewals and amendments to existing theatre system arrangements.

(2) Prior period comparatives have been revised to appropriately classify less than $0.1 million and $1.2 million, respectively, of fixed consideration under revenue from contracts with customers to revenue from lease arrangements for the three and six months ended June 30, 2020.

(3) For the three months ended June 30, 2020, the Company reported negative revenue due to an adjustment to prior period revenue.

(4) Other sales include revenues associated with New Business Initiatives.

(5) For the three months ended June 30, 2020, the Company reported negative revenue due to the continued amortization of lessee incentives that are typically netted against lease revenues, which are abnormally low during the period due to the COVID-19 global pandemic.

### *(b) Deferred Revenue*

IMAX Theatre System sale and lease arrangements include a requirement for the Company to provide maintenance services over the life of the arrangement, subject to a consumer price index adjustment each year. In circumstances where customers prepay the entire term's maintenance fee, additional payments are due to the Company for the years after its extended warranty and maintenance obligations expire. Payments upon renewal each year are either prepaid or made in arrears and can vary in frequency from monthly to annually. At June 30, 2021, $19.6 million of consideration has been deferred in relation to outstanding maintenance services to be provided on existing maintenance contracts (December 31, 2020 — $21.6 million). Maintenance revenue is recognized evenly over the contract term which coincides with the period over which maintenance services are provided. In the event of customer default, any payments made by the customer may be retained by the Company.

In instances where the Company receives consideration prior to satisfying its performance obligations, the recognition of revenue is deferred. The majority of the deferred revenue balance relates to payments received by the Company for IMAX Theatre Systems where control of the system has not transferred to the customer. The deferred revenue balance related to an individual theatre increases as progress payments are made and is then derecognized when control of the system is transferred to the customer. Recognition dates are variable and depend on numerous factors, including some outside of the Company's control.

(See Note 2 for information on the current impacts of and uncertainties relating to the COVID-19 global pandemic which are impacting the Company's revenues.)

## 14. Segment Reporting

The Company's Chief Executive Officer ("**CEO**") is its Chief Operating Decision Maker ("**CODM**"), as such term is defined under U.S. GAAP. The CODM, along with other members of management, assess segment performance based on segment revenues and gross margins. Selling, general and administrative expenses, research and development costs, the amortization of intangible assets, provisions for (reversal of) current expected credit losses, certain write-downs, interest income, interest expense and income tax (expense) benefit are not allocated to the Company's segments.

The Company has the following reportable segments: (i) IMAX DMR; (ii) Joint Revenue Sharing Arrangements; (iii) IMAX Systems, (iv) IMAX Maintenance; (v) Other Theatre Business; (vi) New Business Initiatives; (vii) Film Distribution; and (viii) Film Post-Production. The Company organizes its reportable segments into the following four categories, identified by the nature of the product sold or service provided:

(i) IMAX Technology Network, which earns revenue based on contingent box office receipts and includes the IMAX DMR segment and contingent rent from the Joint Revenue Sharing Arrangement ("**JRSA**") segment;

(ii) IMAX Technology Sales and Maintenance, which includes results from the IMAX Systems, IMAX Maintenance and Other Theatre Business segments, as well as fixed revenues from the JRSA segment;

(iii) New Business Initiatives, which is a segment that includes activities related to the exploration of new lines of business and new initiatives outside of the Company's core business; and

(iv) Film Distribution and Post-Production, which includes activities related to the licensing of film content, and the distribution of films primarily for the Company's institutional theatre partners (through the Film Distribution segment) and the provision of film post-production and quality control services (through the Film Post-Production segment).

The Company is presenting information at a disaggregated level to provide more relevant information to readers.

Transactions between the IMAX DMR segment and the Film Post-Production segment are valued at exchange value. Inter-segment profits are eliminated upon consolidation, as well as for the disclosures below.

The following table presents the Company's revenue and gross margin (margin loss) by category and reportable segment for the three months ended June 30, 2021 and 2020:

| *(In thousands of U.S. dollars)* | **Revenue**[1] | | **Gross Margin (Margin Loss)**[5] | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| **IMAX Technology Network** | | | | |
| IMAX DMR | **$ 11,793** | $ 546 | **$ 6,861** | $ (30) |
| Joint Revenue Sharing Arrangements, contingent rent[2] | **7,862** | (137) | **1,790** | (6,501) |
| | **19,655** | 409 | **8,651** | (6,531) |
| **IMAX Technology Sales and Maintenance** | | | | |
| IMAX Systems[3] | **15,982** | 4,549 | **10,548** | 2,650 |
| Joint Revenue Sharing Arrangements, fixed fees | **1,002** | 369 | **347** | 48 |
| IMAX Maintenance | **11,235** | — | **5,075** | (1,908) |
| Other Theatre Business[4] | **483** | (309) | **142** | (564) |
| | **28,702** | 4,609 | **16,112** | 226 |
| **New Business Initiatives** | **648** | 632 | **634** | 512 |
| **Film Distribution and Post-production** | | | | |
| Film Distribution[6] | **194** | 2,444 | **(54)** | (1,541) |
| Post-production | **1,396** | 738 | **660** | 145 |
| | **1,590** | 3,182 | **606** | (1,396) |
| Sub-total | **50,595** | 8,832 | **26,003** | (7,189) |
| Other | **360** | 23 | **(400)** | (499) |
| Total | **$ 50,955** | $ 8,855 | **$ 25,603** | $ (7,688) |

The following table presents the Company's revenue and gross margin (margin loss) by category and reportable segment for the six months ended June 30, 2021 and 2020:

| *(In thousands of U.S. dollars)* | **Revenue**[1] | | **Gross Margin (Margin Loss)**[5] | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| **IMAX Technology Network** | | | | |
| IMAX DMR | **$ 23,737** | $ 11,175 | **$ 15,112** | $ 4,413 |
| Joint Revenue Sharing Arrangements, contingent rent | **16,221** | 5,834 | **3,673** | (8,119) |
| | **39,958** | 17,009 | **18,785** | (3,706) |
| **IMAX Technology Sales and Maintenance** | | | | |
| IMAX Systems[3] | **21,881** | 10,237 | **13,560** | 5,826 |
| Joint Revenue Sharing Arrangements, fixed fees | **2,740** | 1,139 | **503** | 227 |
| IMAX Maintenance | **20,141** | 7,370 | **8,898** | (1,149) |
| Other Theatre Business[4] | **920** | 954 | **205** | 46 |
| | **45,682** | 19,700 | **23,166** | 4,950 |
| **New Business Initiatives** | **1,316** | 1,110 | **1,092** | 873 |
| **Film Distribution and Post-production** | | | | |
| Film Distribution[6] | **416** | 3,327 | **(315)** | (3,699) |
| Post-production | **1,987** | 2,349 | **896** | 368 |
| | **2,403** | 5,676 | **581** | (3,331) |
| Sub-total | **89,359** | 43,495 | **43,624** | (1,214) |
| Other | **350** | 262 | **(740)** | (1,388) |
| Total | **$ 89,709** | $ 43,757 | **$ 42,884** | $ (2,602) |

(1) The Company's largest customer represents 19.8% and 24.7%, respectively, of total Revenues for the three and six months ended June 30, 2021 (2020 — 13.8% and 11.5%, respectively). No single customer comprises more than 10% of the Company's total Accounts Receivable as of June 30, 2021 and December 31, 2020.

(2) For the three months ended June 30, 2020, the Company reported negative revenue due to the continued amortization of lessee incentives that are typically netted against lease revenue, which are abnormally low during the period due to the COVID-19 global pandemic.

(3) Includes initial upfront payments and the present value of fixed minimum payments from sales and sales-type lease arrangements of IMAX Theatre Systems, and the present value of estimated variable consideration from sales of IMAX Theatre Systems. To a lesser extent, also includes finance income associated with these revenue streams.

(4) Principally includes after-market sales of IMAX projection system parts and 3D glasses. The Company is reporting negative revenue for the three months ended June 30, 2020 due to an adjustment to prior period revenue.

(5) IMAX DMR gross margin includes marketing costs of $1.5 million and $2.6 million, respectively, for the three and six months ended June 30, 2021 (2020 — $nil and $2.4 million, respectively). JRSA gross margin includes advertising, marketing and commission expense of $0.3 million and $1.1 million, respectively, for the three and six months ended June 30, 2021 (2020 — less than $0.1 million and $0.6 million, respectively). IMAX Systems gross margin includes marketing and commission costs of $0.4 million and $0.6 million respectively, for the three and six months ended June 30, 2021 (2020 — $0.2 million and $0.4 million, respectively). Film Distribution segment gross margin includes a marketing expense of $nil and less than $0.1 million, respectively, for the three and six months ended June 30, 2021 (2020 — less than $0.1 million and $0.2 million, respectively).

(6) During the three and six months ended June 30, 2020, Film Distribution segment results include impairment losses of $2.2 million and $4.5 million, respectively, to write-down the carrying value of certain documentary and alternative content film assets due to a decrease in projected box office totals and related revenues based on management's regular quarterly recoverability assessments. No such charges were incurred in the three and six months ended June 30, 2021.

### *Geographic Information*

Revenue by geographic area is based on the location of the customer. Revenue related to IMAX DMR is presented based upon the geographic location of the theatres that exhibit the remastered films. IMAX DMR revenue is generated through contractual relationships with studios and other third parties and these may not be in the same geographical location as the theatre.

| | **Three Months Ended June 30,** | | **Six Months Ended June 30,** | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| **Revenue** | | | | |
| Greater China | **$ 27,913** | $ 1,393 | **$ 53,431** | $ 6,662 |
| United States | **14,107** | 3,812 | **17,806** | 16,777 |
| Asia (excluding China) | **3,610** | 1,868 | **7,912** | 7,728 |
| Western Europe | **2,157** | 631 | **3,526** | 5,188 |
| Russia & the CIS | **1,338** | 658 | **3,224** | 2,224 |
| Latin America | **345** | 108 | **398** | 1,635 |
| Canada | **90** | 12 | **(463)** | 943 |
| Rest of the World | **1,395** | 373 | **3,875** | 2,600 |
| Total | **$ 50,955** | $ 8,855 | **$ 89,709** | $ 43,757 |

No single country in the Rest of the World, Western Europe, Latin America and Asia (excluding Greater China) comprises more than 10% of the Company's total revenue in the three and six months ended June 30, 2021.

## 16. Financial Instruments

### *(c) Foreign Exchange Risk Management*

The Company is exposed to market risk from changes in foreign currency rates. A majority of the Company's revenues is denominated in U.S. Dollars while a substantial portion of its costs and expenses is denominated in Canadian Dollars. A portion of the net U.S. Dollar cash flows of the Company is periodically converted to Canadian Dollars to fund Canadian Dollar expenses through the spot market. In China and Japan, the Company has ongoing operating expenses related to its operations in RMB and Japanese Yen, respectively. Net cash flows are converted to and from U.S. Dollars through the spot market. The Company also has cash receipts under leases denominated in RMB, Japanese Yen, Canadian Dollars and Euros which are converted to U.S. Dollars through the spot market. In addition, because IMAX films generate box office in 85 different countries, unfavourable exchange rates between applicable local currencies and the U.S. Dollar affect the Company's reported gross box-office receipts and revenues, further impacting the Company's results of operations. The Company's policy is to not use any financial instruments for trading or other speculative purposes.

The Company has entered into a series of foreign currency forward contracts to manage the risks associated with the volatility of foreign currencies. Certain of these foreign currency forward contracts met the criteria required for hedge accounting under the Derivatives and Hedging Topic of the FASB ASC at inception, and continue to meet hedge effectiveness tests at June 30, 2021 (the "**Foreign Currency Hedges**"), with settlement dates throughout 2021. Foreign currency derivatives are recognized and measured in the Condensed Consolidated Balance Sheets at fair value. Changes in the fair value (i.e., gains or losses) are recognized in the Condensed Consolidated Statements of Operations except for derivatives designated and qualifying as foreign currency cash flow hedging instruments. The Company currently has cash flow hedging instruments associated with Selling, General and Administrative Expenses and Inventories. For foreign currency cash flow hedging instruments related to Selling, General and Administrative Expenses, the effective portion of the gain or loss in a hedge of a forecasted transaction is reported in Other Comprehensive Income (Loss) and reclassified to the Condensed Consolidated Statements of Operations when the forecasted transaction occurs. For foreign currency cash flow hedging instruments related to Inventories, the effective portion of the gain or loss in a hedge of a forecasted transaction is reported in Other Comprehensive Income (Loss) and reclassified to Inventories in the Condensed Consolidated Balance Sheets when the forecasted transaction occurs. Any ineffective portion is recognized immediately in the Condensed Consolidated Statements of Operations.

The following tabular disclosures reflect the impact that derivative instruments and hedging activities have on the Company's Condensed Consolidated Financial Statements:

Notional value of foreign exchange contracts:

| *(In thousands of U.S. dollars)* | **June 30, 2021** | December 31, 2020 |
|---|---|---|
| Derivatives designated as hedging instruments: | | |
| Foreign exchange contracts — Forwards | **$ 10,240** | $ 26,358 |
| Derivatives not designated as hedging instruments: | | |
| Foreign exchange contracts — Forwards | **3,502** | 5,552 |
| | **$ 13,742** | $ 31,910 |

Fair value of derivatives in foreign exchange contracts:

| *(In thousands of U.S. dollars)* | **Balance Sheet Location** | **June 30, 2021** | December 31, 2020 |
|---|---|---|---|
| Derivatives designated as hedging instruments: | | | |
| Foreign exchange contracts — Forwards | Other assets | **$ 891** | $ 1,635 |
| Derivatives not designated as hedging instruments: | | | |
| Foreign exchange contracts — Forwards | Other assets | **369** | 344 |
| | | **$ 1,260** | $ 1,979 |

Derivatives in foreign currency hedging relationships are as follows:

| ***(In thousands of U.S. dollars)*** | | **Three Months Ended June 30,** | | **Six Months Ended June 30,** | |
|---|---|---|---|---|---|
| | | **2021** | 2020 | **2021** | 2020 |
| Foreign exchange contracts — Forwards | Derivative Gain (Loss) Recognized in OCI (Effective Portion) | **$ 305** | $ 1,334 | **$ 600** | $ (1,526) |

| ***(In thousands of U.S. dollars)*** | **Location of Derivative Gain (Loss) Reclassified from AOCI (Effective Portion)** | **Three Months Ended June 30,** | | **Six months ended June 30,** | |
|---|---|---|---|---|---|
| | | **2021** | 2020 | **2021** | 2020 |
| Foreign exchange contracts — Forwards | Selling, general and administrative expenses | **$ 824** | $ (328) | **$ 1,055** | $ (669) |
| | Inventory | **—** | (9) | **$ —** | (26) |
| | | **$ 824** | $ (337) | **$ 1,055** | $ (695) |

| ***(In thousands of U.S. dollars)*** | | **Three Months Ended June 30,** | | **Six months ended June 30,** | |
|---|---|---|---|---|---|
| | | **2021** | 2020 | **2021** | 2020 |
| Foreign exchange contracts — Forwards | Derivative Loss Recognized In and Out of OCI | **$ —** | $ — | **$ —** | $ (88) |

Non-designated derivatives in foreign currency relationships are as follows:

| *(In thousands of U.S. dollars)* | **Location of Derivative Gain** | **Three Months Ended June 30,** | | **Six months ended June 30,** | |
|---|---|---|---|---|---|
| | | **2021** | 2020 | **2021** | 2020 |
| Foreign exchange contracts — Forwards | Selling, general and administrative expenses | **$ 369** | $ 27 | **$ 391** | $ 27 |
| | | **$ 369** | $ 27 | **$ 391** | $ 27 |

The Company's estimated net amount of the existing gains as of June 30, 2021 is $0.9 million, which is expected to be reclassified to earnings within the next twelve months.

***(d) Investments in Equity Securities***

As of June 30, 2021, the Condensed Consolidated Balance Sheets includes $1.1 million (December 31, 2020 — $13.6 million) of investments in equity securities.

On January 17, 2019, IMAX China (Hong Kong), Limited, a wholly-owned subsidiary of IMAX China, as an investor entered into a cornerstone investment agreement with Maoyan Entertainment ("**Maoyan**") (as the issuer) and Morgan Stanley Asia Limited (as a sponsor, underwriter and the underwriters' representative). Pursuant to this agreement, IMAX China (Hong Kong), Limited agreed to invest $15.2 million to subscribe for a certain number of shares of Maoyan at the final offer price pursuant to the global offering of the share capital of Maoyan, and this investment would be subject to a lock-up period of six months following the date of the global offering. On February 4, 2019, Maoyan completed its global offering, upon which, IMAX China (Hong Kong), Limited became a less than 1% shareholder in Maoyan. In February 2021, IMAX China (Hong Kong), Limited sold all of its 7,949,000 shares of Maoyan for gross proceeds of $17.8 million, which represents a $2.6 million gain relative to the Company's acquisition cost and a $5.2 million gain compared to the fair value of the investment as of December 31, 2020. Prior to this sale, the Company accounted for its investment in Maoyan at fair value with any changes in fair value recorded to the Condensed Consolidated Statements of Operations. For the three and six months ended June 30, 2020, the fair value of the Company's investment in Maoyan experienced an unrealized gain of $2.0 million and loss of $2.5 million, respectively. As of December 31, 2020, the value of the Company's investment in Maoyan was $12.6 million.

The Company has an investment of $1.1 million (December 31, 2020 — $1.1 million) in the shares of an exchange traded fund. This investment is classified as an equity investment.

As of June 30, 2021, the Company held investments in the preferred shares of enterprises which meet the criteria for classification as an equity security under FASB ASC 321, carried at historical cost, net of impairment charges. The carrying value of these equity security investments was $1.0 million at June 30, 2021 (December 31, 2020 — $1.0 million) and is recorded in Other Assets.

## 17. Non-Controlling Interests

### *(a) IMAX China Non-Controlling Interest*

The Company indirectly owns 69.83% of IMAX China Holding, Inc. ("**IMAX China**"), whose shares trade on the Hong Kong Stock Exchange. IMAX China remains a consolidated subsidiary of the Company. As of June 30, 2021, the balance of the Company's non-controlling interest in IMAX China is $84.1 million. For the three and six months ended June 30, 2021, the net income attributable to the non-controlling interest in IMAX China is $3.1 million and $7.4 million, respectively (2020 — net loss of $(2.8) million and $(12.5) million, respectively).

## Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Presented below is Management's Discussion and Analysis of Financial Condition and Results of Operations (or "**MD&A**") for IMAX Corporation and its consolidated subsidiaries ("**IMAX**" or the "**Company**") for the three and six months ended June 30, 2021 and 2020. MD&A should be read in conjunction with Note 14, "Segment Reporting" in the accompanying Condensed Consolidated Financial Statements in Item 1.

As of June 30, 2021, the Company indirectly owns 69.83% of IMAX China Holding, Inc. ("**IMAX China**"), whose shares trade on the Hong Kong Stock Exchange. IMAX China is a consolidated subsidiary of the Company.

# SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain statements included in this quarterly report may constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, references to business and technology strategies and measures to implement strategies, competitive strengths, goals, expansion and growth of business, operations and technology, future capital expenditures (including the amount and nature thereof), plans and references to the future success of the Company and expectations regarding its future operating, financial and technological results. These forward-looking statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. However, whether actual results and developments will conform with the expectations and predictions of the Company is subject to a number of risks and uncertainties, including, but not limited to, risks related to the adverse impact of the COVID-19 pandemic; risks associated with investments and operations in foreign jurisdictions and any future international expansion, including those related to economic, political and regulatory policies of local governments and laws and policies of the United States and Canada; risks related to the Company's growth and operations in China; the performance of IMAX DMR® films; the signing of theatre system agreements; conditions, changes and developments in the commercial exhibition industry; risks related to currency fluctuations; the potential impact of increased competition in the markets within which the Company operates, including competitive actions by other companies; the failure to respond to change and advancements in digital technology; risks relating to recent consolidation among commercial exhibitors and studios; risks related to new business initiatives; conditions in the in-home and out-of-home entertainment industries; the opportunities (or lack thereof) that may be presented to and pursued by the Company; risks related to cyber-security and data privacy; risks related to the Company's inability to protect its intellectual property; risks related to the Company's indebtedness and compliance with its debt agreements; general economic, market or business conditions; the failure to convert theatre system backlog into revenue; changes in laws or regulations; the failure to fully realize the projected cost savings and benefits from any of the Company's restructuring initiatives; any statements of belief and any statements of assumptions underlying any of the foregoing; other factors and risks outlined in the Company's periodic filings with the United States Securities and Exchange Commission (the "**SEC**"); and other factors, many of which are beyond the control of the Company. Consequently, all of the forward-looking statements made in this quarterly report are qualified by these cautionary statements, and actual results or anticipated developments by the Company may not be realized, and even if substantially realized, may not have the expected consequences to, or effects on, the Company. The forward-looking statements herein are made only as of the date hereof and the Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information, future events or otherwise.

IMAX®, IMAX® Dome, IMAX® 3D, IMAX® 3D Dome, Experience It In IMAX®, *The* IMAX *Experience*®, *An* IMAX *Experience*®, *An* IMAX *3D Experience*®, IMAX DMR®, DMR®, IMAX nXos® and Films to the Fullest®, are trademarks and trade names of the Company or its subsidiaries that are registered or otherwise protected under laws of various jurisdictions.

## OVERVIEW

IMAX is one of the world's leading entertainment technology companies, specializing in technological innovations powering the presentation of some of today's most immersive entertainment experiences. Through its proprietary software, theatre architecture, patented intellectual property and specialized equipment, IMAX offers a unique end-to-end cinematic solution to create the highest-quality, most immersive motion picture and other entertainment event experiences for which the IMAX® brand has become known globally. Top filmmakers and movie studios utilize the cutting-edge visual and sound technology of IMAX to connect with audiences in innovative ways, and, as a result, the IMAX network is among the most important and successful distribution platforms for major films and other events around the world.

## IMPACT OF COVID-19 PANDEMIC

The impact of the COVID-19 pandemic is complex and continuously evolving, resulting in significant disruption to the Company's business and the global economy. The pandemic has led authorities around the world to impose measures intended to control the spread of COVID-19, including stay-at-home orders and restrictions on large public gatherings, which caused movie theatres in countries around the world to temporarily close, including the IMAX theatres in those countries. As a result of the theatre closures, movie studios postponed the theatrical release of most films originally scheduled for release in 2020 and early 2021, including many scheduled to be shown in IMAX theatres, while several other films were released directly or concurrently to streaming platforms. More recently, stay-at-home orders and capacity restrictions have been lifted in many key markets and, beginning in the third quarter of 2020, movie theatres throughout the IMAX network gradually reopened. As of June 30, 2021, 89% of the theatres in the global IMAX commercial multiplex network were open, spanning 62 countries. This included 93% of Domestic theatres (i.e., in the United States and Canada), 90% of the theatres in Greater China and 75% of the theatres in Rest of World markets.

The impact of the COVID-19 global pandemic has resulted in significantly lower levels of revenues, earnings and operating cash flows for the Company during 2020 and through the end of the second quarter of 2021, when compared to periods prior to the onset of the pandemic, as gross box office ("**GBO**") results from the Company's theatre customers declined significantly, the installation of certain theatre systems was delayed, and maintenance services were generally suspended for theatres that were closed. In response to uncertainties associated with the pandemic, the Company took significant steps to preserve cash by eliminating non-essential costs, temporarily furloughing certain employees, reducing the working hours of other employees and reducing all non-essential capital expenditures to minimum levels. The Company also implemented an active cash management process, which, among other things, required senior management approval of all outgoing payments. In addition, as a result of the financial difficulties faced by certain of the Company's exhibition customers arising out of pandemic-related closures, the Company has experienced and may continue to experience delays in collecting payments due under existing theatre sale or lease arrangements. The Company has provided temporary relief to certain exhibitor customers by waiving or reducing maintenance fees during periods when theatres are closed or operating with reduced capacities and, in certain situations, by providing extended payment terms on annual minimum payment obligations in exchange for a corresponding or longer extension of the term of the underlying sale or lease arrangement.

For the six months ended June 30, 2021, GBO receipts generated by IMAX DMR films totaled $218.8 million, surpassing the total for the second half of 2020 by $57.6 million (36%). Management is encouraged by these box office results and believes they indicate that moviegoers are eager to return to cinemas where and when theatres are open and they feel safe. Management is further encouraged by the strong pipeline of Hollywood movies scheduled to be released for theatrical exhibition in the second half of 2021. However, the impact of the COVID-19 global pandemic on the Company's business and financial results will continue to depend on numerous evolving factors that cannot be accurately predicted and that will vary by jurisdiction and market, including the duration and scope of the pandemic, the emergence of variants of the virus, the progress made on administering vaccines, the continuing impact of the pandemic on global economic conditions and ongoing government responses to the pandemic, which could lead to further theatre closures, theatre capacity restrictions and/or delays in the release of films.

(See "Risk Factors — The Company has experienced a significant decrease in its revenues, earnings and cash flows due to the COVID-19 global pandemic and its business, financial condition and results of operations may continue to be significantly harmed in future reporting periods" in Part II, Item 1A in this report.)

## SOURCES OF REVENUE

For the presentation of MD&A, the Company has organized its reportable segments into the following four categories: (i) IMAX Technology Network; (ii) IMAX Technology Sales and Maintenance; (iii) New Business Initiatives; and (iv) Film Distribution and Post-Production. Within these four categories are the Company's following reportable segments: (i) IMAX DMR; (ii) Joint Revenue Sharing Arrangements; (iii) IMAX Systems; (iv) IMAX Maintenance; (v) Other Theatre Business; (vi) New Business Initiatives; (vii) Film Distribution; and (viii) Film Post-Production. For additional details regarding the Company's sources of revenue, refer to its Form 10-K for the year ended December 31, 2020 (the "**2020 Form 10-K**").

**IMAX Technology Network**

The IMAX Technology Network category earns revenue based on contingent box office receipts. Included in the IMAX Technology Network category are the IMAX DMR segment and contingent rent from the Joint Revenue Sharing Arrangement ("**JRSA**") segment, which are each described in more detail below.

*IMAX DMR*

The Company has developed IMAX DMR, a proprietary technology that digitally remasters films into IMAX formats. In a typical IMAX DMR film arrangement, the Company receives a percentage of the box office receipts from a movie studio in exchange for converting a commercial film into IMAX DMR format and distributing it through the IMAX network. In recent years, the percentage of gross box office receipts earned in IMAX DMR arrangements has averaged approximately 12.5%, except for within Greater China, where the Company receives a lower percentage of net box office receipts for certain Hollywood films.

IMAX DMR digitally enhances the image resolution of films for projection on IMAX screens while maintaining or enhancing the visual clarity and sound quality to levels for which *The* IMAX *Experience* is known. In addition, the original soundtrack of a film to be exhibited in IMAX theatres is remastered for IMAX digital sound systems in connection with the IMAX DMR release of the film. Unlike the soundtracks played in conventional theatres, IMAX remastered soundtracks are uncompressed and full fidelity. IMAX sound systems use proprietary loudspeaker systems and proprietary surround sound configurations that ensure every theatre seat is in an optimal listening position.

IMAX films also benefit from enhancements made by individual filmmakers exclusively for the IMAX release of the film. Collectively, the Company refers to these enhancements as "IMAX DNA". Filmmakers and movie studios have sought IMAX-specific enhancements in recent years to generate interest in and excitement for their films. Such enhancements include shooting films with IMAX cameras to increase the audience's immersion in the film and to take advantage of the unique dimensions of the IMAX screen by projecting the film in a larger aspect ratio that delivers up to 26% more image onto a movie screen. *Detective Chinatown 3* and *A Writer's Odyssey*, which were released in China in 2021, were filmed with IMAX cameras.

Management believes that growth in international box office remains an important driver of growth for the Company. To support continued growth in international markets, the Company has sought to bolster its international film strategy, supplementing the Company's film slate of Hollywood DMR titles with appealing local IMAX DMR releases in select markets, particularly in China. During 2020, 17 local language IMAX DMR films were released to the IMAX network, including ten in China, three in Russia, three in Japan, and one in South Korea. During the six months ended June 30, 2021, 12 local language IMAX DMR films were released to the IMAX network, including seven in China and five in Japan. The Company expects to announce additional local language IMAX DMR films to be released to the IMAX network in the remainder of 2021.

During the six months ended June 30, 2021, 26 IMAX DMR films were released to the global IMAX theatre network and the following 20 additional IMAX DMR films are scheduled to be released during the remainder of 2021:

| **Title** | **Studio** | **Scheduled Release Date**[1] | **IMAX DNA** |
|---|---|---|---|
| *1921: The* IMAX *Experience* | Tencent | July 2021 | Expanded Aspect Ratio |
| *The Pioneer: The* IMAX *Experience* | Enlight | July 2021 | None |
| *Chinese Doctor: The* IMAX *Experience* | Bona | July 2021 | None |
| *Black Widow: The* IMAX *Experience* | Walt Disney Studios | July 2021 | Expanded Aspect Ratio |
| *Belle: The* IMAX *Experience* | Toho | July 2021 | None |
| *Snake Eyes: The* IMAX *Experience* | Paramount Pictures | July 2021 | None |
| *Green Snake: The* IMAX *Experience* | Alibaba | July 2021 | None |
| *Jungle Cruise: The* IMAX *Experience* | Walt Disney Studios | July 2021 | None |
| *Escape From Mogadishu: The* IMAX *Experience* | Lotte | July 2021 | None |
| *The Suicide Squad: The* IMAX *Experience* | Warner Bros. Pictures | August 2021 | Filmed in IMAX |
| *Free Guy: The* IMAX *Experience* | 20th Century Studios | August 2021 | None |
| *Reminiscence: The* IMAX *Experience* | Warner Bros. Pictures | August 2021 | None |
| *Shang-Chi and the Legend of the Ten Rings: The* IMAX *Experience* | Walt Disney Studios | September 2021 | Filmed in IMAX |
| *Venom: Let There Be Carnage: The* IMAX *Experience* | Sony Pictures | September 2021 | None |
| *No Time to Die: The* IMAX *Experience* | Universal Pictures / MGM / United Artists | October 2021 | Filmed in IMAX |
| *Dune: The* IMAX *Experience* | Warner Bros. Pictures | October 2021 | Filmed in IMAX |
| *The Eternals: The* IMAX *Experience* | Walt Disney Studios | November 2021 | Filmed in IMAX |
| *Top Gun: Maverick: The* IMAX *Experience* | Paramount Pictures | November 2021 | Filmed in IMAX |
| *Spider-Man: No Way Home: The* IMAX *Experience* | Walt Disney Studios | December 2021 | Expanded Aspect Ratio |
| *Untitled MATRIX 4: The* IMAX *Experience* | Warner Bros. Pictures | December 2021 | To be determined |

(1) The scheduled release dates in the table above are subject to change and may vary by territory.

The Company remains in active negotiations with all major Hollywood studios for additional films to fill out its short and long-term film slate for the IMAX network.

# IMAX NETWORK AND BACKLOG

*IMAX Network*

The following table provides detailed information about the IMAX network by type and geographic location as of June 30, 2021 and 2020:

| | **June 30, 2021** | | | | June 30, 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Commercial Multiplex** | **Commercial Destination** | **Institutional** | **Total** | Commercial Multiplex | Commercial Destination | Institutional | Total |
| United States | **361** | **4** | **27** | **392** | 371 | 4 | 30 | 405 |
| Canada | **39** | **1** | **7** | **47** | 39 | 2 | 7 | 48 |
| Greater China[(1)] | **743** | **—** | **16** | **759** | 699 | — | 15 | 714 |
| Western Europe | **115** | **4** | **8** | **127** | 114 | 4 | 7 | 125 |
| Asia (excluding Greater China) | **121** | **2** | **2** | **125** | 122 | 2 | 2 | 126 |
| Russia & the CIS | **68** | **—** | **—** | **68** | 68 | — | — | 68 |
| Latin America[(2)] | **51** | **1** | **11** | **63** | 50 | 1 | 12 | 63 |
| Rest of the World | **71** | **—** | **2** | **73** | 64 | — | 2 | 66 |
| Total[(3)] | **1,569** | **12** | **73** | **1,654** | 1,527 | 13 | 75 | 1,615 |

(1) Greater China includes China, Hong Kong, Taiwan and Macau.

(2) Latin America includes South America, Central America and Mexico.

(3) Period-to-period changes in the tables above are reported net of the effect of permanently closed theatres.

The Company currently believes that over time its commercial multiplex network could grow to approximately 3,318 IMAX theatres worldwide from the 1,569 operating as of June 30, 2021. The Company believes that the majority of its future growth will come from international markets. As of June 30, 2021, 73.5% of IMAX Theatre Systems in operation were located within international markets (defined as all countries other than the United States and Canada), compared to 72.0% as of June 30, 2020. Revenues and gross box office derived from international markets continue to exceed revenues and gross box office from the United States and Canada. Risks associated with the Company's international business are outlined in "Risk Factors — The Company conducts business internationally, which exposes it to uncertainties and risks that could negatively affect its operations, sales and future growth prospects" in Part I, Item 1A of the Company's 2020 Form 10-K.

Greater China is the Company's largest market, measured by revenues, with approximately 38% and 31% of overall revenues generated from its Greater China operations in the years ended December 31, 2020 and 2019, respectively. During the first half of 2021, this percentage increased to 60% as the pace of the reopening of IMAX theatres in Greater China has exceeded that of theatres in Domestic and Rest of World markets. As of June 30, 2021, the Company had 759 theatres operating in Greater China with an additional 237 theatres in backlog that are scheduled to be installed by 2028. The Company's backlog in Greater China represents 46.1% of its total current backlog, including upgrades in system type. The Company's largest single international partnership is in China with Wanda Film ("**Wanda**"). Wanda's total commitment to the Company is for 363 IMAX Theatre Systems in Greater China (of which 357 IMAX Theatre Systems are under the parties' joint revenue sharing arrangement).

(See "Risk Factors — The Company faces risks in connection with its significant presence in China and the continues expansion of its business there" and "Risk Factors — General political, social and economic conditions can affect the Company's business by reducing both revenues generated from existing IMAX Theatre Systems and the demand for new IMAX Theatre Systems" in Part I, Item 1A of the Company's 2020 Form 10-K.)

(See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Impact of COVID-19 Pandemic" and "Risk Factors — The Company has experienced a significant decrease in its revenues, earnings and cash flows due to the COVID-19 global pandemic and its business, financial condition and results of operations may continue to be significantly harmed in future reporting periods" in Part II, Item 1A of this report.)

The following tables provide detailed information about the Commercial Multiplex theatres in operation within the IMAX network by arrangement type and geographic location as of June 30, 2021 and 2020:

| | **June 30, 2021 Commercial Multiplex Theatres in IMAX Network** | | | |
|---|---|---|---|---|
| | **Traditional JRSA** | **Hybrid JRSA** | **Sale/ Sales-type Lease** | **Total** |
| Domestic Total (United States & Canada) | **273** | **5** | **122** | **400** |
| International: | | | | |
| Greater China | **384** | **108** | **251** | **743** |
| Asia (excluding Greater China) | **33** | **2** | **86** | **121** |
| Western Europe | **47** | **28** | **40** | **115** |
| Russia & the CIS | **—** | **—** | **68** | **68** |
| Latin America | **1** | **—** | **50** | **51** |
| Rest of the World | **16** | **—** | **55** | **71** |
| International Total | **481** | **138** | **550** | **1,169** |
| Worldwide Total(1) | **754** | **143** | **672** | **1,569** |

| | June 30, 2020 Commercial Multiplex Theatres in IMAX Network | | | |
|---|---|---|---|---|
| | Traditional JRSA | Hybrid JRSA | Sale/ Sales-type Lease | Total |
| Domestic Total (United States & Canada) | 278 | 5 | 127 | 410 |
| International: | | | | |
| Greater China | 358 | 104 | 237 | 699 |
| Asia (excluding Greater China) | 33 | 2 | 87 | 122 |
| Western Europe | 45 | 27 | 42 | 114 |
| Russia & the CIS | — | — | 68 | 68 |
| Latin America | 2 | — | 48 | 50 |
| Rest of the World | 14 | — | 50 | 64 |
| International Total | 452 | 133 | 532 | 1,117 |
| Worldwide Total[1] | 730 | 138 | 659 | 1,527 |

(1) Period-to-period changes in the tables above are reported net of the effect of permanently closed theatres.

*Backlog*

The following tables provide detailed information about the Company's backlog by arrangement type and geographic location as of June 30, 2021 and 2020:

| | **June 30, 2021 IMAX Theatre System Backlog** | | | |
|---|---|---|---|---|
| | **Traditional JRSA** | **Hybrid JRSA** | **Sale/Lease** | **Total** |
| Domestic Total (United States & Canada) | **120** | **3** | **9** | **132** |
| International: | | | | |
| Greater China | **45** | **110** | **82** | **237** |
| Asia (excluding Greater China) | **5** | **15** | **32** | **52** |
| Western Europe | **11** | **12** | **6** | **29** |
| Russia & the CIS | **—** | **1** | **16** | **17** |
| Latin America | **3** | **—** | **8** | **11** |
| Rest of the World | **3** | **1** | **32** | **36** |
| International Total | **67** | **139** | **176** | **382** |
| Worldwide Total | **187** | **142** | **185** | **514**[1] |

| | June 30, 2020 | | | |
|---|---|---|---|---|
| | IMAX Theatre System Backlog | | | |
| | Traditional JRSA | Hybrid JRSA | Sale/Lease | Total |
| Domestic Total (United States & Canada) | 124 | 3 | 11 | 138 |
| International: | | | | |
| Greater China | 67 | 121 | 83 | 271 |
| Asia (excluding Greater China) | 5 | 15 | 32 | 52 |
| Western Europe | 12 | 13 | 7 | 32 |
| Russia & the CIS | — | 1 | 15 | 16 |
| Latin America | 3 | — | 10 | 13 |
| Rest of the World | 4 | 1 | 32 | 37 |
| International Total | 91 | 151 | 179 | 421 |
| Worldwide Total | 215 | 154 | 190 | 559(2) |

(1) Includes 146 new IMAX with Laser projection system configurations and 91 upgrades of existing locations to IMAX with Laser projection system configurations.

(2) Includes 154 new IMAX with Laser projection system configurations and 94 upgrades of existing locations to IMAX with Laser projection system configurations.

Approximately 74.3% of IMAX Theatre System arrangements in backlog as of June 30, 2021 are scheduled to be installed in international markets (2020 — 75.3%).

(See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Impact of COVID-19 Pandemic" and "Risk Factors — The Company has experienced a significant decrease in its revenues, earnings and cash flows due to the COVID-19 global pandemic and its business, financial condition and results of operations may continue to be significantly harmed in future reporting periods" in Part II, Item 1A of this report.)

## RESULTS OF OPERATIONS

The Company's business and future prospects are evaluated by Richard L. Gelfond, its Chief Executive Officer ("**CEO**"), using a variety of factors and financial and operational metrics including: (i) the signing, installation and financial performance of theatre system arrangements, particularly joint revenue sharing arrangements and those involving laser-based projection systems; (ii) film performance and the securing of new film projects, particularly IMAX DMR films; (iii) the continuing ability to invest in and improve the Company's technology to enhance the differentiation of *The* IMAX *Experience* versus other cinematic experiences; (iv) revenues and gross margins earned by the Company's segments, as discussed below; (v) consolidated earnings from operations, as adjusted for unusual items; (vi) the overall execution, reliability and consumer acceptance of *The* IMAX *Experience*; (vii) the success of new business initiatives; and (viii) short- and long-term cash flow projections.

The CEO is the Company's Chief Operating Decision Maker ("**CODM**"), as such term is defined under United States Generally Accepted Accounting Principles ("**U.S. GAAP**"). The CODM, along with other members of management, assess segment performance based on segment revenues and gross margins. Selling, general and administrative expenses, research and development costs, the amortization of intangible assets, provisions for (recoveries of) current expected credit losses, certain write-downs, interest income, interest expense and income tax (expense) benefit are not allocated to the Company's segments.

The Company's reportable segments are organized into the following four categories: (i) IMAX Technology Network; (ii) IMAX Technology Sales and Maintenance; (iii) New Business Initiatives; and (iv) Film Distribution and Post-Production. Within these categories are the Company's following reportable segments: (i) IMAX DMR; (ii) Joint Revenue Sharing Arrangements; (iii) IMAX Systems, (iv) IMAX Maintenance; (v) Other Theatre Business; (vi) New Business Initiatives; (vii) Film Distribution; and (viii) Film Post-Production, each of which are described above under "Sources of Revenue." This categorization is consistent with how the CODM reviews the financial performance of the Company and makes strategic decisions regarding resource allocation and investments to meet long-term business goals. Management believes that a discussion and analysis based on the four categories listed above is significantly more relevant and useful to readers, as the Company's Condensed Consolidated Statements of Operations captions combine results from several segments.

**Results of Operations for the Three Months Ended June 30, 2021 and June 30, 2020**

For the three months ended June 30, 2021, the Company reported a net loss attributable to common shareholders of $(9.2) million, or $(0.16) per diluted share, as compared to a net loss attributable to common shareholders of $(26.0) million, or $(0.44) per diluted share, for the same period in 2020.

For the three months ended June 30, 2021, the Company reported an adjusted net loss attributable to common shareholders* of $(7.0) million, or $(0.12) per diluted share*, as compared to an adjusted net loss attributable to common shareholders* of $(26.1) million, or $(0.44) per diluted share*, for the same period in 2020.

* See "Non-GAAP Financial Measures" below for a description of this non-GAAP financial measure and a reconciliation to the most comparable GAAP amount.

The following table presents the Company's revenue and gross margin (margin loss) by category and reportable segment for the three months ended June 30, 2021 and 2020:

| *(In thousands of U.S. dollars)* | Revenue | | Gross Margin (Margin Loss) | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| **IMAX Technology Network** | | | | |
| IMAX DMR | **$ 11,793** | $ 546 | **$ 6,861** | $ (30) |
| Joint Revenue Sharing Arrangements, contingent rent[1] | **7,862** | (137) | **1,790** | (6,501) |
| | **19,655** | 409 | **8,651** | (6,531) |
| **IMAX Technology Sales and Maintenance** | | | | |
| IMAX Systems[2] | **15,982** | 4,549 | **10,548** | 2,650 |
| Joint Revenue Sharing Arrangements, fixed fees | **1,002** | 369 | **347** | 48 |
| IMAX Maintenance | **11,235** | — | **5,075** | (1,908) |
| Other Theatre Business[3][4] | **483** | (309) | **142** | (564) |
| | **28,702** | 4,609 | **16,112** | 226 |
| **New Business Initiatives** | **648** | 632 | **634** | 512 |
| **Film Distribution and Post-Production** | **1,590** | 3,182 | **606** | (1,396) |
| Sub-total | **50,595** | 8,832 | **26,003** | (7,189) |
| Other | **360** | 23 | **(400)** | (499) |
| Total | **$ 50,955** | $ 8,855 | **$ 25,603** | $ (7,688) |

(1) For the three months ended June 30, 2020, the Company reported negative revenue due to the continued amortization of lessee incentives that are typically netted against lease revenues, which were abnormally low in the period due to the COVID-19 global pandemic.

(2) Includes initial upfront payments and the present value of fixed minimum payments from sale and sales-type lease arrangements of IMAX Theatre Systems, and the present value of estimated variable consideration from sales of IMAX Theatre Systems. To a lesser extent, this line item also includes finance income associated with these revenue streams.

(3) Principally includes after-market sales of IMAX projection system parts and 3D glasses.

(4) For the three months ended June 30, 2020, the Company reported negative revenue due to an adjustment to prior period revenue.

***Revenues and Gross Margin***

In the second quarter of 2020, due to the outbreak of the COVID-19 global pandemic, substantially all of the theatres in the IMAX network were closed. Since that time, stay-at-home orders and capacity restrictions have been lifted in many key markets and movie theatres throughout the IMAX network have gradually reopened. As of June 30, 2021, 89% of the theatres in the global IMAX commercial multiplex network were open, including 93% of the theatres in Domestic theatres (i.e., United States and Canada), 90% of the theatres in Greater China and 75% of the theatres in Rest of World markets. As a result, GBO receipts generated by IMAX DMR films and joint revenue sharing arrangements increased during the current quarter, leading to improvement in the Company's segment results, when compared to the prior year. See the captioned sections below for a discussion of the Company's segment results.

***IMAX Technology Network***

IMAX Technology Network results are influenced by the level of commercial success and box office performance of the films released to the network, as well as other factors including the timing of the films released, the length of the theatrical distribution window, the take rates under the Company's DMR and joint revenue sharing arrangements and the level of marketing spend associated with the films released in the year. Other factors impacting IMAX Technology Network results include fluctuations in the value of foreign currencies versus the U.S. Dollar.

For the three months ended June 30, 2021, IMAX Technology Network revenues and gross margin increased by $19.2 million and $15.2 million, respectively, when compared to the same period in 2020. See below for separate discussions of IMAX DMR and JRSA contingent rent results for the period.

*IMAX DMR*

For the three months ended June 30, 2021, IMAX DMR revenues and gross margin increased by $11.2 million and $6.9 million, respectively, when compared to the same period in 2020. These increases are primarily due to a $106.0 million increase in GBO receipts generated by IMAX DMR films in the second quarter of 2021, from $2.6 million to $108.6 million. In the second quarter of 2021, GBO was generated by the exhibition of 17 films (14 new films and 3 carryovers), including six local language films in China and Japan, and the re-release of classic titles. In the second quarter of 2020, GBO was generated by the exhibition of 1 new film and the re-release of classic titles.

In addition to the level of revenues, IMAX DMR gross margin is also influenced by the costs associated with the films exhibited in the period, and can vary from period-to-period, particularly with respect to marketing expenses. For the three months ended June 30, 2021, marketing expenses were $1.5 million, as compared to $nil during the same period in 2020.

*Joint Revenue Sharing Arrangements — Contingent Rent*

For the three months ended June 30, 2021, JRSA contingent rent revenue and gross margin increased by $8.0 million and $8.3 million, respectively, when compared to the same period in 2020. These increases are largely due to a $58.7 million increase in GBO generated by theatres under joint revenue sharing arrangements in the second quarter of 2021 when compared to the same period in the prior year, from $1.0 million to $59.7 million.

In addition to the level of revenues, JRSA contingent rent margin is also influenced by the level of costs associated with such arrangements, such as depreciation expense related to the underlying theatre systems and costs incurred to upgrade theatre systems from digital xenon to IMAX with Laser, as well as advertising, marketing and commission costs primarily for the launch of new theatres. The level of depreciation expense in a period relative to the prior year is a function of the growth of the theatre network and the mix of theatre system configurations in the network. For the three months ended June 30, 2021, JRSA gross margin included depreciation expense of $5.5 million, which represents a $0.7 million decrease as compared to $6.2 million recorded in the same period of the prior year. The lower level of depreciation expense in the current period is due, in part, to the effect of lease term extensions entered into with exhibitor customers as a result of the COVID-19 global pandemic, partially offset by incremental depreciation expense associated with a 3% increase in the number of theatres operating under joint revenue sharing arrangements. For the three months ended June 30, 2021, JRSA gross margin includes advertising, marketing and commission costs of $0.3 million, as compared to less than $0.1 million in the same period of the prior year.

***IMAX Technology Sales and Maintenance***

The primary drivers of IMAX Technology Sales and Maintenance results are the number of IMAX Theatre Systems installed in a year, and the level of gross margin percentage earned on each installation, as well as the associated maintenance contracts that accompany each theatre installation. The installation of IMAX Theatre Systems in newly built theatres or multiplexes, which make up a large portion of the Company's theatre system backlog, depends primarily on the timing of the construction of those projects, which is not under the Company's control.

The following table provides detailed information about the mix of IMAX Theatre System installed and recognized during the three months ended June 30, 2021 and 2020:

| | **For the Three Months Ended June 30,** | | | |
|---|---|---|---|---|
| | **2021** | | 2020 | |
| ***(In thousands of U.S. dollars, except number of systems)*** | **Number of Systems** | **Revenue** | Number of Systems | Revenue |
| New IMAX Theatre Systems: | | | | |
| Sales and sales-types lease arrangements[1] | **9** | **$ 12,046** | 2 | $ 1,731 |
| Joint revenue sharing arrangements — hybrid | **2** | **1,026** | 1 | 356 |
| Total new IMAX Theatre Systems | **11** | **13,072** | 3 | 2,087 |
| IMAX Theatre System upgrades: | | | | |
| Sales and sales-types lease arrangements | **1** | **1,437** | — | — |
| Total | **12** | **$ 14,509** | 3 | $ 2,087 |

(1) The arrangement for the sale of an IMAX Theatre System includes fixed upfront and ongoing consideration, including indexed annual minimum payment increases over the term of the arrangement, as well as an estimate of the contingent fees that may become due if certain annual minimum box office receipt thresholds are exceeded.

The average revenue per IMAX Theatre System under sales and sales-type lease arrangements varies depending upon the number of IMAX Theatre System commitments with a single respective exhibitor, an exhibitor's location and various other factors. The average revenue per full (i.e., not hybrid), new IMAX Theatre System under sales and sales-type lease arrangements was $1.3 million for the three months ended June 30, 2021, as compared to $0.9 million during the same period of the prior year.

For the three months ended June 30, 2021, IMAX Technology Sales and Maintenance revenue and gross margin increased by $24.1 million and $15.9 million, respectively, when compared to the same period in the prior year as the pace of theatre system installations increased when compared to the prior year and regular maintenance services began to resume with the reopening of theatres as the effects of the COVID-19 pandemic began to subside. See below for separate discussions of IMAX Systems and IMAX Maintenance results for the period.

*IMAX Systems*

For the three months ended June 30, 2021, IMAX Systems revenue and gross margin increased by $11.4 million and $7.9 million, respectively, when compared to the same period in the prior year. The higher level of revenue and gross margin is the result of seven additional IMAX Theatre System installations in the current period due to an increased pace of installations as the effects of the COVID-19 pandemic began to subside.

*IMAX Maintenance*

For the three months ended June 30, 2021, IMAX Maintenance segment revenues and gross margin increased by $11.2 million and $7.0 million, respectively, when compared to the same period in the prior year, due to the gradual reopening of the IMAX network. In 2020, regular maintenance services were suspended and the associated revenue was not recognized during the period when substantially all of the theatres in the network were temporarily closed due to the COVID-19 global pandemic.

Maintenance margins vary depending on the mix of theatre system configurations in the theatre network, volume-pricing related to larger relationships and the timing and the date(s) of installation and/or service.

***Selling, General and Administrative Expenses***

For the three months ended June 30, 2021, total Selling, General and Administrative Expenses decreased by $1.0 million (3%), when compared to the same period in 2020. For the three months ended June 30, 2021, Selling, General and Administrative Expenses, excluding the impact of share-based compensation of $6.4 million, were $22.4 million, as compared to $23.3 million in the same period in the prior year, excluding share-based compensation expense of $6.5 million, representing a decrease of $0.9 million (4%). A portion of share-based compensation expense is recognized within Cost and Expenses Applicable to Revenue and Research and Development. (See Note 12 of Notes to Condensed Consolidated Financial Statements.)

For the three months ended June 30, 2021, the Company recognized $2.0 million in benefits from the Canada Emergency Wage Subsidy ("**CEWS**") program as reductions to Selling, General and Administrative Expenses ($1.4 million) and Costs and Expenses Applicable to Revenues ($0.6 million) in the Condensed Consolidated Statements of Operations. For the three months ended June 30, 2020, the Company recognized $3.2 million from the CEWS program and the U.S. CARES Act as reductions to Selling, General and Administrative Expenses ($2.9 million) and Costs and Expenses Applicable to Revenues ($0.3 million) in the Condensed Consolidated Statements of Operations. The CEWS program has been extended to September 2021. The Company will continue to review for the availability of additional subsidies and credits for the remaining terms of these programs, where applicable, although there are no guarantees that the Company will ultimately apply for or receive any such additional benefits.

The decrease in second quarter Selling, General and Administrative Expenses versus the prior year is primarily due to a $4.3 million (97%) increase in labor and other costs capitalized to inventory, film assets, and joint venture theatre equipment or allocated to costs applicable to revenues, due to the higher level of business activity during current quarter as the effects of the COVID-19 global pandemic began to subside. This factor is partially offset by a $1.5 million decrease in wage subsidies, tax credits and other financial support that the Company is entitled to receive under various COVID-19 relief programs in the countries in which it operates, as well as a higher level of staff and other costs due to a return to a more normal level of business activities.

***Credit Loss (Reversal) Expense, Net***

For the three months ended June 30, 2021, the Company recorded a reversal of current expected credit losses of $1.9 million, reflecting a reduction to previously recorded provisions for foreign theatre and studio receivable balances due to better than anticipated collection experience. For the three months ended June 30, 2020, the Company recorded a provision for current expected credit losses of $1.4 million, which reflected judgments made by management at the onset of the COVID-19 global pandemic regarding the credit quality of Company's theatre and studio related receivable balances. Management's judgments regarding expected credit losses are based on the facts available to management at the time that the Condensed Consolidated Financial Statements are prepared and involve estimates about the future. Due to the unprecedented nature of the COVID-19 pandemic, its effect on the Company's customers and their ability to meet their financial obligations to the Company is difficult to predict. As a result, the Company's judgments and associated estimates of credit losses may ultimately prove, with the benefit of hindsight, to be incorrect. (See Notes 1 and 4 of Notes to Condensed Consolidated Financial Statements.)

***Realized and Unrealized Investment Gains***

In the first quarter of 2019, IMAX China (Hong Kong), Limited, a wholly-owned subsidiary of IMAX China, entered into a cornerstone investment agreement with Maoyan Entertainment ("**Maoyan**") and purchased equity securities for $15.2 million. In February 2021, IMAX China (Hong Kong), Limited sold all of its shares of Maoyan. Prior to this sale, the Company accounted for its investment in Maoyan at fair value with any changes in fair value recorded to the Condensed Consolidated Statements of Operations. For the three months ended June 30, 2020, the fair value of the Company's investment in Maoyan experienced an unrealized gain of $2.0 million.

### *Income Taxes*

For the three months ended June 30, 2021, the Company recorded income tax expense of $1.9 million (2020 — income tax benefit of $10.2 million). The Company's effective tax rate for the three months ended June 30, 2021 of (46.7)% differs from the Canadian statutory tax rate of 26.2% primarily due to the fact that the company recorded an additional $3.0 million valuation allowance against deferred tax assets in jurisdictions where management could not reliably forecast that future tax liabilities would arise, principally due to the uncertainties around the long-term impact of the COVID-19 global pandemic. Accordingly, the tax benefit associated with the current period losses in these jurisdictions is not ultimately reflected in the Company's Condensed Consolidated Statements of Operations. Also impacting the Company's effective tax rate for the three months ended June 30, 2021 are jurisdictional tax rate differences.

In the first quarter of 2020, management completed a reassessment of its strategy with respect to the most efficient means of deploying the Company's capital resources globally. Based on the results of this reassessment, management concluded that the historical earnings of certain foreign subsidiaries in excess of amounts required to sustain business operations would no longer be indefinitely reinvested. As a result, the Company recognized a deferred tax liability of $19.7 million in the first quarter of 2020 for the estimated applicable foreign withholding taxes associated with these historical earnings, which will become payable upon the repatriation of any such earnings. In the second quarter of 2020, the estimate of the applicable foreign withholding taxes was reduced by $1.2 million to $18.5 million due to a reduction in the amount of distributable historical earnings. In the first quarter of 2021, the applicable foreign withholding taxes was increased by $0.5 million due to an increase in the amount of distributable historical earnings.

(See Note 11 of Notes to Condensed Consolidated Financial Statements.)

### *Non-Controlling Interests*

The Company's Condensed Consolidated Financial Statements primarily include the non-controlling interest in the net income (loss) of IMAX China, as well as the impact of non-controlling interests in the activity of its Original Film Fund subsidiary. For the three months ended June 30, 2021, the net income attributable to non-controlling interests of the Company's subsidiaries was $3.1 million (2020 — net loss of $(4.1) million).

## Results of Operations for the Six Months Ended June 30, 2021 and June 30, 2020

For the six months ended June 30, 2021, the Company reported a net loss attributable to common shareholders of $(24.1) million, or $(0.41) per diluted share, as compared to a net loss attributable to common shareholders of $(75.3) million, or $(1.26) per diluted share, for the same period in 2020.

For the six months ended June 30, 2021, the Company reported an adjusted net loss attributable to common shareholders* of $(21.8) million, or $(0.37) per diluted share*, as compared to an adjusted net loss attributable to common shareholders* of $(54.8) million, or $(0.92) per diluted share*, for the same period in 2020.

* See "Non-GAAP Financial Measures" below for a description of this non-GAAP financial measure and a reconciliation to the most comparable GAAP amount.

The following table presents the Company's revenue and gross margin (margin loss) by category and reportable segment for the six months ended June 30, 2021 and 2020:

| *(In thousands of U.S. dollars)* | **Revenue** | | **Gross Margin (Margin Loss)** | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| **IMAX Technology Network** | | | | |
| IMAX DMR | **$ 23,737** | $ 11,175 | **$ 15,112** | $ 4,413 |
| Joint Revenue Sharing Arrangements, contingent rent | **16,221** | 5,834 | **3,673** | (8,119) |
| | **39,958** | 17,009 | **18,785** | (3,706) |
| **IMAX Technology Sales and Maintenance** | | | | |
| IMAX Systems[1] | **21,881** | 10,237 | **13,560** | 5,826 |
| Joint Revenue Sharing Arrangements, fixed fees | **2,740** | 1,139 | **503** | 227 |
| IMAX Maintenance | **20,141** | 7,370 | **8,898** | (1,149) |
| Other Theatre Business[2] | **920** | 954 | **205** | 46 |
| | **45,682** | 19,700 | **23,166** | 4,950 |
| **New Business Initiatives** | **1,316** | 1,110 | **1,092** | 873 |
| **Film Distribution and Post-Production** | **2,403** | 5,676 | **581** | (3,331) |
| Sub-total | **89,359** | 43,495 | **43,624** | (1,214) |
| Other | **350** | 262 | **(740)** | (1,388) |
| Total | **$ 89,709** | $ 43,757 | **$ 42,884** | $ (2,602) |

(1) Includes initial upfront payments and the present value of fixed minimum payments from sale and sales-type lease arrangements of IMAX Theatre Systems, and the present value of estimated variable consideration from sales of IMAX Theatre Systems. To a lesser extent, this line item also includes finance income associated with these revenue streams.

(2) Principally includes after-market sales of IMAX projection system parts and 3D glasses.

***Revenues and Gross Margin***

During the six months ended June 30, 2020, due to the outbreak of the COVID-19 global pandemic, substantially all of the theatres in the IMAX network were closed for some period of the time, with the theatres in Greater China closing in late-January 2020 and the remainder of the Company's theatres closing in mid-to-late March 2020. Since that time, stay-at-home orders and capacity restrictions have been lifted in many key markets and movie theatres throughout the IMAX network have gradually reopened. As of June 30, 2021, 89% of the theatres in the global IMAX commercial multiplex network were open, including 93% of the theatres in Domestic theatres (i.e., United States and Canada), 90% of the theatres in Greater China and 75% of the theatres in Rest of World markets. As a result, GBO receipts generated by IMAX DMR films and joint revenue sharing arrangements increased during the current year-to-date period, leading to improvement in the Company's segment results, when compared to the prior year. See the captioned sections below for a discussion of the Company's segment results.

***IMAX Technology Network***

IMAX Technology Network results are influenced by the level of commercial success and box office performance of the films released to the network, as well as other factors including the timing of the films released, the length of the theatrical distribution window, the take rates under the Company's DMR and joint revenue sharing arrangements and the level of marketing spend associated with the films released in the year. Other factors impacting IMAX Technology Network results include fluctuations in the value of foreign currencies versus the U.S. Dollar.

For the six months ended June 30, 2021, IMAX Technology Network revenues and gross margin increased $22.9 million and $22.5 million, respectively, when compared to the same period in 2020. See below for separate discussions of IMAX DMR and JRSA contingent rent results for the period.

*IMAX DMR*

For the six months ended June 30, 2021, IMAX DMR revenues and gross margin increased by $12.6 million and $10.7 million, respectively, when compared to the same period in 2020. These increases are primarily due to a $120.9 million increase in GBO receipts generated by IMAX DMR films during the six months ended June 30, 2021, from $97.9 million to $218.8 million. During the six months ended June 30, 2021, GBO was generated by the exhibition of 32 films (26 new and 6 carryovers), including 12 local language films in China and Japan, and the re-release of classic titles. During the six months ended June 30, 2020, GBO was generated by the exhibition of 14 films (10 new and 4 carryovers) and the re-release of classic titles.

In addition to the level of revenues, IMAX DMR gross margin is also influenced by the costs associated with the films exhibited in the period, and can vary from period-to-period, particularly with respect to marketing expenses. For the six months ended June 30, 2021, marketing expenses were $2.6 million, as compared to $2.4 million during the same period of 2020.

*Joint Revenue Sharing Arrangements — Contingent Rent*

For the six months ended June 30, 2021, JRSA contingent rent revenue and gross margin increased by $10.4 million and $11.8 million, respectively, when compared to the same period in 2020. These increases are largely due to a $79.9 million increase in GBO generated by theatres under joint revenue sharing arrangements during the six months ended June 30, 2021, from $45.6 million to $125.5 million.

In addition to the level of revenues, JRSA contingent rent margin is also influenced by the level of costs associated with such arrangements, such as depreciation expense related to the underlying theatre systems and costs incurred to upgrade theatre systems from digital xenon to IMAX with Laser, as well as advertising, marketing and commission costs primarily for the launch of new theatres. The level of depreciation expense in a period relative to the prior year is a function of the growth of the theatre network and the mix of theatre system configurations in the network. For the six months ended June 30, 2021, JRSA gross margin included depreciation expense of $11.3 million, which represents a $1.9 million decrease when compared to the same period of the prior year. The lower level of depreciation expense in the current period is due, in part, to the effect of lease term extensions entered into with exhibitor customers as a result of the COVID-19 global pandemic, partially offset by incremental depreciation expense associated with a 3% increase in the number of theatres operating under joint revenue sharing arrangements. For the six months ended June 30, 2021, JRSA gross margin includes advertising, marketing and commission costs of $1.1 million, as compared to $0.6 million in the same period of the prior year.

***IMAX Technology Sales and Maintenance***

The primary drivers of IMAX Technology Sales and Maintenance results are the number of IMAX Theatre Systems installed in a year, and the level of gross margin percentage earned on each installation, as well as the associated maintenance contracts that accompany each theatre installation. The installation of IMAX Theatre Systems in newly built theatres or multiplexes, which make up a large portion of the Company’s theatre system backlog, depends primarily on the timing of the construction of those projects, which is not under the Company’s control.

The following table provides detailed information about the mix of IMAX Theatre System installed and recognized during the six months ended June 30, 2021 and 2020:

| *(In thousands of U.S. dollars, except number of systems)* | **For the Six Months Ended June 30, 2021** | | 2020 | |
|---|---|---|---|---|
| | **Number of Systems** | **Revenue** | Number of Systems | Revenue |
| New IMAX Theatre Systems: | | | | |
| Sales and sales-types lease arrangements[1] | **11** | **$ 15,025** | 4 | $ 3,731 |
| Joint revenue sharing arrangements — hybrid | **4** | **2,530** | 2 | 1,126 |
| Total new IMAX Theatre Systems | **15** | **17,555** | 6 | 4,857 |
| IMAX Theatre System upgrades: | | | | |
| Joint revenue sharing arrangements — hybrid | **1** | **775** | — | — |
| Sales and sales-types lease arrangements | **1** | **1,437** | — | — |
| Total upgraded IMAX Theatre Systems | **2** | **2,212** | — | — |
| Total | **17** | **$ 19,767** | 6 | $ 4,857 |

(1) The arrangement for the sale of an IMAX Theatre System includes fixed upfront and ongoing consideration, including indexed annual minimum payment increases over the term of the arrangement, as well as an estimate of the contingent fees that may become due if certain annual minimum box office receipt thresholds are exceeded.

The average revenue per IMAX Theatre System under sales and sales-type lease arrangements varies depending upon the number of IMAX Theatre System commitments with a single respective exhibitor, an exhibitor's location and various other factors. The average revenue per full (i.e., not hybrid), new IMAX Theatre System under sales and sales-type lease arrangements was $1.4 million for the six months ended June 30, 2021, as compared to $0.9 million during the same period of the prior year.

For the six months ended June 30, 2021, IMAX Technology Sales and Maintenance revenue and gross margin increased by $26.0 million and $18.2 million, respectively, when compared to the same period of the prior year as the pace of theatre system installations increased when compared to the prior year and regular maintenance services began to resume with the reopening of theatres as the effects of the COVID-19 pandemic began to subside. See below for separate discussions of IMAX Systems and IMAX Maintenance results for the period.

*IMAX Systems*

For the six months ended June 30, 2021, IMAX Systems revenue and gross margin increased $11.6 million and $7.7 million, respectively, when compared to the same period of the prior year. The higher level of revenue and gross margin is the result of seven additional IMAX Theatre System installation in the current period due to an increased pace of theatre system installations as the effects of the COVID-19 pandemic began to subside.

*IMAX Maintenance*

For the six months ended June 30, 2021, IMAX Maintenance segment revenues and gross margin increased by $12.8 million and $10.0 million, respectively, when compared to the same period of the prior year, due to the gradual reopening of the IMAX network. In 2020, regular maintenance services were suspended and the associated revenue was not recognized during the period when theatres in the network were temporarily closed due to the COVID-19 global pandemic.

Maintenance margins vary depending on the mix of theatre system configurations in the theatre network, volume-pricing related to larger relationships and the timing and the date(s) of installation and/or service.

***Selling, General and Administrative Expenses***

For the six months ended June 30, 2021, total Selling, General and Administrative Expenses decreased by $4.4 million (8%), when compared to the same period in 2020. For the six months ended June 30, 2021, Selling, General and Administrative Expenses, excluding the impact of share-based compensation of $11.3 million, were $42.7 million, as compared to $48.3 million in the same period of the prior year, excluding share-based compensation expense of $10.2 million, representing a decrease of $5.6 million (12%). A portion of share-based compensation expense is recognized within Cost and Expenses Applicable to Revenue and Research and Development. (See Note 12 of Notes to Condensed Consolidated Financial Statements.)

For the six months ended June 30, 2021, the Company recognized $3.5 million in benefits from CEWS program as reductions to Selling, General and Administrative Expenses ($2.6 million) and Costs and Expenses Applicable to Revenues ($0.9 million) in the Condensed Consolidated Statements of Operations. For the six months ended June 30, 2020, the Company recognized $3.2 million from the CEWS program and the U.S. CARES Act as reductions to Selling, General and Administrative Expenses ($2.9 million) and Costs and Expenses Applicable to Revenues ($0.3 million) in the Condensed Consolidated Statements of Operations. The CEWS program has been extended to September 2021. The Company will continue to review for the availability of additional subsidies and credits for the remaining terms of these programs, where applicable, although there are no guarantees that the Company will ultimately apply for or receive any such additional benefits.

The decrease in June year-to-date Selling, General and Administrative Expenses versus the prior year is primarily due to management's cost control efforts and lower business activity amidst the COVID-19 global pandemic resulting in lower staff costs, travel, and facilities related expenses, among others. In response to uncertainties associated with the COVID-19 global pandemic, management is continuing to take steps to preserve the Company's cash and liquidity by closely monitoring and controlling operating expenses and capital expenditures.

***Credit Loss (Reversal) Expense, Net***

For the six months ended June 30, 2021, the Company recorded a reversal of current expected credit losses of $1.6 million, reflecting a reduction to previously recorded provisions for foreign theatre and studio receivable balances due to better than anticipated collection experience. For the six months ended June 30, 2020, the Company recorded a provision for current expected credit losses of $11.7 million, which reflected judgments made by management at the onset of the COVID-19 global pandemic regarding the credit quality of Company's theatre and studio related receivable balances. Management's judgments regarding expected credit losses are based on the facts available to management at the time that the Condensed Consolidated Financial Statements are prepared and involve estimates about the future. Due to the unprecedented nature of the COVID-19 pandemic, its effect on the Company's customers and their ability to meet their financial obligations to the Company is difficult to predict. As a result, the Company's judgments and associated estimates of credit losses may ultimately prove, with the benefit of hindsight, to be incorrect. (See Notes 1 and 4 of Notes to Condensed Consolidated Financial Statements.)

***Asset Impairments***

For the six months ended June 30, 2020, the Company recorded asset impairments of $1.2 million principally related to the write-down of content-related assets which became impaired in the period. There were no such impairments recorded during the six months ended June 30, 2021.

***Realized and Unrealized Investment Gains (Losses)***

In the first quarter of 2019, IMAX China (Hong Kong), Limited, a wholly-owned subsidiary of IMAX China, entered into a cornerstone investment agreement with Maoyan Entertainment ("**Maoyan**") and purchased equity securities for $15.2 million. In February 2021, IMAX China (Hong Kong), Limited sold all of its 7,949,000 shares of Maoyan for gross proceeds of $17.8 million, which represents a $2.6 million gain relative to the Company's acquisition cost and a $5.2 million gain compared to the fair value of the investment as of December 31, 2020. Prior to this sale, the Company accounted for its investment in Maoyan at fair value with any changes in fair value recorded to the Condensed Consolidated Statements of Operations. For the six months ended June 30, 2020, the fair value of the Company's investment in Maoyan experienced an unrealized loss of $2.5 million.

### *Interest Expense*

For the six months ended June 30, 2021, interest expense was $4.0 million, as compared to $2.2 million during the same period of the prior year. The increase in interest expense versus the same period of the prior year is due to a higher level of indebtedness coupled with a higher interest rate applicable during the designated amendment period. (See Note 7 of Notes to Condensed Consolidated Financial Statements.)

### *Income Taxes*

For the six months ended June 30, 2021, the Company recorded income tax expense of $5.0 million (2020 — $5.3 million). The Company's effective tax rate for the six months ended June 30, 2021 of (43.2)% differs from the Canadian statutory tax rate of 26.2% primarily due to the fact that the Company recorded an additional $10.0 million valuation allowance against deferred tax assets in jurisdictions where management could not reliably forecast that future tax liabilities would arise, principally due to the uncertainties around the long-term impact of the COVID-19 global pandemic. Accordingly, the tax benefit associated with the current period losses in these jurisdictions is not ultimately reflected in the Company's Condensed Consolidated Statements of Operations. Also impacting the Company's effective tax rate for the six months ended June 30, 2021 are jurisdictional tax rate differences, including a difference related to the gain on the sale of the Maoyan investment (see "Realized and Unrealized Investment Gains (Losses)" above) and a change in the estimated contingent liabilities related to the potential resolution of various tax examinations.

In the first quarter of 2020, management completed a reassessment of its strategy with respect to the most efficient means of deploying the Company's capital resources globally. Based on the results of this reassessment, management concluded that the historical earnings of certain foreign subsidiaries in excess of amounts required to sustain business operations would no longer be indefinitely reinvested. As a result, the Company recognized a deferred tax liability of $19.7 million in the first quarter of 2020 for the estimated applicable foreign withholding taxes associated with these historical earnings, which will become payable upon the repatriation of any such earnings. In the second quarter of 2020, the estimate of the applicable foreign withholding taxes was reduced by $1.2 million to $18.5 million due to a reduction in the amount of distributable historical earnings. In the first quarter of 2021, the applicable foreign withholding taxes was increased by $0.5 million due to an increase in the amount of distributable historical earnings.

(See Note 11 of Notes to Condensed Consolidated Financial Statements.)

### *Non-Controlling Interests*

The Company's Condensed Consolidated Financial Statements primarily include the non-controlling interest in the net income (loss) of IMAX China, as well as the impact of non-controlling interests in the activity of its Original Film Fund subsidiary. For the six months ended June 30, 2021, the net income attributable to non-controlling interests of the Company's subsidiaries was $7.4 million (2020 — net loss of $(14.1) million).

## LIQUIDITY AND CAPITAL RESOURCES

### *Working Capital Facility*

On July 1, 2021, IMAX (Shanghai) Multimedia Technology Co., Ltd. ("**IMAX Shanghai**"), one of the Company's majority-owned subsidiaries in China, renewed its unsecured revolving facility for up to 200.0 million Chinese Renminbi ("**RMB**") (approximately $30.9 million) to fund ongoing working capital requirements (the "**Working Capital Facility**"). The Working Capital Facility expires in July 2022.

As of June 30, 2021, outstanding Working Capital Facility borrowings were RMB71.2 million ($11.0 million) and outstanding letters of guarantee were RMB2.4 million ($0.4 million). As of December 31, 2020, outstanding Working Capital Facility borrowings were RMB49.9 million ($7.6 million) and no letters of guarantee were issued. As of June 30, 2021, the amount available for future borrowings under the Working Capital Facility was RMB118.8 million ($18.4 million) and the amount available for letters of guarantee was RMB7.6 million ($1.1 million). The amount available for future borrowings under the Working Capital Facility is not subject to a standby fee. The effective interest rate for borrowings under the Working Capital Facility for the three and six months ended June 30, 2021 was 4.35% (2020 — 4.35%).

### *Assessment of Liquidity and Capital Requirements*

As of June 30, 2021, the Company's principal sources of liquidity included: (i) its balances of cash and cash equivalents ($214.1 million); (ii) the anticipated collection of trade accounts receivable, which includes amounts owed under joint revenue sharing arrangements and DMR agreements with movie studios; (iii) the anticipated collection of financing receivables due in the next 12 months; and (iv) installment payments expected in the next 12 months on its existing sales and sales and sales-type lease arrangements in backlog. In addition, as of June 30, 2021, the Company had $300.0 million in available borrowing capacity under the Credit Facility and $18.4 million in available borrowing capacity under the Working Capital Facility, as described above.

The Company's $214.1 million balance of cash and cash equivalents as of June 30, 2021 includes $118.5 million in cash held outside of Canada (December 31, 2020 — $89.9 million), of which $94.2 million was held in the People's Republic of China (the "**PRC**") (December 31, 2020 — $77.2 million). In the first quarter of 2020, management completed a reassessment of its strategy with respect to the most efficient means of deploying the Company's capital resources globally. Based on the results of this reassessment, management concluded that the historical earnings of certain foreign subsidiaries in excess of amounts required to sustain business operations would no longer be indefinitely reinvested. As of June 30, 2021, the Company's Condensed Consolidated Balance Sheets include a deferred tax liability of $19.7 million for the applicable foreign withholding taxes associated with these historical earnings, which will become payable upon the repatriation of any such earnings.

The Company's operating cash flows will be adversely affected if management's projections of future signings of IMAX Theatre Systems and film performance, theatre installations and film productions are not realized. The Company forecasts its short-term liquidity requirements on a quarterly and annual basis. Since the Company's future cash flows are based on estimates and there may be factors that are outside of the Company's control (see "Risk Factors" in Item 1A in the Company's 2020 Form 10-K), there is no guarantee that the Company will continue to be able to fund its operations through cash flows from operations. Under the terms of the Company's typical sale and sales-type lease agreements, the Company receives substantial cash payments before the Company completes the performance of its obligations. Similarly, the Company receives cash payments for some of its film productions in advance of related cash expenditures.

The impact of the COVID-19 global pandemic has resulted in significantly lower levels of revenues, earnings and operating cash flows for the Company during 2020 and through the end of the second quarter of 2021, when compared to periods prior to the onset of the pandemic, as GBO results from the Company's theatre customers declined significantly, the installation of certain theatre systems was delayed, and maintenance services were generally suspended for theatres that were closed. In addition, as a result of the financial difficulties faced by certain of the Company's exhibition customers arising out of pandemic-related closures, the Company has experienced and may continue to experience delays in collecting payments due under existing theatre sale or lease arrangements. The Company has provided temporary relief to certain exhibitor customers by waiving or reducing maintenance fees during periods when theatres are closed or operating with reduced capacities and, in certain situations, by providing extended payment terms on annual minimum payment obligations in exchange for a corresponding or longer extension of the term of the underlying sale or lease arrangement. However, with approximately 89% of the Company's global theatre network open as of June 30, 2021, GBO receipts generated by IMAX DMR films and joint revenue sharing arrangements increased in the current quarter and year-to-date periods, leading to improvement in the Company's results, when compared to the prior year periods covered by this report.

Based on the Company's current cash balances and operating cash flows, management expects to have sufficient capital and liquidity to fund its anticipated operating needs and capital requirements during the next twelve month period following the date of this report.

(See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Impact of COVID-19 Pandemic" and "Risk Factors — The Company has experienced a significant decrease in its revenues, earnings and cash flows due to the COVID-19 global pandemic and its business, financial condition and results of operations may continue to be significantly harmed in future reporting periods" in Part II, Item 1A of this Form 10-Q.)

## NON-GAAP FINANCIAL MEASURES

GAAP refers to generally accepted accounting principles in the United States of America. In this report, the Company presents financial measures in accordance with GAAP and also on a non-GAAP basis under the SEC regulations. Specifically, the Company presents the following non-GAAP financial measures as supplemental measures of its performance:

- Adjusted net loss attributable to common shareholders;
- Adjusted net loss attributable to common shareholders per basic and diluted share;
- EBITDA; and
- Adjusted EBITDA per Credit Facility.

Adjusted net loss attributable to common shareholders and adjusted net loss attributable to common shareholders per basic and diluted share exclude, where applicable: (i) share-based compensation; (ii) COVID-19 government relief benefits; (iii) legal judgment and arbitration awards; (iv) realized and unrealized investment gains, as well as the related tax impact of these adjustments, and (v) income taxes resulting from management's decision to no longer indefinitely reinvest the historical earnings of certain foreign subsidiaries.

The Company believes that these non-GAAP financial measures are important supplemental measures that allow management and users of the Company's financial statements to view operating trends and analyze controllable operating performance on a comparable basis between periods without the after-tax impact of share-based compensation and certain unusual items included in net loss attributable to common shareholders. Although share-based compensation is an important aspect of the Company's employee and executive compensation packages, it is a non-cash expense and is excluded from certain internal business performance measures.

Reconciliations of net loss attributable to common shareholders and the associated per share amounts to adjusted net loss attributable to common shareholders and adjusted net loss attributable to common shareholders per diluted share are presented in the tables below.

| *(In thousands of U.S. dollars, except per share amounts)* | **Three Months Ended June 30, 2021** | | Three Months Ended June 30, 2020 | |
|---|---|---|---|---|
| | **Net Loss** | **Per Share** | Net Loss | Per Share |
| Reported net loss attributable to common shareholders | **$ (9,211)** | **$ (0.16)** | $ (25,967) | $ (0.44) |
| Adjustments[1]: | | | | |
| Share-based compensation | **6,451** | **0.11** | 6,168 | 0.10 |
| COVID-19 government relief benefits[2] | **(1,981)** | **(0.03)** | (3,151) | (0.05) |
| Legal judgment and arbitration awards | **(1,770)** | **(0.03)** | — | — |
| Unrealized investment gains | **(33)** | **—** | (1,413) | (0.02) |
| Tax impact on items listed above | **(428)** | **(0.01)** | (857) | (0.01) |
| Income taxes resulting from management's decision to no longer indefinitely reinvest the historical earnings of certain foreign subsidiaries | **—** | **—** | (841) | (0.02) |
| Adjusted net loss[1] | **$ (6,972)** | **$ (0.12)** | $ (26,061) | $ (0.44) |
| Weighted average basic shares outstanding | | **59,367** | | 58,808 |
| Weighted average diluted shares outstanding | | **59,367** | | 58,808 |

| *(In thousands of U.S. dollars, except per share amounts)* | **Six Months Ended June 30, 2021** | | Six Months Ended June 30, 2020 | |
|---|---|---|---|---|
| | **Net Loss** | **Per Share** | Net Loss | Per Share |
| Reported net loss attributable to common shareholders | **$ (24,051)** | **$ (0.41)** | $ (75,321) | $ (1.26) |
| Adjustments[1]: | | | | |
| Share-based compensation | **11,799** | **0.20** | 10,243 | 0.17 |
| COVID-19 government relief benefits[3] | **(3,465)** | **(0.06)** | (3,151) | (0.05) |
| Legal judgment and arbitration awards | **(1,770)** | **(0.03)** | — | — |
| Realized and unrealized investment (gains) losses | **(3,710)** | **(0.06)** | 1,752 | 0.03 |
| Tax impact on items listed above | **(965)** | **(0.02)** | (1,195) | (0.02) |
| Income taxes resulting from management's decision to no longer indefinitely reinvest the historical earnings of certain foreign subsidiaries | **381** | **0.01** | 12,885 | 0.21 |
| Adjusted net loss[1] | **$ (21,781)** | **$ (0.37)** | $ (54,787) | $ (0.92) |
| Weighted average basic shares outstanding | | **59,190** | | 59,613 |
| Weighted average diluted shares outstanding | | **59,190** | | 59,613 |

(1) Reflects amounts attributable to common shareholders.

(2) For the three months ended June 30, 2021, the Company recognized $2.0 million in COVID-19 government relief benefits (2020 — $3.2 million), as reductions to Selling, General and Administrative Expenses ($1.4 million) (2020 — $2.9 million) and Costs and Expenses Applicable to Revenues ($0.6 million) (2020 — $0.3 million) in the Condensed Consolidated Statements of Operations.

(3) For the six months ended June 30, 2021, the Company recognized $3.5 million in COVID-19 government relief benefits (2020 — $3.2 million), as reductions to Selling, General and Administrative Expenses ($2.6 million) (2020 — $2.9 million) and Costs and Expenses Applicable to Revenues ($0.9 million) (2020 — $0.3 million) in the Condensed Consolidated Statements of Operations.

In addition to the non-GAAP financial measures discussed above, management also uses "**EBITDA**," as such term is defined in the Credit Agreement, and which is referred to herein as "**Adjusted EBITDA per Credit Facility**." As allowed by the Credit Agreement, Adjusted EBITDA per Credit Facility includes adjustments in addition to the exclusion of interest, taxes, depreciation and amortization. Accordingly, this non-GAAP financial measure is presented to allow a more comprehensive analysis of the Company's operating performance and to provide additional information with respect to the Company's compliance against its Credit Agreement requirements in the current period, if applicable. In addition, the Company believes that Adjusted EBITDA per Credit Facility presents relevant and useful information widely used by analysts, investors and other interested parties in the Company's industry to evaluate, assess and benchmark the Company's results.

EBITDA is defined as net income or loss excluding: (i) income tax expense or benefit; (ii) interest expense, net of interest income; (iii) depreciation and amortization, including film asset amortization; and (iv) amortization of deferred financing costs. Adjusted EBITDA per Credit Facility is defined as EBITDA excluding: (i) share-based and other non-cash compensation; (ii) realized and unrealized investment gains or losses; (iii) write-downs, net of recoveries, including asset impairments and credit loss expense; (iv) legal judgment and arbitration awards; and (v) the gain or loss from equity accounted investments.

Reconciliations of net loss attributable to common shareholders, which is the most directly comparable GAAP measure, to EBITDA and Adjusted EBITDA per Credit Facility are presented in the tables below.

| | For the Three Months Ended June 30, 2021[1] | | |
|---|---|---|---|
| *(In thousands of U.S. dollars)* | **Attributable to Non-controlling Interests and Common Shareholders** | **Less: Attributable to Non-controlling Interests** | **Attributable to Common Shareholders** |
| Reported net loss | **$ (6,112)** | **$ 3,099** | **$ (9,211)** |
| Add (subtract): | | | |
| Income tax expense | **1,946** | **884** | **1,062** |
| Interest expense, net of interest income | **432** | **(89)** | **521** |
| Depreciation and amortization, including film asset amortization | **12,994** | **1,038** | **11,956** |
| Amortization of deferred financing costs | **699** | **—** | **699** |
| EBITDA | **$ 9,959** | **$ 4,932** | **$ 5,027** |
| Share-based and other non-cash compensation | **6,911** | **345** | **6,566** |
| Unrealized investment gains | **(33)** | **—** | **(33)** |
| (Recoveries) write-downs, including asset impairments and credit loss expense | **(1,623)** | **(575)** | **(1,048)** |
| Legal judgment and arbitration awards | **(1,770)** | **—** | **(1,770)** |
| Adjusted EBITDA per Credit Facility | **$ 13,444** | **$ 4,702** | **$ 8,742** |

| *(In thousands of U.S. dollars)* | For the Twelve Months Ended June 30, 2021[(1)] Attributable to Non-controlling Interests and Common Shareholders | Less: Attributable to Non-controlling Interests | Attributable to Common Shareholders |
|---|---|---|---|
| Reported net loss | $ (84,640) | $ 7,865 | $ (92,505) |
| Add (subtract): | | | |
| Income tax expense | 26,261 | 2,072 | 24,189 |
| Interest expense, net of interest income | 4,890 | (346) | 5,236 |
| Depreciation and amortization, including film asset amortization | 51,492 | 4,468 | 47,024 |
| Amortization of deferred financing costs[(2)] | 1,611 | — | 1,611 |
| EBITDA | $ (386) | $ 14,059 | $ (14,445) |
| Share-based and other non-cash compensation | 23,520 | 1,109 | 22,411 |
| Realized and unrealized investment gains | (5,714) | (1,702) | (4,012) |
| Write-downs, including asset impairments and credit loss expense | 16,769 | 3,102 | 13,667 |
| Legal judgment and arbitration awards | 2,335 | — | 2,335 |
| Loss from equity accounted investments | 1,329 | — | 1,329 |
| Adjusted EBITDA per Credit Facility | $ 37,853 | $ 16,568 | $ 21,285 |

(1) The Senior Secured Net Leverage Ratio is calculated using Adjusted EBITDA per Credit Facility determined on a trailing twelve-month basis. During the first quarter of 2021, the Company entered into the Second Amendment to the Credit Facility Agreement which, among other things, suspends the Senior Secured Net Leverage Ratio financial covenant in the Credit Agreement through the first quarter of 2022 and, once re-established, permits the Company to use EBITDA from the third and fourth quarters of 2019 in lieu of EBITDA for the corresponding quarters of 2021. (See Note 7 of Notes to Condensed Consolidated Financial Statements.)

(2) The amortization of deferred financing costs is recorded within Interest Expense in the Condensed Consolidated Statements of Operations.

The Company cautions users of its financial statements that these non-GAAP financial measures may not be comparable to similarly titled measures reported by other companies. Additionally, the non-GAAP financial measures used by the Company should not be considered as a substitute for, or superior to, the comparable GAAP amounts.

**Item 3.** ***Quantitative and Qualitative Disclosures about Market Risk***

The Company is exposed to market risk from foreign currency exchange rates and interest rates, which could affect operating results, financial position and cash flows. Market risk is the potential change in an instrument's value caused by, for example, fluctuations in interest and currency exchange rates. The Company's primary market risk exposure is the risk of unfavorable movements in exchange rates between the U.S. Dollar, the Canadian Dollar and the Chinese Yuan Renminbi. The Company does not use financial instruments for trading or other speculative purposes.

**Foreign Exchange Rate Risk**

A majority of the Company's revenue is denominated in U.S. Dollars while a significant portion of its costs and expenses is denominated in Canadian Dollars. A portion of the Company's net U.S. Dollar cash flows is converted to Canadian Dollars to fund Canadian Dollar expenses through the spot market. In addition, IMAX films generate box office in 85 different countries, and therefore unfavorable exchange rates between applicable local currencies and the U.S. Dollar could have an impact on the Company's reported gross box office and revenues. The Company has incoming cash flows from its revenue generating theatres and ongoing operating expenses in China through its majority-owned subsidiary IMAX Shanghai. In Japan, the Company has ongoing Yen-denominated operating expenses related to its Japanese operations. Net RMB and Japanese Yen cash flows are converted to U.S. Dollars through the spot market. The Company also has cash receipts under leases denominated in RMB, Japanese Yen, Euros and Canadian Dollars.

The Company manages its exposure to foreign exchange rate risks through its regular operating and financing activities, when appropriate, through the use of derivative financial instruments. These derivative financial instruments are utilized to hedge economic exposures as well as reduce earnings and cash flow volatility resulting from shifts in market rates.

Certain of the Company's subsidiaries held approximately RMB604.4 million ($93.6 million) in cash and cash equivalents as of June 30, 2021 (December 31, 2020 — RMB500.3 million or $77.2 million) and are required to transact locally in RMB. Foreign currency exchange transactions, including the remittance of any funds into and out of the PRC, are subject to controls and require the approval of the China State Administration of Foreign Exchange to complete. Any developments relating to the Chinese economy and any actions taken by the Chinese government are beyond the control of the Company; however, the Company monitors and manages its capital and liquidity requirements to ensure compliance with local regulatory and policy requirements.

For the three and six months ended June 30, 2021, the Company recorded a foreign exchange net gain of $1.1 million and net gain $1.7 million, respectively, as compared to a foreign exchange net loss of $0.3 million and a net loss of $1.0 million for the three and six months ended June 30, 2020, respectively, associated with the translation of foreign currency denominated monetary assets and liabilities.

The Company has entered into a series of foreign currency forward contracts to manage the Company's risks associated with the volatility of foreign currencies. The forward contracts have settlement dates throughout 2021. Foreign currency derivatives are recognized and measured in the Condensed Consolidated Balance Sheets at fair value. Changes in the fair value (gains or losses) are recognized in the Condensed Consolidated Statements of Operations except for derivatives designated and qualifying as foreign currency cash flow hedging instruments. Certain of these foreign currency forward contracts held by the Company as of June 30, 2021, are designated and qualify as foreign currency cash flow hedging instruments. The Company currently has cash flow hedging instruments associated with Selling, General and Administrative Expenses, Inventories and capital expenditures. For foreign currency cash flow hedging instruments related to Selling, General and Administrative Expenses, the effective portion of the gain or loss in a hedge of a forecasted transaction is reported in Other Comprehensive Income (Loss) and reclassified to the Condensed Consolidated Statements of Operations when the forecasted transaction occurs. For foreign currency cash flow hedging instruments related to Inventories, the effective portion of the gain or loss in a hedge of a forecasted transaction is reported in Other Comprehensive Income (Loss) and reclassified to Inventories on the Condensed Consolidated Balance Sheets when the forecasted transaction occurs. Any ineffective portion is recognized immediately in the Condensed Consolidated Statements of Operations.

The notional value of foreign currency cash flow hedging instruments that qualify for hedge accounting at June 30, 2021 was $10.2 million (December 31, 2020 — $26.4 million). A gain of $0.3 million and a gain of $0.6 million was recorded to Other Comprehensive Income (Loss) with respect to the change in fair value of these contracts for the three and six months ended June 30, 2021, respectively (2020 — gain of $1.3 million and a loss of $(1.5) million, respectively). A gain of $0.8 million and a gain of $1.1 million was reclassified from Accumulated Other Comprehensive Income (Loss) to Selling, General and Administrative Expenses and Inventories for the three and six months ended June 30, 2021, respectively (2020 — loss of $(0.3) million and a loss of $(0.7) million, respectively). An unrealized gain of $0.4 million resulting from a change in the classification of certain forward contracts no longer meeting the requirements for hedge accounting was reclassified from Accumulated Other Comprehensive Income (Loss) to Selling, General and Administrative Expenses for the three and six months ended June 30, 2021 (2020 — less than $0.1 million). The notional value of forward contracts that do not qualify for hedge accounting at June 30, 2021 was $3.5 million (December 31, 2020 — $5.6 million).

For all derivative instruments, the Company is subject to counterparty credit risk to the extent that the counterparty may not meet its obligations to the Company. To manage this risk, the Company enters into derivative transactions only with major financial institutions.

At June 30, 2021, the Company's Financing Receivables and working capital items denominated in Canadian Dollars, RMB, Japanese Yen, Euros and other foreign currencies translated into U.S. Dollars was $139.6 million. Assuming a 10% appreciation or depreciation in foreign currency exchange rates from the quoted foreign currency exchange rates at June 30, 2021, the potential change in the fair value of foreign currency-denominated financing receivables and working capital items would have been $14.0 million. A significant portion of the Company's Selling, General, and Administrative Expenses is denominated in Canadian Dollars. Assuming a 1% change appreciation or depreciation in foreign currency exchange rates at June 30, 2021, the potential change in the amount of Selling, General, and Administrative Expenses would be $0.1 million.

**Interest Rate Risk Management**

The Company's earnings are also affected by changes in interest rates due to the impact those changes have on its interest income from cash, and its interest expense from variable-rate borrowings. Specifically, the Company's largest exposure with respect to variable interest rate debt on borrowings under the Credit Facility resulting from changes in LIBOR.

The Company had no variable rate debt instruments outstanding as of June 30, 2021.

# PART II. OTHER INFORMATION

**Item 1A.** ***Risk Factors***

This Form 10-Q and the risk factors below should be read together with, and supplement, the risk factors in Item 1A. Risk Factors in the Company's 2020 Form 10-K, which describes various risks and uncertainties to which the Company is or may become subject. The risks described below and in the Company's 2020 Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company or that the Company currently deems to be immaterial also may materially adversely affect its business, financial condition and/or operating results.

**RISKS RELATED TO THE COMPANY'S BUSINESS AND OPERATIONS**

***The Company has experienced a significant decrease in its revenues, earnings, and cash flows due to the COVID-19 global pandemic and its business, financial condition and results of operations may continue to be significantly harmed in future reporting periods.***

The impact of the COVID-19 pandemic is complex and continuously evolving, resulting in significant disruption to the Company's business and the global economy. The pandemic has led authorities around the world to impose measures intended to control the spread of COVID-19, including stay-at-home orders and restrictions on large public gatherings, which caused movie theatres in countries around the world to temporarily close, including the IMAX theatres in those countries. As a result of the theatre closures, movie studios postponed the theatrical release of most films originally scheduled for release in 2020 and early 2021, including many scheduled to be shown in IMAX theatres, while several other films were released directly or concurrently to streaming platforms. More recently, stay-at-home orders and capacity restrictions have been lifted in many key markets and, beginning in the third quarter of 2020, movie theatres throughout the IMAX network gradually reopened. However, there is no assurance that movie theatres will remain open or continue to reopen given a resurgence in COVID-19 cases in certain jurisdictions. As of June 30, 2021, 89% of the theatres in the IMAX commercial multiplex network were open, spanning 62 countries. This included 93% of Domestic theatres (i.e., in the United States and Canada), 90% of the global theatres in Greater China and 75% of the theatres in Rest of World markets.

The impact of the COVID-19 pandemic has resulted in significantly lower levels of the Company's revenues, earnings, and operating cash flows for the Company during 2020 and through the end of the second quarter of 2021, when compared to periods prior to the onset of the pandemic, as GBO results from the Company's theatre customers declined significantly, the installation of certain theatre systems was delayed, and maintenance services were generally suspended for theatres that were closed. Even as the pandemic has receded in many markets around the world, through the end of the second quarter of 2021, there continued to be few new films released by Hollywood movie studios and a significant number of theatres in the IMAX network remain either closed or operating with capacity restrictions. As a result, for the three and six months ended June 30, 2021, the Company continued to experience a significantly lower level of earnings and operating cash flows as it generated lower than normal levels of GBO-based revenue from its joint revenue sharing arrangements and digital remastering services, it was unable to provide normal maintenance services to any of the theatres that remained closed, and while some installation activity continued, certain theatre system installations were, and may continue to be delayed. Moreover, given the uncertainty around when movie-going will return to historical levels, there is no guarantee that the effects of the COVID-19 global pandemic will end even after theatres are reopened. In addition, the global economic impact of COVID-19 has resulted in record levels of unemployment in certain countries, which has led to, and may continue to result in, lower consumer spending. The timing and extent of a recovery of consumer behavior and willingness to spend discretionary income on movie-going may delay the Company's ability to generate significant GBO-based revenue until consumer behavior normalizes and consumer spending recovers.

In response to uncertainties associated with the COVID-19 global pandemic, the Company took significant steps to preserve cash by eliminating non-essential costs, temporarily furloughing certain employees, reducing the working hours of other employees and reducing all non-essential capital expenditures to minimum levels. The Company also implemented an active cash management process, which, among other things, required senior management approval of all outgoing payments. There can, however, be no guarantees that the steps the Company has taken to preserve cash and manage its expenditures will result in the cost savings the Company anticipates.

The Company has applied for and received wage subsidies, tax credits and other financial support under COVID-19 relief legislation that has been enacted in the countries in which it operates. There are no guarantees that the Company will apply for or receive such benefits in the future or that the Company will receive any additional material financial support through these or other programs that may be created, expanded, or implemented by governments in the countries in which the Company operates.

In addition, as a result of the financial difficulties faced by certain of the Company's exhibition customers arising out of pandemic related closures, the Company has experienced and may continue to experience delays in collecting payments due under existing theatre sale or lease arrangements. The Company has provided temporary relief to certain exhibitor customers by waiving or reducing maintenance fees during periods when theatres are closed or operating with reduced capacities and, in certain situations, by providing extended payment terms on annual minimum payment obligations in exchange for a corresponding or longer extension of the term of the underlying sale or lease arrangement. Certain of the Company's exhibitor partners that had reopened theatres have temporarily suspended operations of their theatre network in certain jurisdictions and other exhibitor partners have reduced their theatres' operating hours, which may exacerbate existing financial difficulties. Our exhibitor partners may continue to experience operational and/or financial difficulties if the COVID-19 pandemic continues and Hollywood movie studios continue to delay the release of new films, or for other reasons, which would further increase the risks associated with payments under existing agreements with the Company. The ability of such partners to make payments cannot be guaranteed and is subject to changing economic circumstances. Further, the Company has had to delay movie theatre installations from backlog and may be required to further delay or cancel such installations in the future. As a result, the Company's future revenues and cash flows may be adversely affected.

Given the dynamic nature of the circumstances, while the Company has been negatively impacted as of the date of filing of this report, it is difficult to predict the full extent of such adverse impact of the COVID-19 global pandemic on the Company's financial condition, liquidity, business and results of operations in future reporting periods. The extent and duration of such impact on the Company will depend on future developments, including, but not limited to, the duration and scope of the pandemic, the emergence of variants of the virus, the progress made on administering vaccines, the timing of reopening of movie theatres worldwide and their return to historical levels of attendance, the timing of when new films are released, consumer behavior, the solvency of the Company's exhibitor partners, their ability to make timely payments, any potential construction or installation delays involving our exhibitor partners, the continuing impact of the pandemic on global economic conditions and ongoing government responses to the pandemic. Such events are highly uncertain and cannot be accurately forecast. Moreover, there can be no guarantees that the Company's liquidity needs will not increase materially over the course of this pandemic. In addition, liquidity needs as well as other changes to the Company's business and operations may impact the Company's ability to maintain compliance with certain covenants under the amended Credit Agreement. The Company may also be subject to impairment losses based on long-term estimated projections. These estimates and the likelihood of future changes in these estimates depend on a number of underlying variables and a range of possible outcomes. Actual results may differ materially from management's estimates, especially due to the uncertainties associated with the COVID-19 pandemic. If business conditions deteriorate further, or should they remain depressed for a more prolonged period of time, management's estimates of operating results and future cash flows for reporting units may be insufficient to support the goodwill assigned to them, thus requiring impairment charges. Estimates related to future expected credit losses and deferred tax assets, as well as the recoverability of joint revenue sharing equipment and the realization of variable consideration assets, could also be materially impacted by changes in estimates in the future.

The COVID-19 pandemic and public health measures implemented to contain it may also have the effect of heightening many of the other risks described in the Company's 2020 Form 10-K, including, but not limited to, risks relating to harm to our key personnel, diverting management's resources and time to addressing the impacts of COVID-19, which may negatively affect the Company's ability to implement its business plan and pursue certain opportunities, potential impairments, the effectiveness of our internal control of financial reporting, cybersecurity and data privacy risks due to employees working from home, and risks of increased indebtedness due to the drawdown of the Credit Facility, including the Company's ability to seek waivers of covenants or to refinance such borrowings, among others. The longer the COVID-19 pandemic and associated protective measures persist, the more severe the extent of the adverse impact of the pandemic on the Company is likely to be.

**Item 2.** ***Unregistered Sales of Equity Securities and Use of Proceeds***

**Issuer Purchases of Equity Securities**

In 2021, IMAX China announced that its shareholders granted its Board of Directors a general mandate authorizing the Board, subject to applicable laws, to repurchase of shares of IMAX China not to exceed 10% of the total number of issued shares as of May 6, 2021 (34,835,824 shares). This program will be valid until the 2022 Annual General Meeting of IMAX China. The repurchases may be made in the open market or through other means permitted by applicable laws. IMAX China has no obligation to repurchase its shares and the share repurchase program may be suspended or discontinued by IMAX China at any time. IMAX China did not repurchase any common shares during the three months ended June 30, 2021.

The total number of shares purchased during the six months ended June 30, 2021, under both the Company and IMAX China's repurchase plans, does not include any shares purchased in the administration of employee share-based compensation plans.

## (2) EARNINGS RELEASE EXTRACTS

"IMAX is helping to lead the global recovery of the film industry and is uniquely positioned to benefit immediately as cinemas reopen, the Hollywood blockbuster film slate restarts, and audiences return to theatres worldwide," said Richard L. Gelfond, CEO of IMAX Corporation. "We continue to demonstrate that an IMAX release is a window unto itself, proven to draw moviegoers to the theatres, drive premium revenue, and launch event films into the ecosystem."

"IMAX delivered continued progress in operating results, demonstrating growing momentum for the Company. Thanks to our asset-lite model, we capitalized on strong year-over-year growth in revenue and global box office to achieve another quarter of improved profitability."

**Second Quarter and June Year-to-Date Segment Results**

**IMAX Technology Network**

- IMAX Technology Network revenues increased to $19.7 million in the second quarter of 2021, compared to $0.4 million in the prior-year period when substantially all of the theatres in the IMAX network were closed. The continued reopening of the Company's network, particularly in the US, and strong performance of Hollywood releases drove the increase in gross box office and revenue.

- Gross margin for the IMAX Technology Network of $8.7 million in the second quarter of 2021 increased by more than $15 million as improved box office performance drove higher revenue.

**IMAX Technology Sales and Maintenance**

- IMAX Technology Sales and Maintenance revenues increased to $28.7 million in the second quarter of 2021, compared with $4.6 million in the prior year period. The increase in revenue was the result of a larger number of IMAX theatre system installations and higher IMAX Maintenance sales associated with the continued reopening of the Company's global network.

- Total gross margin for IMAX Technology Sales and Maintenance increased to $16.1 million compared to $0.2 million in the prior year period. The increase in gross margin was the result of a higher level of theatre system installations and maintenance revenue partially offset by increased costs associated with an increased level of business activity.

# DEFINITIONS USED IN THIS ANNOUNCEMENT

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| “1HFY” | the first half of the financial year, six months ended 30 June |
| “2HFY” | the second half of the financial year, six months ended 31 December |
| “Articles of Association” | the articles of association of the Company, as amended from time to time |
| “Board” or “Board of Directors” | the board of directors of the Company |
| “CG Code” | the Corporate Governance Code set out in Appendix 14 of the Listing Rules |
| “Company” or “IMAX China” | IMAX China Holding, Inc., a company incorporated under the laws of the Cayman Islands with limited liability on 30 August 2010 |
| “controlling shareholder”, “subsidiary” and “substantial shareholder” | shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires |
| “Directors” | the directors of the Company and “Director” shall be construed accordingly as a director of the Company |
| “Earnings Release” | the earnings release by IMAX Corporation on 27 July 2021 New York time |
| “EIT” | enterprise income tax |
| “FY” or “financial year” | financial year ended or ending 31 December |
| “Greater China” | for the purposes of this document only, the PRC, Hong Kong, Macau and Taiwan |
| “Group”, “we”, “our” or “us” | the Company and its subsidiaries |
| “HK$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “IFRS” | International Financial Reporting Standards issued by the International Accounting Standards Board |

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| "IMAX Corporation" or the "Controlling Shareholder" | IMAX Corporation, a company incorporated in Canada with limited liability in 1967 and listed on the New York Stock Exchange (NYSE: IMAX) and our ultimate controlling shareholder, or where the context requires, any of its wholly-owned subsidiaries |
| "IMAX Hong Kong Holding" | IMAX (Hong Kong) Holding, Limited, a company incorporated in Hong Kong and a direct wholly-owned subsidiary of IMAX (Barbados) Holding, Inc. |
| "IMAX Shanghai Multimedia" | IMAX (Shanghai) Multimedia Technology Co., Ltd., a wholly foreign-owned enterprise established under the laws of the PRC on 31 May 2011 and a direct wholly owned subsidiary of IMAX China (Hong Kong) Limited |
| "IPO" | initial public offering |
| "Listing" | the listing of the Shares on the Main Board of the Stock Exchange on 8 October 2015 |
| "Listing Rules" | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time |
| "Macau" | Macau Special Administrative Region of the PRC |
| "Model Code" | the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules |
| "NYSE" | New York Stock Exchange |
| "PRC" or "China" | the People's Republic of China, but for the purposes of this document only, except where the context requires, references in this announcement to PRC or China exclude Hong Kong, Macau and Taiwan |
| "Quarterly Report" | the Quarterly Report filed by IMAX Corporation on 28 July 2020 New York time |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "RSUs" | restricted share units |
| "SEC" | the United States Securities and Exchange Commission |

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| "Share(s)" | Ordinary share(s) with a nominal value of US$0.0001 each in the share capital of the Company and a "Share" means any of them |
| "Shareholder(s)" | holder(s) of Shares |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "TCL-IMAX Entertainment" | TCL-IMAX Entertainment Co., Limited, a company incorporated in Hong Kong with limited liability on 3 January 2014, being the joint venture company jointly owned by IMAX Hong Kong Holding and Sino Leader (Hong Kong) Limited, which is wholly owned by TCL Multimedia Technology Holdings Limited |
| "U.S." or "United States" | the United States of America, its territories and possessions, any state of the United States and the District of Columbia |
| "USD", "US$", "$" or "United States dollars" | U.S. dollars, the lawful currency of the United States of America |

# GLOSSARY

This glossary contains explanations of certain terms used in this announcement in connection with the Group and its business. The terminologies and their meanings may not correspond to standard industry meanings or usage of those terms.

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| "3D" | three-dimensional |
| "backlog" | our backlog comprises the aggregate number of commitments for IMAX theatre installations pursuant to contracts we have entered into with exhibitors |
| "box office" | the gross aggregate proceeds from ticket sales received by the relevant exhibitor(s) in the relevant market(s) for the relevant type(s) of film. For example, the Greater China box office is the aggregate proceeds from ticket sales received by all exhibitors in Greater China, and the Greater China IMAX box office is the aggregate proceeds from ticket sales received by all the exhibitors in Greater China in respect of IMAX films and IMAX Original Films. We also use the concept of box office in our revenue sharing arrangements, where it refers to the aggregate proceeds from ticket sales received by exhibitors in respect of IMAX films with which we have entered into a revenue sharing arrangement |
| "box office revenue" | the portion of box office that is due to be paid to the Group under revenue sharing arrangements in our theatre systems business and/or arrangements with IMAX Corporation and studios in our films business, as applicable |
| "Chinese language film" | a motion picture approved for theatrical release in the PRC which has been produced by one or more PRC producer(s) or jointly produced by one or more PRC producer(s) and one or more foreign producer(s), and meets the requirements of the relevant laws and regulations of the PRC |
| "distributor" | an organisation that distributes films to exhibitors or, in the PRC, theatre circuits for exhibition at theatres |
| "exhibitor" | exhibitors are theatre investment management companies which own and operate theatres; exhibitors receive copies of films from the theatre circuits but retain control over the screening schedules |

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| "full revenue sharing arrangement" | an arrangement with an exhibitor pursuant to which we contribute an IMAX theatre system to that exhibitor in return for a portion of that exhibitor's box office generated from IMAX films over the term of the arrangement, and no, or a relatively small, upfront payment |
| "Hollywood film" | an imported motion picture for theatrical release in the PRC which has been produced by one or more foreign producer(s) and the importation and release of such motion picture has been permitted in accordance with the relevant laws and regulations of the PRC |
| "hybrid revenue sharing arrangement" | an arrangement with an exhibitor pursuant to which we contribute an IMAX theatre system to that exhibitor in return for an upfront fee that is typically half of the payment under a sales arrangement and a portion of that exhibitor's box office generated from IMAX films over the term of the arrangement, that is typically half of that under a full revenue sharing arrangement |
| "IMAX DMR" | the proprietary digital re-mastering process or any other postproduction process and/or technology used by IMAX Corporation in connection with the conversion of a conventional film into an IMAX film |
| "IMAX film" | a film converted from a conventional film using DMR technology |
| "IMAX Original Film" | any IMAX film invested in, produced or co-produced by IMAX Corporation and released to IMAX theatres, and/or for which IMAX Corporation owns and/or controls its theatrical distribution rights |
| "IMAX theatre" | any movie theatre in which an IMAX screen is installed |
| "multiplex" | a movie theatre with more than one screen for the exhibition of films |
| "revenue sharing arrangement" | an arrangement with an exhibitor pursuant to which we contribute an IMAX theatre system to that exhibitor in return for, among other things, a portion of that exhibitor's box office generated from IMAX films over the term of the arrangement; our revenue sharing arrangements are either full revenue sharing arrangements or hybrid revenue sharing arrangements (See the separate glossary explanations for these terms) |
| "sales arrangement" | an arrangement with an exhibitor pursuant to which we sell that exhibitor an IMAX theatre system for a fee and the exhibitor agrees to pay us on-going royalty fees for use of the IMAX brand and technology over the term of the arrangement |

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| "studio" | an organisation that produces films (which may include all or some of script writing, financing, production team and equipment sourcing, casting, shooting and post production), owns the copyright to the films it produces and works with distributors to release those films at theatres |
| "take rate" | a film studio's share of box office generated from a particular film, after making certain tax and other deductions |
| "theatre circuit" | an organisation that distributes newly released films to theatres within that circuit; every theatre in the PRC must be affiliated with a theatre circuit |

By Order of the Board
**IMAX China Holding, Inc.**
**Yifan (Yvonne) He**
*Joint Company Secretary*

Hong Kong, 28 July 2021

As at the date of this announcement, the directors of the Company are:

*Executive Directors:*
*Edwin Tan*
*Jim Athanasopoulos*
*Mei-Hui Chou (Jessie)*

*Non-Executive Directors:*
*Richard Gelfond*
*Megan Colligan*
*Jiande Chen*

*Independent Non-Executive Directors:*
*John Davison*
*Yue-Sai Kan*
*Dawn Taubin*
*Peter Loehr*

*In the event of any inconsistency between the English version and the Chinese version of this announcement, the English version shall prevail.*