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IMAX CHINA HOLDING, INC.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1970)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024 AND INSIDE INFORMATION

OUR CONTROLLING SHAREHOLDER IMAX CORPORATION RELEASED ITS UNAUDITED RESULTS AND QUARTERLY REPORT FOR THE SECOND QUARTER AND THE FIRST HALF OF FISCAL YEAR 2024

INTERIM RESULTS ANNOUNCEMENT

The Board of Directors of IMAX China Holding, Inc. (the “**Company**” or “**IMAX China**”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024. The interim results have been reviewed by the Group’s external auditor and the Audit Committee.

INSIDE INFORMATION

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

Our controlling shareholder, IMAX Corporation has, on 25 July 2024 (New York time), released its unaudited results for the second quarter of 2024 and its quarterly report for the second quarter of 2024.

FINANCIAL INFORMATION

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(In thousands of U.S. dollars)

		Six months ended 30 June	
		2024	2023
	<i>Notes</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenues	4	43,901	45,342
Cost of sales	5	<u>(18,799)</u>	<u>(16,624)</u>
Gross profit	4	25,102	28,718
Selling, general and administrative expenses	5	(6,821)	(8,979)
Other operating expenses	5	(2,293)	(2,503)
Provisions of net impairment losses on financial assets	5	<u>(396)</u>	<u>(807)</u>
Operating profit		15,592	16,429
Interest income		893	726
Interest expense		<u>(36)</u>	<u>(282)</u>
Profit before income tax		16,449	16,873
Income tax expense	6	<u>(3,801)</u>	<u>(2,997)</u>
Profit for the period attributable to owners of the Company		<u>12,648</u>	<u>13,876</u>
Other comprehensive loss:			
Items that may be subsequently reclassified to profit or loss:			
Change in foreign currency translation adjustments		<u>(585)</u>	<u>(7,011)</u>
Other comprehensive loss:		<u>(585)</u>	<u>(7,011)</u>
Total comprehensive income for the period, attributable to owners of the Company		<u>12,063</u>	<u>6,865</u>
Profit per share attributable to owners of the Company — basic and diluted (expressed in U.S. dollars per share):			
From profit for the period — basic	7	<u>0.04</u>	<u>0.04</u>
From profit for the period — diluted	7	<u>0.04</u>	<u>0.04</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(In thousands of U.S. dollars)

		As at 30 June 2024	As at 31 December 2023
	<i>Notes</i>	(Unaudited)	<i>(Audited)</i>
ASSETS			
Non-current assets			
Property, plant and equipment	8	71,617	76,893
Other assets		295	912
Deferred tax assets	10	3,818	4,324
Variable consideration receivables from contracts		6,684	1,894
Financing receivables		50,759	50,425
		<u>133,173</u>	<u>134,448</u>
Current assets			
Other assets		1,109	1,523
Contract acquisition costs		652	628
Film assets		75	66
Inventories		6,878	6,368
Prepayments		2,721	3,035
Income tax receivables		467	1,149
Variable consideration receivables from contracts		1,816	664
Financing receivables		30,058	31,728
Trade and other receivables	9	73,504	75,956
Cash and cash equivalents		77,457	62,711
		<u>194,737</u>	<u>183,828</u>
Total assets		<u>327,910</u>	<u>318,276</u>

		As at 30 June 2024	As at 31 December 2023
	<i>Notes</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
LIABILITIES			
Non-current liabilities			
Accruals and other liabilities		1,122	1,317
Deferred revenue	12	13,587	13,588
Deferred tax liabilities	10	12,521	12,521
		<u>27,230</u>	<u>27,426</u>
Current liabilities			
Trade and other payables	11	16,430	15,406
Accruals and other liabilities		7,668	8,877
Deferred revenue	12	10,748	12,196
		<u>34,846</u>	<u>36,479</u>
Total liabilities		<u>62,076</u>	<u>63,905</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		34	34
Share premium and reserves		218,660	219,845
Retained earnings		47,140	34,492
		<u>265,834</u>	<u>254,371</u>
Total equity		<u>265,834</u>	<u>254,371</u>
Total equity and liabilities		<u>327,910</u>	<u>318,276</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

1. General information

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

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

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

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

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

2. Summary of material accounting policy information

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

(a) Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2024 has been prepared in accordance with International Accounting Standard 34 (“**IAS 34**”), “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2023, which have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”).

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

(b) Summary of significant accounting policies

Except as described in note 3, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2023, as described in those annual financial statements.

Taxes on income during the six months ended 30 June 2024 and 2023 are accrued using the tax rate that would be applicable to expected total annual profits.

3. New accounting standards and accounting changes

A number of new, or amended, standards became applicable for the annual reporting period commencing on 1 January 2024. The Group did not have to change its accounting policies, or make retrospective adjustments, as a result of adopting these standards.

		Effective for annual periods beginning on or after
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
IFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
IAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
IAS 7 (Amendments) and IFRS 7 (Amendments)	Supplier Finance Arrangements	1 January 2024

Certain new accounting standards and interpretations have been published that are not mandatory for the financial reporting periods commencing on or after 1 January 2024 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
IAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
IFRS 9 (Amendments) and IFRS 7 (Amendments)	Classification and Measurement of Financial Instruments	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability Disclosures	1 January 2027

4. Revenue and segment information

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

The Group has the following reportable segments:

- (i) Content Solutions, which principally includes the digital remastering of films and other content into IMAX formats for distribution to the IMAX network.
- (ii) Technology Products and Services, which includes results from the sale or lease of IMAX Systems, as well as from the maintenance of IMAX Systems. To a lesser extent, the Technology Products and Services segment also earns revenue from certain ancillary theatre business activities, including after-market sales of IMAX System parts and 3D glasses.

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

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

Transactions between the other segments are not significant.

(a) Operating Segments

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Revenue		
Content Solutions	9,346	14,178
Technology Products and Services	<u>34,075</u>	<u>30,896</u>
Subtotal for reportable segments	<u>43,421</u>	<u>45,074</u>
All Other	<u>480</u>	<u>268</u>
Total	<u><u>43,901</u></u>	<u><u>45,342</u></u>
Gross profit (loss)		
Content Solutions	7,043	12,199
Technology Products and Services	<u>18,108</u>	<u>16,734</u>
Subtotal for reportable segments	<u>25,151</u>	<u>28,933</u>
All Other	<u>(49)</u>	<u>(215)</u>
Total gross profit	<u><u>25,102</u></u>	<u><u>28,718</u></u>
Selling, general and administrative expenses	(6,821)	(8,979)
Other operating expenses	(2,293)	(2,503)
Provisions of net impairment losses on financial assets	(396)	(807)
Interest income	893	726
Interest expense	<u>(36)</u>	<u>(282)</u>
Profit before income tax	<u><u>16,449</u></u>	<u><u>16,873</u></u>

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

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

	Six months ended 30 June			
	Recognised		Recognised	
	under IFRS 15		under IFRS 16	
	2024	2023	2024	2023
Revenue				
Content Solutions				
Film Remastering	<u>9,346</u>	<u>14,178</u>	<u>—</u>	<u>—</u>
	<u>9,346</u>	<u>14,178</u>	<u>—</u>	<u>—</u>
Technology Products and Services				
System Sales	12,411	3,741	—	—
System Rentals	—	—	7,352	14,496
Maintenance	12,946	11,040	—	—
Finance Income	1,366	1,619	—	—
	<u>26,723</u>	<u>16,400</u>	<u>7,352</u>	<u>14,496</u>
Subtotal for reportable segments	<u>36,069</u>	<u>30,578</u>	<u>7,352</u>	<u>14,496</u>
All Other	<u>480</u>	<u>268</u>	<u>—</u>	<u>—</u>
Total	<u>36,549</u>	<u>30,846</u>	<u>7,352</u>	<u>14,496</u>

Of the revenue recognised under IFRS 15, approximately \$24.1 million for the six months ended 30 June 2024 (2023: \$27.0 million) were recognised over time, while approximately \$12.4 million were recognised at a point in time (2023: \$3.8 million).

Of the system rentals accounted for under IFRS 16, approximately \$6.5 million for the six months ended 30 June 2024 (2023: \$9.5 million) were from revenues under operating leases and approximately \$0.9 million for the six months ended 30 June 2024 (2023: \$5.0 million) were from revenues under finance leases.

The selling profit for the Group's finance leases was \$nil for the six months ended 30 June 2024 (2023: \$1.8 million).

(b) Significant customers

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

Customer A

Revenues of approximately \$19.6 million during the six months ended 30 June 2024 (30 June 2023: \$13.3 million) are derived from a single external customer. These revenues are attributable to Content Solutions and Technology Products and Services.

Customer B

Revenues of approximately \$3.8 million during the six months ended 30 June 2024 (30 June 2023: \$7.7 million) are derived from a related party. These revenues are attributable to Content Solutions and Technology Products and Services.

Customer C

Revenues of \$nil during the six months ended 30 June 2024 (30 June 2023: \$5.3 million) are derived from a single external customer. These revenues are attributable to Content Solutions.

No other single customers comprises of more than 10% of total revenues during the six months ended 30 June 2024 or 2023.

5. Expenses by nature

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

	Six months ended 30 June	
	2024	2023
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Depreciation, including joint revenue sharing arrangements and film costs	7,890	7,723
Employee salaries and benefits	5,109	5,960
Theatre maintenance fees	3,982	3,326
Cost of theatre system sales and finance leases	3,387	2,730
Technology and trademark fees	2,275	2,476
Advertising and marketing expenses	2,224	1,904
Share-based compensation expenses	979	1,618
Professional fees	768	850
Increase in allowance for expected credit losses	396	807
Travel and transportation expenses	269	255
Lease expenses	96	112
Foreign exchange losses	15	189
Utilities and maintenance expenses	18	53
Other film costs (recoveries)	92	(6)
Recoveries of write-downs	(12)	(3)
Other costs	530	484
Other expenses	106	278
Auditor's remuneration		
— Non-audit services	25	19
— Audit services	160	138
	<hr/>	<hr/>
Total cost of sales, selling, general and administrative expenses, other operating expenses and provisions of net impairment losses on financial assets	<u>28,309</u>	<u>28,913</u>

6. Income tax expense

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Current income tax:		
Current tax on profits for the period	3,336	4,792
Dividend withholding tax paid	—	2,379
Adjustments in respect of prior years	<u>(8)</u>	<u>(74)</u>
Total current income tax	<u>3,328</u>	<u>7,097</u>
Deferred income tax:		
Origination of deductible temporary differences and losses	<u>473</u>	<u>(4,100)</u>
Total deferred income tax	<u>473</u>	<u>(4,100)</u>
Income tax expense	<u><u>3,801</u></u>	<u><u>2,997</u></u>

Income tax expense for the six months ended 30 June 2024 and 2023 is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

7. Profit per share

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

	Six months ended 30 June	
	2024	2023
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit for the period	<u>12,648</u>	<u>13,876</u>
Weighted average number of common shares (in '000s):		
Issued and outstanding, beginning of period	339,774	338,553
Weighted average number of shares increased during the period	<u>326</u>	<u>424</u>
Weighted average number of shares used in computing basic profit per share	340,100	338,977
Adjustments for:		
Restricted share units	1,599	1,301
Performance stock units	<u>496</u>	<u>330</u>
Weighted average number of shares used in computing diluted profit per share	<u>342,195</u>	<u>340,608</u>

8. Property, plant and equipment

	Theatre System Components	Office and Production Equipment	Right-of-use Assets	Leasehold Improvements	Construction in Process	Total
As at 1 January 2024 (audited)						
Cost	155,652	2,971	2,716	1,733	5,962	169,034
Accumulated depreciation and impairment	(86,917)	(2,547)	(955)	(1,722)	—	(92,141)
Net book amount	68,735	424	1,761	11	5,962	76,893
Six months ended 30 June 2024 (unaudited)						
Opening net book amount	68,735	424	1,761	11	5,962	76,893
Exchange differences	311	3	21	(2)	(8)	325
Additions	—	37	—	—	3,725	3,762
Transfers	2,946	165	—	556	(3,667)	—
Transfer out	(2,160)	—	—	—	—	(2,160)
Disposals	(183)	—	(30)	—	—	(213)
Depreciation charge	(6,729)	(107)	(264)	(40)	—	(7,140)
Impairment loss write-off	150	—	—	—	—	150
Closing net book amount	63,070	522	1,488	525	6,012	71,617
As at 30 June 2024 (unaudited)						
Cost	142,577	2,819	1,838	584	6,012	153,830
Accumulated depreciation and impairment	(79,507)	(2,297)	(350)	(59)	—	(82,213)
Net book amount	63,070	522	1,488	525	6,012	71,617
As at 1 January 2023 (audited)						
Cost	156,346	2,978	2,064	1,766	4,723	167,877
Accumulated depreciation and impairment	(76,733)	(2,492)	(224)	(1,739)	—	(81,188)
Net book amount	79,613	486	1,840	27	4,723	86,689
Six months ended 30 June 2023 (unaudited)						
Opening net book amount	79,613	486	1,840	27	4,723	86,689
Exchange differences	(3,159)	(8)	(51)	(1)	5	(3,214)
Additions	—	21	—	—	217	238
Transfers	1,294	—	—	—	(1,294)	—
Transfer out	(166)	—	—	—	—	(166)
Disposals	(22)	—	—	—	—	(22)
Depreciation charge	(6,592)	(109)	(342)	(8)	—	(7,051)
Closing net book amount	70,968	390	1,447	18	3,651	76,474
As at 30 June 2023 (unaudited)						
Cost	150,808	2,893	1,990	1,695	3,651	161,037
Accumulated depreciation and impairment	(79,840)	(2,503)	(543)	(1,677)	—	(84,563)
Net book amount	70,968	390	1,447	18	3,651	76,474

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

9. Trade and other receivables

	As at 30 June 2024 <i>(Unaudited)</i>	As at 31 December 2023 <i>(Audited)</i>
Trade receivables:		
Trade receivables from third parties	39,648	46,743
Less: allowance for expected credit losses of trade receivables from third parties	<u>(7,669)</u>	<u>(7,361)</u>
Trade receivables from third parties — net	31,979	39,382
Trade receivables from IMAX Corporation	36,442	31,552
Accrued trade receivables	5,814	5,767
Less: allowance for expected credit losses of accrued trade receivables	<u>(731)</u>	<u>(745)</u>
Accrued trade receivables — net	<u>5,083</u>	<u>5,022</u>
Total trade receivables	<u>73,504</u>	<u>75,956</u>
Total trade and other receivables	<u><u>73,504</u></u>	<u><u>75,956</u></u>

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

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

	As at 30 June 2024 <i>(Unaudited)</i>	As at 31 December 2023 <i>(Audited)</i>
0 – 30 days	3,628	5,354
31 – 60 days	1,024	2,699
61 – 90 days	2,340	1,159
Over 90 days	<u>69,098</u>	<u>69,083</u>
	<u><u>76,090</u></u>	<u><u>78,295</u></u>

10. Deferred income tax

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

	As at 30 June 2024 <i>(Unaudited)</i>	As at 31 December 2023 <i>(Audited)</i>
Deferred income tax assets		
Opening balance	4,324	6,697
Exchange differences	(33)	(66)
Charged to profit or loss	(473)	(2,307)
	<u>3,818</u>	<u>4,324</u>
Closing balance	<u>3,818</u>	<u>4,324</u>
Deferred income tax liabilities		
Opening balance	12,521	14,900
Credited to profit or loss	—	(2,379)
	<u>12,521</u>	<u>12,521</u>
Closing balance	<u>12,521</u>	<u>12,521</u>

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

The deferred tax assets as at 31 December 2023 include an amount of approximately \$1.3 million which relates to carried-forward tax losses of IMAX Shanghai Culture. The subsidiary has incurred losses over the last few years and the Company has resolved to liquidate this subsidiary in June 2023. As a result, the Group has concluded that the deferred tax assets will be recoverable as it is probable that the loss can be utilised in the foreseeable future and IMAX Shanghai Culture's holding company has sufficient taxable income against which the loss can be utilised. During the six months ended 30 June 2024, IMAX Shanghai Culture was liquidated and the deferred tax assets started to be realised.

11. Trade and other payables

	As at 30 June 2024 <i>(Unaudited)</i>	As at 31 December 2023 <i>(Audited)</i>
Trade payables to third parties	692	592
Payables to IMAX Corporation	15,216	14,097
Other payables	522	717
	<u>16,430</u>	<u>15,406</u>

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

	As at 30 June 2024 <i>(Unaudited)</i>	As at 31 December 2023 <i>(Audited)</i>
0 – 30 days	5,184	4,486
31 – 60 days	517	512
61 – 90 days	609	67
Over 90 days	10,120	10,341
	<u>16,430</u>	<u>15,406</u>

As at 30 June 2024 and 31 December 2023, the carrying amounts of trade and other payables approximated their fair values due to short maturity. Trade and other payables over 90 days primarily consist of amounts due to IMAX Corporation.

12. Deferred revenue

	As at 30 June 2024 <i>(Unaudited)</i>	As at 31 December 2023 <i>(Audited)</i>
Theatre system deposits	16,312	15,454
Maintenance prepayments	<u>8,023</u>	<u>10,330</u>
	<u>24,335</u>	<u>25,784</u>
Deferred revenue, current	10,748	12,196
Deferred revenue, non-current	<u>13,587</u>	<u>13,588</u>
	<u>24,335</u>	<u>25,784</u>

The following table shows the amount of revenue recognised in the condensed consolidated statements of comprehensive income for the six months ended 30 June 2024 and 2023 relating to deferred revenue brought forward:

	Six months ended 30 June 2024 <i>(Unaudited)</i>	2023 <i>(Unaudited)</i>
Upfront revenue	2,252	2,379
Maintenance revenue	<u>4,972</u>	<u>4,385</u>
Total	<u>7,224</u>	<u>6,764</u>

The unsatisfied performance obligations out of the carrying value of the Group's backlog as at 30 June 2024 was approximately \$139.1 million (31 December 2023: \$142.2 million).

13. Dividends

Six months ended 30 June	
2024	2023
<i>(Unaudited)</i>	<i>(Unaudited)</i>

Dividends recognised as distribution during the period:

2022 Final – HK\$0.117 per share

—	5,087
<u> </u>	<u> </u>

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

No dividends in respect of the six months ended 30 June 2024 have been proposed.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The management discussion and analysis is based on the Company's condensed consolidated interim financial information for 1HFY2024 prepared in accordance with International Accounting Standard 34 and must be read together with the condensed consolidated interim financial information and the notes which form an integral part of the condensed consolidated interim financial information.

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

Revenue

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

Content Solutions

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

Technology Products and Services

Technology Products and Services derives revenue from exhibitor partners through sales and sales-type lease, revenue sharing arrangements, maintenance services, and other theatre.

- Sales and sales-type lease arrangements consist of the design, manufacture and installation of IMAX theatre system for upfront payments and ongoing fees, which may include stipulated minimum payments per annum, variable consideration and contingent rent in excess of minimum payments. The upfront payments vary depending on the system configuration and the location of the theatre. Upfront payments for installation are paid according to the contractual terms. The present value of future minimum payments, variable consideration and estimated contingent rent in excess of minimum payments on sales arrangements for the term of the respective agreement along with upfront payments is recognized as revenue upon the completion of installation and exhibitor acceptance of the IMAX theatre system as well as on the commencement date of any respective renewal term;

- Revenue sharing arrangements are categorized into two sub-types: 1) full revenue sharing arrangements; and 2) hybrid revenue sharing arrangements. Under full revenue sharing arrangements, the Group leases IMAX theatre systems to its exhibitor partners and provides related maintenance and technical support services in exchange for future revenue sharing based on certain percentages of the IMAX box office from the IMAX theatre. Under full revenue sharing arrangements, the Group receives no or limited upfront payments for the system installation. Contingent rent based on a percentage of IMAX box office is recognized as revenue when reported by theatre exhibitors. Under hybrid revenue sharing arrangements, the Group receives a reduced upfront payment for the system installation and recognizes the revenue upon the completion of installation and exhibitor acceptance of the IMAX theatre system. Contingent rent based on a percentage of IMAX box office is recognized as revenue when reported by theatre exhibitors;
- IMAX Maintenance generates revenue from the provision of ongoing maintenance, warranty, and technical support services. The revenue recognized is primarily comprised of annual maintenance fees due to the Group by theatre exhibitors under all sales and sales-type lease arrangements and revenue sharing arrangements; and
- Other theatre generates revenue from the aftermarket sales of 3D glasses, screen sheets, parts and other items.

All Other

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

The following table sets out the revenue for the Group's respective reportable segments for the periods indicated, as well as the percentage of total revenue they each represent:

	1HFY2024		1HFY2023	
	US\$'000	%	US\$'000	%
Content Solutions	9,346	21.3%	14,178	31.3%
Technology Products and Services	34,075	77.6%	30,896	68.1%
Subtotal for reportable segments	43,421	98.9%	45,074	99.4%
All Other	480	1.1%	268	0.6%
Total	43,901	100.0%	45,342	100.0%

Cost of Sales

The Group's cost of sales is primarily comprised of: (i) the costs for the rights of all digital re-mastered films purchased under its intercompany agreement with IMAX Corporation (excluding costs on Hollywood films which are recorded as a reduction of film revenue received from IMAX Corporation according to IFRS 15 starting from 2018); (ii) the costs of IMAX theatre systems and related services under sales, sales-type lease and hybrid revenue sharing arrangements; (iii) depreciation of IMAX theatre systems capitalized under full revenue sharing arrangements; and (iv) certain one-time costs at the time of system installation, including marketing for IMAX theatre launches, sales commissions and the cost for providing any maintenance and technical support services during a warranty period.

The following table sets out the cost of sales for the Group's respective reportable segments for the periods indicated, as well as the percentage of respective revenue they each represent:

	1HFY2024		1HFY2023	
	US\$'000	%	US\$'000	%
Content Solutions	2,303	24.6%	1,979	14.0%
Technology Products and Services	15,967	46.9%	14,162	45.8%
Subtotal for reportable segments	18,270	42.1%	16,141	35.8%
All Other	529	110.2%	483	180.2%
Total	18,799	42.8%	16,624	36.7%

Gross Profit and Gross Profit Margin

The following table sets out the gross profit and gross profit margin for the Group's respective reportable segments for the periods indicated:

	1HFY2024		1HFY2023	
	US\$'000	%	US\$'000	%
Content Solutions	7,043	75.4%	12,199	86.0%
Technology Products and Services	18,108	53.1%	16,734	54.2%
Subtotal for reportable segments	25,151	57.9%	28,933	64.2%
All Other	(49)	(10.2)%	(215)	(80.2)%
Total	25,102	57.2%	28,718	63.3%

Selling, General and Administrative Expenses

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

	1HFY2024		1HFY2023	
	US\$'000	%	US\$'000	%
Employee salaries and benefits	3,541	8.1%	4,437	9.8%
Share-based compensation expenses	979	2.2%	1,618	3.6%
Travel and transportation	269	0.6%	255	0.6%
Advertising and marketing	424	1.0%	448	1.0%
Professional fees	953	2.2%	1,007	2.2%
Other employee expense	39	0.1%	130	0.3%
Facilities	198	0.5%	508	1.1%
Depreciation	129	0.3%	111	0.2%
Foreign exchange and other expenses	289	0.7%	465	1.0%
Total	6,821	15.5%	8,979	19.8%

Other Operating Expenses

Other Operating Expenses primarily include the annual license fees to IMAX Corporation in respect of the trademark and technology licensed under the Technology License Agreements and the Trademark License Agreements, at an aggregate of approximately 5% of the Group's revenue. The Group's other operating expenses for 1HFY2024 and 1HFY2023 were US\$2.3 million and US\$2.5 million, respectively.

Provisions of Net Impairment Losses on Financial Assets

Net impairment losses on financial assets for 1HFY2024 and 1HFY2023 were US\$0.4 million and US\$0.8 million, respectively. The losses were primarily due to the provision for current expected credit losses, reflecting an evaluation of the credit quality of the Group's trade receivables, financing receivables and variable consideration receivables.

Interest Income

Interest income mainly represents interest earned on various term deposits. None of the deposits had a term of longer than 90 days. The Group's interest income for 1HFY2024 and 1HFY2023 was US\$0.9 million and US\$0.7 million, respectively.

Income Tax Expenses

The Group is subject to Mainland China and Hong Kong income tax. The Group is also subject to withholding taxes in Taiwan. The enterprise income tax ("EIT") rate generally levied in Mainland China is 25%. The entities incorporated in Hong Kong are subject to Hong Kong income tax at a rate of 8.25% on assessable profits up to HK\$2 million and 16.5% on any part of assessable profits over HK\$2 million. For the years presented, the Group's effective tax rate differs from the statutory tax rate and varies from year to year primarily due to numerous permanent differences, subsidies, the provision for income taxes at different rates in different jurisdictions, the application of Hong Kong's territorial tax system and changes due to its recoverability assessments of deferred tax assets.

The income tax expense of the Group for 1HFY2024 and 1HFY2023 was US\$3.8 million and US\$3.0 million, respectively.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Condensed Consolidated Interim Statement of Comprehensive Income

The following table sets out items in the Group's condensed consolidated interim statement of comprehensive income and as a percentage of revenue for the periods indicated:

	1HFY2024		1HFY2023	
	US\$'000	%	US\$'000	%
Revenues	43,901	100.0%	45,342	100.0%
Cost of sales	(18,799)	(42.8)%	(16,624)	(36.7)%
Gross profit	25,102	57.2%	28,718	63.3%
Selling, general and administrative expenses	(6,821)	(15.5)%	(8,979)	(19.8)%
Other operating expenses	(2,293)	(5.2)%	(2,503)	(5.5)%
Provisions of net impairment losses on financial assets	(396)	(0.9)%	(807)	(1.8)%
Operating profit	15,592	35.5%	16,429	36.2%
Interest income	893	2.0%	726	1.6%
Interest expense	(36)	(0.1)%	(282)	(0.6)%
Profit before income tax	16,449	37.5%	16,873	37.2%
Income tax expense	(3,801)	(8.7)%	(2,997)	(6.6)%
Profit for the period, attributable to owners of the Company	12,648	28.8%	13,876	30.6%
Other comprehensive loss:				
Items that may be subsequently reclassified to profit or loss:				
Change in foreign currency translation adjustments	(585)	(1.3)%	(7,011)	(15.5)%
Other comprehensive loss:	(585)	(1.3)%	(7,011)	(15.5)%
Total comprehensive income for the period, attributable to owners of the Company	12,063	27.5%	6,865	15.1%

Adjusted Profit

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

The following table sets out the Group's adjusted profits for the periods indicated:

	1HFY2024 <i>US\$'000</i>	1HFY2023 <i>US\$'000</i>
Profit for the period	12,648	13,876
Adjustments:		
Share-based compensation	979	1,618
Tax impact on items listed above	(226)	(409)
Adjusted profit	<u>13,401</u>	<u>15,085</u>

1HFY2024 COMPARED WITH 1HFY2023

Revenue

The Group's revenue decreased 3.1% from US\$45.3 million in 1HFY2023 to US\$43.9 million in 1HFY2024, driven by a decrease of US\$4.9 million in Content Solutions revenue, which was partly offset by an increase of US\$3.2 million in the Technology Products and Services revenue and an increase of US\$0.2 million in All Other revenue, as further explained below.

Content Solutions

Revenue from Content Solutions decreased 34.5% from US\$14.2 million in 1HFY2023 to US\$9.3 million in 1HFY2024 primarily due to a decrease in box office revenue. The box office revenue generated by IMAX formatted films decreased 35.0% from US\$165.2 million in 1HFY2023 to US\$107.5 million in 1HFY2024. 1HFY2023 included a record-breaking performance during the critical Chinese New Year period, driven by the reopening of cinemas in Mainland China post-pandemic and the Filmed for IMAX title, *The Wandering Earth 2* that was not repeated in 1HFY2024.

Box office revenue per screen decreased 36.4% from US\$0.22 million in 1HFY2023 to US\$0.14 million in 1HFY2024 due to the reasons explained above.

The following table sets out the number of films released in the IMAX format in 1HFY2024 and 1HFY2023 in Greater China:

	1HFY2024	1HFY2023
Hollywood films	16	14
Hollywood films (Hong Kong and Taiwan only)	2	5
Chinese language films	9	10
Other films	4	3
Other films (Hong Kong and Taiwan only)	2	1
Total IMAX films released	33	33

Technology Products and Services

Revenue from Technology Products and Services increased 10.4% from US\$30.9 million in 1HFY2023 to US\$34.1 million in 1HFY2024. This was driven by an increase of US\$6.1 million in sales and sales-type lease arrangements revenue, an increase of US\$1.9 million in IMAX maintenance revenue, and a decrease of US\$4.8 million in revenue sharing arrangements, as explained further below.

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

Commercial	As at 30 June		
	2024	2023	Growth (%)
The PRC ⁽¹⁾	773	763	1.3%
Hong Kong	5	5	–
Taiwan	11	10	10.0%
Macau	1	1	–
	790	779	1.4%
Institutional⁽²⁾	13	16	(18.8)%
Total	803	795	1.0%

Note:

- (1) Nine theatres in Mainland China were closed in 1HFY2024, one of which was relocated to another site.
- (2) Institutional IMAX theatres include museums, zoos, aquaria and other destination entertainment sites that do not exhibit commercial films. Three institutional IMAX theatres in Mainland China were closed in 1HFY2024.

The following table sets out the number of IMAX theatre systems installed by business arrangements in 1HFY2024 and 1HFY2023:

	1HFY2024	1HFY2023
Sales and sales-type lease arrangements	4	6
Revenue sharing arrangements	6	4
Total theatre systems installed	10⁽¹⁾	10⁽²⁾

Note:

- (1) Includes 4 sales and sales-type lease arrangements (1 new theatre system, 1 upgrade, and 2 relocations) and 6 revenue sharing arrangements (5 new theatre systems and 1 upgrade).
- (2) Includes 6 sales and sales-type lease arrangements (5 new theatre systems and 1 relocation) and 4 revenue sharing arrangements (3 new theatre systems and 1 relocation).

Sales and Sales-Type Lease Arrangements

Revenue from sales and sales-type lease arrangements increased 82.7% from US\$7.5 million in 1HFY2023 to US\$13.7 million in 1HFY2024, primarily due to: (i) US\$7.4 million of discounted minimum payments and estimated contingent rent based on a percentage of IMAX box office recognized as revenue related to the renewal of certain theatre agreements as sales arrangements; (ii) partially offset by a decrease of US\$2.0 million due to 3 fewer sales and sales-type lease installations (excluding redeployed system installations). The Group recognized sales revenue on the installation of 5 new theatre systems with a total value of US\$5.0 million in 1HFY2023 as compared to 2 new theatre systems (including 1 IMAX Laser upgrade) with a total value of US\$3.0 million in 1HFY2024.

Average revenue per new system under sales and sales-type lease arrangements, excluding redeployed systems increased from US\$1.0 million in 1HFY2023 to US\$1.5 million in 1HFY2024 due to a mix of more IMAX Commercial Laser (“COLA”) theatre installations in 1HFY2024.

Revenue Sharing Arrangements

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

Upfront revenue from hybrid revenue sharing arrangements decreased by US\$1.0 million, as there was no hybrid revenue sharing installation in 1HFY2024 versus 2 hybrid revenue sharing installations in 1HFY2023.

Contingent rent from revenue sharing arrangements decreased 33.9% from US\$11.2 million in 1HFY2023 to US\$7.4 million in 1HFY2024 primarily due to decreased box office. This included: (i) contingent rent from full revenue sharing arrangements that decreased 31.6% from US\$9.5 million in 1HFY2023 to US\$6.5 million in 1HFY2024; and (ii) contingent rent from hybrid revenue sharing arrangements that decreased 47.1% from US\$1.7 million in 1HFY2023 to US\$0.9 million in 1HFY2024. There were 512 theatres operating under revenue sharing arrangements at the end of 1HFY2023 as compared to 487 at the end of 1HFY2024.

IMAX Maintenance

IMAX maintenance revenue increased 17.3% from US\$11.0 million in 1HFY2023 to US\$12.9 million in 1HFY2024. Maintenance revenue in 1HFY2023 was impacted by concessions provided due to theatre closures and the business impact of the pandemic on the cinema industry. Maintenance revenue was earned from 803 theatres as at 30 June 2024 as compared to 795 theatres as at 30 June 2023.

All Other

Revenue from All Other increased from US\$0.3 million in 1HFY2023 to US\$0.5 million in 1HFY2024 due to additional contractual revenue generated from the IMAX Enhanced Business.

Cost of Sales

The Group's cost of sales increased 13.3% from US\$16.6 million in 1HFY2023 to US\$18.8 million in 1HFY2024. This increase was primarily due to an increase of US\$0.3 million in Content Solutions and an increase of US\$1.8 million in Technology Products and Sales, explained below.

Content Solutions

The cost of sales for Content Solutions increased 15.0% from US\$2.0 million in 1HFY2023 to US\$2.3 million in 1HFY2024 primarily due to the increased DMR and film marketing costs from 29 films exhibited in Mainland China in 1HFY2024 as compared to 27 films in 1HFY2023.

Technology Products and Services

The cost of sales for Technology Products and Services increased 12.7% from US\$14.2 million in 1HFY2023 to US\$16.0 million in 1HFY2024, mainly driven by an increase of US\$1.4 million in sales and sales-type lease arrangements, a decrease of US\$0.2 million in revenue sharing arrangements, and an increase of US\$0.6 million in IMAX maintenance, as explained further below.

Sales and Sales-Type Lease Arrangements

Cost of sales under sales and sales-type lease arrangements increased 66.7% from US\$2.1 million in 1HFY2023 to US\$3.5 million in 1HFY2024, primarily due to: (i) US\$2.1 million in system cost related to the renewal of certain theatre agreements as sales arrangements; (ii) an increase in the average cost per new system installed, excluding redeployed systems, from US\$0.4 million in 1HFY2023 to US\$0.6 million in 1HFY2024 due to a system mix of more COLA laser theatre installations; partially offset by (iii) 3 fewer sales and sales-type lease installations (excluding redeployed system installation) in 1HFY2024.

Revenue Sharing Arrangements

Cost of sales from installation of hybrid revenue sharing arrangements decreased by US\$0.5 million, primarily due to no installations under hybrid revenue sharing arrangement in 1HFY2024 as compared to 2 in 1HFY2023.

The cost of sales for contingent rent from revenue sharing arrangements increased 4.4% from US\$6.8 million in 1HFY2023 to US\$7.1 million in 1HFY2024, primarily due to one-time costs related to the installation of 4 more full revenue sharing arrangements in 1HFY2024 versus 1HFY2023 and increased depreciation due to an increase in the size of the IMAX revenue sharing network.

IMAX Maintenance

Cost of sales with respect to theatre system maintenance increased 15.2% from US\$4.6 million in 1HFY2023 to US\$5.3 million in 1HFY2024 as a result of higher warranty fees and maintenance parts consumption in 1HFY2024 and an increase in the size of the IMAX network.

All Other

Cost from All Other was flat at US\$0.5 million in both 1HFY2024 and 1HFY2023.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased 12.5% from US\$28.7 million in 1HFY2023 to US\$25.1 million in 1HFY2024, and gross profit margin decreased from 63.3% in 1HFY2023 to gross margin 57.2% in 1HFY2024. The decrease was largely attributable to a US\$5.2 million decrease in Content Solutions gross profit, partially offset by a US\$1.4 million increase in Technology Products and Services gross profit and a US\$0.2 million increase in All Other gross profit, as explained further below.

Content Solutions

The gross profit from Content Solutions decreased 42.6% from US\$12.2 million in 1HFY2023 to US\$7.0 million in 1HFY2024, and the gross profit margin decreased from 86.0% in 1HFY2023 to 75.4% in 1HFY2024. The decrease of gross profit and gross profit margin was primarily due to a decrease of 35.0% in overall box office revenue and additional costs from more films exhibited in Mainland China than prior year.

Technology Products and Services

The gross profit for Technology Products and Services increased 8.4% from US\$16.7 million in 1HFY2023 to US\$18.1 million in 1HFY2024. During the same period, gross profit margin decreased slightly from 54.2% to 53.1%.

Sales and Sales-Type Lease Arrangements

The gross profit increased 87.0% from US\$5.4 million in 1HFY2023 to US\$10.1 million in 1HFY2024 primarily due to the renewal of certain theatre agreements as sales arrangements, partially offset by 3 less installations (excluding redeployed system installation) in 1HFY2024. Gross profit margin increased slightly from 72.0% in 1HFY2023 to 74.1% in 1HFY2024.

Revenue Sharing Arrangements

The gross profit from upfront fees derived from hybrid revenue sharing arrangements decreased by US\$0.4 million, as there were no installation under hybrid revenue sharing arrangements in 1HFY2024 as compared to 2 in 1HFY2023.

The gross profit for contingent rent from full revenue sharing arrangements decreased from a profit of US\$2.9 million in 1HFY2023 to a loss of US\$0.5 million in 1HFY2024. Gross profit decreased primarily due to much lower overall box office revenue, higher depreciation costs from a larger network, and increased one-time costs related to the installations of 4 more full revenue sharing arrangements in 1HFY2024.

The gross profit for contingent rent from hybrid revenue sharing arrangements decreased from US\$1.5 million in 1HFY2023 to US\$0.8 million in 1HFY2024, driven by lower box office.

IMAX Maintenance

The gross profit for theatre system maintenance increased 20.3% from US\$6.4 million in 1HFY2023 to US\$7.7 million in 1HFY2024 and gross profit margin increased from 57.9% in 1HFY2023 to 59.2% in 1HFY2024 mainly due to the impact of maintenance fee concessions provided in 1HFY2023 due to theatre closures and the business impact of the pandemic on the cinema industry, partially offset by higher warranty costs.

All Other

All Other had a loss of less than US\$0.1 million in 1HFY2024 as compared to a loss of US\$0.2 million in 1HFY2023. This was related to the increased contractual revenue generated from the IMAX Enhanced Business against fixed amortization costs.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased 16.8% from US\$9.0 million in 1HFY2023 to US\$6.8 million in 1HFY2024, primarily due to: (i) a US\$1.5 million decrease related to employee salaries and benefits and share-based compensation expenses due to the restructure of certain senior management level roles; and (ii) a US\$0.3 million decrease in facilities driven by office rent savings during 1HFY2024.

Other Operating Expenses

Other operating expenses decreased from US\$2.5 million in 1HFY2023 to US\$2.3 million in 1HFY2024, primarily due to a decrease in annual license fees payable to IMAX Corporation in respect of the trademark and technology licensed under the Technology License Agreements and the Trademark License agreements due to lower revenues in 1HFY2024 versus 1HFY2023.

Provisions of Net Impairment Losses on Financial Assets

Net impairment losses on financial assets for 1HFY2024 and 1HFY2023 were US\$0.4 million and US\$0.8 million, respectively. The losses were primarily due to the provision for current expected credit losses, reflecting an evaluation of the credit quality of its trade receivables, financing receivables and variable consideration receivables. 1HFY2023 was impacted by the business environment given the recent theatre closures and the post pandemic impact on the cinema industry.

Interest Income

Interest income increased from US\$0.7 million in to US\$0.9 million in 1HFY2024 due to increased cash and cash equivalents and higher interest rates on term deposits.

Interest Expense

Interest expense decreased from US\$0.3 million in 1HFY2023 to less than US\$0.1 million in 1HFY2024. Lower amount of term loans was required in 1HFY2024 due to a stronger cash position.

Income Tax Expense

Income tax expense increased 26.7% from US\$3.0 million in 1HFY2023 to US\$3.8 million in 1HFY2024. The increase in income tax expense was primarily due to US\$1.3 million of deferred tax assets recognized in 1HFY2023 for the accumulated losses of IMAX (Shanghai) Culture & Technology Co., Ltd. (“IMAX Shanghai Culture”, a wholly-owned subsidiary of the Company).

Profit for the Period

The Group reported a profit for the period of US\$12.6 million in 1HFY2024 as compared to a profit of US\$13.9 million in 1HFY2023.

Other Comprehensive Loss for the Period

The Group reported other comprehensive loss for the period of US\$0.6 million in 1HFY2024 as compared to a loss of US\$7.0 million in 1HFY2023, which are the result of foreign currency translation adjustments in 1HFY2024 (0.62% depreciation of RMB relative to USD) compared to the 1HFY2023 (3.8% depreciation of RMB relative to USD).

Adjusted Profit

Adjusted profit, which consists of profit for the period adjusted for the impact of share-based compensation and the related tax impact, was US\$13.4 million in 1HFY2024 as compared to US\$15.1 million in 1HFY2023.

LIQUIDITY AND CAPITAL RESOURCES

	As at 30 June 2024 <i>US\$'000</i>	As at 31 December 2023 <i>US\$'000</i>
Current assets		
Other assets	1,109	1,523
Contract acquisition costs	652	628
Film assets	75	66
Inventories	6,878	6,368
Prepayments	2,721	3,035
Income tax receivables	467	1,149
Variable consideration receivable from contracts	1,816	664
Financing receivables	30,058	31,728
Trade and other receivables	73,504	75,956
Cash and cash equivalents	<u>77,457</u>	<u>62,711</u>
Total Current Assets	<u>194,737</u>	<u>183,828</u>
Current liabilities		
Trade and other payables	16,430	15,406
Accruals and other liabilities	7,668	8,877
Deferred revenue	<u>10,748</u>	<u>12,196</u>
Total Current Liabilities	<u>34,846</u>	<u>36,479</u>
Net Current Assets	<u>159,891</u>	<u>147,349</u>

As at 30 June 2024, the Group had net current assets of US\$159.9 million compared to net current assets of US\$147.3 million as at 31 December 2023. The increase in net current assets in 1HFY2024 was mainly attributable to a US\$14.7 million increase in cash and cash equivalents, a US\$1.4 million decrease in deferred revenue, and a US\$1.2 million increase in variable consideration receivables from contracts. This was partially offset by a US\$2.5 million decrease in trade and other receivables, a US\$1.7 million decrease in financing receivables and a US\$1.0 million increase in trade and other payables.

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

	As at 30 June 2024 US\$'000	As at 31 December 2023 US\$'000
Cash and cash equivalents denominated in RMB	\$ 44,055	\$ 30,036
Cash and cash equivalents denominated in US\$	\$ 33,091	\$ 32,516
Cash denominated in Hong Kong dollars	\$ 311	\$ 159
	<u>\$ 77,457</u>	<u>\$ 62,711</u>

CAPITAL MANAGEMENT

The Group's objectives for capital management include: (i) to safeguard the Group's ability to continue as a going concern; (ii) to maximize returns to shareholders and other stakeholders; and (iii) to maintain an optimal capital structure by reducing the weighted average cost of capital.

The Group considers and evaluates its capital structure based on the aggregate of the total equity and long-term debt less cash and short-term deposits. The Group manages the capital structure and makes adjustments to the structure in order to have funds available to support the business activities which the Board intends to pursue in addition to maximizing the return to shareholders. The Board does not establish a quantitative return on capital criteria for management, but rather relies on the expertise of the Group's management to sustain future development of the business.

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

CASH FLOW ANALYSIS

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

	1HFY2024	1HFY2023
	US\$'000	US\$'000
Net cash provided by operating activities	19,657	12,002
Net cash used in investing activities	(3,216)	(1,773)
Net cash used in financing activities	(1,492)	(9,744)
Effects of exchange rate changes on cash	(203)	(1,898)
Increase (Decrease) in cash and cash equivalents during period	14,746	(1,413)
Cash and cash equivalents, beginning of period	62,711	74,972
Cash and cash equivalents, end of period	77,457	73,559

Cash Provided by Operating Activities

1HFY2024

The Group's net cash provided by operations was approximately US\$19.7 million in 1HFY2024. The Group had profit before income tax for the period of US\$16.4 million in 1HFY2024, and positive adjustments for depreciation of property, plant and equipment of US\$7.1 million, amortization of film assets of US\$2.4 million, settlement of equity and other non-cash compensation of US\$0.6 million, amortization of contribution to IMAX Enhanced business of US\$0.5 million, and allowance for expected credit loss of US\$0.4 million, reduced by changes in working capital of US\$5.2 million, and taxes paid of US\$2.6 million. Changes in working capital primarily consisted of: (i) an increase in variable consideration receivable from contracts of US\$6.0 million; (ii) an increase in film assets of US\$2.4 million; (iii) a decrease in deferred revenue of US\$1.1 million; (iv) a decrease in accruals and other liabilities of US\$1.0 million; partially offset by: (i) a decrease in inventories of US\$1.6 million; (ii) a decrease in trade and other receivables of US\$1.3 million; (iii) a decrease in financing receivables of US\$1.0 million; and (iv) an increase in trade and other payables of US\$0.8 million.

1HFY2023

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

Cash Used in Investing Activities

1HFY2024

The Group's net cash used in investing activities was approximately US\$3.2 million for 1HFY2024, primarily related to investments in IMAX theatre equipment amounting to US\$2.6 million installed in our exhibitor partners' theatres under full revenue sharing arrangements, and purchase of property, plant and equipment related primarily to leasehold improvements of US\$0.6 million.

1HFY2023

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

Cash Used in Financing Activities

1HFY2024

The Group's net cash used in financing activities was approximately US\$1.5 million for 1HFY2024 primarily due to: (i) settlement of restricted share units and options of US\$1.1 million; (ii) principal elements of lease payments of US\$0.3 million; and (iii) payments for the buy-back of shares of US\$0.1 million.

1HFY2023

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

CONTRACTUAL OBLIGATIONS AND CAPITAL COMMITMENTS

Lease Commitments

The Group has lease commitments within one year amounting to less than US\$0.1 million related primarily to leased office.

Capital Commitments

As at 30 June 2024, the Group had capital expenditures contracted but not provided for of US\$2.7 million (31 December 2023: US\$0.9 million) primarily related to acquisition of property, plant and equipment.

CAPITAL EXPENDITURES AND CONTINGENT LIABILITIES

Capital Expenditures

The Group's capital expenditures primarily relate to the acquisition of IMAX theatre systems. Capital expenditures were US\$3.2 million and US\$1.8 million for 1HFY2024 and 1HFY2023, respectively.

Going forward, the Group plans to allocate a significant portion of the capital expenditures to the continued upgrade and expansion of the IMAX theatre network under revenue sharing arrangements by executing on the existing contractual backlog and future signings.

Contingent Liabilities

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

The Directors confirm that there has been no material change in the Group's commitments and contingent liabilities since 30 June 2024.

WORKING CAPITAL

The Group finances its working capital needs primarily through cash flow from operating activities and working capital loans. Cash flow generated from operating activities was US\$19.7 million in 1HFY2024 as compared to the cash flow generated from operating activities of US\$12.0 million in 1HFY2023. As the IMAX theatre network continues to grow, the Group believes cash flow from operating activities will continue to increase and fund existing business operations and any initial capital expenditures required under revenue sharing arrangements.

The Group has an unsecured revolving facility with Bank of China Limited for up to RMB200.0 million (approximately US\$28.1 million) to fund ongoing working capital requirements, including RMB10.0 million (approximately US\$1.5 million) to fund letter of guarantee requirements. The total amounts drawn and available under the working capital loan as of 30 June 2024 were RMB nil and RMB190.0 million for bank borrowing facility, and RMB0.2 million and RMB9.8 million for letter of guarantee facility, respectively.

The Group has an unsecured revolving facility with HSBC Bank (China) Company Limited, Shanghai Branch for up to RMB200.0 million (approximately US\$28.1 million) to fund ongoing working capital requirement. The total amounts drawn and available under the working capital loan at 30 June 2024 were RMB nil and RMB200.0 million, respectively.

Except as disclosed above or as otherwise disclosed herein, as of 30 June 2024, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

STATEMENT OF INDEBTEDNESS

As at 30 June 2024:

- Except for the drawdown of RMB0.2 million on the letter of guarantee facility with Bank of China Limited for up to RMB10 million, the Group did not have any bank borrowings or committed bank facilities;
- The Group did not have any borrowing from IMAX Corporation or any related parties; and
- The Group did not have any hire purchase commitments or bank overdrafts.

Since 30 June 2024, being the latest date of the condensed interim statements, there has been no material adverse change to the Group's indebtedness.

RECENT DEVELOPMENTS

No important event affecting the Group has occurred since 30 June 2024.

OFF BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

The Group had no off-balance sheet arrangements as at 30 June 2024.

KEY FINANCIAL RATIOS

The following table lays out certain financial ratios as of the dates and for the years indicated. The Group presents adjusted gearing ratio and adjusted profit margin because the Group believes they present a more meaningful picture of the financial performance than unadjusted numbers as they exclude the impact from share-based compensation, restructuring expenses and associated impairments, and the related tax impact.

	As at 30 June 2024	As at 31 December 2023
Gearing ratio ⁽¹⁾	<u>23.4%</u>	<u>25.1%</u>
	1HFY2024	1HFY2023
Adjusted profit margin ⁽²⁾	<u>30.5%</u>	<u>33.3%</u>

Notes:

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

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

Gearing Ratio

The Group's gearing ratio decreased from 25.1% as at 31 December 2023 to 23.4% as at 30 June 2024, primarily due to an increase in equity of US\$11.5 million, a decrease in deferred revenue of US\$1.4 million, and a decrease in accruals and other liabilities of US\$1.4 million, partially offset by an increase in trade and other payable of US\$1.0 million.

Adjusted Profit Margin

The Group's adjusted profit margin decreased from 33.3% as at 30 June 2023 to 30.5% as at 30 June 2024, for reasons explained above.

DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

The proposal of payment and the amount of the dividends will ultimately be made at the discretion of the Board and will depend on the general business conditions and strategies, cash flow situation, financial results, capital requirements and expenditure plans, the interests of the Shareholders, statutory and regulatory restrictions as well as other factors that the Board may consider relevant.

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

As at 30 June 2024, the Company had a total equity of US\$40.5 million. Under the Companies Law of the Cayman Islands, subject to the provisions of memorandum of association of the Company or the articles of association (the "**Articles of Association**"), the Company's share premium account may be applied to pay distributions or dividends to shareholders provided that immediately following the date of distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

Dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2024.

MATERIAL ACQUISITIONS OR DISPOSALS

The Group has not undertaken any material acquisition or disposal for the six months ended 30 June 2024.

SIGNIFICANT INVESTMENTS AND DIVESTMENTS

The Group is entitled to IMAX Hong Kong Holding's share of any distributions and dividends paid by TCL-IMAX Entertainment in respect of profit from Greater China as a result of a preferred share the Group holds in IMAX Hong Kong Holding, which holds 50% of TCL-IMAX Entertainment, a 50:50 joint venture between IMAX Hong Kong Holding (which is indirectly wholly owned by IMAX Corporation) and Sino Leader (Hong Kong) Limited (which is wholly owned by TCL Multimedia Technology Holdings Limited).

The purpose of the investment was to enable the Group to share in any profit earned in Greater China by TCL-IMAX Entertainment. The Group does not have any management or operational role, responsibilities or rights in TCL-IMAX Entertainment, nor is the Group subject to any funding obligations (either in respect of capital funding or bearing of losses) in relation to TCL-IMAX Entertainment. As of 30 June 2024, the fair value of TCL-IMAX Entertainment was nil (31 December 2023: nil). TCL-IMAX Entertainment started a liquidation process in the second half of FY2023.

IMAX (Shanghai) Culture & Technology Co., Ltd. ("**IMAX Shanghai Culture**") was set up on 16 December 2021, which is 100% invested by IMAX (Shanghai) Multimedia Technology Co., Ltd. ("**IMAX Shanghai Multimedia**"). IMAX Shanghai Multimedia is a wholly-owned subsidiary of the Company. On 25 July 2022, the Company, IMAX Shanghai Culture and IMAX Corporation entered into an Enhanced Business Required IMAX China Contribution Agreement pursuant to which the Company agreed to acquire and have the exclusive right to, directly or through any member of the Group, develop and exploit the Enhanced Business in Greater China ("**Enhanced Business**"). Enhanced Business was taken over by IMAX Shanghai Multimedia from IMAX Shanghai Culture in the second half of FY2023. IMAX Shanghai Culture has finished the liquidation process in the first half of FY2024 based on the business strategic decision.

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

OTHER INFORMATION

CORPORATE GOVERNANCE

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

Pursuant to code provision C.1.6 of the CG Code, Independent Non-executive Directors and other Non-executive Directors of the Company should attend general meetings of the Company, and pursuant to code provision F.2.2 of the CG Code, the Chair of the Board and the Chair of each Committee of the Company should attend the annual general meeting. However, Chairman and Non-executive Director of the Company, Mr. Richard Gelfond, Executive Directors of the Company, Mr. Daniel Manwaring and Mr. Jim Athanasopoulos, Non-executive Director of the Company, Mr. Robert Lister, and Independent Non-executive Directors of the Company, Mr. Peter Loehr and Ms. Janet Yang, were unable to attend the annual general meeting of the Company convened on 7 June 2024 due to other important business commitments. Mr. Richard Gelfond appointed Mr. Jiande Chen, an Executive Director and the Vice Chairman of the Company, to be his delegate as the Chair of the Board and as the Chair of the Nomination Committee to attend, chair and answer questions at the annual general meeting. Save as disclosed above, during the Reporting Period, the Company has complied with all the code provisions of the CG Code.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2024, the Company conducted share repurchases of 119,900 listed Shares on the Stock Exchange pursuant to a general mandate granted by the Shareholders to the Directors during the annual general meeting of the Company convened on 7 June 2023. The following table outlines details of the shares repurchased on a monthly basis.

Month	Number of shares repurchased	Highest price paid per share <i>HK\$</i>	Lowest price paid per share <i>HK\$</i>	Average price paid per share <i>HK\$</i>	Aggregate price paid <i>HK\$</i>
May 2024	119,900	7.50	7.35	7.43	890,928.94
Total	119,900				890,928.94

In addition, during the six months ended 30 June 2024, 91,811 listed Shares, 91,643 listed Shares, 76,900 listed Shares, 177,400 listed Shares, 218,318 listed Shares, 71,500 listed Shares, 54,200 listed Shares, 63,600 listed Shares, and 181,752 listed Shares were purchased through Computershare Hong Kong Trustees Limited, the professional trustee engaged by the Company for administering its share schemes, on 29 February 2024 at an average price per Share of HK\$6.7076, on 1 March 2024 at an average price per Share of HK\$6.9233, on 27 May 2024 at an average price per Share of HK\$8.29, on 28 May 2024 at an average price per Share of HK\$8.70, on 29 May 2024 at an average price per Share of HK\$8.92, on 7 June 2024 at an average price per Share of HK\$8.7002, on 11 June 2024 at an average price per Share of HK\$8.7069, on 12 June 2024 at an average price per Share of HK\$8.7379, and on 13 June 2024 at an average price per Share of HK\$8.7405 on the Stock Exchange, for satisfying, or preparing for the satisfaction of, the vesting of the relevant restricted share units or performance share units.

Save for the above, there have been no convertible securities issued or granted by the Group, no exercise of any conversion or subscription rights, nor any purchase, sale or redemption by the Group of the Company's listed securities during the six months ended 30 June 2024.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Directors' dealing policy on 21 September 2015 in order to ensure compliance with the Model Code. The terms of the Directors' dealing policy are no less exacting than those set out in the Model Code. Having made specific enquiry of the Directors, all Directors have confirmed that they have complied with the required standard of dealings and code of conduct regarding securities dealings by directors as set out in the Model Code and the Company's own Directors' dealing policy for the six months ended 30 June 2024.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company and within the knowledge of the Directors, as at the date of this announcement, the Company has maintained the prescribed public float under the Listing Rules throughout the six months ended 30 June 2024.

REVIEW OF INTERIM REPORT

The interim report, including the unaudited condensed consolidated interim financial information of the Group, for the six months ended 30 June 2024 have been reviewed by PwC, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The audit committee members have reviewed the interim report, including the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2024.

The Company's interim report for the six months ended 30 June 2024 containing all the relevant information required by Appendix D2 of the Listing Rules will be published on the websites of the Company and the Stock Exchange and dispatched to Shareholders in due course.

LITIGATION

The Group did not have any material litigation outstanding as at 30 June 2024.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2024.

INSIDE INFORMATION

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

Results of IMAX Corporation

Our controlling shareholder, IMAX Corporation, is a company listed on the New York Stock Exchange in the United States. As of the date of this announcement, IMAX Corporation beneficially owns 71.55% of the issued share capital of the Company.

On 25 July 2024 (New York time), IMAX Corporation made an announcement regarding its unaudited results for the second quarter of 2024 (the “**Earnings Release**”). If you wish to review the Earnings Release, please visit: <https://www.sec.gov/ix?doc=/Archives/edgar/data/0000921582/000092158224000006/imax-20240725.htm>. Unless otherwise provided therein, all dollar amounts in the Earnings Release are denominated in United States dollars.

On 25 July 2024 (New York time), IMAX Corporation filed its unaudited quarterly report on the Form 10-Q for the second quarter of 2024 (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/0000921582/000092158224000010/imax-20240630.htm>. Unless otherwise provided therein, all dollar amounts in the Quarterly Report are denominated in United States dollars.

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

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

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

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

(1) QUARTERLY REPORT EXTRACTS

IMAX CORPORATION

PART I. FINANCIAL INFORMATION

Item 1. *Financial Statements*

IMAX CORPORATION CONDENSED CONSOLIDATED BALANCE SHEETS

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

(Unaudited)

	June 30, 2024	December 31, 2023
Assets		
Cash and cash equivalents	\$ 91,552	\$ 76,200
Accounts receivable, net of allowance for credit losses	121,513	136,259
Financing receivables, net of allowance for credit losses	123,496	127,154
Variable consideration receivables, net of allowance for credit losses	69,927	64,338
Inventories	37,798	31,584
Prepaid expenses	11,786	12,345
Film assets, net of accumulated amortization	8,532	6,786
Property, plant and equipment, net of accumulated depreciation	237,781	243,299
Other assets	21,244	20,879
Deferred income tax assets, net of valuation allowance	16,099	7,988
Goodwill	52,815	52,815
Other intangible assets, net of accumulated amortization	34,856	35,022
Total assets	\$ 827,399	\$ 814,669
Liabilities		
Accounts payable	\$ 20,055	\$ 26,386
Accrued and other liabilities	106,336	111,013
Deferred revenue	62,655	67,105
Revolving credit facility borrowings, net of unamortized debt issuance costs	53,132	22,924
Convertible notes and other borrowings, net of unamortized discounts and debt issuance costs	229,738	229,131
Deferred income tax liabilities	12,521	12,521
Total liabilities	484,437	469,080

	June 30, 2024	December 31, 2023
Commitments, contingencies and guarantees (see Note 7)		
Non-controlling interests	<u>657</u>	<u>658</u>
Shareholders' equity		
Capital stock common shares — no par value.		
Authorized — unlimited number.		
52,676,567 issued and outstanding		
(December 31, 2023 — 53,260,276 issued and outstanding)	394,493	389,048
Other equity	176,632	185,087
Statutory surplus reserve	3,932	3,932
Accumulated deficit	(293,889)	(292,845)
Accumulated other comprehensive loss	<u>(13,974)</u>	<u>(12,081)</u>
Total shareholders' equity attributable to common shareholders	267,194	273,141
Non-controlling interests	<u>75,111</u>	<u>71,790</u>
Total shareholders' equity	<u>342,305</u>	<u>344,931</u>
Total liabilities and shareholders' equity	<u>\$ 827,399</u>	<u>\$ 814,669</u>

*(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		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Revenues				
Technology sales	\$ 20,420	\$ 29,360	\$ 28,324	\$ 47,182
Image enhancement and maintenance services	52,189	46,867	102,537	93,994
Technology rentals	14,043	19,546	32,644	39,604
Finance income	2,309	2,206	4,579	4,145
	<u>88,961</u>	<u>97,979</u>	<u>168,084</u>	<u>184,925</u>
Costs and expenses applicable to revenues				
Technology sales	9,222	13,771	13,989	21,003
Image enhancement and maintenance services	29,089	19,739	50,284	42,824
Technology rentals	6,723	6,582	12,995	13,160
	<u>45,034</u>	<u>40,092</u>	<u>77,268</u>	<u>76,987</u>
Gross margin	43,927	57,887	90,816	107,938
Selling, general and administrative expenses	37,564	38,906	68,821	73,054
Research and development	2,031	2,762	4,218	4,617
Amortization of intangible assets	1,321	1,147	2,664	2,221
Credit loss expense, net	139	846	174	1,066
Restructuring and executive transition costs	—	—	—	1,353
	<u>2,872</u>	<u>14,226</u>	<u>14,939</u>	<u>25,627</u>
Income from operations	2,872	14,226	14,939	25,627
Realized and unrealized investment gains	32	28	62	72
Retirement benefits non-service expense	(107)	(78)	(214)	(155)
Interest income	561	693	1,095	1,100
Interest expense	(2,282)	(1,795)	(4,227)	(3,562)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Income before taxes	1,076	13,074	11,655	23,082
Income tax recovery (expense)	3,997	(3,461)	(1,162)	(8,346)
Net income	5,073	9,613	10,493	14,736
Net income attributable to non-controlling interests	(1,490)	(1,262)	(3,636)	(3,931)
Net income attributable to common shareholders	\$ 3,583	\$ 8,351	\$ 6,857	\$ 10,805
Net income per share attributable to common shareholders:				
Basic and diluted	\$ 0.07	\$ 0.15	\$ 0.13	\$ 0.20
Weighted average shares outstanding (in thousands):				
Basic	52,633	54,591	52,568	54,328
Diluted	53,428	55,320	53,386	55,145

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

IMAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME

(In thousands of U.S. Dollars)

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Net income	\$ 5,073	\$ 9,613	\$ 10,493	\$ 14,736
Other comprehensive loss before tax				
Unrealized net (loss) gain from cash flow hedging instruments	(365)	688	(1,281)	822
Realized net loss from cash flow hedging instruments	67	123	78	462
Foreign currency translation adjustments	(454)	(10,059)	(996)	(7,619)
Defined benefit and postretirement benefit plans	(149)	(176)	(398)	(352)
Total other comprehensive loss before tax	(901)	(9,424)	(2,597)	(6,687)
Income tax benefit (expense) related to other comprehensive loss	117	(166)	420	(244)
Other comprehensive loss, net of tax	(784)	(9,590)	(2,177)	(6,931)
Comprehensive income	4,289	23	8,316	7,805
Comprehensive (income) loss attributable to non-controlling interests	(1,359)	1,582	(3,351)	(1,776)
Comprehensive income attributable to common shareholders	\$ 2,930	\$ 1,605	\$ 4,965	\$ 6,029

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

IMAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of U.S. Dollars)
(Unaudited)

	Six Months Ended June 30,	
	2024	2023
Operating Activities		
Net income	\$ 10,493	\$ 14,736
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	34,002	27,198
Amortization of deferred financing costs	985	1,250
Credit loss expense, net	174	1,066
Write-downs, including asset impairments	2,399	474
Deferred income tax benefit	(7,722)	(3,279)
Share-based and other non-cash compensation	11,753	12,533
Unrealized foreign currency exchange loss	51	175
Realized and unrealized investment gain	(62)	(72)
Changes in assets and liabilities:		
Accounts receivable	14,492	9,531
Inventories	(6,271)	(6,118)
Film assets	(12,741)	(9,241)
Deferred revenue	(4,397)	(3,255)
Changes in other operating assets and liabilities	(19,086)	(19,143)
	<u>24,070</u>	<u>25,855</u>
Net cash provided by operating activities		
Investing Activities		
Purchase of property, plant and equipment	(2,690)	(1,009)
Investment in equipment for joint revenue sharing arrangements	(9,757)	(4,033)
Acquisition of other intangible assets	(3,191)	(3,478)
	<u>(15,638)</u>	<u>(8,520)</u>
Net cash used in investing activities		

	Six Months Ended June 30,	
	2024	2023
Financing Activities		
Revolving credit facility borrowings	51,000	30,717
Repayments of revolving credit facility borrowings	(21,000)	(38,886)
Repayments of other borrowings	(311)	—
Proceeds from other borrowings	—	315
Repurchase of common shares	(18,102)	(4,011)
Taxes withheld and paid on employee stock awards vested	(4,978)	(6,458)
Dividends paid to non-controlling interests	—	(1,438)
	<hr/>	<hr/>
Net cash provided by (used in) financing activities	6,609	(19,761)
	<hr/>	<hr/>
Effects of exchange rate changes on cash	311	291
	<hr/>	<hr/>
Increase (decrease) in cash and cash equivalents during period	15,352	(2,135)
Cash and cash equivalents, beginning of period	76,200	97,401
	<hr/>	<hr/>
Cash and cash equivalents, end of period	\$ 91,552	\$ 95,266
	<hr/> <hr/>	<hr/> <hr/>

*(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)

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 (the “**SEC**”). 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, 2023 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 2023 Annual Report on Form 10-K (the “**2023 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 2023 Form 10-K.

Principles of Consolidation

These Condensed Consolidated Financial Statements include the accounts of IMAX Corporation 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 2(b) of the Company's audited Consolidated Financial Statements included in its 2023 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 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.

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

Accounts Receivable

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

The following tables summarize the activity in the allowance for credit losses related to Accounts Receivable for the three and six months ended June 30, 2024 and 2023:

<i>(In thousands of U.S. Dollars)</i>	Three Months Ended June 30, 2024				Six Months Ended June 30, 2024			
	Theater Operators	Studios	Other	Total	Theater Operators	Studios	Other	Total
Beginning balance	\$ 14,247	\$ 630	\$ 1,079	\$ 15,956	\$ 14,355	\$ 616	\$ 1,006	\$ 15,977
Current period provision (reversal), net	53	24	1	78	(41)	38	74	71
Write-offs, net of recoveries	(178)	(3)	—	(181)	(178)	(3)	—	(181)
Foreign exchange	(27)	—	—	(27)	(41)	—	—	(41)
Ending balance	<u>\$ 14,095</u>	<u>\$ 651</u>	<u>\$ 1,080</u>	<u>\$ 15,826</u>	<u>\$ 14,095</u>	<u>\$ 651</u>	<u>\$ 1,080</u>	<u>\$ 15,826</u>

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

For the three and six months ended June 30, 2024, the Company's allowance for current expected credit losses related to Accounts Receivable decreased by \$0.1 million and \$0.2 million, respectively.

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

Financing Receivables

Financing receivables are due from theater operators and consist of the Company's net investment in sales-type leases and receivables associated with financed sales of IMAX Systems. As of June 30, 2024 and December 31, 2023, financing receivables consist of the following:

<i>(In thousands of U.S. Dollars)</i>	June 30, 2024	December 31, 2023
Net investment in leases:		
Gross minimum payments due under sales-type leases	\$ 28,816	\$ 30,459
Unearned finance income	<u>(463)</u>	<u>(467)</u>
Present value of minimum payments due under sales-type leases	28,353	29,992
Allowance for credit losses	<u>(450)</u>	<u>(453)</u>
Net investment in leases	<u>27,903</u>	<u>29,539</u>
Financed sales receivables:		
Gross minimum payments due under financed sales	133,303	135,684
Unearned finance income	<u>(28,085)</u>	<u>(28,452)</u>
Present value of minimum payments due under financed sales	105,218	107,232
Allowance for credit losses	<u>(9,625)</u>	<u>(9,617)</u>
Net financed sales receivables	<u>95,593</u>	<u>97,615</u>
Total financing receivables	<u>\$ 123,496</u>	<u>\$ 127,154</u>
Net financed sales receivables due within one year	\$ 31,046	\$ 32,031
Net financed sales receivables due after one year	<u>64,547</u>	<u>65,584</u>
Total financed sales receivables	<u>\$ 95,593</u>	<u>\$ 97,615</u>

As of June 30, 2024 and December 31, 2023, the weighted-average remaining lease term and weighted-average interest rate associated with the Company's sales-type lease arrangements and financed sales receivables, as applicable, are as follows:

<i>(In thousands of U.S. Dollars)</i>	June 30, 2024	December 31, 2023
Weighted-average remaining lease term (in years):		
Sales-type lease arrangements	8.0	8.3
Weighted-average interest rate		
Sales-type lease arrangements	7.33%	7.88%
Financed sales receivables	8.90%	8.97%

The tables below provide information on the Company's net investment in leases by credit quality indicator as of June 30, 2024 and December 31, 2023. The amounts disclosed for each credit quality classification are determined on a customer-by-customer basis as per the origination year of the relationship, and include both billed and unbilled amounts.

<i>(In thousands of U.S. Dollars)</i>	By Origination Year						
As of June 30, 2024	2024	2023	2022	2021	2020	Prior	Total
Net investment in leases:							
Credit quality classification:							
In good standing	\$ —	\$ 2,127	\$ 1,737	\$ 6,699	\$ 2,159	\$ 2,524	\$ 15,246
Credit Watch	—	—	—	—	—	—	—
Pre-approved transactions	—	—	490	3,476	1,186	7,554	12,706
Transactions suspended	—	—	—	—	—	401	401
	<u>—</u>	<u>2,127</u>	<u>2,227</u>	<u>10,175</u>	<u>3,345</u>	<u>10,479</u>	<u>28,353</u>
Total net investment in leases	\$ —	\$ 2,127	\$ 2,227	\$ 10,175	\$ 3,345	\$ 10,479	\$ 28,353

<i>(In thousands of U.S. Dollars)</i>	By Origination Year						
As of December 31, 2023	2023	2022	2021	2020	2019	Prior	Total
Net investment in leases:							
Credit quality classification:							
In good standing	\$ 2,435	\$ 3,262	\$ 6,241	\$ 2,173	\$ 1,677	\$ 1,138	\$ 16,926
Credit Watch	—	490	—	—	—	313	803
Pre-approved transactions	—	—	3,462	1,182	5,221	1,997	11,862
Transactions suspended	—	—	—	—	—	401	401
	<u>2,435</u>	<u>3,752</u>	<u>9,703</u>	<u>3,355</u>	<u>6,898</u>	<u>3,849</u>	<u>29,992</u>
Total net investment in leases	\$ 2,435	\$ 3,752	\$ 9,703	\$ 3,355	\$ 6,898	\$ 3,849	\$ 29,992

The tables below provide information on the Company's financed sales receivables by credit quality indicator as of June 30, 2024 and December 31, 2023. The amounts disclosed for each credit quality classification are determined on a customer-by-customer basis as per the origination year of the relationship, and include both billed and unbilled amounts.

(In thousands of U.S. Dollars)

As of June 30, 2024	By Origination Year						Total
	2024	2023	2022	2021	2020	Prior	
Financed sales receivables:							
Credit quality classification:							
In good standing	\$ 343	\$ 8,345	\$ 7,498	\$ 4,480	\$ 5,031	\$ 52,522	\$ 78,219
Credit Watch	—	—	—	—	—	1,142	1,142
Pre-approved transactions	—	483	342	2,874	1,478	8,558	13,735
Transactions suspended	—	161	—	737	146	11,078	12,122
Total financed sales receivables	\$ 343	\$ 8,989	\$ 7,840	\$ 8,091	\$ 6,655	\$ 73,300	\$105,218

(In thousands of U.S. Dollars)

As of December 31, 2023	By Origination Year					Prior	Total
	2023	2022	2021	2020	2019		
Financed sales receivables:							
Credit quality classification:							
In good standing	\$ 6,660	\$ 5,921	\$ 5,961	\$ 5,415	\$ 8,058	\$ 44,870	\$ 76,885
Credit Watch	—	30	—	—	317	796	1,143
Pre-approved transactions	607	313	2,619	1,455	2,084	8,508	15,586
Transactions suspended	—	—	728	345	1,546	10,999	13,618
Total financed sales receivables	\$ 7,267	\$ 6,264	\$ 9,308	\$ 7,215	\$ 12,005	\$ 65,173	\$107,232

The following tables provide an aging analysis for the Company's net investment in leases and financed sales receivables as of June 30, 2024 and December 31, 2023:

<i>(In thousands of U.S. Dollars)</i>	As of June 30, 2024							Net
	Accrued and Current	30-89 Days	90+ Days	Billed	Unbilled	Recorded Receivable	Allowance for Credit Losses	
Net investment in leases	\$ 270	\$ 420	\$ 4,796	\$ 5,486	\$ 22,867	\$ 28,353	\$ (450)	\$ 27,903
Financed sales receivables	1,438	2,054	8,726	12,218	93,000	105,218	(9,625)	95,593
Total	\$ 1,708	\$ 2,474	\$ 13,522	\$ 17,704	\$ 115,867	\$ 133,571	\$ (10,075)	\$ 123,496

<i>(In thousands of U.S. Dollars)</i>	As of December 31, 2023							Net
	Accrued and Current	30-89 Days	90+ Days	Billed	Unbilled	Recorded Receivable	Allowance for Credit Losses	
Net investment in leases	\$ 293	\$ 212	\$ 4,598	\$ 5,103	\$ 24,889	\$ 29,992	\$ (453)	\$ 29,539
Financed sales receivables	1,535	1,196	10,704	13,435	93,797	107,232	(9,617)	97,615
Total	\$ 1,828	\$ 1,408	\$ 15,302	\$ 18,538	\$ 118,686	\$ 137,224	\$ (10,070)	\$ 127,154

The following tables provide information about the Company's net investment in leases and financed sale receivables with billed amounts past due for which it continues to accrue finance income as of June 30, 2024 and December 31, 2023. The amounts disclosed for each credit quality classification are determined on a customer-by-customer basis and include both billed and unbilled amounts.

<i>(In thousands of U.S. Dollars)</i>	As of June 30, 2024						
	Accrued and Current	30-89 Days	90+ Days	Billed	Unbilled	Allowance for Credit Losses	Net
Net investment in leases	\$ 232	\$ 420	\$ 4,796	\$ 5,448	\$ 21,745	\$ (10)	\$ 27,183
Financed sales receivables	832	1,521	8,744	11,097	34,679	(1,063)	44,713
Total	<u>\$ 1,064</u>	<u>\$ 1,941</u>	<u>\$ 13,540</u>	<u>\$ 16,545</u>	<u>\$ 56,424</u>	<u>\$ (1,073)</u>	<u>\$ 71,896</u>

<i>(In thousands of U.S. Dollars)</i>	As of December 31, 2023						
	Accrued and Current	30-89 Days	90+ Days	Billed	Unbilled	Allowance for Credit Losses	Net
Net investment in leases	\$ 259	\$ 212	\$ 4,598	\$ 5,069	\$ 22,651	\$ (9)	\$ 27,711
Financed sales receivables	798	782	10,517	12,097	33,552	(1,198)	44,451
Total	<u>\$ 1,057</u>	<u>\$ 994</u>	<u>\$ 15,115</u>	<u>\$ 17,166</u>	<u>\$ 56,203</u>	<u>\$ (1,207)</u>	<u>\$ 72,162</u>

The following table provides information about the Company's net investment in leases and financed sale receivables that are on nonaccrual status as of June 30, 2024 and December 31, 2023:

<i>(In thousands of U.S. Dollars)</i>	As of June 30, 2024			As of December 31, 2023		
	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	<u>27,185</u>	<u>(8,861)</u>	<u>18,324</u>	<u>29,204</u>	<u>(8,884)</u>	<u>20,320</u>
Total	<u>\$ 27,586</u>	<u>\$ (9,262)</u>	<u>\$ 18,324</u>	<u>\$ 29,605</u>	<u>\$ (9,285)</u>	<u>\$ 20,320</u>

For the three and six months ended June 30, 2024 and 2023, the Company did not recognize Finance Income related to the net investment in leases on non-accrual status.

For the three and six months ended June 30, 2024, the Company recognized \$0.3 million and \$0.7 million, respectively (2023 — less than \$0.1 million and less than \$0.1 million, respectively) in Finance Income related to the financed sales receivables in nonaccrual status.

The following tables summarize the activity in the allowance for credit losses related to the Company's net investment in leases and financed sale receivables for the three and six months ended June 30, 2024 and 2023:

	Three Months Ended June 30, 2024		Six Months Ended June 30, 2024	
	Net Investment in Leases	Net Financed Sales Receivables	Net Investment in Leases	Net Financed Sales Receivables
<i>(In thousands of U.S. Dollars)</i>				
Beginning balance	\$ 451	\$ 9,616	\$ 453	\$ 9,617
Current period (reversal) provision, net	(1)	17	3	13
Foreign exchange	—	(8)	(6)	(5)
Ending balance	<u>\$ 450</u>	<u>\$ 9,625</u>	<u>\$ 450</u>	<u>\$ 9,625</u>

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

For the three and six months ended June 30, 2024, the Company's allowance for current expected credit losses related to its net investment in leases decreased by less than \$0.1 million and financed sale receivables increased by less than \$0.1 million.

For the three and six months ended June 30, 2023, the Company's allowance for current expected credit losses related to its net investment in leases decreased by \$0.1 million and financed sale receivables decreased by \$0.5 million and increased by \$0.1 million, respectively.

Variable Consideration Receivables

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

The following table summarizes the activity in the Allowance for Credit Losses related to Variable Consideration Receivables for the three and six months ended June 30, 2024 and 2023:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
	Theater	Theater	Theater	Theater
	Operators	Operators	Operators	Operators
<i>(In thousands of U.S. Dollars)</i>				
Beginning balance	\$ 636	\$ 526	\$ 633	\$ 610
Current period provision, net	41	183	44	97
Foreign exchange	—	(4)	—	(2)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Ending balance	<u>\$ 677</u>	<u>\$ 705</u>	<u>\$ 677</u>	<u>\$ 705</u>

For the three and six months ended June 30, 2024, the Company's allowance for current expected credit losses related to Variable Consideration Receivables increased by less than \$0.1 million (2023 — increased by \$0.2 million and \$0.1 million, respectively).

4. Lease Arrangements

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 as incurred 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 has 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 six months ended June 30, 2024 and 2023, the components of lease expense recorded within Selling, General and Administrative Expenses are as follows:

<i>(In thousands of U.S. Dollars)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Operating lease cost:				
Amortization of operating lease assets	\$ 588	\$ 556	\$ 1,109	\$ 1,280
Interest on operating lease liabilities	150	192	325	396
Short-term and variable lease costs	90	149	197	300
Finance lease cost:				
Amortization of finance lease assets	100	99	199	199
Interest on finance lease liabilities	7	14	14	28
Total lease cost	<u>\$ 935</u>	<u>\$ 1,010</u>	<u>\$ 1,844</u>	<u>\$ 2,203</u>

For the six months ended June 30, 2024 and 2023, supplemental cash and non-cash information related to leases is as follows:

<i>(In thousands of U.S. Dollars)</i>	Six Months Ended June 30,	
	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating leases	\$ 742	\$ 1,860
Finance leases	—	—
Supplemental disclosure of noncash leasing activities:		
Right-of-use assets obtained in exchange for operating lease obligations	\$ 260	\$ 233
Right-of-use assets obtained in exchange for finance lease obligations	—	—

As of June 30, 2024 and December 31, 2023, supplemental balance sheet information related to leases is as follows:

<i>(In thousands of U.S. Dollars)</i>	Balance Sheet Location	June 30,		December 31,	
		2024		2023	
Assets:					
Operating lease right-of-use assets	Property, plant and equipment	\$ 9,713	\$	10,599	
Finance lease right-of-use assets	Property, plant and equipment	1,221		1,420	
Liabilities:					
Operating lease liabilities	Accrued and other liabilities	\$ 11,706	\$	12,702	
Finance lease liabilities	Accrued and other liabilities	505		518	

As of June 30, 2024 and December 31, 2023, the weighted-average remaining lease term and weighted-average interest rate associated with the Company's leases are as follows:

	June 30, 2024	December 31, 2023
Operating leases:		
Weighted-average remaining lease term (years)	5.3	4.9
Weighted-average discount rate	5.83%	5.85%
Finance leases:		
Weighted-average remaining lease term (years)	3.1	3.6
Weighted-average discount rate	6.00%	6.00%

As of June 30, 2024, the maturities of the Company's operating and finance lease liabilities are as follows:

<i>(In thousands of U.S. Dollars)</i>	Operating Leases	Finance Leases
2024 (six months remaining)	\$ 1,250	\$ 515
2025	2,519	—
2026	2,462	—
2027	2,462	—
2028	2,465	—
Thereafter	<u>2,388</u>	<u>—</u>
Total lease payments	\$ 13,546	\$ 515
Less: interest expense	<u>(1,840)</u>	<u>(10)</u>
Present value of lease liabilities	<u>\$ 11,706</u>	<u>\$ 505</u>

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 2(o) of the Company's audited Consolidated Financial Statements included in its 2023 Form 10-K. Under the Company's sales-type lease arrangements, the customer has the ability and the right to operate the hardware components or direct others to operate them in a manner determined by the customer. The Company's lease portfolio terms are typically non-cancellable for 10 to 20 years with renewal provisions from inception. The Company's sales-type lease arrangements do not contain a guarantee of residual value at the end of the lease term. The customer is required to pay for executory costs such as insurance and taxes and is required to pay the Company for maintenance and an extended warranty generally after the first year of the lease until the end of the lease term. The customer is responsible for obtaining insurance coverage for the IMAX 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 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 ten years or longer with renewal provisions. Title to the IMAX System under a joint revenue sharing arrangement generally does not transfer to the customer. The Company's joint revenue sharing arrangements do not contain a guarantee of residual value at the end of the lease term. The customer is required to pay for executory costs such as insurance and taxes and is required to pay the Company for maintenance and an extended warranty throughout the term. The customer is responsible for obtaining insurance coverage for the IMAX System commencing on the date specified in the arrangement's shipping terms and ending on the date the IMAX System is returned to the Company.

The following lease payments are expected to be received by the Company for its sales-type leases and joint revenue sharing arrangements in each of the next five years and thereafter following the June 30, 2024 balance sheet date:

<i>(In thousands of U.S. Dollars)</i>	Sales-Type Leases	Joint Revenue Sharing arrangements
2024 (six months remaining)	\$ 1,608	\$ 47
2025	3,088	26
2026	3,007	—
2027	2,941	—
2028	2,794	—
Thereafter	<u>15,670</u>	<u>—</u>
Total	<u>\$ 29,108</u>	<u>\$ 73</u>

5. Inventories

As of June 30, 2024 and December 31, 2023, Inventories consist of the following:

<i>(In thousands of U.S. Dollars)</i>	June 30, 2024	December 31, 2023
Raw materials	\$ 32,888	\$ 27,660
Work-in-process	1,941	2,570
Finished goods	<u>2,969</u>	<u>1,354</u>
Total	<u>\$ 37,798</u>	<u>\$ 31,584</u>

As of June 30, 2024, Inventories include finished goods of \$1.7 million (December 31, 2023 — \$0.6 million) for which title had passed to the customers, but the criteria for revenue recognition were not met as of the balance sheet date.

During the three and six months ended June 30, 2024, the Company recorded write-downs of \$0.2 million (2023 — write-downs of \$0.1 million), 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**”) (\$28.1 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, 2025.

As of June 30, 2024, and December 31, 2023 there were no borrowings outstanding under the Bank of China Facility and outstanding letters of guarantee were RMB0.2 million (less than \$0.1 million).

As of June 30, 2024, the amount available for future borrowings under the Bank of China Facility was RMB190.0 million (\$26.7 million) and the amount available for letters of guarantee was RMB9.8 million (\$1.4 million). The amount available for future borrowings under the Bank of China Facility is not subject to a standby fee. The effective interest rate for the three and six months ended June 30, 2024 was 0%, respectively (2023 — 3.85%, respectively).

HSBC China Facility

In June 2022, IMAX Shanghai entered into an unsecured revolving facility for up to RMB200.0 million (\$28.1 million) with HSBC Bank (China) Company Limited, Shanghai Branch to fund ongoing working capital requirements (the “**HSBC China Facility**”). As of June 30, 2024 and December 31, 2023, no borrowings were outstanding under the HSBC China Facility. As of June 30, 2024, the amount available for future borrowings under the HSBC China Facility was RMB200.0 million (\$28.1 million). The effective interest rate for the three and six months ended June 30, 2024 was 0%. (2023 — 3.88%).

8. Condensed Consolidated Statements of Operations – Supplemental Information

Selling Expenses

The following table summarizes the Company's selling expenses, including sales commissions and marketing and other, which are recognized within Costs and Expenses Applicable to Revenues in the Condensed Consolidated Statements of Operations, for three and six months ended June 30, 2024 and 2023:

	Three Months Ended June 30,			
	2024		2023	
<i>(In thousands of U.S. Dollars)</i>	Sales Commissions	Marketing and Other	Sales Commissions	Marketing and Other
Technology sales ⁽¹⁾	\$ 348	\$ 180	\$ 360	\$ 167
Image enhancement and maintenance services ⁽²⁾	—	4,101	—	3,572
Technology rentals ⁽³⁾	<u>141</u>	<u>560</u>	<u>36</u>	<u>450</u>
Total	<u>\$ 489</u>	<u>\$ 4,841</u>	<u>\$ 396</u>	<u>\$ 4,189</u>

(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. Direct advertising and marketing costs for each IMAX System are expensed as incurred.

<i>(In thousands of U.S. Dollars)</i>	Six Months Ended June 30,			
	2024		2023	
	Sales Commissions	Marketing and Other	Sales Commissions	Marketing and Other
Technology sales ⁽¹⁾	\$ 426	\$ 346	\$ 560	\$ 183
Image enhancement and maintenance services ⁽²⁾	—	6,676	—	10,344
Technology rentals ⁽³⁾	250	1,000	109	710
Total	\$ 676	\$ 8,022	\$ 669	\$ 11,237

- (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. Direct advertising and marketing costs for each IMAX System are expensed as incurred.

Foreign Exchange

Included in Selling, General and Administrative Expenses for the three and six months ended June 30, 2024 are foreign currency net losses of \$0.2 million and \$0.5 million, respectively (2023 — net losses of \$0.5 million and \$0.6 million, respectively) resulting from changes in exchange rates related to foreign currency denominated monetary assets and liabilities. See Note 15 for additional information.

Collaborative Arrangements

Joint Revenue Sharing Arrangements

The accounting policy for the Company's joint revenue sharing arrangements is disclosed in Note 2(o) of the Company's audited Consolidated Financial Statements in its 2023 Form 10-K.

Revenue attributable to transactions arising between the Company and its customers under joint revenue sharing arrangements are recorded within Revenues — Technology Sales (for hybrid joint revenue sharing arrangements) and Revenues — Technology Rentals (for traditional joint revenue sharing arrangements). For the three and six months ended June 30, 2024, such revenues totaled \$13.3 million and \$32.5 million, respectively (2023 — \$20.6 million and \$40.7 million, respectively).

IMAX Film Remastering and Distribution

In an IMAX Film Remastering and distribution 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 Film Remastering and distribution arrangements is disclosed in Note 2(o) of the Company's audited Consolidated Financial Statements in its 2023 Form 10-K.

Revenue attributable to transactions arising between the Company and its customers under IMAX Film Remastering and distribution arrangements are included in Revenues — Image Enhancement and Maintenance Services. For the three and six months ended June 30, 2024, such revenues totaled \$21.3 million and \$51.0 million, respectively (2023 — \$29.2 million and \$59.3 million, respectively). See Note 12 for a disaggregated presentation of the Company's revenues.

10. Income Taxes

Income Tax Benefit (Expense)

For the three months ended June 30, 2024, the Company recorded an income tax benefit of \$4.0 million (2023 — tax expense of \$3.5 million). The Company's effective tax rate of (371.5%) for the three months ended June 30, 2024 differs from the Canadian statutory rate of 26.5% primarily due to tax rate differences in foreign jurisdictions and a tax benefit related to an internal asset sale during the quarter which was offset by an increase in the valuation allowance and withholding taxes. The Company's effective tax rate of 26.5% for the three months ended June 30, 2023 is similar to the Canadian statutory rate of 26.5% which includes tax rate differences in foreign jurisdictions that were offset by withholding taxes.

For the six months ended June 30, 2024, the Company recorded an income tax expense of \$1.2 million (2023 — tax expense of \$8.3 million). The Company's effective tax rate of 10.0% for the six months ended June 30, 2024 differs from the Canadian statutory rate of 26.5% primarily due to tax rate differences in foreign jurisdictions and a tax benefit related to an internal asset sale during the quarter which is offset by an increase in the valuation allowance, withholding taxes and a shortfall in tax benefits related to share-based compensation. The Company's effective tax rate of 36.2% for the six months ended June 30, 2023 differs from the Canadian statutory rate of 26.5% primarily due to tax rate differences in foreign jurisdictions which was offset by an increase in the valuation allowance and withholding taxes.

During the quarter, the Company completed an internal asset sale to more closely align its intellectual property ownership with its operations. In order to effect this internal asset sale, transactions between entities within the group resulted in capital gains for tax purposes. The tax expense related to the capital gain was partially offset by the reversal of the valuation allowance. Net deferred tax assets were also recorded on the transaction, resulting in a net tax benefit of \$7.7 million.

As of June 30, 2024, the Company's Condensed Consolidated Balance Sheets includes net deferred income tax assets of \$16.1 million (December 31, 2023 — \$8.0 million). Realization of net deferred tax assets is dependent upon generation of sufficient taxable income in future years to obtain benefit from the reversal of temporary differences, net operating loss carryforwards and tax credit carryforwards. The amount of net deferred tax assets considered realizable is subject to adjustment in future periods if estimates of future taxable income change.

As of June 30, 2024, the Company's Condensed Consolidated Balance Sheets also include deferred tax liabilities of \$12.5 million (December 31, 2023 — \$12.5 million) primarily related to foreign withholding taxes associated with the remaining balance of non-repatriated historical earnings that will not be indefinitely reinvested outside of Canada.

11. Capital Stock and Reserves

Share-Based Compensation

For the three and six months ended June 30, 2024, share-based compensation expense totaled \$6.9 million and \$11.5 million, respectively (2023 — \$6.8 million and \$11.9 million, respectively) and is reflected in the following accounts in the Condensed Consolidated Statements of Operations:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
<i>(In thousands of U.S. Dollars, except rates)</i>	2024	2023	2024	2023
Costs and expenses applicable to revenues	\$ 247	\$ 249	\$ 475	\$ 512
Selling, general and administrative expenses	6,506	6,469	10,843	11,665
Research and development	110	105	221	204
Executive transition costs	—	—	—	(499)
Total	<u>\$ 6,863</u>	<u>\$ 6,823</u>	<u>\$ 11,539</u>	<u>\$ 11,882</u>

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

<i>(In thousands of U.S. Dollars, except rates)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Stock Options	\$ —	\$ —	\$ —	\$ 84
Restricted Share Units	4,133	3,829	6,875	7,194
Performance Stock Units	1,966	2,001	3,818	2,925
IMAX China Stock Options	—	1	—	11
IMAX China Long Term Incentive Plan Restricted Share Units	695	848	722	1,389
IMAX China Long Term Incentive Plan Performance Stock Units	69	144	124	279
	<u>\$ 6,863</u>	<u>\$ 6,823</u>	<u>\$ 11,539</u>	<u>\$ 11,882</u>

For the three and six months ended June 30, 2024, the Company's share-based compensation expense includes \$1.7 million related to restricted share units granted to non-employees (2023 — \$1.7 million).

Stock Option Summary

The following table summarizes the activity under the Company's Stock Option Plan ("SOP") and the IMAX Corporation Second Amended and Restated Long-Term Incentive Plan (as may be amended, "IMAX LTIP") for the six months ended June 30, 2024 and 2023:

	Number of Shares		Weighted Average Exercise Price Per Share	
	2024	2023	2024	2023
Stock options outstanding, beginning of period	3,329,422	3,604,739	\$ 26.23	\$ 26.36
Expired	(607,114)	(268,939)	28.15	27.92
Cancelled	(1,768)	—	24.38	—
Stock options outstanding, end of period	<u>2,720,540</u>	<u>3,335,800</u>	25.80	26.24
Stock options exercisable, end of period	<u>2,720,540</u>	<u>3,335,800</u>	25.80	26.24

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

IMAX LTIP Restricted Share Units (“RSU”) Summary

The following table summarizes the activity in respect of RSUs issued under the IMAX LTIP for the six months ended June 30, 2024 and 2023:

	Number of Shares		Weighted Average Grant Date Fair Value Per Share	
	2024	2023	2024	2023
RSUs outstanding, beginning of period	1,286,830	1,252,044	\$ 18.53	\$ 19.16
Granted	946,507	882,997	16.43	17.79
Vested and settled	(682,549)	(741,054)	18.70	18.68
Forfeited	<u>(37,844)</u>	<u>(86,208)</u>	18.34	19.28
RSUs outstanding, end of period	<u>1,512,944</u>	<u>1,307,779</u>	17.14	18.51

IMAX LTIP Performance Stock Units (“PSU”) Summary

The Company grants two types of PSU awards, one which vests based on a combination of employee service and the achievement of certain Adjusted EBITDA 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 Adjusted 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 Adjusted EBITDA PSU award or 175% of the initial TSR PSU award for awards issued in 2022 and 150% of the initial TSR PSU award for awards issued in 2023 and thereafter, depending upon actual performance versus the established Adjusted EBITDA and TSR targets, respectively.

The grant date fair value of PSUs with Adjusted EBITDA 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 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 Adjusted EBITDA targets is dependent upon management's assessment of the likelihood of achieving these targets. If, as a result of management's assessment, it is projected that a greater number of PSUs will vest than previously anticipated, a life-to-date adjustment to increase compensation expense is recorded in the period that such determination is made. Conversely, if, as a result of management's assessment, it is projected that a lower number of PSUs will vest than previously anticipated, a life-to-date adjustment to decrease compensation expense is recorded in the period that such determination is made. The expense recognized in the six months ended June 30, 2024 and 2023 includes adjustments reflecting management's estimate of the number of Adjusted EBITDA PSUs expected to vest.

The following table summarizes the activity in respect of PSUs issued under the IMAX LTIP for the six months ended June 30, 2024 and 2023:

	Number of Awards		Weighted Average Grant Date Fair Value Per Share	
	2024	2023	2024	2023
PSUs outstanding, beginning of period	922,621	931,716	\$ 19.16	\$ 18.96
Granted ⁽¹⁾	580,336	581,081	17.97	17.68
Vested and settled ⁽¹⁾	(316,226)	(368,602)	19.71	16.92
Forfeited ⁽²⁾	<u>(85,764)</u>	<u>(213,366)</u>	21.00	18.13
PSUs outstanding, end of period	<u>1,100,967</u>	<u>930,829</u>	18.32	19.16

(1) For the six months ended June 30, 2024, the balance of shares granted includes 135,511 additional shares, at a weighted average grant date fair value per share of \$19.71, as PSUs granted in 2021 with Adjusted EBITDA targets vested at 175% on account of full achievement of the targets.

(2) Forfeited PSUs include the TSR target awards issued in 2021 which did not vest as the market condition was not satisfied. Since the grant date, the Company recorded an expense of \$1.5 million associated with these 68,850 shares which, despite the awards not vesting, will not be reversed into income.

As of June 30, 2024, the maximum number of common shares that may be issued with respect to PSUs outstanding is 1,876,792, assuming full achievement of the Adjusted EBITDA and TSR targets.

Issuer Purchases of Equity Securities

In 2023, 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 7, 2023 (33,959,314 shares). This program expired on the date of the 2024 Annual General Meeting of IMAX China on June 7, 2024. During the 2024 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 7, 2024 (34,000,845 shares). This program will be valid until the 2025 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 six months ended June 30, 2024, IMAX China repurchased 119,900 common shares, at an average price of HKD7.43 per share (\$0.95 per share) for a total of HKD0.9 million (\$0.1 million). IMAX China did not have any repurchases during the three and six months ended June 30, 2023. 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.

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 when the aggregate sum of the statutory surplus reserve is more than 50% of their 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 discretionary 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 the Company's PRC subsidiaries' registered capital, as such no further contributions to the reserve are required.

12. Revenue from Contracts with Customers

Disaggregated Information About Revenue

The following tables summarize the Company's Revenues by reportable segment and revenue stream type for the three and six months ended June 30, 2024 and 2023:

	Three Months Ended June 30, 2024					Total
	Technology Sales	Image Enhancement and Maintenance Services	Technology Rentals	Finance Income		
<i>(In thousands of U.S. Dollars)</i>						
Content Solutions Segment:						
Film Remastering and Distribution	\$ —	\$ 21,304	\$ —	\$ —	\$ —	\$ 21,304
Other Content Solutions	—	13,644	128	—	—	13,772
	<u>—</u>	<u>34,948</u>	<u>128</u>	<u>—</u>	<u>—</u>	<u>35,076</u>
Technology Products and Services Segment:						
System Sales	19,443	—	—	—	—	19,443
System Rentals	—	—	13,915	—	—	13,915
Maintenance	—	15,231	—	—	—	15,231
Finance Income	—	—	—	2,309	—	2,309
	<u>19,443</u>	<u>15,231</u>	<u>13,915</u>	<u>2,309</u>	<u>—</u>	<u>50,898</u>
Sub-total for reportable segments	<u>19,443</u>	<u>50,179</u>	<u>14,043</u>	<u>2,309</u>	<u>—</u>	<u>85,974</u>
All Other	<u>977</u>	<u>2,010</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,987</u>
Total	<u>\$ 20,420</u>	<u>\$ 52,189</u>	<u>\$ 14,043</u>	<u>\$ 2,309</u>	<u>\$ —</u>	<u>\$ 88,961</u>

Six Months Ended June 30, 2024

<i>(In thousands of U.S. Dollars)</i>	Technology Sales	Image Enhancement and Maintenance Services	Technology Rentals	Finance Income	Total
Content Solutions Segment					
Film Remastering and Distribution	\$ —	\$ 51,025	\$ —	\$ —	\$ 51,025
Other Content Solutions	—	17,936	128	—	18,064
	<u>—</u>	<u>68,961</u>	<u>128</u>	<u>—</u>	<u>69,089</u>
Technology Products and Services Segment					
System Sales	26,561	—	—	—	26,561
System Rentals	—	—	32,516	—	32,516
Maintenance	—	30,392	—	—	30,392
Finance Income	—	—	—	4,579	4,579
	<u>26,561</u>	<u>30,392</u>	<u>32,516</u>	<u>4,579</u>	<u>94,048</u>
Sub-total for reportable segments	<u>26,561</u>	<u>99,353</u>	<u>32,644</u>	<u>4,579</u>	<u>163,137</u>
All Other	<u>1,763</u>	<u>3,184</u>	<u>—</u>	<u>—</u>	<u>4,947</u>
Total	<u>\$ 28,324</u>	<u>\$ 102,537</u>	<u>\$ 32,644</u>	<u>\$ 4,579</u>	<u>\$ 168,084</u>

Three Months Ended June 30, 2023

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

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

For the three and six months ended June 30, 2024, revenues earned from Technology Sales include variable consideration of \$7.7 million and \$9.4 million, respectively (2023 — \$11.8 million and \$17.3 million, respectively). Variable consideration revenues represent an estimate of the contingent fees that may become due if certain annual minimum box office receipt thresholds are exceeded and are recorded as revenue in the period when the sale is recognized and may be adjusted in future periods based on actual results and changes in estimates over the term of the system agreement.

For the three and six months ended June 30, 2024, revenues earned from leasing arrangements total \$13.3 million and \$32.5 million, respectively (2023 — \$20.4 million and \$42.8 million, respectively), including \$13.9 million and \$32.5 million, respectively, in Revenues — Technology Rentals (2023 — \$19.5 million and \$39.6 million, respectively), and a reversal of \$0.7 million in the three months ended June 30, 2024 due to an amending agreement, and \$nil for the six months ended June 30, 2024 respectively, in Revenues – Technology Sales (2023 — \$0.9 million and \$3.2 million, respectively).

Deferred Revenue

IMAX System sale and lease arrangements include a requirement for the Company to provide maintenance services over the life of the arrangement, some of which are subject to a consumer price index adjustment each year. In circumstances where customers prepay the entire term's maintenance fee based on the original arrangement, additional payments are due to the Company for the years after its extended warranty and maintenance obligations expire. Payments, upon renewal each year, are either prepaid or made in arrears and can vary in frequency from monthly to annually. As of June 30, 2024, \$20.4 million of consideration has been deferred in relation to outstanding maintenance services to be provided on existing maintenance contracts (December 31, 2023 — \$22.8 million). Maintenance revenue is recognized evenly over the contract term which coincides with the period over which maintenance services are provided. In the event of customer default, any payments made by the customer may be retained by the Company.

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

During the three and six months ended June 30, 2024, \$12.1 million and \$24.2 million of revenue, respectively, was recognized from the \$67.1 million balance of deferred revenue as of December 31, 2023. During the three and six months ended June 30, 2023, \$23.7 million and \$41.0 million of revenue, respectively, was recognized from the \$70.9 million balance of deferred revenue as of December 31, 2022.

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.

The Company has the following reportable segments:

- (i) Content Solutions, which principally includes the digital remastering of films and other content into IMAX formats for distribution to the IMAX network. To a lesser extent, the Content Solutions segment also earns revenue from the distribution of large-format documentary films and exclusive experiences ranging from live performances to interactive events with leading artists and creators, as well as film post-production services.
- (ii) Technology Products and Services, which includes results from the sale or lease of IMAX Systems, as well as from the maintenance of IMAX Systems. To a lesser extent, the Technology Product and Services segment also earns revenue from certain ancillary theater business activities, including after-market sales of IMAX System parts and 3D glasses.

Transactions between segments are valued at exchange value. Inter-segment profits are eliminated upon consolidation, as well as for the disclosures below.

The following table presents the Company's revenue and gross margin by reportable segment for the three months ended June 30, 2024 and 2023:

<i>(In thousands of U.S. Dollars)</i>	Revenue ⁽¹⁾		Gross Margin	
	2024	2023	2024	2023
Content Solutions	\$ 35,076	\$ 31,290	\$ 16,138	\$ 19,996
Technology Products and Services	<u>50,898</u>	<u>63,976</u>	<u>25,783</u>	<u>36,411</u>
Sub-total for reportable segments	<u>85,974</u>	<u>95,266</u>	<u>41,921</u>	<u>56,407</u>
All Other ⁽²⁾	<u>2,987</u>	<u>2,713</u>	<u>2,006</u>	<u>1,480</u>
Total	<u>\$ 88,961</u>	<u>\$ 97,979</u>	<u>\$ 43,927</u>	<u>\$ 57,887</u>

(1) The Company's largest customer represents 14% of total Revenues for the three months ended June 30, 2024 (2023 — 11%). No single customer comprises more than 10% of the Company's total Accounts Receivable as of June 30, 2024 and December 31, 2023.

(2) All Other includes the results from the Company's streaming and consumer technology business, as well as other ancillary activities.

The following table presents the Company's revenue and gross margin by reportable segment for the six months ended June 30, 2024 and 2023:

<i>(In thousands of U.S. Dollars)</i>	Revenue ⁽¹⁾		Gross Margin	
	2024	2023	2024	2023
Content Solutions	\$ 69,089	\$ 63,391	\$ 38,237	\$ 37,991
Technology Products and Services	<u>94,048</u>	<u>115,643</u>	<u>49,367</u>	<u>66,302</u>
Sub-total for reportable segments	<u>163,137</u>	<u>179,034</u>	<u>87,604</u>	<u>104,293</u>
All Other ⁽²⁾	<u>4,947</u>	<u>5,891</u>	<u>3,212</u>	<u>3,645</u>
Total	<u>\$ 168,084</u>	<u>\$ 184,925</u>	<u>\$ 90,816</u>	<u>\$ 107,938</u>

(1) The Company's largest customer represents 13% of total Revenues for the six months ended June 30, 2024 (2023 — 8%). No single customer comprises more than 10% of the Company's total Accounts Receivable as of June 30, 2024 and December 31, 2023.

(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 process 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 that may not be in the same geographical location as the IMAX Systems that exhibit the remastered films.

The following table summarizes the Company's revenues by geographic area for the three and six months ended June 30, 2024 and 2023:

<i>(In thousands of U.S. Dollars)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
United States	\$ 38,296	\$ 32,799	\$ 64,900	\$ 59,552
Greater China	22,750	19,112	44,203	45,678
Western Europe	10,508	15,955	24,699	26,607
Asia (excluding Greater China)	9,587	19,810	18,713	29,978
Canada	3,159	2,833	5,567	4,436
Latin America	2,258	4,102	3,718	11,298
Rest of the World	2,403	3,368	6,284	7,376
Total	<u>\$ 88,961</u>	<u>\$ 97,979</u>	<u>\$ 168,084</u>	<u>\$ 184,925</u>

The United States, Greater China (which includes the mainland of the People's Republic of China, Hong Kong, Macau, and Taiwan), Western Europe and Asia (excluding Greater China) each comprise greater than 10% of the Company's total revenues for the three and six months ended June 30, 2024 and 2023. respectively.

15. Financial Instruments

Financial Instruments

The Company's cash is invested with various major financial institutions. The Company's \$91.6 million balance of cash and cash equivalents as of June 30, 2024 (December 31, 2023 — \$76.2 million) includes \$83.0 million in cash held outside of Canada (December 31, 2023 — \$68.5 million), of which \$44.0 million was held in the PRC (December 31, 2023 — \$30.0 million).

Fair Value Measurements

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

<i>(In thousands of U.S. Dollars)</i>	As of June 30, 2024		As of December 31, 2023	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Level 1				
Cash and cash equivalents ⁽¹⁾	\$ 91,552	\$ 91,552	\$ 76,200	\$ 76,200
Level 2				
Net financed sales receivables ⁽²⁾	\$ 95,593	\$ 94,409	\$ 97,615	\$ 96,500
Net investment in sales-type leases ⁽²⁾	27,903	26,543	29,539	28,751
Equity securities ⁽¹⁾	1,000	1,000	1,000	1,000
COLI ⁽⁴⁾	3,584	3,584	3,522	3,522
Foreign exchange contracts				
— designated forwards ⁽³⁾	(385)	(385)	819	819
Wells Fargo Credit Facility borrowings ⁽¹⁾	(54,000)	(54,000)	(24,000)	(24,000)
Federal Economic Development Loan ⁽³⁾	(2,353)	(2,353)	(2,498)	(2,498)
Convertible Notes ⁽⁵⁾	(230,000)	(214,475)	(230,000)	(205,850)

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

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

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

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

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

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, HKD 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 receipts in 89 different countries, unfavorable exchange rates between applicable local currencies and the U.S. Dollar could have an impact on box-office receipts and the Company's revenues and results of operations. The Company's policy is to not use any financial instruments for trading or other speculative purposes.

The Company has entered into a series of foreign currency forward contracts to manage the risks associated with the volatility of foreign currencies. Certain of these foreign currency forward contracts met the criteria required for hedge accounting under the Derivatives and Hedging Topic of the FASB ASC at inception, and continue to meet hedge effectiveness tests as of June 30, 2024 (the "**Foreign Currency Hedges**"), with settlement dates throughout 2024 and 2025. 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 and reclassified to the Condensed Consolidated Statements of Operations when the forecasted transaction occurs. Any ineffective portion is recognized immediately in the Condensed Consolidated Statements of Operations.

The notional value of foreign currency cash flow hedging instruments that qualify for hedge accounting as of June 30, 2024 was \$39.4 million (December 31, 2023 — \$40.6 million).

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

Notional value of derivatives in foreign exchange contracts:

(In thousands of U.S. Dollars) **June 30, 2024** **December 31, 2023**

Derivatives designated as hedging instruments:

Foreign exchange contracts — Forwards	\$ 39,401	\$ 40,563
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Fair value of derivatives in foreign exchange contracts:

(In thousands of U.S. Dollars) **June 30, 2024** **December 31, 2023**

Derivatives designated as hedging instruments:

	Balance Sheet Location	June 30, 2024	December 31, 2023
Foreign exchange contracts — Forwards	Other assets	\$ 13	\$ 846
	Accrued and other liabilities	<u>(398)</u>	<u>(27)</u>
		<u>\$ (385)</u>	<u>\$ 819</u>

Derivatives in foreign currency hedging relationships are as follows:

(In thousands of U.S. Dollars)

		Three Months Ended		Six Months Ended	
		June 30,		June 30,	
		2024	2023	2024	2023
Foreign exchange contracts	Derivative (Loss) Gain				
— Forwards	Recognized in OCI				
	(Effective Portion)	<u>\$ (365)</u>	<u>\$ 688</u>	<u>\$ (1,281)</u>	<u>\$ 822</u>

(In thousands of U.S. Dollars)

		Three Months Ended		Six Months Ended	
		June 30,		June 30,	
		2024	2023	2024	2023
	Location of Derivative Loss				
	Reclassified from AOCI				
	(Effective Portion)				

Foreign exchange contracts	Selling, general and				
— Forwards	administrative expenses	<u>\$ (67)</u>	<u>\$ (123)</u>	<u>\$ (78)</u>	<u>\$ (462)</u>

The Company's estimated net amount of the existing loss as of June 30, 2024 is \$0.4 million, which is expected to be reclassified to the Condensed Consolidated Statements of Operations within the next twelve months.

Investments in Equity Securities

The Company held an investment in the preferred shares of enterprises which meets the criteria for classification as an equity security carried at historical cost, net of impairment charges. The carrying value of the equity security investment was \$1.0 million as of June 30, 2024 (December 31, 2023 — \$1.0 million) and is recorded within Other Assets in the Condensed Consolidated Balance Sheets.

16. Non-Controlling Interests

IMAX China Non-Controlling Interest

The Company indirectly owns 71.55% of IMAX China, whose shares trade on the Hong Kong Stock Exchange (December 31, 2023 — 71.55%). IMAX China remains a consolidated subsidiary of the Company. As of June 30, 2024, the balance of the Company's non-controlling interest in IMAX China is \$75.1 million (December 31, 2023 — \$71.8 million). For the three and six months ended June 30, 2024, the net income attributable to the non-controlling interest in IMAX China is \$1.5 million and \$3.6 million, respectively (2023 — \$1.3 million and \$3.9 million, respectively).

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

Presented below is Management's Discussion and Analysis of Financial Condition and Results of Operations (or "MD&A") for IMAX Corporation and its consolidated subsidiaries ("IMAX" or the "Company") for the three and six months ended June 30, 2024 and 2023. MD&A should be read in conjunction with Note 13, "Segment Reporting," in the accompanying Condensed Consolidated Financial Statements in Item 1.

As of June 30, 2024, the Company indirectly owns 71.55% of IMAX China Holding, Inc. ("IMAX China"), whose shares trade on the Hong Kong Stock Exchange. IMAX China is a consolidated subsidiary of the Company. For the three months ended June 30, 2024, net income attributable to IMAX China is \$5.2 million, of which \$3.7 million is attributable to the shareholders of the Company (2023 — \$4.5 million and \$3.2 million, respectively).

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, 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 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 remastering 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 associated with the Company’s use of artificial intelligence (“AI”) and exploration of additional use cases of AI; 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 United States Securities and Exchange Commission (the “SEC”) or in Canada, the System for Electronic Document Analysis and Retrieval (“SEDAR+”); and other

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

factors, many of which are beyond the control of the Company. Consequently, all of the forward-looking statements made in this quarterly report are qualified by these cautionary statements, and actual results or anticipated developments by the Company may not be realized, and even if substantially realized, may not have the expected consequences to, or effects on, the Company. The forward-looking statements herein are made only as of the date hereof and the Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The Company makes available, free of charge, its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and any amendments to such reports, as soon as reasonably practicable after such filings have been made with the SEC and Canadian securities regulators. Reports may be obtained free of charge through the SEC's website at www.sec.gov or the SEDAR+'s website at www.sedarplus.ca and through the Company's website at www.imax.com or by calling the Company's Investor Relations Department at 212-821-0154. 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 investor relations 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, auditorium, architecture, patented intellectual property, and specialized equipment, IMAX offers a unique end-to-end solution to create superior, awe-inspiring 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. The Company's global content portfolio includes blockbuster films, both from Hollywood and local language film industries worldwide; IMAX documentaries, both original and acquired; and IMAX events and experiences in emerging verticals, including music, gaming, and sports.

SOURCES OF REVENUE

The Company has organized its operating segments into the following two reportable segments: (i) Content Solutions, which principally includes content enhancement and distribution services, and (ii) Technology Products and Services, which principally includes the sale, lease, and maintenance of IMAX Systems. The Company's activities that do not meet the criteria to be considered a reportable segment are disclosed 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 principally 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 IMAX events and experiences including music, gaming, and sports, as well as the provision of film post-production services.

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., global box office (“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 due to an import tax.

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. IMAX remastered soundtracks are uncompressed for full fidelity. IMAX sound systems use proprietary loudspeaker systems and proprietary surround sound configurations that ensure every seat in an auditorium is 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 a 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 expanded its strategy by distributing local language films in both native and foreign markets.

The following table provides detailed information about the films that were released to the Company's global network during the three and six months ended June 30, 2024 and 2023:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Hollywood film releases ⁽¹⁾	<u>9</u>	<u>9</u>	<u>16</u>	<u>15</u>
Local language film releases:				
Japan	5	1	8	3
China	4	4	8	9
India	2	1	4	3
South Korea	2	1	3	2
Indonesia	1	—	1	—
France	<u>—</u>	<u>1</u>	<u>—</u>	<u>1</u>
Total local language film releases	14	8	24	18
Alternative content experiences	<u>4</u>	<u>—</u>	<u>6</u>	<u>—</u>
	<u>27</u>	<u>17</u>	<u>46</u>	<u>33</u>

(1) For the six months ended June 30, 2024, the films released to the Company's global network include two with IMAX DNA (2023 — three).

The films distributed through the Company's global network during the six months ended June 30, 2024 that generated the highest IMAX box office totals were *Dune: Part Two*, *Godzilla x Kong: The New Empire*, *Inside Out 2*, *Kingdom of The Planet of The Apes*, *Furiosa*, *Bad Boys: Ride or Die*, *Pegasus 2*, and *YOLO*. In addition, during the six months ended June 30, 2024, a number of alternative content films and events were distributed including *Queen Rock Montreal*, *monthly A24 mid-week film series*, *Suga — Agust D Tour D-Day The Movie*, *Fallout series launch event* and *live streaming of the NBA Finals in select IMAX China locations*.

In addition to the 46 IMAX films and alternative content experiences released on the Company's global network during the six months ended June 30, 2024, the Company has announced the following additional 32 films and additional alternative content experiences to be released throughout the remainder of 2024:

Title	Studio	Scheduled Release Date⁽¹⁾	IMAX DNA
<i>Despicable Me 4</i>	Universal Pictures	July 2024	—
<i>A Place Called Silence</i>	Maoyan	July 2024	—
<i>A Legend</i>	Bona	July 2024	—
<i>Indian 2</i>	Lyca Productions	July 2024	—
<i>Skywalkers: A Love Story</i>	XYZ	July 2024	—
<i>Kingdom 4</i>	Toho Studios	July 2024	—
<i>Twisters</i>	Universal Pictures/ Warner Bros. Pictures	July 2024	—
<i>Olympics Opening Ceremony</i>	Universal/NBC Sports	July 2024	—
<i>Successor</i>	Maoyan	July 2024	—
<i>Deadpool & Wolverine</i>	Marvel Studios/Walt Disney Studios	July 2024	—
<i>The Traveller</i>	New Classics	July 2024	Filmed For IMAX
<i>My Hero Academia The Movie: You're Next</i>	Toho Studios	August 2024	—
<i>Decoded</i>	Maoyan	August 2024	Filmed For IMAX
<i>Upstream</i>	Alibaba	August 2024	—
<i>White Snake: Afloat</i>	Wanda	August 2024	—
<i>Borderlands</i>	Lionsgate	August 2024	—
<i>Alien: Romulus</i>	Walt Disney Studios	August 2024	Expanded Aspect Ratio
<i>The Crow</i>	Lionsgate	August 2024	—
<i>Everything Everywhere All At Once</i>	A24	August 2024	—
<i>Takluk</i>	GSC Movies	August 2024	—
<i>Beetlejuice Beetlejuice</i>	Warner Bros. Pictures	September 2024	—
<i>Transformers One</i>	Paramount Pictures	September 2024	—
<i>Wolfs</i>	Sony Pictures/Apple	September 2024	—
<i>The Wild Robot</i>	Universal Pictures	September 2024	—
<i>Megalopolis</i>	Lionsgate	September 2024	—
<i>Joker: Folie à Deux</i>	Warner Bros. Pictures/DC Studios	October 2024	Filmed For IMAX
<i>Venom 3</i>	Sony Pictures	October 2024	Filmed For IMAX
<i>Swan Lake</i>	Pathe Live	November 2024	Filmed For IMAX
<i>Red One</i>	Amazon/MGM	November 2024	—
<i>Gladiator II</i>	Paramount Pictures	November 2024	—
<i>Wicked – Part 1</i>	Universal Pictures	November 2024	—
<i>Kraven the Hunter</i>	Sony Pictures/Marvel Studios	December 2024	—

(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.

The Company remains in active negotiations with studios for additional films to fill out its short- and long-term film slate for the IMAX network. The Company expects to continue announcing additional local language films and exclusive IMAX events and experiences to be released throughout the remainder of 2024 to its global network. The Company has also announced the majority of the titles to be released in IMAX in 2025 including *Avatar 3* and a record 14 or more *Filmed for IMAX* titles including four Marvel titles, the latest *Mission Impossible* installment, *Superman Legacy* and *F1* from Apple. Additionally, IMAX expects to distribute a number of major titles in 2026 including an *Avengers*, *Star Wars*, *Batman* and *Dune* title.

Other Content Solutions

The Company distributes large-format documentary feature films through its global commercial network and institutional theaters. The Company traditionally receives as its distribution fee either a fixed amount or a fixed percentage of the theater box office receipts and, following the recoupment of its costs, is typically entitled to receive an additional percentage of gross revenues as participation revenues. In May 2024, Amazon Content LLC (“**Amazon Content**”) acquired the worldwide rights to the Company’s original documentary, *The Blue Angels*, which was filmed with IMAX digital certified cameras and produced in collaboration with Dolphin Entertainment, Bad Robot Productions, and Zipper Bros Films. The full-length documentary was released to select commercial locations across the IMAX network on May 17, 2024, and a 40-minute version will be released to institutional locations beginning in early 2025. The Company continues to work on *The Elephant Odyssey* a documentary in collaboration with Beach House Pictures Pte Ltd and China International Communications Group, which was announced in 2023 and is expected to be released in 2025, and *Stormbound*, an additional feature documentary produced by Academy Award-winning producer, Adam McKay, which will be released in late 2025.

In addition, the Company continues to evolve its platform to bring new, innovative IMAX events and experiences to audiences worldwide. As of June 30, 2024, the Company had a footprint of 263 connected locations in the IMAX network across the United States, Canada, Europe, and Asia configured with connectivity to deliver live and interactive events with low latency and superior sight and sound.

In the six months ended June 30, 2024, the Company partnered with Pathé Live for the exclusive release of Queen Rock Montreal which became one of the Company’s highest grossing concert films ever, along with 2023’s *Taylor Swift: The Eras Tour*. In addition, the Company hosted an IMAX event, *Andre 3000: New Blue Sun*, and entered into a partnership with A24 for a monthly one-night-only IMAX release of classic A24 titles, including Alex Garland’s highly acclaimed *Ex Machina*, *Uncut Gems*, and *Hereditary*. Additionally, the Company hosted multiple IMAX Live™ events, including screening the National Basketball Association finals across multiple IMAX locations in the Asia Pacific region and the screening of *The Beach Boys: IMAX Live Experience*. On July 26, 2024, the Company, in partnership with NBC television network, will be extending its live coverage of the 2024 Paris Olympics Opening Ceremony to select IMAX locations throughout the United States.

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

Technology Products and Services

The Company works with filmmakers, studios, and artists end-to-end from content creation through content delivery. The Company provides IMAX film cameras to select IMAX and third-party productions and certifies a suite of high-end digital cameras to shoot in the IMAX format under its Filmed for IMAX program. In addition, the Company provides post-production — including its proprietary DMR process — and quality control services for films that play in the IMAX network.

Sales and Sales-Type Lease Arrangements

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

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

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

Joint Revenue Sharing Arrangements

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

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

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

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

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

Joint revenue sharing arrangements have been an important factor in the expansion of the Company's commercial system network. Joint revenue sharing arrangements allow commercial theater exhibitors to install IMAX Systems without the significant initial capital investment required in a sale or sales-type lease arrangement. Joint revenue sharing arrangements drive recurring cash flows and earnings for the Company as customers under these arrangements pay the Company a portion of their ongoing box office receipts. The Company funds its investment in equipment for joint revenue sharing arrangements through cash flows from operations. As of June 30, 2024, the Company had 898 locations under joint revenue sharing arrangements in its global commercial multiplex network. The Company also had contracts in backlog for 327 systems under joint revenue sharing arrangements as of June 30, 2024, including 108 upgrades to existing locations and 216 new locations.

IMAX Maintenance

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

All Other

IMAX Enhanced is a solution to bring The IMAX *Experience* into the home. IMAX Enhanced provides end-to-end premium technology across streaming content and best-in-class entertainment devices, offering consumers high-fidelity playback of image and sound in the home and beyond, including the following features:

- IMAX's expanded aspect ratio, which is available on select titles and streaming platforms, including Disney+;
- IMAX's proprietary remastering technology, which produces more vivid, higher-fidelity 4K HDR images on premium televisions; and
- IMAX's signature sound, which was specially recreated and calibrated for the home to unlock more immersive audio.

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

At present, certified global device partners include Sony Electronics, Hisense, TCL, LG, Phillips, Hewlett Packard, Xiaomi, Sound United and Honor, among others. As of June 30, 2024, more than 300 IMAX Enhanced titles have been released across five of the biggest streaming platforms worldwide: Disney+, Sony Bravia CORE, Tencent Video, iQiyi and Rakuten TV. Over 15 million IMAX Enhanced certified devices are estimated to be in the market today.

IMAX NETWORK AND BACKLOG

IMAX Network

The following table provides detailed information about the IMAX network by type and geographic location as of June 30, 2024 and 2023. For additional information regarding the composition of the IMAX network, see “Marketing and Customers” in Part I, Item 1 of the Company’s 2023 Form 10-K.

	June 30, 2024				June 30, 2023			
	Commercial Multiplex	Commercial Destination	Institutional	Total	Commercial Multiplex	Commercial Destination	Institutional	Total
United States	364	4	24	392	360	4	25	389
Canada	43	1	7	51	40	1	7	48
Greater China ⁽¹⁾	790	-	13	803	779	-	16	795
Asia (excluding Greater China)	176	2	2	180	145	2	2	149
Western Europe	129	4	8	141	119	4	8	131
Latin America ⁽²⁾	61	1	7	69	55	1	8	64
Rest of the World	142	-	2	144	140	-	2	142
Total ⁽³⁾	<u>1,705</u>	<u>12</u>	<u>63</u>	<u>1,780</u>	<u>1,638</u>	<u>12</u>	<u>68</u>	<u>1,718</u>

(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.

IMAX currently estimates a worldwide commercial multiplex addressable market of 3,619 locations, of which there are 1,705 IMAX Systems operating as of June 30, 2024, representing a market penetration of only 47%. The Company believes that the majority of its future growth will come from international markets. As of June 30, 2024, 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 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 2023 Form 10-K.

In the six months ended June 30, 2024 the Company's revenue generated from its Greater China operations represents 26% of consolidated revenue. As of June 30, 2024, the Company had 803 IMAX Systems operating in Greater China with an additional 263 systems in backlog.

In the six months ended June 30, 2024, the IMAX network generated over \$80.0 million in box office from local language films, representing approximately 18% of the Company's total box office in the period. 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 film *Conan 27* as well as the Chinese film *Formed Police Unit* and the Korean film *Suga — Agust D Tour D-Day The Movie*.

(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 2023 Form 10-K.)

The following tables provide detailed information about the Company's commercial multiplex network by arrangement type and geographic location as of June 30, 2024 and 2023:

	June 30, 2024			Total
	Commercial Multiplex Locations in IMAX Network			
	Traditional JRSA	Hybrid JRSA	Sales Arrangements ⁽¹⁾	
Domestic Total (United States & Canada)	<u>271</u>	<u>7</u>	<u>129</u>	<u>407</u>
International:				
Greater China	379	108	303	790
Asia (excluding Greater China)	53	8	115	176
Western Europe	40	15	74	129
Latin America	3	0	58	61
Rest of the World	<u>14</u>	<u>0</u>	<u>128</u>	<u>142</u>
International Total	<u>489</u>	<u>131</u>	<u>678</u>	<u>1,298</u>
Worldwide Total ⁽²⁾	<u><u>760</u></u>	<u><u>138</u></u>	<u><u>807</u></u>	<u><u>1,705</u></u>

(1) Includes Sales, Hybrid Sales and Sales-Type Lease deal types.

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

	June 30, 2023			Total
	Commercial Multiplex Locations in IMAX Network			
	Traditional JRSA	Hybrid JRSA	Sales Arrangements ⁽¹⁾	
Domestic Total (United States & Canada)	<u>271</u>	<u>6</u>	<u>123</u>	<u>400</u>
International:				
Greater China	402	110	267	779
Asia (excluding Greater China)	37	5	103	145
Western Europe	40	17	62	119
Latin America	2	0	53	55
Rest of the World	<u>17</u>	<u>0</u>	<u>123</u>	<u>140</u>
International Total	<u>498</u>	<u>132</u>	<u>608</u>	<u>1,238</u>
Worldwide Total ⁽²⁾	<u><u>769</u></u>	<u><u>138</u></u>	<u><u>731</u></u>	<u><u>1,638</u></u>

(1) Includes Sales, Hybrid Sales and Sales-Type Lease deal types.

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

Backlog

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

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

Certain of the Company's contracts contain options for the customer to elect to upgrade system type during the term 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.

The following tables provide detailed information about the Company's backlog by arrangement type and geographic location as of June 30, 2024 and 2023:

	June 30, 2024			Total
	Traditional JRSA	Hybrid JRSA	Sales Arrangements ⁽¹⁾	
Domestic Total (United States & Canada)	<u>76</u>	<u>2</u>	<u>12</u>	<u>90</u>
International:				
Greater China	112	90	61	263
Asia (excluding Greater China)	18	7	33	58
Western Europe	15	1	19	35
Latin America	2	–	4	6
Rest of the World	<u>3</u>	<u>1</u>	<u>48</u>	<u>52</u>
International Total	<u>150</u>	<u>99</u>	<u>165</u>	<u>414</u>
Worldwide Total ⁽²⁾	<u><u>226</u></u>	<u><u>101</u></u>	<u><u>177</u></u>	<u><u>504</u></u>

(1) Includes Sales, Hybrid Sales and Sales-Type Lease deal types.

(2) Worldwide Total of 504 includes 261 new IMAX Laser Systems and 69 upgrades of existing locations to IMAX Laser Systems.

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

(1) Includes Sales, Hybrid Sales and Sales-Type Lease deal types.

(2) Worldwide Total of 496 includes 247 new IMAX Laser Systems and 92 upgrades of existing locations to IMAX Laser Systems.

Approximately 30% of IMAX System arrangements in backlog as of June 30, 2024 are scheduled to be installed in international markets excluding Greater China (2023 — 36%). The Company's backlog in Greater China represents 52% of its total current backlog including upgrades in system type (2023 — 40%).

(See “Risk Factors — The Company may not convert all of its backlog into revenue and cash flows.” in Part II, Item 1A. of this form Form 10-Q.)

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 alternative content 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 Chief Operating Decision Maker (“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 organized its operating segments into the following two reportable segments: (i) Content Solutions, which principally includes content enhancement and distribution services, and (ii) Technology Products and Services, which principally includes the sale, lease, and maintenance of IMAX Systems. The Company's activities that do not meet the criteria to be considered a reportable segment are disclosed within All Other. (See Note 13 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1).

Results of Operations for the Three Months Ended June 30, 2024 and 2023

Net Income and Adjusted Net Income Attributable to Common Shareholders

The following table presents the Company's net income attributable to common shareholders and the associated per diluted share amounts, as well as adjusted net income attributable to common shareholders and adjusted net income attributable to common shareholders per diluted share for the three months ended June 30, 2024 and 2023:

	Three Months Ended June 30,			
	2024		2023	
	Net Income	Per Diluted Share	Net Income	Per Diluted Share
<i>(In thousands of U.S. Dollars, except per diluted share amounts)</i>				
Net income attributable to common shareholders	<u>\$ 3,583</u>	<u>\$ 0.07</u>	<u>\$ 8,351</u>	<u>\$ 0.15</u>
Adjusted income attributable to common shareholders*	<u>\$ 9,746</u>	<u>\$ 0.18</u>	<u>\$ 14,355</u>	<u>\$ 0.26</u>

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

Revenues and Gross Margin

During the three months ended June 30, 2024, the Company's revenues and gross margin decreased by \$9.0 million, or 9%, and \$14.0 million, or 24%, respectively, when compared to same period in 2023 principally due to IMAX box office performance driven in part by the Hollywood strike impact on the film slate, fewer IMAX systems installed under sales arrangements and a lower contribution from IMAX system amendments and renewals. These year over year declines were partially offset by the sale of commercial and streaming rights for an IMAX documentary.

The following table presents the Company's revenue, gross margin, and gross margin percentage by reportable segment for the three months ended June 30, 2024 and 2023:

	Revenue		Gross Margin		Gross Margin %	
	2024	2023	2024	2023	2024	2023
<i>(In thousands of U.S. Dollars)</i>						
Content Solutions	<u>\$ 35,076</u>	<u>\$ 31,290</u>	<u>\$ 16,138</u>	<u>\$ 19,996</u>	<u>46%</u>	<u>64%</u>
Technology Products and Services	<u>50,898</u>	<u>63,976</u>	<u>25,783</u>	<u>36,411</u>	<u>51%</u>	<u>57%</u>
Sub-total for reportable segments	<u>85,974</u>	<u>95,266</u>	<u>41,921</u>	<u>56,407</u>	<u>49%</u>	<u>59%</u>
All Other ⁽¹⁾	<u>2,987</u>	<u>2,713</u>	<u>2,006</u>	<u>1,480</u>	<u>67%</u>	<u>55%</u>
Total	<u>\$ 88,961</u>	<u>\$ 97,979</u>	<u>\$ 43,927</u>	<u>\$ 57,887</u>	<u>49%</u>	<u>59%</u>

(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 June 30, 2024, Content Solutions segment revenues and gross margin increased by \$3.8 million, or 12%, and decreased by \$3.9 million, or 19%, respectively, when compared to the same period in 2023, which was driven by the sale of *The Blue Angels* commercial and streaming rights, as described below.

In the second quarter of 2024, box office generated by IMAX films totaled \$196.4 million, a \$71.9 million, or 27%, decrease versus the prior year comparative period of \$268.3 million driven in part by the Hollywood strike impact on the film slate. In the second quarter of 2024, IMAX box office was generated by the exhibition of 34 films (27 new films and 7 films originally released in a prior year), including *Inside Out 2*, which generated IMAX box office of over \$37 million. In the second quarter of 2023, IMAX box office was generated by the exhibition of 23 films (17 new films and 6 films originally released in a prior year), including *The Super Mario Bro. Movie*, which generated box office of \$50 million.

The impact on revenue from the lower box office experienced year over year was more than offset by the revenue earned from the completion of the sale of worldwide commercial and streaming rights of the Company's original documentary, *The Blue Angels*, to Amazon Content as well as from higher revenues from alternative content. The Company continues to build out its alternative content strategy, including evolving its documentary strategy, as a way to increase utilization and revenues across the IMAX system footprint.

In addition to the level of revenues, Content Solutions segment gross margin is influenced by the costs associated with films and other content (documentaries, live and alternative) exhibited in the period. The costs associated with films and other content can include production, post-production, distribution and marketing, which are expensed as incurred. For the three months ended June 30, 2024, gross margin percent was 46% compared to 64% in the prior year period, with the decrease being driven by the lower level of IMAX box office coupled with a higher mix of self-produced content expensed, including *The Blue Angels*.

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 vary 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 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.

The following table provides information about IMAX Systems installed and the associated revenue recognized at that time, except for traditional joint revenue sharing arrangements as revenue is recognized over the lease term, during the three months ended June 30, 2024 and 2023:

	Three Months Ended June 30,			
	2024		2023	
<i>(In thousands of U.S. Dollars, except number of systems)</i>	Number of Systems	Revenue	Number of Systems	Revenue
New IMAX System	8	\$ 7,649	11	\$ 11,622
Upgraded IMAX System	2	2,926	2	1,793
Total IMAX Systems	<u>10</u>	<u>10,575</u>	<u>13</u>	<u>13,415</u>

Included in the table above is one IMAX System which was relocated from its original location (2023 — one IMAX System). When a system under a sale or sales-type lease arrangement is relocated, the amount of revenue earned by the Company may vary from transaction-to-transaction and is usually less than the amount earned for a new sale. In certain situations when a system is relocated, the original location is upgraded to an IMAX Laser System.

For the three months ended June 30, 2024, Technology Products and Services segment revenue and gross margin decreased by \$13.1 million, or 20%, and \$10.6 million, or 29%, respectively, when compared to the same period in 2023, primarily driven by a lower level of rental revenues, which is box office dependent. Rental revenues decreased by \$5.5 million, as a result of GBO from joint revenue sharing arrangements which decreased by \$36.8 million or 27% in the second quarter of 2024 when compared to the prior year comparative period, from \$137.8 million to \$101.0 million.

Also contributing to the lower level of revenues was the number of systems recognized under sales arrangements, per the table above, and a \$4.5 million decrease in revenue contribution from the impact of amendments and renewals to existing IMAX Systems arrangements.

The Technology Products and Services segment gross margin decrease during the three months ended June 30, 2024 as compared to 2023 was primarily due to the lower level of revenues, as described above, coupled with higher maintenance costs incurred.

All Other

For the three months ended June 30, 2024, All Other revenue and gross margin increased by \$0.3 million and \$0.5 million, respectively, when compared to the same period in 2023, principally due to growth in revenues earned by the Company's Streaming and Consumer Technology business.

Selling, General and Administrative Expenses

The following table presents information about the Company's Selling, General and Administrative Expenses for the three months ended June 30, 2024 and 2023:

<i>(In thousands of U.S. Dollars)</i>	Three Months		Variance	
	Ended June 30,		\$	%
	2024	2023		
Total Selling, general and administrative expenses	\$ 37,564	\$ 38,906	\$ (1,342)	(3%)
Less: Share-based compensation ⁽¹⁾	(6,506)	(6,469)	(37)	(1%)
Total Selling, general and administrative expenses, excluding share-based compensation	\$ 31,058	\$ 32,437	\$ (1,379)	(4%)

(1) A portion of share-based compensation expense is recognized within Costs and Expenses Applicable to Revenues, Research and Development, and Executive Transition Costs. (Refer to "Capital Stock and Reserves — Share-Based Compensation" in Note 11 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1.)

For the second quarter of 2024, the lower level of Selling, General and Administrative Expenses experienced over the prior year period reflects savings from management's continued focus on operational efficiencies, which were partially offset by the impact of higher inflation on wages and other business expenses.

Credit Loss Expense, Net

For the three months ended June 30, 2024, the Company recorded a credit loss expense of \$0.1 million, as compared to a credit loss expense 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. (Refer to Note 3 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1.)

Income Taxes

For the three months ended June 30, 2024, the Company recorded an income tax benefit of \$4.0 million (2023 — tax expense of \$3.5 million). The Company's effective tax rate of (371.5)% for the three months ended June 30, 2024 differs from the Canadian statutory rate of 26.5% primarily due to tax rate differences in foreign jurisdictions and a tax benefit related to an internal asset sale during the quarter which was partially offset by an increase in the valuation allowance and withholding taxes. The Company's effective tax rate of 26.5% for the three months ended June 30, 2023 is similar to the Canadian statutory rate of 26.5% which includes tax rate differences in foreign jurisdictions that were offset by withholding taxes.

During three months ended June 30, 2024, the Company completed an internal asset sale to more closely align its intellectual property ownership with its operations. In order to effect this internal asset sale, transactions between entities within the group resulted in capital gains for tax purposes. The tax expense related to the capital gain was partially offset by the reversal of the valuation allowance. Net deferred tax assets were also recorded on the transaction, resulting in a net tax benefit of \$7.7 million. (Refer to Note 10 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1.)

Non-Controlling Interests

The Company's Condensed Consolidated Financial Statements primarily include the non-controlling interest in the net income or loss of IMAX China, as well as the impact of non-controlling interests in the activity of its Original Film Fund subsidiary. For the three months ended June 30, 2024, the net income attributable to non-controlling interests of the Company's subsidiaries was \$1.5 million, an increase of \$0.2 million, when compared to the same period in 2023.

Results of Operations for the Six Months Ended June 30, 2024 and 2023

Net Income and Adjusted Net Income Attributable to Common Shareholders

The following table presents the Company's net income attributable to common shareholders and the associated per share amounts, as well as adjusted net income attributable to common shareholders* and adjusted net income attributable to common shareholders per share⁽¹⁾ for the six months ended June 30, 2024 and 2023:

	Six Months Ended June 30,			
	2024		2023	
	Net Income	Per Diluted Share	Net Income	Per Diluted Share
<i>(In thousands of U.S. Dollars, except per diluted share amounts)</i>				
Net income attributable to common shareholders	\$ 6,857	\$ 0.13	\$ 10,805	\$ 0.20
Adjusted net income attributable to common shareholders*	\$ 17,688	\$ 0.33	\$ 23,380	\$ 0.42

* Refer to "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

For the six months ended June 30, 2024, the Company's revenues and gross margin decreased by \$16.8 million or 9% and \$17.1 million or 16%, respectively, when compared to same period in 2023, principally due to weaker IMAX box office performance driven in part by the Hollywood strike impact on the film slate, fewer IMAX systems installed under sales arrangements and lower aftermarket sales as the first half of 2023 included *Avatar: The Way of Water*, a 3D film. These year over year declines were partially offset by the sale of commercial and streaming rights for an IMAX documentary.

The following table presents the Company's revenue, gross margin and gross margin percentage by reportable segment for the six months ended June 30, 2024 and 2023:

	Revenue		Gross Margin		Gross Margin %	
	2024	2023	2024	2023	2024	2023
<i>(In thousands of U.S. Dollars)</i>						
Content Solutions	\$ 69,089	\$ 63,391	\$ 38,237	\$ 37,991	55%	60%
Technology Products and Services	<u>94,048</u>	<u>115,643</u>	<u>49,367</u>	<u>66,302</u>	<u>52%</u>	<u>57%</u>
Sub-total for reportable segments	<u>163,137</u>	<u>179,034</u>	<u>87,604</u>	<u>104,293</u>	<u>54%</u>	<u>58%</u>
All Other ⁽¹⁾	<u>4,947</u>	<u>5,891</u>	<u>3,212</u>	<u>3,645</u>	<u>65%</u>	<u>62%</u>
Total	<u>\$ 168,084</u>	<u>\$ 184,925</u>	<u>\$ 90,816</u>	<u>\$ 107,938</u>	<u>54%</u>	<u>58%</u>

(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 six months ended June 30, 2024, Content Solutions segment revenues and gross margin increased by \$5.7 million, or 9%, and \$0.2 million, or 1%, respectively, when compared to the same period in 2023. In the six months ended June 30, 2024, box office generated by IMAX films totaled \$457.1 million, a \$84.6 million or 16% decrease versus the prior year comparative period of \$541.7 million driven in part by the Hollywood strike impact on the film slate. During the six months ended June 30, 2024, IMAX box office was generated by the exhibition of 60 films (46 new films and 14 films that were originally released in prior years), including *Dune: Part Two* (\$145 million), *Godzilla x Kong: The New Empire* (\$41 million), *Inside Out 2* (\$37 million), *Kingdom of The Planet of The Apes* (\$25 million) and *Furiosa* (\$23 million). Additionally, in the six months ended June 30, 2024, local language films exhibited across the Company's global network generated over \$80 million in box office, representing 18% of its total box office. Leading local language titles distributed across the IMAX network in the six months ended June 30, 2024 included the Chinese film *Pegasus 2*, the Japanese film, *Conan 27*, and the Korean film, *Suga — Agust D Tour D-Day The Movie*. In the six months ended June 30, 2023, IMAX box office was generated by the exhibition of 39 films (33 new films and 10 films that were originally released in prior years).

The impact on revenue from the lower box office experienced year over year was more than offset by the revenue earned from the completion of the sale of worldwide rights to the Company's original documentary, *The Blue Angels*, to Amazon Content during the period as well as from higher revenues from alternative content.

In addition to the level of revenues, Content Solutions segment gross margin is influenced by the costs associated with films and other content (documentaries, live and alternative) exhibited in the period. The costs associated with films and other content can include production, post-production, distribution and marketing, which are expensed as incurred. For the six months ended June 30, 2024, gross margin percent was 55% compared to 60% in the prior year period. The decrease was due to the lower level of IMAX box office receipts and the higher mix of self-produced content being released during the period, including *The Blue Angels*.

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 vary 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 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.

The following table provides information about IMAX Systems installed and the associated revenue recognized at that time, except for traditional joint revenue sharing arrangements as revenue is recognized over the lease term, during the six months ended June 30, 2024 and 2023:

	Six Months Ended June 30,			
	2024		2023	
<i>(In thousands of U.S. Dollars, except number of systems)</i>	Number of Systems	Revenue	Number of Systems	Revenue
New IMAX Systems	13	\$ 11,511	18	\$ 18,249
Upgraded IMAX Systems	3	4,303	3	3,131
Total	<u>16</u>	<u>\$ 15,814</u>	<u>21</u>	<u>\$ 21,380</u>

Included in the table above are two IMAX Systems which were relocated from its original location (2023 — one IMAX System). When a system under a sale or sales-type lease arrangement is relocated, the amount of revenue earned by the Company may vary from transaction-to-transaction and is usually less than the amount earned for a new sale. In certain situations when a system is relocated, the original location is upgraded to an IMAX Laser System.

For the six months ended June 30, 2024, Technology Products and Services segment revenue and gross margin decreased by \$21.6 million, or 19%, and \$16.9 million, or 26%, respectively, when compared to the same period in the prior year. The lower level of revenue is primarily driven by a lower level of rental revenues which is box office dependent. Rental revenues decreased by \$7.0 million, as a result of GBO from joint revenue sharing arrangements which decreased by \$53.1 million or 19% in the six months ended June 30, 2024 when compared to the prior year comparative period, from \$279.5 million to \$226.4 million.

Also contributing to the lower level of revenue was a decrease resulting from the lower number of systems recognized under sales arrangements, per the table above, and a \$9.7 million decrease in revenue contribution from the impact of amendments and renewals to existing IMAX Systems arrangements.

The Technology Products and Services segment gross margin decrease during the six months ended June 30, 2024 is primarily due to the lower level of revenues, as described above.

All Other

For the six months ended June 30, 2024, All Other revenue and gross margin decreased by \$0.9 million, or 16%, and \$0.4 million, or 12%, respectively, when compared to the same period in 2023, which principally reflects the performance of the Company's Streaming and Consumer Technology operations.

Selling, General and Administrative Expenses

The following table presents information about the Company's Selling, General and Administrative Expenses for the six months ended June 30, 2024 and 2023:

<i>(In thousands of U.S. Dollars)</i>	Six Months Ended		Variance	
	June 30, 2024	2023	\$	%
Total Selling, general and administrative expenses	\$ 68,821	\$ 73,054	\$ (4,233)	(6%)
Less: Share-based compensation ⁽¹⁾	(10,843)	(11,665)	822	7%
Total Selling, general and administrative expenses, excluding share-based compensation ⁽²⁾	<u>\$ 57,978</u>	<u>\$ 61,389</u>	<u>\$ (3,411)</u>	<u>(6%)</u>

(1) A portion of share-based compensation expense is recognized within Cost and Expenses Applicable to Revenue and Research and Development. (Refer to "Capital Stock and Reserves — Share-Based Compensation" in Note 11 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1.)

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

For the six months ended June 30, 2024, the lower level of Selling, General and Administrative Expenses experienced over the prior year period reflects management's continued focus on identifying cost-saving opportunities and realizing operational efficiencies. Management's cost-saving initiatives were partially offset by increased inflation during the period.

Credit Loss Expense, Net

For the six months ended June 30, 2024, the Company recorded a credit loss expense of \$0.2 million, as compared to a credit loss expense of \$1.1 million recognized in the prior year.

Management's judgments regarding expected credit losses are based on the facts available to management at the time that the Condensed Consolidated Financial Statements are prepared and involve estimates about the future. As a result, the Company's judgments and associated estimates of credit losses may ultimately prove, with the benefit of hindsight, to be incorrect. (Refer to Note 3 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1).

Income Taxes

For the six months ended June 30, 2024, the Company recorded an income tax expense of \$1.2 million (2023 — tax expense of \$8.3 million). The Company's effective tax rate of 10.0% for the six months ended June 30, 2024 differs from the Canadian statutory rate of 26.5% primarily due to tax rate differences in foreign jurisdictions and a tax benefit related to an internal asset sale during the quarter which is offset by an increase in the valuation allowance, withholding taxes and a shortfall in tax benefits related to share-based compensation. The Company's effective tax rate of 36.2% for the six months ended June 30, 2023 differs from the Canadian statutory rate of 26.5% primarily due to tax rate differences in foreign jurisdictions which was offset by an increase in the valuation allowance and withholding taxes.

During the six months ended June 30, 2024, the Company completed an internal asset sale to more closely align its intellectual property ownership with its operations. In order to effect this internal asset sale, transactions between entities within the group resulted in capital gains for tax purposes. The tax expense related to the capital gain was partially offset by the reversal of the valuation allowance. Net deferred tax assets were also recorded on the transaction, resulting in a net tax benefit of \$7.7 million. (Refer to 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 six months ended June 30, 2024, the net income attributable to non-controlling interests of the Company's subsidiaries was \$3.6 million, a decrease of \$0.3 million, when compared to the same period in 2023.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2024, the Company's principal sources of liquidity included: (i) its balances of cash and cash equivalents of \$91.6 million; (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 and variable consideration receivables due in the next 12 months under sale and sales-type lease arrangements for systems currently in operation; and (iv) installment payments expected in the next 12 months under sale and sales-type lease arrangements in backlog. Under the terms of the Company's typical sale and sales-type lease agreements, the Company receives substantial cash payments before it completes the performance of its contractual obligations.

In addition, as of June 30, 2024, the Company had \$246.0 million in available borrowing capacity under its Sixth Amended and Restated Credit Agreement with Wells Fargo Bank, National Association (the "**Credit Agreement**"), \$26.7 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 \$28.1 million in available borrowing capacity under IMAX Shanghai's revolving credit facility with HSBC Bank (China) Company Limited, Shanghai Branch (the "**HSBC China Facility**"). (Refer to "Borrowings — *Revolving Credit Facility Borrowings, Net*" in Note 6 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 for a description of the material terms of the Credit Agreement, the Bank of China Facility, and the HSBC Facility.)

The Company's \$91.6 million balance of cash and cash equivalents as of June 30, 2024 (December 31, 2023 — \$76.2 million) includes \$83.0 million in cash held outside of Canada (December 31, 2023 — \$68.5 million), of which \$44.0 million was held in the People's Republic of China (the "**PRC**") (December 31, 2023 — \$30.0 million). Management reassessed its strategy with respect to the most efficient means of deploying the Company's capital resources globally and determined that historical earnings of certain foreign subsidiaries in excess of amounts required to sustain business operations would no longer be indefinitely reinvested. During the six months ended June 30, 2024, no historical earnings from a subsidiary in PRC were distributed (2023 — \$24.0 million) and, as a result, no foreign withholding taxes were paid to the relevant tax authorities (2023 — \$2.4 million). As of June 30, 2024, 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 non-repatriated 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 2023 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.

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.

OFF-BALANCE SHEET ARRANGEMENTS

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

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements and related disclosures in accordance with U.S. GAAP requires management to make judgments, assumptions, and estimates that affect the amounts reported in the Company's Condensed Consolidated Financial Statements and accompanying notes. Management's judgments, assumptions, and estimates are based on historical experience, future expectations, and other factors that are believed to be reasonable as of the date of the Company's Condensed Consolidated Financial Statements. Actual results may ultimately differ from the Company's original estimates, as future events and circumstances sometimes do not develop as expected, and the differences may be material. For more information on the Company's critical accounting estimates refer to the section entitled "Critical Accounting Estimates" in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the 2023 Form 10-K.

RECENTLY ISSUED ACCOUNTING STANDARDS

Refer to Note 2 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 for a discussion of recently issued accounting standards and their impact on the Company's Condensed Consolidated Financial Statements.

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) realized and unrealized investment gains or losses; (iii) transaction-related expenses; and (iv) restructuring and 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 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 attributable to common shareholders and the associated per share amounts to adjusted net income attributable to common shareholders and adjusted net income attributable to common shareholders per diluted share are presented in the tables below.

	Three Months Ended June 30,			
	2024		2023	
<i>(In thousands of U.S. Dollars, except per share amounts)</i>	Net Income	Per Share	Net Income	Per Share
Net income attributable to common shareholders	\$ 3,583	\$ 0.07	\$ 8,351	\$ 0.15
Adjustments ⁽¹⁾ :				
Share-based compensation	6,647	0.12	6,511	0.12
Unrealized investment gains	(32)	—	(27)	—
Tax impact on items listed above	(452)	(0.01)	(480)	(0.01)
Adjusted net income ⁽¹⁾	<u>\$ 9,746</u>	<u>\$ 0.18</u>	<u>\$ 14,355</u>	<u>\$ 0.26</u>
Weighted average shares outstanding — basic		<u>52,633</u>		<u>54,591</u>
Weighted average shares outstanding — diluted		<u>53,428</u>		<u>55,320</u>

(1) Reflects amounts attributable to common shareholders.

	Six Months Ended June 30,			
	2024		2023	
<i>(In thousands of U.S. Dollars, except per diluted share amounts)</i>	Net Income	Per Diluted Share	Net Income	Per Diluted Share
Net income attributable to common shareholders	\$ 6,857	\$ 0.13	\$ 10,805	\$ 0.20
Adjustments ⁽¹⁾ :				
Share-based compensation	11,354	0.21	12,047	0.22
Unrealized investment gains	(62)	—	(72)	—
Transaction-related expenses	—	—	156	—
Restructuring and executive transition costs	—	—	1,353	0.02
Tax impact on items listed above	(462)	(0.01)	(909)	(0.02)
Adjusted net income ⁽¹⁾	<u>\$ 17,688</u>	<u>\$ 0.33</u>	<u>\$ 23,380</u>	<u>\$ 0.42</u>
Weighted average shares outstanding — basic		<u>52,568</u>		<u>54,328</u>
Weighted average shares outstanding — diluted		<u>53,386</u>		<u>55,145</u>

(1) Reflects amounts attributable to common shareholders.

In addition to the non-GAAP financial measures discussed above, management also uses “EBITDA,” as such term is defined in the Credit Agreement, and which is referred to herein as “Adjusted EBITDA per Credit Facility.” As allowed by the Credit Agreement, Adjusted EBITDA per Credit Facility includes adjustments in addition to the exclusion of interest, taxes, depreciation and amortization. Accordingly, this non-GAAP financial measure is presented to allow a more comprehensive analysis of the Company’s operating performance and to provide additional information with respect to the Company’s compliance 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) restructuring and 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:

	Three Months Ended June 30, 2024		
	Attributable to Non-controlling Interests and Common Shareholders’	Less: Attributable to Non-controlling Interests	Attributable to Common Shareholders’
<i>(In thousands of U.S. Dollars)</i>			
Reported net income	\$ 5,073	\$ 1,490	\$ 3,583
Add (subtract):			
Income tax (recovery) expense	(3,997)	543	(4,540)
Interest expense, net of interest income	1,229	(119)	1,348
Depreciation and amortization, including film asset amortization	18,838	1,382	17,456
Amortization of deferred financing costs ⁽¹⁾	492	—	492
EBITDA	21,635	3,296	18,339
Share-based and other non-cash compensation	6,970	218	6,752
Unrealized investment gains	(32)	—	(32)
Write-downs, including asset impairments and credit loss expense	2,428	637	1,791
Adjusted EBITDA per Credit Facility	<u>\$ 31,001</u>	<u>\$ 4,151</u>	<u>\$ 26,850</u>

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

Twelve Months Ended June 30, 2024

<i>(In thousands of U.S. Dollars)</i>	Attributable to Non-controlling Interests and Common Shareholders	Less: Attributable to Non-controlling Interests	Attributable to Common Shareholders
Reported net income	\$ 28,823	\$ 7,436	\$ 21,387
Add (subtract):			
Income tax expense	5,867	1,975	3,892
Interest expense, net of interest income	3,037	(526)	3,563
Depreciation and amortization, including film asset amortization	66,826	5,133	61,693
Amortization of deferred financing costs ⁽¹⁾	1,969	—	1,969
	<u>106,522</u>	<u>14,018</u>	<u>92,504</u>
EBITDA	106,522	14,018	92,504
Share-based and other non-cash compensation	23,450	540	22,910
Unrealized investment gains	(455)	(93)	(362)
Transaction-related expenses	3,413	208	3,205
Write-downs, including asset impairments and credit loss expense	4,305	830	3,475
Restructuring and executive transition costs	1,593	258	1,335
	<u>138,828</u>	<u>15,761</u>	<u>123,067</u>
Adjusted EBITDA per Credit Facility	<u>\$ 138,828</u>	<u>\$ 15,761</u>	<u>\$ 123,067</u>

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

The Company cautions users of its financial statements that these non-GAAP financial measures may not be comparable to similarly titled measures reported by other companies. Additionally, the non-GAAP financial measures used by the Company should not be considered 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 89 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 under leases denominated in RMB, Japanese Yen, British Pound Sterling, 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 RMB313.7 million (\$44.0 million) in cash and cash equivalents as of June 30, 2024 (December 31, 2023 — RMB213.0 million or \$30.0 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. (Refer to "Risk Factors – The Company faces risks in connection with its significant presence in China and the continued expansion of its business there" in Part II, Item 1A. of this Form 10-Q.)

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

For the three and six months ended June 30, 2024, the Company recorded foreign exchange net losses of \$0.2 million and \$0.5 million, respectively, resulting from changes in exchange rates related to foreign currency denominated monetary assets and liabilities (2023 — net losses of \$0.5 million and \$0.6 million, respectively).

The Company has entered into a series of foreign currency forward contracts to manage the risks associated with the volatility of foreign currencies. Certain of these foreign currency forward contracts met the criteria required for hedge accounting under the Derivatives and Hedging Topic of the FASB ASC at inception, and continue to meet hedge effectiveness tests as of June 30, 2024, with settlement dates throughout 2024 and 2025. Foreign currency derivatives are recognized and measured in the Condensed Consolidated Balance Sheets at fair value. Changes in the fair value (i.e., gains or losses) are recognized in the Condensed Consolidated Statements of Operations except for derivatives designated and qualifying as foreign currency cash flow hedging instruments. The Company currently has cash flow hedging instruments associated with Selling, General and Administrative Expenses. For foreign currency cash flow hedging instruments related to Selling, General and Administrative Expenses, the effective portion of the gain or loss in a hedge of a forecasted transaction is reported within Accumulated Other Comprehensive Income (Loss) and reclassified to the Condensed Consolidated Statements of Operations when the forecasted transaction occurs. Any ineffective portion is recognized immediately in the Condensed Consolidated Statements of Operations.

The notional value of foreign currency cash flow hedging instruments that qualify for hedge accounting as of June 30, 2024 was \$39.4 million (December 31, 2023 — \$40.6 million). Losses of \$0.4 million and \$1.3 million were recorded to Other Comprehensive Loss with respect to the change in fair value of these contracts for the three and six months ended June 30, 2024, respectively (2023 — gains of \$0.7 million and \$0.8 million, respectively). Losses of \$0.1 million and \$0.1 million were reclassified from Accumulated Other Comprehensive Loss to Selling, General and Administrative Expenses for the three and six months ended June 30, 2024, respectively, (2023 — loss of \$0.1 million and \$0.5 million, respectively). The Company currently does not hold any derivatives which are not designated as hedging instruments.

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

As of June 30, 2024, 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 \$160.1 million. Assuming a 10% appreciation or depreciation in foreign currency exchange rates from the quoted foreign currency exchange rates as of June 30, 2024, the potential change in the fair value of foreign currency-denominated financing receivables and working capital items would have been \$16.0 million. A significant portion of the Company's Selling, General, and Administrative Expenses is denominated in Canadian Dollars. Assuming a 1% change appreciation or depreciation in foreign currency exchange rates as of June 30, 2024, the potential change in the amount of Selling, General, and Administrative Expenses would be \$0.2 million.

Interest Rate Risk Management

The Company's earnings may also be affected by changes in interest rates due to the impact those changes have on its interest income from cash, and its interest expense from variable-rate borrowings that may be made under the Credit Facility.

As of June 30, 2024, the Company had drawn down \$54.0 million on its Credit Facility (December 31, 2023 — \$24.0 million), and \$nil on its HSBC China Facility (December 31, 2023 — \$nil) and \$nil on its Bank of China Facility (December 31, 2023 — nil), which are subject to variable effective interest rates.

The Company had variable rate debt instruments representing 11.0% and 5.0% of its total liabilities as of June 30, 2024 and December 31, 2023, respectively. If the interest rates available to the Company increased by 10%, the Company's interest expense would increase by \$0.4 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 June 30, 2024.

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 2023 Form 10-K, which describes various risks and uncertainties to which the Company is or may become subject. The risk factors described below update certain risk factors included in the Company’s 2023 Form 10-K in light of recent events. The below risk factors and the risk factors included in the Company’s 2023 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 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 26% of overall revenues generated from its Greater China operations for the six months ended June 30, 2024. As of June 30, 2024, the Company had 803 IMAX Systems operating in Greater China with an additional 263 systems in backlog, which represent 52% of the Company’s current backlog. Of the IMAX Systems currently scheduled to be installed in Greater China, 77% are under joint revenue sharing arrangements, which further increases the Company’s ongoing exposure to box office performance in this market.

The China market faces a number of risks, including a continued slow recovery from the COVID-19 pandemic, 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 impact the Company’s exhibitor and studio partners, and consumer spending. The market’s slow recovery from the pandemic has caused some theatrical exhibitors in Mainland China, including several of the Company’s exhibitor partners, to experience financial difficulties which, in certain cases, has resulted in delays in meeting payment and theater system installation obligations to the Company. There are no guarantees that such financial difficulties will not continue, or that partner delays or failures to meet contractual obligations will not occur in the future, adversely impacting the Company’s future revenues and cash flows.

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 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, 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 additional PRC laws and regulations become applicable to the Company, it may be subject to increased 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 Company's business 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 were given release dates in China in 2023 and 2024, several of the prominent Hollywood sequels or franchise films released into China have underperformed their predecessors in that market. 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, number or performance 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.

The worsening of United States-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 in Mainland China.

The Company may not convert all of its backlog into revenue and cash flows.

As of June 30, 2024, the Company's backlog included 504 IMAX Systems, consisting of 177 IMAX Systems under sales or lease arrangements and 327 IMAX Systems under joint revenue sharing arrangements. The Company lists signed contracts for IMAX Systems for which revenue has not been recognized as backlog prior to the time of revenue recognition. The total value of the backlog represents all binding IMAX System sale or lease agreements scheduled to be installed in the future. Backlog value includes initial fees along with the estimated present value of contractual ongoing fees due over the term, and a variable consideration estimate for the IMAX Systems under sales arrangements, but excludes amounts allocated to maintenance and extended warranty revenues. Notwithstanding their legal obligations, some of the Company's exhibition customers with which it has signed contracts may be delinquent in their contractual payments and/or not accept delivery of IMAX Systems that are included in the Company's backlog. An economic or industry downturn may exacerbate exhibition customer liquidity constraints and the risk of customers not accepting delivery of IMAX Systems. Customers sometimes request that the Company agree to modify their obligations concerning systems in backlog, which the Company has agreed to do in the past under certain circumstances, and may agree to do in the future. Customer-requested delays in the installation of IMAX Systems in backlog remain a recurring and unpredictable part of the Company's business. China's slow recovery from the COVID-19 pandemic has caused several of the Company's exhibition partners there to delay payment or theater system installation obligations to the Company. Any reduction or change in backlog could adversely affect the Company's future revenues and cash flows.

There is collection risk associated with payments to be received over the terms of the Company's IMAX System agreements.

The Company is dependent in part on the viability of its exhibitors for collections under long-term leases, sales financing agreements, and joint revenue sharing arrangements. Exhibitors or other operators may experience financial difficulties that could cause them to be unable to fulfill their contractual payment obligations to the Company. As a result, the Company's future revenues and cash flows could be adversely affected.

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

Issuer Purchases of Equity Securities

In 2023, 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 7, 2023 (33,959,314 shares). This program expired on the date of the 2024 Annual General Meeting of IMAX China on June 7, 2024. During the 2024 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 7, 2024 (34,000,845 shares). This program will be valid until the 2025 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 June 30, 2024, IMAX China repurchased 119,900 ordinary shares at an average price of HKD 7.43 per share (\$0.95 per share) for a total of HKD 0.9 million (\$0.1 million).

(Refer to 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.)

(2) EARNINGS RELEASE EXTRACTS

“With the strikes — and the lingering effects of the pandemic — firmly behind us, we are in an excellent position to fully realize the benefits of our strong, asset-lite business model,” said Rich Gelfond, CEO of IMAX. “The second quarter offered strong evidence that we are at an inflection point in our business; we are on a tear with system sales activity, our system installations are up significantly, and the slate through 2026 is as strong as we’ve ever seen.”

“Several signs across our financial and operating performance in the second quarter underscore our building momentum — we beat consensus across most metrics, generated strong cash flow, delivered our most quarterly signings for IMAX systems in six years, and expect to install a higher number of IMAX systems in 2024 over the year prior.”

“We continue to grow our unique global network across key regions including India, the Middle East, and Southeast Asia, while fortifying our most important exhibition partnerships — including our deal with China’s Wanda Film, our biggest exhibition agreement in five years.”

“Our ongoing strategic network expansion will enable IMAX to fully capitalize on the tremendous film slate over the next several years — featuring new releases from some of our most successful filmmaking partners and studio franchises, as well as a record of at least 14 films shot with IMAX cameras in 2025.”

(1) Diluted Net Income Per Share.

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

Second Quarter Financial Highlights

<i>In millions of U.S. Dollars, except per share data</i>	Three Months Ended June 30,			Six Months Ended June 30,		
	2024	2023	YoY % Change	2024	2023	YoY % Change
Total Revenue	\$ 89.0	\$ 98.0	(9%)	\$ 168.1	\$ 184.9	(9%)
Gross Margin	\$ 43.9	\$ 57.9	(24%)	\$ 90.8	\$ 107.9	(16%)
Gross Margin (%)	49.4%	59.1%		54.0%	58.4%	
Total Adjusted EBITDA ⁽¹⁾⁽²⁾	\$ 31.0	\$ 35.9	(14%)	\$ 63.1	\$ 68.3	(8%)
Total Adjusted EBITDA Margin (%) ⁽¹⁾⁽²⁾	34.8%	36.7%	(5%)	37.5%	36.9%	(5%)
Net Income ⁽³⁾	\$ 3.6	\$ 8.4	(57%)	\$ 6.9	\$ 10.8	(37%)
Diluted Net Income Per Share ⁽³⁾	\$ 0.07	\$ 0.15	(53%)	\$ 0.13	\$ 0.20	(35%)
Adjusted Net Income ⁽¹⁾⁽³⁾	\$ 9.7	\$ 14.4	(33%)	\$ 17.7	\$ 23.4	(24%)
Adjusted Earnings Per Share ⁽¹⁾⁽³⁾	\$ 0.18	\$ 0.26	(31%)	\$ 0.33	\$ 0.42	(21%)
Weighted average shares outstanding (in millions):						
Basic	52.6	54.6	(4%)	52.6	54.3	(3%)
Diluted	53.4	55.3	(3%)	53.4	55.1	(3%)

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

(2) Total Adjusted EBITDA is before adjustments for non-controlling interests. Total Adjusted EBITDA per Credit Facility attributable to common shareholders, excluding non-controlling interests, was \$26.9 million and \$55.0 million for each of the three and six months ended June 30, 2024 (2023 - \$32.8 million and \$60.1 million).

(3) Attributable to common shareholders.

Second Quarter Segment Results⁽¹⁾

	Content Solutions			Technology Products and Services		
	Revenue	Gross Margin	Gross Margin %	Revenue	Gross Margin	Gross Margin %
2Q24	\$ 35.1	\$ 16.1	46%	\$ 50.9	\$ 25.8	51%
2Q23	31.3	20.0	64%	64.0	36.4	57%
% change	12%	(19%)		(20%)	(29%)	
YTD24	\$ 69.1	\$ 38.2	55%	\$ 94.0	\$ 49.4	52%
YTD23	63.4	38.0	60%	115.6	66.3	57%
% change	9%	1%		(19%)	(26%)	

(1) Please refer to the Company's Form 10-Q for the period ended June 30, 2024 for additional segment information.

Content Solutions Segment

- Content Solutions revenues of \$35 million increased 12% year-over-year. The sale of the commercial and streaming rights of "The Blue Angels" documentary more than offset the Hollywood strike impacted lower IMAX gross box office in Q2 2024 of \$196 million compared to \$268 million in Q2 2023.
- Gross margin for Content Solutions was \$16 million and decreased 19% compared to the second quarter of the prior year period driven by the lower box office and the mix of revenues.

Technology Products and Services Segment

- Technology Products and Services revenues and gross margin decreased 20% year-over-year to \$51 million and 29% year-over-year to \$26 million, respectively, which reflects the lower box office tied rental revenues as well as fewer sale/hybrid installations and a lower contribution from amendments and renewals.
- During the second quarter the Company installed 24 systems compared to 20 systems in the second quarter of 2023. Of those, 10 systems were under sales and hybrid JRSA arrangements, compared to 13 systems in the prior year.
- Commercial network growth accelerated with the number of IMAX locations increasing 4% year-over-year to 1,705. The Company ended Q2 2024 with a backlog of 504 IMAX systems.

DEFINITIONS USED IN THIS ANNOUNCEMENT

“1HFY”	the first half of the financial year, six months ended 30 June
“Board” or “Board of Directors”	the board of directors of the Company
“CG Code”	the Corporate Governance Code set out in Appendix C1 of the Listing Rules
“Company” or “IMAX China”	IMAX China Holding, Inc., a company incorporated under the laws of the Cayman Islands with limited liability on 30 August 2010
“Companies Act”	the Companies Act (2023 Revision) of the Cayman Islands
“controlling shareholder”, “subsidiary” and “substantial shareholder”	shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires
“Directors”	the directors of the Company and “Director” shall be construed accordingly as a director of the Company
“FY” or “financial year”	financial year ended or ending 31 December
“Greater China”	for the purposes of this document only, the Mainland China, Hong Kong, Macau and Taiwan
“Group”, “we”, “our” or “us”	the Company and its subsidiaries
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards issued by the International Accounting Standards Board
“IMAX Corporation” or the “Controlling Shareholder”	IMAX Corporation, a company incorporated in Canada with limited liability in 1967 and listed on the New York Stock Exchange (NYSE: IMAX) and our ultimate controlling shareholder, or where the context requires, any of its wholly-owned subsidiaries

“IMAX Hong Kong”	IMAX China (Hong Kong), Limited, a company incorporated in Hong Kong with limited liability on 12 November 2010, which changed its name to its present name on 16 March 2011 and a direct wholly-owned subsidiary of the Company
“IMAX Hong Kong Holding”	IMAX (Hong Kong) Holding, Limited, a company incorporated in Hong Kong and a direct wholly-owned subsidiary of IMAX (Barbados) Holding, Inc.
“IMAX Shanghai Multimedia”	IMAX (Shanghai) Multimedia Technology Co., Ltd., a wholly foreign-owned enterprise established under the laws of the PRC on 31 May 2011 and a direct wholly-owned subsidiary of IMAX Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Macau”	Macau Special Administrative Region of the PRC
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 of the Listing Rules
“NYSE”	New York Stock Exchange
“PSU(s)”	performance share units
“PSU Scheme”	the performance share unit scheme adopted by the Company on 12 March 2020 and amended on 28 April 2023
“RMB”	Renminbi, the lawful currency of the PRC
“RSU(s)”	restricted share units
“RSU Scheme”	the restricted share unit scheme adopted by the Company on 21 September 2015 and amended by shareholders at the general meeting dated 7 June 2023
“Share(s)”	Ordinary share(s) with a nominal value of US\$0.0001 each in the share capital of the Company and a “Share” means any of them

“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TCL-IMAX Entertainment”	TCL-IMAX Entertainment Co., Limited, a company incorporated in Hong Kong with limited liability on 3 January 2014, being the joint venture company jointly owned by IMAX Hong Kong Holding and Sino Leader (Hong Kong) Limited, which is wholly owned by TCL Multimedia Technology Holdings Limited
“Technology License Agreements”	The technology license agreement entered into by each of IMAX Shanghai Multimedia and IMAX Hong Kong with IMAX Corporation on 28 October 2011, as amended from time to time
“Trademark License Agreements”	The trademark license agreement entered into by each of IMAX Shanghai Multimedia and IMAX Hong Kong with IMAX Corporation on 28 October 2011, as amended from time to time
“U.S.” or “United States”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“USD”, “US\$”, “\$” or “United States dollars”	U.S. dollars, the lawful currency of the United States of America

GLOSSARY

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

“3D”	three-dimensional
“backlog”	our backlog comprises the aggregate number of commitments for IMAX theatre installations pursuant to contracts we have entered into with exhibitors
“box office”	the gross aggregate proceeds from ticket sales received by the relevant exhibitor(s) in the relevant market(s) for the relevant type(s) of film. For example, the Greater China box office is the aggregate proceeds from ticket sales received by all exhibitors in Greater China, and the Greater China IMAX box office is the aggregate proceeds from ticket sales received by all the exhibitors in Greater China in respect of IMAX films and IMAX Original Films. We also use the concept of box office in our revenue sharing arrangements, where it refers to the aggregate proceeds from ticket sales received by exhibitors in respect of IMAX films with which we have entered into a revenue sharing arrangement

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

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

“take rate”	a film studio’s share of box office generated from a particular film, after making certain tax and other deductions
“theatre circuit”	an organisation that distributes newly released films to theatres within that circuit; every theatre in Mainland China must be affiliated with a theatre circuit

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

Hong Kong, 25 July 2024

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

Executive Directors:

Daniel Manwaring

Jiande Chen

Jim Athanasopoulos

Non-Executive Directors:

Richard Gelfond

Robert Lister

Independent Non-Executive Directors:

John Davison

Yue-Sai Kan

Janet Yang

Peter Loehr

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