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IMAX CHINA HOLDING, INC.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1970)

INSIDE INFORMATION
OUR CONTROLLING SHAREHOLDER
IMAX CORPORATION
RELEASED ITS THIRD QUARTER 2021 FINANCIAL RESULTS AND QUARTERLY REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2021

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 28 October 2021 (New York time), announced its third quarter 2021 financial results, and on 28 October 2021 (New York time) released its quarterly report for the quarter ended 30 September 2021.

This is an announcement made by IMAX China Holding, Inc. ("**we**" or "**IMAX China**") 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 ("**HKSE**").

IMAX China's 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 approximately 69.83% of the issued share capital of IMAX China.

On 28 October 2021 (New York time), IMAX Corporation made an announcement regarding its unaudited results for the fiscal quarter ended 30 September 2021 (the "**Earnings Release**"). If you wish to review the Earnings Release, please visit: https://www.sec.gov/Archives/edgar/data/921582/000156459021052430/imax-ex991_6.htm. Unless otherwise provided therein, all dollar amounts in the Earnings Release are denominated in U.S. dollars.

On 28 October 2021 (New York time), IMAX Corporation filed its unaudited quarterly report on the Form 10-Q for the fiscal quarter ended 30 September 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/921582/000156459021052480/imax-10q_20210930.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, 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. They are different from the International Financial Reporting Standards, which is the standard employed by IMAX China as a company listed on the Main Board of the HKSE for preparing and presenting financial information. As such, financial information of IMAX China in the Earnings Release and in the Quarterly Report are not directly comparable to the financial results reported directly by IMAX China in its filings with the HKSE.

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.

Item 1. ***Financial Statements***

IMAX CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands of U.S. Dollars except share amounts)
(Unaudited)

	September 30, 2021	December 31, 2020
Assets		
Cash and cash equivalents	**$ 193,008**	$ 317,379
Accounts receivable, net	**82,728**	56,300
Financing receivables, net	**135,202**	131,810
Variable consideration receivables, net	**42,540**	40,526
Inventories	**38,245**	39,580
Prepaid expenses	**11,863**	10,420
Film assets, net	**5,347**	5,777
Property, plant and equipment, net	**260,852**	277,397
Investment in equity securities	**1,089**	13,633
Other assets	**18,514**	21,673
Deferred income tax assets, net	**18,652**	17,983
Goodwill	**39,027**	39,027
Other intangible assets, net	**24,094**	26,245
Total assets	**$ 871,161**	$ 997,750
Liabilities		
Accounts payable	**$ 15,584**	$ 20,837
Accrued and other liabilities	**98,272**	99,354
Revolving credit facility borrowings, net	**9,486**	305,676
Convertible notes, net	**223,265**	—
Deferred revenue	**86,442**	87,982
Deferred income tax liabilities	**17,642**	19,134
Total liabilities	**450,691**	532,983

	September 30, 2021	December 31, 2020
Commitments and contingencies (see Note 8)		
Non-controlling interests	**760**	759
Shareholders' equity		
Capital stock common shares — no par value. Authorized — unlimited number. 59,082,275 issued and 59,081,999 outstanding (December 31, 2020 — 58,921,731 issued and 58,921,008 outstanding)	**413,531**	407,031
Less: Treasury stock, 276 shares at cost (December 31, 2020 — 723)	**(4)**	(11)
Other equity	**161,524**	180,330
Statutory surplus reserve	**3,932**	—
Accumulated deficit	**(241,440)**	(202,849)
Accumulated other comprehensive (loss) income	**(637)**	988
Total shareholders' equity attributable to common shareholders	**336,906**	385,489
Non-controlling interests	**82,804**	78,519
Total shareholders' equity	**419,710**	464,008
Total liabilities and shareholders' equity	**$ 871,161**	$ 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 September 30,		Nine Months Ended September 30,	
	2021	2020	**2021**	2020
Revenues				
Technology sales	**$ 13,160**	$ 15,753	**$ 34,508**	$ 24,102
Image enhancement and maintenance services	**30,588**	14,589	**76,914**	39,109
Technology rentals	**10,219**	4,473	**26,708**	10,307
Finance income	**2,635**	2,441	**8,181**	7,495
	56,602	37,256	**146,311**	81,013
Costs and expenses applicable to revenues				
Technology sales	**6,230**	9,222	**17,779**	15,637
Image enhancement and maintenance services	**16,461**	16,989	**38,582**	42,049
Technology rentals	**6,424**	7,216	**19,579**	22,100
	29,115	33,427	**75,940**	79,786
Gross margin	**27,487**	3,829	**70,371**	1,227
Selling, general and administrative expenses	**28,377**	24,815	**82,393**	83,247
Research and development	**2,025**	1,130	**5,696**	4,562
Amortization of intangibles	**1,255**	1,349	**3,586**	4,014
Credit loss (reversal) expense, net	**(3,317)**	3,925	**(4,884)**	15,582
Asset impairments	**—**	—	**—**	1,151
Legal judgment and arbitration awards (see Note 8)	**—**	—	**(1,770)**	—
Loss from operations	**(853)**	(27,390)	**(14,650)**	(107,329)
Realized and unrealized investment gains (losses)	**30**	1,575	**5,311**	(939)
Retirement benefits non-service expense	**(117)**	(186)	**(347)**	(432)
Interest income	**538**	586	**1,680**	1,842
Interest expense	**(1,540)**	(2,391)	**(5,534)**	(4,620)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	**2021**	2020
Loss before taxes	**(1,942)**	(27,806)	**(13,540)**	(111,478)
Income tax expense	**(4,402)**	(19,349)	**(9,416)**	(24,606)
Equity in losses of investees, net of tax	**—**	(1,329)	**—**	(1,858)
Net loss	**(6,344)**	(48,484)	**(22,956)**	(137,942)
Less: Net (income) loss attributable to non-controlling interests	**(2,034)**	1,275	**(9,473)**	15,412
Net loss attributable to common shareholders	**$ (8,378)**	$ (47,209)	**$ (32,429)**	$ (122,530)
Net loss per share attributable to common shareholders — basic and diluted:				
Net loss per share — basic and diluted	**$ (0.14)**	$ (0.80)	**$ (0.55)**	$ (2.06)

(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 September 30,		Nine Months Ended September 30,	
	2021	2020	**2021**	2020
Net loss	**$ (6,344)**	$ (48,484)	**$ (22,956)**	$(137,942)
Other comprehensive (loss) income, before tax				
Unrealized net (loss) gain from cash flow hedging instruments	**(759)**	591	**(159)**	(935)
Realized net (gain) loss from cash flow hedging instruments	**(312)**	110	**(1,367)**	805
Reclassification of unrealized gain from ineffective cash flow hedging instruments	**(25)**	—	**(318)**	—
Foreign currency translation adjustments	**(1,325)**	2,387	**(531)**	1,772
Defined benefit and postretirement benefit plans	**48**	19	**144**	36
Total other comprehensive (loss) income, before tax	**(2,373)**	3,107	**(2,231)**	1,678
Income tax benefit (expense) related to other comprehensive (loss) income	**276**	(189)	**446**	64
Other comprehensive (loss) income, net of tax	**(2,097)**	2,918	**(1,785)**	1,742
Comprehensive loss	**(8,441)**	(45,566)	**(24,741)**	(136,200)
Comprehensive (income) loss attributable to non-controlling interests	**(1,636)**	553	**(9,313)**	14,876
Comprehensive loss attributable to common shareholders	**$ (10,077)**	$ (45,013)	**$ (34,054)**	$(121,324)

(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)

	Nine Months Ended September 30, 2021	2020
Operating Activities		
Net loss	**$ (22,956)**	$ (137,942)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	**40,570**	40,699
Amortization of deferred financing costs	**1,749**	595
Credit loss (reversal) expense, net	**(4,884)**	15,582
Write-downs	**878**	13,339
Deferred income tax (benefit) expense	**(1,687)**	23,142
Share-based and other non-cash compensation	**18,558**	16,345
Unrealized foreign currency exchange loss (gain)	**555**	(394)
Realized and unrealized investment (gains) losses	**(5,311)**	939
Equity in losses of investees	**—**	1,858
Changes in assets and liabilities:		
Accounts receivable	**(24,336)**	30,350
Inventories	**653**	(10,278)
Film assets	**(10,035)**	(6,177)
Deferred revenue	**(1,434)**	5,233
Changes in other operating assets and liabilities	**(11,902)**	(24,109)
Net cash used in operating activities	**(19,582)**	(30,818)
Investing Activities		
Purchase of property, plant and equipment	**(2,353)**	(658)
Investment in equipment for joint revenue sharing arrangements	**(5,361)**	(5,289)
Acquisition of other intangible assets	**(3,399)**	(1,661)
Proceeds from sale of equity investments	**17,769**	—
Net cash provided by (used in) investing activities	**6,656**	(7,608)

	Nine Months Ended September 30,	
	2021	2020
Financing Activities		
Proceeds from issuance of convertible notes, net	**223,675**	—
Debt issuance costs related to convertible notes	**(1,163)**	—
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	**(474)**	(1,026)
Repurchase of common shares	**(4,610)**	(36,624)
Repurchase of common shares, IMAX China	**(5,016)**	(1,534)
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	**(5,027)**	(4,214)
Net cash (used in) provided by financing activities	**(110,487)**	233,509
Effects of exchange rate changes on cash	**(958)**	630
(Decrease) increase in cash and cash equivalents during period	**(124,371)**	195,713
Cash and cash equivalents, beginning of period	**317,379**	109,484
Cash and cash equivalents, end of period	**$ 193,008**	$ 305,197

(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 Theater 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 theater system equipment supporting joint revenue sharing arrangements; (vii) the economic lives of the theater 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. 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 theater closures, theater capacity restrictions and/or delays in the release of films. However, management is encouraged by the broad reopening of the IMAX theater network, the continued progress towards the resumption of normal theater operations, and recent box office results. Accordingly, during the three and nine months ended September 30, 2021, the Company reversed $3.3 million and $4.9 million, respectively, of its allowance for current expected credit losses, reflecting the improving outlook for theater operators as the theatrical exhibition industry continues to recover from the COVID-19 global pandemic. Despite the improving environment, there continues to be a degree of risk and uncertainty relating to future credit losses on receivables, inventory write downs, impairments of film assets, impairments of long-lived assets (including the theater 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 Theater System installations, and customer creditworthiness have greater variability than normal, which could in the future significantly impact management's estimates and judgments relating to the recoverability of the Company's financial and non-financial assets.

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. At various points during the pandemic, authorities around the world imposed measures intended to control the spread of COVID-19, including stay-at-home orders and restrictions on large public gatherings, which caused movie theaters in countries around the world to temporarily close, including the IMAX theaters in those countries. As a result of the theater 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 theaters, 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 almost all key markets and, beginning in the third quarter of 2020, movie theaters throughout the IMAX network gradually reopened. As of September 30, 2021, 93% of the theaters in the global IMAX commercial multiplex network were open at various capacities, spanning 70 countries. This included 100% of Domestic theaters (i.e., in the United States and Canada), 93% of the theaters in Greater China and 87% of the theaters 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, to a lesser extent, during the nine months ended September 30, 2021, when compared to periods prior to the onset of the pandemic, as gross box office ("**GBO**") results from the Company's theater customers declined, the installation of certain theater systems was delayed, and maintenance services were generally suspended for theaters 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, although improving, the Company has experienced and may continue to experience delays in collecting payments due under existing theater sale or lease arrangements. The Company has provided temporary relief to certain exhibitor customers by waiving or reducing maintenance fees during periods when theaters 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 three and nine months ended September 30, 2021, GBO receipts generated by IMAX DMR films totaled $141.9 million and $360.7 million, respectively, surpassing the totals for the same periods in 2020 by $71.7 million (102%) and $192.6 million (115%), respectively. Moreover, GBO receipts for September 2021 approximated the levels achieved prior to the onset of the COVID-19 global pandemic. Management is encouraged by these box office results, the return of the prevalence of exclusive theatrical windows beginning with the release of Shang-Chi and the Legend of the Ten Rings in September 2021, and the strong pipeline of Hollywood movies scheduled to be released for theatrical exhibition during the remainder of 2021 and in 2022. 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 theater closures, theater 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 theater sale and sales-type lease arrangements, contingent fees owed by theater operators as a result of box office performance and fees for theater 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 theater operators are as follows:

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

- Credit Watch — The theater operator has demonstrated a delay in payments, but continues to be in active communication with the Company. Theater 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 theater operator has demonstrated a delay in payments with little or no communication with the Company. All services and shipments to the theater 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 theater operator is severely delinquent, non-responsive or not negotiating in good faith with the Company. Once a theater operator is classified within the All Transactions Suspended category, the theater is placed on nonaccrual status and all revenue recognitions related to the theater are stopped.

The ability of the Company to collect its accounts receivable balances is heavily dependent on the viability and solvency of individual theater operators which is significantly influenced by consumer behavior and general economic conditions. Theater operators, or other customers, may experience financial difficulties, such as those caused by the COVID-19 global pandemic, that could result in their being 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 write-off of any billed receivable balance requires the approval of management.

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

(In thousands of U.S. Dollars)	**Three Months Ended September 30, 2021**				Nine Months Ended September 30, 2021			
	Theater Operators	**Studios**	**Other**	**Total**	Theater Operators	Studios	Other	Total
Beginning balance	**$ 8,597**	**$ 2,517**	**$ 1,192**	**$ 12,306**	$ 8,368	$ 4,481	$ 1,446	$ 14,295
Current period provision (reversal), net	**(489)**	**(251)**	**(24)**	**(764)**	(111)	(1,928)	(269)	(2,308)
Write-offs	**(43)**	**(270)**	**—**	**(313)**	(278)	(522)	—	(800)
Foreign exchange	**(89)**	**2**	**—**	**(87)**	(3)	(33)	(9)	(45)
Ending balance	**$ 7,976**	**$ 1,998**	**$ 1,168**	**$ 11,142**	$ 7,976	$ 1,998	$ 1,168	$ 11,142

(In thousands of U.S. Dollars)	**Three Months Ended September 30, 2020**				Nine Months Ended September 30, 2020			
	Theater Operators	**Studios**	**Other**	**Total**	Theater Operators	Studios	Other	Total
Beginning balance	**$ 6,317**	**$ 5,455**	**$ 838**	**$ 12,610**	$ 3,302	$ 893	$ 942	$ 5,137
Current period provision (reversal), net	**1,623**	**(262)**	**468**	**1,829**	4,718	4,424	364	9,506
Write-offs	**(614)**	**—**	**—**	**(614)**	(614)	—	—	(614)
Foreign exchange	**133**	**184**	**(9)**	**308**	53	60	(9)	104
Ending balance	**$ 7,459**	**$ 5,377**	**$ 1,297**	**$ 14,133**	$ 7,459	$ 5,377	$ 1,297	$ 14,133

For the three and nine months ended September 30, 2021, the Company's allowance for current expected credit losses related to Accounts Receivable decreased by $1.2 million and $3.2 million, respectively. These decreases are principally due to the reversal of previously recorded credit loss expense as a result of an improving outlook for theater operators following the reopening of theaters and the resumption of normal film release schedules as the theatrical exhibition industry continues to recover from the COVID-19 global pandemic, as well as better than anticipated collection experience with respect to foreign studio receivable balances.

For the three and nine months ended September 30, 2020, the Company's allowance for current expected credit losses related to Accounts Receivable increased by $1.5 million and $9.0 million, respectively, principally reflecting a reduction in the credit quality of and heightened collection risk associated with theater and foreign movie studio accounts receivable primarily due to the COVID-19 global pandemic.

Management believes that the September 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 theater operators and consist of the Company's net investment in sales-type leases and receivables associated with financed sales of IMAX Theater 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 theater operators which is significantly influenced by consumer behavior and general economic conditions. Theater operators may experience financial difficulties, such as those caused by the COVID-19 global pandemic, that could result in their being 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 September 30, 2021 and December 31, 2020, financing receivables consist of the following:

(In thousands of U.S. Dollars)	**September 30, 2021**	December 31, 2020
Net investment in leases		
Gross minimum payments due under sales-type leases	**$ 23,284**	$ 20,830
Unearned finance income	**(788)**	(859)
Present value of minimum payments due under sales-type leases	**22,496**	19,971
Allowance for credit losses	**(494)**	(557)
Net investment in leases	**22,002**	19,414
Financed sales receivables		
Gross minimum payments due under financed sales	**150,964**	150,917
Unearned finance income	**(32,199)**	(31,247)
Present value of minimum payments due under financed sales	**118,765**	119,670
Allowance for credit losses	**(5,565)**	(7,274)
Net financed sales receivables	**113,200**	112,396
Total financing receivables	**$ 135,202**	$ 131,810
Net financed sales receivables due within one year	**$ 32,154**	$ 34,937
Net financed sales receivables due after one year	**81,046**	77,459
Total financed sales receivables	**$ 113,200**	$ 112,396

As of September 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:

	September 30, 2021	December 31, 2020
Weighted-average remaining lease term (in years)		
Sales-type lease arrangements	**9.0**	8.3
Weighted-average interest rate		
Sales-type lease arrangements	**6.55%**	6.56%
Financed sales receivables	**8.75%**	8.92%

The tables below provide information on the Company's net investment in leases by credit quality indicator as of September 30, 2021 and December 31, 2020. The amounts disclosed for each credit quality classification 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 September 30, 2021	**2021**	2020	2019	2018	2017	Prior	Total
Net investment in leases:							
Credit quality classification:							
In good standing	**$ 959**	$ 2,747	$ 2,245	$ —	$ —	$ 1,150	$ 7,101
Credit Watch	**3,374**	1,251	5,650	2,533	881	863	14,552
Pre-approved transactions	**—**	—	—	—	—	—	—
Transactions suspended	**—**	—	—	—	—	843	843
Total net investment in leases	**$ 4,333**	$ 3,998	$ 7,895	$ 2,533	$ 881	$ 2,856	$ 22,496

(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 September 30, 2021 and December 31, 2020. The amounts disclosed for each credit quality classification 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 September 30, 2021	**2021**	2020	2019	2018	2017	Prior	Total
Financed sales receivables:							
Credit quality classification:							
In good standing	**$ 6,311**	$ 4,414	$ 5,733	$ 3,831	$ 5,890	$ 17,830	$ 44,009
Credit Watch	**1,911**	4,108	6,046	9,847	7,733	35,739	65,384
Pre-approved transactions	**—**	—	—	309	1,420	2,285	4,014
Transactions suspended	**—**	—	—	—	1,315	4,043	5,358
Total financed sales receivables	**$ 8,222**	$ 8,522	$ 11,779	$ 13,987	$ 16,358	$ 59,897	$ 118,765

(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 September 30, 2021 and December 31, 2020:

	As of September 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	**$ 221**	**$ 149**	**$ 876**	**$ 1,246**	**$ 21,250**	**$ 22,496**	**$ (494)**	**$ 22,002**
Financed sales receivables	**1,989**	**1,748**	**10,207**	**13,944**	**104,821**	**118,765**	**(5,565)**	**113,200**
Total	**$ 2,210**	**$ 1,897**	**$ 11,083**	**$ 15,190**	**$ 126,071**	**$ 141,261**	**$ (6,059)**	**$ 135,202**

	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 theaters 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 theater regarding payment status. Once a theater's aging exceeds 90 days, the Company's policy is to perform an enhanced review to assess collectibility of the theater'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 September 30, 2021 and December 31, 2020. The amounts disclosed for each credit quality classification are determined on a customer-by-customer basis and include both billed and unbilled amounts.

	As of September 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	**$ 180**	**$ 144**	**$ 458**	**$ 782**	**$ 13,770**	**$ (248)**	**$ 14,304**
Financed sales receivables	**1,152**	**1,083**	**8,286**	**10,521**	**51,756**	**(2,870)**	**59,407**
Total	**$ 1,332**	**$ 1,227**	**$ 8,744**	**$ 11,303**	**$ 65,526**	**$ (3,118)**	**$ 73,711**

	As of December 31, 2020						
(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	$ 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 September 30, 2021 and December 31, 2020:

	As of September 30, 2021			As of December 31, 2020		
(In thousands of U.S. Dollars)	**Recorded Receivable**	**Allowance for Credit Losses**	**Net**	Recorded Receivable	Allowance for Credit Losses	Net
Net investment in leases	**$ 843**	**$ (16)**	**$ 827**	$ 764	$ (18)	$ 746
Net financed sales receivables	**6,158**	**(1,276)**	**4,882**	2,813	(1,482)	1,331
Total	**$ 7,001**	**$ (1,292)**	**$ 5,709**	$ 3,577	$ (1,500)	$ 2,077

A theater operator that is classified within the "All Transactions Suspended" category is placed on nonaccrual status and all revenue recognitions related to the theater are stopped. In certain cases, a theater 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 nine months ended September 30, 2021, the Company recognized less than $0.1 million and $0.1 million, respectively, (2020 — $nil and $0.1 million, respectively) in Finance Income related to the net investment in leases with billed amounts past due. For the three and nine months ended September 30, 2021, the Company recognized $1.3 million and $3.6 million, respectively, (2020 — $1.4 million and $4.2 million, respectively) in Finance Income related to the financed sale receivables with billed amounts past due.

The following tables summarize 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 nine months ended September 30, 2021 and 2020:

	Three Months Ended September 30, 2021		**Nine Months Ended September 30, 2021**	
(In thousands of U.S. Dollars)	**Net Investment in Leases**	**Financed Sales Receivables**	**Net Investment in Leases**	**Financed Sales Receivables**
Beginning balance	**$ 579**	**$ 7,113**	**$ 557**	**$ 7,274**
Current period reversal, net	**(84)**	**(1,536)**	**(64)**	**(1,741)**
Foreign exchange	**(1)**	**(12)**	**1**	**32**
Ending balance	**$ 494**	**$ 5,565**	**$ 494**	**$ 5,565**

	Three Months Ended September 30, 2020		Nine Months Ended September 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	$ 459	$ 3,709	$ 155	$ 915
Current period provision, net	105	1,201	409	4,014
Write-offs	(69)	(330)	(69)	(330)
Foreign exchange	9	63	9	44
Ending balance	$ 504	$ 4,643	$ 504	$ 4,643

For the three and nine months ended September 30, 2021, the Company's allowance for current expected credit losses related to its net investment in leases and financed sale receivables decreased by $1.6 million and $1.8 million, respectively. These decreases are principally due to the reversal of previously recorded credit loss expense as a result of an improving outlook for theater operators following the reopening of theaters and the resumption of normal film release schedules as the theatrical exhibition industry continues to recover from the COVID-19 global pandemic.

For the three and nine months ended September 30, 2020, the Company's allowance for current expected credit losses related to its net investment in leases and financed sale receivables increased by $1.0 million and $4.1 million, respectively, principally reflecting a reduction in the credit quality of and heightened collection risk associated with these receivables primarily due to the COVID-19 global pandemic.

Management believes that the September 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 theater 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 theater operators which is significantly influenced by consumer behavior and general economic conditions. Theater operators may experience financial difficulties, such as those caused by the COVID-19 global pandemic, that could result in their being 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 nine months ended September 30, 2021 and 2020:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	**2021**	2020
(In thousands of U.S. Dollars)	**Theater Operators**	Theater Operators	**Theater Operators**	Theater Operators
Beginning balance	**$ 2,028**	$ 863	**$ 1,887**	$ —
Current period (reversal) provision, net	**(933)**	790	**(771)**	1,653
Foreign Exchange	**(1)**	6	**(22)**	6
Ending balance	**$ 1,094**	$ 1,659	**$ 1,094**	$ 1,659

For the three and nine months ended September 30, 2021, the Company's allowance for current expected credit losses related to Variable Consideration Receivables decreased by $0.9 million and $0.8 million, respectively. These decreases are principally due to the reversal of previously recorded credit loss expense as a result of an improving outlook for theater operators following the reopening of theaters and the resumption of normal film release schedules as the theatrical exhibition industry begins to recover from the COVID-19 global pandemic.

For the three and nine months ended September 30, 2020, the Company's allowance for current expected credit losses related to Variable Consideration Receivables increased by $0.8 million and $1.7 million, respectively, principally reflecting 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 September 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 nine months ended September 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 September 30, 2021**	Three Months Ended September 30, 2020	**Nine Months Ended September 30, 2021**	Nine Months Ended September 30, 2020
Operating lease cost[(1)]	**$ 163**	$ 133	**$ 546**	$ 392
Amortization of lease assets	**684**	706	**2,098**	2,155
Interest on lease liabilities	**242**	258	**715**	765
Total lease cost	**$ 1,089**	$ 1,097	**$ 3,359**	$ 3,312

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

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

(In thousands of U.S. Dollars)	**Nine Months Ended September 30, 2021**	2020
Cash paid for amounts included in the measurement of lease liabilities	**$ 2,907**	$ 2,721
Right-of-use assets obtained in exchange for lease obligations	**$ 1,047**	$ 297

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

(In thousands of U.S. Dollars)		**September 30, 2021**	December 31, 2020
Assets	**Balance Sheet Classification**		
Right-of-Use Assets	Property, plant and equipment	**$ 12,833**	$ 13,911
Liabilities	**Balance Sheet Classification**		
Operating Leases	Accrued and other liabilities	**$ 15,388**	$ 16,634

As of September 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:

	September 30, 2021	December 31, 2020
Weighted-average remaining lease term (years)	**7.0**	7.6
Weighted-average discount rate	**5.96%**	5.91%

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

(In thousands of U.S. Dollars)	
2021 (three months remaining)	$ 924
2022	3,360
2023	2,454
2024	2,230
2025	2,078
Thereafter	8,026
Total lease payments	$ 19,072
Less: interest expense	(3,684)
Present value of operating lease liabilities	$ 15,388

(b) IMAX Corporation as a Lessor

The Company provides IMAX Theater 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 Theater 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 Theater System commencing on the date specified in the arrangement's shipping terms and ending on the date the IMAX Theater System is returned to the Company.

The Company also provides IMAX Theater Systems to customers through joint revenue sharing arrangements. Under the traditional form of these arrangements, in exchange for providing the IMAX Theater 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 Theater 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 Theater 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 Theater System commencing on the date specified in the arrangement's shipping terms and ending on the date the IMAX Theater 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 September 30, 2021 and December 31, 2020, Inventories consist of the following:

(In thousands of U.S. Dollars)	**September 30, 2021**	December 31, 2020
Raw materials	**$ 27,172**	$ 30,096
Work-in-process	**1,964**	3,014
Finished goods	**9,109**	6,470
	$ 38,245	$ 39,580

At September 30, 2021, Inventories include finished goods of $2.2 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 nine months ended September 30, 2021, the Company recognized write-downs of $0.3 million and $0.5 million, respectively, (2020 — $0.6 million and $0.7 million, respectively) for excess and damaged inventory.

7. Debt

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 $30.8 million) to fund ongoing working capital requirements (the "**Working Capital Facility**"). The Working Capital Facility expires in July 2022.

As of September 30, 2021, outstanding Working Capital Facility borrowings were RMB71.2 million ($11.0 million) and outstanding letters of guarantee were RMB0.3 million (less than $0.1 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 September 30, 2021, the amount available for future borrowings under the Working Capital Facility was RMB118.8 million ($18.3 million) and the amount available for letters of guarantee was RMB9.7 million ($1.5 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 nine months ended September 30, 2021 was 4.29% and 4.32%, respectively (2020 — 4.35%, respectively).

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 theater system revenue. For the three and nine months ended September 30, 2021, the sales commission costs recognized within Costs and Expenses Applicable to Revenues — Technology Sales are $0.2 million and $0.6 million, respectively (2020 — $0.3 million and $0.4 million, respectively). Direct advertising and marketing costs for each theater are expensed as incurred. For the three and nine months ended September 30, 2021, the total of all such costs recognized within Costs and Expenses Applicable to Revenues — Technology Sales was $0.1 million and $0.3 million, respectively (2020 — $0.3 million and $0.6 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 in which the theater system is installed. For the three and nine months ended September 30, 2021, sales commissions related to such joint revenue sharing arrangements totaled $0.1 million and $0.4 million, respectively (2020 — $0.3 million and $0.5 million, respectively). Direct advertising and marketing costs for each theater are expensed as incurred. For the three and nine months ended September 30, 2021, the total of such costs recognized within Costs and Expenses Applicable to Revenues — Technology Rentals was $0.7 million and $1.5 million, respectively (2020 — $0.4 million and $0.8 million, respectively).

Film exploitation costs, including advertising and marketing expense, totaled $3.2 million and $5.9 million, respectively, for the three and nine months ended September 30, 2021 (2020 — $0.5 million and $3.1 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 nine months ended September 30, 2021 is a net loss of $(0.6) million and a net gain of $1.1 million, respectively (2020 — net gain of $0.2 million and net loss of $(0.8) 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 Theater Systems to customers through joint revenue sharing arrangements. Under the traditional form of these arrangements, in exchange for providing the IMAX Theater 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 Theater 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 Theater 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 Theater System commencing on the date specified in the arrangement's shipping terms and ending on the date the IMAX Theater System is returned to the Company.

As of September 30, 2021, the Company has signed traditional and hybrid joint revenue sharing agreements with 42 exhibitors (2020 — 41) for a total of 1,228 IMAX Theater Systems (2020 — 1,233), of which 904 theaters (2020 — 881) 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 nine months ended September 30, 2021, such revenues totaled \$10.9 million and \$29.9 million, respectively (2020 — \$4.5 million and \$11.5 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. 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 nine months ended September 30, 2021, the majority of IMAX DMR revenue was earned from the exhibition of 24 films (21 new and 3 carryovers) and 53 films (47 new and 6 carryovers), respectively, and the re-release of classic titles throughout the IMAX theater network, as compared to six new films and 20 films (16 new and 4 carryovers), respectively, and the re-release of classic titles in the three and nine months ended September 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 nine months ended September 30, 2021, such revenues totaled $15.7 million and $39.4 million, respectively (2020 — $6.9 million and $18.1 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 September 30, 2021, the Company recorded income tax expense of $4.4 million (2020 — income tax expense of $19.3 million). For the three months ended September 30, 2021, the Company's effective tax rate of (222.6)% 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 September 30, 2021**		Three Months Ended September 30, 2020	
	Amount	**Rate**	Amount	Rate
Income tax benefit at combined statutory rates	**$ 509**	**26.2%**	$ 7,279	26.2%
Adjustments resulting from:				
Unrealized investment gains not taxable	**—**	**—**	420	1.5%
Increase of valuation allowance	**(4,270)**	**(219.8%)**	(23,707)	(85.3%)
Changes to tax reserves	**(215)**	**(11.1%)**	(181)	(0.7%)
Withholding taxes resulting from management's decision to no longer indefinitely reinvest the historical earnings of certain foreign subsidiaries	**—**	**—**	(186)	(0.7%)
Reduction in tax benefits resulting from the vesting of share-based compensation	**(4)**	**(0.2%)**	(38)	(0.1%)
Other non-deductible/non-taxable items	**(422)**	**(21.7%)**	(2,936)	(10.5%)
Income tax expense	**$ (4,402)**	**(226.6%)**	$ (19,349)	(69.6%)

For the three months ended September 30, 2021, the Company recorded an additional $4.3 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 nine months ended September 30, 2021, the Company recorded income tax expense of $9.4 million (2020 — $24.6 million). For the nine months ended September 30, 2021, the Company's effective tax rate of (69.5)% 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)	**Nine Months Ended September 30, 2021**		Nine Months Ended September 30, 2020	
	Amount	**Rate**	Amount	Rate
Income tax benefit at combined statutory rates	**$ 3,548**	**26.2%**	$ 29,201	26.2%
Adjustments resulting from:				
Realized and unrealized investment gains (losses) not taxable	**1,367**	**10.1%**	(239)	(0.2%)
Increase of valuation allowance	**(14,248)**	**(105.2%)**	(23,706)	(21.3%)
Changes to tax reserves	**1,234**	**9.1%**	(4,978)	(4.5%)
Withholding taxes resulting from management's decision to no longer indefinitely reinvest the historical earnings of certain foreign subsidiaries	**(547)**	**(4.0%)**	(18,661)	(16.7%)
Increase in tax benefits resulting from the vesting of share-based compensation	**709**	**5.2%**	33	—
Other non-deductible/non-taxable items	**(1,479)**	**(10.9%)**	(6,256)	(5.6%)
Income tax expense	**$ (9,416)**	**(69.5%)**	$ (24,606)	(22.1%)

As of September 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 $45.5 million (December 31, 2020 — $18.0 million, net of a valuation allowance of $28.8 million). The $16.7 million valuation allowance change recorded during the nine months ended September 30, 2021 is reflected within Income Tax Expense in the Company's Condensed Consolidated Statements of Operations ($14.2 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.

During the three and nine months ended September 30, 2021, $20.4 million of historical earnings from a subsidiary in China were repatriated and, as a result $2.0 million of foreign withholding taxes were paid in the period (2020 — $nil).

12. Capital Stock And Reserves

(a) Share-Based Compensation

For the three and nine months ended September 30, 2021, share-based compensation expense totaled $6.1 million and $18.2 million, respectively (2020 — $5.3 million and $16.0 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 September 30, 2021**	Three Months Ended September 30, 2020	**Nine Months Ended September 30, 2021**	Nine Months Ended September 30, 2020
Cost and expenses applicable to revenues	**$ 314**	$ 130	**$ 920**	$ 530
Selling, general and administrative expenses	**5,706**	5,151	**17,046**	15,325
Research and development	**89**	29	**245**	114
	$ 6,109	$ 5,310	**$ 18,211**	$ 15,969

For the three and nine months ended September 30, 2020, there was a lower level of share-based compensation expenses allocated to Costs and Expense Applicable to Revenues or Research and Development due to the lower level of production 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 September 30, 2021**	Three Months Ended September 30, 2020	**Nine Months Ended September 30, 2021**	Nine Months Ended September 30, 2020
Stock Options	**$ 253**	$ 433	**$ 808**	$ 1,449
Restricted Share Units	**3,900**	3,430	**11,524**	10,866
Performance Stock Units	**1,183**	483	**3,169**	1,229
IMAX China Stock Options	**41**	600	**143**	701
IMAX China Long Term Incentive Plan Restricted Share Units	**600**	332	**2,217**	1,645
IMAX China Long Term Incentive Plan Performance Stock Units	**132**	32	**350**	79
	$ 6,109	$ 5,310	**$ 18,211**	$ 15,969

Included in the above table is an expense of $nil in the three and nine months ended September 30, 2021 (2020 — $nil 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 the IMAX Corporation Second Amended and Restated Long-Term Incentive Plan (as may be amended, "**IMAX LTIP**") for the nine months ended September 30, 2021 and 2020:

	Number of Shares 2021	Number of Shares 2020	**Weighted Average Exercise Price Per Share 2021**	Weighted Average Exercise Price Per Share 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	**(123,220)**	(18,483)	**26.68**	27.97
Stock options outstanding, end of period	**3,738,504**	4,917,428	**26.61**	26.80
Stock options exercisable, end of period	**3,487,857**	4,315,484	**26.93**	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 nine months ended September 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	**831,123**	1,050,385	**21.03**	15.35
Vested and settled	**(571,616)**	(386,451)	**19.11**	21.59
Forfeited	**(231,380)**	(54,933)	**19.50**	19.70
RSUs outstanding, end of period	**1,592,965**	1,674,348	**19.29**	18.75

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 nine months ended September 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 nine months ended September 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**	370,265	**20.77**	15.66
Forfeited	**(54,634)**	(2,526)	**16.08**	14.84
PSUs outstanding, end of period	**616,784**	367,739	**18.20**	15.67

As of September 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 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. During the three and nine months ended September 30, 2021, IMAX China repurchased 3,569,000 common shares, respectively, at an average price of HKD10.90 per share, respectively (U.S. $1.40 per share, respectively). During three and nine months ended September 30, 2020, IMAX China repurchased nil and 906,400 common shares, respectively, at an average price of HKD nil and HKD13.13 per share, respectively (U.S. $nil and $1.69 per share, respectively).

(d) Statutory Surplus Reserve

Pursuant to the corporate law of the People's Republic of China (the "PRC"), entities registered in the PRC are required to maintain certain statutory reserves, which are appropriated from after-tax profits (after offsetting accumulated losses from prior years), as reported in their respective statutory financial statements, before the declaration or payment of dividends to equity holders. All statutory reserves are created for specific purposes.

The Company's PRC subsidiaries are required to appropriate 10% of statutory net profits to statutory surplus reserves, upon distribution of their after-tax profits. The Company's PRC subsidiaries may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserve is non-distributable other than during liquidation and only be used to fund losses from prior years, to expand production operations, or to increase the capital of the subsidiaries. In addition, the subsidiaries may make further contribution to the discretional surplus reserve using post-tax profits in accordance with resolutions of the Board of Directors.

During the three months ended September 30, 2021, one of the Company's PRC subsidiaries declared and paid dividends of RMB 131.6 million ($20.4 million). In the third quarter of 2021, upon passage of the requisite resolution of the Board of Directors, a statutory surplus reserve of RMB 36.4 million ($5.6 million) was recorded within Shareholders' Equity as an appropriation of the retained earnings of the Company's PRC subsidiaries, of which $3.9 million is attributable to the Company's common shareholders and $1.7 million is attributable to non-controlling shareholders. The statutory surplus reserve of RMB 36.4 million ($5.6 million) has reached 50% of its PRC subsidiaries' registered capital.

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 nine months ended September 30, 2021:

	Three Months Ended September 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]	$ 9,701	$ 802	$ 98	$ —	$ 10,601
Joint Revenue Sharing Arrangements, fixed fees	—	—	1,036	—	1,036
Other Theater Business	363	—	—	—	363
Other sales[2]	1,154	6	—	—	1,160
Sub-total	11,218	808	1,134	—	13,160
Image enhancement and maintenance services					
IMAX DMR	—	15,701	—	—	15,701
IMAX Maintenance	13,055	—	—	—	13,055
Film Post-Production	899	—	—	—	899
Film Distribution	203	496	—	—	699
Other	—	234	—	—	234
Sub-total	14,157	16,431	—	—	30,588
Technology rentals					
Joint Revenue Sharing Arrangements, contingent rent	—	—	9,887	—	9,887
Other	—	—	332	—	332
Sub-total	—	—	10,219	—	10,219
Finance income					
IMAX Systems	—	—	—	2,635	2,635
Total	$ 25,375	$ 17,239	$ 11,353	$ 2,635	$ 56,602

	Nine Months Ended September 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]	$ 20,143	$ 2,573	$ 4,220	$ —	$ 26,936
Joint Revenue Sharing Arrangements, fixed fees	—	—	3,776	—	3,776
Other Theater Business	1,275	—	—	—	1,275
Other sales[2]	2,474	47	—	—	2,521
Sub-total	23,892	2,620	7,996	—	34,508
Image enhancement and maintenance services					
IMAX DMR	—	39,438	—	—	39,438
IMAX Maintenance	33,196	—	—	—	33,196
Film Post-Production	2,886	—	—	—	2,886
Film Distribution	204	911	—	—	1,115
Other	—	279	—	—	279
Sub-total	36,286	40,628	—	—	76,914
Technology rentals					
Joint Revenue Sharing Arrangements, contingent rent	—	—	26,108	—	26,108
Other	—	—	600	—	600
Sub-total	—	—	26,708	—	26,708
Finance income					
IMAX Systems	—	—	—	8,181	8,181
Total	$ 60,178	$ 43,248	$ 34,704	$ 8,181	$ 146,311

(1) Includes revenues earned from sales or sales-type lease arrangements involving new and upgraded IMAX Theater Systems, as well as the impact on revenue of renewals and amendments to existing theater 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 nine months ended September 30, 2020:

	Three Months Ended September 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]	$ 12,356	$ 1,481	$ 1,159	$ —	$ 14,996
Joint Revenue Sharing Arrangements, fixed fees	—	—	57	—	57
Other Theater Business	307	—	—	—	307
Other sales[3]	378	15	—	—	393
Sub-total	13,041	1,496	1,216	—	15,753
Image enhancement and maintenance services					
IMAX DMR	—	6,886	—	—	6,886
IMAX Maintenance	5,855	—	—	—	5,855
Film Post-Production	739	—	—	—	739
Film Distribution	750	376	—	—	1,126
Other	—	(17)	—	—	(17)
Sub-total	7,344	7,245	—	—	14,589
Technology rentals					
Joint Revenue Sharing Arrangements, contingent rent	—	—	4,473	—	4,473
Sub-total	—	—	4,473	—	4,473
Finance income					
IMAX Systems	—	—	—	2,441	2,441
Total	$ 20,385	$ 8,741	$ 5,689	$ 2,441	$ 37,256

(In thousands of U.S. Dollars)	Nine Months Ended September 30, 2020 Revenue from Contracts with Customers Fixed consideration	Variable consideration	Revenue from Lease Arrangements	Finance Income	Total
Technology sales					
IMAX Systems(1)(2)	$ 14,711	$ 3,143	$ 2,325	$ —	$ 20,179
Joint Revenue Sharing Arrangements, fixed fees	—	—	1,196	—	1,196
Other Theater Business	1,261	—	—	—	1,261
Other sales(3)	1,361	105	—	—	1,466
Sub-total	17,333	3,248	3,521	—	24,102
Image enhancement and maintenance services					
IMAX DMR	—	18,061	—	—	18,061
IMAX Maintenance	13,225	—	—	—	13,225
Film Post-production	3,088	—	—	—	3,088
Film Distribution	3,000	1,453	—	—	4,453
Other		282	—	—	282
Sub-total	19,313	19,796	—	—	39,109
Technology rentals					
Joint Revenue Sharing Arrangements, contingent rent	—	—	10,307	—	10,307
Sub-total	—	—	10,307	—	10,307
Finance income					
IMAX Systems	—	—	—	7,495	7,495
Total	$ 36,646	$ 23,044	$ 13,828	$ 7,495	$ 81,013

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

(2) Prior period comparatives have been revised to appropriately classify $1.1 million and $2.3 million, respectively, of fixed consideration under revenue from contracts with customers to revenue from lease arrangements for the three and nine months ended September 30, 2020.

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

(b) Deferred Revenue

IMAX Theater 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 September 30, 2021, $20.3 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 Theater Systems where control of the system has not transferred to the customer. The deferred revenue balance related to an individual theater 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.

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, provision 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 Theater 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 Theater 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 theater 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 September 30, 2021 and 2020:

	Revenue[1]		Gross Margin (Margin Loss)[4]	
(In thousands of U.S. Dollars)	**2021**	2020	**2021**	2020
IMAX Technology Network				
IMAX DMR	**$ 15,701**	$ 6,886	**$ 7,293**	$ 3,079
Joint Revenue Sharing Arrangements, contingent rent	**9,887**	4,473	**3,626**	(2,491)
	25,588	11,359	**10,919**	588
IMAX Technology Sales and Maintenance				
IMAX Systems[2]	**13,236**	17,437	**8,086**	8,671
Joint Revenue Sharing Arrangements, fixed fees	**1,036**	57	**280**	(117)
IMAX Maintenance	**13,055**	5,855	**6,462**	794
Other Theater Business[3]	**363**	307	**64**	31
	27,690	23,656	**14,892**	9,379
New Business Initiatives	**1,238**	378	**1,189**	372
Film Distribution and Post-Production				
Film Distribution[5]	**699**	1,126	**(4)**	(5,597)
Post-Production	**899**	739	**420**	(464)
	1,598	1,865	**416**	(6,061)
Sub-total	**56,114**	37,258	**27,416**	4,278
Other	**488**	(2)	**71**	(449)
Total	**$ 56,602**	$ 37,256	**$ 27,487**	$ 3,829

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

	Revenue[1]		Gross Margin (Margin Loss)[4]	
(In thousands of U.S. Dollars)	**2021**	2020	**2021**	2020
IMAX Technology Network				
IMAX DMR	**$ 39,438**	$ 18,061	**$ 22,405**	$ 7,492
Joint Revenue Sharing Arrangements, contingent rent	**26,108**	10,307	**7,299**	(10,610)
	65,546	28,368	**29,704**	(3,118)
IMAX Technology Sales and Maintenance				
IMAX Systems[2]	**35,117**	27,674	**21,646**	14,497
Joint Revenue Sharing Arrangements, fixed fees	**3,776**	1,196	**783**	110
IMAX Maintenance	**33,196**	13,225	**15,360**	(355)
Other Theater Business[3]	**1,283**	1,261	**269**	77
	73,372	43,356	**38,058**	14,329
New Business Initiatives	**2,554**	1,488	**2,281**	1,245
Film Distribution and Post-Production				
Film Distribution[5]	**1,115**	4,453	**(319)**	(9,296)
Post-Production	**2,886**	3,088	**1,316**	(96)
	4,001	7,541	**997**	(9,392)
Sub-total	**145,473**	80,753	**71,040**	3,064
Other	**838**	260	**(669)**	(1,837)
Total	**$ 146,311**	$ 81,013	**$ 70,371**	$ 1,227

(1) The Company's largest customer represents 18.2% and 22.2%, respectively, of total Revenues for the three and nine months ended September 30, 2021 (2020 — 11.0% and 11.3%, respectively). No single customer comprises more than 10% of the Company's total Accounts Receivable as of September 30, 2021 and December 31, 2020.

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

(3) The revenue from this segment principally includes after-market sales of IMAX projection system parts and 3D glasses.

(4) IMAX DMR gross margin includes marketing costs of $3.2 million and $5.8 million, respectively, for the three and nine months ended September 30, 2021 (2020 — $0.4 million and $2.8 million, respectively). JRSA gross margin includes advertising, marketing and commission expense of $0.8 million and $1.9 million, respectively, for the three and nine months ended September 30, 2021 (2020 — $0.7 million and $1.3 million, respectively). IMAX Systems gross margin includes marketing and commission costs of $0.3 million and $0.9 million, respectively, for the three and nine months ended September 30, 2021 (2020 — $0.6 million and $1.0 million, respectively). Film Distribution segment gross margin includes marketing expense of $nil and less than $0.1 million, respectively, for the three and nine months ended September 30, 2021 (2020 — $0.2 million and $0.4 million, respectively).

(5) During the three and nine months ended September 30, 2020, Film Distribution segment results include impairment losses of $5.4 million and $9.9 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 nine months ended September 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 theaters 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 theater.

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2021	2020	**2021**	2020
Revenue				
Greater China	**$ 22,203**	$ 19,346	**$ 75,634**	$ 26,008
United States	**16,469**	4,335	**34,275**	21,112
Western Europe	**7,634**	5,085	**11,160**	10,273
Asia (excluding Greater China)	**4,925**	4,935	**12,837**	12,663
Russia & the CIS	**1,353**	738	**4,577**	2,962
Latin America	**1,181**	1,616	**1,579**	3,251
Canada	**1,083**	384	**620**	1,327
Rest of the World	**1,754**	817	**5,629**	3,417
Total	**$ 56,602**	$ 37,256	**$ 146,311**	$ 81,013

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 nine months ended September 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 September 30, 2021 (the "**Foreign Currency Hedges**"), with settlement dates throughout 2022. 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. 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 (Loss) Income 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 (Loss) Income 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)	**September 30, 2021**	December 31, 2020
Derivatives designated as hedging instruments:		
Foreign exchange contracts — Forwards	**$ 24,642**	$ 26,358
Derivatives not designated as hedging instruments:		
Foreign exchange contracts — Forwards	**1,123**	5,552
	$ 25,765	$ 31,910

Fair value of derivatives in foreign exchange contracts:

(In thousands of U.S. Dollars)	**Balance Sheet Location**	**September 30, 2021**	December 31, 2020
Derivatives designated as hedging instruments:			
Foreign exchange contracts — Forwards	Other assets	**$ 128**	$ 1,635
	Accrued and other liabilities	**(337)**	—
Derivatives not designated as hedging instruments:			
Foreign exchange contracts — Forwards	Other assets	**—**	344
	Accrued and other liabilities	**(61)**	—
		$ (270)	$ 1,979

Derivatives in foreign currency hedging relationships are as follows:

(In thousands of U.S. Dollars)		**Three Months Ended September 30, 2021**	Three Months Ended September 30, 2020	**Nine Months Ended September 30, 2021**	Nine Months Ended September 30, 2020
Foreign exchange contracts — Forwards	Derivative (Loss) Gain Recognized in OCI (Effective Portion)	**$ (759)**	$ 591	**$ (159)**	$ (935)

(In thousands of U.S. Dollars)	**Location of Derivative Gain (Loss) Reclassified from AOCI (Effective Portion)**	**Three Months Ended September 30, 2021**	Three Months Ended September 30, 2020	**Nine months ended September 30, 2021**	Nine months ended September 30, 2020
Foreign exchange contracts — Forwards	Selling, general and administrative expenses	**$ 312**	$ (110)	**$ 1,367**	$ (779)
	Inventory	**—**	—	**—**	(26)
		$ 312	$ (110)	**$ 1,367**	$ (805)

(In thousands of U.S. Dollars)		**Three Months Ended September 30, 2021**	Three Months Ended September 30, 2020	**Nine months ended September 30, 2021**	Nine months ended September 30, 2020
Foreign exchange contracts — Forwards	Derivative Loss Reclassified From AOCI (Effective Portion)	**$ —**	$ —	**$ —**	$ (55)

The Company's estimated net amount of the existing loss as of September 30, 2021 is $0.2 million, which is expected to be reclassified to earnings within the next twelve months.

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

(In thousands of U.S. Dollars)		**Three Months Ended September 30, 2021**	Three Months Ended September 30, 2020	**Nine months ended September 30, 2021**	Nine months ended September 30, 2020
Foreign exchange contracts — Forwards	Derivative Gain Recognized Out of OCI (Ineffective Portion)	**$ (25)**	$ —	**$ (318)**	$ —

(In thousands of U.S. Dollars)	**Location of Derivative (Loss) Gain**	**Three Months Ended September 30, 2021**	2020	**Nine months ended September 30, 2021**	2020
Foreign exchange contracts — Forwards	Selling, general and administrative expenses	**$ (122)**	$ 75	**$ 269**	$ 102
		$ (122)	$ 75	**$ 269**	$ 102

(d) *Investments in Equity Securities*

As of September 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 nine months ended September 30, 2020, the fair value of the Company's investment in Maoyan experienced an unrealized gain of $1.6 million and loss of $(0.9) million, respectively. As of December 31, 2020, the value of the Company's investment in Maoyan was $12.6 million.

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 September 30, 2021, the balance of the Company's non-controlling interest in IMAX China is $82.8 million. For the three and nine months ended September 30, 2021, the net income attributable to the non-controlling interest in IMAX China is $2.0 million and $9.5 million, respectively (2020 — net income of $2.2 million and net loss of $(10.3) 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 nine months ended September 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 September 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), industry prospects and consumer behavior, 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 theater 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 theater 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.

The Company makes available, free of charge, its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and any amendments to such reports, as soon as reasonably practicable after such filings have been made with the SEC. Reports may be obtained free of charge through the SEC's website at www.sec.gov and through the Company's website at www.imax.com or by calling the Company's Investor Relations Department at 212-821-0100. No information included on the Company's website shall be deemed included or otherwise incorporated into this filing, except where expressly indicated.

The information posted on the Company's corporate and Investor Relations websites may be deemed material to investors. Accordingly, investors, media and others interested in the Company should monitor the Company's websites in addition to the Company's press releases, SEC filings and public conference calls and webcasts.

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, theater 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. At various points during the pandemic, authorities around the world imposed measures intended to control the spread of COVID-19, including stay-at-home orders and restrictions on large public gatherings, which caused movie theaters in countries around the world to temporarily close, including the IMAX theaters in those countries. As a result of the theater 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 theaters, 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 almost all key markets and, beginning in the third quarter of 2020, movie theaters throughout the IMAX network gradually reopened. As of September 30, 2021, 93% of the theaters in the global IMAX commercial multiplex network were open at various capacities, spanning 70 countries. This included 100% of Domestic theaters (i.e., in the United States and Canada), 93% of the theaters in Greater China and 87% of the theaters 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, to a lesser extent, during the nine months ended September 30, 2021, when compared to periods prior to the onset of the pandemic, as gross box office ("**GBO**") results from the Company's theater customers declined, the installation of certain theater systems was delayed, and maintenance services were generally suspended for theaters 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, although improving, the Company has experienced and may continue to experience delays in collecting payments due under existing theater sale or lease arrangements. The Company has provided temporary relief to certain exhibitor customers by waiving or reducing maintenance fees during periods when theaters 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 three and nine months ended September 30, 2021, GBO receipts generated by IMAX DMR films totaled $141.9 million and $360.7 million, respectively, surpassing the totals for the same periods in 2020 by $71.7 million (102%) and $192.6 million (115%), respectively. Moreover, GBO receipts for September 2021 approximated the levels achieved prior to the onset of the COVID-19 global pandemic, and GBO receipts for October 2021 have already exceeded the Company's all-time record for that month. Management is encouraged by these box office results and believes they indicate that moviegoers are eager to return to cinemas where and when theaters are open and they feel safe. Management is further encouraged by the return of the prevalence of exclusive theatrical windows beginning with the release of *Shang-Chi and the Legend of the Ten Rings* in September 2021, and the strong pipeline of Hollywood movies scheduled to be released for theatrical exhibition during the remainder of 2021 and in 2022. 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 theater closures, theater 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 Theater 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. 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 theaters is remastered for IMAX digital sound systems in connection with the IMAX DMR release of the film. Unlike the soundtracks played in conventional theaters, IMAX remastered soundtracks are uncompressed and full fidelity. IMAX sound systems use proprietary loudspeaker systems and proprietary surround sound configurations that ensure every theater 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. During the nine months ended September 30, 2021, the films released to the global IMAX theater network include seven films with IMAX DNA, including five filmed with IMAX cameras and two with exclusive select scenes in expanded aspect ratio.

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 the year ended December 31, 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 nine months ended September 30, 2021, 24 local language IMAX DMR films were released to the IMAX network, including 16 in China and seven in Japan and one in South Korea. The Company expects to announce additional local language IMAX DMR films to be released to the IMAX network during the remainder of 2021 and in 2022.

During the nine months ended September 30, 2021, 47 IMAX DMR films were released to the global IMAX theater network and the following 7 additional IMAX DMR films are scheduled to be released during the remainder of 2021:

Title	**Studio**	**Scheduled Release Date**[1]	**IMAX DNA**
Venom: Let There Be Carnage: The IMAX *Experience*	Sony Pictures	October 2021	None
No Time to Die: The IMAX *Experience*	Universal Pictures/ MGM/United Artists	October 2021	Filmed in IMAX
Sword Art Online Progressive: The IMAX *Experience*	Aniplex	October 2021	None
Eternals: The IMAX *Experience*	Walt Disney Studios	November 2021	Filmed in IMAX
Ghostbusters: Afterlife: The IMAX *Experience*	Sony Pictures	November 2021	None
Spider-Man: No Way Home: The IMAX *Experience*	Sony Pictures	December 2021	Expanded Aspect Ratio
The Matrix Resurrections: The IMAX *Experience*	Warner Bros. Pictures	December 2021	None

(1) The scheduled release dates in the table above are subject to change, may vary by territory and may not reflect the date(s) of limited premiere events.

To date, the Company has announced the following 21 titles to be released in 2022 to the global IMAX theater network:

Title	**Studio**	**Scheduled Release Date**[1]	**IMAX DNA**
Morbius: The IMAX *Experience*	Sony Pictures	January 2022	None
Moonfall: The IMAX *Experience*	Lionsgate	February 2022	None
Death on the Nile: The IMAX *Experience*	Walt Disney Studios	February 2022	None
Uncharted: The IMAX *Experience*	Sony Pictures	February 2022	Expanded Aspect Ratio
The Batman: The IMAX *Experience*	Warner Bros. Pictures	March 2022	None
Notre-Dame Brûle: The IMAX *Experience*	Pathe	March 2022	Filmed in IMAX
Bullet Train: The IMAX *Experience*	Sony Pictures	April 2022	None
Fantastic Beasts: The Secrets of Dumbledore: The IMAX *Experience*	Warner Bros. Pictures	April 2022	TBD
Doctor Strange In The Multiverse of Madness: The IMAX *Experience*	Walt Disney Studios	May 2022	Filmed in IMAX
Top Gun: Maverick: The IMAX *Experience*	Paramount Pictures	May 2022	Filmed in IMAX
Jurassic World: Dominion: The IMAX *Experience*	Universal Pictures	June 2022	None
Transformers: Rise of the Beasts: The IMAX *Experience*	Paramount Pictures	June 2022	None
Minions: The Rise Of Gru: The IMAX *Experience*	Universal Pictures	July 2022	None
Thor: Love & Thunder: The IMAX *Experience*	Walt Disney Studios	July 2022	Filmed in IMAX
Nope: The IMAX *Experience*	Universal Pictures	July 2022	Filmed in IMAX
Black Adam: The IMAX *Experience*	Warner Bros. Pictures	July 2022	TBD
Mission Impossible 7: The IMAX *Experience*	Paramount Pictures	September 2022	Filmed in IMAX
Spider-Man: Into the Spiderverse Sequel: The IMAX *Experience*	Sony Pictures	October 2022	TBD
The Flash: The IMAX *Experience*	Warner Bros. Pictures	November 2022	TBD
Black Panther 2: Wakanda Forever: The IMAX *Experience*	Walt Disney Studios	November 2022	TBD
Avatar 2: The IMAX *Experience*	Walt Disney Studios	December 2022	TBD

(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 September 30, 2021 and 2020:

	September 30, 2021				September 30, 2020			
	Commercial Multiplex	**Commercial Destination**	**Institutional**	**Total**	Commercial Multiplex	Commercial Destination	Institutional	Total
United States	**362**	**4**	**27**	**393**	371	4	30	405
Canada	**39**	**1**	**7**	**47**	39	2	7	48
Greater China[1]	**752**	**—**	**15**	**767**	710	—	16	726
Western Europe	**116**	**4**	**8**	**128**	115	4	9	128
Asia (excluding Greater China)	**121**	**2**	**2**	**125**	123	2	2	127
Russia & the CIS	**68**	**—**	**—**	**68**	68	—	—	68
Latin America[2]	**51**	**1**	**11**	**63**	51	1	11	63
Rest of the World	**71**	**—**	**2**	**73**	65	—	2	67
Total[3]	**1,580**	**12**	**72**	**1,664**	1,542	13	77	1,632

(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 theaters.

The Company currently believes that over time its commercial multiplex network could grow to approximately 3,318 IMAX theaters worldwide from the 1,580 operating as of September 30, 2021. The Company believes that the majority of its future growth will come from international markets. As of September 30, 2021, 73.6% of IMAX Theater Systems in operation were located within international markets (defined as all countries other than the United States and Canada), compared to 72.2% as of September 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 consolidated revenue generated from its Greater China operations in the years ended December 31, 2020 and 2019, respectively. During the nine months ended September 30, 2021, this percentage increased to 52% as the pace of the reopening of IMAX theaters in Greater China has exceeded that of theaters in Domestic and Rest of World markets. As of September 30, 2021, the Company had 767 theaters operating in Greater China with an additional 229 theaters in backlog. The Company's backlog in Greater China represents 45.3% of its total current backlog, including upgrades in system type. The Company's largest single international partnership is in China with Wanda Film ("**Wanda**"). As of September 30, 2021, the total number of Wanda's IMAX Theater Systems in Greater China that are operational is 367 (of which 361 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," "Risk Factors — General political, social and economic conditions can affect the Company's business by reducing both revenues generated from existing IMAX Theater Systems and the demand for new IMAX Theater Systems," and "Risk Factors — The Company may not convert all of its backlog into revenue and cash flows" 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 theaters in operation within the IMAX network by arrangement type and geographic location as of September 30, 2021 and 2020:

	September 30, 2021 Commercial Multiplex Theaters in IMAX Network			
	Traditional JRSA	**Hybrid JRSA**	**Sale/ Sales-type Lease**	**Total**
Domestic Total (United States & Canada)	**274**	**5**	**122**	**401**
International:				
Greater China	**389**	**109**	**254**	**752**
Asia (excluding Greater China)	**33**	**2**	**86**	**121**
Western Europe	**47**	**28**	**41**	**116**
Russia & the CIS	**—**	**—**	**68**	**68**
Latin America	**1**	**—**	**50**	**51**
Rest of the World	**16**	**—**	**55**	**71**
International Total	**486**	**139**	**554**	**1,179**
Worldwide Total[(1)]	**760**	**144**	**676**	**1,580**

	September 30, 2020 Commercial Multiplex Theaters in IMAX Network			
	Traditional JRSA	Hybrid JRSA	Sale/ Sales-type Lease	Total
Domestic Total (United States & Canada)	279	5	126	410
International:				
Greater China	365	105	240	710
Asia (excluding Greater China)	33	2	88	123
Western Europe	48	27	40	115
Russia & the CIS	—	—	68	68
Latin America	2	—	49	51
Rest of the World	15	—	50	65
International Total	463	134	535	1,132
Worldwide Total[(1)]	742	139	661	1,542

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

Backlog

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

	September 30, 2021 IMAX Theater System Backlog			
	Traditional JRSA	**Hybrid JRSA**	**Sale/Lease**	**Total**
Domestic Total (United States & Canada)	**120**	**3**	**9**	**132**
International:				
Greater China	**44**	**107**	**78**	**229**
Asia (excluding Greater China)	**4**	**15**	**31**	**50**
Western Europe	**11**	**12**	**7**	**30**
Russia & the CIS	**—**	**1**	**17**	**18**
Latin America	**3**	**—**	**8**	**11**
Rest of the World	**3**	**1**	**32**	**36**
International Total	**65**	**136**	**173**	**374**
Worldwide Total	**185**	**139**	**182**	**506**(1)

	September 30, 2020 IMAX Theater System Backlog			
	Traditional JRSA	Hybrid JRSA	Sale/Lease	Total
Domestic Total (United States & Canada)	123	3	10	136
International:				
Greater China	59	113	86	258
Asia (excluding Greater China)	5	15	30	50
Western Europe	12	13	6	31
Russia & the CIS	—	1	15	16
Latin America	3	—	9	12
Rest of the World	4	1	37	42
International Total	83	143	183	409
Worldwide Total	206	146	193	545(2)

(1) Includes 148 new IMAX with Laser projection system configurations and 90 upgrades of existing locations to IMAX with Laser projection system configurations.

(2) Includes 155 new IMAX with Laser projection system configurations and 92 upgrades of existing locations to IMAX with Laser projection system configurations.

Approximately 73.9% of IMAX Theater System arrangements in backlog as of September 30, 2021 are scheduled to be installed in international markets (2020 — 75.0%).

(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 theater 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 Theater 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 September 30, 2021 and 2020

For the three months ended September 30, 2021, the Company reported a net loss attributable to common shareholders of $(8.4) million, or $(0.14) per diluted share, as compared to a net loss attributable to common shareholders of $(47.2) million, or $(0.80) per diluted share, for the same period in 2020.

For the three months ended September 30, 2021, the Company reported an adjusted net loss attributable to common shareholders* of $(5.0) million, or $(0.08) per diluted share*, as compared to an adjusted net loss attributable to common shareholders* of $(44.6) million, or $(0.75) per diluted share*, for the same period in 2020.

Revenues and Gross Margin

Beginning in the third quarter of 2020, movie theaters throughout the IMAX network gradually reopened following the wide-scale closure of theaters upon the onset of the COVID-19 global pandemic. However, although movie theaters were generally open during the third quarter of 2020, the availability of new film content was limited, especially in the Domestic and Rest of World markets, with only 6 new films released to the IMAX global network. By contrast, in the third quarter of 2021, 21 new films were released, resulting in a $71.7 million (102%) increase in GBO receipts and corresponding increases in IMAX Technology Network revenue and gross margin of $14.2 million and $10.3 million, respectively. Also impacting the comparison to the prior year are increases of $7.2 million and $5.7 million in IMAX Maintenance revenue and gross margin, respectively, due to the broader reopening of the IMAX theater network and the continued progress towards the resumption of normal operations as the theatrical exhibition industry continues to recover from the COVID-19 global pandemic. See the captioned sections below for a more detailed 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 September 30, 2021, IMAX Technology Network revenues and gross margin increased by $14.2 million and $10.3 million, respectively, when compared to the same period in 2020, primarily due to the reopening of the IMAX theater network, particularly in the United States, and the strong performance of Hollywood film releases. See below for separate discussions of IMAX DMR and JRSA contingent rent segment results for the period.

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

IMAX DMR

For the three months ended September 30, 2021, IMAX DMR revenues and gross margin increased by $8.8 million and $4.2 million, respectively, when compared to the same period in 2020. These increases are primarily due to a $71.7 million (102%) increase in GBO receipts generated by IMAX DMR films in the third quarter of 2021, from $70.2 million to $141.9 million. In the third quarter of 2021, GBO was generated by the exhibition of 24 films (21 new films and 3 carryovers). In the third quarter of 2020, GBO was generated by the exhibition of 6 new films 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 September 30, 2021, marketing expenses were $3.2 million, as compared to $0.4 million during the same period in 2020.

Joint Revenue Sharing Arrangements — Contingent Rent

For the three months ended September 30, 2021, JRSA contingent rent revenue and gross margin increased by $5.4 million and $6.1 million, respectively, when compared to the same period in 2020. These increases are largely due to a $34.8 million increase in GBO generated by theaters under joint revenue sharing arrangements in the third quarter of 2021 when compared to the same period in the prior year, from $36.4 million to $71.2 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 theater systems and costs incurred to upgrade theater systems from digital xenon to IMAX with Laser, as well as advertising, marketing, and commission costs primarily for the launch of new theaters. The level of depreciation expense in a period relative to the prior year is a function of the growth of the theater network and the mix of theater system configurations in the network. For the three months ended September 30, 2021, JRSA gross margin included depreciation expense of $5.5 million, which represents a $0.6 million decrease as compared to $6.1 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 theaters operating under joint revenue sharing arrangements. For the three months ended September 30, 2021, JRSA gross margin includes advertising, marketing, and commission costs of $0.8 million, as compared to $0.7 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 Theater 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 theater installation. The installation of IMAX Theater Systems in newly built theaters or multiplexes, which make up a large portion of the Company's theater 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 Theater System installed and recognized during the three months ended September 30, 2021 and 2020:

	For the Three Months Ended September 30,			
	2021		2020	
(In thousands of U.S. Dollars, except number of systems)	**Number of Systems**	**Revenue**	Number of Systems	Revenue
New IMAX Theater Systems:				
Sales and sales-type lease arrangements[(1)]	**6**	**$ 7,239**	9	$ 9,721
Joint revenue sharing arrangements — hybrid	**2**	**1,031**	1	57
Total new IMAX Theater Systems	**8**	**8,270**	10	9,778
IMAX Theater System upgrades:				
Sales and sales-type lease arrangements	**1**	**1,316**	3	4,811
Total	**9**	**$ 9,586**	13	$ 14,589

(1) The arrangement for the sale of an IMAX Theater 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 Theater System under sales and sales-type lease arrangements varies depending upon the number of IMAX Theater 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 Theater System under sales and sales-type lease arrangements was $1.2 million for the three months ended September 30, 2021, as compared to $1.1 million during the same period of the prior year.

For the three months ended September 30, 2021, IMAX Technology Sales and Maintenance revenue and gross margin increased by $4.0 million and $5.5 million, respectively, when compared to the same period in the prior year. See below for separate discussions of IMAX Systems and IMAX Maintenance results for the period.

IMAX Systems

For the three months ended September 30, 2021, IMAX Systems revenue and gross margin decreased by $4.2 million and $0.6 million, respectively, when compared to the same period in the prior year. The lower level of revenue and gross margin is the result of five fewer IMAX Theater System installations in the current period under sales and sales-type lease arrangements, partially offset by a higher level of revenue generated by theater system renewals in the current period.

IMAX Maintenance

For the three months ended September 30, 2021, IMAX Maintenance segment revenues and gross margin increased by $7.2 million and $5.7 million, respectively, when compared to the same period in the prior year, due to the broader reopening of the IMAX theater network and the continued progress towards the resumption of normal operations as the theatrical exhibition industry continues to recover from the COVID-19 global pandemic.

Maintenance margins vary depending on the mix of theater system configurations in the theater 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 September 30, 2021, total Selling, General and Administrative Expenses increased by $3.6 million (14%), when compared to the same period in 2020. For the three months ended September 30, 2021, Selling, General and Administrative Expenses, excluding the impact of share-based compensation of $5.7 million, were $22.7 million, as compared to $19.7 million in the same period in the prior year, excluding share-based compensation expense of $5.2 million, representing an increase of $3.0 million (15%). 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 September 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 ($1.5 million) and Costs and Expenses Applicable to Revenues ($0.5 million) in the Condensed Consolidated Statements of Operations. For three months ended September 30, 2020, the Company recognized $2.0 million from the CEWS program as reductions to Selling, General and Administrative Expenses ($1.6 million), Costs and Expenses Applicable to Revenues ($0.3 million) and Research and Development ($0.1 million) in the Condensed Consolidated Statements of Operations. The CEWS program has been extended to October 23, 2021. The Company will continue to review for the availability of additional subsidies and credits for the remaining terms of this program, where applicable, although there are no guarantees that the Company will ultimately apply for or receive any such additional benefits.

The increase in the third quarter Selling, General and Administrative Expenses versus the prior year is primarily the result of a higher level of staff and other costs due to a higher level of business activity during the current period as the effects of the COVID-19 pandemic subside. This factor is partially offset by a $1.7 million (21%) increase in labor and other costs capitalized to inventory, film assets, and joint venture theater 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 subside.

Credit Loss (Reversal) Expense, Net

For the three months ended September 30, 2021, the Company recorded a net reversal of current expected credit losses of $3.3 million, principally due to the reversal of previously recorded credit loss expense as a result of an improving outlook for theater operators following the reopening of theaters and the resumption of normal film release schedules as the theatrical exhibition industry continues to recover from the COVID-19 global pandemic, as well as better than anticipated collection experience with respect to foreign studio receivable balances.

For the three months ended September 30, 2020, the Company recorded a provision for current expected credit losses of $3.9 million which reflected judgments made by management regarding the potential effects of the COVID-19 global pandemic on the credit quality of Company's theater 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 September 30, 2020, the fair value of the Company's investment in Maoyan experienced an unrealized gain of $1.6 million.

Income Taxes

For the three months ended September 30, 2021, the Company recorded income tax expense of $4.4 million (2020 — income tax expense of $19.3 million). The Company's effective tax rate for the three months ended September 30, 2021 of (226.6)% differs from the Canadian statutory tax rate of 26.2% primarily due to the fact that the company recorded an additional $4.3 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 September 30, 2021 are jurisdictional tax rate differences. In the third quarter of 2021, $20.4 million of historical earnings from a subsidiary in China were repatriated and, as a result $2.0 million of foreign withholding taxes were paid in the period.

(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 September 30, 2021, the net income attributable to non-controlling interests of the Company's subsidiaries was $2.0 million (2020 — net loss of $(1.3) million).

Results of Operations for the Nine Months Ended September 30, 2021 and 2020

For the nine months ended September 30, 2021, the Company reported a net loss attributable to common shareholders of $(32.4) million, or $(0.55) per diluted share, as compared to a net loss attributable to common shareholders of $(122.5) million, or $(2.06) per diluted share, for the same period in 2020.

For the nine months ended September 30, 2021, the Company reported an adjusted net loss attributable to common shareholders* of $(26.8) million, or $(0.45) per diluted share*, as compared to an adjusted net loss attributable to common shareholders* of $(99.4) million, or $(1.67) per diluted share*, for the same period in 2020.

Revenues and Gross Margin

Due to the COVID-19 global pandemic, substantially all of the theaters in the IMAX network were closed for a significant portion of the first half of 2020, with the theaters in Greater China closed beginning in late-January and substantially all of the Company's remaining theaters closed beginning in mid-to-late March. Beginning in the third quarter of 2020, movie theaters throughout the IMAX network gradually reopened; however, the availability of new film content was limited. Since that time, stay-at-home orders and capacity restrictions have been lifted in almost all key markets and movie theaters throughout the IMAX network have gradually reopened. As of September 30, 2021, 93% of the theaters in the global IMAX commercial multiplex network were open at various capacities, spanning 70 countries. This included 100% of Domestic theaters (i.e., in the United States and Canada), 93% of the theaters in Greater China and 87% of the theaters in Rest of World markets. In addition, 47 new films were released to the IMAX global network during the nine months ended September 30, 2021, as compared to 16 in the same period of 2020, resulting in a $192.6 million (115%) increase in GBO receipts and corresponding increases in IMAX Technology Network revenue and gross margin of $37.2 million and $32.8 million, respectively. Also impacting the comparison to the prior year are increases of $20.0 million and $15.7 million in IMAX Maintenance revenue and gross margin, respectively, due to the broader reopening of the IMAX theater network and the continued progress towards the resumption of substantially normal operations as the theatrical exhibition industry continues to recover from the COVID-19 global pandemic. See the captioned sections below for a discussion of the Company's segment results.

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

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 nine months ended September 30, 2021, IMAX Technology Network revenues and gross margin increased $37.2 million and $32.8 million, respectively, when compared to the same period in 2020. See below for separate discussions of IMAX DMR and JRSA contingent rent segment results for the period.

IMAX DMR

For the nine months ended September 30, 2021, IMAX DMR revenues and gross margin increased by $21.4 million and $14.9 million, respectively, when compared to the same period in 2020. These increases are primarily due to a $192.6 million (115%) increase in GBO receipts generated by IMAX DMR films during the nine months ended September 30, 2021, from $168.1 million to $360.7 million. During the nine months ended September 30, 2021, GBO was generated by the exhibition of 53 films (47 new and 6 carryovers) and the re-release of classic titles. During the nine months ended September 30, 2020, GBO was generated by the exhibition of 20 films (16 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 nine months ended September 30, 2021, marketing expenses were $5.8 million, as compared to $2.8 million during the same period of 2020.

Joint Revenue Sharing Arrangements — Contingent Rent

For the nine months ended September 30, 2021, JRSA contingent rent revenue and gross margin increased by $15.8 million and $17.9 million, respectively, when compared to the same period in 2020. These increases are largely due to a $114.7 million (140%) increase in GBO generated by theaters under joint revenue sharing arrangements during the nine months ended September 30, 2021, from $82.1 million to $196.8 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 theater systems and costs incurred to upgrade theater systems from digital xenon to IMAX with Laser, as well as advertising, marketing, and commission costs primarily for the launch of new theaters. The level of depreciation expense in a period relative to the prior year is a function of the growth of the theater network and the mix of theater system configurations in the network. For the nine months ended September 30, 2021, JRSA gross margin included depreciation expense of $16.8 million, which represents a $2.5 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 theaters operating under joint revenue sharing arrangements. For the nine months ended September 30, 2021, JRSA gross margin includes advertising, marketing, and commission costs of $1.9 million, as compared to $1.3 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 Theater 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 theater installation. The installation of IMAX Theater Systems in newly built theaters or multiplexes, which make up a large portion of the Company's theater 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 Theater System installed and recognized during the nine months ended September 30, 2021 and 2020:

	For the Nine Months Ended September 30,			
	2021		2020	
(In thousands of U.S. Dollars, except number of systems)	**Number of Systems**	**Revenue**	Number of Systems	Revenue
New IMAX Theater Systems:				
Sales and sales-type lease arrangements[1]	**17**	**$ 22,264**	13	$ 13,452
Joint revenue sharing arrangements — hybrid	**6**	**3,561**	3	1,183
Total new IMAX Theater Systems	**23**	**25,825**	16	14,635
IMAX Theater System upgrades:				
Joint revenue sharing arrangements — hybrid	**1**	**775**	—	—
Sales and sales-type lease arrangements	**2**	**2,753**	3	4,811
Total upgraded IMAX Theater Systems	**3**	**3,528**	3	4,811
Total	**26**	**$ 29,353**	19	$ 19,446

(1) The arrangement for the sale of an IMAX Theater 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 Theater System under sales and sales-type lease arrangements varies depending upon the number of IMAX Theater 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 Theater System under sales and sales-type lease arrangements was $1.3 million for the nine months ended September 30, 2021, as compared to $1.0 million during the same period of the prior year.

For the nine months ended September 30, 2021, IMAX Technology Sales and Maintenance revenue and gross margin increased by $30.0 million and $23.7 million, respectively, when compared to the same period of the prior year. See below for separate discussions of IMAX Systems and IMAX Maintenance segment results for the period.

IMAX Systems

For the nine months ended September 30, 2021, IMAX Systems revenue and gross margin increased $7.4 million and $7.1 million, respectively, when compared to the same period of the prior year. The higher level of revenue and gross margin is the result of three additional IMAX Theater System installations under sales and sales-type lease arrangements in the current period due to an increased pace of theater system installations as the effects of the COVID-19 pandemic subside, as well as by a higher level of revenue generated by theater system renewals in the current period.

IMAX Maintenance

For the nine months ended September 30, 2021, IMAX Maintenance segment revenues and gross margin increased by $20.0 million and $15.7 million, respectively, when compared to the same period of the prior year, due to the broader reopening of the IMAX theater network and the continued progress towards the resumption of normal operations as the theatrical exhibition industry continues to recover from the COVID-19 global pandemic.

Maintenance margins vary depending on the mix of theater system configurations in the theater 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 nine months ended September 30, 2021, total Selling, General and Administrative Expenses decreased by $0.9 million (1%), when compared to the same period in 2020. For the nine months ended September 30, 2021, Selling, General and Administrative Expenses, excluding the impact of share-based compensation of $17.1 million, were $65.3 million, as compared to $67.9 million in the same period of the prior year, excluding share-based compensation expense of $15.3 million, representing a decrease of $2.6 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 nine months ended September 30, 2021, the Company recognized $5.5 million in benefits from CEWS program as reductions to Selling, General and Administrative Expenses ($4.1 million) and Costs and Expenses Applicable to Revenues ($1.4 million) in the Condensed Consolidated Statements of Operations. For the nine months ended September 30, 2020, the Company recognized $5.2 million from the CEWS program and the U.S. CARES Act as reductions to Selling, General and Administrative Expenses ($4.5 million), Costs and Expenses Applicable to Revenues ($0.6 million) and Research and Development Expense ($0.1 million) in the Condensed Consolidated Statements of Operations. The CEWS program has been extended to October 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 September year-to-date Selling, General and Administrative Expenses versus the prior year is due, in part, to management's cost control efforts and a lower level of business activity in the first half of 2021 amidst the COVID-19 global pandemic, resulting in lower staff costs, travel, and facilities related expenses, among others. Also contributing to the lower level of current period Selling, General and Administrative Expenses is a $2.0 million (8%) increase in labor and other costs capitalized to inventory, film assets, and joint venture theater equipment or allocated to costs applicable to revenues, due to the higher level of business activity during the current period as the effects of the COVID-19 global pandemic subside.

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 nine months ended September 30, 2021, the Company recorded a net reversal of current expected credit losses of $4.9 million, principally due to the reversal of previously recorded credit loss expense as a result of an improving outlook for theater operators following the reopening of theaters and the resumption of normal film release schedules as the theatrical exhibition industry continues to recover from the COVID-19 global pandemic, as well as better than anticipated collection experience with respect to foreign studio receivable balances.

For the nine months ended September 30, 2020, the Company recorded a provision for current expected credit losses of $15.6 million which reflected judgments made by management regarding the potential effects of the COVID-19 global pandemic on the credit quality of Company's theater 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 nine months ended September 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 nine months ended September 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 nine months ended September 30, 2020, the fair value of the Company's investment in Maoyan experienced an unrealized loss of $0.9 million.

Income Taxes

For the nine months ended September 30, 2021, the Company recorded income tax expense of $9.4 million (2020 — $24.6 million). The Company's effective tax rate for the nine months ended September 30, 2021 of (69.5)% differs from the Canadian statutory tax rate of 26.2% primarily due to the fact that the Company recorded an additional $14.2 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 nine months ended September 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. The estimate of the applicable foreign withholding taxes was reduced by $1.0 million, principally in the second quarter of 2020, to $18.7 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. In the third quarter of 2021, $20.4 million of historical earnings from a subsidiary in China were repatriated and, as a result $2.0 million of foreign withholding taxes were paid in the period.

(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 nine months ended September 30, 2021, the net income attributable to non-controlling interests of the Company's subsidiaries was $9.5 million (2020 — net loss of $(15.4) 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 $30.8 million) to fund ongoing working capital requirements (the "**Working Capital Facility**"). The Working Capital Facility expires in July 2022.

As of September 30, 2021, outstanding Working Capital Facility borrowings were RMB71.2 million ($11.0 million) and outstanding letters of guarantee were RMB0.3 million (less than $0.1 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 September 30, 2021, the amount available for future borrowings under the Working Capital Facility was RMB118.8 million ($18.3 million) and the amount available for letters of guarantee was RMB9.7 million ($1.5 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 nine months ended September 30, 2021 was 4.29% and 4.32%, respectively (2020 — 4.35%, respectively).

Assessment of Liquidity and Capital Requirements

As of September 30, 2021, the Company's principal sources of liquidity included: (i) its balances of cash and cash equivalents ($193.0 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 September 30, 2021, the Company had $300.0 million in available borrowing capacity under the Credit Facility and $18.3 million in available borrowing capacity under the Working Capital Facility, as described above.

The Company's $193.0 million balance of cash and cash equivalents as of September 30, 2021 includes $101.0 million in cash held outside of Canada (December 31, 2020 — $89.9 million), of which $70.3 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 September 30, 2021, the Company's Condensed Consolidated Balance Sheets include a deferred tax liability of $17.6 million for the applicable foreign withholding taxes associated with these historical earnings, which will become payable upon the repatriation of any such earnings. In the third quarter of 2021, $20.4 million of historical earnings from a subsidiary in China were repatriated and, as a result, $2.0 million of foreign withholding taxes were paid in the period.

The Company's operating cash flows will be adversely affected if management's projections of future signings of IMAX Theater Systems and film performance, theater 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, to a lesser extent, during the nine months ended September 30, 2021, when compared to periods prior to the onset of the pandemic, as GBO results from the Company's theater customers declined, the installation of certain theater systems was delayed, and maintenance services were generally suspended for theaters 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, although improving, the Company has experienced and may continue to experience delays in collecting payments due under existing theater sale or lease arrangements. The Company has provided temporary relief to certain exhibitor customers by waiving or reducing maintenance fees during periods when theaters 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 93% of the Company's global theater network open at various capacities as of September 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.)

OFF-BALANCE SHEET ARRANGEMENTS

There are currently no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on the Company's financial condition.

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 or losses, 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 September 30, 2021**		Three Months Ended September 30, 2020	
	Net Loss	**Per Share**	Net Loss	Per Share
Reported net loss attributable to common shareholders	**$ (8,378)**	**$ (0.14)**	$ (47,209)	$ (0.80)
Adjustments[1]:				
Share-based compensation	**5,876**	**0.10**	5,019	0.09
COVID-19 government relief benefits[2]	**(2,048)**	**(0.03)**	(2,084)	(0.03)
Unrealized investment gains	**(30)**	**—**	(1,091)	(0.02)
Tax impact on items listed above	**(452)**	**(0.01)**	611	0.01
Income taxes resulting from management's decision to no longer indefinitely reinvest the historical earnings of certain foreign subsidiaries	**—**	**—**	129	—
Adjusted net loss[1]	**$ (5,032)**	**$ (0.08)**	$ (44,625)	$ (0.75)
Weighted average basic shares outstanding		**59,244**		58,859
Weighted average diluted shares outstanding		**59,244**		58,859

(In thousands of U.S. dollars, except per share amounts)	Nine Months Ended September 30, 2021 Net Loss	Per Share	Nine Months Ended September 30, 2020 Net Loss	Per Share
Reported net loss attributable to common shareholders	**$ (32,429)**	**$ (0.55)**	$ (122,530)	$ (2.06)
Adjustments[(1)]:				
Share-based compensation	**17,675**	**0.30**	15,262	0.26
COVID-19 government relief benefits[(3)]	**(5,513)**	**(0.09)**	(5,235)	(0.08)
Legal judgment and arbitration awards	**(1,770)**	**(0.03)**	—	—
Realized and unrealized investment (gains) losses	**(3,740)**	**(0.06)**	661	0.01
Tax impact on items listed above	**(1,417)**	**(0.02)**	(584)	(0.01)
Income taxes resulting from management's decision to no longer indefinitely reinvest the historical earnings of certain foreign subsidiaries	**381**	**0.01**	13,014	0.21
Adjusted net loss[(1)]	**$ (26,813)**	**$ (0.45)**	$ (99,412)	$ (1.67)
Weighted average basic shares outstanding		**59,207**		59,360
Weighted average diluted shares outstanding		**59,207**		59,360

(1) Reflects amounts attributable to common shareholders.

(2) For the three months ended September 30, 2021, the Company recognized $2.0 million in COVID-19 government relief benefits (2020 — $2.0 million), as reductions to Selling, General and Administrative Expenses ($1.5 million) (2020 — $1.6 million), Costs and Expenses Applicable to Revenues ($0.5 million) (2020 — $0.3 million) and Research and Development Expenses ($nil) (2020 — $0.1 million) in the Condensed Consolidated Statements of Operations.

(3) For the nine months ended September 30, 2021, the Company recognized $5.5 million in COVID-19 government relief benefits (2020 — $5.2 million), as reductions to Selling, General and Administrative Expenses ($4.1 million) (2020 — $4.5 million), Costs and Expenses Applicable to Revenues ($1.4 million) (2020 — $0.6 million) and Research and Development Expenses ($nil) (2020 — $0.1 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; and (iv) legal judgment and arbitration awards.

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 September 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	**$ (6,344)**	**$ 2,034**	**$ (8,378)**
Add (subtract):			
Income tax expense	**4,402**	**634**	**3,768**
Interest expense, net of interest income	**261**	**(90)**	**351**
Depreciation and amortization, including film asset amortization	**14,899**	**1,723**	**13,176**
Amortization of deferred financing costs[2]	**741**	**—**	**741**
EBITDA	**13,959**	**4,301**	**9,658**
Share-based and other non-cash compensation	**6,226**	**233**	**5,993**
Unrealized investment gains	**(30)**	**—**	**(30)**
(Recoveries) write-downs, including asset impairments and credit loss expense	**(2,901)**	**(381)**	**(2,520)**
Adjusted EBITDA per Credit Facility	**$ 17,254**	**$ 4,153**	**$ 13,101**

(In thousands of U.S. Dollars)	For the Twelve Months Ended September 30, 2021[(1)] Attributable to Non-controlling Interests and Common Shareholders	Less: Attributable to Non-controlling Interests	Attributable to Common Shareholders
Reported net loss	$ (42,500)	$ 11,174	$ (53,674)
Add (subtract):			
Income tax expense	11,314	3,209	8,105
Interest expense, net of interest income	3,642	(355)	3,997
Depreciation and amortization, including film asset amortization	52,575	5,009	47,566
Amortization of deferred financing costs[(2)]	2,056	—	2,056
EBITDA	27,087	19,037	8,050
Share-based and other non-cash compensation	24,251	1,050	23,201
Realized and unrealized investment gains	(4,169)	(1,218)	(2,951)
Write-downs, including asset impairments and credit loss expense	3,410	(603)	4,013
Legal judgment and arbitration awards	2,335	—	2,335
Adjusted EBITDA per Credit Facility	$ 52,914	$ 18,266	$ 34,648

(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 theaters 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 RMB454.4 million ($70.1 million) in cash and cash equivalents as of September 30, 2021 (December 31, 2020 — RMB500.3 million or $76.7 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 nine months ended September 30, 2021, the Company recorded a foreign exchange net loss of $(0.6) million and net gain $1.1 million, respectively, as compared to a foreign exchange net gain of $0.2 million and a net loss of $(0.8) million for the three and nine months ended September 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 2022. 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 September 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 (Loss) Income 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 (Loss) Income 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 September 30, 2021 was $24.6 million (December 31, 2020 — $26.4 million). A loss of $(0.8) million and a loss of $(0.2) million was recorded to Other Comprehensive (Loss) Income with respect to the change in fair value of these contracts for the three and nine months ended September 30, 2021, respectively (2020 — gain of $0.6 million and a loss of $(0.9) million, respectively). A gain of $0.3 million and a gain of $1.4 million was reclassified from Accumulated Other Comprehensive (Loss) Income to Selling, General and Administrative Expenses and Inventories for the three and nine months ended September 30, 2021, respectively (2020 — loss of $(0.1) million and a loss of $(0.8) million, respectively). An unrealized gain of less than $0.1 million and $0.3 million resulting from a change in the classification of certain forward contracts no longer meeting the requirements for hedge accounting were reclassified from Accumulated Other Comprehensive (Loss) Income to Selling, General and Administrative Expenses for the three and nine months ended September 30, 2021 (2020 — $nil). The notional value of forward contracts that do not qualify for hedge accounting at September 30, 2021 was $1.1 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 September 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 $144.2 million. Assuming a 10% appreciation or depreciation in foreign currency exchange rates from the quoted foreign currency exchange rates at September 30, 2021, the potential change in the fair value of foreign currency-denominated financing receivables and working capital items would have been $14.4 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 September 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 September 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. At various points during the pandemic, authorities around the world imposed measures intended to control the spread of COVID-19, including stay-at-home orders and restrictions on large public gatherings, which caused movie theaters in countries around the world to temporarily close, including the IMAX theaters in those countries. As a result of the theater 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 theaters, 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 almost all key markets and, beginning in the third quarter of 2020, movie theaters throughout the IMAX network gradually reopened. However, there is no assurance that movie theaters will remain open or continue to reopen if there is a resurgence in COVID-19 cases in certain jurisdictions. As of September 30, 2021, 93% of the theaters in the global IMAX commercial multiplex network were open at various capacities, spanning 70 countries. This included 100% of Domestic theaters (i.e., in the United States and Canada), 93% of the theaters in Greater China and 87% of the theaters 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, to a lesser extent, during the nine months ended September 30, 2021, when compared to periods prior to the onset of the pandemic, as GBO results from the Company's theater customers declined significantly, the installation of certain theater systems was delayed, and maintenance services were generally suspended for theaters that were closed. As a result, for the three and nine months ended September 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 theaters that remained closed, and while some installation activity continued, certain theater 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 theaters 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 the COVID-19 pandemic related closures, the Company has experienced and may continue to experience delays in collecting payments due under existing theater sale or lease arrangements. The Company has provided temporary relief to certain exhibitor customers by waiving or reducing maintenance fees during periods when theaters 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 theaters have temporarily suspended operations of their theater network in certain jurisdictions and other exhibitor partners have reduced their theaters' 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 or consumers change their behavior and consumption patterns in response to the prolonged suspension of movie-going, 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 theater 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 theaters 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 the COVID-19 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.

RISKS RELATED TO THE COMPANY'S INDEBTEDNESS

The Company's indebtedness and liabilities could limit the cash flow available for its operations, expose the Company to risks that could adversely affect its business, financial condition and results of operations.

As of September 30, 2021, the Company had approximately $354.9 million of consolidated indebtedness. The Company may also incur additional indebtedness to meet future financing needs. The Company's indebtedness could have significant negative consequences for its security holders and its business, results of operations and financial condition by, among other things:

- increasing its vulnerability to adverse economic and industry conditions;
- limiting its ability to obtain additional financing;
- requiring the dedication of a substantial portion of its cash flow from operations to service its indebtedness, which will reduce the amount of cash available for other purposes;
- limiting its flexibility to plan for, or react to, changes in its business;
- diluting the interests of its shareholders as a result of issuing common shares upon conversion of the Convertible Notes; and
- placing the Company at a possible competitive disadvantage with competitors that are less leveraged than the Company or have better access to capital.

The Company's business may not generate sufficient funds, and the Company may otherwise be unable to maintain sufficient cash reserves, to pay amounts due under its indebtedness, and the Company's cash needs may increase in the future. In addition, the Credit Agreement contains, and any future indebtedness that we may incur may contain, financial and other restrictive covenants that limit the Company's ability to operate its business, raise capital or make payments under its other indebtedness. If the Company fails to comply with these covenants or to make payments under its indebtedness when due, then the Company would be in default under that indebtedness, which could, in turn, result in that and our other indebtedness becoming immediately payable in full. For a description of the Company outstanding indebtedness, see Note 7 of Notes to Condensed Consolidated Financial Statements.

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. During the three months ended September 30, 2021, IMAX China repurchased 3,569,000 common shares at an average price of HKD10.90 per share (U.S. $1.40 per share).

The total number of shares purchased during the nine months ended September 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.

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

Hong Kong, 29 October 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.