IMAX CHINA HOLDING, INC.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1970)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023 AND INSIDE INFORMATION

OUR CONTROLLING SHAREHOLDER IMAX CORPORATION RELEASED ITS UNAUDITED RESULTS AND QUARTERLY REPORT FOR THE SECOND QUARTER AND THE FIRST HALF OF FISCAL YEAR 2023

INTERIM RESULTS ANNOUNCEMENT

The Board of Directors of IMAX China Holding, Inc. (the "**Company**" or "**IMAX China**") announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2023. The interim results have been reviewed by the Group's external auditor and the Audit Committee.

INSIDE INFORMATION

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

Our controlling shareholder, IMAX Corporation has, on 26 July 2023 (New York time), released its unaudited results for the second quarter of 2023 and its quarterly report for the second quarter of 2023.

FINANCIAL INFORMATION

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(In thousands of U.S. dollars)

		Six months ended 30 June	
		2023	2022
	Notes	***(Unaudited)***	*(Unaudited)*
Revenues	4	**45,342**	32,713
Cost of sales	5	**(16,624)**	(14,088)
Gross profit	4	**28,718**	18,625
Selling, general and administrative expenses	5	**(8,979)**	(9,545)
Other operating expenses	5	**(2,503)**	(1,873)
Provisions of impairment losses on financial assets	5	**(807)**	(613)
Other losses		**—**	(4,470)
Operating profit		**16,429**	2,124
Interest income		**726**	728
Interest expense		**(282)**	(48)
Profit before income tax		**16,873**	2,804
Income tax expense	6	**(2,997)**	(2,038)
Profit for the period attributable to owners of the Company		**13,876**	766
Other comprehensive loss:			
Items that may be subsequently reclassified to profit or loss:			
Change in foreign currency translation adjustments		**(7,011)**	(12,519)
Other comprehensive loss:		**(7,011)**	(12,519)
Total comprehensive income (loss) for the period, attributable to owners of the Company		**6,865**	(11,753)
Profit per share attributable to owners of the Company — basic and diluted (expressed in U.S. dollars per share):			
From profit for the period — basic	7	**0.04**	0.00
From profit for the period — diluted	7	**0.04**	0.00

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(In thousands of U.S. dollars)

	Notes	**As at 30 June 2023** ***(Unaudited)***	As at 31 December 2022 *(Audited)*
ASSETS			
Non-current assets			
Property, plant and equipment	8	**76,474**	86,689
Other assets		**2,693**	3,414
Deferred tax assets	10	**8,254**	6,697
Variable consideration receivables from contracts		**1,791**	2,045
Financing receivables		**49,734**	53,327
		138,946	152,172
Current assets			
Other assets		**1,592**	1,871
Contract acquisition costs		**746**	760
Film assets		**123**	82
Inventories		**4,684**	4,826
Prepayments		**2,648**	3,099
Variable consideration receivables from contracts		**578**	502
Financing receivables		**29,003**	27,852
Trade and other receivables	9	**67,471**	60,267
Cash and cash equivalents		**73,559**	74,972
		180,404	174,231
Total assets		**319,350**	326,403

	Notes	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
LIABILITIES			
Non-current liabilities			
Accruals and other liabilities		**584**	1,042
Deferred revenue	12	**13,197**	14,570
Deferred tax liabilities	10	**12,521**	14,900
		26,302	30,512
Current liabilities			
Trade and other payables	11	**22,453**	21,845
Accruals and other liabilities		**8,631**	9,546
Income tax liabilities		**7,250**	5,780
Borrowings		**9,278**	12,871
Deferred revenue	12	**10,036**	12,777
		57,648	62,819
Total liabilities		**83,950**	93,331
EQUITY			
Equity attributable to owners of the Company			
Share capital		**34**	34
Share premium and reserves		**214,499**	226,047
Retained profits		**20,867**	6,991
Total equity		**235,400**	233,072
Total equity and liabilities		**319,350**	326,403

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

1. General information

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

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

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

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

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

2. Summary of significant accounting policies

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

(a) Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2023 has been prepared in accordance with International Accounting Standard 34 ("**IAS 34**"), "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

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

(b) Summary of significant accounting policies

Except as described in note 3, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2022, as described in those annual financial statements.

Taxes on income during the six months ended 30 June 2023 and 2022 are accrued using the tax rate that would be applicable to expected total annual profits.

3. New accounting standards and accounting changes

A number of new or amended standards became applicable for annual reporting period commencing on 1 January 2023. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

		Effective for annual periods beginning on or after
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
IAS 1 (Amendments) and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
IAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
IAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IFRS 17	Insurance contracts	1 January 2023
IFRS 17 (Amendments)	Initial Application of IFRS 17 and IFRS 9	1 January 2023
IAS 12 (Amendments)	International Tax Reform — Pillar Two Model Rules	1 January 2023

Certain new accounting standards and interpretations have been published that are not mandatory for the financial reporting periods commencing on or after 1 January 2023 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
IFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
IAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
IAS 7 (Amendments) and IFRS 7 (Amendments)	Supplier Finance Arrangements	1 January 2024
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

4. Revenue and segment information

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

During the six months ended 30 June 2023, the Group revised its internal segment reporting, including the information provided to assess segment performance and allocate resources. Accordingly, the Group has two reportable segments: (i) Content Solutions, which principally includes content enhancement, previously included within the IMAX DMR films segment, and (ii) Technology Products and Services, which principally includes the sale, lease, and maintenance of IMAX Systems, previously included within the Revenue Sharing Arrangements, IMAX Systems, IMAX Maintenance, and Other Theatre Business segments. The Group's activities that do not meet the criteria to be considered a reportable segment are reported within All Other. Prior period comparatives have been revised to conform with the current period presentation.

The Group has the following reportable segments:

(i) Content Solutions, which principally includes the digital remastering of films and other content into IMAX formats for distribution to the IMAX network.

(ii) Technology Products and Services, which includes results from the sale or lease of IMAX Systems, as well as from the maintenance of IMAX Systems. To a lesser extent, the Technology Products and Services segment also earns revenue from certain ancillary theatre business activities, including after-market sales of IMAX System parts and 3D glasses.

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

Transactions between the other segments are not significant.

(a) Operating Segments

	Six months ended 30 June	
	2023	2022
	(Unaudited)	*(Unaudited)*
Revenue		
Content Solutions	**14,178**	6,519
Technology Products and Services	**30,896**	26,112
Subtotal for reportable segments	**45,074**	32,631
All Other	**268**	82
Total	**45,342**	32,713
Gross profit (loss)		
Content Solutions	**12,199**	5,178
Technology Products and Services	**16,734**	13,396
Subtotal for reportable segments	**28,933**	18,574
All Other	**(215)**	51
Total gross profit	**28,718**	18,625
Selling, general and administrative expenses	**(8,979)**	(9,545)
Other operating expenses	**(2,503)**	(1,873)
Provisions of impairment losses on financial assets	**(807)**	(613)
Other losses	**—**	(4,470)
Interest income	**726**	728
Interest expense	**(282)**	(48)
Profit before income tax	**16,873**	2,804

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

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

	Six months ended 30 June			
	Recognised under IFRS 15		**Recognised under IFRS 16**	
	2023	2022	**2023**	2022
Revenue				
Content Solutions				
Film Remastering	**14,178**	6,519	—	—
	14,178	6,519	—	—
Technology Products and Services				
System Sales	**3,741**	4,382	**3,289**	525
System Rentals	—	—	**11,207**	5,166
Maintenance	**11,040**	14,099	—	—
Finance Income	**1,619**	1,940	—	—
	16,400	20,421	**14,496**	5,691
Subtotal for reportable segments	**30,578**	26,940	**14,496**	5,691
All Other	**268**	82	—	—
Total	**30,846**	27,022	**14,496**	5,691

Of the revenue recognised under IFRS15, approximately $12.7 million for the six months ended 30 June 2023 (2022: $16.0 million) were recognised over time, while $18.1 million were recognised at a point in time (2022: $11.0 million).

Of the system rentals, approximately $9.5 million for the six months ended 30 June 2023 (2022: $4.5 million) were from revenues under operating leases and approximately $1.7 million for the six months ended 30 June 2023 (2022: $0.7 million) were from revenues under finance leases.

The selling profit for the Group's finance leases was approximately $1.8 million for the six months ended 30 June 2023 (2022: less than negative $0.1 million).

(b) Significant customers

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

Customer A

Revenues of approximately $13.3 million during the six months ended 30 June 2023 (30 June 2022: $10.2 million) are derived from a single external customer. These revenues are attributable to Content Solutions and Technology Products and Services.

Customer B

Revenues of approximately $7.7 million during the six months ended 30 June 2023 (30 June 2022: $3.3 million) are derived from a related party. These revenues are attributable to Content Solutions and Technology Products and Services.

Customer C

Revenues of approximately $5.3 million during the six months ended 30 June 2023 (30 June 2022: $0.2 million) are derived from a single external customer. These revenues are attributable to Content Solutions.

Customer D

Revenues of approximately $1.3 million during the six months ended 30 June 2023 (30 June 2022: $5.9 million) are derived from a single external customer. These revenues are attributable to Content Solutions and Technology Products and Services.

No other single customers comprises of more than 10% of total revenues during the six months ended 30 June 2023 or 2022.

5. Expenses by nature

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	*(Unaudited)*
Depreciation, including joint revenue sharing arrangements and film cost	**7,723**	7,243
Employee salaries and benefits	**5,960**	5,177
Theatre maintenance fees	**3,326**	2,810
Cost of theatre system sales and finance leases	**2,730**	2,104
Technology and trademark fees	**2,476**	1,867
Advertising and marketing expenses	**1,904**	1,805
Share-based compensation expenses	**1,618**	1,865
Professional fees	**850**	713
Increase in allowance for expected credit losses	**807**	613
Travel and transportation expenses	**255**	182
Foreign exchange losses	**189**	1,050
Lease expenses	**112**	119
Utilities and maintenance expenses	**53**	57
Other film (recoveries) costs	**(6)**	17
Recoveries of write-downs	**(3)**	(8)
Other costs	**484**	10
Other expenses	**278**	279
Auditor's remuneration		
— Non-audit services	**19**	17
— Audit services	**138**	199
Total cost of sales, selling, general and administrative expenses, other operating expenses and provisions of impairment losses on financial assets	**28,913**	26,119

6. Income tax expense

	Six months ended 30 June	
	2023	2022
	(Unaudited)	*(Unaudited)*
Current income tax:		
Current tax on profits for the period	**4,792**	1,935
Dividend withholding tax paid	**2,379**	—
Adjustments in respect of prior years	**(74)**	78
Total current income tax	**7,097**	2,013
Deferred income tax:		
Origination of deductible temporary differences and losses	**(4,100)**	25
Total deferred income tax	**(4,100)**	25
Income tax expense	**2,997**	2,038

Income tax expense for the six months ended 30 June 2023 and 2022 is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

7. Profit per share

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	*(Unaudited)*
Profit for the period	**13,876**	766
Weighted average number of common shares (in '000s):		
Issued and outstanding, beginning of period	**338,553**	341,743
Weighted average number of shares increased (decreased) during the period	**424**	(905)
Weighted average number of shares used in computing basic profit per share	**338,977**	340,838
Adjustments for:		
Stock options	—	72
Restricted share units	**1,301**	1,492
Performance stock units	**330**	239
Weighted average number of shares used in computing diluted profit per share	**340,608**	342,641

8. Property, plant and equipment

	Theatre System Components	Office and Production Equipment	Right-of-use Assets	Leasehold Improvements	Construction in Process	Total
As at 1 January 2023 (audited)						
Cost	**156,346**	**2,978**	**2,064**	**1,766**	**4,723**	**167,877**
Accumulated depreciation and impairment	**(76,733)**	**(2,492)**	**(224)**	**(1,739)**	**—**	**(81,188)**
Net book amount	**79,613**	**486**	**1,840**	**27**	**4,723**	**86,689**
Six months ended 30 June 2023 (unaudited)						
Opening net book amount	**79,613**	**486**	**1,840**	**27**	**4,723**	**86,689**
Exchange differences	**(3,159)**	**(8)**	**(51)**	**(1)**	**5**	**(3,214)**
Additions	**—**	**21**	**—**	**—**	**217**	**238**
Transfers	**1,294**	**—**	**—**	**—**	**(1,294)**	**—**
Transfer out	**(166)**	**—**	**—**	**—**	**—**	**(166)**
Disposals	**(22)**	**—**	**—**	**—**	**—**	**(22)**
Depreciation charge	**(6,592)**	**(109)**	**(342)**	**(8)**	**—**	**(7,051)**
Closing net book amount	**70,968**	**390**	**1,447**	**18**	**3,651**	**76,474**
As at 30 June 2023 (unaudited)						
Cost	**150,808**	**2,893**	**1,990**	**1,695**	**3,651**	**161,037**
Accumulated depreciation and impairment	**(79,840)**	**(2,503)**	**(543)**	**(1,677)**	**—**	**(84,563)**
Net book amount	**70,968**	**390**	**1,447**	**18**	**3,651**	**76,474**
As at 1 January 2022 (audited)						
Cost	166,913	3,042	2,844	1,918	3,480	178,197
Accumulated depreciation and impairment	(71,286)	(2,500)	(2,296)	(1,915)	—	(77,997)
Net book amount	95,627	542	548	3	3,480	100,200
Six months ended 30 June 2022 (unaudited)						
Opening net book amount	95,627	542	548	3	3,480	100,200
Exchange differences	(4,748)	(27)	(30)	(1)	(41)	(4,847)
Additions	—	44	—	—	2,637	2,681
Transfers	2,118	—	—	—	(2,118)	—
Depreciation charge	(6,474)	(106)	(388)	(2)	—	(6,970)
Closing net book amount	86,523	453	130	—	3,958	91,064
As at 30 June 2022 (unaudited)						
Cost	160,588	2,936	2,702	1,811	3,958	171,995
Accumulated depreciation and impairment	(74,065)	(2,483)	(2,572)	(1,811)	–	(80,931)
Net book amount	86,523	453	130	–	3,958	91,064

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

9. Trade and other receivables

	As at 30 June 2023 ***(Unaudited)***	As at 31 December 2022 *(Audited)*
Trade receivables:		
Trade receivables from third parties	**37,226**	38,654
Less: allowance for expected credit losses of trade receivables from third parties	**(4,968)**	(4,744)
Trade receivables from third parties — net	**32,258**	33,910
Trade receivables from IMAX Corporation	**28,997**	20,901
Accrued trade receivables	**6,820**	5,890
Less: allowance for expected credit losses of accrued trade receivables	**(604)**	(556)
Accrued trade receivables — net	**6,216**	5,334
Total trade receivables	**67,471**	60,145
Other receivables:		
Loan and interest receivables from related parties	—	514
Less: allowance for expected credit losses of loan and interest receivables	—	(392)
Loan and interest receivables from related parties — net	—	122
Total other receivables	—	122
Total trade and other receivables	**67,471**	60,267

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

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

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
0 – 30 days	**7,056**	6,560
31 – 60 days	**1,841**	2,474
61 – 90 days	**2,356**	2,180
Over 90 days	**54,970**	48,341
	66,223	59,555

10. Deferred income tax

The movement in deferred tax assets and liabilities during the period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Deferred income tax assets		
Opening balance	**6,697**	6,899
Exchange differences	**(164)**	(480)
Credited to profit or loss	**1,721**	278
Closing balance	**8,254**	6,697
Deferred income tax liabilities		
Opening balance	**14,900**	17,642
Credited to profit or loss	**(2,379)**	(2,742)
Closing balance	**12,521**	14,900

Deferred tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The deferred tax assets include an amount of $1.3 million which relates to carried-forward tax losses of IMAX Shanghai Culture. The subsidiary has incurred losses over the last few years and the Company has resolved to liquidate this subsidiary in June 2023. As a result, the Group has concluded that the deferred tax assets will be recoverable as it is probable that the loss can be utilised in the foreseeable future and IMAX Shanghai Culture's holding company has sufficient taxable income against which the loss can be utilised.

11. Trade and other payables

	As at 30 June 2023 ***(Unaudited)***	As at 31 December 2022 *(Audited)*
Trade payables	**681**	996
Payables to IMAX Corporation	**21,127**	20,110
Other payables	**645**	739
	22,453	21,845

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

	As at 30 June 2023 ***(Unaudited)***	As at 31 December 2022 *(Audited)*
0 – 30 days	**4,821**	5,143
31 – 60 days	**397**	778
61 – 90 days	**829**	909
Over 90 days	**16,406**	15,015
	22,453	21,845

As at 30 June 2023 and 31 December 2022, the carrying amounts of trade and other payables approximated their fair values due to short maturity. Trade and other payables over 90 days primarily consist of amounts due to IMAX Corporation.

12. Deferred revenue

	As at 30 June 2023 *(Unaudited)*	As at 31 December 2022 *(Audited)*
Theatre system deposits	**15,421**	17,721
Maintenance prepayments	**7,812**	9,626
	23,233	27,347
Deferred revenue, current	**10,036**	12,777
Deferred revenue, non-current	**13,197**	14,570
	23,233	27,347

The following table shows the amount of revenue recognised in the condensed consolidated statements of comprehensive income (loss) for the six months ended 30 June 2023 and 2022 relating to deferred revenue brought forward:

	Six months ended 30 June	
	2023 *(Unaudited)*	2022 *(Unaudited)*
Upfront revenue	**2,379**	4,210
Maintenance revenue	**4,385**	5,207
Total	**6,764**	9,418

The unsatisfied performance obligations out of the carrying value of the Group's backlog as at 30 June 2023 was approximately $143.9 million (31 December 2022: $156.7 million).

13. Dividends

	Six months ended 30 June	
	2023	2022
	(Unaudited)	*(Unaudited)*
Dividends recognised as distribution during the period:		
2022 Final – HK$0.117 per share	**5,087**	—
2021 Final – HK$0.210 per share	—	9,173
	5,087	9,173

As approved by the shareholders at the Annual General Meeting held on 7 June 2023, 2022 final dividend of $0.015 per share (equivalent to HK$0.117 per share) was distributed to shareholders on 23 June 2023. As approved by the shareholders at the Annual General Meeting held on 23 June 2022, 2021 final dividend of $0.027 per share (equivalent to HK$0.210 per share) was distributed to shareholders on 11 July 2022.

No dividends in respect of the six months ended 30 June 2023 have been proposed.

14. Events after the reporting period

On 13 July 2023, IMAX Corporation announced it has filed a proposal to acquire the outstanding 96.3 million shares in the Company for approximately HK$10 per share in cash $124 million. The offer represents an approximate 49% premium to the 30-trading day average closing price. Upon approval of the offer and the scheme of arrangement, IMAX Corporation will own 100% of the Company.

The acquisition of the Company is subject to customary closing conditions, including the receipt of the Company's shareholders and other approvals. The offer has been approved by both IMAX Corporation and the Company's Boards of Directors. There is no guarantee that the acquisition will be approved by the Company's shareholders or that other closing conditions will be satisfied. The acquisition, if successful, is expected to close later this year.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The management discussion and analysis is based on the Company's condensed consolidated interim financial information for 1HFY2023 prepared in accordance with International Accounting Standard 34 and must be read together with the condensed consolidated interim financial information and the notes which form an integral part of the condensed consolidated interim financial information.

DESCRIPTION OF SELECTED LINE ITEMS IN THE CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (LOSS)

During the six months ended 30 June 2023, the Group revised its internal segment reporting to include two reportable segments: (i) Content Solutions, which principally includes content enhancement, previously included within the IMAX DMR films segment, and (ii) Technology Products and Services, which principally includes the sales, lease, and maintenance of IMAX Systems, previously included within the Revenue Sharing Arrangements, IMAX Systems, IMAX Maintenance, and Other Theatre Business segments. The Group's activities that do not meet the criteria to be considered a reportable segment are reported within All Other. Prior period comparatives have been revised to conform with the current period presentation.

Revenue

We derive a majority of our revenue from our two primary segments – Content Solutions and Technology Products and Services. The Group's activities that do not meet the criteria to be considered a reportable segment are reported within All Other.

Content Solutions

Content Solutions represents revenue generated from a certain percentage of IMAX box office received by our studio partners for the conversion and release of Hollywood films, Chinese language films and other films to the IMAX theatre network. The revenue is recognized when reported by our exhibitor partners.

Technology Products and Services

Technology Products and Services represents revenues that are primarily derived from exhibitor partners through either sales and sales-type lease or revenue sharing arrangements, and the revenue generated by maintenance services and aftermarket sales.

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

- Revenue sharing arrangements, of which the Group has two types — full revenue sharing arrangements and hybrid revenue sharing arrangements. Under its full revenue sharing arrangements, the Group leases IMAX theatre systems to its exhibitor partners, and provides related services, in return for ongoing fees of contingent rent based on a percentage of the IMAX box office from the relevant IMAX theatre. Under full revenue sharing arrangements, the customer pays no upfront fee. Under hybrid revenue sharing arrangements, the Group receives ongoing fees of contingent rent based on a percentage of IMAX box office from the relevant IMAX theatre. Contingent rent revenue from joint revenue sharing arrangements is recognized when reported by our exhibitor partners. In addition, the Group receives a reduced, fixed upfront fee under its hybrid revenue sharing arrangement. Revenue sharing arrangements upfront fee revenue is recognized at the time of installation and exhibitor acceptance of the IMAX theatre system;

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

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

All Other

The Company's activities that do not meet the criteria to be considered a reportable segment will be reported within All Other.

Impact of COVID-19 Pandemic

The Chinese government relaxed its dynamic zero-COVID policies and significantly eased restrictions at the end of 2022. With the reopening of theatres and the resumption of normal film release schedules as the theatrical exhibition industry continues to recover from the COVID-19 pandemic, normal operations have resumed in movie theatres throughout the IMAX China network in the first half of 2023. Management is further encouraged by the return of the prevalence of exclusive theatrical windows and the strong pipeline of movies scheduled to be released for theatrical exhibition throughout the remainder of 2023. However, the impact of the COVID-19 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. There remains uncertainty around whether and when movie-going will return to historical levels. The timing and extent of a recovery of consumer behavior and willingness to spend discretionary income on movie-going may delay the Group's ability to generate significant revenue from GBO generated by its exhibitor customers until consumer behavior normalizes and consumer spending fully recovers.

As a result of the financial difficulties faced by certain of the Group's exhibitor customers arising out of pandemic-related theatre closures, the Group has experienced and may continue to experience delays in collecting payments due under existing IMAX System sale or lease arrangements. The Group's 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, which would further increase the risks associated with payments due under existing agreements with the Group. The ability of such partners to make payments cannot be guaranteed and is subject to changing economic circumstances. Further, the Group has had to delay certain IMAX system installations from backlog and may be required to further delay or cancel such installations in the future. As a result, the Group's future revenues and cash flows have been, and may in the future continue to be adversely affected.

Given the dynamic nature of the circumstances, it is difficult to predict the full extent of the adverse impact of the COVID-19 pandemic on the Group's financial condition, liquidity, business and results of operations in future reporting periods. The extent and duration of such impact on the Group will depend on future developments, including, but not limited to the potential emergence, spread and severity of any new variants and the resulting government response, the progress towards the resumption of normal operations of movie theatres and their return to historical levels of attendance, consumer behavior, the solvency of the Group's exhibitor partners and, their ability to make timely payments, any potential construction or installation delays involving the Group's exhibitor partners, and the continuing impact of the pandemic on economic conditions. Such events are highly uncertain and cannot be accurately forecasted.

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

	1HFY2023		1HFY2022	
	US$'000	***%***	*US$'000*	*%*
Content Solutions	**14,178**	**31.3%**	6,519	19.9%
Technology Products and Services	**30,896**	**68.1%**	26,112	79.8%
Subtotal for reportable segments	**45,074**	**99.4%**	32,631	99.7%
All Other	**268**	**0.6%**	82	0.3%
Total	**45,342**	**100.0%**	32,713	100.0%

Cost of Sales

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

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

	1HFY2023		1HFY2022	
	US$'000	***%***	*US$'000*	*%*
Content Solutions	**1,979**	**14.0%**	1,341	20.6%
Technology Products and Services	**14,162**	**45.8%**	12,716	48.7%
Subtotal for reportable segments	**16,141**	**35.8%**	14,057	43.1%
All Other	**483**	**180.2%**	31	37.8%
Total	**16,624**	**36.7%**	14,088	43.1%

Gross Profit and Gross Profit Margin

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

	1HFY2023		1HFY2022	
	US$'000	***%***	*US$'000*	*%*
Content Solutions	**12,199**	**86.0%**	5,178	79.4%
Technology Products and Services	**16,734**	**54.2%**	13,396	51.3%
Subtotal for reportable segments	**28,933**	**64.2%**	18,574	56.9%
All Other	**(215)**	**(80.2)%**	51	62.2%
Total	**28,718**	**63.3%**	18,625	56.9%

Selling, General and Administrative Expenses

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

	1HFY2023		1HFY2022	
	US$'000	*%*	*US$'000*	*%*
Employee salaries and benefits	**4,437**	**9.8%**	4,063	12.4%
Share-based compensation expenses	**1,618**	**3.6%**	1,865	5.7%
Travel and transportation	**255**	**0.6%**	182	0.6%
Advertising and marketing	**448**	**1.0%**	408	1.2%
Professional fees	**1,007**	**2.2%**	929	2.8%
Other employee expense	**130**	**0.3%**	111	0.3%
Facilities	**508**	**1.1%**	560	1.7%
Depreciation	**111**	**0.2%**	101	0.3%
Foreign exchange and other expenses	**465**	**1.0%**	1,326	4.1%
Total	**8,979**	**19.8%**	9,545	29.2%

Other Operating Expenses

Other operating expenses primarily include the annual license fees payable to IMAX Corporation in respect of the trademark and technology licensed under the Technology License Agreements and the Trademark License Agreements, charged at an aggregate of 5% of our revenue. Our other operating expenses for 1HFY2023 and 1HFY2022 were US$2.5 million and US$1.9 million, respectively.

Provisions of Impairment Losses on Financial Assets

Impairment losses on financial assets for 1HFY2023 and 1HFY2022 were US$0.8 million and US$0.6 million, respectively. The losses were primarily due to the provision for current expected credit losses, principally reflecting a reduction in the credit quality of its trade receivables, financing receivables and variable consideration receivables.

Interest Income

Interest income mainly represents interest earned on various term deposits. None of the term deposits had a term of more than 90 days. Our interest income for both 1HFY2023 and 1HFY2022 was US$0.7 million.

Income Tax Expenses

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

Our income tax expense for 1HFY2023 and 1HFY2022 was US$3.0 million and US$2.0 million, respectively.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

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

	1HFY2023		1HFY2022	
	US$'000	***%***	*US$'000*	*%*
Revenues	**45,342**	**100.0%**	32,713	100.0%
Cost of sales	**(16,624)**	**(36.7)%**	(14,088)	(43.1)%
Gross profit	**28,718**	**63.3%**	18,625	56.9%
Selling, general and administrative expenses	**(8,979)**	**(19.8)%**	(9,545)	(29.2)%
Other operating expenses	**(2,503)**	**(5.5)%**	(1,873)	(5.7)%
Provisions of impairment losses on financial assets	**(807)**	**(1.8)%**	(613)	(1.9)%
Other losses	**—**	**—**	(4,470)	(13.7)%
Operating profit	**16,429**	**36.2%**	2,124	6.5%
Interest income	**726**	**1.6%**	728	2.2%
Interest expense	**(282)**	**(0.6)%**	(48)	(0.1)%
Profit before income tax	**16,873**	**37.2%**	2,804	8.6%
Income tax expense	**(2,997)**	**(6.6)%**	(2,038)	(6.2)%
Profit for the period, attributable to owners of the Company	**13,876**	**30.6%**	766	2.3%
Other comprehensive loss:				
Items that may be subsequently reclassified to profit or loss:				
Change in foreign currency translation adjustments	**(7,011)**	**(15.5)%**	(12,519)	(38.3)%
Other comprehensive loss:	**(7,011)**	**(15.5)%**	(12,519)	(38.3)%
Total comprehensive income (loss) for the period, attributable to owners of the Company	**6,865**	**15.1%**	(11,753)	(35.9)%

Adjusted Profit

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

The following table sets out our adjusted profits for the periods indicated:

	1HFY2023	1HFY2022
	US$'000	*US$'000*
Profit for the period	**13,876**	766
Adjustments:		
Share-based compensation	**1,618**	1,865
Tax impact on items listed above	**(409)**	(522)
Adjusted profit	**15,085**	2,109

1HFY2023 COMPARED WITH 1HFY2022

Revenue

Our revenue increased 38.5% from US$32.7 million in 1HFY2022 to US$45.3 million in 1HFY2023 driven by an increase of US$7.7 million in our Content Solutions revenue and an increase of US$4.8 million in the Technology Products and Services revenue, as explained further below.

Content Solutions

Revenue from our Content Solutions increased 118.5% from US$6.5 million in 1HFY2022 to US$14.2 million in 1HFY2023 primarily due to an increase in box office revenue in 1HFY2023 compared to 1HFY2022. The box office revenue generated by IMAX formatted films increased 116.2% from US$76.4 million in 1HFY2022 to US$165.2 million in 1HFY2023 due primarily to the reopening of theatres in Mainland China after COVID-19 controls were lifted in 1HFY2023 and a larger number of film releases.

Box office revenue per screen increased 120.0% from US$0.10 million in 1HFY2022 to US$0.22 million in 1HFY2023 due to the reasons explained above.

The following table sets out the number of films we released in the IMAX format in 1HFY2023 and 1HFY2022 in Greater China:

	1HFY2023	1HFY2022
Hollywood films	**14**	8
Hollywood films (Hong Kong, Taiwan and Macau only)	**5**	8
Chinese language films	**10**	4
Other films	**3**	—
Other films (Hong Kong, Taiwan and Macau only)	**1**	—
Total IMAX films released	**33**	20

Technology Products and Services

Revenue from our Technology Products and Services increased 18.4% from US$26.1 million in 1HFY2022 to US$30.9 million in 1HFY2023 driven by an increase of US$1.2 million in sales and sales-type lease arrangements, an increase of $6.5 million in revenue sharing arrangements, partially offset by a decrease of US$3.1 million in IMAX maintenance, as explained further below.

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

Commercial	**As at 30 June**		
	2023	2022	Growth (%)
Mainland China[1]	**763**	757	0.8%
Hong Kong	**5**	5	—
Taiwan	**10**	10	—
Macau	**1**	1	—
	779	773	0.8%
Institutional[2]	**16**	15	6.7%
Total	**795**	788	0.9%

Note:

(1) Nine theatres in Mainland China were closed in 1HFY2023, and the relocations or takeovers are under negotiation.

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

The following table sets out the number of IMAX theatre systems installed by business arrangements in 1HFY2023 and 1HFY2022:

	1HFY2023	1HFY2022
Sales and sales-type lease arrangements	**6**	2
Revenue sharing arrangements	**4**	7
IMAX Laser upgrades	**—**	1
Total theatre systems installed	**10(1)**	10(2)

Note:

(1) Includes 8 new theatre systems, and 2 relocations (1 sales and sales-type lease and 1 revenue sharing) in 1HFY2023.

(2) Includes 9 new theatre systems, and 1 upgrade (sales and sales-type lease) in 1HFY2022.

Sales and Sales-Type Lease Arrangements

Revenue from sales and sales-type lease arrangements increased 19.0% from US$6.3 million in 1HFY2022 to US$7.5 million in 1HFY2023, primarily due to 3 more sales and sales-type lease arrangements (including 1 more redeployed system installation). We recognized sales revenue on 3 new theatre systems (including 1 IMAX Laser upgrade) in 1HFY2022 with a total value of US$4.3 million, compared to 5 new theatre system in 1HFY2023 with a total value of US$5.0 million. In addition, the revenue of US$0.9 million from the renewal of existing sales and sale-type lease arrangements was recognized in 1HFY2023.

Average revenue per new system under sales and sales-type lease arrangements, excluding redeployed systems, decreased from US$1.4 million in 1HFY2022 to US$1.0 million in 1HF2023 due to a mix of more XT laser theatre installations with larger clients in 1HFY2023.

Revenue Sharing Arrangements

Revenue from revenue sharing arrangements includes upfront revenue from hybrid revenue sharing arrangements and contingent rent from both full revenue sharing arrangements and hybrid revenue sharing arrangements.

Upfront revenue from hybrid revenue sharing arrangement increased 100.0% from US$0.5 million in 1HFY2022 to US$1.0 million in 1HFY2023, primarily due to 1 more hybrid revenue sharing installation in 1HFY2023.

Contingent rent from revenue sharing arrangements increased 115.4% from US$5.2 million in 1HFY2022 to US$11.2 million in 1HFY2023 primarily due to increased box office in 1HFY2023. This included (i) contingent rent from full revenue sharing arrangements that increased from US$4.5 million in 1HFY2022 to US$9.5 million in 1HFY2023; (ii) contingent rent from hybrid revenue sharing arrangements that increased from US$0.7 million in 1HFY2022 to US$1.7 million in 1HFY2023. We had 510 theatres operating under revenue sharing arrangements at the end of 1HFY2022 as compared to 512 at the end of 1HFY2023.

IMAX Maintenance

IMAX maintenance revenue decreased from US$14.1 million in 1HFY2022 to US$11.0 million in 1HFY2023. Maintenance revenue decreased in 1HFY2023 primarily due to one-time fee concessions negotiated with certain exhibitor customers as a result of the impact COVID-19 restrictions had on their normalized business operations, partially offset by an increase in the size of the IMAX network, which increased to 795 theatres as at 30 June 2023 from 788 theatres as at 30 June 2022.

All Other

Revenue from All Other increased from less than US$0.1 million in 1HFY2022 to US$0.3 million in 1HFY2023 mainly related to the revenue generated from IMAX Enhanced Business which started in 2HFY2022.

Cost of Sales

Our cost of sales increased 17.7% from US$14.1 million in 1HFY2022 to US$16.6 million in 1HFY2023. This increase was primarily due to an increase of US$0.7 million in our Content Solutions and an increase of US$1.5 million in our Technology Products and Sales explained below.

Content Solutions

The cost of sales for our Content Solutions increased 53.8% from US$1.3 million to US$2.0 million due to an increase in the number of DMR films released and resulting film marketing costs. 27 films exhibited in Mainland China in 1HFY2023 compared to 12 films in 1HFY2022.

Technology Products and Services

The cost of sales for our Technology Products and Services increased 11.8% from US$12.7 million in 1HFY2022 to US$14.2 million in 1HFY2023, mainly driven by an increase of US$0.3 million in sales and sales-type lease arrangements, an increase of $0.4 million in revenue sharing arrangements, and an increase of US$0.6 million in IMAX maintenance, as explained further below.

Sales and Sales-Type Lease Arrangements

Cost of sales under sales and sales-type lease arrangements increased 16.7% from US$1.8 million in 1HFY2022 to US$2.1 million in 1HFY2023, primarily due to the costs recognised on 5 new theatre systems in 1HFY2023 as compared to 3 new theatre systems (including 1 IMAX Laser upgrade) in 1HFY2022. The costs were partially reduced by the decrease in average cost per new system under sales and sales-type lease arrangements, excluding redeployed system, from US$0.6 million in 1HFY2022 to US$0.4 million in 1HFY2023 due to a system mix of more XT laser theatre installations in 1HFY2023.

Revenue Sharing Arrangements

Cost of sales from installation of hybrid revenue sharing arrangements increased 20.0% from US$0.5 million in 1HFY2022 to US$0.6 million in 1HFY2023, primarily due to the costs recognised on 2 theatre system installations under hybrid revenue sharing arrangements in 1HFY2023 as compared to 1 in 1HFY2022.

The cost of sales for contingent rent from revenue sharing arrangements increased 6.3% from US$6.4 million in 1HFY2022 to US$6.8 million in 1HFY2023, primarily due to increased depreciation costs associated with a larger full revenue sharing network, currently 402 theatres as at 1HFY2023.

IMAX Maintenance

Cost of sales with respect to theatre system maintenance increased 15.0% from US$4.0 million in 1HFY2022 to US$4.6 million in 1HFY2023 as a result of: (i) the resumption of normalized maintenance services that had been impacted due to the COVID-19 pandemic in 1HFY2022; (ii) an increase in the size of the IMAX network, which increased to 795 theatres as at 30 June 2023 from 788 theatres as at 30 June 2022.

All Other

Cost from All Other increased from less than US$0.1 million in 1HFY2022 to US$0.5 million in 1HFY2023 mainly related to the cost of IMAX Enhanced Business which started in 2HFY2022.

Gross Profit and Gross Profit Margin

Our gross profit increased from a profit of US$18.6 million in 1HFY2022 to US$28.7 million in 1HFY2023, and our gross margin increased from 56.9% in 1HFY2022 to 63.3% in 1HFY2023. The increase in gross profit was largely attributable to US$7.0 million increase in our Content Solutions, and a US$3.3 million increase in our Technology Products and Services, as explained further below.

Content Solutions

The gross profit from our Content Solutions increased 134.6% from a profit of US$5.2 million in 1HFY2022 to a profit of US$12.2 million in 1HFY2023, and the gross margin for our Content Solutions increased from 79.4% in 1HFY2022 to 86.0% in 1HFY2023. The increase of gross profit was primarily due to an increase of 116.2% in our overall box office revenue. The increase of gross profit margin was primarily due to high operating leverage inherent to our content solutions business and more local language films released than 1HFY2022 with lower production costs and higher margins.

Technology Products and Services

The gross profit for our Technology Products and Services increased 24.6% from US$13.4 million in 1HFY2022 to US$16.7 million in 1HFY2023. During the same period, our gross profit margin increased from 51.3% to 54.2%. The increase in gross profit was primarily driven by 3 more IMAX theatre system installations under sales and sales-type lease arrangements (including 1 more redeployed system installation) and 1 more hybrid revenue sharing arrangement in 1HFY2023 as compared to 1HFY2022. The increase is also related to higher box office revenue partially offset by increased depreciation costs associated with continued growth in the IMAX theatre network under revenue sharing arrangements. The increase in gross profit margin is mainly related to higher sales, revenue sharing arrangements and maintenance margin in 1HFY2023 as explained further below.

Sales and Sales-Type Lease Arrangements

The gross profit from sales of new IMAX theatre systems increased 20.0% from US$4.5 million in 1HFY2022 to US$5.4 million in 1HFY2023 primarily due to the installation of 3 more systems (including 1 more redeployed system installation) in 1HFY2023. Our gross profit margin increased from 71.4% in 1HFY2022 to 72.0% in 1HFY2023 primarily due to a larger portion of IMAX Laser installations with lower margin in 1HFY2022.

Revenue Sharing Arrangements

The gross profit from upfront fees derived from hybrid revenue sharing arrangements increased from a profit of less than US$0.1 million in 1HFY2022 to US$0.4 million in 1HFY2023, primarily due to 1 more installation under hybrid revenue sharing arrangements.

The gross profit for contingent rent from revenue sharing arrangements increased from a loss of US$1.2 million in 1HFY2022 to a profit of US$4.4 million in 1HFY2023.

The gross profit for contingent rent from full revenue sharing arrangements increased from a loss of US$1.8 million in 1HFY2022 to a profit of US$2.9 million in 1HFY2023 due to the increased box office as a result of the reopening of theatres in Mainland China after COVID-19 controls were lifted in 1HFY2023, partially offset by increased depreciation costs associated with a larger full revenue sharing network.

The gross profit for contingent rent from hybrid revenue sharing arrangements increased 114.3% from US$0.7 million in 1HFY2022 to US$1.5 million in 1HFY2023, driven by higher box office revenue mentioned above.

IMAX Maintenance

The gross profit for our theatre system maintenance decreased 36.7% from a profit of US$10.1 million in 1HFY2022 to a profit of US$6.4 million in 1HFY2023 and our gross margin decreased from gross profit margin of 71.6% in 1HFY2022 to a gross profit margin of 57.9% in 1HFY2023 mainly due to the one-time fee concessions negotiated with certain exhibitor customers as a result of the impact COVID-19 restrictions had on their normalized business operations, and higher maintenance costs resulting from resumption of normalized maintenance services in 1HFY2023.

All Other

The gross profit for All Other decreased from a profit of less than US$0.1 million in 1HFY2022 to a loss of US$0.2 million in 1HFY2023 mainly related to the loss generated from IMAX Enhanced Business as a result of low revenue during start up period and fixed amortization costs.

Selling, General and Administrative Expenses

Selling, general and administrative expenses, decreased 5.3% from US$9.5 million in 1HFY2022 to US$9.0 million in 1HFY2023, primarily due to a US$0.2 million foreign exchange loss in 1HFY2023 compared to a US$1.1 million foreign exchange loss in 1HFY2022 from RMB cash held outside of Mainland China, partially offset by a US$0.4 million increase in staff costs including salaries and bonus as a result of normalized business operations in 1HFY2023.

Other Operating Expenses

Other operating expenses increased from US$1.9 million in 1HFY2022 to US$2.5 million in 1HFY2023, primarily due to an increase in annual license fees payable to IMAX Corporation in respect of the trademark and technology licensed under the Technology License Agreements and the Trademark License agreements due to higher revenues in 1HFY2023 versus 1HFY2022.

Provisions of Impairment Losses on Financial Assets

Impairment losses on financial assets for 1HFY2023 and 1HFY2022 were US$0.8 million and US$0.6 million, respectively. The losses were primarily due to the provision for current expected credit losses, principally reflecting a reduction in the credit quality of its trade receivables, financing receivables and variable consideration receivables.

Interest Income

Interest income mainly represents interest earned on various term deposits. None of the term deposits had a term of more than 90 days. Our interest income for both 1HFY2023 and 1HFY2022 was US$0.7 million.

Income Tax Expense

Our income tax expense increased 50.0% from US$2.0 million in 1HFY2022 to US$3.0 million in 1HFY2023. The increase in income tax expense was primarily due to an increase of our operating income before income tax of US$14.1 millions from a profit of US$2.8 million in 1HFY2022 to a profit of US$16.9 million in 1HFY2023. The expense was partially offset by a decrease in income tax expense due to $1.3 million of deferred tax assets recognized in 1HFY2023. In accordance with the planned liquidation of IMAX (Shanghai) Culture & Technology Co., Ltd. ("IMAX Shanghai Culture", a wholly-owned subsidiary of the Company), a US$1.3 million deferred tax assets was recognized for the accumulated losses of IMAX Shanghai Culture in 1HFY2023.

Profit for the Period

We reported a profit for the period of US$13.9 million in 1HFY2023 as compared to a profit of US$0.8 million in 1HFY2022.

Other Comprehensive Loss for the Period

We reported other comprehensive loss for the period of US$7.0 million in 1HFY2023 as compared to a loss of US$12.5 million in 1HFY2022. The decrease was due to a loss of US$7.0 million in foreign currency translation adjustments in 1HFY2023 (3.8% depreciation of RMB relative to USD) compared to a loss of US$12.5 million in 1HFY2022 (5.3% depreciation of RMB relative to USD).

Adjusted Profit

Adjusted profit, which consists of profit for the period adjusted for the impact of share-based compensation and the related tax impact, and provisional tax, was US$15.1 million in 1HFY2023 as compared to US$2.1 million in 1HFY2022.

LIQUIDITY AND CAPITAL RESOURCES

	As at 30 June 2023 *US$'000*	As at 31 December 2022 *US$'000*
Current assets		
Other assets	**1,592**	1,871
Contract acquisition costs	**746**	760
Film assets	**123**	82
Inventories	**4,684**	4,826
Prepayments	**2,648**	3,099
Variable consideration receivable from contracts	**578**	502
Financing receivables	**29,003**	27,852
Trade and other receivables	**67,471**	60,267
Cash and cash equivalents	**73,559**	74,972
Total Current Assets	**180,404**	174,231
Current liabilities		
Trade and other payables	**22,453**	21,845
Accruals and other liabilities	**8,631**	9,546
Income tax liabilities	**7,250**	5,780
Borrowings	**9,278**	12,871
Deferred revenue	**10,036**	12,777
Total Current Liabilities	**57,648**	62,819
Net Current Assets	**122,756**	111,412

As at 30 June 2023, we had net current assets of US$122.8 million compared to net current assets of US$111.4 million as at 31 December 2022. The increase in net current assets in 1HFY2023 was mainly attributable to a US$7.2 million increase in trade and other receivables, a US$3.6 million decrease in borrowings, a US$2.7 million decrease in deferred revenue, a US$1.2 million increase in financing receivables, and a US$0.9 million decrease in accruals and other liabilities. This was offset by a US$1.5 million increase in income tax liabilities, a US$1.4 million decrease in cash and cash equivalents, a US$0.6 million increase in trade and other payables, and a US$0.5 million decrease in prepayments.

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

		As at 30 June 2023		As at 31 December 2022
		US$'000		*US$'000*
Cash and cash equivalents denominated in RMB	**$**	**27,138**	$	43,821
Cash and cash equivalents denominated in US$	**$**	**46,142**	$	30,914
Cash denominated in Hong Kong dollars	**$**	**279**	$	237
	$	**73,559**	$	74,972

CAPITAL MANAGEMENT

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

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

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

CASH FLOW ANALYSIS

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

	1HFY2023	1HFY2022
	US$'000	*US$'000*
Net cash provided by (used in) operating activities	**12,002**	(4,151)
Net cash used in investing activities	**(1,773)**	(7,476)
Net cash used in financing activities	**(9,744)**	(6,286)
Effects of exchange rate changes on cash	**(1,898)**	(2,863)
Decrease in cash and cash equivalents during period	**(1,413)**	(20,776)
Cash and cash equivalents, beginning of period	**74,972**	97,737
Cash and cash equivalents, end of period	**73,559**	76,961

Cash Provided by (Used in) Operating Activities

1HFY2023

Our net cash provided by operations was approximately US$12.0 million in 1HFY2023. We had profit before income tax for the period of US$16.9 million in 1HFY2023, and positive adjustments for depreciation of property, plant and equipment of US$7.1 million, amortization of film assets of US$3.2 million, settlement of equity and other non-cash compensation of US$1.6 million, and allowance for expected credit loss of US$0.8 million, reduced by changes in working capital of US$10.7 million, taxes paid of US$6.9 million. Changes in working capital primarily consisted of: (i) an increase in trade and other receivables of US$9.2 million; (ii) an increase in film assets of US$3.2 million; (iii) a decrease in deferred revenue of US$2.0 million; partially offset by: (i) an increase in trade and other payables of US$2.7 million; (ii) a decrease of other assets of US$0.9 million.

1HFY2022

Our net cash used in operations was approximately US$4.2 million in 1HFY2022. We had profit before income tax for the period of US$2.8 million in 1HFY2022, and positive adjustments for depreciation of property, plant and equipment of US$7.0 million, net fair value losses on financial assets at FVTPL of US$4.5 million, settlement of equity and other noncash compensation of US$1.9 million, amortization of film assets of US$1.5 million, and allowance for expected credit loss of US$0.6 million, reduced by changes in working capital of US$16.9 million, taxes paid of US$5.8 million. Changes in working capital primarily consisted of: (i) an increase in trade and other receivables of US$12.6 million; (ii) a decrease in deferred revenue of US$5.1 million; (iii) an increase of other assets of US$3.0 million; (iv) an increase in film assets of US$1.5 million; and (v) an increase of financing receivables of US$0.6 million; partially offset by: (i) an increase in trade and other payables of US$4.2 million; (ii) an increase in accruals and other liabilities of US$1.8 million.

Cash Used in Investing Activities

1HFY2023

Our net cash used in investing activities was approximately US$1.8 million for 1HFY2023, primarily related to investments in IMAX theatre equipment amounting to US$1.8 million installed in our exhibitor partners' theatres under full revenue sharing arrangements.

1HFY2022

Our net cash used in investing activities was approximately US$7.5 million for 1HFY2022, primarily related to investment in film of $4.7 million and investments in IMAX theatre equipment amounting to US$2.7 million installed in our exhibitor partners' theatres under full revenue sharing arrangements.

Cash Used in Financing Activities

1HFY2023

Our net cash used in financing activities was approximately US$9.7 million for 1HFY2023 primarily due to: (i) dividends paid to owners of the Company of US$5.1 million; (ii) repayment of borrowings US$3.9 million; (iii) settlement of restricted share units and options of US$1.1 million; and (iv) principal elements of lease payments of US$0.5 million. It is partially offset by the proceeds from borrowings of US$0.7 million.

1HFY2022

Our net cash used in financing activities was approximately US$6.3 million for 1HFY2022 primarily due to: (i) repayment of borrowings US$3.6 million; (ii) payments for shares bought back of US$1.8 million; (iii) settlement of restricted share units and options of US$0.6 million; and (iv) principal elements of lease payments of US$0.3 million.

CONTRACTUAL OBLIGATIONS AND CAPITAL COMMITMENTS

Lease Commitments

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

Capital Commitments

As at 30 June 2023, we had capital expenditures contracted but not provided for of US$1.9 million (31 December 2022: US$3.2 million) primarily related to acquisition of property, plant and equipment.

CAPITAL EXPENDITURES AND CONTINGENT LIABILITIES

Capital Expenditures

Our capital expenditures primarily relate to the acquisition of IMAX theatre systems. During both 1HFY2023 and 1HFY2022, our capital expenditures were US$1.8 million and US$2.8 million, respectively.

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

Contingent Liabilities

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

As at 30 June 2023, we had drawn down RMB2.6 million (approximately US$0.4 million) on our bank borrowing facility with Bank of China Limited with an interest rate of 3.85% (2022: 3.85%) per annum, and RMB3.0 million (approximately US$0.4 million) on our letter of guarantee facility. We also had drawn down RMB64.4 million (approximately US$8.9 million) on our bank borrowing facility with HSBC Bank (China) Company Limited with an interest rate of 3.85%~4.00% per annum. Except as disclosed above or as otherwise disclosed herein, as at 30 June 2023, we did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities. The Directors confirm that there has been no material change in our commitments and contingent liabilities since 30 June 2023.

WORKING CAPITAL

We finance our working capital needs primarily through cash flow from operating activities. Cash flow used in operating activities was US$4.2 million in 1HFY2022, significantly impact from the COVID-19 theatre closures in some major cities in Mainland China versus the cash flow provided by operating activities was US$12.0 million in 1HFY2023. As the IMAX theatre network recovers from the COVID-19 closures and continues to grow, we believe our cash flow from operating activities will continue to increase and fund existing business operations and any initial capital expenditures required under revenue sharing arrangements.

In June 2022, we renewed an unsecured revolving facility with Bank of China Limited for up to RMB200.0 million (approximately US$29.8 million) to fund ongoing working capital requirement. The total amounts drawn and available under the working capital loan at 30 June 2023 were RMB2.6 million and RMB187.4 million for bank borrowing facility, and RMB3.0 million and RMB7.0 million for letter of guarantee facility, respectively.

In June 2022, we also entered into an unsecured revolving facility with HSBC Bank (China) Company Limited, Shanghai Branch for up to RMB200.0 million (approximately US$29.8 million) to fund ongoing working capital requirement. The total amounts drawn and available under the working capital loan at 30 June 2023 were RMB64.4 million and RMB135.6 million, respectively.

STATEMENT OF INDEBTEDNESS

As at 30 June 2023:

- Except for the drawdown of RMB2.6 million on the bank borrowing facility with Bank of China Limited for up to RMB190 million, the drawdown of RMB3.0 million on the letter of guarantee facility with Bank of China Limited for up to RMB10 million, and the drawdown of RMB64.4 million on the bank borrowing facility with HSBC Bank (China) Company Limited for up to RMB200 million, we did not have any bank borrowings or committed bank facilities;

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

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

Since 30 June 2023, being the latest date of our condensed interim statements, there has been no material adverse change to our indebtedness.

RECENT DEVELOPMENTS

On 13 July 2023, IMAX Corporation announced it has filed a proposal to acquire the outstanding 96.3 million shares in IMAX China for approximately HK$10 per share in cash ($124 million). The offer represents an approximate 49% premium to the 30-trading day average closing price. Upon approval of the offer and the scheme of arrangement, IMAX Corporation will own 100% of IMAX China. The proposed acquisition of IMAX China will enable greater operational flexibility to pursue new growth opportunities and applications of IMAX technology in the Chinese market. The acquisition of IMAX China is subject to customary closing conditions, including the receipt of IMAX China shareholder and other approvals. The offer has been approved by both IMAX Corporation and IMAX China's Boards of Directors. There is no guarantee that the acquisition will be approved by IMAX China shareholders or that other closing conditions will be satisfied. The acquisition, if successful, is expected to close later this year.

OFF BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We had no off-balance sheet arrangements as at 30 June 2023.

KEY FINANCIAL RATIOS

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

	As at 30 June 2023	As at 31 December 2022
Gearing ratio[(1)]	**35.7%**	40.0%
	1HFY2023	1HFY2022
Adjusted profit margin[(2)]	**33.3%**	6.4%

Notes:

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

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

Gearing Ratio

Our gearing ratio decreased from 40.0% as at 31 December 2022 to 35.7% as at 30 June 2023, primarily due to an increase in equity of US$2.3 million, a decrease in deferred revenue of US$4.1 million, a decrease in borrowings of US$3.6 million, a decrease in deferred tax liabilities of US$2.4 million, and a decrease in accruals and other liabilities of US$1.4 million, partially offset by an increase in current income tax liability of US$1.5 million, and trade and other payable of US$0.6 million

Adjusted Profit Margin

Our adjusted profit margin increased from a profit of 6.4% as at 30 June 2022 to a profit of 33.3% as at 30 June 2023, primarily due to the reopening of theatres in Mainland China after COVID-19 control lifted by the government in 1HFY2023.

DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

The proposal of payment and the amount of our dividends will be made at the discretion of our Board and will depend on our general business condition and strategies, cash flows, financial results and capital requirements, the interests of our Shareholders, taxation conditions, statutory and regulatory restrictions and other factors that our Board deems relevant.

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

As at 30 June 2023, the Company had a total equity of US$42.7 million. Under the Companies Law of the Cayman Islands, subject to the provisions of memorandum of association of the Company or the articles of association (the "**Articles of Association**"), the Company's share premium account may be applied to pay distributions or dividends to shareholders provided that immediately following the date of distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

Dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2023.

MATERIAL ACQUISITIONS OR DISPOSALS

We have not undertaken any material acquisition or disposal for the six months ended 30 June 2023.

SIGNIFICANT INVESTMENTS AND DIVESTMENTS

We are entitled to IMAX Hong Kong Holding's share of any distributions and dividends paid by TCL-IMAX Entertainment in respect of profit from Greater China as a result of a preferred share we hold in IMAX Hong Kong Holding, which holds 50% of TCL-IMAX Entertainment, a 50:50 joint venture between IMAX Hong Kong Holding (which is indirectly wholly owned by IMAX Corporation) and Sino Leader (Hong Kong) Limited (which is wholly owned by TCL Multimedia Technology Holdings Limited). The purpose of the investment was to enable the Group to share in any profit earned in Greater China by TCL-IMAX Entertainment. We do not have any management or operational role, responsibilities or rights in TCL-IMAX Entertainment, nor are we subject to any funding obligations (either in respect of capital funding or bearing of losses) in relation to TCL-IMAX Entertainment. As at 30 June 2023, the fair value of TCL-IMAX Entertainment was nil (31 December 2022: nil). TCL-IMAX Entertainment will start liquidation process in the second half year of 2023.

IMAX (Shanghai) Culture & Technology Co., Ltd. ("**IMAX Shanghai Culture**") was set up on 16 December 2021, which is 100% invested by IMAX (Shanghai) Multimedia Technology Co., LTD (IMAX Shanghai Multimedia). IMAX Shanghai Multimedia is a wholly-owned subsidiary of the Company. On 25 July 2022, the Company, IMAX Shanghai Culture and IMAX Corporation entered into an Enhanced Business Required IMAX China Contribution Agreement pursuant to which the Company agreed to acquire and have the exclusive right to, directly or through any member of the Group, develop and exploit the Enhanced Business in Greater China ("**IMAX Enhanced Business**"). IMAX Shanghai Culture is planned to be liquidated based on the business strategic decision. IMAX Enhanced Business will be taken over by IMAX Shanghai Multimedia after the liquidation of IMAX Shanghai Culture.

Except for the liquidation of TCL-IMAX Entertainment and IMAX Shanghai Culture, there was no plan authorized by the Board for any material investments or divestments at the date of this announcement.

OTHER INFORMATION

CORPORATE GOVERNANCE

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

Chairman and Non-executive Director of the Company, Mr. Richard Gelfond, and Non-executive Director of the Company, Mr. Robert Lister, were unable to attend the annual general meeting of the Company convened on 7 June 2023 due to other important business commitments. Mr. Gelfond appointed Mr. Jiande Chen, an Executive Director and the Vice Chairman of the Company, to be his delegate as the Chair of the Board and as the Chair of the Nomination Committee to attend, chair and answer questions at the annual general meeting. Saved as disclosed above, during the Reporting Period, the Company has complied with all the code provisions of the CG Code.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2023, 22,000 listed Shares, 200,000 listed Shares, 45,000 listed Shares, 111,921 listed Shares, 119,000 listed Shares, 119,000 listed Shares, 119,000 listed Shares, 119,000 listed Shares, 119,000 listed Shares, and 103,650 listed Shares were purchased through Computershare Hong Kong Trustees Limited, the professional trustee engaged by the Company for administering its RSU Scheme and PSU Scheme, on 27 February 2023 at an average price per Share of HK$8.9679, on 28 February 2023 at an average price per Share of HK$9.2348, on 1 March 2023 at an average price per Share of HK$9.3516, on 2 March 2023 at an average price per Share of HK$9.6553, on 9 June 2023 at an average price per Share of HK$6.5036, on 12 June 2023 at an average price per Share of HK$6.5827, on 13 June 2023 at an average price per Share of HK$6.8190, on 14 June 2023 at an average price per Share of HK$7.0247, on 15 June 2023 at an average price per Share of HK$7.0894, and on 16 June 2023 at an average price per Share of HK$7.1210 on the Stock Exchange, for satisfying, or preparing for the satisfaction of, the vesting of the relevant restricted share units or performance share units.

Save for the above, there have been no convertible securities issued or granted by the Group, no exercise of any conversion or subscription rights, nor any purchase, sale or redemption by the Group of the Company's listed securities during the six months ended 30 June 2023.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Directors' dealing policy on 21 September 2015 in order to ensure compliance with the Model Code. The terms of the Directors' dealing policy are no less exacting than those set out in the Model Code. Having made specific enquiry of the Directors, all Directors have confirmed that they have complied with the required standard of dealings and code of conduct regarding securities dealings by directors as set out in the Model Code and the Company's own Directors' dealing policy for the six months ended 30 June 2023.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company and within the knowledge of the Directors, as at the date of this announcement, the Company has maintained the prescribed public float under the Listing Rules throughout the six months ended 30 June 2023.

REVIEW OF INTERIM REPORT

The interim report, including the unaudited condensed consolidated interim financial information of the Group, for the six months ended 30 June 2023 have been reviewed by PwC, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The audit committee members have reviewed the interim report, including the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2023.

The Company's interim report for the six months ended 30 June 2023 containing all the relevant information required by Appendix 16 of the Listing Rules will be published on the websites of the Company and the Stock Exchange and dispatched to Shareholders in due course.

LITIGATION

The Group did not have any material litigation outstanding as at 30 June 2023.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2023.

INSIDE INFORMATION

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

Results of IMAX Corporation

Our controlling shareholder, IMAX Corporation, is a company listed on the New York Stock Exchange in the United States. As of the date of this announcement, IMAX Corporation beneficially owns 71.63% of the issued share capital of the Company.

On 26 July 2023 (New York time), IMAX Corporation made an announcement regarding its unaudited results for the second quarter of 2023 (the "**Earnings Release**"). If you wish to review the Earnings Release, please visit: https://www.sec.gov/Archives/edgar/data/921582/000095017023034726/imax-ex99_1.htm. Unless otherwise provided therein, all dollar amounts in the Earnings Release are denominated in United States dollars.

On 26 July 2023 (New York time), IMAX Corporation filed its unaudited quarterly report on the Form 10-Q for the second quarter of 2023 (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/921582/000095017023034792/imax-20230630.htm. Unless otherwise provided therein, all dollar amounts in the Quarterly Report are denominated in United States dollars.

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

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

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

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

(1) QUARTERLY REPORT EXTRACTS

IMAX CORPORATION

PART I. FINANCIAL INFORMATION

Item 1. *Financial Statements*

IMAX CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

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

(Unaudited)

	June 30, 2023	December 31, 2022
Assets		
Cash and cash equivalents	**$ 95,266**	$ 97,401
Accounts receivable, net of allowance for credit losses	**125,764**	136,142
Financing receivables, net of allowance for credit losses	**125,450**	129,384
Variable consideration receivables, net of allowance for credit losses	**57,340**	44,024
Inventories	**37,291**	31,534
Prepaid expenses	**12,349**	12,343
Film assets, net of accumulated amortization	**8,162**	5,277
Property, plant and equipment, net of accumulated depreciation	**238,973**	252,896
Investment in equity securities	**1,046**	1,035
Other assets	**15,914**	15,665
Deferred income tax assets, net of valuation allowance	**11,450**	9,900
Goodwill	**52,815**	52,815
Other intangible assets, net of accumulated amortization	**33,886**	32,738
Total assets	**$ 815,706**	$ 821,154
Liabilities		
Accounts payable	**$ 24,092**	$ 25,237
Accrued and other liabilities	**116,658**	117,286
Deferred revenue	**67,715**	70,940
Revolving credit facility borrowings, net of unamortized debt issuance costs	**28,002**	36,111
Convertible notes and other borrowings, net of unamortized discounts and debt issuance costs	**228,039**	226,912
Deferred income tax liabilities	**13,587**	14,900
Total liabilities	**478,093**	491,386

	June 30, 2023	December 31, 2022
Commitments, contingencies and guarantees (see Note 7)		
Non-controlling interests	**732**	722
Shareholders' equity		
Capital stock common shares — no par value.		
Authorized — unlimited number.		
54,620,083 issued and outstanding		
(December 31, 2022 — 54,148,614 issued and outstanding)	**390,238**	376,715
Other equity	**175,374**	185,678
Statutory surplus reserve	**3,932**	3,932
Accumulated deficit	**(284,208)**	(293,124)
Accumulated other comprehensive loss	**(14,622)**	(9,846)
Total shareholders' equity attributable to common shareholders	**270,714**	263,355
Non-controlling interests	**66,167**	65,691
Total shareholders' equity	**336,881**	329,046
Total liabilities and shareholders' equity	**$ 815,706**	$ 821,154

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

IMAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands of U.S. Dollars, except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	**2023**	2022
Revenues				
Technology sales	**$ 29,360**	$ 8,229	**$ 47,182**	$ 17,205
Image enhancement and maintenance services	**46,867**	44,958	**93,994**	81,052
Technology rentals	**19,546**	18,525	**39,604**	31,186
Finance income	**2,206**	2,256	**4,145**	4,561
	97,979	73,968	**184,925**	134,004
Costs and expenses applicable to revenues				
Technology sales	**13,771**	4,218	**21,003**	10,203
Image enhancement and maintenance services	**19,739**	19,953	**42,824**	35,696
Technology rentals	**6,582**	5,761	**13,160**	12,298
	40,092	29,932	**76,987**	58,197
Gross margin	**57,887**	44,036	**107,938**	75,807
Selling, general and administrative expenses	**38,906**	37,095	**73,054**	67,276
Research and development	**2,762**	1,356	**4,617**	2,552
Amortization of intangible assets	**1,147**	1,104	**2,221**	2,301
Credit loss expense, net	**846**	112	**1,066**	7,341
Asset impairments	—	4,470	—	4,470
Executive transition costs	—	—	**1,353**	—
Income (loss) from operations	**14,226**	(101)	**25,627**	(8,133)
Unrealized investment gains	**28**	30	**72**	64
Retirement benefits non-service expense	**(78)**	(138)	**(155)**	(277)
Interest income	**693**	417	**1,100**	919
Interest expense	**(1,795)**	(1,326)	**(3,562)**	(3,031)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	**2023**	2022
Income (loss) before taxes	**13,074**	(1,118)	**23,082**	(10,458)
Income tax expense	**(3,461)**	(3,133)	**(8,346)**	(5,743)
Net income (loss)	**9,613**	(4,251)	**14,736**	(16,201)
Less: net (income) loss attributable to non-controlling interests	**(1,262)**	1,400	**(3,931)**	(259)
Net income (loss) attributable to common shareholders	**$ 8,351**	$ (2,851)	**$ 10,805**	$ (16,460)
Net income (loss) per share attributable to common shareholders:				
Basic and diluted	**$ 0.15**	$ (0.05)	**$ 0.20**	$ (0.28)
Weighted average shares outstanding (in thousands):				
Basic	**54,591**	57,320	**54,328**	57,943
Diluted	**55,320**	57,320	**55,145**	57,943

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

IMAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands of U.S. Dollars)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	**2023**	2022
Net income (loss)	**$ 9,613**	$ (4,251)	**$ 14,736**	$ (16,201)
Other comprehensive income (loss), before tax				
Unrealized net gain (loss) from cash flow hedging instruments	**688**	(610)	**822**	(295)
Realized net loss from cash flow hedging instruments	**123**	66	**462**	95
Foreign currency translation adjustments	**(10,059)**	(13,521)	**(7,619)**	(12,941)
Defined benefit and postretirement benefit plans	**(176)**	46	**(352)**	92
Total other comprehensive loss, before tax	**(9,424)**	(14,019)	**(6,687)**	(13,049)
Income tax (expense) benefit related to other comprehensive (loss) income	**(166)**	130	**(244)**	28
Other comprehensive loss, net of tax	**(9,590)**	(13,889)	**(6,931)**	(13,021)
Comprehensive income (loss)	**23**	(18,140)	**7,805**	(29,222)
Comprehensive loss (income) attributable to non-controlling interests	**1,582**	5,306	**(1,776)**	3,480
Comprehensive income (loss) attributable to common shareholders	**$ 1,605**	$ (12,834)	**$ 6,029**	$ (25,742)

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

IMAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of U.S. Dollars)
(Unaudited)

	Six Months Ended June 30,	
	2023	2022
Operating Activities		
Net income (loss)	**$ 14,736**	$ (16,201)
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:		
Depreciation and amortization	**27,198**	27,023
Amortization of deferred financing costs	**1,250**	1,753
Credit loss expense, net	**1,066**	7,341
Write-downs	**474**	5,432
Deferred income tax benefit	**(3,279)**	(300)
Share-based and other non-cash compensation	**12,533**	13,966
Unrealized foreign currency exchange loss	**175**	841
Unrealized investment gains	**(72)**	(64)
Changes in assets and liabilities:		
Accounts receivable	**9,531**	(14,745)
Inventories	**(6,118)**	(6,949)
Film assets	**(9,241)**	(10,420)
Deferred revenue	**(3,255)**	(5,291)
Changes in other operating assets and liabilities	**(19,143)**	(7,679)
Net cash provided by (used in) operating activities	**25,855**	(5,293)
Investing Activities		
Purchase of property, plant and equipment	**(1,009)**	(2,934)
Investment in equipment for joint revenue sharing arrangements	**(4,033)**	(8,651)
Interest in film classified as a financial instrument	—	(4,731)
Acquisition of other intangible assets	**(3,478)**	(1,680)
Net cash used in investing activities	**(8,520)**	(17,996)

	Six Months Ended June 30,	
	2023	2022
Financing Activities		
Revolving credit facility borrowings	**30,717**	—
Repayments of revolving credit facility borrowings	**(38,886)**	—
Credit facility amendment fees paid	—	(2,028)
Other borrowings	**315**	—
Repurchase of common shares	**(4,011)**	(49,355)
Repurchase of common shares, IMAX China	—	(1,844)
Taxes withheld and paid on employee stock awards vested	**(6,458)**	(3,393)
Principal payment under finance lease obligations	—	(890)
Dividends paid to non-controlling interests	**(1,438)**	—
Net cash used in financing activities	**(19,761)**	(57,510)
Effects of exchange rate changes on cash	**291**	1,200
Decrease in cash and cash equivalents during period	**(2,135)**	(79,599)
Cash and cash equivalents, beginning of period	**97,401**	189,711
Cash and cash equivalents, end of period	**$ 95,266**	$ 110,112

(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**" or "**IMAX**"), 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 Condensed Consolidated Balance Sheet at December 31, 2022 was derived from the Company's audited annual Consolidated Financial Statements, but does not contain all of the footnote disclosures included in the annual financial statements. The interim results presented in the Company's Condensed Consolidated Statements of Operations are not necessarily indicative of results for a full year.

These Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements included in the Company's 2022 Annual Report on Form 10-K (the "**2022 Form 10-K**"), which should be consulted for a summary of the significant accounting policies utilized by the Company. These Condensed Consolidated Financial Statements are prepared following the same accounting policies disclosed in the 2022 Form 10-K.

As disclosed in Note 13 to the Condensed Consolidated Financial Statements, in the first quarter of 2023, the Company revised its reportable segments.

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) of the Company's audited Consolidated Financial Statements included in its 2022 Form 10-K. Management also considers that its determination of operating and reporting segments represents an area of judgment, and has made this conclusion on the basis of what comprises the discrete financial information produced, but not provided to or used by its Chief Operating Decision Maker ("**CODM**") to carry out this function. 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 System arrangement to distinct performance obligations; (ii) the amount of variable consideration to be earned on sales of IMAX Systems based on projections of 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 projections used in testing the recoverability of long-lived assets such as the system equipment supporting joint revenue sharing arrangements; (vii) the economic lives of the 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 financing receivables and lease liabilities, as well as to determine the fair values of the Company's reporting units for the purpose of assessing the recoverability of goodwill; (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.

3. Receivables

The ability of the Company to collect its receivables is principally 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 that could result in them being unable to fulfill their payment obligations to the Company.

In order to mitigate the credit risk associated with its receivables, 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 received on a regular basis.

- 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, a theater operator may be placed on nonaccrual status and all revenue recognition related to the theater may be suspended, including the accretion of Finance Income for Financing 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 suspended, including the accretion of Finance Income for Financing Receivables.

During the period when the accretion of Finance Income is suspended for Financing Receivables, any payments received from a customer are applied against the outstanding balance owed. If payments are sufficient to cover any unreserved receivables, a reversal of the provision is recorded to the extent of the residual cash received. Once the collectability issues are resolved and the customer has returned to being in good standing, the Company will resume recognition of Finance Income.

When a customer's aging exceeds 90 days, the Company's policy is to perform an enhanced review to assess collectability 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.

The Company develops an estimate of expected 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 considering management's internal credit quality classifications. Additional credit loss provisions are also recorded taking into account macro-economic and industry risk factors. The write-off of any billed receivable balance requires the approval of management.

Commencing in March 2022, in response to numerous sanctions imposed by the United States, Canada and the European Union on companies transacting in Russia and Belarus resulting from ongoing conflict between Russia and Ukraine, the Company suspended its operations in Russia and Belarus. In the first quarter of 2022, the Company recorded provisions for potential credit losses against substantially all of its receivables in Russia due to uncertainties associated with the ongoing conflict and resulting sanctions. These receivables relate to existing sale agreements as the Company is not party to any joint revenue sharing arrangements in these countries. In addition, beginning in the first quarter of 2022, exhibitors in Russia, Ukraine, and Belarus were placed on nonaccrual status for maintenance revenue and finance income. Beginning in the second quarter of 2023, due to the resumption of operations throughout Ukraine's theatrical exhibition industry, as evidenced by the reopening of all eight IMAX Systems in Ukraine and payments received from exhibitor customers, the Company recognized maintenance revenue and finance income. The Company continues to closely monitor the evolving impacts of this conflict (including the sanctions imposed by the United States, Canada and the European Union) and its effects on the global economy and the Company.

On September 7, 2022, Cineworld, the parent company of Regal, and certain of its subsidiaries and Regal CineMedia Holdings, LLC, filed petitions for reorganization under Chapter 11 of the United States Bankruptcy Code in the Southern District of Texas. The Company had an unsecured pre-petition claim of $11.4 million related to receivables from the entities included in the reorganization proceedings. On October 21, 2022, the Company was ratified by the bankruptcy court as a critical vendor of Cineworld, allowing the Company to collect pre-petition amounts owed to it by Cineworld, and requiring Cineworld to stay current on the Company's post-petition receivables. On November 8, 2022, IMAX Corporation entered into a trade agreement with Cineworld (the "**Trade Agreement**"), pursuant to which Cineworld affirmed its pre-petition obligations to the Company and its post-petition obligations to the Company during the Chapter 11 proceedings, the amount of the receivables owed to the Company and agreed to a payment plan under which all amounts due will be settled over the period from November 9, 2022 to April 12, 2023. As of April 17, 2023, the Company had received all of the payments due from Cineworld in accordance with the terms of the Trade Agreement with respect to the pre-petition obligations. Cineworld had its Plan of Reorganization approved by the Court on June 28, 2023, in which it disclosed that it plans to emerge from the Chapter 11 proceedings on or about July 28, 2023. As part of the Plan, Cineworld agreed to assume the Global Agreement between IMAX and the Cineworld entities (the "**Assumption**"). The Assumption shall expressly provide for (i) Cineworld's assumption of the Global Agreement, (ii) Cineworld's payment of all current arrears and (iii) a revised schedule of system installations. Based on its evaluation of its contracts with Cineworld, its assessment of the reorganization and its discussions with Cineworld to date, the Company has determined that no additional provision for expected credit losses is required. The Company also does not expect to see a material impact on its IMAX network with Cineworld resulting from this reorganization. There can, however, be no guarantees as to the ultimate outcome of a Chapter 11 proceeding.

Management's judgments regarding expected credit losses are based on the facts available to management and involve estimates about the future. As a result, the Company's judgments and associated estimates of credit losses may ultimately prove, with the benefit of hindsight, to be incorrect. The impacts of inflation, and rising interest rates may impact future credit losses. The Company will continue to monitor economic trends and conditions and portfolio performance and adjust its allowance for credit loss accordingly.

Accounts Receivable

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

The following tables summarize the activity in the allowance for credit losses related to Accounts Receivable for the three and six months ended June 30, 2023 and 2022:

	Three Months Ended June 30, 2023				**Six Months Ended June 30, 2023**			
(In thousands of U.S. Dollars)	**Theater Operators**	**Studios**	**Other**	**Total**	**Theater Operators**	**Studios**	**Other**	**Total**
Beginning balance	**$ 10,824**	**$ 1,707**	**$ 1,297**	**$ 13,828**	**$ 11,144**	**$ 1,699**	**$ 1,276**	**$ 14,119**
Current period provision (reversal), net	**1,704**	**(802)**	**189**	**$ 1,091**	**1,439**	**(799)**	**210**	**850**
Write-offs	**(682)**	**—**	**—**	**$ (682)**	**(797)**	**—**	**—**	**(797)**
Foreign exchange	**(206)**	**(11)**	**—**	**$ (217)**	**(146)**	**(6)**	**—**	**(152)**
Ending balance	**$ 11,640**	**$ 894**	**$ 1,486**	**$ 14,020**	**$ 11,640**	**$ 894**	**$ 1,486**	**$ 14,020**

	Three Months Ended June 30, 2022				Six Months Ended June 30, 2022			
(In thousands of U.S. Dollars)	Theater Operators	Studios	Other	Total	Theater Operators	Studios	Other	Total
Beginning balance	$ 10,831	$ 1,995	$ 1,358	$ 14,184	$ 8,867	$ 1,994	$ 1,085	$ 11,946
Current period provision (reversal), net	134	(104)	(57)	(27)	2,115	(101)	216	2,230
Write-offs	(43)	(124)	(394)	(561)	(43)	(124)	(394)	(561)
Foreign exchange	(218)	(23)	—	(241)	(235)	(25)	—	(260)
Ending balance	$ 10,704	$ 1,744	$ 907	$ 13,355	$ 10,704	$ 1,744	$ 907	$ 13,355

For the three and six months ended June 30, 2023, the Company's allowance for current expected credit losses related to Accounts Receivable increased by $0.4 million and decreased by less than $0.1 million, respectively.

For the three and six months ended June 30, 2022, the Company's allowance for current expected credit losses related to Accounts Receivable decreased by $0.8 million and increased by $2.4 million respectively, principally due to reserves established against its receivables in Russia due to uncertainties associated with the ongoing Russia-Ukraine conflict, partially offset by the reversal of provisions associated with the COVID-19 pandemic.

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 Systems. As of June 30, 2023 and December 31, 2022, financing receivables consist of the following:

(In thousands of U.S. Dollars)	**June 30, 2023**	December 31, 2022
Net investment in leases		
Gross minimum payments due under sales-type leases	**$ 30,480**	$ 29,727
Unearned finance income	**(511)**	(619)
Present value of minimum payments due under sales-type leases	**29,969**	29,108
Allowance for credit losses	**(689)**	(776)
Net investment in leases	**29,280**	28,332
Financed sales receivables		
Gross minimum payments due under financed sales	**135,628**	141,337
Unearned finance income	**(28,431)**	(29,340)
Present value of minimum payments due under financed sales	**107,197**	111,997
Allowance for credit losses	**(11,027)**	(10,945)
Net financed sales receivables	**96,170**	101,052
Total financing receivables	**$ 125,450**	$ 129,384
Net financed sales receivables due within one year	**$ 31,445**	$ 32,366
Net financed sales receivables due after one year	**64,725**	68,686
Total financed sales receivables	**$ 96,170**	$ 101,052

As of June 30, 2023 and December 31, 2022, the weighted-average remaining lease term and weighted-average interest rate associated with the Company's sales-type lease arrangements and financed sale receivables, as applicable, are as follows:

	June 30, 2023	December 31, 2022
Weighted-average remaining lease term (in years)		
Sales-type lease arrangements	**8.7**	9.0
Weighted-average interest rate		
Sales-type lease arrangements	**8.10%**	8.23%
Financed sales receivables	**8.94%**	8.79%

The tables below provide information on the Company's net investment in leases by credit quality indicator as of June 30, 2023 and December 31, 2022. 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 June 30, 2023	**2023**	**2022**	**2021**	**2020**	**2019**	**Prior**	**Total**
Net investment in leases:							
Credit quality classification:							
In good standing	**$ 2,075**	**$ 3,576**	**$ 6,506**	**$ 2,424**	**$ 2,059**	**$ 1,509**	**$ 18,149**
Credit Watch	—	—	—	—	—	—	—
Pre-approved transactions	—	**25**	**2,949**	**1,511**	**5,092**	**1,842**	**11,419**
Transactions suspended	—	—	—	—	—	**401**	**401**
Total net investment in leases	**$ 2,075**	**$ 3,601**	**$ 9,455**	**$ 3,935**	**$ 7,151**	**$ 3,752**	**$ 29,969**

(In thousands of U.S. Dollars)	By Origination Year						
As of December 31, 2022	2022	2021	2020	2019	2018	Prior	Total
Net investment in leases:							
Credit quality classification:							
In good standing	$ 4,148	$ 6,969	$ 2,494	$ 1,977	$ —	$ 1,016	$ 16,604
Credit Watch	—	—	—	—	—	—	—
Pre-approved transactions	—	3,089	1,162	5,401	2,451	—	12,103
Transactions suspended	—	—	—	—	—	401	401
Total net investment in leases	$ 4,148	$ 10,058	$ 3,656	$ 7,378	$ 2,451	$ 1,417	$ 29,108

The tables below provide information on the Company's financed sale receivables by credit quality indicator as of June 30, 2023 and December 31, 2022. 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 June 30, 2023	**2023**	**2022**	**2021**	**2020**	**2019**	**Prior**	**Total**
Financed sales receivables:							
Credit quality classification:							
In good standing	**$ 4,012**	**$ 6,198**	**$ 5,895**	**$ 5,693**	**$ 8,940**	**$ 45,363**	**$ 76,101**
Credit Watch	—	—	—	—	**558**	**773**	**1,331**
Pre-approved transactions	**97**	**313**	**3,016**	**1,558**	**1,774**	**10,206**	**16,964**
Transactions suspended	—	—	**1,220**	**143**	**1,252**	**10,186**	**12,801**
Total financed sales receivables	**$ 4,109**	**$ 6,511**	**$ 10,131**	**$ 7,394**	**$ 12,524**	**$ 66,528**	**$107,197**

(In thousands of U.S. Dollars)	By Origination Year						
As of December 31, 2022	2022	2021	2020	2019	2018	Prior	Total
Financed sales receivables:							
Credit quality classification:							
In good standing	$ 10,252	$ 8,643	$ 6,280	$ 8,541	$ 9,854	$ 39,912	$ 83,482
Credit Watch	—	—	—	—	—	1,152	1,152
Pre-approved transactions	—	2,318	1,399	1,134	1,449	9,243	15,543
Transactions suspended	272	664	142	1,269	1,197	8,276	11,820
Total financed sales receivables	$ 10,524	$11,625	$ 7,821	$ 10,944	$ 12,500	$ 58,583	$111,997

The following tables provide an aging analysis for the Company's net investment in leases and financed sale receivables as of June 30, 2023 and December 31, 2022:

	As of June 30, 2023							
(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	**$ 264**	**$ 336**	**$ 3,324**	**$ 3,924**	**$ 26,045**	**$ 29,969**	**$ (689)**	**$ 29,280**
Financed sales receivables	**1,313**	**1,616**	**10,288**	**13,217**	**93,980**	**$ 107,197**	**(11,027)**	**96,170**
Total	**$ 1,577**	**$ 1,952**	**$ 13,612**	**$ 17,141**	**$ 120,025**	**$ 137,166**	**$ (11,716)**	**$ 125,450**

	As of December 31, 2022							
(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	$ 237	$ 216	$ 2,593	$ 3,046	$ 26,062	$ 29,108	$ (776)	$ 28,332
Financed sales receivables	2,269	1,307	12,793	16,369	95,628	111,997	(10,945)	101,052
Total	$ 2,506	$ 1,523	$ 15,386	$ 19,415	$ 121,690	$ 141,105	$ (11,721)	$ 129,384

The following tables provide information about the Company's net investment in leases and financed sale receivables with billed amounts past due for which it continues to accrue finance income as of June 30, 2023 and December 31, 2022. 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 June 30, 2023						
(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	**$ 205**	**$ 318**	**$ 3,324**	**$ 3,847**	**$ 19,729**	**$ (294)**	**$ 23,282**
Financed sales receivables	**779**	**1,292**	**9,774**	**11,845**	**39,772**	**(1,676)**	**49,941**
Total	**$ 984**	**$ 1,610**	**$ 13,098**	**$ 15,692**	**$ 59,501**	**$ (1,970)**	**$ 73,223**

	As of December 31, 2022						
(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	$ 190	$ 181	$ 2,593	$ 2,964	$ 17,070	$ (230)	$ 19,804
Financed sales receivables	1,550	1,115	10,814	13,479	43,172	(1,587)	55,064
Total	$ 1,740	$ 1,296	$ 13,407	$ 16,443	$ 60,242	$ (1,817)	$ 74,868

The following table provides information about the Company's net investment in leases and financed sale receivables that are on nonaccrual status as of June 30, 2023 and December 31, 2022:

	As of June 30, 2023			As of December 31, 2022		
(In thousands of U.S. Dollars)	**Recorded Receivable**	**Allowance for Credit Losses**	**Net**	Recorded Receivable	Allowance for Credit Losses	Net
Net investment in leases	**$ 401**	**$ (401)**	**$ —**	$ 401	$ (401)	$ —
Net financed sales receivables	**29,765**	**(7,530)**	**22,235**	27,364	(9,589)	17,775
Total	**$ 30,166**	**$ (7,931)**	**$ 22,235**	$ 27,765	$ (9,990)	$ 17,775

For the three and six months ended June 30, 2023, the Company recognized less than $0.1 million (2022 — less than $0.1 million and $0.1 million, respectively) in Finance Income related to the net investment in leases with billed amounts past due. For the three and six months ended June 30, 2023 and 2022, the Company did not recognize Finance Income related to the net investment in leases on nonaccrual status. For the three and six months ended June 30, 2023, the Company recognized $0.9 million and $1.7 million (2022 — $1.3 million and $2.0 million, respectively) in Finance Income related to the financed sale receivables with billed amounts past due. For the three and six months ended June 30, 2023, the Company recognized less than $0.1 million (2022 — $0.3 million and $0.5 million, respectively) in Finance Income related to the financed sales receivables in nonaccrual status.

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 six months ended June 30, 2023 and 2022:

(In thousands of U.S. Dollars)	**Three Months Ended June 30, 2023**		**Six Months Ended June 30, 2023**	
	Net Investment in Leases	**Financed Sales Receivables**	**Net Investment in Leases**	**Financed Sales Receivables**
Beginning balance	**$ 778**	**$ 11,533**	**$ 776**	**$ 10,945**
Current period reversal, net	**(79)**	**(336)**	**(81)**	**213**
Write-offs	—	—	—	—
Foreign exchange	**(10)**	**(170)**	**(6)**	**(131)**
Ending balance	**$ 689**	**$ 11,027**	**$ 689**	**$ 11,027**

(In thousands of U.S. Dollars)	Three Months Ended June 30, 2022		Six Months Ended June 30, 2022	
	Net Investment in Leases	Net Financed Sales Receivables	Net Investment in Leases	Net Financed Sales Receivables
Beginning balance	$ 706	$ 11,135	$ 798	$ 5,414
Current period (reversal) provision, net	(1)	67	(94)	5,775
Write-offs	—	—	—	—
Foreign exchange	(17)	(164)	(16)	(151)
Ending balance	$ 688	$ 11,038	$ 688	$ 11,038

For the three and six months ended June 30, 2023, the Company's allowance for current expected credit losses related to its net investment in leases and financed sale receivables decreased by $0.6 million and increased by less than $0.1 million, respectively.

For the three and six months ended June 30, 2022, the Company's allowance for current expected credit losses related to its net investment in leases and financed sale receivables decreased by $0.1 million and increased by $5.5 million, respectively. The increase is principally due to reserves established against its receivables in Russia due to uncertainties associated with the ongoing Russia-Ukraine conflict and resulting sanctions, partially offset by the reversal of provisions associated with the COVID-19 pandemic as the outlook for the theatrical exhibition industry in Domestic and Rest of World markets improved.

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 following table summarizes the activity in the Allowance for Credit Losses related to Variable Consideration Receivables for the three and six months ended June 30, 2023 and 2022:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2023	2022	**2023**	2022
(In thousands of U.S. Dollars)	**Theater Operators**	Theater Operators	**Theater Operators**	Theater Operators
Beginning balance	**$ 526**	$ 439	**$ 610**	$ 1,082
Current period provision (reversal), net	**183**	73	**97**	(570)
Write-offs	—	—	—	—
Foreign exchange	**(4)**	(9)	**(2)**	(9)
Ending balance	**$ 705**	$ 503	**$ 705**	$ 503

For the three and six months ended June 30, 2023, the Company's allowance for current expected credit losses related to Variable Consideration Receivables increased by $0.2 million and $0.1 million, respectively.

For the three and six months ended June 30, 2022, the Company's allowance for current expected credit losses related to Variable Consideration Receivables increased by $0.1 million and decreased by $0.6 million, respectively. This decrease is principally due to the reversal of provisions associated with the COVID-19 pandemic as the outlook for the theatrical exhibition industry in Domestic and Rest of World markets improved.

4. 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 liabilities 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.

In the second quarter of 2022, the Company entered into a finance lease arrangement involving equipment used to facilitate the delivery of live events to certain IMAX locations. The lease arrangement includes an option for the Company to purchase the equipment at the end of the lease term that is reasonably certain to be exercised. The resulting right-of-use assets are being depreciated from the lease commencement dates over the useful life of the underlying equipment. The incremental borrowing rate used in the calculation of the lease liabilities is based on the rate of interest the Company would have to pay to borrow on a collateralized basis over a similar term. No finance lease costs were recorded during the three and six months ended June 30, 2022 as the lease commencement dates occurred at the end of the second quarter in 2022.

For the three and six months ended June 30, 2023 and 2022, the components of lease expense recorded within Selling, General and Administrative Expenses are as follows:

(In thousands of U.S. Dollars)	**Three Months Ended June 30, 2023**	2022	**Six Months Ended June 30, 2023**	2022
Operating lease cost:				
Amortization of operating lease assets	**$ 556**	$ 669	**$ 1,280**	$ 1,362
Interest on operating lease liabilities	**192**	201	**396**	416
Short-term and variable lease costs	**149**	168	**300**	328
Finance lease cost:				
Amortization of finance lease assets	**99**	N/A	**199**	N/A
Interest on finance lease liabilities	**14**	N/A	**28**	N/A
Total lease cost	**$ 1,010**	$ 1,038	**$ 2,203**	$ 2,106

For the six months ended June 30, 2023 and 2022, supplemental cash and non-cash information related to leases is as follows:

(In thousands of U.S. Dollars)	**Six Months Ended June 30, 2023**	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating leases	**$ 1,860**	$ 1,679
Finance leases	**$ —**	890
Supplemental disclosure of noncash leasing activities:		
Right-of-use assets obtained in exchange for operating lease obligations	**$ 233**	$ 622
Right-of-use assets obtained in exchange for finance lease obligations	**$ —**	950

As of June 30, 2023 and December 31, 2022, supplemental balance sheet information related to leases is as follows:

(In thousands of U.S. Dollars)		**June 30, 2023**	December 31, 2022
Assets	**Balance Sheet Location**		
Operating lease right-of-use assets	Property, plant and equipment	**$ 11,175**	$ 12,341
Finance lease right-of-use assets	Property, plant and equipment	**$ 1,619**	$ 1,876
Liabilities	**Balance Sheet Location**		
Operating lease liabilities	Accrued and other liabilities	**$ 13,287**	$ 14,461
Finance lease liabilities(1)	Accrued and other liabilities	**$ 981**	$ 1,011

(1) Recorded net of a $0.9 million upfront payment made upon execution of the finance lease arrangement.

As of June 30, 2023 and December 31, 2022, the weighted-average remaining lease term and weighted-average interest rate associated with the Company's leases are as follows:

	June 30, 2023	December 31, 2022
Operating leases:		
Weighted-average remaining lease term (years)	**5.7**	6.0
Weighted-average discount rate	**5.92%**	5.90%
Finance leases:		
Weighted-average remaining lease term (years)	**4.2**	4.7
Weighted-average discount rate	**6.00%**	6.00%

As of June 30, 2023, the maturities of the Company's operating and finance lease liabilities are as follows:

(In thousands of U.S. Dollars)	**Operating Leases**	**Finance Leases**
2023 (six months remaining)	$ 1,788	$ 508
2024	3,021	508
2025	2,453	—
2026	2,081	—
2027	2,106	—
Thereafter	4,237	—
Total lease payments	$ 15,686	$ 1,016
Less: interest expense	(2,399)	(35)
Present value of lease liabilities	$ 13,287	$ 981

(b) IMAX Corporation as a Lessor

The Company provides IMAX 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 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(o) of the Company's audited Consolidated Financial Statements included in its 2022 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 years or longer 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 System commencing on the date specified in the arrangement's shipping terms and ending on the date the IMAX System is returned to the Company.

The Company also provides IMAX Systems to customers through joint revenue sharing arrangements. Under the traditional form of these arrangements, in exchange for providing the IMAX 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 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 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 System commencing on the date specified in the arrangement's shipping terms and ending on the date the IMAX System is returned to the Company.

The following lease payments are expected to be received by the Company for its sales-type leases and joint revenue sharing arrangements in each of the next five years and thereafter following the June 30, 2023 balance sheet date:

(In thousands of U.S. Dollars)	**Sales-Type Leases**	**Joint Revenue Sharing Arrangements**
2023 (six months remaining)	$ 1,506	$ 86
2024	3,158	69
2025	3,049	27
2026	2,971	—
2027	2,905	—
Thereafter	16,595	—
Total	$ 30,184	$ 182

5. Inventories

As of June 30, 2023 and December 31, 2022, Inventories consist of the following:

(In thousands of U.S. Dollars)	**June 30, 2023**	December 31, 2022
Raw materials	**$ 31,212**	$ 25,365
Work-in-process	**2,743**	2,034
Finished goods	**3,336**	4,135
	$ 37,291	$ 31,534

As of June 30, 2023, Inventories include finished goods of $5.3 million (December 31, 2022 — $3.5 million) for which title had passed to the customer, but the criteria for revenue recognition were not met as of the balance sheet date.

During the three and six months ended June 30, 2023, the Company had recorded write-downs of $0.1 million (2022 — $0.3 million) in Costs and Expenses Applicable to Revenues – Technology Sales.

6. Borrowings

(a) Revolving Credit Facility Borrowings, Net

As of June 30, 2023 and December 31, 2022, Revolving Credit Facility Borrowings, Net includes the following:

(In thousands of U.S. Dollars)	**June 30, 2023**	December 31, 2022
Wells Fargo Credit Facility borrowings	**$ 20,000**	$ 25,000
HSBC China Facility borrowings	**8,917**	12,496
Bank of China Facility borrowings	**361**	374
Unamortized debt issuance costs	**(1,276)**	(1,759)
Revolving Credit Facility Borrowings, net	**$ 28,002**	$ 36,111

Bank of China Facility

In June 2022, IMAX (Shanghai) Multimedia Technology Co., Ltd. ("**IMAX Shanghai**"), one of the Company's majority-owned subsidiaries in China, renewed its unsecured revolving facility with Bank of China for up to 200.0 million Chinese Renminbi ("**RMB**") ($27.7 million), including RMB10.0 million ($1.4 million) for letters of guarantee, to fund ongoing working capital requirements (the "**Bank of China Facility**"). The Bank of China Facility expires in September 2023.

As of June 30, 2023, RMB2.6 million ($0.4 million) of borrowings were outstanding under the Bank of China Facility and outstanding letters of guarantee were RMB3.0 million ($0.4 million). As of December 31, 2022, outstanding Bank of China Facility borrowings were RMB2.6 million ($0.4 million) and outstanding letters of guarantee were RMB2.8 million ($0.4 million).

As of June 30, 2023, the amount available for future borrowings under the Bank of China Facility was RMB187.4 million ($25.9 million) and the amount available for letters of guarantee was RMB7.0 million ($1.0 million). The amount available for future borrowings under the Bank of China Facility is not subject to a standby fee. The effective interest rate for the three and six months ended June 30, 2023 was 3.85% and 4.15%, respectively (2022 — 4.15%).

HSBC China Facility

In June 2022, IMAX Shanghai entered into an unsecured revolving facility for up to RMB200.0 million ($27.7 million) with HSBC Bank (China) Company Limited, Shanghai Branch to fund ongoing working capital requirements (the "HSBC China Facility"). As of June 30, 2023, RMB64.4 million ($8.9 million) of borrowings were outstanding under the HSBC China Facility. As of December 31, 2022, outstanding HSBC China Facility borrowings were RMB87.0 million ($12.5 million). As of June 30, 2023, the amount available for future borrowings under the HSBC China Facility was RMB135.6 million ($18.8 million). The effective interest rate for the three and six months ended June 30, 2023 was 3.88%. There were no amounts drawn under the HSBC China Facility for the three and six months ended June 30, 2022.

8. Condensed Consolidated Statements of Operations – Supplemental Information

(a) *Selling Expenses*

The following table summarizes the Company's selling expenses, including sales commissions and marketing and other, which are recognized within Costs and Expenses Applicable to Revenues in the Condensed Consolidated Statements of Operations, for three and six months ended June 30, 2023 and 2022:

	Three Months Ended June 30,			
	2023		2022	
(In thousands of U.S. Dollars)	**Sales Commissions**	**Marketing and Other**	Sales Commissions	Marketing and Other
Technology sales[1]	**$ 360**	**$ 167**	$ 47	$ 38
Image enhancement and maintenance services[2]	**—**	**3,572**	—	4,850
Technology rentals[3]	**36**	**450**	(334)	265
Total	**$ 396**	**$ 4,189**	$ (287)	$ 5,153

	Six Months Ended June 30,			
	2023		2022	
(In thousands of U.S. Dollars)	**Sales Commissions**	**Marketing and Other**	Sales Commissions	Marketing and Other
Technology sales[1]	**$ 560**	**$ 183**	$ 47	$ 200
Image enhancement and maintenance services[2]	**—**	**10,344**	—	7,765
Technology rentals[3]	**109**	**710**	(289)	730
Total	**$ 669**	**$ 11,237**	$ (242)	$ 8,695

(1) Sales commissions paid prior to the recognition of the related revenue are deferred and recognized upon the client acceptance of the IMAX System. Direct advertising and marketing costs for each IMAX System are expensed as incurred.

(2) Film exploitation costs, including advertising and marketing costs, are expensed as incurred.

(3) Sales commissions related to joint revenue sharing arrangements accounted for operating leases are recognized in the month they are earned by the salesperson, which is typically the month in which the IMAX System is installed, and are subject to subsequent performance-based adjustments. In the second quarter of 2022, a $0.3 million reversal of accrued commissions was recorded due to such performance-based adjustments. Direct advertising and marketing costs for each IMAX System are expensed as incurred.

(b) Foreign Exchange

Included in Selling, General and Administrative Expenses for the three and six months ended June 30, 2023 are foreign currency net losses of $(0.5) million and $(0.6) million, respectively, (2022 — net losses of $(1.7) million and $(1.9) million, respectively) resulting from changes in exchange rates related to foreign currency denominated monetary assets and liabilities. (See Note 15(c) for additional information.)

(c) Collaborative Arrangements

Joint Revenue Sharing Arrangements

The accounting policy for the Company's joint revenue sharing arrangements is disclosed in Note 3(o) of the Company's audited Consolidated Financial Statements in its 2022 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 (for hybrid joint revenue sharing arrangements) and Revenues — Technology Rentals (for traditional joint revenue sharing arrangements). For the three and six months ended June 30, 2023, such revenues totaled $20.6 million and $40.7 million, respectively (2022 — $19.0 million and $32.7 million, respectively).

IMAX Film Remastering and Distribution

In an IMAX film remastering and distribution (formerly known as "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 format and distributing it through the IMAX network. The fee earned by the Company in a typical IMAX film remastering and distribution arrangement averages approximately 12.5% of box office receipts (i.e. gross box office receipts less applicable sales taxes), except for within Greater China, where the Company receives a lower percentage of net box office receipts for certain Hollywood films. The accounting policy for the Company's IMAX film remastering and distribution arrangements is disclosed in Note 3(o) of the Company's audited Consolidated Financial Statements in its 2022 Form 10-K.

Revenue attributable to transactions arising between the Company and its customers under IMAX film remastering and distribution arrangements are included in Revenues — Image Enhancement and Maintenance Services. For the three and six months ended June 30, 2023, such revenues totaled $29.2 million and $59.3 million, respectively, (2022 — $27.6 million and $47.1 million, respectively). (See Note 12(a) for a disaggregated presentation of the Company's revenues.)

9. Condensed Consolidated Statements of Cash Flows – Supplemental Information

(c) Write-downs

(In thousands of U.S. Dollars)	**Six Months Ended June 30, 2023**	2022
Other assets [(1)]	**$ —**	$ 4,470
Property, plant and equipment:		
Equipment supporting joint revenue sharing arrangements[(2)]	**398**	212
Other property, plant and equipment	**2**	6
Inventories	**74**	278
Film assets	**—**	466
	$ 474	$ 5,432

(1) In the six months ended June 30, 2022, the Company recognized a full impairment of its RMB30.0 million (4.5 million) investment in the film *Mozart from Space* based on projected box office results and distribution costs. (See Note 15(e).)

(2) In the six months ended June 30, 2023, the Company recorded charges of $0.4 million (2022 — $0.2 million) in Costs and Expenses Applicable to Revenues — Technology Rentals mostly related to the write-down of leased xenon-based digital systems which were taken out of service in connection with customer upgrades to laser-based digital systems, as well as the closure of one IMAX System.

10. Income Taxes

(a) Income Tax Expense

For the three months ended June 30, 2023, the Company recorded income tax expense of \$3.5 million (2022 — \$3.1 million). For the three months ended June 30, 2023, the Company's effective tax rate differs from the combined Canadian federal and provincial statutory income tax rate due to the following factors:

(In thousands of U.S. Dollars, except rates)	**Three Months Ended June 30, 2023** Amount	Rate	Three Months Ended June 30, 2022 Amount	Rate
Income tax (expense) benefit at combined statutory rates	**\$ (3,465)**	**26.5%**	\$ 296	26.5%
Adjustments resulting from:				
Increase in valuation allowance	**(74)**	**0.6%**	(5,426)	(485.3%)
Shortfall tax benefits related to share-based compensation	—	—	(23)	(2.1%)
Changes to tax reserves	**(291)**	**2.2%**	(251)	(22.5%)
Changes to deferred tax assets and liabilities resulting from audit and other tax return adjustments	**(179)**	**1.4%**	2,497	223.4%
Other	**548**	**(4.2%)**	(226)	(20.2%)
Income tax expense	**\$ (3,461)**	**26.5%**	\$ (3,133)	(280.2%)

For the three months ended June 30, 2023, the Company recorded an additional \$0.1 million (2022 — increase of \$5.4 million) valuation allowance against deferred tax assets. The valuation allowance includes an increase of \$1.4 million in reporting entities where management cannot reliably forecast that sufficient future tax liabilities will arise. Accordingly, the tax benefit associated with the current period losses in these reporting entities is not reflected in the Company's Condensed Consolidated Statements of Operations. The valuation allowance is partially offset by a decrease of \$1.3 million related to the recognition of certain losses in IMAX China Holding, Inc. ("**IMAX China**") that management now considers to be realizable.

For the six months ended June 30, 2023, the Company recorded income tax expense of $8.3 million (2022 — $5.7 million). For the six months ended June 30, 2023, the Company's effective tax rate differs from the combined Canadian federal and provincial statutory income tax rate due to the following factors:

(In thousands of U.S. Dollars, except rates)	**Six Months Ended June 30, 2023**		Six Months Ended June 30, 2022	
	Amount	**Rate**	Amount	Rate
Income tax (expense) benefit at combined statutory rates	**$ (6,117)**	**26.5%**	$ 2,772	26.5%
Adjustments resulting from:				
Increase of valuation allowance	**(1,684)**	**7.3%**	(10,435)	(99.8%)
Shortfall excess tax benefits related to share-based compensation	**(83)**	**0.4%**	(152)	(1.5%)
Changes to tax reserves	**(549)**	**2.4%**	(411)	(3.9%)
Changes to deferred tax assets and liabilities resulting from audit and other tax return adjustments	**(179)**	**0.8%**	2,497	23.9%
Other	**266**	**(1.2%)**	(14)	(0.1%)
Income tax expense	**$ (8,346)**	**36.2%**	$ (5,743)	(54.9%)

As of June 30, 2023, the Company's Condensed Consolidated Balance Sheets include deferred income tax assets of $11.5 million, net of a valuation allowance of $64.5 million (December 31, 2022 — $9.9 million, net of a valuation allowance of $62.9 million). A net increase of $1.7 million in the valuation allowance recorded in the six months ended June 30, 2023, includes an increase of $3.0 million in reporting entities where management cannot reliably forecast that sufficient future tax liabilities will arise. Accordingly, the tax benefit associated with the current period losses in these reporting entities is not reflected in the Company's Condensed Consolidated Statements of Operations. The valuation allowance is partially offset by a decrease of $1.3 million related to the recognition of certain losses in IMAX China that management now considers to be realizable. The valuation allowance is determined at the level of each reporting entity and is expected to reverse at the point in time when management determines it is more likely than not that the reporting entity will incur sufficient tax liabilities to allow it to utilize the deferred tax assets against which the valuation allowance is recorded.

As of June 30, 2023, the Company's Condensed Consolidated Balance Sheets also include deferred tax liabilities of $13.6 million (December 31, 2022 — $14.9 million).

11. Capital Stock and Reserves

(a) Share-Based Compensation

For the three and six months ended June 30, 2023, share-based compensation expense totaled \$6.8 million and \$11.9 million, respectively, (2022 — \$7.6 million and \$13.7 million, respectively) and is reflected in the following accounts in the Condensed Consolidated Statements of Operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands of U.S. Dollars)	**2023**	2022	**2023**	2022
Costs and expenses applicable to revenues	**\$ 249**	\$ 269	**\$ 512**	\$ 508
Selling, general and administrative expenses	**6,469**	7,263	**11,665**	12,989
Research and development	**105**	105	**204**	192
Executive transition costs	**—**	—	**(499)**	—
	\$ 6,823	\$ 7,637	**\$ 11,882**	\$ 13,689

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands of U.S. Dollars)	**2023**	2022	**2023**	2022
Stock Options	**\$ —**	\$ 122	**\$ 84**	\$ 329
Restricted Share Units	**3,829**	4,478	**7,194**	7,889
Performance Stock Units	**2,001**	1,724	**2,925**	3,453
IMAX China Stock Options	**1**	24	**11**	58
IMAX China Long Term Incentive Plan Restricted Share Units	**848**	1,093	**1,389**	1,590
IMAX China Long Term Incentive Plan Performance Stock Units	**144**	196	**279**	370
	\$ 6,823	\$ 7,637	**\$ 11,882**	\$ 13,689

For the three and six months ended June 30, 2023, the Company's share-based compensation expense includes \$1.7 million related to restricted share units granted to non-employees (2022 — \$1.3 million).

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 six months ended June 30, 2023 and 2022:

	Number of Shares		Weighted Average Exercise Price Per Share	
	2023	2022	**2023**	2022
Stock options outstanding, beginning of period	**3,604,739**	3,736,157	**$ 26.36**	$ 26.61
Expired	**(268,939)**	(126,569)	**27.92**	33.61
Cancelled	**—**	(2,197)	**—**	32.50
Stock options outstanding, end of period	**3,335,800**	3,607,391	**26.24**	26.36
Stock options exercisable, end of period	**3,335,800**	3,524,888	**26.24**	26.45

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

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

The following table summarizes the activity in respect of RSUs issued under the IMAX LTIP for the six months ended June 30, 2023 and 2022:

	Number of Awards		Weighted Average Grant Date Fair Value Per Share	
	2023	2022	**2023**	2022
RSUs outstanding, beginning of period	**1,252,044**	1,457,883	**$ 19.16**	$ 19.16
Granted	**882,997**	690,509	**17.79**	19.43
Vested and settled	**(741,054)**	(711,376)	**18.68**	18.68
Forfeited	**(86,208)**	(28,060)	**19.28**	20.16
RSUs outstanding, end of period	**1,307,779**	1,408,956	**18.51**	19.51

*IMAX LTIP Performance Stock Units ("**PSU**") Summary*

The Company grants two types of PSU awards, 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. At the conclusion of the three-year performance period, the number of PSUs that ultimately vest can range from 0% to a maximum vesting opportunity of 175% of the initial award, depending upon actual performance versus the established EBITDA and stock-price targets.

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 considers 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 complex and subjective variables. These variables include, but are not limited to, market conditions as of the grant date, the Company's expected share price volatility over the term of the awards, and other relevant data. The compensation expense is fixed on the date of grant based on the fair value of the PSUs granted.

The amount and timing of compensation expense recognized for PSUs with EBITDA-based targets is dependent upon management's assessment of the likelihood of achieving these targets. If, as a result of management's assessment, it is projected that a greater number of PSUs will vest than previously anticipated, a life-to-date adjustment to increase compensation expense is recorded in the period that such determination is made. Conversely, if, as a result of management's assessment, it is projected that a lower number of PSUs will vest than previously anticipated, a life-to-date adjustment to decrease compensation expense is recorded in the period that such determination is made. The expense recognized in the six months ended June 30, 2023 and 2022 includes adjustments reflecting management's estimate of the number of PSUs with EBITDA-based targets expected to vest.

The following table summarizes the activity in respect of PSUs issued under the IMAX LTIP for the six months ended June 30, 2023 and 2022:

	Number of Awards			Weighted Average Grant Date Fair Value Per Share		
	2023	2022		**2023**		2022
PSUs outstanding, beginning of period	**931,716**	613,405	**$**	**18.96**	$	18.21
Granted[(1)]	**581,081**	359,138		**17.68**		20.34
Forfeited	**(213,366)**	(8,073)		**18.13**		20.90
Vested and settled[(1)]	**(368,602)**	—		**16.92**		—
PSUs outstanding, end of period	**930,829**	964,470		**19.16**		18.98

(1) For the six months ended June 30, 2023, the balance of shares granted includes 157,963 additional shares, at a weighted average grant date fair value per share of $16.92, as PSUs granted in 2020 with EBITDA-based targets vested at 175% on account of full achievement of the targets.

As of June 30, 2023, the maximum number of shares of common stock that may be issued with respect to PSUs outstanding is 1,605,621, assuming full achievement of the EBITDA and TSR targets.

(b) Issuer Purchases of Equity Securities

In 2022, IMAX China's shareholders granted its Board of Directors a general mandate authorizing the Board, subject to applicable laws, to repurchase shares of IMAX China not to exceed 10% of the total number of issued shares as of June 23, 2022 (34,063,480 shares). This program expired on the date of the 2023 Annual General Meeting of IMAX China on June 6, 2023. During the 2023 Annual General Meeting, shareholders approved the repurchase of shares of IMAX China not to exceed 10% of the total number of shares as of June 6, 2023 (33,959,314 shares). While this program would have been valid until the 2024 Annual General Meeting of IMAX China, pursuant to the transaction described in Note 18 — Subsequent Event, IMAX China will not execute any additional share repurchases. 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 six months ended June 30, 2023, IMAX China did not repurchase any common shares. During the six months ended June 30, 2022, IMAX China repurchased 1,448,000 common shares, at an average price of HKD9.89 per share, ($1.26 per share) for a total of HKD14.3 million ($1.8 million). IMAX China did not have any share repurchases in the first quarter of 2022. The change in the non-controlling interest attributable to IMAX China as a result of common shares repurchased is recorded as a reduction to Non-Controlling Interests in the Condensed Consolidated Balance Sheets and the Condensed Consolidated Statements of Shareholders' Equity. The difference between the consideration paid and the ownership interest obtained as a result of IMAX China share repurchases is recorded within Other Equity in the Condensed Consolidated Balance Sheets and the Condensed Consolidated Statements of Shareholders' Equity.

On July 12, 2023, the Company announced it has filed a proposal to acquire the outstanding shares of IMAX China. (See Note 18.)

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	**2023**	2022	**2023**	2022
Issued and outstanding, beginning of period	**54,590**	58,751	**54,149**	58,654
Weighted average number of shares issued (repurchased), net	**1**	(1,431)	**179**	(711)
Weighted average number of shares outstanding – basic	**54,591**	57,320	**54,328**	57,943
Weighted average effect of potential common shares, if dilutive	**729**	—	**817**	—
Weighted average number of shares outstanding – diluted	**55,320**	57,320	**55,145**	57,943

For the three and six months ended June 30, 2023, the calculation of diluted weighted average shares outstanding excludes 2,868,749 and 3,379,371 shares, respectively (2022 — 4,557,526 and 6,302,818 shares, respectively) that are issuable upon the vesting or exercise of share-based compensation including: (i) 23,122 and 10,765 RSUs, respectively (2022 — 775,191 and 1,408,956 RSUs, respectively), (ii) 32,806 PSUs, respectively (2022 — 174,944 and 1,286,471 PSUs, respectively) and (iii) 2,812,821 and 3,335,800 stock options, respectively (2022 — 3,607,391 stock options, respectively), as the effect would be anti-dilutive.

The calculation of diluted weighted average shares outstanding for the three and six months ended June 30, 2023 and 2022 also excludes any shares potentially issuable upon the conversion of the Convertible Notes as the average market price of the Company's common shares during the period of time they were outstanding was less than the conversion price of the Convertible Notes.

(d) Statutory Surplus Reserve

Pursuant to the corporate law of 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 may 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.

The statutory surplus reserve of RMB36.4 million ($5.6 million) has reached 50% of its PRC subsidiaries' registered capital, as such no further contributions to the reserve are required.

12. Revenue from Contracts with Customers

(a) Disaggregated Information About Revenue

In the first quarter of 2023, the Company updated its reportable segments (see Note 13). Prior period comparatives have been revised to conform with the current period presentation. The following tables summarize the Company's Revenues by reportable segment and revenue stream type for the three and six months ended June 30, 2023 and 2022:

	Three Months Ended June 30, 2023				
(In thousands of U.S. Dollars)	Technology Sales	Image Enhancement and Maintenance Services	Technology Rentals	Finance Income	Total
Content Solutions Segment					
Film Remastering and Distribution	$ —	$ 29,219	$ —	$ —	$ 29,219
Other Content Solutions	—	2,071	—	—	2,071
	—	31,290	—	—	31,290
Technology Products and Services Segment					
System Sales	27,734	—	—	—	27,734
System Rentals	—	—	19,546	—	19,546
Maintenance	—	14,490	—	—	14,490
Finance Income	—	—	—	2,206	2,206
	27,734	14,490	19,546	2,206	63,976
Sub-total for reportable segments	27,734	45,780	19,546	2,206	95,266
All Other	1,626	1,087	—	—	2,713
Total	$ 29,360	$ 46,867	$ 19,546	$ 2,206	$ 97,979

(In thousands of U.S. Dollars)	Six Months Ended June 30, 2023 Technology Sales	Image Enhancement and Maintenance Services	Technology Rentals	Finance Income	Total
Content Solutions Segment					
Film Remastering and Distribution	$ —	$ 59,292	$ —	$ —	$ 59,292
Other Content Solutions	—	4,099	—	—	4,099
	—	63,391	—	—	63,391
Technology Products and Services Segment					
System Sales	43,853	—	—	—	43,853
System Rentals	—	—	39,604	—	39,604
Maintenance	—	28,041	—	—	28,041
Finance Income	—	—	—	4,145	4,145
	43,853	28,041	39,604	4,145	115,643
Sub-total for reportable segments	43,853	91,432	39,604	4,145	179,034
All Other	3,329	2,562	—	—	5,891
Total	$ 47,182	$ 93,994	$ 39,604	$ 4,145	$ 184,925

(In thousands of U.S. Dollars)	Three Months Ended June 30, 2022 Technology Sales	Image Enhancement and Maintenance Services	Technology Rentals	Finance Income	Total
Content Solutions Segment					
Film Remastering and Distribution	$ —	$ 27,581	$ —	$ —	$ 27,581
Other Content Solutions	—	1,963	—	—	1,963
	—	29,544	—	—	29,544
Technology Products and Services Segment					
System Sales	7,393	—	—	—	7,393
System Rentals	—	—	18,525	—	18,525
Maintenance	—	14,683	—	—	14,683
Finance Income	—	—	—	2,256	2,256
	7,393	14,683	18,525	2,256	42,857
Sub-total for reportable segments	7,393	44,227	18,525	2,256	72,401
All Other	836	731	—	—	1,567
Total	$ 8,229	$ 44,958	$ 18,525	$ 2,256	$ 73,968

(In thousands of U.S. Dollars)	Six Months Ended June 30, 2022 Technology Sales	Image Enhancement and Maintenance Services	Technology Rentals	Finance Income	Total
Content Solutions Segment					
Film Remastering and Distribution	$ —	$ 47,145	$ —	$ —	$ 47,145
Other Content Solutions	—	3,369	18	—	3,387
	—	50,514	18	—	50,532
Technology Products and Services Segment					
System Sales	15,366	—	—	—	15,366
System Rentals	—	—	31,168	—	31,168
Maintenance	—	29,625	—	—	29,625
Finance Income	—	—	—	4,561	4,561
	15,366	29,625	31,168	4,561	80,720
Sub-total for reportable segments	15,366	80,139	31,186	4,561	131,252
All Other	1,839	913	—	—	2,752
Total	$ 17,205	$ 81,052	$ 31,186	$ 4,561	$ 134,004

For the three and six months ended June 30, 2023, revenues earned from Technology Sales include variable consideration of $11.8 million and $17.3 million, respectively (2022 — $0.9 million and $1.3 million, respectively). Variable consideration revenues represent an estimate of the contingent fees that may become due if certain annual minimum box office receipt thresholds are exceeded and are recorded as revenue in the period when the sale is recognized and may be adjusted in future periods based on actual results and changes in estimates over the term of the system agreement.

For the three and six months ended June 30, 2023, revenues earned from leasing arrangements total $20.4 million and $42.8 million (2022 — $19.1 million and $32.7 million, respectively), including $19.5 million and $39.6 million, respectively, in Revenues – Technology Rentals (2022 — $18.5 million and $31.2 million, respectively), and $0.9 million and $3.2 million, respectively, in Revenues — Technology Sales (2022 — $0.6 million and $1.6 million, respectively).

(b) Deferred Revenue

IMAX System sale and lease arrangements include a requirement for the Company to provide maintenance services over the life of the arrangement, some of which are subject to a consumer price index adjustment each year. In circumstances where customers prepay the entire term's maintenance fee based on the original arrangement, 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. As of June 30, 2023, $19.6 million of consideration has been deferred in relation to outstanding maintenance services to be provided on existing maintenance contracts (December 31, 2022 — $21.0 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 Systems where control of the system has not yet transferred to the customer. The deferred revenue balance related to an individual IMAX System 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.

During the three and six months ended June 30, 2023, $23.7 million and $41.0 million of revenue, respectively, was recognized that was included in the $70.9 million balance of deferred revenue as of December 31, 2022. During the three and six months ended June 30, 2022, $14.4 million and $31.2 million of revenue, respectively, was recognized that was included in the $81.3 million balance of deferred revenue as of December 31, 2021.

13. 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 assesses segment performance based on segment revenues and segment 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.

In the first quarter of 2023, the Company revised its internal segment reporting, including the information provided to the CODM to assess segment performance and allocate resources. Accordingly, the Company has two reportable segments: (i) Content Solutions, which principally includes content enhancement and distribution services, previously included within the IMAX DMR, Film Distribution and Film Post-Production segments, and (ii) Technology Products and Services, which principally includes the sale, lease, and maintenance of IMAX Systems, previously included within the JRSA, IMAX Systems, IMAX Maintenance, and Other Theater Business segments. The Company's activities that do not meet the criteria to be considered a reportable segment are reported within All Other. Prior period comparatives have been revised to conform with the current period presentation.

The Company has the following reportable segments:

(i) Content Solutions, which principally includes the digital remastering of films and other content into IMAX formats for distribution to the IMAX network. To a lesser extent, the Content Solutions segment also earns revenue from the distribution of large-format documentary films and exclusive experiences ranging from live performances to interactive events with leading artists and creators, as well as film post-production services.

(ii) Technology Products and Services, which includes results from the sale or lease of IMAX Systems, as well as from the maintenance of IMAX Systems. To a lesser extent, the Technology Product and Services segment also earns revenue from certain ancillary theater business activities, including after-market sales of IMAX System parts and 3D glasses.

Transactions between segments 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 by reportable segment for the three months ended June 30, 2023 and 2022:

(In thousands of U.S. Dollars)	**Revenue[1]**		**Gross Margin**	
	2023	2022	**2023**	2022
Content Solutions	**$ 31,290**	$ 29,544	**$ 19,996**	$ 17,354
Technology Products and Services	**63,976**	42,857	**36,411**	25,709
Sub-total for reportable segments	**95,266**	72,401	**56,407**	43,063
All Other[2]	**2,713**	1,567	**1,480**	973
Total	**$ 97,979**	$ 73,968	**$ 57,887**	$ 44,036

The following table presents the Company's revenue and gross margin by reportable segment for the six months ended June 30, 2023 and 2022:

(In thousands of U.S. Dollars)	**Revenue[1]**		**Gross Margin**	
	2023	2022	**2023**	2022
Content Solutions	**$ 63,391**	$ 50,532	**$ 37,991**	$ 29,979
Technology Products and Services	**115,643**	80,720	**66,302**	44,125
Sub-total for reportable segments	**179,034**	131,252	**104,293**	74,104
All Other[2]	**5,891**	2,752	**3,645**	1,703
Total	**$ 184,925**	$ 134,004	**$ 107,938**	$ 75,807

(1) The Company's largest customer represents 11% and 8% of total Revenues for the three and six months ended June 30, 2023, respectively (2022 — 17% and 15%, respectively). No single customer comprises more than 10% of the Company's total Accounts Receivable as of June 30, 2023 and December 31, 2022.

(2) All Other includes the results from IMAX Enhanced, SSIMWAVE, and other ancillary activities.

Geographic Information

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

The following table summarizes the Company's revenues by geographic area for the three months ended June 30, 2023 and 2022:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands of U.S. Dollars)	**2023**	2022	**2023**	2022
United States	**$ 32,799**	$ 33,646	**$ 59,552**	$ 52,713
Greater China	**19,112**	11,237	**45,678**	32,713
Western Europe	**19,810**	10,701	**29,978**	17,762
Asia (excluding China)	**15,955**	11,357	**26,607**	17,124
Canada	**4,102**	2,543	**11,298**	4,429
Latin America	**2,833**	1,968	**4,436**	3,740
Rest of the World	**3,368**	2,516	**7,376**	5,523
Total	**$ 97,979**	$ 73,968	**$ 184,925**	$ 134,004

United States and Greater China each comprises greater than 10% of the Company's total revenues for the six months ended June 30, 2023 and 2022.

15. Financial Instruments

(a) Financial Instruments

The Company maintains cash with various major financial institutions. The Company's cash is invested with highly rated financial institutions. The Company's $95.3 million balance of cash and cash equivalents as of June 30, 2023 (December 31, 2022 — $97.4 million) includes $83.3 million in cash held outside of Canada (December 31, 2022 — $79.7 million). As of June 30, 2023, cash and cash equivalents held by IMAX China was $73.6 million (December 31, 2022 —$75.0 million), of which $27.2 million was held in the PRC (December 31, 2022 — $43.7 million).

(b) Fair Value Measurements

The carrying values of the Company's Cash and Cash Equivalents, Accounts Receivable, Accounts Payable and Accrued Liabilities due within one year approximate their fair values due to the short-term maturity of these instruments. Including these instruments, the Company's financial instruments consist of the following:

(In thousands of U.S. Dollars)	**As of June 30, 2023**		As of December 31, 2022	
	Carrying Amount	**Estimated Fair Value**	Carrying Amount	Estimated Fair Value
Level 1				
Cash and cash equivalents[(1)]	**$ 95,266**	**$ 95,266**	$ 97,401	$ 97,401
Equity securities[(2)]	**1,046**	**1,046**	1,035	1,035
Level 2				
Net financed sales receivables[(3)]	**$ 96,170**	**$ 96,856**	$ 101,052	$ 100,059
Net investment in sales-type leases[(3)]	**29,280**	**28,543**	28,332	27,972
Equity securities[(1)]	**1,000**	**1,000**	1,000	1,000
COLI[(4)]	**3,458**	**3,458**	3,398	3,398
Foreign exchange contracts — designated forwards[(2)]	**635**	**635**	(649)	(649)
Wells Fargo Credit Facility borrowings[(1)]	**(20,000)**	**(20,000)**	(25,000)	(25,000)
HSBC China Facility borrowings[(1)]	**(8,917)**	**(8,917)**	(12,496)	(12,496)
Bank of China Facility borrowings[(1)]	**(361)**	**(361)**	(374)	(374)
Federal Economic Development Loan[(3)]	**(2,157)**	**(2,157)**	(1,782)	(1,782)
Convertible Notes[(5)]	**(230,000)**	**(211,600)**	(230,000)	(196,717)
Level 3				
Interest in film classified as a financial instrument[(6)]	**$ —**	**$ —**	$ —	$ —

(1) Recorded at cost, which approximates fair value.

(2) Fair value is determined using quoted prices in active markets.

(3) Fair value is estimated based on discounting future cash flows at currently available interest rates with comparable terms.

(4) Measured at cash surrender value, which approximates fair value.

(5) Fair value is determined using quoted market prices that are observable in the market or that could be derived from observable market data.

(6) Recorded at amortized cost less impairment losses. Inputs used in the calculation of estimated fair value include management's projection of future box office and ancillary receipts for the film net of distribution costs and other costs in accordance with the investment agreement. See 15(e) below.

(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 significant portion of its costs and expenses is denominated in Canadian Dollars. A portion of the Company's net U.S. Dollar cash is 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 87 different countries, unfavorable exchange rates between applicable local currencies and the U.S. Dollar could have an impact on box-office receipts and the Company's revenues and 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 as of June 30, 2023 (the "**Foreign Currency Hedges**"), with settlement dates throughout 2023 and 2024. 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 Accumulated Other Comprehensive (Loss) Income ("**AOCI**") and reclassified to the Condensed Consolidated Statements of Operations 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 as of June 30, 2023 was $39.2 million (December 31, 2022 — $24.7 million). The Company currently does not hold any derivatives which are not designated as hedging instruments.

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

Fair value of derivatives in foreign exchange contracts:

(In thousands of U.S. Dollars)	**Balance Sheet Location**	**June 30, 2023**	December 31, 2022
Derivatives designated as hedging instruments:			
Foreign exchange contracts — Forwards	Other assets	**$ 725**	$ 50
	Accrued and other liabilities	**(90)**	(699)
		$ 635	$ (649)

Derivatives in foreign currency hedging relationships are as follows:

(In thousands of U.S. Dollars)		**Three Months Ended June 30, 2023**	Three Months Ended June 30, 2022	**Six Months Ended June 30, 2023**	Six Months Ended June 30, 2022
Foreign exchange contracts — Forwards	Derivative Gain (Loss) Recognized in OCI (Effective Portion)	**$ 688**	$ (610)	**$ 822**	$ (295)

(In thousands of U.S. Dollars)	**Location of Derivative Loss Reclassified from AOCI (Effective Portion)**	**Three Months Ended June 30, 2023**	Three Months Ended June 30, 2022	**Six Months Ended June 30, 2023**	Six Months Ended June 30, 2022
Foreign exchange contracts — Forwards	Selling, general and administrative expenses	**$ (123)**	$ (66)	**$ (462)**	$ (95)

The Company's estimated net amount of the existing gains as of June 30, 2023 is $0.5 million, which is expected to be reclassified to the Condensed Consolidated Statements of Operations within the next twelve months.

(d) *Investments in Equity Securities*

The Company has an investment in the shares of an exchange traded fund which is classified as an equity investment. As of June 30, 2023, the value of the investment was $1.0 million (December 31, 2022 — $1.0 million) and is recorded within Investment in Equity Securities in the Condensed Consolidated Balance Sheets.

The Company held an investment in the preferred shares of enterprises which meets the criteria for classification as an equity security carried at historical cost, net of impairment charges. The carrying value of the equity security investment was $1.0 million as of June 30, 2023 (December 31, 2022 — $1.0 million) and is recorded within Other Assets in the Condensed Consolidated Balance Sheets.

(e) Interest in Film

On January 10, 2022, IMAX (Shanghai) Culture and Technology Co., Ltd, a wholly-owned subsidiary of IMAX China, entered into a joint film investment agreement with Wanda Film (Horgos) Co. Ltd. to invest RMB30.0 million ($4.7 million) in the movie *Mozart from Space*, which was released on July 15, 2022. Pursuant to the investment agreement, IMAX (Shanghai) Culture and Technology Co., Ltd. has the right to receive a share of the profits or losses of the film distribution. IMAX (Shanghai) Culture and Technology Co., Ltd.'s commitment is limited to its investment and has no further obligation if the actual movie production cost exceeds the original budget. The investment meets the criteria for classification as a financial asset. The investment is measured at amortized cost less impairment losses and is recorded within Other Assets in the Condensed Consolidated Balance Sheets.

During the second quarter of 2022, the Company recognized a full impairment of its RMB30.0 million ($4.5 million) investment in *Mozart from Space* based on projected box office results and distribution costs.

17. Non-Controlling Interests

(a) IMAX China Non-Controlling Interest

The Company indirectly owns 71.63% of IMAX China, whose shares trade on the Hong Kong Stock Exchange (December 31, 2022 — 71.73%). IMAX China remains a consolidated subsidiary of the Company. As of June 30, 2023, the balance of the Company's non-controlling interest in IMAX China is $66.2 million (December 31, 2022 — $65.7 million). For the three and six months ended June 30, 2023, the net income attributable to the non-controlling interest in IMAX China is $1.3 million and $3.9 million, respectively, (2022 — net loss of $(1.4) million and net income of $0.3 million, respectively).

On July 12, 2023, the Company announced it has filed a proposal to acquire the outstanding shares of IMAX China. (See Note 18 for additional information.)

18. Subsequent Event

On July 12, 2023, the Company announced it has filed a proposal to acquire the outstanding 96.3 million shares in IMAX China for approximately HK$10 per share in cash ($124 million). The offer represents an approximate 49% premium to the 30-trading day average closing price. Upon approval of the offer and the scheme of arrangement, IMAX Corporation will own 100% of IMAX China.

The acquisition of IMAX China is subject to customary closing conditions, including the receipt of IMAX China shareholder and other approvals. The offer has been approved by both IMAX Corporation and IMAX China's Boards of Directors. There is no guarantee that the acquisition will be approved by IMAX China shareholders or that other closing conditions will be satisfied. The acquisition, if successful, is expected to close later this year.

In conjunction with this transaction, the Company obtained a consent on June 30, 2023 under the Credit Facility to temporarily increase the LC Accommodations Sublimit from $25.0 million to $130.0 million. On July 11, 2023, the Company obtained a Standby LC in the amount of $130.0 million in favor of Morgan Stanley Asia Limited, the financial adviser for the transaction, to provide certainty of funds for the proposed proceeds and transaction costs payable with respect to the transaction. The LC and the temporary increase of the Sublimit will expire upon the earlier of the draw or cancellation of the LC by Morgan Stanley or January 15, 2024.

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

Presented below is Management's Discussion and Analysis of Financial Condition and Results of Operations (or "**MD&A**") for IMAX Corporation and its consolidated subsidiaries ("**IMAX**" or the "**Company**") for the three and six months ended June 30, 2023 and 2022. In the first quarter of 2023, the Company revised its internal segment reporting, including the information provided to its Chief Operating Decision Maker ("**CODM**") to assess segment performance and allocate resources, and, as a result, updated its reportable segments. Prior period comparatives in this MD&A have been revised to conform with the updated segment reporting presentation. MD&A should be read in conjunction with Note 13, "Segment Reporting," in the accompanying Condensed Consolidated Financial Statements in Item 1.

As of June 30, 2023, the Company indirectly owns 71.63% 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. For the three months ended June 30, 2023, net income attributable to IMAX China is $4.5 million, of which $3.2 million is attributable to the shareholders of the Company (2022 — net loss of $(4.8) million and $(3.4) million, respectively).

On July 12, 2023, the Company announced it has filed a proposal to acquire the outstanding 96.3 million shares in IMAX China for approximately HK$10 per share in cash ($124.0 million). The offer represents an approximate 49% premium to the 30-trading day average closing price. Upon approval of the offer and the scheme of arrangement, the Company will own 100% of IMAX China.

The proposed acquisition of IMAX China is expected to provide the Company with greater operational flexibility to pursue new growth opportunities and applications of IMAX technology in the Chinese market. The acquisition of IMAX China is subject to customary closing conditions, including the receipt of IMAX China shareholder and other approvals. The offer has been approved by both the Company's and IMAX China's Boards of Directors. There is no guarantee that the acquisition will be approved by IMAX China shareholders or that other closing conditions will be satisfied. The acquisition, if successful, is expected to close later this year. For additional information on the transaction, please refer to the Joint Announcement, dated July 12, 2023, filed as Exhibit 99.2 to the Company's Current Report on Form 8-K filed with the United States Securities and Exchange Commission (the "**SEC**") on July 13, 2023.

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 or "forward-looking information" within the meaning of Canadian securities laws. 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, statements regarding the closing and expected benefits of the acquisition of IMAX China and the emergence of Cineworld from bankruptcy, as well as 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, as well as geopolitical conflicts, such as the conflict between Russia and Ukraine; risks related to the Company's growth and operations in China; the performance of IMAX DMR® films and other films released to the IMAX network; the signing of IMAX 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 consolidation among commercial exhibitors and studios; risks related to brand extensions and 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 climate change; risks related to weather conditions and natural disasters that may disrupt or harm the Company's business; risks related to the Company's indebtedness and compliance with its debt agreements; general economic, market or business conditions; risks related to political, economic and social instability, including with respect to the Russia-Ukraine conflict; the failure to convert system backlog into revenue; changes in laws or regulations; any statements of belief and any statements of assumptions underlying any of the foregoing; other factors and risks outlined in

IMAX®, IMAX® 3D, Experience It In IMAX®, The IMAX Experience®, DMR®, Filmed For IMAX™, IMAX Live™, IMAX Enhanced®, and SSIMWAVE® are trademarks and trade names of the Company or its subsidiaries that are registered or otherwise protected under laws of various jurisdictions.

the Company's periodic filings with the SEC or in Canada, the System for Electronic Document Analysis and Retrieval (the "**SEDAR**"); 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 and Canadian securities regulators. Reports may be obtained free of charge through the SEC's website at www.sec.gov or the SEDAR's website at www.sedar.com 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 and SEDAR filings and public conference calls and webcasts.

OVERVIEW

IMAX is a premier global technology platform for entertainment and events. Through its proprietary software, theater architecture, patented intellectual property, and specialized equipment, IMAX offers a unique end-to-end solution to create superior, immersive content experiences for which the IMAX® brand is globally renowned. Top filmmakers, movie studios, artists, and creators utilize the cutting-edge visual and sound technology of IMAX to connect with audiences in innovative ways. As a result, IMAX is among the most important and successful global distribution platforms for domestic and international tentpole films and, increasingly, exclusive experiences ranging from live performances to interactive events with leading artists and creators.

SOURCES OF REVENUE

The historical results of operations for the three and six months ended June 30, 2023 and 2022 reflect the results of operations for two reportable segments: (i) Content Solutions, which principally includes content enhancement and distribution services, previously included within the IMAX DMR, Film Distribution and Film Post-Production segments, and (ii) Technology Products and Services, which principally includes the sale, lease, and maintenance of IMAX Systems, previously included within the JRSA, IMAX Systems, IMAX Maintenance, and Other Theater Business segments. The Company's activities that do not meet the criteria to be considered a reportable segment will be reported within All Other. (See Note 13 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1).

Content Solutions

The Content Solutions segment earns revenue from the digital remastering of films and other content into IMAX formats for distribution across the IMAX network. To a lesser extent, the Content Solutions segment also earns revenue from the distribution of large-format documentary films and exclusive experiences ranging from live performance to interactive events with leading artists and creators, as well as the provision of film post-production services.

IMAX Film Remastering and Distribution

IMAX film remastering is a proprietary technology that digitally remasters films and other content into IMAX formats for distribution across the IMAX network. In a typical IMAX film remastering and distribution arrangement, the Company receives a percentage of the box office receipts from a movie studio in exchange for converting a commercial film into the IMAX format and distributing it through the IMAX network. The fee earned by the Company in a typical IMAX film remastering and distribution arrangement averages approximately 12.5% of box office receipts (i.e., GBO less applicable sales taxes), except for within Greater China, where the Company receives a lower percentage of net box office receipts for certain Hollywood films.

IMAX film remastering 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 across the IMAX network is remastered for IMAX digital sound systems. 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 standard IMAX movie screen. In select IMAX locations worldwide, movies filmed with IMAX cameras have an IMAX-exclusive 1.43 film aspect ratio, delivering up to 67% more image. The Company has a Filmed For IMAX™ program for select films under which filmmakers craft films from their inception in numerous ways to optimize *The* IMAX *Experience*. The program includes incremental and bespoke marketing support, which box office metrics demonstrate audiences respond extremely favorably to, and drives higher market share for IMAX.

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 is focused on the expansion of the IMAX network and has sought to elevate its international film strategy, supplementing its slate of Hollywood films with appealing local language films released in select markets, including China, Japan, India, and South Korea. More recently, the Company has further diversified its strategy by distributing local language films in both native and foreign markets.

The following table provides detailed information about the films that were released to the Company's global network during the three and six months ended June 30, 2023 and 2022:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	**2023**	2022
Hollywood film releases	**9**	8	**15**	14
Local language film releases:				
China	**4**	—	**9**	4
India	**1**	1	**3**	2
Japan	**1**	3	**3**	3
South Korea	**1**	1	**2**	2
France	**1**	—	**1**	1
Total local language film releases	**8**	5	**18**	12
Total film releases[1]	**17**	13	**33**	26

(1) For the three and six months ended June 30, 2023, the films released to the Company's global network include one and three with IMAX DNA (2022 — three and six, respectively).

The films distributed through the Company's global network during the six months ended June 30, 2023 which generated the highest IMAX box office totals include *Avatar: The Way of Water, The Super Mario Bros. Movie, The Wandering Earth 2, Guardians of the Galaxy Vol. 3, Ant-Man and the Wasp: Quantumania, Fast X,* and *Spider-Man: Across the Spider-Verse*.

In addition to the 33 IMAX films released through the Company's global network during the six months ended June 30, 2023, the Company has announced the following additional 30 titles to be released in 2023:

Title	Studio	Scheduled Release Date[1]	IMAX DNA
Never Say Never[2]	Maoyan	July 2023	—
The White Storm 3: Heaven or Hell[2]	Hero Films	July 2023	—
Chang'An[2]	Alibaba Pictures	July 2023	—
Mission: Impossible – Dead Reckoning Part One	Paramount Pictures	July 2023	—
The Boy and the Heron[2]	Toho	July 2023	—
Creation of the Gods 1: Kingdom of Storms[2]	Maoyan	July 2023	—
Oppenheimer	Universal Pictures	July 2023	Shot with IMAX Film Cameras
Wonder Family[2]	Alibaba Pictures	July 2023	—
Smugglers[2]	Next Entertainment World	July 2023	—
Kingdom 3[2]	Toho	July 2023	—
One and Only[2]	CFG	July 2023	—
The Moon[2]	CJ ENM	August 2023	—
The Meg 2: The Trench	Warner Bros. Pictures	August 2023	—
Concrete Utopia[2]	Lotte	August 2023	—
Gran Turismo	Sony Pictures	August 2023	—
No More Bets[2]	Super Lion	August 2023	—
Blue Beetle	Warner Bros. Pictures	August 2023	Filmed For IMAX
Sand Land[2]	Toho	August 2023	—
The Equalizer 3	Sony Pictures	September 2023	—
The Nun 2	Warner Bros. Pictures	September 2023	—
A Haunting in Venice	Walt Disney Studios	September 2023	—
The Creator	Walt Disney Studios	September 2023	—
Silent Service[2]	Toho	September 2023	—
Kraven the Hunter	Sony Pictures	October 2023	—
The Exorcist: Believer	Universal Pictures	October 2023	—
Killers of the Flower Moon	Paramount Pictures/Apple	October 2023	—
Dune: Part Two	Warner Bros. Pictures	November 2023	Filmed For IMAX
Napoleon	Sony Pictures/Apple	November 2023	—
Wonka	Warner Bros. Pictures	December 2023	—
Aquaman and the Lost Kingdom	Warner Bros. Pictures	December 2023	Filmed For IMAX

(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.

(2) Local language film.

The Company remains in active negotiations with studios, both domestically and internationally, for additional films to fill out its short– and long-term film slate for the IMAX network.

Other Content Solutions

The Company distributes large-format documentary films, primarily to institutional theaters. The Company receives as its distribution fee either a fixed amount or a fixed percentage of the theater box office receipts and, following the recoupment of its costs, is typically entitled to receive an additional percentage of gross revenues as participation revenues. In May 2023, the Company announced Amazon Studios has acquired worldwide rights to the Company's original documentary *The Blue Angels*, filmed with IMAX cameras. In July 2023, the Company also announced the completed production of *Deep Sky*, a documentary on NASA's Webb Telescope in collaboration with Crazy Boat Pictures Ltd. and filmmaker Nathaniel Kahn, currently slated for release in October 2023, as well as the start of production of *The Elephant Odyssey*, a documentary in collaboration with Beach House Pictures and China Review Studio of China International Communications Group.

In addition, the Company continues to experiment in bringing new, innovative IMAX Live events and experiences to audiences worldwide. The Company has a footprint of connected IMAX Systems capable of delivering live, interactive content with low latency and superior sight and sound. As of June 30, 2023, 262 systems in the IMAX network across North America, Europe and Asia were configured with connectivity to deliver live and interactive events.

In the six months ended June 30, 2023, the Company partnered with United Artists Releases for an IMAX premiere event consisting of red carpet interviews and behind the scenes footage, followed by a special advanced screening of *Creed III*, which was later released across the IMAX global network. The Company also partnered with CBS and Paramount+ for an early screening of the last two episodes of the third and final season of *Picard*, followed by a Q&A with members of the cast and crew live from Los Angeles, among various other live events and special screenings presented throughout 2023.

The Company provides film post-production services for large-format films, whether produced by IMAX or third parties, and digital post-production services. In addition, the Company also provides IMAX film and digital cameras to content creators under the IMAX certified camera program.

Technology Products and Services

The Technology Product and Services segment earns revenue principally from the sale or lease of IMAX Systems, as well as from the maintenance of IMAX Systems. To a lesser extent, the Technology Product and Services segment also earns revenue from certain ancillary theater business activities, including after-market sales of IMAX System parts and 3D glasses.

Sales and Sales-Type Lease Arrangements

The Company provides IMAX Systems to exhibitors through sale arrangements or long-term lease arrangements that for accounting purposes are classified as sales-type leases. Under these arrangements, in exchange for providing the IMAX System, the Company earns initial fees and ongoing consideration, which can include fixed annual minimum payments and contingent fees in excess of the minimum payments, as well as maintenance and extended warranty fees (see "**IMAX Maintenance**" below). The initial fees vary depending on the system configuration and location of the IMAX System. Initial fees are paid to the Company in installments typically between the time of signing the arrangement and the time of system installation. Once an IMAX System is installed, the initial fees and the present value of future annual minimum payments, which are financing fees, are recognized as revenue. In addition, in sale arrangements, the present value of the estimated contingent fees that may become due if certain annual minimum box office receipt thresholds are exceeded is recorded as revenue in the period when the sale is recognized and is adjusted in future periods based on actual results and changes in estimates. Such variable consideration is only recognized on sales transactions to the extent the Company believes there is not a risk of significant revenue reversal. Finance income is recognized over the term of a financed sale or sales-type lease arrangement.

In sale arrangements, title to IMAX System equipment generally transfers to the customer. However, in certain instances, the Company retains title or a security interest in the equipment until the customer has made all payments required by the agreement or until certain shipment events for the equipment have occurred. In a sales-type lease arrangement, title to the IMAX System equipment remains with the Company. The Company has the right to remove the equipment for non-payment or other defaults by the customer.

The revenue earned from customers under the Company's IMAX System sale or sales-type lease agreements varies from quarter-to-quarter and year-to-year based on a number of factors, including the number and mix of IMAX System configurations sold or leased, the timing of installation of the IMAX Systems, the nature of the arrangement and other factors specific to individual contracts.

Joint Revenue Sharing Arrangements

The Company provides IMAX Systems to exhibitors through joint revenue sharing arrangements ("**JRSA**"). Under the traditional form of these arrangements, the Company provides the IMAX System under a long-term lease in which the Company assumes the majority of the equipment and installation costs. In exchange for its upfront investment, the Company, primarily, earns rent based on a percentage of contingent box office receipts rather than requiring the customer to pay a fixed upfront fee or fixed annual minimum payments. Rental payments from the customer are required throughout the term of the arrangement and are typically due either monthly or quarterly. The Company retains title to the IMAX System equipment components throughout the lease term, and the equipment is returned to the Company at the conclusion of the arrangement.

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 System in an amount that is typically half of what the Company would receive from a typical sale transaction. As with a traditional joint revenue sharing arrangement, the customer also pays the Company a percentage of contingent box office receipts over the term of the arrangement, although this percentage is typically half that of a traditional joint revenue sharing arrangement. Hybrid joint revenue sharing arrangements take the form of a sale. The fixed upfront payment is recognized when the lease term commences and is recorded within Revenues – Technology Sales. The contingent rent is recognized as revenue over the lease term and is recorded within Revenues – Technology Rentals.

Under most joint revenue sharing arrangements (both traditional and hybrid), the initial non-cancellable term is 10 years or longer and is renewable by the customer for one to two additional terms of between three to five years. The Company has the right to remove the equipment for non-payment or other defaults by the customer. The contracts are non-cancellable by the customer unless the Company fails to perform its obligations.

The revenue earned from customers under the Company's joint revenue sharing arrangements can vary from quarter-to-quarter and year-to-year based on a number of factors that drive box office levels including film performance, the mix of IMAX System configurations, the timing of installation of IMAX Systems, the nature of the arrangement, the location, size and management of the theater and other factors specific to individual arrangements.

Joint revenue sharing arrangements also require IMAX to provide maintenance and extended warranty services to the customer over the term of the lease in exchange for a separate fixed annual fee. These fees are reported within IMAX Maintenance, as discussed below.

Joint revenue sharing arrangements have been an important factor in the expansion of the Company's commercial theater network. Joint revenue sharing arrangements allow commercial theater exhibitors to install IMAX Systems without the significant initial capital investment required in a sale or sales-type lease arrangement. Joint revenue sharing arrangements drive recurring cash flows and earnings for the Company as customers under these arrangements pay the Company a portion of their ongoing box office receipts. The Company funds its investment in equipment for joint revenue sharing arrangements through cash flows from operations. As of June 30, 2023, the Company had 907 locations under joint revenue sharing arrangements in its global commercial multiplex network. The Company also had contracts in backlog for 303 systems under joint revenue sharing arrangements as of June 30, 2023, including 76 upgrades to existing locations and 227 new locations.

IMAX Maintenance

IMAX System arrangements also include a requirement for the Company to provide maintenance services over the life of the arrangement in exchange for an extended warranty and annual maintenance fee paid by the exhibitor. Under these arrangements, the Company provides preventative and emergency maintenance services to ensure that each presentation is up to the highest IMAX quality standard. Annual maintenance fees are paid throughout the duration of the term of the system agreements.

All Other

IMAX Enhanced

IMAX Enhanced is a solution, made in partnership with audio leader DTS (an Xperi subsidiary), to bring *The* IMAX *Experience* into the home. IMAX Enhanced provides end-to-end premium technology across streaming content and best-in-class entertainment devices, offering consumers high-fidelity playback of image and sound in the home and beyond, including the following features:

- IMAX's expanded aspect ratio, which is available on select titles and streaming platforms, including Disney+;

- IMAX's proprietary remastering technology, which produces more vivid, higher-fidelity 4K HDR images on premium televisions; and

- IMAX Signature Sound, which is specially recreated and calibrated for the home by DTS to unlock more immersive audio.

For their products to be certified as IMAX Enhanced, leading consumer electronics manufacturers spanning 4K/8K televisions, projectors, A/V receivers, loudspeakers, soundbars, smartphones, personal computers, tablets, and more must meet a carefully prescribed set of audiovisual performance standards, set by a certification committee of IMAX and DTS engineers, along with some of Hollywood's leading technical specialists.

At present, certified global device partners include Sony Electronics, Hisense, TCL, LG, Phillips, Hewlett Packard, Xiaomi, Sound United and Honor, among others. As of June 30, 2023, more than 250 IMAX Enhanced titles have been released across five of the biggest streaming platforms worldwide: Disney+, Sony Bravia CORE, Tencent Video, iQiyi and Rakuten TV. Over 10 million IMAX Enhanced certified devices are estimated to be in the market today.

In addition, the Company's collaboration with Disney allows fans to stream 19 Disney titles in IMAX's Expanded Aspect Ratio at home on Disney+, primarily including content created by Marvel Studios, a division of Walt Disney Studios. The launch of IMAX Enhanced on Disney+ provides strong brand exposure for IMAX by expanding the Company's in-home entertainment footprint to Disney+ and the majority of its 158 million global subscribers. In 2023, IMAX Enhanced is expected to enable an elevated end-to-end experience on Disney+, with IMAX Signature Sound coming to subscribers with IMAX Enhanced certified devices.

IMAX Enhanced is part of the Company's next evolutionary step to extend the IMAX brand and technology further into new use cases, including streaming entertainment and the consumer electronics market.

Other

All Other includes revenues from the following sources: one owned and operated IMAX theater in Sacramento, California; a commercial arrangement with one theater resulting in the sharing of profits and losses; providing management services to three other theaters; and offering production advice and technical assistance to both documentary and Hollywood filmmakers.

IMAX NETWORK AND BACKLOG

IMAX Network

The following table provides detailed information about the IMAX network by type and geographic location as of June 30, 2023 and 2022:

	June 30, 2023				June 30, 2022			
	Commercial Multiplex	**Commercial Destination**	**Institutional**	**Total**	Commercial Multiplex	Commercial Destination	Institutional	Total
United States	**360**	**4**	**25**	**389**	363	4	27	394
Canada	**40**	**1**	**7**	**48**	40	1	7	48
Greater China(1)	**779**	**—**	**16**	**795**	773	—	15	788
Asia (excluding Greater China)	**145**	**2**	**2**	**149**	127	2	2	131
Western Europe	**119**	**4**	**8**	**131**	115	4	8	127
Latin America(2)	**55**	**1**	**8**	**64**	54	1	11	66
Rest of the World	**140**	**—**	**2**	**142**	138	—	2	140
Total(3)	**1,638**	**12**	**68**	**1,718**	1,610	12	72	1,694

(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 table above are reported net of the effect of permanently closed locations.

The Company currently believes that over time its commercial multiplex network could grow to over 3,300 IMAX Systems worldwide from 1,638 as of June 30, 2023. The Company believes that the majority of its future growth will come from international markets. As of June 30, 2023, 76% of IMAX Systems in the global commercial multiplex network were located within international markets (defined as all countries other than the United States and Canada). Revenues and GBO derived from international markets continue to exceed revenues and GBO from the United States and Canada. Risks associated with the Company's international business, including Russia, 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 2022 Form 10-K.

In the six months ended June 30, 2023 the Company's revenue generated from its Greater China operations represents 25% of consolidated revenue. As of June 30, 2023, the Company had 795 IMAX Systems operating in Greater China with an additional 197 systems in backlog. The Company has a partnership in China with Wanda Film ("**Wanda**"). As of June 30, 2023, through the Company's partnership with Wanda, there were 377 IMAX Systems operational in Greater China of which 363 are under the parties' joint revenue sharing arrangements.

In the six months ended June 30, 2023, the IMAX network generated over $114.4 million in box office from local language films, representing approximately 21% of the Company's total box office in the first half. This year's first half included the highest grossing Chinese New Year holiday and highest grossing local language title (*Wandering Earth 2*) in the Company's history. The Company is also seeing its local language films increasingly generate significant IMAX box office in markets outside of those in which they are released, such as the Japanese films *Suzume* and *The First Slam Dunk*.

(See "Risk Factors — The Company faces risks in connection with its significant presence in China and the continued expansion of its business there" in Part II. Item 1A. of this Form 10-Q and "Risk Factors — General political, social and economic conditions can affect the Company's business by reducing both revenues generated from existing IMAX Systems and the demand for new IMAX 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 2022 Form 10-K.)

The following tables provide detailed information about the Company's global commercial multiplex network by arrangement type and geographic location as of June 30, 2023 and 2022:

	June 30, 2023 Commercial Multiplex Locations in IMAX Network			
	Traditional JRSA	**Hybrid JRSA**	**Sale/Sales-type Lease**	**Total**
Domestic Total (United States & Canada)	**271**	**6**	**123**	**400**
International:				
Greater China	**402**	**110**	**267**	**779**
Asia (excluding Greater China)	**37**	**5**	**103**	**145**
Western Europe	**40**	**17**	**62**	**119**
Latin America	**2**	**—**	**53**	**55**
Rest of the World	**17**	**—**	**123**	**140**
International Total	**498**	**132**	**608**	**1,238**
Worldwide Total[1]	**769**	**138**	**731**	**1,638**

	June 30, 2022 Commercial Multiplex Locations in IMAX Network			
	Traditional JRSA	Hybrid JRSA	Sale/Sales-type Lease	Total
Domestic Total (United States & Canada)	277	6	120	403
International:				
Greater China	398	112	263	773
Asia (excluding Greater China)	34	3	90	127
Western Europe	47	28	40	115
Latin America	2	—	52	54
Rest of the World	16	—	122	138
International Total	497	143	567	1,207
Worldwide Total[1]	774	149	687	1,610

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

Backlog

The backlog reflects the minimum number of commitments for IMAX Systems according to the signed contracts. The dollar value fluctuates depending on the number of new arrangements signed from year-to-year, which adds to backlog and the installation and acceptance of IMAX Systems and the settlement of contracts, both of which reduce backlog. The dollar value of backlog typically represents the fixed contracted revenue according to the signed IMAX System sale and lease agreements that the Company expects to recognize as revenue upon installation and acceptance of the associated system, as well as an estimate of variable consideration in sales arrangements. The value of backlog does not include amounts allocated to maintenance and extended warranty revenues or revenue from systems in which the Company has an equity interest, operating leases, and long-term conditional theater commitments. The Company believes that the contractual obligations for IMAX System installations that are listed in backlog are valid and binding commitments.

From time to time, in the normal course of its business, the Company will have customers who are unable to proceed with an IMAX System installation for a variety of reasons, including the inability to obtain certain consents, approvals or financing. Once the determination is made that the customer will not proceed with installation, the agreement with the customer is terminated or amended. If the agreement is terminated, once the Company and the customer are released from all their future obligations under the agreement, all or a portion of the initial rents or fees that the customer previously made to the Company are recognized as revenue.

The following tables provide detailed information about the Company's backlog by arrangement type and geographic location as of June 30, 2023 and 2022:

	June 30, 2023 IMAX System Backlog			
	Traditional JRSA	**Hybrid JRSA**	**Sale/Sales-type Lease**	**Total**
Domestic Total (United States & Canada)	**103**	**2**	**15**	**120**
International:				
Greater China	**41**	**90**	**66**	**197**
Asia (excluding Greater China)	**27**	**13**	**31**	**71**
Western Europe	**17**	**3**	**18**	**38**
Latin America	**3**	**—**	**7**	**10**
Rest of the World	**3**	**1**	**56**	**60**
International Total	**91**	**107**	**178**	**376**
Worldwide Total	**194**	**109**	**193**	**496**(1)

	June 30, 2022 IMAX System Backlog			
	Traditional JRSA	Hybrid JRSA	Sale/Sales-type Lease	Total
Domestic Total (United States & Canada)	125	2	5	132
International:				
Greater China	41	96	71	208
Asia (excluding Greater China)	5	15	35	55
Western Europe	17	13	5	35
Latin America	3	—	4	7
Rest of the World	3	2	50	55
International Total	69	126	165	360
Worldwide Total	194	128	170	492[(2)]

(1) Includes 339 IMAX Laser Systems (247 new and 92 upgrades of existing locations).

(2) Includes 312 IMAX Laser Systems (201 new and 111 upgrades of existing locations).

Approximately 36% of IMAX System arrangements in backlog as of June 30, 2023 are scheduled to be installed in international markets excluding Greater China (2022 — 31%). The Company's backlog in Greater China represents 40% of its total current backlog including upgrades in system type (2022 — 42%).

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) IMAX box office performance and the securing of new IMAX films and other events to be exhibited across the IMAX network; (ii) the signing, installation, and financial performance of IMAX System arrangements, particularly those involving laser-based projection systems; (iii) the success of the Company's investments in business evolution and brand extensions, including the integration and performance of SSIMWAVE, the distribution of live events to the IMAX network and IMAX Enhanced, (iv) revenues and gross margins earned by the Company's segments, as discussed below; (v) consolidated earnings (loss) from operations, as adjusted for unusual items; (vi) the continuing ability to invest in and improve the Company's technology to enhance the differentiation of *The* IMAX *Experience* versus other out-of-home experiences; (vii) the overall execution, reliability, and consumer acceptance of *The* IMAX *Experience*; and (viii) short- and long-term cash flow projections.

The CEO is the Company's CODM, as such term is defined under United States Generally Accepted Accounting Principles ("**U.S. GAAP**"). The CODM assesses 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 two reportable segments: (i) Content Solutions, which principally includes content enhancement and distribution services, previously included within the IMAX DMR, Film Distribution and Film Post-Production segments, and (ii) Technology Products and Services, which principally includes the sale, lease, and maintenance of IMAX Systems, previously included within the JRSA, IMAX Systems, IMAX Maintenance, and Other Theater Business segments. The Company's activities that do not meet the criteria to be considered a reportable segment are reported within All Other. Prior period comparatives have been revised to conform with the current period presentation. (See Note 13 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1.)

Results of Operations for the Three Months Ended June 30, 2023 and 2022

Net Income (Loss) and Adjusted Net Income Attributable to Common Shareholders

The following table presents the Company's net income (loss) attributable to common shareholders and the associated per diluted share amounts, as well as adjusted net income attributable to common shareholders[1] and adjusted net income attributable to common shareholders per diluted share[1] for the three months ended June 30, 2023 and 2022:

	Three Months Ended June 30,			
	2023		2022	
(In thousands of U.S. Dollars, except per diluted share amounts)	**Net Income**	**Per Share**	Net (Loss) Income	Per Share
Net income (loss) attributable to common shareholders	**$ 8,351**	**$ 0.15**	$ (2,851)	$ (0.05)
Adjusted net income attributable to common shareholders[1]	**$ 14,355**	**$ 0.26**	$ 3,922	$ 0.07

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

Revenues and Gross Margin

During the three months ended June 30, 2023, the Company's revenues and gross margin increased by $24.0 million, or 32%, and $13.9 million, or 31%, respectively, when compared to same period in 2022 principally due to increased system sales in the current period, as well as the strength of IMAX GBO performance through the distribution of films such as *The Super Mario Bros. Movie, Guardians of the Galaxy Vol. 3*, and *Fast X*.

The following table presents the Company's revenue, gross margin and gross margin percentage by reportable segment for the three months ended June 30, 2023 and 2022:

	Revenue		Gross Margin		Gross Margin %	
(In thousands of U.S. Dollars)	**2023**	2022	**2023**	2022	**2023**	2022
Content Solutions	**$ 31,290**	$ 29,544	**$ 19,996**	$ 17,354	**64%**	59%
Technology Products and Services	**63,976**	42,857	**36,411**	25,709	**57%**	60%
Sub-total for reportable segments	**95,266**	72,401	**56,407**	43,063	**59%**	59%
All Other(1)	**2,713**	1,567	**1,480**	973	**55%**	62%
Total	**$ 97,979**	$ 73,968	**$ 57,887**	$ 44,036	**59%**	60%

(1) All Other includes the results from IMAX Enhanced, SSIMWAVE, and other ancillary activities.

Content Solutions

Content Solutions segment results are influenced by the level of commercial success and box office performance of the films and other content released to the IMAX network, as well as other factors including the timing of the releases, the length of play across the IMAX network, the box office share take rates under the Company's film remastering and distribution arrangements, the level of marketing spend associated with the releases in the year and the fluctuations in the value of foreign currencies versus the U.S. Dollar.

For the three months ended June 30, 2023, Content Solutions segment revenues and gross margin increased by $1.7 million, or 6%, and $2.6 million, or 15%, respectively, when compared to the same period in 2022 principally due to the strong performance of the films distributed through the IMAX network. In the second quarter of 2023, box office generated by IMAX films totaled $268.3 million, a $20.6 million, or 8%, increase versus the prior year comparative period of $247.7 million. In the second quarter of 2023, box office was generated by the exhibition of 23 films (17 new films and 6 carryovers) including *The Super Mario Bro. Movie*, which generated box office of $49.8 million, and other content. In the second quarter of 2022, box office was generated by the exhibition of 18 films (13 new films and 5 carryovers) and other content. Despite accounting for approximately 1% of all domestic screens and less than 1% of all screens globally, the IMAX network had a domestic market share of 4.2% and a global market share of 3.2% for the three months ended June 30, 2023.

In addition to the level of revenues, Content Solutions segment gross margin is also influenced by the costs associated with the films and other content exhibited in the period, and can vary from period-to-period, especially with respect to marketing expenses, which are expensed as incurred, for films and the costs incurred to produce, market and distribute live events and documentary content during the period. For the three months ended June 30, 2023, marketing expenses for films were $3.6 million, as compared to $4.2 million during the same period in 2022. The costs incurred to operate the IMAX connected network, including infrastructure costs, depreciation expense and network connection fees were $1.4 million (2022 — $0.2 million), an increase over the prior year comparative period of $1.2 million resulting from the growth of the IMAX connected network to 262 systems (2022 — 80 systems).

Technology Products and Services

The primary drivers of Technology Products and Services segment results are the number of IMAX Systems installed in a period, the costs associated with each installation, lease payments tied to the box office performance of the films released to the IMAX network, as well as the associated maintenance contracts that accompany each installation. The average revenue and gross margin per IMAX System under sale and sales-type lease arrangements varies depending upon the number of IMAX System commitments with a single respective exhibitor, an exhibitor's location, the type of system sold and various other factors. The installation of IMAX Systems in newly built theaters or multiplexes, which make up a large portion of the Company's system backlog, depends primarily on the timing of the construction of those projects, which is not under the Company's control.

For the three months ended June 30, 2023, Technology Products and Services segment revenue and gross margin increased by $21.1 million, or 49%, and $10.7 million, or 42%, respectively, when compared to the same period in the prior year. The higher level of revenue is primarily driven by an increase of $10.7 million in system sales revenue as a result of eight additional IMAX System installations, including upgrades, and an increase of $9.2 million in system sales revenue from the impact of amendments and renewals to existing IMAX System arrangements.

Also contributing to the higher level of revenue was an increase of $1.0 million in rental revenues, as a result of GBO from joint revenue sharing arrangements which increased by $12.6 million or 10% in the second quarter of 2023 when compared to the prior year comparative period, from $125.2 million to $137.8 million.

The Technology Products and Services segment gross margin increase during the three months ended June 30, 2023 is primarily due to a higher number of IMAX System installations, as well as amendments of IMAX Systems arrangements which led to incremental profit flow-through during the quarter.

The following table provides information about IMAX Systems installed and the associated revenue recognized at that time, except for traditional joint revenue sharing arrangements as revenue is recognized over the lease term, during the three months ended June 30, 2023 and 2022:

	For the Three Months Ended June 30,			
	2023		2022	
(In thousands of U.S. Dollars, except number of systems)	**Number of Systems**	**Revenue**	Number of Systems	Revenue
New IMAX Systems:				
Sale and sales-type lease arrangements(1)	**9**	**$ 10,668**	3	$ 1,026
JRSA — hybrid	**2**	**954**	1	496
Total new IMAX Systems	**11**	**11,622**	4	1,522
IMAX System upgrades:				
Sale and sales-type lease arrangements(1)	**2**	**1,793**	1	1,235
Total upgraded IMAX Systems	**2**	**1,793**	1	1,235
Total	**13**	**$ 13,415**	5	$ 2,757

(1) The arrangement for the sale of an IMAX 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.

All Other

For the three months ended June 30, 2023, All Other revenue and gross margin increased by $1.1 million, or 73%, and $0.5 million, or 52%, respectively, when compared to the same period in 2022 principally due to the inclusion of revenues earned by SSIMWAVE's operations which were not in the prior year comparative period as the acquisition was completed in late September 2022, as well as growth in IMAX Enhanced initiatives resulting in an increase in revenues over the same period in 2022.

Selling, General and Administrative Expenses

The following table presents information about the Company's Selling, General and Administrative Expenses for the three months ended June 30, 2023 and 2022:

(In thousands of U.S. Dollars)	Three Months Ended June 30, **2023**	2022	Variance $	%
Total selling, general and administrative expenses	**$ 38,906**	$ 37,095	$ 1,811	5%
Less: Share-based compensation[1]	**6,469**	7,263	(794)	(11%)
Total selling, general and administrative expenses, excluding share-based compensation	**$ 32,437**	$ 29,832	$ 2,605	9%

(1) A portion of share-based compensation expense is recognized within Costs and Expenses Applicable to Revenues, Research and Development, and Executive Transition Costs. (See Note 11(a) of Notes to Condensed Consolidated Financial Statements in Part I, Item 1.)

The increase in Selling, General and Administrative Expenses reflects the inclusion of $2.0 million related to SSIMWAVE which was not in the prior year comparative period as the acquisition was completed in late September 2022.

As a percentage of revenue, Selling, General and Administrative Expenses excluding share-based compensation was 33% versus 40% in the three months ended June 30, 2022, an improvement over the prior year period which reflected strong operating leverage and cost discipline efforts in the business.

Credit Loss Expense, Net

For the three months ended June 30, 2023, the Company recorded current expected credit losses of $0.8 million, as compared to credit losses of $0.1 million recognized in the prior year.

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. 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 3 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1.)

Income Taxes

For the three months ended June 30, 2023, the Company recorded income tax expense of $3.5 million (2022 — $3.1 million). The Company's effective tax rate for the three months ended June 30, 2023 of 26.5% is the same as the Canadian statutory tax rate of 26.5%, the Company recorded an additional $0.1 million valuation allowance against deferred tax assets, the valuation allowance includes an addition of $1.4 million in reporting entities where management cannot determine that the tax benefits will be realizable based on available evidence. The valuation allowance also includes a decrease of $1.3 million related to the recognition of certain losses in IMAX China that management now considers to be realizable. Accordingly, the tax benefit associated with the current period losses in these reporting entities is not ultimately reflected in the Company's Condensed Consolidated Statements of Operations. (See Note 10 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1.)

Non-Controlling Interests

The Company's Condensed Consolidated Financial Statements primarily include the non-controlling interest in the net income or loss of IMAX China, as well as the impact of non-controlling interests in the activity of its Original Film Fund subsidiary. For the three months ended June 30, 2023, the net income attributable to non-controlling interests of the Company's subsidiaries was $1.3 million, an increase of $2.7 million, or 190%, when compared to the same period of the prior year. The increase can be primarily attributed to IMAX China's box office success in the second quarter of 2023 following the Chinese government relaxing its dynamic zero-COVID policies and easing capacity restrictions at the end of 2022.

Results of Operations for the Six Months Ended June 30, 2023 and 2022

Net Income (Loss) and Adjusted Net Income (Loss) Attributable to Common Shareholders

The following table presents the Company's net income (loss) attributable to common shareholders and the associated per share amounts, as well as adjusted net income (loss) attributable to common shareholders*[(1)] and adjusted net income (loss) attributable to common shareholders per share*[(1)] for the six months ended June 30, 2023 and 2022:

	Six Months Ended June 30,			
	2023		2022	
(In thousands of U.S. Dollars, except per share amounts)	**Net Income**	**Per Share**	Net Loss	Per Share
Net income (loss) attributable to common shareholders	**$ 10,805**	**$ 0.20**	$ (16,460)	$ (0.28)
Adjusted net income (loss) attributable to common shareholders[(1)]	**$ 23,380**	**$ 0.42**	$ (4,322)	$ (0.07)

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

Revenues and Gross Margin

During the six months ended June 30, 2023, the Company's revenues and gross margin increased by $50.9 million (38%) and $32.1 million (42%), respectively, when compared to same period in 2022 principally due to the strength of IMAX GBO performance through the distribution of films such as *Avatar: The Way of Water, The Super Mario Bros. Movie, The Wandering Earth 2, Guardians of the Galaxy Vol. 3, Ant-Man and the Wasp: Quantumania*, and *Fast X*.

The following table presents the Company's revenue, gross margin and gross margin percentage by reportable segment for the six months ended June 30, 2023 and 2022:

	Revenue[1]		**Gross Margin**		**Gross Margin %**	
(In thousands of U.S. Dollars)	**2023**	2022	**2023**	2022	**2023**	2022
Content Solutions	**$ 63,391**	$ 50,532	**$ 37,991**	$ 29,979	**60%**	59%
Technology Products and Services	**115,643**	80,720	**66,302**	44,125	**57%**	55%
Sub-total for reportable segments	**179,034**	131,252	**104,293**	74,104	**58%**	56%
All Other[1]	**5,891**	2,752	**3,645**	1,703	**62%**	62%
Total	**$ 184,925**	$ 134,004	**$ 107,938**	$ 75,807	**58%**	57%

(1) All Other includes the results from IMAX Enhanced, SSIMWAVE, and other ancillary activities.

Content Solutions

Content Solutions segment results are influenced by the level of commercial success and box office performance of the films and other content released to the IMAX network, as well as other factors including the timing of the releases, the length of play across the IMAX network, the box office share take rates under the Company's film remastering and distribution arrangements, the level of marketing spend associated with the releases in the year and the fluctuations in the value of foreign currencies versus the U.S. Dollar.

For the six months ended June 30, 2023, Content Solutions segment revenues and gross margin increased by $12.9 million, or 25%, and $8.0 million, or 27%, respectively, when compared to the same period in 2022 principally due to IMAX China's box office recovery in 2023 following the Chinese government relaxing its dynamic zero-COVID policies and easing capacity restrictions at the end of 2022, as well as the strong performance of the films distributed through the IMAX global network. In the six months ended June 30, 2023, box office generated by IMAX films totaled $541.7 million, a $120.8 million, or 29% increase versus the prior year comparative period of $420.9 million. During the six months ended June 30, 2023, box office was generated by the exhibition of 39 films (33 new films and 6 carryovers) including *Avatar: The Way of Water*, which generated box office of $109.1 million, *The Super Mario Bro. Movie*, which generated box office of $49.8 million, and other content. In addition, in the six months ended June 30, 2023, local language films exhibited across the Company's global IMAX network generated over $114 million in box office representing 21% of the Company's total box office. The growth in local language box office was driven primarily by a record IMAX Chinese New Year of $61.3 million for the full 26-day Chinese New Year holiday, a growth of 72% over the prior year, as well as growth in Rest of World box office. Leading local language titles distributed across the IMAX network in the six months ended June 30, 2023 included the Chinese film *Wandering Earth 2*, which generated $48.9 million in box office, the Japanese anime film Suzume, which generated $10.7 million in box office, and the Japanese anime film *The First Slam Dunk*, which generated $9.9 million in box office. In the six months ended June 30, 2022, box office was generated by the exhibition of 36 films (26 new films and 10 carryovers) and other content. Despite accounting for approximately 1% of all domestic screens and less than 1% of all screens globally, the IMAX network had a domestic market share of 4.4% and a global market share of 3.3% for the six months ended June 30, 2023.

In addition to the level of revenues, Content Solutions segment gross margin is also influenced by the costs associated with the films and other content exhibited in the period, and can vary from period-to-period, especially with respect to marketing expenses, which are expensed as incurred, for films and the costs incurred to produce, market and distribute live events and documentary content during the period. For the six months ended June 30, 2023, marketing expenses for films were $9.9 million, as compared to $6.5 million during the same period in 2022, primarily driven by marketing costs for *Avatar: The Way of Water, Guardians of the Galaxy Vol. 3* and *Ant-Man and the Wasp: Quantumania*. The costs incurred to operate the IMAX connected network, including infrastructure costs, depreciation expense and network connection fees were $3.0 million (2022 — $0.6 million), an increase over the prior year comparative period of $2.3 million resulting from the growth of the IMAX connected network to 262 systems (2022 — 80 systems).

Technology Products and Services

The primary drivers of Technology Products and Services segment results are the number of IMAX Systems installed in a period, the costs associated with each installation, lease payments tied to the box office performance of the films released to the IMAX network, as well as the associated maintenance contracts that accompany each installation. The average revenue and gross margin per IMAX System under sale and sales-type lease arrangements varies depending upon the number of IMAX System commitments with a single respective exhibitor, an exhibitor's location, the type of system sold and various other factors. The installation of IMAX Systems in newly built theaters or multiplexes, which make up a large portion of the Company's system backlog, depends primarily on the timing of the construction of those projects, which is not under the Company's control.

For the six months ended June 30, 2023, Technology Products and Services segment revenue and gross margin increased by $34.9 million, or 43%, and $22.2 million, or 50%, respectively, when compared to the same period in the prior year. The higher level of revenue is primarily driven by an increase of $11.2 million in system sales revenue as a result of nine additional IMAX System installations, including upgrading, and an increase of $14.7 million in revenue from the impact of amendments and renewals to existing IMAX System arrangements.

Also contributing to the higher level of revenue was an increase of $8.4 million in rental revenues, as a result of GBO from joint revenue sharing arrangements which increased by $61.2 million or 28% in the six months ended June 30, 2023 when compared to the prior year comparative period, from $218.3 million to $279.5 million.

The Technology Products and Services segment gross margin increase during the six months ended June 30, 2023 is primarily due to a higher number of IMAX System installations, as well as amendments and renewals of IMAX Systems arrangements, and higher rental revenues from the Company's joint revenue sharing arrangements, driven by the stronger box office performance which led to incremental profit flow-through during the quarter.

The following table provides information about IMAX Systems installed and the associated revenue recognized at that time, except for traditional joint revenue sharing arrangements as revenue is recognized over the lease term, during the six months ended June 30, 2023 and 2022:

	For the Six Months Ended June 30,			
	2023		2022	
(In thousands of U.S. Dollars, except number of systems)	**Number of Systems**	**Revenue**	Number of Systems	Revenue
New IMAX Theater Systems:				
Sale and sales-type lease arrangements[1]	**16**	**$ 17,295**	7	$ 5,773
JRSA — hybrid	**2**	**954**	3	1,510
Total new IMAX Theater Systems	**18**	**18,249**	10	7,283
IMAX Theater System upgrades:				
Sale and sales-type lease arrangements[1]	**3**	**3,131**	2	2,908
Total upgraded IMAX Theater Systems	**3**	**3,131**	2	2,908
Total	**21**	**$ 21,380**	12	$ 10,191

(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.

All Other

For the six months ended June 30, 2023, All Other revenue and gross margin increased by $3.1 million, or 114%, and $1.9 million, or 114%, respectively, when compared to the same period in 2022 principally due to the inclusion of revenues earned by SSIMWAVE's operations which were not in the prior year comparative period as the acquisition was completed in late September 2022, as well as growth in IMAX Enhanced initiatives resulting in an increase in revenues over the same period in 2022.

Selling, General and Administrative Expenses

The following table presents information about the Company's Selling, General and Administrative Expenses for the six months ended June 30, 2023 and 2022:

	Six Months Ended June 30,		**Variance**	
(In thousands of U.S. Dollars)	**2023**	2022	$	%
Total selling, general and administrative expenses	**$ 73,054**	$ 67,276	$ 5,778	9%
Less: Share-based compensation[1]	**11,665**	12,989	(1,324)	(10%)
Total selling, general and administrative expenses, excluding share-based compensation	**$ 61,389**	$ 54,287	$ 7,102	13%

(1) A portion of share-based compensation expense is recognized within Cost and Expenses Applicable to Revenue and Research and Development. (See Note 11 of Notes to Condensed Consolidated Financial Statements.)

The increase in Selling, General and Administrative Expenses reflects the Company's normalized level of business activity in the current period, which is primarily the result of higher workforce costs reflecting a full staff complement and the resumption of travel as compared to the prior year period, and the inclusion of $3.5 million related to the SSIMWAVE which was not in the prior year comparative period as the acquisition was completed in late September 2022.

As a percentage of revenue, Selling, General and Administrative Expenses excluding share-based compensation was 33% versus 41% in the six months ended June 30, 2023, an improvement over the prior year period which reflected strong operating leverage and cost discipline efforts in the business.

Credit Loss Expense, Net

For the six months ended June 30, 2023, the Company recorded current expected credit losses of $1.1 million, as compared to credit losses of $7.3 million recognized in the prior year. The prior period expense was principally due to reserves established against substantially all of the Company's receivables in Russia due to uncertainties associated with the ongoing Russia-Ukraine conflict and resulting sanctions, partially offset by the reversal of provisions associated with the COVID-19 pandemic as the outlook for the theatrical exhibition industry in Domestic and Rest of the World markets improved.

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. 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 3 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1.)

Asset Impairment

On January 10, 2022, IMAX (Shanghai) Culture and Technology Co., Ltd, a wholly-owned subsidiary of IMAX China, entered into a joint film investment agreement with Wanda Film (Horgos) Co. Ltd. to invest RMB30.0 million ($4.7 million) in the movie *Mozart from Space*, which was released on July 15, 2022. Pursuant to the investment agreement, IMAX (Shanghai) Culture and Technology Co., Ltd. has the right to receive a share of the profits or losses of the film distribution. IMAX (Shanghai) Culture and Technology Co., Ltd.'s commitment is limited to its investment and has no further obligation if the actual movie production cost exceeds the original budget. The investment meets the criteria for classification as a financial asset. The investment is measured at amortized cost less impairment losses and is recorded within Other Assets in the Condensed Consolidated Balance Sheets.

For the six months ended June 30, 2022, the Company recorded a full impairment of its RMB30.0 million ($4.5 million) investment in *Mozart from Space* based on projected box office results and distribution costs.

Income Taxes

For the six months ended June 30, 2023, the Company recorded income tax expense of $8.3 million (2022 — $5.7 million). The Company's effective tax rate for the six months ended June 30, 2023 of 36.2% differs from the Canadian statutory tax rate of 26.5% primarily due to the fact that the Company recorded an additional $1.7 million valuation allowance against deferred tax assets in reporting entities where management cannot determine that the tax benefits will be realizable based on available evidence. Accordingly, the tax benefit associated with the current period losses in these reporting entities is not ultimately reflected in the Company's Condensed Consolidated Statements of Operations. (See Note 10 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 or loss of IMAX China, as well as the impact of non-controlling interests in the activity of its Original Film Fund subsidiary. For the six months ended June 30, 2023, the net income attributable to non-controlling interests of the Company's subsidiaries was $3.9 million (2022 — $0.3 million). The increase can be primarily attributed to IMAX China's box office success in the six months ended June 30, 2023 following the Chinese government relaxing its dynamic zero-COVID policies and easing capacity restrictions at the end of 2022.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2023, the Company's available liquidity was $420.0 million, including its balance of cash and cash equivalents of $95.3 million, $280.0 million in available borrowing capacity under the Credit Facility and $44.7 million in available borrowing capacity under IMAX China's revolving facilities.

As of June 30, 2023, the Company's principal sources of liquidity included: (i) its balances of cash and cash equivalents; (ii) the anticipated collection of trade accounts receivable, which includes amounts owed under joint revenue sharing arrangements and film remastering and distribution agreements with movie studios; (iii) the anticipated collection of financing receivables due in the next 12 months under sale and sales-type lease arrangements for systems currently in operation; and (iv) installment payments expected in the next 12 months under sale and sales-type lease arrangements in backlog. Under the terms of the Company's typical sale and sales-type lease agreements, the Company receives substantial cash payments before it completes the performance of its contractual obligations.

In addition, as of June 30, 2023, the Company had $280.0 million in available borrowing capacity under its Sixth Amended and Restated Credit Agreement with Wells Fargo Bank, National Association (the "**Credit Agreement**"), $25.9 million in available borrowing capacity under the IMAX (Shanghai) Multimedia Technology Co., Ltd. ("**IMAX Shanghai**") revolving credit facility with the Bank of China (the "**Bank of China Facility**"), and $18.8 million in available borrowing capacity under IMAX Shanghai's revolving credit facility with HSBC Bank (China) Company Limited, Shanghai Branch (the "**HSBC China Facility**"). (See Note 6(a) of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 for a description of the material terms of the Credit Agreement, the Bank of China Facility, and the HSBC Facility.)

In conjunction with the proposal to acquire the outstanding 96.3 million shares in IMAX China, the Company obtained a consent on June 30, 2023 under the Credit Facility to temporarily increase of the Letter of Credit Accommodations Sublimit from $25.0 million to $130.0 million. On July 11, 2023, the Company obtained a Standby Letter of Credit ("**LC**") in the amount of $130.0 million in favor of Morgan Stanley Asia Limited, the financial adviser for the transaction, to provide certainty of funds for the proposed proceeds and transaction costs payable with respect to the transaction. The LC and the temporary increase of the Sublimit will expire upon the earlier of the draw or cancellation of the LC by Morgan Stanley or January 15, 2024.

The Company's $95.3 million balance of cash and cash equivalents as of June 30, 2023 (December 31, 2022 — $97.4 million) includes $83.3 million in cash held outside of Canada (December 31, 2022 — $79.7 million). As of June 30, 2023, cash and cash equivalents held by IMAX China was $73.6 million (December 31, 2022 — $75.0 million), of which $27.2 million was held in the People's Republic of China (the "**PRC**") (December 31, 2022 — $43.7 million). Management reassessed its strategy with respect to the most efficient means of deploying the Company's capital resources globally and determined that historical earnings of certain foreign subsidiaries in excess of amounts required to sustain business operations would no longer be indefinitely reinvested. During the six months ended June 30, 2023, $23.8 million of historical earnings from a subsidiary in PRC were distributed and, as a result, $2.4 million of foreign withholding taxes were paid to the relevant tax authorities (2022 — nil). As of June 30, 2023, the Company's Condensed Consolidated Balance Sheets include a deferred tax liability of $12.5 million for the applicable foreign withholding taxes associated with the remaining balance of unrepatriated historical earnings that will not be indefinitely reinvested outside of Canada. These taxes will become payable upon the repatriation of any such earnings.

The Company forecasts its future cash flow and short-term liquidity requirements on an ongoing basis. These forecasts are based on estimates and may be materially impacted by factors that are outside of the Company's control (including the factors described in "Risk Factors" in Part I, Item 1A of the Company's 2022 Form 10-K. As a result, there is no guarantee that these forecasts will come to fruition and that the Company will be able to fund its operations through cash flows from operations. In particular, the Company's operating cash flows and cash balances will be adversely impacted if management's projections of future signings and installations of IMAX Systems and box office performance of IMAX content are not realized.

For the six months ended June 30, 2023, box office generated by films exhibited in the IMAX network totaled $541.7 million, a $120.8 million, or 29% increase versus the prior year comparative period of $420.9 million. In the six months ended June 30, 2023, box office was generated by the exhibition of 39 films (33 new films and 6 carryovers) including Avatar: The Way of Water, which generated box office of $109.1 million, and other content. Despite accounting for approximately 1% of all domestic screens and less than 1% of all screens globally, the IMAX network had a domestic market share of 4.4% and a global market share of 3.3% for the six months ended June 30, 2023. Management is encouraged by the return of the prevalence of exclusive theatrical windows and the strong pipeline of Hollywood and local language movies scheduled to be released for theatrical exhibition throughout the remainder of 2023 and the visibility into 2024.

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.

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 income or loss attributable to common shareholders;

- Adjusted net income or loss attributable to common shareholders per basic and diluted share;

- EBITDA; and

- Adjusted EBITDA per Credit Facility.

Adjusted net income or loss attributable to common shareholders and adjusted net income or loss attributable to common shareholders per basic and diluted share exclude, where applicable: (i) share-based compensation; (ii) COVID-19 government relief benefits; (iii) realized and unrealized investment gains or losses; (iv) acquisition-related expenses; and (v) executive transition costs, as well as the related tax impact of these adjustments.

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 income or 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 income (loss) attributable to common shareholders and the associated per share amounts to adjusted net income (loss) attributable to common shareholders and adjusted net income (loss) attributable to common shareholders per diluted share are presented in the tables below.

(In thousands of U.S. Dollars, except per share amounts)	**Three Months Ended June 30, 2023** Net Income	**2023** Per Share	2022 Net (Loss) Income	2022 Per Share
Net income (loss) attributable to common shareholders	**$ 8,351**	**$ 0.15**	$ (2,851)	$ (0.05)
Adjustments[1]:				
Share-based compensation	**6,511**	**0.12**	7,261	0.13
COVID-19 government relief benefits, net	—	—	32	—
Unrealized investment gains	**(27)**	—	(30)	—
Tax impact on items listed above	**(480)**	**(0.01)**	(490)	(0.01)
Adjusted net income[1]	**$ 14,355**	**$ 0.26**	$ 3,922	$ 0.07
Weighted average shares outstanding — basic		**54,591**		**57,320**
Weighted average shares outstanding — diluted		**55,320**		**57,856**

(In thousands of U.S. dollars, except per share amounts)	**Six Months Ended June 30, 2023** Net Income	**2023** Per Share	2022 Net Loss	2022 Per Share
Net income (loss) attributable to common shareholders	**$ 10,805**	**$ 0.20**	$ (16,460)	$ (0.28)
Adjustments[1]:				
Share-based compensation	**12,047**	**0.22**	13,220	0.23
COVID-19 government relief benefits, net	—	—	(161)	—
Unrealized investment gains	**(72)**	—	(64)	—
Acquisition-related expenses	**156**	—	—	—
Executive transition costs[2]	**1,353**	**0.02**	—	—
Tax impact on items listed above	**(909)**	**(0.02)**	(857)	(0.01)
Adjusted net income (loss)[1]	**$ 23,380**	**$ 0.42**	$ (4,322)	$ (0.07)
Weighted average shares outstanding — basic		**54,328**		**57,943**
Weighted average shares outstanding — diluted		**55,145**		**57,943**

(1) Reflects amounts attributable to common shareholders.

(2) Reflects costs in connection with the departure of Megan Colligan, President, IMAX Entertainment and Executive Vice President of the Company. (See Note 16 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1.)

In addition to the non-GAAP financial measures discussed above, management also uses "EBITDA," as well as "Adjusted EBITDA per Credit Facility," as defined in the Credit Agreement. 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 with its Credit Agreement requirements, when 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) acquisition-related expenses; (iv) executive transition costs; and (v) write-downs, net of recoveries, including asset impairments and credit loss expense.

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

	For the Three Months Ended June 30, 2023		
(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 income	**$ 9,613**	**$ 1,262**	**$ 8,351**
Add (subtract):			
Income tax expense	**3,461**	**38**	**3,423**
Interest expense, net of interest income	**477**	**(115)**	**592**
Depreciation and amortization, including film asset amortization	**13,878**	**1,546**	**12,332**
Amortization of deferred financing costs[1]	**625**	**—**	**625**
EBITDA	**28,054**	**2,731**	**25,323**
Share-based and other non-cash compensation	**6,900**	**281**	**6,619**
Unrealized investment gains	**(28)**	**—**	**(28)**
Write-downs, including asset impairments and credit loss expense	**1,016**	**153**	**863**
Adjusted EBITDA per Credit Facility	**$ 35,942**	**$ 3,165**	**$ 32,777**

(In thousands of U.S. Dollars)	For the Twelve Months Ended June 30, 2023 Attributable to Non-controlling Interests and Common Shareholders	Less: Attributable to Non-controlling Interests	Attributable to Common Shareholders
Reported net income	$ 11,060	$ 6,595	$ 4,465
Add (subtract):			
Income tax expense	12,710	1,595	11,115
Interest expense, net of interest income	2,125	(180)	2,305
Depreciation and amortization, including film asset amortization	56,836	5,170	51,666
Amortization of deferred financing costs[(1)]	2,674	—	2,674
EBITDA	85,405	13,180	72,225
Share-based and other non-cash compensation	26,140	653	25,487
Unrealized investment gains	(78)	—	(78)
Acquisition-related expenses	1,278	—	1,278
Write-downs, including asset impairments and credit loss expense	4,490	463	4,027
Executive transition costs[(2)]	1,353	—	1,353
Adjusted EBITDA per Credit Facility	$ 118,588	$ 14,296	$ 104,292

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

(2) Reflects costs in connection with the departure of Megan Colligan, President, IMAX Entertainment and Executive Vice President of the Company. (See Note 16 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1.)

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 in isolation, or 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 ("**CAD**") and Chinese Renminbi ("**RMB**"). 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 87 different countries, and therefore unfavorable exchange rates between applicable local currencies and the U.S. Dollar could have an impact on the GBO generated by the Company's exhibitor customers and its revenues. The Company has incoming cash flows from its revenue generating IMAX network 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 from lease arrangements 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 and, 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 PRC subsidiaries held approximately RMB195.9 million ($27.1 million) in cash and cash equivalents as of June 30, 2023 (December 31, 2022 — RMB303.8 million or $43.6 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. (See "Risk Factors – The Company faces risks in connection with its significant presence in China and the continued expansion of its business there" in Part II. Item 1A. of this Form 10-Q.)

Management also monitors the macroeconomic environment as part of its continuous assessment of credit risk. This includes consideration of developments in the U.S. and global banking sectors following recent banking collapses, which informs management's assessment of any potential direct and indirect impacts on the Company. There are no concentrations of cash and cash equivalents in any regional banking institutions, such that management considers there to be any material risk in this regard.

For the three and six months ended June 30, 2023 and 2022, the Company recorded foreign exchange net losses of $(0.5) million and $(0.6) million, respectively, resulting from changes in exchange rates related to foreign currency denominated monetary assets and liabilities (2022 — net losses of $(1.7) million and $(1.9) million, respectively).

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 as of June 30, 2023, with settlement dates throughout 2023 and 2024. 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 within Accumulated Other Comprehensive Income (Loss) and reclassified to the Condensed Consolidated Statements of Operations 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 as of June 30, 2023 was $39.2 million (December 31, 2022 — $24.7 million). Gains of $0.7 million and $0.8 million were recorded to Other Comprehensive Income (Loss) with respect to the change in fair value of these contracts for the three and six months ended June 30, 2023, (2022 — losses of $(0.6) million and $(0.3) million, respectively). Losses of $(0.1) million and $(0.5) million were reclassified from Accumulated Other Comprehensive Loss to Selling, General and Administrative Expenses for the three and six months ended June 30, 2023 (2022 — losses of $(0.1) million and $(0.1) million, respectively). The Company currently does not hold any derivatives which are not designated as hedging instruments.

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.

As of June 30, 2023, 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 $150.8 million. Assuming a 10% appreciation or depreciation in foreign currency exchange rates from the quoted foreign currency exchange rates as of June 30, 2023, the potential change in the fair value of foreign currency-denominated financing receivables and working capital items would have been $15.1 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 as of June 30, 2023, 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 may also be 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 that may be made under the Credit Facility.

As of June 30, 2023, the Company had drawn down $20.0 million on its Credit Facility (December 31, 2022 — $25.0 million), $8.9 million on its HSBC China Facility (December 31, 2022 — $12.5 million) and $0.4 million on its Bank of China Facility (December 31, 2022 — $0.4 million), which are subject to variable effective interest rates.

The Company had variable rate debt instruments representing 6.1% and 7.7% of its total liabilities as of June 30, 2023 and December 31, 2022, respectively. If the interest rates available to the Company increased by 10%, the Company's interest expense would increase by $0.2 million and interest income from cash would increase by $0.2 million. These amounts are determined by considering the impact of the hypothetical interest rates on the Company's variable rate debt and cash balances as of June 30, 2023.

PART II. OTHER INFORMATION

Item 1A. *Risk Factors*

This Form 10-Q should be read together with, and supplement, the risk factors in Item 1A. Risk Factors in the Company's 2022 Form 10-K, which describes various risks and uncertainties to which the Company is or may become subject. The risk factors described below updates certain risk factors included in the Company's 2022 Form 10-K in light of recent events. The below risk factors and the risk factors included in the Company's 2022 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.

The success of the IMAX network is directly related to the availability and success of IMAX DMR films, and other films released to the IMAX network, as well as the continued purchase or lease of IMAX Systems and other support by movie exhibitors, for which there can be no guarantee.

An important factor affecting the growth and success of the IMAX network is the availability and strategic selection of films for IMAX locations and the box office performance of such films. The Company itself produces only a small number of such films and, as a result, the Company relies principally on films produced by third-party filmmakers and studios, including both Hollywood and local language features converted into the Company's format. During the six months ended June 30, 2023, 33 new IMAX films were released to the Company's global network. There is no guarantee that films will be available for release to the IMAX network, that filmmakers and studios will continue to release films to the IMAX network, or that the films selected for release to the IMAX network will be commercially successful.

The Company is directly impacted by the commercial success and box office results of the films released to the IMAX network through its joint revenue sharing arrangements, as well as through the percentage of the box office receipts the Company receives from the studios releasing IMAX films, and the Company's continued ability to secure films, find suitable partners for joint revenue sharing arrangements and to sell IMAX Systems. The commercial success of films released to IMAX locations depends on a number of factors outside of the Company's control, including whether the film receives critical and consumer acclaim, the timing of its release, the success of the marketing efforts of the studio releasing the film, consumer preferences and trends in cinema attendance. Moreover, films can be subject to delays in production or changes in release schedule, which can negatively impact the number, timing and quality of IMAX films released to the Company's global network. For example, the Writers Guild of America and the Screen Actors Guild – American Federation of Television and Radio Artists went on strike in May and July 2023, respectively, over ongoing labor disputes with the Alliance Motion Picture and Television Producers. These strikes have disrupted film productions and may interrupt film marketing efforts or lead to postponement of film releases. Given the ongoing negotiations and uncertainty as to the extent and the duration of the strikes, it is difficult to predict the full extent of the adverse impact of the strikes on the Company's business and results of operations in future reporting periods, if any.

In addition, as the Company's international network has expanded, the Company has signed deals with studios in other countries to convert their films to the Company's format and release them to the IMAX network. The Company may be unable to select films which will be successful in international markets or may be unsuccessful in selecting the right mix of Hollywood and local language films for a particular country or region, notably Greater China, the Company's largest market. Also, conflicts in international release schedules may make it difficult to release every IMAX film in certain markets.

The Company depends principally on commercial movie exhibitors to purchase or lease IMAX Systems, to supply box office revenue under joint revenue sharing arrangements and under its sale and sales-type lease agreements and to supply venues in which to exhibit IMAX films. The Company can make no assurances that exhibitors will continue to do any of these things.

The Company is unable to predict the pace at which exhibitors will purchase or lease IMAX Systems or enter into joint revenue sharing arrangements with the Company, or whether any of the Company's existing exhibitor customers will continue to do any of the foregoing. If exhibitors choose to reduce their levels of expansion, negotiate economic terms that are less favorable to the Company, or decide not to enter into transactions with the Company, the Company's revenues would not increase at an anticipated rate and motion picture studios may be less willing to convert their films into the Company's format for exhibition in commercial IMAX locations. As a result, the Company's future revenues and cash flows could be adversely affected.

The Company faces risks in connection with its significant presence in China and the continued expansion of its business there.

Greater China is the Company's largest market by revenue, with approximately 24% of overall revenues generated from its Greater China operations in 2022. As of June 30, 2023, the Company had 795 IMAX Systems operating in Greater China with an additional 197 systems in backlog, which represent 40% of the Company's current backlog. Of the IMAX Systems currently scheduled to be installed in Greater China, 66% are under joint revenue sharing arrangements, which further increases the Company's ongoing exposure to box office performance in this market. Furthermore, on July 12, 2023, the Company announced its proposal to acquire the 96.3 million shares in IMAX China that are not held by the Company in an aggregate transaction price of approximately $124.0 million. Upon approval of the offer and the scheme of arrangement, the Company will own 100% of IMAX China. The acquisition of IMAX China is subject to customary closing conditions, including the receipt of IMAX China shareholder and other approvals. The offer has been approved by both IMAX Corporation and IMAX China's Boards of Directors. However, there is no guarantee that the acquisition will be approved by IMAX China shareholders or that other closing conditions will be satisfied. If the acquisition is successful, the Company's increased ownership in IMAX China may increase the Company's exposure to the risks related to the China market.

The China market presents a number of risks, including changes in laws and regulations, currency fluctuations, increased competition, and changes in economic conditions, including the risk of an economic downturn or recession, trade embargoes, restrictions or other barriers, as well as other conditions that may adversely impact the Company, Company's exhibitor and studio partners, and consumer spending. The worsening of U.S.–China political tensions could exacerbate any or all of these risks, and adverse developments in any of these areas could impact the Company's future revenues and cash flows and could cause the Company to fail to achieve anticipated growth.

The Company does not believe that it is currently required to obtain any permission or approval from the China Securities Regulatory Commission, the Cyberspace Administration of China or any other regulatory authority in the People's Republic of China ("**PRC**") for its operations, but there can be no assurance that such permissions or approvals would not be required in the future and, if required, that they would be granted in a timely manner, on acceptable terms, or at all. Furthermore, PRC regulators, including the Cyberspace Administration of China, the Ministry of Industry and Information Technology, and the Ministry of Public Security, have been increasingly focused on regulation in data security and data protection. Regulatory requirements concerning data protection and cybersecurity in the PRC, as well as other requirements concerning operations of foreign businesses in the PRC, are evolving, and their enactment timetable, interpretation and implementation involve significant uncertainties. To the extent any PRC laws and regulations become applicable to the Company, it may be subject to the risks and uncertainties associated with the legal system in the PRC, including with respect to the enforcement of laws and the possibility of changes of rules and regulations with little or no advance notice.

Certain risks and uncertainties of doing business in China are solely within the control of the Chinese government, and Chinese law regulates both the scope of the Company's continued expansion in China and the business conducted by it within China. For instance, the Chinese government regulates the number, timing, and terms of Hollywood films released to the China market. A number of prominent Hollywood films were denied release dates in China in 2021 and 2022, including several films released in IMAX format in other markets. The Company cannot provide assurance that the Chinese government will continue to permit the release of Hollywood IMAX films in China or that the timing or number of IMAX releases will be favorable to the Company. There are also uncertainties regarding the interpretation and application of laws and regulations and the enforceability of intellectual property and contract rights in China. If the Company were unable to navigate China's regulatory environment, or if the Company were unable to enforce its intellectual property or contract rights in China, the Company's business could be adversely impacted.

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

In 2022, IMAX China's shareholders granted its Board of Directors a general mandate authorizing the Board, subject to applicable laws, to repurchase shares of IMAX China not to exceed 10% of the total number of issued shares as of June 23, 2022 (34,063,480 shares). This program expired on the date of the 2023 Annual General Meeting of IMAX China on June 6, 2023. During the 2023 Annual General Meeting, shareholders approved the repurchase of shares of IMAX China not to exceed 10% of the total number of shares as of June 6, 2023 (33,959,314 shares). While this program would have been valid until the 2024 Annual General Meeting of IMAX China, pursuant to the transaction described in Note 18 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1, IMAX China will not execute any additional share repurchases. 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 June 30, 2023, IMAX China did not repurchase any common shares.

(See Note 6 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 for a summary of the material terms and conditions of the Company's revolving credit facility, which include a limitation of the amount of permitted share repurchases.)

On July 12, 2023, the Company announced it has filed a proposal to acquire the outstanding shares of IMAX China. (See Note 18 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 for information on the filing.)

(2) EARNINGS RELEASE EXTRACTS

"IMAX continues to be a winner in a dynamic global marketplace for entertainment, as demonstrated by our strong results in the second quarter," said Richard L. Gelfond, Chief Executive Officer of IMAX. "We again proved that IMAX can drive results in virtually any business environment thanks to our global scale, asset-lite model, and diversified revenue mix across technology licensing and Hollywood and local language global box office."

"It is increasingly clear that the future of the movie business is IMAX, as moviegoers show growing preference for the premium IMAX Experience®, our market share remains robust, and our network and content portfolio expand in the most promising international growth markets for global cinema."

"This past weekend demonstrates the paradigm shift at hand in moviegoing, as IMAX drove strong double-digit market share with a trio of Hollywood and local releases — led by the stunning performance of 'Oppenheimer' — lifting the Company to one of its best weekends of all time at the global box office."

"It is increasingly clear that the future of the movie business is IMAX, as moviegoers show growing preference for the premium IMAX Experience, our market share remains robust, and our network and content portfolio expand in the most promising international growth markets for global cinema."

"We remain confident we will continue to drive growth in 2023 across global box office, system signings, installations, and adjusted EBITDA. And the accelerated pace of system signings and installations we're seeing globally this year are a very positive long-term growth indicator for our business."

Second Quarter Financial Highlights

In millions of U.S. Dollars, except per share data	Three Months Ended June 30, **2023**	2022	YoY % Change	Six Months Ended June 30, **2023**	2022	YoY % Change
Total Revenue	**$ 98.0**	$ 74.0	32%	**$ 184.9**	$ 134.0	38%
Gross Margin	**$ 57.9**	$ 44.0	31%	**$ 107.9**	$ 75.8	42%
Gross Margin (%)	**59%**	60%		**58%**	57%	
Net Income (Loss)(2)	**$ 8.4**	$ (2.9)	N/A	**$ 10.8**	$ (16.5)	N/A
Diluted Net Income (Loss) per share(2)	**$ 0.15**	$ (0.05)	N/A	**$ 0.20**	$ (0.28)	N/A
Adjusted Net Income (Loss) (1)(2)	**$ 14.4**	$ 3.9	266%	**$ 23.4**	$ (4.3)	N/A
Adjusted Net Income (Loss) per share(1)(2)	**$ 0.26**	$ 0.07	271%	**$ 0.42**	$ (0.07)	N/A
Adjusted EBITDA per Credit Facility(1)(3)	**$ 32.8**	$ 25.4	29%	**$ 60.1**	$ 40.2	49%
Adjusted EBITDA Margin (%)(1)(2)	**35.4%**	35.9%	(1.3%)	**34.9%**	32.3%	8.2%
Weighted average shares outstanding (in millions):						
Basic	**54.6**	57.3	(5%)	**54.3**	57.9	(6%)
Diluted	**55.3**	57.9	(4%)	**55.1**	57.9	(5%)

(1) Non-GAAP Financial Measure. See the discussion at the end of this earnings release for a description of the non-GAAP financial measures used herein, as well as reconciliations to the most comparable GAAP amounts.

(2) Attributable to common shareholders.

(3) Adjusted EBITDA per Credit facility attributable to common shareholders.

Second Quarter and June YTD Segment Results[(1)]

In millions of U.S. Dollars	Content Solutions Revenue	Content Solutions Gross Margin	Content Solutions Gross Margin %	Technology Products and Services Revenue	Technology Products and Services Gross Margin	Technology Products and Services Gross Margin %
2Q23	$ 31.3	$ 20.0	64%	$ 64.0	$ 36.4	57%
2Q22	29.5	17.4	59%	42.9	25.7	60%
% change	6%	15%		49%	42%	
YTD 2Q23	$ 63.4	$ 38.0	60%	$ 115.6	$ 66.3	57%
YTD 2Q22	50.5	30.0	59%	$ 80.7	44.1	55%
% change	26%	27%		43%	50%	

(1) Please refer to the Company's Form 10-Q for the period ended June 30, 2023 for additional segment information.

Content Solutions Segment

- Content Solutions revenues of $31.3 million increased 6% year-over-year. Gross box office from IMAX locations in Q2 2023 of $268.3 million was up 8% from Q2 2022. Key contributors to second quarter box office performance included:

  - Hollywood titles led by *Super Mario Bros* with $50 million in IMAX GBO, with strong contributions coming from *Guardians of the Galaxy Vol. 3*, *Fast X* and *Spider-Man: Across the Spider-Verse* ($30M+ IMAX GBO per title).

  - Local language titles *Born to Fly, The First Slam Dunk, Detective Conan: Black Iron Submarine,* and *Lost in the Stars* contributed on average $6.4 million in IMAX GBO locally.

- Gross margin for Content Solutions was $20.0 million, at a 64% margin, an increase of 15% compared to the second quarter of the prior year period driven by strong profit flow-through of box office and lower marketing expense reflecting the mix of films year-over-year.

Technology Products and Services Segment

- Technology Products and Services revenues and gross margin increased 49% to $64.0 million and 42% to $36.4 million, respectively, which reflects growth in box office tied rental revenues as well as a higher number of sale/hybrid installations, as well as amendments and renewals.

- During the second quarter the Company installed 20 systems compared to 9 systems in the second quarter of 2022. Of those, 13 systems were under sales and hybrid JRSA arrangements compared to 5 systems in the prior year.

DEFINITIONS USED IN THIS ANNOUNCEMENT

"1HFY"	the first half of the financial year, six months ended 30 June
"Board" or "Board of Directors"	the board of directors of the Company
"Company" or "IMAX China"	IMAX China Holding, Inc., a company incorporated under the laws of the Cayman Islands with limited liability on 30 August 2010
"Companies Act"	the Companies Act (2023 Revision) of the Cayman Islands
"controlling shareholder", "subsidiary" and "substantial shareholder"	shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires
"Directors"	the directors of the Company and "Director" shall be construed accordingly as a director of the Company
"FY" or "financial year"	financial year ended or ending 31 December
"Greater China"	for the purposes of this document only, the Mainland China, Hong Kong, Macau and Taiwan
"Group", "we", "our" or "us"	the Company and its subsidiaries
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards issued by the International Accounting Standards Board
"IMAX Corporation" or the "Controlling Shareholder"	IMAX Corporation, a company incorporated in Canada with limited liability in 1967 and listed on the New York Stock Exchange (NYSE: IMAX) and our ultimate controlling shareholder, or where the context requires, any of its wholly-owned subsidiaries
"IMAX Hong Kong"	IMAX China (Hong Kong), Limited, a company incorporated in Hong Kong with limited liability on 12 November 2010, which changed its name to its present name on 16 March 2011 and a direct wholly-owned subsidiary of the Company

"IMAX Hong Kong Holding"	IMAX (Hong Kong) Holding, Limited, a company incorporated in Hong Kong and a direct wholly-owned subsidiary of IMAX (Barbados) Holding, Inc.
"IMAX Shanghai Multimedia"	IMAX (Shanghai) Multimedia Technology Co., Ltd., a wholly foreign-owned enterprise established under the laws of the PRC on 31 May 2011 and a direct wholly-owned subsidiary of IMAX Hong Kong
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Macau"	Macau Special Administrative Region of the PRC
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"NYSE"	New York Stock Exchange
"PSU(s)"	performance share units
"PSU Scheme"	the performance share unit scheme adopted by the Company on 12 March 2020 and amended on 28 April 2023
"RMB"	Renminbi, the lawful currency of the PRC
"RSU(s)"	restricted share units
"RSU Scheme"	the restricted share unit scheme adopted by the Company on 21 September 2015 and amended by shareholders at the general meeting dated 7 June 2023
"Share(s)"	Ordinary share(s) with a nominal value of US$0.0001 each in the share capital of the Company and a "Share" means any of them
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TCL-IMAX Entertainment"	TCL-IMAX Entertainment Co., Limited, a company incorporated in Hong Kong with limited liability on 3 January 2014, being the joint venture company jointly owned by IMAX Hong Kong Holding and Sino Leader (Hong Kong) Limited, which is wholly owned by TCL Multimedia Technology Holdings Limited

"Technology License Agreements"	The technology license agreement entered into by each of IMAX Shanghai Multimedia and IMAX Hong Kong with IMAX Corporation on 28 October 2011, as amended from time to time
"Trademark License Agreements"	The trademark license agreement entered into by each of IMAX Shanghai Multimedia and IMAX Hong Kong with IMAX Corporation on 28 October 2011, as amended from time to time
"U.S." or "United States"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"USD", "US$", "$" or "United States dollars"	U.S. dollars, the lawful currency of the United States of America

GLOSSARY

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

"3D"	three-dimensional
"backlog"	our backlog comprises the aggregate number of commitments for IMAX theatre installations pursuant to contracts we have entered into with exhibitors
"box office"	the gross aggregate proceeds from ticket sales received by the relevant exhibitor(s) in the relevant market(s) for the relevant type(s) of film. For example, the Greater China box office is the aggregate proceeds from ticket sales received by all exhibitors in Greater China, and the Greater China IMAX box office is the aggregate proceeds from ticket sales received by all the exhibitors in Greater China in respect of IMAX films and IMAX Original Films. We also use the concept of box office in our revenue sharing arrangements, where it refers to the aggregate proceeds from ticket sales received by exhibitors in respect of IMAX films with which we have entered into a revenue sharing arrangement
"box office revenue"	the portion of box office that is due to be paid to the Group under revenue sharing arrangements in our theatre systems business and/or arrangements with IMAX Corporation and studios in our films business, as applicable

"Chinese language film"	a motion picture approved for theatrical release in Greater China which was produced by one or more Chinese producer(s) or jointly produced by one or more Chinese producer(s) and one or more foreign producer(s) and was converted into IMAX format and released to IMAX theatres in Greater China pursuant to a DMR production services agreement entered into by a distributor with IMAX Shanghai Multimedia or IMAX Hong Kong in their respective territories, and meets the requirements of the relevant laws and regulations of Greater China
"distributor"	an organisation that distributes films to exhibitors or, in Mainland China, theatre circuits for exhibition at theatres
"exhibitor"	exhibitors are theatre investment management companies which own and operate theatres; exhibitors receive copies of films from the theatre circuits but retain control over the screening schedules
"full revenue sharing arrangement"	an arrangement with an exhibitor pursuant to which we contribute an IMAX theatre system to that exhibitor in return for a portion of that exhibitor's box office generated from IMAX films over the term of the arrangement, and no, or a relatively small, upfront payment
"Hollywood film"	an imported motion picture for theatrical release in global network which has been produced by one or more foreign producer(s) and was converted into IMAX format and released to IMAX theatres pursuant to a DMR production services agreement entered into between IMAX Corporation and a distributor and the importation and release of such motion picture has been permitted in accordance with the relevant laws and regulations of Greater China
"hybrid revenue sharing arrangement"	an arrangement with an exhibitor pursuant to which we contribute an IMAX theatre system to that exhibitor in return for an upfront fee that is typically half of the payment under a sales arrangement and a portion of that exhibitor's box office generated from IMAX films over the term of the arrangement, that is typically half of that under a full revenue sharing arrangement
"IMAX DMR"	the proprietary digital re-mastering process or any other postproduction process and/or technology used by IMAX Corporation in connection with the conversion of a conventional film into an IMAX film

"IMAX film"	a film converted from a conventional film using DMR technology
"IMAX Original Film"	any IMAX film invested in, produced or co-produced by IMAX Corporation and released to IMAX theatres, and/or for which IMAX Corporation owns and/or controls its theatrical distribution rights
"IMAX theatre"	any movie theatre in which an IMAX screen is installed
"multiplex"	a movie theatre with more than one screen for the exhibition of films
"Other Film"	a motion picture which was converted into IMAX format and released to IMAX theatres in Greater China, excluding all Hollywood films or Chinese language films
"revenue sharing arrangement"	an arrangement with an exhibitor pursuant to which we contribute an IMAX theatre system to that exhibitor in return for, among other things, a portion of that exhibitor's box office generated from IMAX films over the term of the arrangement; our revenue sharing arrangements are either full revenue sharing arrangements or hybrid revenue sharing arrangements (See the separate glossary explanations for these terms)
"sales arrangement"	an arrangement with an exhibitor pursuant to which we sell that exhibitor an IMAX theatre system for a fee and the exhibitor agrees to pay us on-going royalty fees for use of the IMAX brand and technology over the term of the arrangement
"studio"	an organisation that produces films (which may include all or some of script writing, financing, production team and equipment sourcing, casting, shooting and post production), owns the copyright to the films it produces and works with distributors to release those films at theatres
"take rate"	a film studio's share of box office generated from a particular film, after making certain tax and other deductions
"theatre circuit"	an organisation that distributes newly released films to theatres within that circuit; every theatre in Mainland China must be affiliated with a theatre circuit

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

Hong Kong, 27 July 2023

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

Executive Directors:
Jiande Chen
Jim Athanasopoulos
Mei-Hui (Jessie) Chou

Non-Executive Directors:
Richard Gelfond
Robert Lister

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.