IMAX CHINA HOLDING, INC.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1970)

INSIDE INFORMATION OUR CONTROLLING SHAREHOLDER IMAX CORPORATION RELEASED ITS THIRD QUARTER 2023 FINANCIAL RESULTS AND QUARTERLY REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2023

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 25 October 2023 (New York time), announced its third quarter 2023 financial results, and on 25 October 2023 (New York time) released its quarterly report for the quarter ended 30 September 2023.

This is an announcement made by IMAX China Holding, Inc. ("**we**" or "**IMAX China**") pursuant to the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571) and Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**HKSE**").

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

On 25 October 2023 (New York time), IMAX Corporation made an announcement regarding its unaudited results for the fiscal quarter ended 30 September 2023 (the "**Earnings Release**"). If you wish to review the Earnings Release, please visit: https://www.sec.gov/Archives/edgar/data/921582/000095017023055006/imax-ex99_1.htm. Unless otherwise provided therein, all dollar amounts in the Earnings Release are denominated in U.S. dollars.

On 25 October 2023 (New York time), IMAX Corporation filed its unaudited quarterly report on the Form 10-Q for the fiscal quarter ended 30 September 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/921582/000095017023055032/imax-20230930.htm. Unless otherwise provided therein, all dollar amounts in the Quarterly Report are denominated in United States dollars.

The financial information disclosed in the Earnings Release, the unaudited condensed consolidated financial results contained in the Quarterly Report and the financial information included in this announcement have been prepared in accordance with the Generally Accepted Accounting Principles of the United States. They are different from the International Financial Reporting Standards, which is the standard employed by IMAX China as a company listed on the Main Board of the HKSE for preparing and presenting financial information. As such, financial information of IMAX China in the Earnings Release and in the Quarterly Report are not directly comparable to the financial results reported directly by IMAX China in its filings with the HKSE.

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

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)

	September 30, 2023	December 31, 2022
Assets		
Cash and cash equivalents	**$ 109,603**	$ 97,401
Accounts receivable, net of allowance for credit losses	**135,962**	136,142
Financing receivables, net of allowance for credit losses	**125,322**	129,384
Variable consideration receivables, net of allowance for credit losses	**59,042**	44,024
Inventories	**45,365**	31,534
Prepaid expenses	**13,042**	12,343
Film assets, net of accumulated amortization	**5,232**	5,277
Property, plant and equipment, net of accumulated depreciation	**238,140**	252,896
Investment in equity securities	**–**	1,035
Other assets	**20,119**	15,665
Deferred income tax assets, net of valuation allowance	**11,961**	9,900
Goodwill	**52,815**	52,815
Other intangible assets, net of accumulated amortization	**34,343**	32,738
Total assets	**$ 850,946**	$ 821,154
Liabilities		
Accounts payable	**$ 37,699**	$ 25,237
Accrued and other liabilities	**123,863**	117,286
Deferred revenue	**66,272**	70,940
Revolving credit facility borrowings, net of unamortized debt issuance costs	**23,903**	36,111
Convertible notes and other borrowings, net of unamortized discounts and debt issuance costs	**228,449**	226,912
Deferred income tax liabilities	**13,349**	14,900
Total liabilities	**493,535**	491,386

	September 30, 2023	December 31, 2022
Commitments, contingencies and guarantees (see Note 7)		
Non-controlling interests	**661**	722
Shareholders' equity		
Capital stock common shares — no par value. Authorized — unlimited number. 54,607,095 issued and outstanding (December 31, 2022 — 54,148,614 issued and outstanding)	**390,097**	376,715
Other equity	**179,970**	185,678
Statutory surplus reserve	**3,932**	3,932
Accumulated deficit	**(272,318)**	(293,124)
Accumulated other comprehensive loss	**(14,637)**	(9,846)
Total shareholders' equity attributable to common shareholders	**287,044**	263,355
Non-controlling interests	**69,706**	65,691
Total shareholders' equity	**356,750**	329,046
Total liabilities and shareholders' equity	**$ 850,946**	$ 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 September 30,		Nine Months Ended September 30,	
	2023	2022	**2023**	2022
Revenues				
Technology sales	**$ 18,273**	$ 18,065	**$ 65,455**	$ 35,270
Image enhancement and maintenance services	**60,250**	36,233	**154,244**	117,285
Technology rentals	**23,008**	12,540	**62,612**	43,726
Finance income	**2,365**	1,917	**6,510**	6,478
	103,896	68,755	**288,821**	202,759
Costs and expenses applicable to revenues				
Technology sales	**7,948**	10,061	**28,951**	20,264
Image enhancement and maintenance services	**26,646**	20,563	**69,470**	56,259
Technology rentals	**6,587**	6,430	**19,747**	18,728
	41,181	37,054	**118,168**	95,251
Gross margin	**62,715**	31,701	**170,653**	107,508
Selling, general and administrative expenses	**36,282**	32,905	**109,336**	100,181
Research and development	**2,771**	1,115	**7,388**	3,667
Amortization of intangible assets	**1,107**	1,111	**3,328**	3,412
Credit loss expense, net	**523**	808	**1,589**	8,149
Asset impairments	**–**	–	**–**	4,470
Executive transition costs	**–**	–	**1,353**	–
Income (loss) from operations	**22,032**	(4,238)	**47,659**	(12,371)
Unrealized investment gains	**364**	35	**436**	99
Retirement benefits non-service expense	**(77)**	(140)	**(232)**	(417)
Interest income	**738**	257	**1,838**	1,176
Interest expense	**(1,483)**	(1,323)	**(5,045)**	(4,354)
Income (loss) before taxes	**21,574**	(5,409)	**44,656**	(15,867)
Income tax expense	**(6,555)**	(2,348)	**(14,901)**	(8,091)
Net income (loss)	**15,019**	(7,757)	**29,755**	(23,958)
Less: net income attributable to non-controlling interests	**(3,029)**	(1,196)	**(6,960)**	(1,455)
Net income (loss) attributable to common shareholders	**$ 11,990**	$ (8,953)	**$ 22,795**	$ (25,413)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	**2023**	2022
Net income (loss) per share attributable to common shareholders:				
Basic	**$ 0.22**	$ (0.16)	**$ 0.42**	$ (0.44)
Diluted	**$ 0.22**	$ (0.16)	**$ 0.41**	$ (0.44)
Weighted average shares outstanding (in thousands):				
Basic	**54,618**	56,039	**54,424**	57,301
Diluted	**55,535**	56,039	**55,261**	57,301

(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 September 30,		Nine Months Ended September 30,	
	2023	2022	**2023**	2022
Net income (loss)	**$ 15,019**	$ (7,757)	**$ 29,755**	$ (23,958)
Other comprehensive (loss) income, before tax				
Unrealized net loss from cash flow hedging instruments	**(1,048)**	(1,567)	**(226)**	(1,862)
Realized net loss from cash flow hedging instruments	**174**	80	**636**	175
Foreign currency translation adjustments	**1,060**	(11,703)	**(6,559)**	(24,644)
Defined benefit and postretirement benefit plans	**(176)**	46	**(528)**	138
Total other comprehensive loss, before tax	**10**	(13,144)	**(6,677)**	(26,193)
Income tax benefit related to other comprehensive (loss) income	**274**	380	**30**	408
Other comprehensive income (loss), net of tax	**284**	(12,764)	**(6,647)**	(25,785)
Comprehensive income (loss) attributable to common shareholders	**15,303**	(20,521)	**23,108**	(49,743)
Comprehensive (income) loss attributable to non-controlling interests	**(3,328)**	2,150	**(5,104)**	5,630
Comprehensive income (loss) attributable to common shareholders	**$ 11,975**	$ (18,371)	**$ 18,004**	$ (44,113)

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

IMAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of U.S. Dollars)

(Unaudited)

	Nine Months Ended September 30,	
	2023	2022
Operating Activities		
Net income (loss)	**$ 29,755**	$ (23,958)
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation and amortization	**46,477**	42,663
Amortization of deferred financing costs	**1,742**	2,465
Credit loss expense, net	**1,589**	8,149
Write-downs	**872**	5,707
Deferred income tax benefit	**(3,724)**	(3,374)
Share-based and other non-cash compensation	**17,830**	19,510
Unrealized foreign currency exchange loss	**52**	1,310
Unrealized investment gains	**(436)**	(99)
Changes in assets and liabilities:		
Accounts receivable	**(2,392)**	(18,050)
Inventories	**(13,771)**	(10,131)
Film assets	**(14,575)**	(14,174)
Deferred revenue	**(4,670)**	(5,989)
Changes in other operating assets and liabilities	**(4,141)**	(3,548)
Net cash provided by operating activities	**54,608**	481
Investing Activities		
Purchase of property, plant and equipment	**(2,541)**	(5,248)
Investment in equipment for joint revenue sharing arrangements	**(10,705)**	(14,543)
Interest in film classified as a financial instrument	**–**	(4,731)
Acquisition of other intangible assets	**(5,418)**	(3,246)
Acquisition of SSIMWAVE, net of cash and cash equivalents acquired	**–**	(12,639)
Net cash used in investing activities	**(18,664)**	(40,407)

	Nine Months Ended September 30,	
	2023	2022
Financing Activities		
Revolving credit facility borrowings	**31,032**	4,890
Repayments of revolving credit facility borrowings	**(43,057)**	(3,600)
Credit facility amendment fees paid	**–**	(2,277)
Other borrowings	**315**	–
Repurchase of common shares	**(4,263)**	(53,581)
Repurchase of common shares, IMAX China	**–**	(3,043)
Taxes withheld and paid on employee stock awards vested	**(6,458)**	(3,393)
Principal payment under finance lease obligations	**(480)**	(890)
Dividends paid to non-controlling interests	**(1,438)**	(2,701)
Net cash used in financing activities	**(24,349)**	(64,595)
Effects of exchange rate changes on cash	**607**	1,961
Increase (decrease) in cash and cash equivalents during period	**12,202**	(102,560)
Cash and cash equivalents, beginning of period	**97,401**	189,711
Cash and cash equivalents, end of period	**$ 109,603**	$ 87,151

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

IMAX CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in thousands of U.S. Dollars, unless otherwise stated)
(Unaudited)

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 (the "**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,the Company 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. The Court approved Cineworld's Plan of Reorganization (the "**Plan**") on June 28, 2023, in which Cineworld 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 the Company and the Cineworld entities (the "**Global Agreement**"). On August 30, 2023, the Company and Cineworld entered into a Joint Stipulation and Agreed Order which was entered by the Court on September 21, 2023 (the "**Stipulation**") pursuant to which Cineworld assumed the Global Agreement. The Stipulation provides that all amounts owed to the Company will be paid by Cineworld and sets out a revised timetable for all systems installations required of Cineworld under the Global Agreement. Cineworld has emerged from the Chapter 11 proceedings, and the Stipulation finalizes all matters between the Company and Cineworld as a result of the restructuring. The Company has determined that no additional provision for expected credit losses is required.

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 nine months ended September 30, 2023 and 2022:

(In thousands of U.S. Dollars)	**Three Months Ended September 30, 2023**				**Nine Months Ended September 30, 2023**			
	Theater Operators	**Studios**	**Other**	**Total**	**Theater Operators**	**Studios**	**Other**	**Total**
Beginning balance	**$ 11,640**	**$ 894**	**$ 1,486**	**$ 14,020**	**$ 11,144**	**$ 1,699**	**$ 1,276**	**$ 14,119**
Current period provision (reversal), net	**1,953**	**100**	**(463)**	**$ 1,590**	**3,392**	**(699)**	**(253)**	**2,440**
Write-offs	**(405)**	**–**	**–**	**$ (405)**	**(1,202)**	**–**	**–**	**(1,202)**
Foreign exchange	**(84)**	**–**	**–**	**$ (84)**	**(230)**	**(6)**	**–**	**(236)**
Ending balance	**$ 13,104**	**$ 994**	**$ 1,023**	**$ 15,121**	**$ 13,104**	**$ 994**	**$ 1,023**	**$ 15,121**

(In thousands of U.S. Dollars)	Three Months Ended September 30, 2022				Nine Months Ended September 30, 2022			
	Theater Operators	Studios	Other	Total	Theater Operators	Studios	Other	Total
Beginning balance	$ 10,704	$ 1,744	$ 907	$ 13,355	$ 8,867	$ 1,994	$ 1,085	$ 11,946
Current period provision (reversal), net	211	30	382	623	2,326	(68)	598	2,856
Write-offs		(4)		(4)	(43)	(128)	(394)	(565)
Foreign exchange	(216)	(21)		(237)	(451)	(49)	–	(500)
Ending balance	$ 10,699	$ 1,749	$ 1,289	$ 13,737	$ 10,699	$ 1,749	$ 1,289	$ 13,737

For the three and nine months ended September 30, 2023, the Company's allowance for current expected credit losses related to Accounts Receivable increased by $1.1 million and $1.0 million, respectively.

For the three and nine months ended September 30, 2022, the Company's allowance for current expected credit losses related to Accounts Receivable increased by $0.4 million and $1.8 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 September 30, 2023 and December 31, 2022, financing receivables consist of the following:

(In thousands of U.S. Dollars)	**September 30, 2023**	December 31, 2022
Net investment in leases		
Gross minimum payments due under sales-type leases	**$ 30,122**	$ 29,727
Unearned finance income	**(480)**	(619)
Present value of minimum payments due under sales-type leases	**29,642**	29,108
Allowance for credit losses	**(680)**	(776)
Net investment in leases	**28,962**	28,332
Financed sales receivables		
Gross minimum payments due under financed sales	**134,548**	141,337
Unearned finance income	**(28,117)**	(29,340)
Present value of minimum payments due under financed sales	**106,431**	111,997
Allowance for credit losses	**(10,071)**	(10,945)
Net financed sales receivables	**96,360**	101,052
Total financing receivables	**$ 125,322**	$ 129,384
Net financed sales receivables due within one year	**$ 31,901**	$ 32,366
Net financed sales receivables due after one year	**64,459**	68,686
Total financed sales receivables	**$ 96,360**	$ 101,052

As of September 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:

	September 30, 2023	December 31, 2022
Weighted-average remaining lease term (in years)		
Sales-type lease arrangements	**8.5**	9.0
Weighted-average interest rate		
Sales-type lease arrangements	**7.97%**	8.23%
Financed sales receivables	**8.89%**	8.79%

The tables below provide information on the Company's net investment in leases by credit quality indicator as of September 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 September 30, 2023	**2023**	**2022**	**2021**	**2020**	**2019**	**Prior**	**Total**
Net investment in leases:							
Credit quality classification:							
In good standing	**$ 2,382**	**$ 3,165**	**$ 6,184**	**$ 2,130**	**$ 1,626**	**$ 783**	**$ 16,270**
Credit Watch	**–**	**490**	**–**	**–**	**–**	**324**	**814**
Pre-approved transactions	**–**	**–**	**3,441**	**1,173**	**5,183**	**2,360**	**12,157**
Transactions suspended	**–**	**–**	**–**	**–**	**–**	**401**	**401**
Total net investment in leases	**$ 2,382**	**$ 3,655**	**$ 9,625**	**$ 3,303**	**$ 6,809**	**$ 3,868**	**$ 29,642**

(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 September 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 September 30, 2023	**2023**	**2022**	**2021**	**2020**	**2019**	**Prior**	**Total**
Financed sales receivables:							
Credit quality classification:							
In good standing	**$ 5,763**	**$ 5,895**	**$ 5,935**	**$ 5,392**	**$ 8,023**	**$ 44,170**	**$ 75,178**
Credit Watch	**–**	**30**	**–**	**–**	**609**	**1,339**	**1,978**
Pre-approved transactions	**182**	**313**	**2,619**	**1,455**	**1,771**	**9,264**	**15,604**
Transactions suspended	**–**	**–**	**714**	**343**	**1,538**	**11,076**	**13,671**
Total financed sales receivables	**$ 5,945**	**$ 6,238**	**$ 9,268**	**$ 7,190**	**$ 11,941**	**$ 65,849**	**$106,431**

(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 September 30, 2023 and December 31, 2022:

	As of September 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	**$ 286**	**$ 222**	**$ 3,870**	**$ 4,378**	**$ 25,264**	**$ 29,642**	**$ (680)**	**$ 28,962**
Financed sales receivables	**1,446**	**1,213**	**11,083**	**13,742**	**92,689**	**$ 106,431**	**(10,071)**	**96,360**
Total	**$ 1,732**	**$ 1,435**	**$ 14,953**	**$ 18,120**	**$ 117,953**	**$ 136,073**	**$ (10,751)**	**$ 125,322**

	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 September 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 September 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	**$ 257**	**$ 222**	**$ 3,870**	**$ 4,349**	**$ 23,264**	**$ (302)**	**$ 27,311**
Financed sales receivables	**850**	**942**	**10,560**	**12,352**	**36,116**	**(1,679)**	**46,789**
Total	**$ 1,107**	**$ 1,164**	**$ 14,430**	**$ 16,701**	**$ 59,380**	**$ (1,981)**	**$ 74,100**

	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 September 30, 2023 and December 31, 2022:

	As of September 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	**29,275**	**(7,535)**	**21,740**	27,364	(9,589)	17,775
Total	**$ 29,676**	**$ (7,936)**	**$ 21,740**	$ 27,765	$ (9,990)	$ 17,775

For the three and nine months ended September 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 nine months ended September 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 nine months ended September 30, 2023, the Company recognized $0.7 million and $2.4 million, respectively (2022 — $1.1 million and $3.1 million, respectively) in Finance Income related to the financed sale receivables with billed amounts past due. For the three and nine months ended September 30, 2023, the Company recognized less than $0.1 million and $0.2 million, respectively (2022 — $0.1 million and $0.4 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 nine months ended September 30, 2023 and 2022:

(In thousands of U.S. Dollars)	**Three Months Ended September 30, 2023**		**Nine Months Ended September 30, 2023**	
	Net Investment in Leases	**Financed Sales Receivables**	**Net Investment in Leases**	**Financed Sales Receivables**
Beginning balance	**$ 689**	**$ 11,027**	**$ 776**	**$ 10,945**
Current period provision (reversal), net	**11**	**(1,075)**	**(70)**	**(862)**
Write-offs	**–**	**–**	**–**	**–**
Foreign exchange	**(20)**	**(119)**	**(26)**	**(12)**
Ending balance	**$ 680**	**$ 10,071**	**$ 680**	**$ 10,071**

(In thousands of U.S. Dollars)	Three Months Ended September 30, 2022		Nine Months Ended September 30, 2022	
	Net Investment in Leases	Net Financed Sales Receivables	Net Investment in Leases	Net Financed Sales Receivables
Beginning balance	$ 688	$ 11,038	$ 798	$ 5,414
Current period (reversal) provision, net	(1)	72	(95)	5,847
Write-offs	–	–	–	–
Foreign exchange	(17)	(151)	(33)	(302)
Ending balance	$ 670	$ 10,959	$ 670	$ 10,959

For the three and nine months ended September 30, 2023, the Company's allowance for current expected credit losses related to its net investment in leases decreased by less than $0.1 million and decreased by $0.1 million, respectively, and financed sale receivables decreased by $1.0 million and $0.9 million, respectively.

For the three and nine months ended September 30, 2022, the Company's allowance for current expected credit losses related to its net investment in leases decreased by less than $0.1 million and decreased by $0.1 million, respectively, and financed sale receivables decreased by less than $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 nine months ended September 30, 2023 and 2022:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2023	2022	**2023**	2022
(In thousands of U.S. Dollars)	**Theater Operators**	Theater Operators	**Theater Operators**	Theater Operators
Beginning balance	**$ 705**	$ 501	**$ 610**	$ 1,082
Current period provision (reversal), net	**37**	57	**134**	(515)
Write-offs	**–**	–	**–**	–
Foreign exchange	**(15)**	(24)	**(17)**	(33)
Ending balance	**$ 727**	$ 534	**$ 727**	$ 534

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

For the three and nine months ended September 30, 2022, the Company's allowance for current expected credit losses related to Variable Consideration Receivables increased by less than $0.1 million and decreased by $0.5 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 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.

For the three and nine months ended September 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 September 30, 2023**	2022	**Nine Months Ended September 30, 2023**	2022
Operating lease cost:				
Amortization of operating lease assets	**$ 577**	$ 602	**$ 1,857**	$ 1,964
Interest on operating lease liabilities	**177**	194	**573**	610
Short-term and variable lease costs	**125**	144	**425**	472
Finance lease cost:				
Amortization of finance lease assets	**99**	75	**299**	75
Interest on finance lease liabilities	**10**	9	**38**	9
Total lease cost	**$ 988**	$ 1,024	**$ 3,192**	$ 3,130

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

(In thousands of U.S. Dollars)	**Nine Months Ended September 30, 2023**	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating leases	**$ 2,740**	$ 2,554
Finance leases	**$ 480**	890
Supplemental disclosure of noncash leasing activities:		
Right-of-use assets obtained in exchange for operating lease obligations	**$ 278**	$ 2,997
Right-of-use assets obtained in exchange for finance lease obligations	**$ –**	1,882

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

(In thousands of U.S. Dollars)		**September 30, 2023**	December 31, 2022
Assets	**Balance Sheet Location**		
Operating lease right-of-use assets	Property, plant and equipment	**$ 10,594**	$ 12,341
Finance lease right-of-use assets	Property, plant and equipment	**$ 1,519**	$ 1,876
Liabilities	**Balance Sheet Location**		
Operating lease liabilities	Accrued and other liabilities	**$ 12,635**	$ 14,461
Finance lease liabilities[(1)]	Accrued and other liabilities	**$ 510**	$ 1,011

(1) Recorded net of a $1.4 million upfront payment made upon execution of the finance lease arrangement.

As of September 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:

	September 30, 2023	December 31, 2022
Operating leases:		
Weighted-average remaining lease term (years)	**5.5**	6.0
Weighted-average discount rate	**5.93%**	5.90%
Finance leases:		
Weighted-average remaining lease term (years)	**3.8**	4.7
Weighted-average discount rate	**6.00%**	6.00%

As of September 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 (three months remaining)	$ 895	$ 28
2024	3,039	508
2025	2,460	–
2026	2,070	–
2027	2,095	–
Thereafter	4,283	–
Total lease payments	$ 14,842	$ 536
Less: interest expense	(2,207)	(26)
Present value of lease liabilities	$ 12,635	$ 510

(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 September 30, 2023 balance sheet date:

(In thousands of U.S. Dollars)		**Sales-Type Leases**		**Joint Revenue Sharing Arrangements**
2023 (three months remaining)	$	757	$	43
2024		3,167		69
2025		3,058		27
2026		2,981		–
2027		2,917		–
Thereafter		16,947		–
Total	$	29,827	$	139

5. Inventories

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

(In thousands of U.S. Dollars)		**September 30, 2023**		December 31, 2022
Raw materials	**$**	**36,556**	$	25,365
Work-in-process		**2,708**		2,034
Finished goods		**6,101**		4,135
	$	**45,365**	$	31,534

As of September 30, 2023, Inventories include finished goods of $6.5 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 nine months ended September 30, 2023, the Company recorded a recovery of $0.2 million and write-downs of $0.1 million, and a recovery of $0.2 million and write-downs of $0.2 million, respectively, (2022 — write-downs of $0.2 million and write-downs of $0.5 million, respectively) in Costs and Expenses Applicable to Revenues – Technology Sales.

6. Borrowings

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**") ($27.9 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 expired in September 2023 and has been renewed to February 21, 2024.

As of September 30, 2023, there were no borrowings outstanding under the Bank of China Facility and outstanding letters of guarantee were RMB2.7 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 September 30, 2023, the amount available for future borrowings under the Bank of China Facility was RMB190.0 million ($26.5 million) and the amount available for letters of guarantee was RMB7.2 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 nine months ended September 30, 2023 was 3.85% (2022 — 4.15%).

HSBC China Facility

In June 2022, IMAX Shanghai entered into an unsecured revolving facility for up to RMB200.0 million ($27.9 million) with HSBC Bank (China) Company Limited, Shanghai Branch to fund ongoing working capital requirements (the "**HSBC China Facility**"). As of September 30, 2023, RMB36.7 million ($5.1 million) of borrowings were outstanding under the HSBC China Facility (December 31, 2022 — RMB87.0 million or $12.5 million. As of September 30, 2023, the amount available for future borrowings under the HSBC China Facility was RMB163.3 million ($22.8 million). The effective interest rate for the three and nine months ended September 30, 2023 was 3.88%. There were no amounts drawn under the HSBC China Facility for the three and nine months ended September 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 nine months ended September 30, 2023 and 2022:

	Three Months Ended September 30,			
	2023		2022	
(In thousands of U.S. Dollars)	**Sales Commissions**	**Marketing and Other**	Sales Commissions	Marketing and Other
Technology sales[(1)]	**$ 301**	**$ 347**	$ 269	$ 254
Image enhancement and maintenance services[(2)]	**–**	**2,744**	–	3,678
Technology rentals[(3)]	**38**	**469**	225	363
Total	**$ 339**	**$ 3,560**	$ 494	$ 4,295

	Nine Months Ended September 30,			
	2023		2022	
(In thousands of U.S. Dollars)	**Sales Commissions**	**Marketing and Other**	Sales Commissions	Marketing and Other
Technology sales[(1)]	**$ 861**	**$ 531**	$ 316	$ 454
Image enhancement and maintenance services[(2)]	**–**	**13,088**	–	11,443
Technology rentals[(3)]	**147**	**1,179**	(64)	1,093
Total	**$ 1,008**	**$ 14,798**	$ 252	$ 12,990

(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 nine months ended September 30, 2023 are foreign currency net losses of $(0.2) million and $(0.8) million, respectively, (2022 — net losses of $(1.2) million and $(3.0) 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 nine months ended September 30, 2023, such revenues totaled $23.1 million and $63.8 million, respectively (2022 — $13.5 million and $46.2 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 mainland 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 nine months ended September 30, 2023, such revenues totaled $42.5 million and $101.8 million, respectively, (2022 — $19.9 million and $67.1 million, respectively). (See Note 12(a) for a disaggregated presentation of the Company's revenues.)

10. Income Taxes

(a) Income Tax Expense

For the three months ended September 30, 2023, the Company recorded income tax expense of $6.6 million (2022 — $2.3 million). 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 September 30, 2023 Amount**	**Rate**	Three Months Ended September 30, 2022 Amount	Rate
Income tax (expense) benefit at combined statutory rates	**$ (5,717)**	**26.5%**	$ 1,434	26.5%
Adjustments resulting from:				
Increase in valuation allowance	**(693)**	**3.2%**	(4,264)	(78.8%)
Shortfall tax benefits related to share-based compensation	**–**	**–**	(2)	–
Changes to tax reserves	**(292)**	**1.4%**	(176)	(3.3%)
Changes to deferred tax assets and liabilities resulting from audit and other tax return adjustments	**(430)**	**2.0%**	(102)	(1.9%)
Other	**577**	**(2.7%)**	762	(14.1%)
Income tax expense	**$ (6,555)**	**30.4%**	$ (2,348)	(43.4%)

For the three months ended September 30, 2023, the Company recorded an additional $0.7 million (2022 — increase of $4.3 million) valuation allowance against deferred tax assets. The valuation allowance includes an increase of $0.7 million in reporting entities where it was concluded that it is more likely than not that the benefit from deferred tax assets will not be realized. 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. As of each reporting date, management considers further evidence, both positive and negative, that could affect its view of the future realization of deferred tax assets. As of September 30, 2023, management assessed whether sufficient future taxable income will be generated to permit use of existing deferred tax assets and concluded that it is more likely than not that the benefit from deferred tax assets will not be realized.

For the nine months ended September 30, 2023, the Company recorded income tax expense of $14.9 million (2022 — $8.1 million). 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)	**Nine Months Ended September 30, 2023**		Nine Months Ended September 30, 2022	
	Amount	**Rate**	Amount	Rate
Income tax (expense) benefit at combined statutory rates	**$ (11,834)**	**26.5%**	$ 4,205	26.5%
Adjustments resulting from:				
Increase of valuation allowance	**(2,377)**	**5.3%**	(14,699)	(92.6%)
Shortfall excess tax benefits related to share-based compensation	**(83)**	**0.2%**	(154)	(1.0%)
Changes to tax reserves	**(841)**	**1.9%**	(587)	(3.7%)
Changes to deferred tax assets and liabilities resulting from audit and other tax return adjustments	**(609)**	**1.4%**	2,395	15.1%
Other	**843**	**(1.9%)**	749	4.7%
Income tax expense	**$ (14,901)**	**33.4%**	$ (8,091)	(51.0%)

As of September 30, 2023, the Company's Condensed Consolidated Balance Sheets include deferred income tax assets of $12.0 million, net of a valuation allowance of $65.2 million (December 31, 2022 — $9.9 million, net of a valuation allowance of $62.9 million). A net increase of $2.4 million in the valuation allowance recorded in the nine months ended September 30, 2023, includes an increase of $3.7 million in reporting entities where it was concluded that it is more likely than not that the benefit from deferred tax assets will not be realized, 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. 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 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 each reporting date, management considers further evidence, both positive and negative, that could affect its view of the future realization of deferred tax assets. As of September 30, 2023, management assessed whether sufficient future taxable income will be generated to permit use of existing deferred tax assets and concluded that it is more likely than not that the benefit from deferred tax assets will not be realized.

As of September 30, 2023, the Company's Condensed Consolidated Balance Sheets also include deferred tax liabilities of $13.3 million (December 31, 2022 — $14.9 million) primarily related to foreign withholding taxes associated with the remaining balance of unrepatriated historical earnings that will not be indefinitely reinvested outside of Canada.

11. Capital Stock and Reserves

(a) Share-Based Compensation

For the three and nine months ended September 30, 2023, share-based compensation expense totaled $5.2 million and $17.1 million, respectively, (2022 — $5.4 million and $19.1 million, respectively) and is reflected in the following accounts in the Condensed Consolidated Statements of Operations:

(In thousands of U.S. Dollars)	**Three Months Ended September 30, 2023**	Three Months Ended September 30, 2022	**Nine Months Ended September 30, 2023**	Nine Months Ended September 30, 2022
Costs and expenses applicable to revenues	**$ 247**	$ 312	**$ 752**	$ 820
Selling, general and administrative expenses	**4,865**	4,985	**16,537**	17,974
Research and development	**106**	107	**310**	299
Executive transition costs	**–**	–	**(499)**	–
	$ 5,218	$ 5,404	**$ 17,100**	$ 19,093

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

(In thousands of U.S. Dollars)	**Three Months Ended September 30, 2023**	Three Months Ended September 30, 2022	**Nine Months Ended September 30, 2023**	Nine Months Ended September 30, 2022
Stock Options	**$ –**	$ 120	**$ 84**	$ 449
Restricted Share Units	**2,686**	3,516	**9,880**	11,405
Performance Stock Units	**1,985**	1,864	**4,909**	5,317
IMAX China Stock Options	**–**	17	**12**	75
IMAX China Long Term Incentive Plan Restricted Share Units	**427**	122	**1,816**	1,712
IMAX China Long Term Incentive Plan Performance Stock Units	**120**	(235)	**399**	135
	$ 5,218	$ 5,404	**$ 17,100**	$ 19,093

For the three and nine months ended September 30, 2023, the Company's share-based compensation expense includes nil and \$1.7 million related to restricted share units granted to non-employees (2022 — nil and \$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 nine months ended September 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	**(275,317)**	(126,569)	**27.95**	33.61
Cancelled	**–**	(4,849)	**–**	27.03
Stock options outstanding, end of period	**3,329,422**	3,604,739	**26.23**	26.36
Stock options exercisable, end of period	**3,329,422**	3,523,032	**26.23**	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 nine months ended September 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	**898,680**	694,131	**17.82**	19.42
Vested and settled	**(742,406)**	(714,496)	**18.68**	18.68
Forfeited	**(95,510)**	(108,504)	**19.22**	20.37
RSUs outstanding, end of period	**1,312,808**	1,329,014	**18.52**	19.45

*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 nine months ended September 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 nine months ended September 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)	**585,602**	359,138	**17.69**	20.34
Forfeited	**(215,376)**	(37,266)	**18.14**	19.79
Vested and settled(1)	**(368,602)**	–	**16.92**	–
PSUs outstanding, end of period	**933,340**	935,277	**19.16**	18.97

(1) For the nine months ended September 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 September 30, 2023, the maximum number of shares of common stock that may be issued with respect to PSUs outstanding is 1,610,087, 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). This program will be valid until the 2024 Annual General Meeting of IMAX China. The repurchases may be made in the open market or through other means permitted by applicable laws. IMAX China has no obligation to repurchase its shares and the share repurchase program may be suspended or discontinued by IMAX China at any time.

During the three and nine months ended September 30, 2023, IMAX China did not repurchase any common shares. During the three and nine months ended September 30, 2022, IMAX China repurchased 1,513,800 and 2,961,800 common shares, respectively, at an average price of 6.20 Hong Kong Dollar ("**HKD**") and HKD8.00 per share ($0.79 and $1.02 per share), respectively, for a total of HKD9.4 million and HKD23.8 million or $1.2 million and $3.0 million, respectively. 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.

(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 nine months ended September 30, 2023 and 2022:

	Three Months Ended September 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	$ –	$ 42,481	$ –	$ –	$ 42,481
Other Content Solutions	–	1,733	–	–	1,733
	–	44,214	–	–	44,214
Technology Products and Services Segment					
System Sales	16,443	–	–	–	16,443
System Rentals	–	–	23,008	–	23,008
Maintenance	–	14,353	–	–	14,353
Finance Income	–	–	–	2,365	2,365
	16,443	14,353	23,008	2,365	56,169
Sub-total for reportable segments	16,443	58,567	23,008	2,365	100,383
All Other	1,830	1,683	–	–	3,513
Total	$ 18,273	$ 60,250	$ 23,008	$ 2,365	$ 103,896

(In thousands of U.S. Dollars)	Nine Months Ended September 30, 2023 Technology Sales	Image Enhancement and Maintenance Services	Technology Rentals	Finance Income	Total
Content Solutions Segment					
Film Remastering and Distribution	$ –	$ 101,772	$ –	$ –	$ 101,772
Other Content Solutions	–	5,833	–	–	5,833
	–	107,605	–	–	107,605
Technology Products and Services Segment					
System Sales	60,296	–	–	–	60,296
System Rentals	–	–	62,612	–	62,612
Maintenance	–	42,395	–	–	42,395
Finance Income	–	–	–	6,510	6,510
	60,296	42,395	62,612	6,510	171,813
Sub-total for reportable segments	60,296	150,000	62,612	6,510	279,418
All Other	5,159	4,244	–	–	9,403
Total	$ 65,455	$ 154,244	$ 62,612	$ 6,510	$ 288,821

(In thousands of U.S. Dollars)	Three Months Ended September 30, 2022 Technology Sales	Image Enhancement and Maintenance Services	Technology Rentals	Finance Income	Total
Content Solutions Segment					
Film Remastering and Distribution	$ –	$ 19,919	$ –	$ –	$ 19,919
Other Content Solutions	–	2,048	–	–	2,048
	–	21,967	–	–	21,967
Technology Products and Services Segment					
System Sales	17,145	–	–	–	17,145
System Rentals	–	–	12,540	–	12,540
Maintenance	–	13,940	–	–	13,940
Finance Income	–	–	–	1,917	1,917
	17,145	13,940	12,540	1,917	45,542
Sub-total for reportable segments	17,145	35,907	12,540	1,917	67,509
All Other	920	326	–	–	1,246
Total	$ 18,065	$ 36,233	$ 12,540	$ 1,917	$ 68,755

(In thousands of U.S. Dollars)	Nine Months Ended September 30, 2022 Technology Sales	Image Enhancement and Maintenance Services	Technology Rentals	Finance Income	Total
Content Solutions Segment					
Film Remastering and Distribution	$ –	$ 67,063	$ –	$ –	$ 67,063
Other Content Solutions	–	5,418	18	–	5,436
	–	72,481	18	–	72,499
Technology Products and Services Segment					
System Sales	32,511	–	–	–	32,511
System Rentals	–	–	43,708	–	43,708
Maintenance	–	43,565	–	–	43,565
Finance Income	–	–	–	6,478	6,478
	32,511	43,565	43,708	6,478	126,262
Sub-total for reportable segments	32,511	116,046	43,726	6,478	198,761
All Other	2,759	1,239	–	–	3,998
Total	$ 35,270	$ 117,285	$ 43,726	$ 6,478	$ 202,759

For the three and nine months ended September 30, 2023, revenues earned from Technology Sales include variable consideration of $4.0 million and $21.3 million, respectively (2022 — $2.6 million and $3.9 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 nine months ended September 30, 2023, revenues earned from leasing arrangements total $22.8 million and $65.6 million (2022 — $13.6 million and $46.3 million, respectively), including $23.0 million and $62.6 million, respectively, in Revenues – Technology Rentals (2022 — $12.5 million and $43.7 million, respectively), and $0.2 million and $3.4 million, respectively, in Revenues – Technology Sales (2022 — $1.1 million and $2.6 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 September 30, 2023, $18.9 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 nine months ended September 30, 2023, $18.3 million and $59.3 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 nine months ended September 30, 2022, $19.3 million and $50.5 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 September 30, 2023 and 2022:

(In thousands of U.S. Dollars)	**Revenue[1]**		**Gross Margin**	
	2023	2022	**2023**	2022
Content Solutions	**$ 44,214**	$ 21,967	**$ 26,407**	$ 9,140
Technology Products and Services	**56,169**	45,542	**33,761**	21,752
Sub-total for reportable segments	**100,383**	67,509	**60,168**	30,892
All Other[2]	**3,513**	1,246	**2,547**	809
Total	**$ 103,896**	$ 68,755	**$ 62,715**	$ 31,701

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

(In thousands of U.S. Dollars)	**Revenue[1]**		**Gross Margin**	
	2023	2022	**2023**	2022
Content Solutions	**$ 107,605**	$ 72,499	**$ 64,397**	$ 39,121
Technology Products and Services	**171,813**	126,262	**100,066**	65,875
Sub-total for reportable segments	**279,418**	198,761	**164,463**	104,996
All Other[2]	**9,403**	3,998	**6,190**	2,512
Total	**$ 288,821**	$ 202,759	**$ 170,653**	$ 107,508

(1) The Company's largest customer represents 11% and 8% of total Revenues for the three and nine months ended September 30, 2023, respectively (2022 — 11% and 13%, respectively). No single customer comprises more than 10% of the Company's total Accounts Receivable as of September 30, 2023 and December 31, 2022.

(2) All Other includes the results from the Company's streaming and consumer technology business, as well as 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 September 30, 2023 and 2022:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
(In thousands of U.S. Dollars)	**2023**	2022	**2023**	2022
United States	**$ 33,216**	$ 23,168	**$ 92,768**	$ 75,881
Greater China	**28,297**	14,889	**73,975**	47,602
Western Europe	**13,849**	8,938	**43,827**	26,700
Asia (excluding China)	**18,042**	13,921	**44,649**	31,045
Canada	**4,387**	1,780	**15,685**	5,520
Latin America	**2,069**	2,397	**6,505**	6,826
Rest of the World	**4,036**	3,662	**11,412**	9,185
Total	**$ 103,896**	$ 68,755	**$ 288,821**	$ 202,759

United States and Greater China each comprises greater than 10% of the Company's total revenues for the nine months ended September 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 $109.6 million balance of cash and cash equivalents as of September 30, 2023 (December 31, 2022 — $97.4 million) includes $88.6 million in cash held outside of Canada (December 31, 2022 — $79.7 million). As of September 30, 2023, cash and cash equivalents held by IMAX China was $78.3 million (December 31, 2022 —$75.0 million), of which $31.5 million was held in the PRC (December 31, 2022 — $43.7 million).

(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 September 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 September 30, 2023 was $41.6 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**	**September 30, 2023**	December 31, 2022
Derivatives designated as hedging instruments:			
Foreign exchange contracts — Forwards	Other assets	**$ 73**	$ 50
	Accrued and other liabilities	**(311)**	(699)
		$ (238)	$ (649)

Derivatives in foreign currency hedging relationships are as follows:

(In thousands of U.S. Dollars)		**Three Months Ended September 30, 2023**	Three Months Ended September 30, 2022	**Nine Months Ended September 30, 2023**	Nine Months Ended September 30, 2022
Foreign exchange contracts – Forwards	Derivative Loss Recognized in OCI (Effective Portion)	**$ (1,048)**	$ (1,567)	**$ (226)**	$ (1,862)

(In thousands of U.S. Dollars)	**Location of Derivative Loss Reclassified from AOCI (Effective Portion)**	**Three Months Ended September 30, 2023**	Three Months Ended September 30, 2022	**Nine Months Ended September 30, 2023**	Nine Months Ended September 30, 2022
Foreign exchange contracts – Forwards	Selling, general and administrative expenses	**$ (174)**	$ (80)	**$ (636)**	$ (175)

The Company's estimated net amount of the existing loss as of September 30, 2023 is $(0.2) million, which is expected to be reclassified to the Condensed Consolidated Statements of Operations within the next twelve months.

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 September 30, 2023, the balance of the Company's non-controlling interest in IMAX China is $69.7 million (December 31, 2022 — $65.7 million). For the three and nine months ended September 30, 2023, the net income attributable to the non-controlling interest in IMAX China is $3.0 million and $7.0 million, respectively, (2022 — $1.2 million and $1.5 million, respectively).

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

Presented below is Management's Discussion and Analysis of Financial Condition and Results of Operations (or "**MD&A**") for IMAX Corporation and its consolidated subsidiaries ("**IMAX**" or the "**Company**") for the three and nine months ended September 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 September 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 September 30, 2023, net income attributable to IMAX China is $11.0 million, of which $7.9 million is attributable to the shareholders of the Company (2022 — net income of $4.2 million and $3.0 million, respectively).

On July 12, 2023, the Company announced it filed a proposal to acquire the outstanding 96.3 million shares in IMAX China for approximately 10 Hong Kong Dollars ("**HKD**") per share in cash ($124.0 million) (the "**China Transaction**"). The offer represented an approximate 49% premium to the 30-trading day average closing price. At the Extraordinary General Meeting of IMAX China shareholders held on October 9, 2023, the vast majority voted in favor of the China Transaction, however, the Company did not receive approval from 90% of disinterested IMAX China shareholders as required by Hong Kong law and, as a result, the Company's proposal to acquire IMAX China's outstanding shares did not proceed.

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 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; 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; 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 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.

IMAX®, IMAX® 3D, Experience It In IMAX®, *The* IMAX *Experience®*, DMR®, Filmed For IMAX™, IMAX Live™, IMAX Enhanced®, Stream Smart™, 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 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.

The Company leverages its proprietary technology and engineering in all aspects of its business, which principally consists of the digital remastering of films and other content into the IMAX format for distribution across the IMAX network and the sale or lease of premium IMAX theater systems ("**IMAX System(s)**").

IMAX Systems are based on proprietary and patented image, audio and other technology developed over the course of the Company's history since its founding in 1967. The customers for IMAX Systems are principally theater exhibitors that operate commercial multiplex theaters, and, to a much lesser extent, museums, science centers and destination entertainment sites. The Company does not own the locations, except for one, in the IMAX network, and is not an exhibitor, but instead sells or leases IMAX Systems to exhibitor customers along with a license to use its trademarks and ongoing maintenance services.

As of September 30, 2023, there were 1,731 IMAX Systems in 87 countries and territories, including 1,651 commercial multiplexes, 12 commercial destinations, and 68 institutional locations in the Company's global network. This compares to 1,703 IMAX Systems in 87 countries and territories as of September 30, 2022, including 1,622 commercial multiplexes, 12 commercial destinations, and 69 institutional locations in the Company's global network. (See the table under "**IMAX Network and Backlog**" for additional information on the composition of the IMAX network.)

IMAX Systems provide the Company's exhibitor customers with a combination of the following benefits:

- the ability to exhibit content that has been enhanced through the IMAX film remastering (formerly known as "**IMAX DMR**") process, which results in higher image and sound fidelity than conventional cinema experiences;

- advanced, high-resolution projectors with specialized equipment and automated theater control systems, which generate significantly more contrast and brightness than conventional theater systems;

- large screens and proprietary theater geometry, which result in a substantially larger field of view so that the screen extends to the edge of a viewer's peripheral vision and creates more realistic images;

- advanced sound system components, which deliver more expansive sound imagery and pinpointed origination of sound to every specific spot in a theater equipped with an IMAX System;

- specialized theater acoustics, which result in a four-fold reduction in background noise;

- ongoing maintenance and extended warranty services, and

- a license to the globally recognized IMAX brand.

In addition, select movies shown in the IMAX network are filmed using proprietary IMAX film cameras or IMAX certified digital cameras, which offer filmmakers customized guidance and a workflow process to provide further enhanced and differentiated image quality and an IMAX-exclusive film 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.

Together, these components create a more intense, immersive, and exciting experience than a traditional theater, enabling audiences in IMAX locations to feel as if they are a part of the on-screen action.

As a result of the engineering and scientific achievements that are a hallmark of *The* IMAX *Experience*®, the Company's exhibitor customers typically charge a premium for films released in the IMAX network over films exhibited in their other auditoriums. The premium pricing, combined with the higher attendance levels associated with IMAX films, generates incremental box office for the Company's exhibitor customers and for the movie studios releasing their films to the IMAX network. The incremental box office generated by films exhibited in the IMAX network has helped establish IMAX as a key premium distribution and marketing platform for Hollywood and foreign local language movie studios.

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 a premier global technology platform for entertainment and events, the Company strives to remain at the forefront of advancements in technology. The Company offers a suite of laser-based digital projection systems ("**IMAX Laser Systems**"), which deliver increased resolution, sharper and brighter images, deeper contrast, and the widest range of colors available to filmmakers today. The Company further believes that its suite of IMAX Laser Systems are helping facilitate the next major renewal and upgrade cycle for the global IMAX network.

In September 2022, the Company acquired SSIMWAVE Inc. ("**SSIMWAVE**"), a leader in AI-driven video quality solutions for media and entertainment companies. The acquisition of SSIMWAVE marks a significant expansion of the Company's streaming and consumer technology strategy to deliver the highest quality images on any screen, while also creating cost efficiencies to streaming companies, broadcasters and other companies that transmit visual data — to drive new, recurring revenue and grow its global leadership in entertainment technology.

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. As of September 30, 2023, the IMAX network includes 54 systems in Russia, eight systems in Ukraine, and one system in Belarus and the Company's backlog includes 14 systems in Russia, one system in Ukraine, and five systems in Belarus with a total fixed contracted value of $22.9 million. 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. These receivables relate to existing sale agreements as the Company is not party to any joint revenue sharing arrangements in these countries. In addition, exhibitors in Russia, Ukraine, and Belarus were placed on nonaccrual status for maintenance revenue and finance income beginning in the first quarter of 2022. 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 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. (See Note 3 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 and "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.)

On September 7, 2022, Cineworld Group plc ("**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 (the "**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, the Company 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. The Court approved Cineworld's Plan of Reorganization (the "**Plan**") on June 28, 2023, in which Cineworld disclosed that it plans to emerge from the Chapter 11 proceedings on or about July 28, 2023. On August 30, 2023, the Company and Cineworld entered into a Joint Stipulation and Agreed Order which was entered by the Court on September 21, 2023 (the "**Stipulation**") pursuant to which Cineworld assumed its global agreement with IMAX (the "**Global Agreement**"). The Stipulation provides that all amounts owed to IMAX will be paid by Cineworld and set out a revised timetable for all systems installations required of Cineworld under the Global Agreement. Cineworld has emerged from the Chapter 11 proceedings and the Stipulation finalizes all matters between IMAX and Cineworld as a result of the restructuring. The Company has determined that no additional provision for expected credit losses is required.

The COVID-19 pandemic and the measures to prevent its spread have impacted and may continue to impact the Company's business and the global economy. For additional discussion regarding the risks related to the COVID-19 pandemic on the Company's business, see "Risk Factors – The Company experienced a significant decrease in its revenues, earnings and cash flows due to the COVID-19 pandemic and its business, financial condition and results of operations may continue to be significantly harmed in future reporting periods" in Part I, Item 1A of the Company's 2022 Form 10-K.

SOURCES OF REVENUE

The historical results of operations for the three and nine months ended September 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, France 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 nine months ended September 30, 2023 and 2022:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	**2023**	2022
Hollywood film releases	**11**	12	**26**	26
Local language film releases:				
China	**12**	9	**21**	13
India	**1**	4	**4**	6
Japan	**4**	3	**7**	6
South Korea	**5**	3	**7**	5
France	**–**	–	**1**	1
Malaysia	**1**	–	**1**	–
Indonesia	**–**	1	**–**	1
Total local language film releases	**23**	20	**41**	32
Total film releases(1)	**34**	32	**67**	58

(1) For the three and nine months ended September 30, 2023, the films released to the Company's global network include two and five with IMAX DNA (2022 — four and ten, respectively).

The films distributed through the Company's global network during the nine months ended September 30, 2023 which generated the highest IMAX box office totals include *Oppenheimer*, *Avatar: The Way of Water, The Super Mario Bros. Movie, The Wandering Earth 2 (China local language), Guardians of the Galaxy Vol. 3, Mission: Impossible – Dead Reckoning Part One, and Ant-Man and the Wasp: Quantumania.*

In addition to the 67 IMAX films released through the Company's global network during the nine months ended September 30, 2023, the Company has announced the following additional 15 titles to be released throughout the remainder of 2023:

Title	**Studio**	**Scheduled Release Date**[1]	**IMAX DNA**
The Exorcist: Believer	Universal Pictures	October 2023	–
Taylor Swift: The ERAS Tour Movie	AMC	October 2023	–
Leo[2]	Seven Screen Studio	October 2023	–
Killers of the Flower Moon	Paramount Pictures/Apple	October 2023	–
Tee Yod [2]	M Pictures	October 2023	–
Godzilla Minus One[2]	Toho	November 2023	–
The Marvels	Walt Disney Studios	November 2023	Expanded Aspect Ratio
Tiger 3[2]	Yash Raj Films	November 2023	–
The Hunger Games: Ballad of Songbirds and Snakes	Lionsgate	November 2023	Expanded Aspect Ratio
Kubi[2]	Toho	November 2023	–
Napoleon	Sony Pictures/Apple	November 2023	–
Renaissance: A Film by Beyoncé	AMC	December 2023	–
Wonka	Warner Bros. Pictures	December 2023	–
Aquaman and the Lost Kingdom	Warner Bros. Pictures	December 2023	Filmed For IMAX
Salaar[2]	Hombale Films	December 2023	–

(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.

IMAX NETWORK AND BACKLOG

IMAX Network

The following table provides detailed information about the IMAX network by type and geographic location as of September 30, 2023 and 2022. For additional information regarding the composition of the IMAX network, see "Marketing and Customers" in Part I, Item 1 of the Company's 2022 Form 10-K.

	September 30, 2023				September 30, 2022			
	Commercial Multiplex	**Commercial Destination**	**Institutional**	**Total**	Commercial Multiplex	Commercial Destination	Institutional	Total
United States	**360**	**4**	**25**	**389**	364	4	25	393
Canada	**40**	**1**	**7**	**48**	40	1	7	48
Greater China[(1)]	**783**	**–**	**16**	**799**	776	–	14	790
Asia (excluding Greater China)	**152**	**2**	**2**	**156**	131	2	2	135
Western Europe	**120**	**4**	**8**	**132**	117	4	8	129
Latin America[(2)]	**55**	**1**	**8**	**64**	55	1	11	67
Rest of the World	**141**	**–**	**2**	**143**	139	–	2	141
Total[(3)]	**1,651**	**12**	**68**	**1,731**	1,622	12	69	1,703

(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 1,651 as of September 30, 2023. The Company believes that the majority of its future growth will come from international markets. As of September 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 nine months ended September 30, 2023 the Company's revenue generated from its Greater China operations represents 26% of consolidated revenue. As of September 30, 2023, the Company had 798 IMAX Systems operating in Greater China with an additional 193 systems in backlog. The Company has a partnership in China with Wanda Film ("**Wanda**"). As of September 30, 2023, through the Company's partnership with Wanda, there were 376 IMAX Systems operational in Greater China of which 362 are under the parties' joint revenue sharing arrangements.

In the nine months ended September 30, 2023, the IMAX network generated over $186.8 million in box office from local language films, representing approximately 21% of the Company's total box office in the period. This year included Company records for the highest grossing Chinese New Year holiday, highest grossing local language title (*Wandering Earth 2*), and highest grossing summer season in China, as well as a number of local language opening weekend market share records. 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* as well as the Indian films *Pathaan and Jawan*.

(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 September 30, 2023 and 2022:

	September 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	**403**	**109**	**270**	**782**
Asia (excluding Greater China)	**38**	**5**	**110**	**153**
Western Europe	**40**	**17**	**63**	**120**
Latin America	**2**	**–**	**53**	**55**
Rest of the World	**17**	**–**	**124**	**141**
International Total	**500**	**131**	**620**	**1,251**
Worldwide Total(1)	**771**	**137**	**743**	**1,651**

	September 30, 2022 Commercial Multiplex Locations in IMAX Network			
	Traditional JRSA	Hybrid JRSA	Sale/ Sales- type Lease	Total
Domestic Total (United States & Canada)	276	6	122	404
International:				
Greater China	400	112	264	776
Asia (excluding Greater China)	34	4	93	131
Western Europe	47	28	42	117
Latin America	2	–	53	55
Rest of the World	17	–	122	139
International Total	500	144	574	1,218
Worldwide Total(1)	776	150	696	1,622

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

Backlog

The following table provides detailed information about the Company's backlog as of September 30, 2023 and 2022:

	September 30, 2023				September 30, 2022			
	Number of Systems		Dollar Value		Number of Systems		Dollar Value	
(In thousands of U.S. Dollars, except number of systems)	New	Upgrade	New	Upgrade	New	Upgrade	New	Upgrade
Sale and sales-type lease arrangements	**172**	**20**	**$ 184,394**	**$ 20,001**	154	16	$ 175,617	$ 18,312
Hybrid JRSA	**106**	**1**	**79,008**	**910**	121	6	88,604	4,785
Traditional JRSA[(1)(2)]	**122**	**65**	**425**	**2,425**	98	94	200	4,500
	400	**86**	**$ 263,827**	**$ 23,336**	373	116	$ 264,421	$ 27,597

(1) Includes 38 IMAX Systems (2022 — 41) where certain of the Company's contracts contain options for the customer to elect to upgrade system type or to alter the contract structure (for example, from a joint revenue sharing arrangement to a sale) after signing, but before installation. Current backlog information reflects all known elections.

(2) The consideration owed under traditional joint revenue sharing arrangements is typically a percentage of contingent box office receipts rather than requiring the customer to pay a fixed upfront fee or fixed annual minimum payments. Accordingly, such arrangements do not usually have a dollar value in backlog; however, hybrid joint revenue sharing arrangements typically provide for contracted upfront payments and therefore carry a backlog value based on those payments.

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 September 30, 2023 and 2022:

	September 30, 2023 IMAX System Backlog			
	Traditional JRSA	**Hybrid JRSA**	**Sale/ Sales- type Lease**	**Total**
Domestic Total (United States & Canada)	**94**	**2**	**19**	**115**
International:				
Greater China	**39**	**90**	**64**	**193**
Asia (excluding Greater China)	**31**	**11**	**29**	**71**
Western Europe	**17**	**3**	**17**	**37**
Latin America	**3**	**–**	**8**	**11**
Rest of the World	**3**	**1**	**55**	**59**
International Total	**93**	**105**	**173**	**371**
Worldwide Total	**187**	**107**	**192**	**486**(1)

	September 30, 2022 IMAX System Backlog			
	Traditional JRSA	Hybrid JRSA	Sale/ Sales- type Lease	Total
Domestic Total (United States & Canada)	121	2	11	134
International:				
Greater China	43	96	72	211
Asia (excluding Greater China)	5	14	31	50
Western Europe	18	13	4	35
Latin America	3	–	4	7
Rest of the World	2	2	48	52
International Total	71	125	159	355
Worldwide Total	192	127	170	489(2)

(1) Includes 334 IMAX Laser Systems (250 new and 84 upgrades of existing locations).

(2) Includes 317 IMAX Laser Systems (201 new and 116 upgrades of existing locations).

Approximately 37% of IMAX System arrangements in backlog as of September 30, 2023 are scheduled to be installed in international markets excluding Greater China (2022 — 29%). The Company's backlog in Greater China represents 40% of its total current backlog including upgrades in system type (2022 — 43%).

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 into streaming and consumer technology, including the integration of SSIMWAVE and the distribution of live events to the IMAX network, (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 September 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 diluted share amounts, as well as adjusted net income (loss) attributable to common shareholders[(1)] and adjusted net income (loss) attributable to common shareholders per diluted share[(1)] for the three months ended September 30, 2023 and 2022:

	Three Months Ended September 30,			
	2023		2022	
(In thousands of U.S. Dollars, except per diluted share amounts)	**Net Income**	**Per Diluted Share**	Net Loss	Per Diluted Share
Net income (loss) attributable to common shareholders	**$ 11,990**	**$ 0.22**	$ (8,953)	$ (0.16)
Adjusted net income (loss) attributable to common shareholders[(1)]	**$ 19,410**	**$ 0.35**	$ (3,027)	$ (0.05)

(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 September 30, 2023, the Company's revenues and gross margin increased by $35.1 million, or 51%, and $31.0 million, or 98%, respectively, when compared to same period in 2022 principally due to the strength of IMAX GBO performance through the distribution of films such as *Oppenheimer, Mission: Impossible – Dead Reckoning Part One*, and *Creation of the Gods I: Kingdom of Storms*, coupled with an increase in system sales in the current period.

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

	Revenue		Gross Margin		Gross Margin %	
(In thousands of U.S. Dollars)	**2023**	2022	**2023**	2022	**2023**	2022
Content Solutions	**$ 44,214**	$ 21,967	**$ 26,407**	$ 9,140	**60%**	42%
Technology Products and Services	**56,169**	45,542	**33,761**	21,752	**60%**	48%
Sub-total for reportable segments	**100,383**	67,509	**60,168**	30,892	**60%**	46%
All Other[(1)]	**3,513**	1,246	**2,547**	809	**73%**	65%
Total	**$ 103,896**	$ 68,755	**$ 62,715**	$ 31,701	**60%**	46%

(1) All Other includes the results from Streaming and Consumer Technology 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 September 30, 2023, Content Solutions segment revenues and gross margin increased by $22.2 million, or 101%, and $17.3 million, or 189%, 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 third quarter of 2023, box office generated by IMAX films totaled $347.1 million, a $170.0 million, or 96%, increase versus the prior year comparative period of $177.1 million. In the third quarter of 2023, box office was generated by the exhibition of 41 films (34 new films and 7 carryovers) including *Oppenheimer*, which generated box office of over $180.4 million, and other content. In the third quarter of 2022, box office was generated by the exhibition of 36 films (27 new films, 4 carryovers and 5 re-releases) and other content.

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 September 30, 2023, marketing expenses for films were $2.4 million which was consistent with the prior year comparative period. For the three months ended September 30, 2023, gross margin percent was 60% compared to 42% in the prior year period with the increase being driven by the operating leverage that comes from higher levels of box office given relatively fixed film costs.

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 September 30, 2023, Technology Products and Services segment revenue and gross margin increased by $10.6 million, or 23%, and $12.0 million, or 55%, respectively, when compared to the same period in the prior year. The higher level of revenue is driven in part by an increase of $1.8 million in system sales revenue as a result of six additional IMAX System installations, including upgrades.

Also contributing to the higher level of revenue was an increase of $10.5 million in rental revenues, as a result of GBO from joint revenue sharing arrangements which increased by $68.5 million or 75% in the third quarter of 2023 when compared to the prior year comparative period, from $125.2 million to $159.5 million.

The Technology Products and Services segment gross margin increase during the three months ended September 30, 2023 is primarily due to a higher number of IMAX System installations 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.

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 September 30, 2023 and 2022:

	For the Three Months Ended September 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]	**14**	**$ 11,215**	7	$ 7,779
JRSA — hybrid	**–**	**–**	2	998
Total new IMAX Systems	**14**	**11,215**	9	8,777
IMAX System upgrades:				
Sale and sales-type lease arrangements[1]	**2**	**883**	1	1,544
Total upgraded IMAX Systems	**2**	**883**	1	1,544
Total	**16**	**$ 12,098**	10	$ 10,321

(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.

Selling, General and Administrative Expenses

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

	Three Months Ended September 30,		Variance	
(In thousands of U.S. Dollars)	**2023**	2022	$	%
Total selling, general and administrative expenses	**$ 36,282**	$ 32,905	$ 3,377	10%
Less: Share-based compensation[(1)]	**4,865**	4,985	(120)	(2%)
Total selling, general and administrative expenses, excluding share-based compensation	**$ 31,417**	$ 27,920	$ 3,497	13%

(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 $3.1 million in transaction expenses associated with the proposal to acquire the outstanding shares in IMAX China, as well as the inclusion of $1.5 million related to SSIMWAVE expenses which was not in the prior year comparative period as the acquisition was completed in late September 2022. These impacts were partially offset by $1.0 million in transaction expenses associated with the SSIMWAVE acquisition in the prior year.

As a percentage of revenue, Selling, General and Administrative Expenses excluding share-based compensation was 30% versus 41% in the three months ended September 30, 2022, a significant improvement of over 10% from the prior year period which reflected strong operating leverage and a continued focus on cost discipline efforts.

Credit Loss Expense, Net

For the three months ended September 30, 2023, the Company recorded current expected credit losses of $0.5 million, as compared to credit losses of $0.8 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 September 30, 2023, the Company recorded income tax expense of $6.6 million (2022 — $2.3 million). The Company's effective tax rate for the three months ended September 30, 2023 of 30.4% differs from the Canadian statutory tax rate of 26.5%, primarily due to the fact that the Company recorded an additional $0.7 million valuation allowance against deferred tax assets in reporting entities where it was concluded that it is more likely than not that the benefit from deferred tax assets will not be realized. 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 September 30, 2023, the net income attributable to non-controlling interests of the Company's subsidiaries was $3.0 million, an increase of $1.8 million, when compared to the same period of the prior year. The increase can be primarily attributed to IMAX China's box office success from *Creation of the Gods: Part I* and *Oppenheimer* in the third quarter of 2023.

Results of Operations for the Nine Months Ended September 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 nine months ended September 30, 2023 and 2022:

(In thousands of U.S. Dollars, except per share amounts)	**Nine Months Ended September 30,**			
	2023		2022	
	Net Income	**Per Diluted Share**	Net Loss	Per Diluted Share
Net income (loss) attributable to common shareholders	**$ 22,795**	**$ 0.41**	$ (25,413)	$ (0.44)
Adjusted net income (loss) attributable to common shareholders(1)	**$ 42,790**	**$ 0.77**	$ (7,349)	$ (0.13)

(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 nine months ended September 30, 2023, the Company's revenues and gross margin increased by $86.1 million or 42% and $63.1 million or 59%, respectively, when compared to same period in 2022 principally due to the strength of IMAX GBO performance through the distribution of films such as *Oppenheimer, Avatar: The Way of Water, The Super Mario Bros. Movie, The Wandering Earth 2, Guardians of the Galaxy Vol. 3, Mission: Impossible – Dead Reckoning Part One, Ant-Man and the Wasp: Quantumania* and the record year to date performance of local language content coupled with higher system sales and renewals in the current period.

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

(In thousands of U.S. Dollars)	**Revenue(1)**		**Gross Margin**		**Gross Margin %**	
	2023	2022	**2023**	2022	**2023**	2022
Content Solutions	**$ 107,605**	$ 72,499	**$ 64,397**	$ 39,121	**60%**	54%
Technology Products and Services	**171,813**	126,262	**100,066**	65,875	**58%**	52%
Sub-total for reportable segments	**279,418**	198,761	**164,463**	104,996	**59%**	53%
All Other(1)	**9,403**	3,998	**6,190**	2,512	**66%**	63%
Total	**$ 288,821**	$ 202,759	**$ 170,653**	$ 107,508	**59%**	53%

(1) All Other includes the results from Streaming and Consumer Technology 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 nine months ended September 30, 2023, Content Solutions segment revenues and gross margin increased by $35.1 million, or 48%, and $25.3 million, or 65%, 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 nine months ended September 30, 2023, box office generated by IMAX films totaled $888.9 million, a $290.8 million, or 49% increase versus the prior year comparative period of $598.1 million. During the nine months ended September 30, 2023, box office was generated by the exhibition of 57 films (56 new films and 1 carryovers) including *Oppenheimer*, which generated box office of $180.4 million, *Avatar: The Way of Water*, which generated box office of $109.7 million, *The Super Mario Bro. Movie*, which generated box office of $49.8 million, and other content. In addition, in the nine months ended September 30, 2023, local language films exhibited across the Company's global IMAX network generated over $186.8 million in box office representing 21% of the Company's total box office. Leading local language titles distributed across the IMAX network in the nine months ended September 30, 2023 included the Chinese film *Wandering Earth 2*, which generated $48.9 million in box office, the Chinese film *Creation of the Gods I: Kingdom of Storms* which generated $32.3 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 $10.6 million in box office. In the nine months ended September 30, 2022, box office was generated by the exhibition of 68 films (53 new films, 10 carryovers and 5 re-releases) 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 4.6% and a global market share of 3.4% for the nine months ended September 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 nine months ended September 30, 2023, marketing expenses for films were $12.4 million, as compared to $9.1 million during the same period in 2022.

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 nine months ended September 30, 2023, Technology Products and Services segment revenue and gross margin increased by $45.6 million, or 36%, and $34.2 million, or 52%, respectively, when compared to the same period in the prior year. The higher level of revenue is primarily driven by an increase of $13.5 million in system sales revenue as a result of 15 additional IMAX System installations, including upgrades.

Also contributing to the higher level of revenue was an increase of $18.9 million in rental revenues, as a result of GBO from joint revenue sharing arrangements which increased by $126.3 million or 41% in the nine months ended September 30, 2023 when compared to the prior year comparative period, from $309.4 million to $435.7 million.

The Technology Products and Services segment gross margin increase during the nine months ended September 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.

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 nine months ended September 30, 2023 and 2022:

	For the Nine Months Ended September 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)]	**30**	**$ 28,510**	14	$ 13,552
JRSA — hybrid	**2**	**954**	5	2,508
Total new IMAX Theater Systems	**32**	**29,464**	19	16,060
IMAX Theater System upgrades:				
Sale and sales-type lease arrangements[(1)]	**5**	**4,015**	3	4,452
Total upgraded IMAX Theater Systems	**5**	**4,015**	3	4,452
Total	**37**	**$ 33,478**	22	$ 20,512

(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.

Selling, General and Administrative Expenses

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

	Nine Months Ended September 30,		Variance	
(In thousands of U.S. Dollars)	**2023**	2022	$	%
Total selling, general and administrative expenses	**$ 109,336**	$ 100,181	$ 9,155	9%
Less: Share-based compensation[(1)]	**16,537**	17,974	(1,437)	(8%)
Total selling, general and administrative expenses, excluding share-based compensation	**$ 92,799**	$ 82,207	$ 10,592	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 (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 $5.1 million related to SSIMWAVE which was not in the prior year comparative period as the acquisition was completed in late September 2022 and $3.1 million in transaction expenses associated with the proposal to acquire the outstanding shares in IMAX China, and $0.1 million in transaction expenses associated with the acquisition of SSIMWAVE.

As a percentage of revenue, Selling, General and Administrative Expenses excluding share-based compensation was 32% versus 40% in the nine months ended September 30, 2023, an improvement of 8% from the prior year period which reflected strong operating leverage and a continued focus on cost discipline efforts.

Credit Loss Expense, Net

For the nine months ended September 30, 2023, the Company recorded current expected credit losses of $1.6 million, as compared to credit losses of $8.1 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 nine months ended September 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 nine months ended September 30, 2023, the Company recorded income tax expense of $14.9 million (2022 — $8.1 million). The Company's effective tax rate for the nine months ended September 30, 2023 of 33.4% differs from the Canadian statutory tax rate of 26.5% primarily due to the fact that the Company recorded an additional $2.4 million valuation allowance against deferred tax assets, of which $3.7 million relates to reporting entities where it was concluded that it is more likely than not that the benefit from deferred tax assets will not be realized, 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. 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. (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 nine months ended September 30, 2023, the net income attributable to non-controlling interests of the Company's subsidiaries was $7.0 million (2022 — $1.5 million). The $5.5 million increase can be primarily attributed to IMAX China's box office success in the nine months ended September 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 September 30, 2023, the Company's available liquidity consists of a balance of cash and cash equivalents of $109.6 million, a total revolving borrowing capacity of $300.0 million under its Sixth Amended and Restated Credit Agreement with Wells Fargo Bank, National Association (the "**Credit Agreement**") less $20.0 million in borrowings and a $130.0 million LC, $26.5 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 $22.8 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 1, Item 1 for a description of the material terms of the Credit Agreement, the Bank of China Facility, and the HSBC Facility.)

As of September 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 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 an 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. At the Extraordinary General Meeting of IMAX China shareholders held on October 9, 2023, the vast majority voted in favor of the transaction, however, the Company did not receive approval from 90% of disinterested IMAX China shareholders as required by Hong Kong law and, as a result, the Company's proposal to acquire IMAX China's outstanding shares did not proceed. Consequently, the LC was canceled effective October 11, 2023.

The Company's $109.6 million balance of cash and cash equivalents as of September 30, 2023 (December 31, 2022 — $97.4 million) includes $88.6 million in cash held outside of Canada (December 31, 2022 — $79.7 million). As of September 30, 2023, cash and cash equivalents held by IMAX China was $78.3 million (December 31, 2022 — $75.0 million), of which $31.5 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 nine months ended September 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 September 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 nine months ended September 30, 2023, box office generated by films exhibited in the IMAX network totaled $888.9 million, a $290.8 million, or 49% increase versus the prior year comparative period of $598.1 million. In the nine months ended September 30, 2023, box office was generated by the exhibition of 62 films (56 new films and 6 carryovers) including *Oppenheimer*, which generated box office of $180.9 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 4.6% and a global market share of 3.4% for the nine months ended September 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 and 2025.

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) transaction-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 September 30, 2023**		2022	
	Net Income	**Per Share**	Net Loss	Per Share
Net income (loss) attributable to common shareholders	**$ 11,990**	**$ 0.22**	$ (8,953)	$ (0.16)
Adjustments[1]:				
Share-based compensation	**5,063**	**0.09**	5,431	0.10
COVID-19 government relief benefits, net	**–**	**–**	(212)	–
Unrealized investment gains	**(454)**	**(0.01)**	(34)	–
Transaction-related expenses[2]	**3,086**	**0.06**	955	0.02
Tax impact on items listed above	**(275)**	**–**	(214)	–
Adjusted net income (loss)[1]	**$ 19,410**	**$ 0.35**	$ (3,027)	$ (0.05)
Weighted average shares outstanding — basic		**54,618**		56,039
Weighted average shares outstanding — diluted		**55,535**		56,039

(In thousands of U.S. dollars, except per share amounts)	Nine Months Ended September 30, 2023 Net Income	2023 Per Share	2022 Net Loss	2022 Per Share
Net income (loss) attributable to common shareholders	**$ 22,795**	**$ 0.41**	$ (25,413)	$ (0.44)
Adjustments[1]:				
Share-based compensation	**17,110**	**0.31**	18,651	0.33
COVID-19 government relief benefits, net	**–**	**–**	(373)	(0.01)
Unrealized investment gains	**(526)**	**(0.01)**	(98)	–
Transaction-related expenses[2]	**3,242**	**0.06**	955	0.02
Executive transition costs[3]	**1,353**	**0.02**	–	–
Tax impact on items listed above	**(1,184)**	**(0.02)**	(1,071)	(0.02)
Adjusted net income (loss)[1]	**$ 42,790**	**$ 0.77**	$ (7,349)	$ (0.13)
Weighted average shares outstanding — basic		**54,424**		57,301
Weighted average shares outstanding — diluted		**55,261**		57,301

(1) Reflects amounts attributable to common shareholders.

(2) Reflects costs incurred resulting from the Company's with the proposal to acquire the outstanding 96.3 million shares in IMAX China. (See Note 6 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1.)

(3) 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) transaction-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 September 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	$ 15,019	$ 3,029	$ 11,990
Add (subtract):			
Income tax expense	6,555	1,041	5,514
Interest expense, net of interest income	253	(145)	398
Depreciation and amortization, including film asset amortization	19,279	1,304	17,975
Amortization of deferred financing costs(1)	492	–	492
EBITDA	41,598	5,229	36,369
Share-based and other non-cash compensation	5,297	155	5,142
Unrealized investment gains	(364)	(93)	(271)
Transaction-related expenses(2)	3,086	–	3,086
Write-downs, including asset impairments and credit loss expense	921	164	757
Adjusted EBITDA per Credit Facility	$ 50,538	$ 5,455	$ 45,083

(In thousands of U.S. Dollars)	For the Twelve Months Ended September 30, 2023 Attributable to Non-controlling Interests and Common Shareholders	Less: Attributable to Non-controlling Interests	Attributable to Common Shareholders
Reported net income	$ 33,836	$ 8,428	$ 25,408
Add (subtract):			
Income tax expense	16,917	2,658	14,259
Interest expense, net of interest income	2,024	(286)	2,310
Depreciation and amortization, including film asset amortization	60,475	5,260	55,215
Amortization of deferred financing costs(1)	2,454	–	2,454
EBITDA	115,706	16,060	99,646
Share-based and other non-cash compensation	25,893	835	25,058
Unrealized investment gains	(407)	(93)	(314)
Transaction-related expenses(2)	3,408	–	3,408
Write-downs, including asset impairments and credit loss expense	4,328	561	3,767
Executive transition costs(3)	1,353	–	1,353
Adjusted EBITDA per Credit Facility	$ 150,281	$ 17,363	$ 132,918

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

(2) Reflects costs incurred resulting from the Company's with the proposal to acquire the outstanding 96.3 million shares in IMAX China. (See Note 6 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1.)

(3) 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 RMB226.0 million ($31.5 million) in cash and cash equivalents as of September 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 nine months ended September 30, 2023, the Company recorded foreign exchange net losses of $(0.2) million and $(0.8) million, respectively, resulting from changes in exchange rates related to foreign currency denominated monetary assets and liabilities (2022 — net losses of $(1.2) million and $(3.0) 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 September 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 September 30, 2023 was $41.6 million (December 31, 2022 — $24.7 million). Losses of $1.0 million and $0.2 million were recorded to Other Comprehensive Income (Loss) with respect to the change in fair value of these contracts for the three and nine months ended September 30, 2023, (2022 — losses of $(1.6) million and $(1.9) million, respectively). Losses of $(0.2) million and $(0.6) million were reclassified from Accumulated Other Comprehensive Loss to Selling, General and Administrative Expenses for the three and nine months ended September 30, 2023 (2022 — losses of $(0.1) million and $(0.2) 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 September 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 $157.2 million. Assuming a 10% appreciation or depreciation in foreign currency exchange rates from the quoted foreign currency exchange rates as of September 30, 2023, the potential change in the fair value of foreign currency-denominated financing receivables and working capital items would have been $15.7 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 September 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 September 30, 2023, the Company had drawn down $20.0 million on its Credit Facility (December 31, 2022 — $25.0 million), $5.1 million on its HSBC China Facility (December 31, 2022 — $12.5 million) and $nil 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 5.1% and 7.7% of its total liabilities as of September 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 $0.3 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 September 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 nine months ended September 30, 2023, 67 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 (the "**WGA**") and the Screen Actors Guild – American Federation of Television and Radio Artists (the "**SAG-AFTRA**") went on strike in May and July 2023, respectively, over labor disputes with the Alliance Motion Picture and Television Producers. The WGA strike ended on September 27, 2023, but the

SAG-AFTRA strike is continuing as of the date of this report. These strikes have disrupted film productions and may interrupt film marketing efforts or lead to postponement of film releases. Given the uncertainty as to the extent and the duration of the SAG-AFTRA strike and the overall implication of the strikes on the timing and/or success of films released to IMAX locations, 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 September 30, 2023, the Company had 798 IMAX Systems operating in Greater China with an additional 193 systems in backlog, which represent 40% of the Company's current backlog. Of the IMAX Systems currently scheduled to be installed in Greater China, 67% are under joint revenue sharing arrangements, which further increases the Company's ongoing exposure to box office performance in this 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. While significantly more Hollywood films have been given release dates in China in 2023, 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*

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). This program will be valid until the 2024 Annual General Meeting of IMAX China. The repurchases may be made in the open market or through other means permitted by applicable laws. IMAX China has no obligation to repurchase its shares and the share repurchase program may be suspended or discontinued by IMAX China at any time. During the three months ended September 30, 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.)

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

Hong Kong, 25 October 2023

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

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

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.