UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2021

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 001-35066

IMAX Corporation

(Exact name of registrant as specified in its charter)

Canada	**98-0140269**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*
2525 Speakman Drive, Mississauga, Ontario, Canada L5K 1B1 (905) 403-6500	**902 Broadway, Floor 20 New York, New York, USA 10010 (212) 821-0100**

(Address of principal executive offices, zip code, telephone numbers)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, no par value	**IMAX**	**The New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding as of June 30, 2021
Common Shares, no par value	59,395,909

IMAX CORPORATION

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IMAX CORPORATION

PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

The following unaudited Condensed Consolidated Financial Statements are filed as part of this Report:

IMAX CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands of U.S. Dollars except share amounts)
(Unaudited)

		June 30, 2021		December 31, 2020
Assets				
Cash and cash equivalents	$	214,125	$	317,379
Accounts receivable, net		68,755		56,300
Financing receivables, net		133,221		131,810
Variable consideration receivables, net		41,596		40,526
Inventories		37,299		39,580
Prepaid expenses		11,892		10,420
Film assets, net		5,387		5,777
Property, plant and equipment, net		265,517		277,397
Investment in equity securities		1,089		13,633
Other assets		20,330		21,673
Deferred income tax assets, net		18,720		17,983
Goodwill		39,027		39,027
Other intangible assets, net		24,932		26,245
Total assets	**$**	**881,890**	**$**	**997,750**
Liabilities				
Accounts payable	$	15,206	$	20,837
Accrued and other liabilities		91,557		99,354
Revolving credit facility borrowings, net		9,544		305,676
Convertible notes, net		222,888		—
Deferred revenue		87,489		87,982
Deferred income tax liabilities		19,681		19,134
Total liabilities		**446,365**		**532,983**
Commitments and contingencies				
Non-controlling interests		**766**		**759**
Shareholders' equity				
Capital stock common shares — no par value. Authorized — unlimited number. 59,396,411 issued and 59,395,909 outstanding (December 31, 2020 — 58,921,731 issued and 58,921,008 outstanding)		415,857		407,031
Less: Treasury stock, 502 shares at cost (December 31, 2020 — 723)		(8)		(11)
Other equity		160,658		180,330
Accumulated deficit		(226,900)		(202,849)
Accumulated other comprehensive income		1,062		988
Total shareholders' equity attributable to common shareholders		**350,669**		**385,489**
Non-controlling interests		84,090		78,519
Total shareholders' equity		**434,759**		**464,008**
Total liabilities and shareholders' equity	**$**	**881,890**	**$**	**997,750**

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

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

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

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

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

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

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

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

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Operating Activities		
Net loss	$ (16,612)	$ (89,458)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	25,671	26,883
Amortization of deferred financing costs	1,008	299
Credit loss (reversal) expense, net	(1,567)	11,657
Write-downs	462	6,806
Deferred income tax expense	33	(4,878)
Share-based and other non-cash compensation	12,332	10,850
Unrealized foreign currency exchange (gain) loss	(490)	312
Realized and unrealized investment (gains) losses	(5,281)	2,514
Equity in losses of investees	—	529
Changes in assets and liabilities:		
Accounts receivable	(11,049)	36,971
Inventories	1,867	(16,887)
Film assets	(5,808)	(4,057)
Deferred revenue	(447)	9,799
Changes in other operating assets and liabilities	(17,135)	(12,220)
Net cash used in operating activities	**(17,016)**	**(20,880)**
Investing Activities		
Purchase of property, plant and equipment	(1,365)	(594)
Investment in equipment for joint revenue sharing arrangements	(2,397)	(3,908)
Acquisition of other intangible assets	(2,631)	(1,221)
Proceeds from sale of equity securities	17,769	—
Net cash provided by (used in) investing activities	**11,376**	**(5,723)**
Financing Activities		
Proceeds from issuance of convertible notes, net	223,675	—
Debt issuance costs related to convertible notes	(242)	—
Purchase of capped calls related to convertible notes	(19,067)	—
Revolving credit facility borrowings	3,600	280,244
Repayments of revolving credit facility borrowings	(300,243)	—
Credit facility amendment fees paid	(32)	(959)
Repurchase of common shares	—	(36,624)
Repurchase of common shares, IMAX China	—	(1,532)
Treasury stock purchased for future settlement of restricted share units	—	(3,086)
Taxes withheld and paid on employee stock awards vested	(3,045)	(251)
Common shares issued - stock options exercised	883	—
Dividends paid to non-controlling interests	(2,099)	(2,118)
Net cash (used in) provided by financing activities	**(96,570)**	**235,674**
Effects of exchange rate changes on cash	(1,044)	431
(Decrease) increase in cash and cash equivalents during period	**(103,254)**	**209,502**
Cash and cash equivalents, beginning of period	**317,379**	**109,484**
Cash and cash equivalents, end of period	**$ 214,125**	**$ 318,986**

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

IMAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands of U.S. Dollars)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Adjustments to capital stock:				
Balance, beginning of period	$ 414,982	$ 404,164	$ 407,020	$ 419,348
Change in shares held in treasury	3	1,090	3	3,709
Employee stock options exercised	59	—	883	—
Grant date fair value of stock options exercised	19	—	272	—
Average carrying value of repurchased and retired common shares	—	—	—	(17,803)
Restricted share units vested, net of shares withheld for employee tax obligations	786	—	7,671	—
Balance, end of period	415,849	405,254	415,849	405,254
Adjustments to other equity:				
Balance, beginning of period	155,653	168,892	180,330	171,789
Amortization of share-based payment expense - stock options	250	505	657	1,103
Amortization of share-based payment expense - restricted share units	5,370	4,948	8,996	7,762
Amortization of share-based payment expense - performance stock units	1,087	506	2,204	793
Restricted share units vested	(1,684)	(1,520)	(12,191)	(7,225)
Grant date fair value of stock options exercised	(18)	—	(271)	—
Common shares repurchased, IMAX China	—	(641)	—	(1,532)
Purchase of capped calls related to convertible notes	—	—	(19,067)	—
Balance, end of period	160,658	172,690	160,658	172,690
Adjustments to accumulated deficit:				
Balance, beginning of period	(217,689)	(108,428)	(202,849)	(40,253)
Net loss attributable to common shareholders	(9,211)	(25,967)	(24,051)	(75,321)
Common shares repurchased and retired	—	—	—	(18,821)
Balance, end of period	(226,900)	(134,395)	(226,900)	(134,395)
Adjustments to accumulated other comprehensive (loss) income:				
Balance, beginning of period	(459)	(5,759)	988	(3,190)
Other comprehensive income (loss), net of tax	1,521	1,579	74	(990)
Balance, end of period	1,062	(4,180)	1,062	(4,180)
Adjustments to non-controlling interests:				
Balance, beginning of period	82,215	79,508	78,519	89,493
Net income (loss) attributable to non-controlling interests	3,083	(2,817)	7,432	(12,466)
Other comprehensive income (loss), net of tax	891	150	238	(186)
Dividends paid to non-controlling shareholders	(2,099)	(2,118)	(2,099)	(2,118)
Balance, end of period	84,090	74,723	84,090	74,723
Total Shareholders' Equity	**$ 434,759**	**$ 514,092**	**$ 434,759**	**$ 514,092**

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

1. Basis of Presentation

Accounting Principles

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

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

Principles of Consolidation

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

The Company has interests in ten film production companies, which have been identified as VIEs. The Company is the primary beneficiary of and consolidates five of these entities as it has the power to direct the activities that most significantly impact the economic performance of the VIE, and it has the obligation to absorb losses or the right to receive benefits from the respective VIE that could potentially be significant. The majority of the assets relating to these production companies are held by the IMAX Original Film Fund (the “Original Film Fund”) as described in Note 17(b). The Company does not consolidate the other five film production companies because it does not have the power to direct their activities and it does not have the obligation to absorb the majority of the expected losses or the right to receive expected residual returns. The Company uses the equity method of accounting for these entities, which are not material to the Company’s Condensed Consolidated Financial Statements.

Total assets and liabilities of the Company’s consolidated VIEs are as follows:

(In thousands of U.S. Dollars)	June 30, 2021	December 31, 2020
Total assets	$ 1,584	$ 1,543
Total liabilities	$ 259	$ 230

Estimates and Assumptions

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

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

2. Impact of COVID-19 Pandemic

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

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

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

3. Recently Issued Accounting Standards Not Yet Adopted

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the effects of Reference Rate Reform on Financial Reporting" ("ASU 2020-04"). The purpose of ASU 2020-04 is to provide optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments are effective for all entities from the beginning of an interim period that includes the issuance date of the ASU. An entity may elect to apply the amendments prospectively through December 31, 2022. The Company is currently assessing the impact of ASU 2020-04 on its Condensed Consolidated Financial Statements.

In July 2021, the FASB issued ASU No. 2021-05, "Leases (Topic 842): Lessors - Certain Leases with Variable Lease Payments" ("ASU 2021-05"), which requires sales-type or direct financing leases that have variable payments (that do not depend on a rate or an index) and result in a day-one loss to be classified as operating leases. When a lease is classified as operating, the lessor does not recognize a net investment in the lease, does not derecognize the underlying asset, and, therefore, does not recognize a selling profit or loss. The amendments are effective for annual periods beginning after December 15, 2021 including interim periods within those periods. Early adoption is permitted. The Company is currently assessing the impact of ASU 2021-05 on its Condensed Consolidated Financial Statements.

The Company considers the applicability and impact of all recently issued FASB ASUs. ASUs that are not noted above were assessed and determined to be not applicable or not significant to the Company's Condensed Consolidated Financial Statements for the period ended June 30, 2021.

4. Current Expected Credit Losses

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

Accounts Receivable

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

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

- Good Standing — The theater operator continues to be in good standing as payments and reporting are up to date.
- Credit Watch — The theater operator has demonstrated a delay in payments, but continues to be in active communication with the Company. Theater operators placed on Credit Watch are subject to enhanced monitoring. In addition, depending on the size of the outstanding balance, length of time in arrears and other factors, future transactions may need to be approved by management. These receivables are in better condition than those in the Pre-Approved Transactions Only category, but are not in as good condition as the receivables in the Good Standing category.
- Pre-Approved Transactions Only — The theater operator has demonstrated a delay in payments with little or no communication with the Company. All services and shipments to the theater operator must be reviewed and approved by management. These receivables are in better condition than those in the All Transactions Suspended category, but are not in as good condition as the receivables in the Credit Watch category. In certain situations, depending on the individual facts and circumstances related to each customer, finance income recognition may be suspended for the net investment in lease and financed sale receivable balances for customers in the Pre-Approved Transactions Only category. See below for a discussion of the Company’s net investment in leases and financed sale receivables.
- All Transactions Suspended — The theater operator is severely delinquent, non-responsive or not negotiating in good faith with the Company. Once a theater operator is classified within the All Transactions Suspended category, the theater is placed on nonaccrual status and all revenue recognitions related to the theater are stopped.

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

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

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

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

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

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

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

Financing Receivables

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Variable Consideration Receivables

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

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

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

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

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

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

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

5. Lease Arrangements

(a) IMAX Corporation as a Lessee

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

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

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

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

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

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

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

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

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

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

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

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

(b) IMAX Corporation as a Lessor

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

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

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

6. Inventories

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

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

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

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

7. Debt

(a) Revolving Credit Facility Borrowings

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

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

Credit Agreement

The Company has a credit agreement, the Fifth Amended and Restated Credit Agreement, with Wells Fargo Bank, National Association (“Wells Fargo”), as agent, and a syndicate of lenders party thereto (the “Credit Agreement”). The Company’s obligations under the Credit Agreement are guaranteed by certain of its subsidiaries (the “Guarantors”) and are secured by first-priority security interests in substantially all the assets of the Company and the Guarantors. The facility provided by the Credit Agreement (the “Credit Facility”) matures on June 28, 2023.

The Credit Agreement has a revolving borrowing capacity of $300.0 million, and contains an uncommitted accordion feature allowing the Company to further expand its borrowing capacity to $440.0 million or greater, subject to certain conditions, depending on the mix of revolving and term loans comprising the incremental facility.

In the first quarter of 2020, in response to uncertainties associated with the outbreak of the COVID-19 global pandemic and its impact on the Company’s business, the Company drew down $280.0 million in available borrowing capacity under the Credit Facility, resulting in total outstanding borrowings of $300.0 million, which remained outstanding as of December 31, 2020. During the six months ended June 30, 2021, the Company completely repaid the $300.0 million of Credit Facility borrowings, using cash on hand following the issuance of the Convertible Notes (as discussed below). Accordingly, as of June 30, 2021, there were no outstanding borrowings under the Credit Facility. As of June 30, 2021 and December 31, 2020, the Company did not have any letters of credit or advance payment guarantees outstanding under the Credit Facility.

The Credit Agreement contains a covenant that requires the Company to maintain a Senior Secured Net Leverage Ratio (as defined in the Credit Agreement), as of the last day of any Fiscal Quarter (as defined in the Credit Agreement) of no greater than 3.25:1.00. In addition, the Credit Agreement contains customary affirmative and negative covenants, including covenants that limit indebtedness, liens, capital expenditures, asset sales, investments and restricted payments, in each case subject to negotiated exceptions and baskets. The Credit Agreement also contains customary representations, warranties, and event of default provisions.

On March 15, 2021, the Company entered into the Second Amendment to the Credit Agreement (as previously amended by the First Amendment to the Credit Agreement, dated as of June 10, 2020) (collectively, the “Amendments”). The Amendments, among other things, (i) suspend the Senior Secured Net Leverage Ratio covenant through the first quarter of 2022, (ii) re-establish the Senior Secured Net Leverage Ratio covenant thereafter, provided that for subsequent quarters that such covenant is tested, as applicable, the Company will be permitted to use its quarterly EBITDA (as defined in the Credit Agreement) from the third and fourth quarters of 2019 in lieu of EBITDA for the corresponding quarters of 2021, (iii) add a $75.0 million minimum liquidity covenant measured at the end of each calendar month, (iv) restrict the Company’s ability to make certain restricted payments, dispositions and investments, create or assume liens and incur debt that would otherwise have been permitted by the Credit Agreement and (v) permit the issuance of the Convertible Notes (as discussed below) and related transactions, including the capped call transactions, or other unsecured debt, in an amount not to exceed $290.0 million. The modifications to the negative covenants, the minimum liquidity covenant and modifications to certain other provisions in the Credit Agreement pursuant to the Amendments are effective until the earlier of the delivery of the compliance certificate for the fourth quarter of 2022 or the date on which the Company, in its sole discretion, elects to calculate its compliance with the Senior Secured Net Leverage Ratio by using either its actual EBITDA or annualized EBITDA (the “Designated Period”). As of June 30, 2021, the Company was in compliance with all of its requirements under the Credit Agreement, as amended.

Borrowings under the Credit Facility bear interest, at the Company's option, at (i) LIBOR plus a margin ranging from 1.00% to 1.75% per annum; or (ii) the U.S. base rate plus a margin ranging from 0.25% to 1.00% per annum, in each case depending on the Company's Total Leverage Ratio (as defined in the Credit Agreement); provided, however, that from the effective date of the First Amendment to the Credit Agreement until the Company delivers a compliance certificate under the Credit Facility following the end of the Designated Period, the applicable margin for LIBOR borrowings will be 2.50% per annum and the applicable margin for U.S. base rate borrowings will be 1.75% per annum. The effective interest rate for the three and six months ended June 30, 2021 was 2.63% and 2.64%, respectively (2020 — 1.83% and 1.86%, respectively).

In addition, the Credit Facility has standby fees ranging from 0.25% to 0.38% per annum, based on the Company's Total Leverage Ratio with respect to the unused portion of the Credit Facility; provided, however, that from the effective date of the First Amendment to the Credit Agreement until the Company delivers a compliance certificate under the Credit Facility following the end of the Designated Period, the standby fee will be 0.50% per annum.

The Company incurred fees of approximately $1.2 million in connection with the Amendments, which are being amortized on a straight-line basis to Interest Expense over the relevant amendment periods.

Working Capital Facility

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

As of June 30, 2021, outstanding Working Capital Facility borrowings were RMB 71.2 million ($11.0 million) and outstanding letters of guarantee were RMB 2.4 million ($0.4 million). As of December 31, 2020, outstanding Working Capital Facility borrowings were RMB 49.9 million ($7.6 million) and no letters of guarantee were issued. As of June 30, 2021, the amount available for future borrowings under the Working Capital Facility was RMB 118.8 million ($18.4 million) and the amount available for letters of guarantee was RMB 7.6 million ($1.1 million). The amount available for future borrowings under the Working Capital Facility is not subject to a standby fee. The effective interest rate for borrowings under the Working Capital Facility for the three and six months ended June 30, 2021 was 4.35% (2020 — 4.35%).

Wells Fargo Foreign Exchange Facility

Within the Credit Facility, the Company is able to enter into foreign currency forward contracts and/or other swap arrangements. As of June 30, 2021, the net unrealized gain on the Company's outstanding foreign currency forward contracts was $1.3 million, representing the amount by which the fair value of these forward contracts exceeded their notional value (December 31, 2020 — $2.0 million). As of June 30, 2021, the notional value of the Company's outstanding foreign currency forward contracts was $13.7 million (December 31, 2020 — $31.9 million).

NBC Facility

On October 28, 2019, the Company entered into a $5.0 million facility with the National Bank of Canada (the "NBC Facility") fully insured by Export Development Canada for use solely in conjunction with the issuance of performance guarantees and letters of credit. The Company did not have any letters of credit or advance payment guarantees outstanding as of June 30, 2021 and December 31, 2020 under the NBC Facility.

(b) Convertible Notes

As of June 30, 2021 and December 31, 2020, Convertible Notes (as defined below) consist of the following:

(In thousands of U.S. Dollars)	**June 30, 2021**	**December 31, 2020**
Convertible Notes	$ 230,000	$ —
Unamortized discounts and debt issuance costs	(7,112)	—
	$ 222,888	$ —

On March 19, 2021, the Company issued $230.0 million of 0.500% Convertible Senior Notes due 2026 (the "Convertible Notes") in a private placement conducted pursuant to Rule 144A under the Securities Act of 1933, as amended. The net proceeds from the issuance of the Convertible Notes were $223.7 million, after deducting the initial purchasers' discounts and commissions. In addition, the Company incurred $1.2 million of debt issuance costs associated with the Convertible Notes. The Company used a portion of the net proceeds from the issuance of the Convertible Notes to make a partial repayment of outstanding Credit Facility borrowings (as discussed above), and is using the remainder for working capital or other general corporate purposes.

The Convertible Notes are senior unsecured obligations of the Company and bear interest at a rate of 0.500% per annum on the principal thereof, payable semi-annually in arrears on April 1 and October 1 of each year, beginning on October 1, 2021. The Convertible Notes will mature on April 1, 2026, unless they are redeemed or repurchased by the Company or converted on an earlier date.

Holders of the Convertible Notes have the right to convert their notes in certain circumstances and during specified periods. Before January 1, 2026, holders of the Convertible Notes have the right to convert their Convertible Notes only upon the occurrence of certain events. From and after January 1, 2026, holders of the Convertible Notes may convert their Convertible Notes at any time at their election until the close of business on the second scheduled trading day immediately before the maturity date. Upon conversion, the Company will pay or deliver, as applicable, cash or a combination of cash (in an amount no less than the principal amount of the Convertible Notes being converted) and common shares, at its election, based on the applicable conversion rates. The initial conversion rate is 34.7766 common shares per $1,000 principal amount of Convertible Notes, which represents an initial conversion price of approximately $28.75 per common share, and is subject to adjustment upon the occurrence of certain events.

The Convertible Notes are redeemable, in whole or in part, at the Company's option at any time, and from time to time, on or after April 6, 2024 and on or before the 40th scheduled trading day immediately before the maturity date, at a cash redemption price equal to the principal amount of the Convertible Notes to be redeemed, plus accrued and unpaid interest, if any, but only if the last reported sale price per share of the Company's common stock exceeds 130% of the conversion price for a specified period of time. In addition, calling any Convertible Notes for redemption will constitute a "make-whole fundamental change" with respect to such notes, in which case the conversion rate applicable to the conversion of such notes will be increased in certain circumstances if such notes are converted after they are called for redemption.

In addition, upon the occurrence of a "fundamental change" (as defined below), holders may require the Company to repurchase their Convertible Notes at a cash repurchase price equal to the principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid interest, if any. Subject to the terms and conditions of the indenture governing the Convertible Notes, a "fundamental change" means, among other things, an event resulting in (i) a change of control, (ii) a transfer of all or substantially all of the assets of the Company, (iii) a merger, (iv) liquidation or dissolution of the Company, (v) or delisting of the Company's common shares from a national securities exchange.

On January 1, 2021, the Company elected to early adopt ASU No. 2020-06, "Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity" ("ASU 2020-06"). ASU 2020-06 simplifies the accounting for convertible debt that may be settled in cash. As a result, the Company recorded the Convertible Notes entirely as a liability in the Condensed Consolidated Balance Sheets, net of initial purchasers' discounts and commissions and other debt issuance costs, with interest expense reflecting the cash coupon plus the amortization of the discounts and capitalized costs. Additionally, ASU 2020-06 modifies the treatment of convertible debt securities that may be settled in cash or shares by requiring the use of the "if-converted" method. Under the "if-converted" method, because the principal amount of the Convertible Notes is settled in cash and the conversion spread is settleable in the Company's common shares, diluted earnings per share is calculated by including the net number of incremental shares that would be issued upon conversion of the Convertible Notes, using the average market price during the period. Accordingly, the application of the "if-converted" method may reduce the Company's reported diluted earnings per share.

In connection with the pricing of the Convertible Notes, the Company entered into privately negotiated capped call transactions (the “Capped Call Transactions”) with certain financial institutions. The Capped Call Transactions are expected to reduce potential dilution resulting from the common shares the Company is required to issue and/or to offset any potential cash payments the Company is required to make in excess of the principal amount of the Convertible Notes in the event that the market price per share of the Company’s common shares is greater than the strike price of the Capped Call Transactions, with such reduction and/or offset subject to a cap. The Capped Call Transactions have an initial cap price of $37.2750 per share of the Company’s common shares, which represents a premium of 75% over the last reported sale price of the common shares on March 16, 2021, and is subject to certain adjustments under the terms of the Capped Call Transactions. Collectively, the Capped Call Transactions cover, subject to anti-dilution adjustments substantially similar to those applicable to the Convertible Notes, the number of the Company’s common shares underlying the Convertible Notes. The cost of the Capped Call Transactions was approximately $19.1 million.

The Capped Call Transactions are separate transactions, and are not part of the terms of the Convertible Notes and will not affect any holder’s rights under the Convertible Notes. Holders of the Convertible Notes will not have any rights with respect to the Capped Call Transactions.

The Capped Call Transactions meet all of the applicable criteria for equity classification in accordance with ASC 815-10-15-74(a), “Derivatives and Hedging—Embedded Derivatives—Certain Contracts Involving an Entity’s Own Equity,” and, as a result, the related $19.1 million cost was recorded as a reduction to Other Equity within Shareholders’ Equity on the Company’s Condensed Consolidated Statements of Shareholder’s Equity and Condensed Consolidated Balance Sheets.

8. Commitments, Contingencies and Guarantees

(a) Commitments

In the ordinary course of business, the Company enters into contractual agreements with third parties that include non-cancellable payment obligations, for which it is liable in future periods. These arrangements can include terms binding the Company to minimum payments and/or penalties if it terminates the agreement for any reason other than an event of default as described by the agreement.

(b) Contingencies and guarantees

The Company is involved in lawsuits, claims, and proceedings, including those identified below, which arise in the ordinary course of business. Management is required to assess the likelihood of any adverse judgments or outcomes related to these legal contingencies, as well as potential ranges of probable or reasonably possible losses. The Company records a provision for a liability when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. The determination of the amount of any liability recorded or disclosed is reviewed at least quarterly based on a careful analysis of each individual exposure with, in some cases, the assistance of outside legal counsel, taking into account the impact of negotiations, settlements, rulings, and other pertinent information related to the case. The amount of liabilities recorded or disclosed for these contingencies may change in the future due to changes in management’s judgments resulting from new developments or changes in settlement strategy. Any resulting adjustment to the liabilities recorded by the Company could have a material adverse effect on its results of operations, cash flows, and financial position in the period or periods in which such changes in judgment occur. The Company believes it has adequate provisions for any such matters. The Company expenses legal costs relating to its lawsuits, claims and proceedings as incurred.

(i) In January 2004, the Company and IMAX Theatre Services Ltd., a subsidiary of the Company, commenced an arbitration seeking damages before the International Court of Arbitration of the International Chamber of Commerce (the "ICC") with respect to the breach by Electronic Media Limited ("EML") of its December 2000 agreement with the Company. In June 2004, the Company commenced a related arbitration before the ICC against EML's affiliate, E-City Entertainment (I) PVT Limited ("E-City"). On March 27, 2008, the arbitration panel issued a final award in favor of the Company in the amount of $11.3 million, consisting of past and future rents owed to the Company, plus interest and costs, as well as an additional $2,512 each day in interest from October 1, 2007 until the date the award is paid. In July 2008, E-City commenced a proceeding in Mumbai, India seeking an order that the ICC award may not be recognized in India and on June 10, 2013, the Bombay High Court ruled that it had jurisdiction over the proceeding filed by E-City. The Company appealed that ruling to the Supreme Court of India, and on March 10, 2017, the Supreme Court set aside the Bombay High Court's judgment and dismissed E-City's petition. On March 29, 2017, the Company filed an Execution Application in the Bombay High Court seeking to enforce the ICC award against E-City and several related parties. That matter is currently pending. The Company has also taken steps to enforce the ICC final award outside of India. In December 2011, the Ontario Superior Court of Justice issued an order recognizing the final award and requiring E-City to pay the Company $30,000 to cover the costs of the application, and in October 2015, the New York Supreme Court recognized the Canadian judgment and entered it as a New York judgment. The Company intends to continue pursuing its rights and seeking to enforce the award, although no assurances can be given with respect to the ultimate outcome.

(ii) On November 11, 2013, Giencourt Investments, S.A. ("Giencourt") initiated arbitration before the International Centre for Dispute Resolution in Miami, Florida, based on alleged breaches by the Company of its theater agreement and related license agreement with Giencourt. An arbitration hearing for witness testimony was held during the week of December 14, 2015. At the hearing, Giencourt's expert identified monetary damages of up to approximately $10.4 million, which Giencourt sought to recover from the Company. The Company asserted a counterclaim against Giencourt for breach of contract and sought to recover lost profits in excess of $24.0 million under the agreements. Subsequently, in December 2015, Giencourt made a motion to the panel seeking to enforce a purported settlement of the matter based on negotiations between Giencourt and the Company. The panel held a final hearing with closing arguments in October 2016. On February 7, 2017, the panel issued a Partial Final Award and on July 21, 2017, the panel issued a Final Award (collectively, the "Award"), which held that the parties had reached a binding settlement, and therefore the panel did not reach the merits of the dispute. The Company strongly disputed that discussions about a potential resolution of this matter amounted to an enforceable settlement. In October 2017, the Company filed a petition to vacate the arbitration award in the United States Court for the Southern District of Florida on various grounds, including that the panel exceeded its jurisdiction, and a hearing was held on June 27, 2019. On September 27, 2019, a Magistrate Judge filed a non-binding recommendation that the Company's petition be dismissed. On October 14, 2019, the Company filed an objection to that recommendation. The Company's petition to vacate the arbitration award was denied by the District Judge on January 10, 2020. The Company filed an appeal of this decision on February 7, 2020 with the Eleventh Circuit Court of Appeals, but such appeal was dismissed on May 29, 2020. On December 3, 2020, the District Judge entered a final judgment (the "Final Judgment") against the Company in the total amount of $11.3 million as damages under the Award. As of December 31, 2020, the Company's Consolidated Balance Sheets included a liability within Accrued and Other Liabilities of $11.3 million related to the Final Judgment, consisting of $7.2 million related to amounts previously collected from or owed to Giencourt principally in respect of theater systems that were not delivered and $4.1 million recorded during the year ended December 31, 2020 in the Company's Consolidated Statements of Operations within Legal Judgment and Arbitration Awards in respect of the remaining amounts owed under the Final Judgment. The $4.1 million recorded in the Consolidated Statements of Operations within Legal Judgment and Arbitration Awards includes $3.2 million recorded in the fourth quarter of 2020 as a result of the Final Judgment. On January 4, 2021, the Company filed an appeal of the Final Judgment with the Eleventh Circuit Court of Appeals. In addition to the above, the Company initiated a claim against Giencourt in the Ontario Superior Court seeking damages from Giencourt with respect to contractual claims under various terminated agreements between the parties. On June 23, 2021, the Company entered into a final settlement agreement with Giencourt to fully resolve all disputes between the parties in the United States and Ontario (the "Settlement Agreement"). The Company has paid Giencourt $9.5 million as required by the terms of the Settlement Agreement. As a result of the Settlement Agreement, the Final Judgment has been vacated, all litigation between the parties in all jurisdictions has been dismissed and full and final releases have been exchanged by the parties. Accordingly, upon entry in the Settlement Agreement on June 23, 2021, the remaining $1.8 million liability recorded within Accrued and Other Liabilities was reversed and a corresponding $1.8 million benefit was recorded in the Company's Condensed Consolidated Statements of Operations within Legal Judgment and Arbitration Awards.

(iii) In addition to the matters described above, the Company is currently involved in other legal proceedings or governmental inquiries which, in the opinion of the Company's management, will not materially affect the Company's financial position or future operating results, although no assurance can be given with respect to the ultimate outcome of any such proceedings.

(iv) In the normal course of business, the Company enters into agreements that may contain features that meet the definition of a guarantee. A guarantee is a contract (including an indemnity) that contingently requires the Company to make payments (either in cash, financial instruments, other assets, shares of its stock or provision of services) to a third party based on (a) changes in an underlying interest rate, foreign exchange rate, equity or commodity instrument, index or other variable, that is related to an asset, a liability or an equity security of the counterparty, (b) failure of another party to perform under an obligating agreement or (c) failure of another third party to pay its indebtedness when due.

(c) Financial Guarantees

Certain subsidiaries of the Company have provided significant financial guarantees to third parties under the Credit Agreement.

(d) Product Warranties

The Company's accrual for product warranties, which is recorded within Accrued and Other Liabilities in the Condensed Consolidated Balance Sheets, was $nil and less than $0.1 million as of June 30, 2021 and December 31, 2020, respectively.

(e) Director/Officer Indemnifications

The Company's by-laws contain an indemnification of its directors/officers, former directors/officers and persons who have acted at its request to be a director/officer of an entity in which the Company is a shareholder or creditor, to indemnify them, to the extent permitted by the *Canada Business Corporations Act*, against expenses (including legal fees), judgments, fines and any amounts actually and reasonably incurred by them in connection with any action, suit or proceeding in which the directors and/or officers are sued as a result of their service, if they acted honestly and in good faith with a view to the best interests of the Company. In addition, the Company has entered into indemnification agreements with each of its directors in order to effectuate the foregoing. The nature of the indemnification prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. The Company has purchased directors' and officers' liability insurance. No amount has been accrued in the Company's Condensed Consolidated Balance Sheets as of June 30, 2021 and December 31, 2020, with respect to this indemnity.

(f) Other Indemnification Agreements

In the normal course of the Company's operations, the Company provides indemnifications to counterparties in transactions such as: IMAX Theater Systems lease and sale agreements and the supervision of installation or servicing of IMAX Theater Systems; film production, exhibition and distribution agreements; real property lease agreements; and employment agreements. These indemnification agreements require the Company to compensate the counterparties for costs incurred as a result of litigation claims that may be suffered by the counterparty as a consequence of the transaction or the Company's breach or non-performance under these agreements. While the terms of these indemnification agreements vary based upon the contract, they normally extend for the life of the agreements. A small number of agreements do not provide for any limit on the maximum potential amount of indemnification; however, virtually all of the IMAX Theater System lease and sale agreements limit such maximum potential liability to the purchase price of the system. The fact that the maximum potential amount of indemnification required by the Company is not specified in some cases prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. Historically, the Company has not made any significant payments under such indemnifications and no amounts have been accrued in the Condensed Consolidated Financial Statements with respect to the contingent aspect of these indemnities.

9. Condensed Consolidated Statements of Operations Supplemental Information

(a) Selling Expenses

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

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

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

(b) Foreign Exchange

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

(c) Collaborative Arrangements

Joint Revenue Sharing Arrangements

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

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

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

IMAX DMR

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

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

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

Co-Produced Film Arrangements

In certain film arrangements, the Company co-produces a film with a third party whereby the third party retains the copyright and rights to the film. In some cases, the Company obtains exclusive theatrical distribution rights to the film. Under these arrangements, both parties contribute funding to the Company's partly-owned subsidiary for the production and distribution of the film and for associated exploitation costs.

As of June 30, 2021, the Company has one co-produced film arrangement, which represents the VIE total assets balance of $1.6 million and liabilities balance of $0.3 million and three other co-produced film arrangements, the terms of which are similar. The accounting policies relating to co-produced film arrangements are disclosed in Notes 3(a) and 3(n) of the Company's 2020 Form 10-K.

For the three and six months ended June 30, 2021, an expense of less than $0.1 million and $0.1 million, respectively (2020 — $1.2 million and $1.4 million, respectively) attributable to transactions between the Company and other parties involved in the production of the films have been included in Costs and Expenses Applicable to Revenues – Image Enhancement and Maintenance Services.

10. Condensed Consolidated Statements of Cash Flows – Supplemental Information

(a) Changes in other operating assets and liabilities

	Six Months Ended June 30,	
(In thousands of U.S. Dollars)	**2021**	**2020**
(Increase) decrease in:		
Financing receivables	$ (1,163)	$ 776
Prepaid expenses	(2,794)	(2,332)
Variable consideration receivables	(1,233)	(220)
Other assets	436	(4,492)
(Decrease) increase in:		
Accounts payable	(5,521)	(6,716)
Accrued and other liabilities(1)	(6,860)	764
	$ (17,135)	$ (12,220)

(1) Includes a $9.5 million payment made in the second quarter of 2021 in connection with the settlement of the Giencourt matter, as discussed in Note 8(b)(ii).

(b) Depreciation and amortization

(In thousands of U.S. Dollars)	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Film assets	$ 5,543	$ 3,515
Property, plant and equipment:		
Equipment supporting joint revenue sharing arrangements	11,291	13,178
Other property, plant and equipment	4,877	5,686
Other intangible assets	2,986	3,238
Other assets(1)	974	1,266
	$ 25,671	$ 26,883

(1) Includes the amortization of lessee incentives provided by the Company to its customers under joint revenue sharing arrangements.

(c) Write-downs

(In thousands of U.S. Dollars)	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Film assets(1)	$ (44)	$ 4,504
Other assets(2)	—	1,151
Property, plant and equipment		
Equipment supporting joint revenue sharing arrangements(3)	329	929
Other property, plant and equipment	(23)	72
Other intangible assets	—	92
Inventories(4)	200	58
	$ 462	$ 6,806

(1) In the six months ended June 30, 2020, the Company recorded impairment losses of $4.5 million in Costs and Expenses Applicable to Image Enhancement and Maintenance Services principally to write-down the carrying value of certain documentary and alternative film content due to a decrease in projected box office totals and related revenues based on management's regular quarterly recoverability assessments. Although no such impairment losses were recorded through the six months ended June 30, 2021, there can be no assurances that there will not be additional write-downs to the carrying values of these assets as the Company continues to assess the ongoing impact of the COVID-19 pandemic (see Notes 1 and 2).

(2) In the six months ended June 30, 2020, the Company recorded a write-down of $1.2 million in Asset Impairments related to content-related assets which became impaired in the period. No such impairment loss was recorded in the six months ended June 30, 2021.

(3) In the six months ended June 30, 2021, the Company recorded charges of $0.3 million (2020 — $0.9 million) in Costs and Expenses Applicable to Technology Rentals mostly related to the write-down of leased xenon-based digital systems which were taken out of service in connection with customer upgrades to laser-based digital systems.

(4) In the six months ended June 30, 2021, the Company recorded write-downs of $0.2 million (2020 — $nil) in Costs and Expenses Applicable to Technology Sales related to excess inventory.

(d) Significant non-cash investing activities

(In thousands of U.S. Dollars)	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Net (decrease) increase in accruals related to:		
Investment in joint revenue sharing arrangements	$ 117	$ (1,887)
Acquisition of other intangible assets	(848)	(10)
Purchases of property, plant and equipment	—	158
	$ (731)	$ (1,739)

(e) Significant non-cash financing activities

In the six months ended June 30, 2021, the Company incurred $1.2 million of debt issuance costs related to the Convertible Notes (see Note 7), of which $1.0 million were not yet paid as of June 30, 2021 and are recorded on the Condensed Consolidated Balance Sheets within Accounts Payable and Accrued and Other Liabilities.

11. Income Taxes

(a) Income Tax Expense

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

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

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

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

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

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

(b) Income Tax Effect on Other Comprehensive Income (Loss)

For the three and six months ended June 30, 2021 and 2020, the income tax (expense) benefit related to the following items in Other Comprehensive Income (Loss) are:

(In thousands of U.S. Dollars)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Unrealized change in cash flow hedging instruments	$ (80)	$ (354)	$ (157)	$ 395
Realized change in cash flow hedging instruments	216	(88)	276	(182)
Reclassification of unrealized change in ineffective cash flow hedging instruments	70	—	76	—
Defined benefit and postretirement benefit plans	(12)	—	(25)	40
	$ 194	$ (442)	$ 170	$ 253

12. Capital Stock

(a) Share-Based Compensation

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

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

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

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

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

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

Stock Option Summary

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

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

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

Restricted Share Units ("RSU") Summary

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

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

Performance Stock Units Summary

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

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

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

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

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

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

(b) Issuer Purchases of Equity Securities

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

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

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

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

(c) Basic and Diluted Weighted Average Shares Outstanding

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

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

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

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

13. Revenue from Contracts with Customers

(a) Disaggregated Information About Revenue

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) Deferred Revenue

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

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

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

14. Segment Reporting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Geographic Information

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

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

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

15. Employee's Pension and Postretirement Benefits

(a) Defined Benefit Plan

The Company has an unfunded defined benefit pension plan, the Supplemental Executive Retirement Plan (the “SERP”), covering its CEO, Richard L. Gelfond. Under the terms of the SERP, if Mr. Gelfond’s employment is terminated other than for cause (as defined in his employment agreement), he is entitled to receive SERP benefits in the form of a lump sum payment. SERP benefit payments to Mr. Gelfond are subject to a deferral for six months after the termination of his employment, at which time Mr. Gelfond will be entitled to receive interest on the deferred amount credited at the applicable federal rate for short-term obligations. Pursuant to an amendment to his employment agreement dated November 1, 2019, the term of Mr. Gelfond’s employment was extended through December 31, 2022, although Mr. Gelfond has not informed the Company that he intends to retire at that time. Under the terms of this amendment to his employment agreement, the total benefit payable to Mr. Gelfond under the SERP was fixed at $20.3 million.

As of June 30, 2021 and December 31, 2020, the Company’s projected benefit obligation and unfunded status related to the SERP are as follows:

(In thousands of U.S. Dollars)	June 30, 2021	December 31, 2020
Projected benefit obligation:		
Obligation, beginning of period	$ 20,116	$ 18,840
Interest cost	36	379
Actuarial gain	—	897
Obligation, end of period and unfunded status(1)	$ 20,152	$ 20,116

(1) The accumulated benefit obligation for the SERP was $20.2 million at June 30, 2021 (December 31, 2020 — $20.1 million).

For the three and six months ended June 30, 2021, the Company recorded interest costs of less than $0.1 million (2020 — $0.1 million and $0.2 million, respectively) related to the SERP. The Company expects to recognize additional interest costs of less than $0.1 million related to the SERP during the remainder of 2021. No contributions are expected to be made to the SERP in 2021.

(b) Defined Contribution Pension Plan

The Company also maintains defined contribution plans for its employees, including its executive officers. The Company makes contributions to these plans on behalf of employees in an amount up to 5% of their base salary subject to certain prescribed maximums. During the three and six months ended June 30, 2021, the Company contributed and recorded expense of $0.3 million and $0.6 million, respectively (2020 — $0.2 million and $0.5 million, respectively) to its Canadian defined contribution plan and $0.1 million and $0.3 million, respectively (2020 — $0.1 million and $0.4 million, respectively) to its defined contribution employee plan under Section 401(k) of the U.S. Internal Revenue Code.

(c) Postretirement Benefits – Executives

The Company has an unfunded postretirement plan for Mr. Gelfond and Bradley J. Wechsler, former Chairman of the Company’s Board of Directors. The plan provides that the Company will maintain health benefits for Messrs. Gelfond and Wechsler until they become eligible for Medicare and, thereafter, the Company will provide Medicare supplemental coverage as selected by Messrs. Gelfond and Wechsler. As of June 30, 2021, the Company’s postretirement benefits obligation under this plan is $0.7 million (December 31, 2020 — $0.7 million). For the three and six months ended June 30, 2021, the Company has recorded an expense of less than $0.1 million (2020 — less than $0.1 million) related to this plan. Mr. Wechsler retired from the Company’s Board of Directors on June 9, 2021. The Company will maintain Mr. Wechsler’s current health benefits through December 31, 2021, and thereafter will provide him with Medicare supplemental coverage.

(d) Postretirement Benefits – Canadian Employees

The Company has an unfunded postretirement plan for its Canadian employees meeting specific eligibility requirements. The Company will provide eligible participants, upon retirement, with health and welfare benefits. As of June 30, 2021, the Company’s postretirement benefits obligation under this plan is $1.9 million (December 31, 2020 — $1.9 million). For the three and six months ended June 30, 2021, the Company has recorded expense of less than $0.1 million (2020 — less than $0.1 million) related to this plan.

(e) Deferred Compensation Benefit Plan

The Company maintained a nonqualified deferred compensation benefit plan (the "Retirement Plan") covering the former CEO of IMAX Entertainment and Senior Executive Vice President of the Company. Under the terms of the Retirement Plan, the benefits were due to vest in full if the executive incurred a separation from service from the Company (as defined therein). In the fourth quarter of 2018, the executive incurred a separation from service from the Company, and as such, the Retirement Plan benefits became fully vested as of December 31, 2018 and the accelerated costs were recognized and reflected in Executive Transition Costs in the Consolidated Statements of Operations.

As of June 30, 2021, the benefit obligation related to the Retirement Plan was $3.7 million (December 31, 2020 — $3.7 million) and is recorded on the Company's Condensed Consolidated Balance Sheets within Accrued and Other Liabilities. As the Retirement Plan is fully vested, the benefit obligation is measured at the present value of the benefits expected to be paid in the future with the accretion of interest recognized in the Condensed Consolidated Statements of Operations within Retirement Benefits Non-service Expenses.

The Retirement Plan is funded by an investment in company-owned life insurance ("COLI"), which is recorded at its fair value on the Company's Condensed Consolidated Balance Sheets within Prepaid Expenses. As of June 30, 2021, fair value of the COLI asset was $3.2 million (December 31, 2020 — $3.2 million). Gains and losses resulting from changes in the cash surrender value of the COLI asset are recognized in the Condensed Consolidated Statements of Operations within Realized and Unrealized Investment Gains (Losses).

16. Financial Instruments

(a) Financial Instruments

The Company maintains cash with various major financial institutions. The Company's cash is invested with highly rated financial institutions. The Company's $214.1 million balance of cash and cash equivalents as of June 30, 2021 includes $118.5 million in cash held outside of Canada (December 31, 2020 — $89.9 million), of which $94.2 million was held in the People's Republic of China (the "PRC") (December 31, 2020 — $77.2 million).

(b) Fair Value Measurements

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

(In thousands of U.S. Dollars)	As of June 30, 2021 Carrying Amount	As of June 30, 2021 Estimated Fair Value	As of December 31, 2020 Carrying Amount	As of December 31, 2020 Estimated Fair Value
Level 1				
Cash and cash equivalents(1)	$ 214,125	$ 214,125	$ 317,379	$ 317,379
Equity securities(2)	1,089	1,089	13,633	13,633
Level 2				
Net financed sales receivables(3)	$ 111,030	$ 111,078	$ 112,396	$ 112,603
Net investment in sales-type leases(3)	22,191	22,120	19,414	19,373
Equity securities(1)	1,000	1,000	1,000	1,000
COLI(4)	3,214	3,214	3,155	3,155
Foreign exchange contracts — designated forwards(3)	891	891	1,635	1,635
Foreign exchange contracts — non-designated forwards(3)	369	369	344	344
Working Capital Facility borrowings(1)	(11,017)	(11,017)	(7,643)	(7,643)
Credit Facility borrowings(1)	—	—	(300,000)	(300,000)
Convertible Notes(5)	(230,000)	(239,117)	—	—

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

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

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

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

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

The Company did not have any material amounts of Level 3 assets or liabilities as of June 30, 2021 and December 31, 2020.

(c) Foreign Exchange Risk Management

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

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

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

Notional value of foreign exchange contracts:

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

Fair value of derivatives in foreign exchange contracts:

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

Derivatives in foreign currency hedging relationships are as follows:

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

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

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

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

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

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

(d) Investments in Equity Securities

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

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

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

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

17. Non-Controlling Interests

(a) IMAX China Non-Controlling Interest

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

(b) Other Non-Controlling Interest

The Company's Original Film Fund was established in 2014 to co-finance a portfolio of 10 original large-format films. The initial investment in the Original Film Fund was committed by a third party in the amount of $25.0 million, with the possibility of contributing additional funds. The Company has contributed $9.0 million to the Original Film Fund since 2014 and has reached its maximum contribution. As of June 30, 2021, the Original Film Fund has invested $22.3 million toward the development of original films. The related production, financing and distribution agreement includes put and call rights relating to change of control of the rights, title and interest in the co-financed pictures.

(c) Non-Controlling Interest in Temporary Equity

The following table summarizes the movement of the non-controlling interest in temporary equity related to the Original Film Fund for the six months ended June 30, 2021:

Balance of at December 31, 2020	$	759
Net income		7
Balance as of June 30, 2021	$	766

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

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

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

SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

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

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

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

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

OVERVIEW

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

The Company leverages its proprietary technology and engineering in all aspects of its core business, which principally consists of the digital remastering of films and other presentations into the IMAX format ("IMAX DMR®") and the sale or lease of premium IMAX theater systems ("IMAX Theater Systems").

IMAX Theater Systems are based on proprietary and patented image, audio and other technology developed over the course of the Company's 53-year history. The Company's customers for IMAX Theater Systems are principally theater exhibitors that operate commercial theaters (particularly multiplexes) and, to a much lesser extent, museums, science centers, and destination entertainment sites. The Company generally does not own the theaters in the IMAX network, but sells or leases the IMAX Theater System to the exhibitor along with a license to use its trademarks.

As of June 30, 2021, there were 1,654 IMAX Theater Systems operating in 85 countries and territories, including 1,569 commercial multiplexes, 12 commercial destinations and 73 institutional locations. This compares to 1,615 IMAX Theater Systems operating in 81 countries and territories as of June 30, 2020 including 1,527 commercial multiplexes, 13 commercial destinations and 75 institutional locations. (See the table below under "IMAX Network and Backlog" for additional information on the composition of the IMAX network.)

The IMAX Theater System provides the Company's exhibitor customers with a combination of the following benefits:

- the ability to exhibit content that has undergone the IMAX DMR conversion process, which results in higher image and sound fidelity than conventional cinema experiences;
- advanced, high-resolution projectors with specialized equipment and automated theater control systems, which generate significantly more contrast and brightness than conventional theater systems;
- large screens and proprietary theater geometry, which result in a substantially larger field of view so that the screen extends to the edge of a viewer's peripheral vision and creates more realistic images;
- advanced sound system components, which deliver more expansive sound imagery and pinpointed origination of sound to any specific spot in an IMAX theater;
- specialized theater acoustics, which result in a four-fold reduction in background noise; and
- a license to the globally recognized IMAX brand.

In addition, certain movies shown in IMAX theaters are filmed using proprietary IMAX film and IMAX certified digital cameras, which offer filmmakers customized guidance and a workflow process to provide further enhanced and differentiated image quality and a film aspect ratio that delivers up to 26% more image onto a movie screen.

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

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

As one of the world's leaders in entertainment technology, the Company strives to remain at the forefront of advancements in cinema technology. The Company offers IMAX with Laser, a laser projection system designed for IMAX theaters in commercial multiplexes. The Company believes that IMAX with Laser delivers increased resolution, sharper and brighter images, deeper contrast and the widest range of colors available to filmmakers today. The Company further believes that IMAX with Laser is helping facilitate the next major lease renewal and upgrade cycle for the global IMAX network.

The Company is also experimenting with new technologies and new content as a way to deepen consumer engagement and brand loyalty, which includes curating unique, differentiated alternative content to be exhibited in IMAX theaters, particularly during those periods when Hollywood blockbuster film content is not available.

IMPACT OF COVID-19 PANDEMIC

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

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

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

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

SOURCES OF REVENUE

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

IMAX Technology Network

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

IMAX DMR

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

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

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

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

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

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

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

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

Joint Revenue Sharing Arrangements – Contingent Rent

The JRSA segment provides IMAX Theater Systems to exhibitors through joint revenue sharing arrangements. Under the traditional form of these arrangements, IMAX provides the IMAX projection and sound 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 earns rent based on a percentage of contingent box office receipts and, in some cases, concession revenues, rather than requiring the customer to pay a fixed upfront fee or annual minimum payments. Rental payments from the customer are required throughout the term of the arrangement and are due either monthly or quarterly. The Company retains title to the IMAX Theater 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 Theater 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. For hybrid joint revenue sharing arrangements that take the form of a lease, the contingent rent is reported within the IMAX Technology Network, while the fixed upfront payment is recorded as revenue within IMAX Technology Sales and Maintenance, as discussed below. For hybrid joint revenue sharing arrangements that take the form of a sale, see the discussion below under IMAX Technology Sales and Maintenance.

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 including film performance, the mix of theater system configurations, the timing of installation of IMAX Theater 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 Technology Sales and Maintenance, as discussed below.

The introduction of joint revenue sharing arrangements has been an important factor in the expansion of the Company’s commercial theater network. Joint revenue sharing arrangements allow commercial theater exhibitors to install IMAX Theater 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 joint revenue sharing arrangements through cash flows from operations. As of June 30, 2021, the Company had 897 theaters in operation under joint revenue sharing arrangements, a 3.3% increase as compared to the 868 theaters in operation under joint revenue sharing arrangements as of June 30, 2020. The Company also had contracts in backlog for 329 theaters under joint revenue sharing arrangements as of June 30, 2021, including 84 upgrades to existing theater locations and 245 new theater locations.

IMAX Technology Sales and Maintenance

The IMAX Technology Sales and Maintenance category earns revenue principally from the sale or sales-type lease of IMAX Theater Systems, as well as from the maintenance of IMAX Theater Systems. To the lesser extent, the IMAX Technology Sales and Maintenance category earns revenue from certain ancillary theater business activities and revenues from hybrid joint revenue sharing arrangements. These activities are described in more detail below under each of their respective segments.

IMAX Systems

The IMAX Systems segment provides IMAX Theater 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 Theater 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 theater. Initial fees are paid to the Company in installments between the time of signing the arrangement and the time of system installation, which is when the total of these fees, in addition to the present value of future annual minimum payments, are recognized as revenue. Finance income is recognized over the term of a financed sale or sales-type lease arrangement. In addition, in sale arrangements, an estimate of the 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.

In sale arrangements, title to the IMAX Theater 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 Theater 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 theater system sales or lease agreements varies from quarter-to-quarter and year-to-year based on a number of factors, including the number and mix of theater system configurations sold or leased, the timing of installation of the IMAX Theater Systems, the nature of the arrangement and other factors specific to individual contracts.

Joint Revenue Sharing Arrangements – Fixed Fees

Under certain joint revenue sharing arrangements, known as hybrid arrangements, the customer is responsible for making fixed upfront payments prior to the delivery and installation of the IMAX Theater System in an amount that is typically half of what the Company would receive from a typical sale transaction. For hybrid joint revenue sharing arrangements that take the form of a lease, the contingent rent is reported within the IMAX Technology Network, as discussed above, while the fixed upfront payment is reported within IMAX Technology Sales and Maintenance.

IMAX Maintenance

For all IMAX theaters, theater owners or operators are also responsible for paying the Company an annual maintenance and extended warranty fee. Under these arrangements, the Company provides proactive and emergency maintenance services to every theater in its network 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 theater agreements.

Other Theater Business

The Other Theater Business segment principally includes after-market sales of IMAX projection system parts and 3D glasses.

New Business Initiatives and Other

The New Business Initiatives segment includes activities related to the exploration of new lines of business and new initiatives outside of the Company's core business, which seek to leverage its proprietary, innovative technologies, its leadership position in the entertainment technology space and its unique relationship with content creators.

The Company has developed a new home entertainment licensing and certification program called IMAX Enhanced. IMAX Enhanced was launched in September 2018, along with audio leader DTS (an Xperi subsidiary) to capitalize on the companies' decades of combined expertise in image and sound science. IMAX Enhanced brings IMAX digitally re-mastered 4K high dynamic range (HDR) content and DTS audio technologies to premier streaming platforms and best-in-class consumer electronics devices worldwide, offering consumers high-fidelity sight and sound experiences for the home.

To be certified, leading consumer electronics manufacturers spanning 4K/8K televisions, projectors, A/V receivers, loudspeakers, subwoofers and soundbars must meet a carefully prescribed set of audio and video performance standards, set by a certification committee of IMAX and DTS engineers and some of Hollywood's leading technical specialists.

IMAX Enhanced global device partners include Sony Electronics, Hisense, TCL, Phillips, Xiaomi, and Sound United, among others. IMAX Enhanced has an estimated six million certified devices in-market. IMAX Enhanced content is now available on six streaming platforms worldwide, with partners that include Sony Pictures Entertainment, Paramount Pictures, Huayi Brothers, Bona Film Group, Tencent Video, iQIYI and FandangoNOW, with more on the way.

Film Distribution and Post-Production

Through the Film Distribution segment, the Company licenses film content and distributes large-format films, primarily for its institutional theater partners. The Company receives as its distribution fee either a fixed amount or fixed percentage of the theater box office receipts and, following the Company's recoupment of its costs, is typically entitled to receive an additional percentage of gross revenues as participation revenues.

In addition, through its Connected Theaters initiative, the Company is currently exploring new technologies and forms of content as a way to deepen consumer engagement and brand loyalty, including new technologies to further connect the IMAX network and to facilitate bringing more unique content, including live events, to IMAX theater audiences. The Company believes such additional connectivity can provide more innovative content to the IMAX network and in turn permit the Company to engage audiences in new ways.

The Company continues to believe that the IMAX network serves as a valuable platform to launch and distribute original content, especially during periods between peak and off-peak seasons, known as "shoulder periods".

The Film Post-Production segment provides film post-production and quality control services for large-format films (whether produced by IMAX or third parties), and digital post-production services.

IMAX NETWORK AND BACKLOG

IMAX Network

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

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

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

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

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

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

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

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

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

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

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

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

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

Backlog

The following table provides detailed information about the Company's backlog as of June 30, 2021 and 2020:

	June 30, 2021				June 30, 2020			
	Number of Systems		Dollar Value (in thousands)		Number of Systems		Dollar Value (in thousands)	
	New	Upgrade	New	Upgrade	New	Upgrade	New	Upgrade
Sales and sales-type lease arrangements	174	11	$ 198,192	$ 13,184	179	11	$ 207,544	$ 14,518
Hybrid joint revenue sharing arrangements	136	6	97,361	4,785	147	7	106,400	5,560
Traditional joint revenue sharing arrangements	109 (1)	78 (1)	247 (2)	5,500 (2)	133 (1)	82 (1)	300 (2)	5,500 (2)
	419	95	$ 295,800	$ 23,469	459	100	$ 314,244	$ 25,578

(1) Includes 44 IMAX Theater Systems (2020 — 46) where the customer has the option to convert from a joint revenue sharing arrangement to a sales arrangement.

(2) Reflects contractual upfront payments. Future contingent payments are not reflected as these are based on negotiated shares of box office results.

The number of IMAX Theater Systems in the backlog reflects the minimum number of commitments under 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 Theater Systems and the settlement of contracts, both of which reduce backlog. Backlog typically represents the fixed contracted revenue under signed IMAX Theater System sale and lease agreements that the Company believes will be recognized as revenue upon installation and acceptance of the associated system, as well as an estimate of variable consideration in sales arrangements, however it excludes amounts allocated to maintenance and extended warranty revenues. The value of backlog does not include revenue from theaters in which the Company has an equity interest, operating leases and long-term conditional theater commitments. Theaters under joint revenue sharing arrangements do not usually have dollar value in backlog, although certain IMAX Theater Systems under joint revenue sharing arrangements provide for contracted upfront payments and therefore carry a backlog value based on those payments. The Company believes that the contractual obligations for IMAX Theater 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 Theater 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, 2021 and 2020:

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

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

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

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

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

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

Signings and Installations

The following tables provide detailed information about IMAX Theater System signings and installations for the three and six months ended June 30, 2021 and 2020:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Theater System Signings:				
New IMAX Theater Systems				
Sales and sales-type lease arrangements	3	12	9	14
Hybrid joint revenue sharing lease arrangements	—	17	—	17
Traditional joint revenue sharing arrangements	3	—	3	2
Total new IMAX Theater Systems	6	29	12	33
Upgrades of IMAX Theater Systems	2	—	2	11
Total IMAX Theater System signings	8	29	14	44

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Theater System Installations:				
New IMAX Theater Systems				
Sales and sales-type lease arrangements	9	2	11	4
Hybrid joint revenue sharing lease arrangements	2	1	4	2
Traditional joint revenue sharing arrangements	4	—	9	2
Total new IMAX Theater Systems	15	3	24	8
Upgrades of IMAX Theater Systems	1	—	4	7
Total IMAX Theater System installations	16	3	28	15

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

RESULTS OF OPERATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

Revenues and Gross Margin

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

IMAX Technology Network

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

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

IMAX DMR

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

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

Joint Revenue Sharing Arrangements – Contingent Rent

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

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

IMAX Technology Sales and Maintenance

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

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

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

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

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

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

IMAX Systems

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

IMAX Maintenance

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

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

Film Distribution and Post-Production

For the three months ended June 30, 2021, Film Distribution and Post-Production revenues decreased by $1.6 million and gross margin increased by $2.0 million, when compared to the same period in the prior year. The comparison to the prior year period is significantly influenced by $2.2 million of impairment losses recorded in the second quarter of 2020 principally to write-down the carrying value of certain documentary and alternative content film assets due to a decrease in projected box office totals and related revenues. No such impairment losses were recorded in the second quarter of 2021.

Selling, General and Administrative Expenses

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

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

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

Research and Development

A significant portion of the Company's recent research and development efforts have been focused on laser-based projection systems, which the Company believes deliver increased resolution, sharper and brighter images, deeper contrast as well as the widest range of colors available to filmmakers today.

For the three months ended June 30, 2021, Research and Development expenses increased by $1.0 million (79%), when compared to the prior year.

The Company intends to continue research and development in other areas considered important to the Company's continued commercial success, including further improving the reliability of its projectors, certifying more IMAX cameras, enhancing the Company's image quality, expanding the applicability of the Company's digital technology in both theater and home entertainment and improvements to the DMR process.

In addition, in the second quarter of 2021, the Company used time and resources to work on leveraging and developing technologies and systems to help bring additional interactivity to its theater network, better manage certain of the Company's internal workflows and better organize and codify certain of the Company's data.

Credit Loss (Reversal) Expense, Net

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

Legal Judgment and Arbitration Awards

In the second quarter of 2021, the Company recorded a $1.8 million benefit within Legal Judgment and Arbitration Awards as a result of the settlement of the Giencourt matter, as discussed in Note 8(b)(ii) of Notes to Condensed Consolidated Financial Statements. There was no comparable amount recorded during the same period of the prior year.

Realized and Unrealized Investment Gains

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

Income Taxes

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

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

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

Non-Controlling Interests

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

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

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

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

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

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

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

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

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

Revenues and Gross Margin

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

IMAX Technology Network

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

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

IMAX DMR

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

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

Joint Revenue Sharing Arrangements – Contingent Rent

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

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

IMAX Technology Sales and Maintenance

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

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

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

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

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

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

IMAX Systems

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

IMAX Maintenance

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

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

Film Distribution and Post-Production

For the six months ended June 30, 2021, Film Distribution and Post-Production revenues decreased by $3.3 million and gross margin increased by $3.9 million, when compared to the same period of the prior year. The comparison to the prior year period is significantly influenced by $4.5 million of impairment losses recorded during the six months ended June 30, 2020 principally to write-down the carrying value of certain documentary and alternative content film assets due to a decrease in projected box office totals and related revenues. No such impairment losses were recorded during the six months ended June 30, 2021.

Selling, General and Administrative Expenses

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

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

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

Research and Development

A significant portion of the Company's recent research and development efforts have been focused on IMAX with Laser, the Company's laser-based projection systems, which the Company believes deliver increased resolution, sharper and brighter images, deeper contrast as well as the widest range of colors available to filmmakers today. To a lesser extent, the Company's recent research and development efforts have also focused on image enhancement technology.

For the six months ended June 30, 2021, Research and Development expenses increased by $0.2 million (7%), when compared to the prior year.

The Company intends to continue research and development in other areas considered important to the Company's continued commercial success, including further improving the reliability of its projectors, certifying more IMAX cameras, enhancing the Company's image quality, expanding the applicability of the Company's digital technology in both theater and home entertainment and improvements to the DMR process.

In addition, during the six months ended June 30, 2021, the Company used time and resources to work on leveraging and developing technologies and systems to help bring additional interactivity to its theater network, better manage certain of the Company's internal workflows and better organize and codify certain of the Company's data.

Credit Loss (Reversal) Expense, Net

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

Asset Impairments

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

Legal Judgment and Arbitration Awards

In the six months ended June 30, 2021, the Company recorded a $1.8 million benefit within Legal Judgment and Arbitration Awards as a result of the settlement of the Giencourt matter, as discussed in Note 8(b)(ii) of Notes to Condensed Consolidated Financial Statements. There was no comparable amount recorded during the same period of the prior year.

Realized and Unrealized Investment Gains (Losses)

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

Interest Expense

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

Income Taxes

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

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

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

Non-Controlling Interests

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

CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020

Operating Activities

The net cash used in or provided by the Company's operating activities is affected by a number of factors, including: (i) the level of cash collections from customers in respect of existing IMAX Theater System sale and lease agreements, (ii) the amount of upfront payments collected in respect of IMAX Theater System sale and lease agreements in backlog, (iii) the box-office performance of films distributed by the Company and/or released to IMAX theaters, (iv) the level of inventory purchases and (v) the level of the Company's operating expenses, including expenses for research and development and new business initiatives.

For the six months ended June 30, 2021, net cash used in the Company's operating activities totaled $17.0 million, as compared to net cash used in operating activities of $20.9 million in the same period of the prior year. For the six months ended June 30, 2021, the net cash used in the Company's operating activities is principally due to an increase in Accounts Receivable of $11.0 million as a result of theaters reopening amidst the early stages of recovery from the COVID-19 global pandemic, as well as a $9.5 million payment made in the second quarter of 2021 in connection with the settlement of the Giencourt matter, as discussed in Note 8(b)(ii) of Notes to Condensed Consolidated Financial Statements, and the settlement of other payables. For the six months ended June 30, 2020, the net cash outflow from operating activities was principally due to the significant decrease in the Company's revenue and earnings as a result of the COVID-19 global pandemic. In addition, the Company experienced a slowdown in manufacturing, shipments and installation of IMAX Theater Systems at customer sites, resulting in an increase in Inventories. These cash outflows were partially offset by a $37.0 million decrease in Accounts Receivable.

Investing Activities

For the six months ended June 30, 2021, net cash provided by investing activities totaled $11.4 million, as compared to net cash used in investing activities of $5.7 million in the same period of the prior year. For the six months ended June 30, 2021, the net cash provided by investing activities is primarily driven by $17.8 million in cash proceeds received from the sale of the Company's investment in Maoyan in the first quarter of 2021 (see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Realized and Unrealized Investment Gains (Losses)"). This cash inflow is partially offset by $2.4 million invested in equipment to be used in the Company's joint revenue sharing arrangements with exhibitors (2020 — $3.9 million), $2.6 million of intangible assets acquired, principally related to the purchase or development of software (2020 — $1.2 million), and $1.4 million for the purchase of property, plant and equipment (2020 — $0.6 million). Based on management's current operating plan for 2021, the Company expects to continue to use cash to deploy additional IMAX Theater Systems under joint revenue sharing arrangements.

Capital expenditures, including the Company's investment in joint revenue sharing equipment, purchase of property, plant and equipment, other intangible assets and investments in film assets were $12.2 million for the six months ended June 30, 2021, as compared to $9.8 million for the six months ended June 30, 2020.

Financing Activities

For the six months ended June 30, 2021, net cash used in financing activities totaled $96.6 million, as compared to $235.7 million provided by financing activities in the same period of the prior year. For the six months ended June 30, 2021, the net cash used in financing activities is principally due to $296.6 million in net repayments of revolving credit facility borrowings, which were funded in part with a portion of the $223.7 million in net proceeds received from the issuance of the Convertible Notes (as defined in "Liquidity and Capital Resources"). The net cash used in financing activities for the current period is also the result of the $19.1 million purchase of capped calls related to the Convertible Notes. (See Note 7 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 for additional information on the issuance of the Convertible Notes and the related capped call transactions.)

For the six months ended June 30, 2020, net cash provided by financing activities totaled $235.7 million and was principally due to $280.2 million in Credit Facility borrowings drawn in the period, partially offset by $36.6 million paid to repurchase common shares under the Company's share repurchase program.

LIQUIDITY AND CAPITAL RESOURCES

Credit Agreement

The Company has a credit agreement, the Fifth Amended and Restated Credit Agreement, with Wells Fargo Bank, National Association ("Wells Fargo"), as agent, and a syndicate of lenders party thereto (the "Credit Agreement"). The Company's obligations under the Credit Agreement are guaranteed by certain of its subsidiaries (the "Guarantors") and are secured by first-priority security interests in substantially all the assets of the Company and the Guarantors. The facility provided by the Credit Agreement (the "Credit Facility") matures on June 28, 2023.

The Credit Agreement has a revolving borrowing capacity of $300.0 million, and contains an uncommitted accordion feature allowing the Company to further expand its borrowing capacity to $440.0 million or greater, subject to certain conditions, depending on the mix of revolving and term loans comprising the incremental facility.

In the first quarter of 2020, in response to uncertainties associated with the outbreak of the COVID-19 global pandemic and its impact on the Company's business, the Company drew down $280.0 million in available borrowing capacity under the Credit Facility, resulting in total outstanding borrowings of $300.0 million, which remained outstanding as of December 31, 2020. During the six months ended June 30, 2021, the Company completely repaid the $300.0 million of Credit Facility borrowings, using cash on hand following the issuance of the Convertible Notes (as discussed below). Accordingly, as of June 30, 2021, there were no outstanding borrowings under the Credit Facility. As of June 30, 2021 and December 31, 2020, the Company did not have any letters of credit or advance payment guarantees outstanding under the Credit Facility.

The Credit Agreement contains a covenant that requires the Company to maintain a Senior Secured Net Leverage Ratio (as defined in the Credit Agreement), as of the last day of any Fiscal Quarter (as defined in the Credit Agreement) of no greater than 3.25:1.00. In addition, the Credit Agreement contains customary affirmative and negative covenants, including covenants that limit indebtedness, liens, capital expenditures, asset sales, investments and restricted payments, in each case subject to negotiated exceptions and baskets. The Credit Agreement also contains customary representations, warranties and event of default provisions.

On March 15, 2021, the Company entered into the Second Amendment to the Credit Agreement (as previously amended by the First Amendment to the Credit Agreement, dated as of June 10, 2020), (collectively, the "Amendments"). The Amendments, among other things, (i) suspend the Senior Secured Net Leverage Ratio covenant through the first quarter of 2022, (ii) re-establish the Senior Secured Net Leverage Ratio covenant thereafter, provided that for subsequent quarters that such covenant is tested, as applicable, the Company will be permitted to use its quarterly EBITDA (as defined in the Credit Agreement) from the third and fourth quarters of 2019 in lieu of EBITDA for the corresponding quarters of 2021, (iii) add a $75.0 million minimum liquidity covenant measured at the end of each calendar month, (iv) restrict the Company's ability to make certain restricted payments, dispositions and investments, create or assume liens and incur debt that would otherwise have been permitted by the Credit Agreement and (v) permit the issuance of the Convertible Notes (as discussed below) and related transactions, including the capped call transactions, or other unsecured debt, in an amount not to exceed $290.0 million. The modifications to the negative covenants, the minimum liquidity covenant and modifications to certain other provisions in the Credit Agreement pursuant to the Amendments are effective until the earlier of the delivery of the compliance certificate for the fourth quarter of 2022 or the date on which the Company, in its sole discretion, elects to calculate its compliance with the Senior Secured Net Leverage Ratio by using either its actual EBITDA or annualized EBITDA (the "Designated Period"). As of June 30, 2021, the Company was in compliance with all of its requirements under the Credit Agreement, as amended.

Borrowings under the Credit Facility bear interest, at the Company's option, at (i) LIBOR plus a margin ranging from 1.00% to 1.75% per annum; or (ii) the U.S. base rate plus a margin ranging from 0.25% to 1.00% per annum, in each case depending on the Company's Total Leverage Ratio (as defined in the Credit Agreement); provided, however, that from the effective date of the First Amendment to the Credit Agreement until the Company delivers a compliance certificate under the Credit Facility following the end of the Designated Period, the applicable margin for LIBOR borrowings will be 2.50% per annum and the applicable margin for U.S. base rate borrowings will be 1.75% per annum. The effective interest rate for the three and six months ended June 30, 2021 was 2.63% and 2.64%, respectively (2020 — 1.83% and 1.86%, respectively).

In addition, the Credit Facility has standby fees ranging from 0.25% to 0.38% per annum, based on the Company's Total Leverage Ratio with respect to the unused portion of the Credit Facility; provided, however, that from the effective date of the First Amendment to the Credit Agreement until the Company delivers a compliance certificate under the Credit Facility following the end of the Designated Period, the standby fee will be 0.50% per annum.

The Company incurred fees of approximately $1.2 million in connection with the Amendments, which are being amortized on a straight-line basis to Interest Expense over the relevant amendment periods.

Working Capital Facility

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

As of June 30, 2021, outstanding Working Capital Facility borrowings were RMB 71.2 million ($11.0 million) and outstanding letters of guarantee were RMB 2.4 million ($0.4 million). As of December 31, 2020, outstanding Working Capital Facility borrowings were RMB 49.9 million ($7.6 million) and no letters of guarantee were issued. As of June 30, 2021, the amount available for future borrowings under the Working Capital Facility was RMB 118.8 million ($18.4 million) and the amount available for letters of guarantee was RMB 7.6 million ($1.1 million). The amount available for future borrowings under the Working Capital Facility is not subject to a standby fee. The effective interest rate for borrowings under the Working Capital Facility for the three and six months ended June 30, 2021 was 4.35% (2020 — 4.35%).

Wells Fargo Foreign Exchange Facility

Within the Credit Facility, the Company is able to enter into foreign currency forward contracts and/or other swap arrangements. As of June 30, 2021, the net unrealized gain on the Company's outstanding foreign currency forward contracts was $0.9 million, representing the amount by which the fair value of these forward contracts exceeded their notional value (December 31, 2020 — $2.0 million). As of June 30, 2021, the notional value of the Company's outstanding foreign currency forward contracts was $13.7 million (December 31, 2020 — $31.9 million).

NBC Facility

On October 28, 2019, the Company entered into a $5.0 million facility with the National Bank of Canada (the "NBC Facility") fully insured by Export Development Canada for use solely in conjunction with the issuance of performance guarantees and letters of credit. The Company did not have any letters of credit or advance payment guarantees outstanding as of June 30, 2021 and December 31, 2020 under the NBC Facility.

Convertible Notes

On March 19, 2021, the Company issued $230.0 million of 0.500% Convertible Senior Notes due 2026 (the "Convertible Notes") in a private placement conducted pursuant to Rule 144A under the Securities Act of 1933, as amended. The net proceeds from the issuance of the Convertible Notes were $223.7 million, after deducting the initial purchasers' discounts and commissions. In addition, the Company incurred $1.2 million of debt issuance costs associated with the Convertible Notes. The Company used a portion of the net proceeds from the issuance of the Convertible Notes to make a partial repayment of outstanding Credit Facility borrowings (as discussed above), and is using the remainder for working capital or other general corporate purposes.

The Convertible Notes are senior unsecured obligations of the Company and bear interest at a rate of 0.500% per annum on the principal thereof, payable semi-annually in arrears on April 1 and October 1 of each year, beginning on October 1, 2021. The Convertible Notes will mature on April 1, 2026, unless they are redeemed or repurchased by the Company or converted on an earlier date.

Holders of the Convertible Notes have the right to convert their Convertible Notes in certain circumstances and during specified periods. Before January 1, 2026, holders of the Convertible Notes have the right to convert their Convertible Notes only upon the occurrence of certain events. From and after January 1, 2026, holders of the Convertible Notes may convert their Convertible notes at any time at their election until the close of business on the second scheduled trading day immediately before the maturity date. Upon conversion, the Company will pay or deliver, as applicable, cash or a combination of cash (in an amount no less than the principal amount of the Convertible Notes being converted) and common shares, at its election, based on the applicable conversion rates. The initial conversion rate is 34.7766 common shares per $1,000 principal amount of Convertible Notes, which represents an initial conversion price of approximately $28.75 per common share, and is subject to adjustment upon the occurrence of certain events.

The Convertible Notes are redeemable, in whole or in part, at the Company's option at any time, and from time to time, on or after April 6, 2024 and on or before the 40th scheduled trading day immediately before the maturity date, at a cash redemption price equal to the principal amount of the Convertible Notes to be redeemed, plus accrued and unpaid interest, if any, but only if the last reported sale price per share of the Company's common stock exceeds 130% of the conversion price for a specified period of time. In addition, calling any Convertible Notes for redemption will constitute a "make-whole fundamental change" with respect to such notes, in which case the conversion rate applicable to the conversion of such notes will be increased in certain circumstances if such notes are converted after they are called for redemption.

In addition, upon the occurrence of a "fundamental change" (as defined below), holders may require the Company to repurchase their Convertible Notes at a cash repurchase price equal to the principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid interest, if any. Subject to the terms and conditions of the indenture governing the Convertible Notes, a "fundamental change" means, among other things, an event resulting in (i) a change of control, (ii) a transfer of all or substantially all of the assets of the Company, (iii) a merger, (iv) liquidation or dissolution of the Company, (v) or delisting of the Company's common shares from a national securities exchange.

On January 1, 2021, the Company elected to early adopt ASU No. 2020-06, "Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity" ("ASU 2020-06"). ASU 2020-06 simplifies the accounting for convertible debt that may be settled in cash. As a result, the Company recorded the Convertible Notes entirely as a liability in the Condensed Consolidated Balance Sheets, net of initial purchasers' discounts and commissions and other debt issuance costs, with interest expense reflecting the cash coupon plus the amortization of the discounts and capitalized costs. Additionally, ASU 2020-06 modifies the treatment of convertible debt securities that may be settled in cash or shares by requiring the use of the "if-converted" method. Under the "if-converted" method, because the principal amount of the Convertible Notes is settled in cash and the conversion spread is settleable in the Company's common shares, diluted earnings per share is calculated by including the net number of incremental shares that would be issued upon conversion of the Convertible Notes, using the average market price during the period. Accordingly, the application of the "if-converted" method may reduce the Company's reported diluted earnings per share.

In connection with the pricing of the Convertible Notes, the Company entered into privately negotiated capped call transactions (the "Capped Call Transactions") with certain financial institutions. The Capped Call Transactions are expected to reduce potential dilution resulting from the common shares the Company is required to issue and/or to offset any potential cash payments the Company is required to make in excess of the principal amount of the Convertible Notes in the event that the market price per share of the Company's common shares is greater than the strike price of the Capped Call Transactions with such reduction and/or offset subject to a cap. The Capped Call Transactions have an initial cap price of $37.2750 per share of the Company's common shares, which represents a premium of 75% over the last reported sale price of the common shares on March 16, 2021, and is subject to certain adjustments under the terms of the Capped Call Transactions. Collectively, the Capped Call Transactions cover, subject to anti-dilution adjustments substantially similar to those applicable to the Convertible Notes, the number of the Company's common shares underlying the Convertible Notes. The cost of the Capped Call Transactions was approximately $19.1 million.

The Capped Call Transactions are separate transactions, and are not part of the terms of the Convertible Notes and will not affect any holder's rights under the notes. Holders of the Convertible Notes will not have any rights with respect to the Capped Call Transactions.

The Capped Call Transactions meet all of the applicable criteria for equity classification in accordance with ASC 815-10-15-74(a), "Derivatives and Hedging—Embedded Derivatives—Certain Contracts Involving an Entity's Own Equity," and, as a result, the related $19.1 million cost was recorded as a reduction to Other Equity within Shareholders' Equity on the Company's Condensed Consolidated Statements of Shareholder's Equity and Condensed Consolidated Balance Sheets.

Assessment of Liquidity and Capital Requirements

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

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

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

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

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

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

CONTRACTUAL OBLIGATIONS

Payments to be made by the Company under contractual obligations as of June 30, 2021 are as follows:

	Payments Due by Period				
(In thousands of U.S. Dollars)	Total Obligation	Less Than One Year	1 to 3 years	3 to 5 years	Thereafter
Purchase obligations(1)	$ 33,371	$ 32,727	$ 616	$ —	$ 28
Pension obligations(2)	20,298	—	20,298	—	—
Operating lease obligations(3)	20,280	3,409	5,260	4,253	7,358
Working Capital Facility(4)	11,017	11,017	—	—	—
Convertible Notes(5)	235,750	1,150	2,300	2,300	230,000
Postretirement benefits obligations	3,297	129	272	280	2,616
	$ 324,013	$ 48,432	$ 28,746	$ 6,833	$ 240,002

(1) Represents total payments to be made under binding commitments with suppliers and outstanding payments to be made for supplies ordered, but yet to be invoiced.

(2) The Company has an unfunded defined benefit pension plan, the Supplemental Executive Retirement Plan (the "SERP"), covering its CEO, Mr. Richard L. Gelfond. The SERP has a fixed benefit payable of $20.3 million. The table above assumes that Mr. Gelfond will receive a lump sum payment of $20.3 million six months after retirement at the end of the term of his current employment agreement, which expires on December 31, 2022, in accordance with the terms of the SERP, although Mr. Gelfond has not informed the Company that he intends to retire at that time.

(3) Represents total minimum annual rental payments due under the Company's operating leases, which almost entirely consist of rent at the Company's leased office space in New York.

(4) On July 1, 2021, IMAX Shanghai renewed the Working Capital Facility through July 2022.

(5) The Convertible Notes bear interest at a rate of 0.500% per annum on the principal of $230.0 million, payable semi-annually in arrears on April 1 and October 1 of each year, beginning on October 1, 2021. The Convertible Notes will mature on April 1, 2026, unless earlier repurchased, redeemed or converted.

Pension and Postretirement Obligations

The Company has an unfunded defined benefit pension plan, the SERP, covering the Company's CEO, Mr. Gelfond. Under the terms of the SERP, if Mr. Gelfond's employment is terminated other than for cause (as defined in his employment agreement), he is entitled to receive SERP benefits in the form of a lump sum payment. SERP benefit payments to Mr. Gelfond are subject to a deferral of six months after the termination of his employment, at which time Mr. Gelfond will be entitled to receive interest on the deferred amount credited at the applicable federate rate for short-term obligations. Pursuant to an amendment to his employment agreement dated November 1, 2019, the term of Mr. Gelfond's employment was extended through December through December 31, 2022, although Mr. Gelfond has not informed the Company that he intends to retire at that time. Under the terms of this amendment to his employment agreement, the total benefit payable to Mr. Gelfond under the SERP has been fixed at $20.3 million. As of June 30, 2021, the Company's Condensed Consolidated Balance Sheets include the present value of the related SERP benefit obligation of approximately $20.2 million recorded within Accrued and Other Liabilities (December 31, 2020 — $20.1 million).

The Company has a postretirement plan to provide health and welfare benefits to Canadian employees meeting certain eligibility requirements. As of June 30, 2021, the Company's Condensed Consolidated Balance Sheets include an unfunded benefit obligation of $1.9 million within Accrued and Other Liabilities related to this plan (December 31, 2020 — $1.9 million).

In July 2000, the Company agreed to maintain health benefits for Messrs. Gelfond and Bradley J. Wechsler, the Company's former Co-CEO and former Chairman of its Board of Directors, upon retirement. As of June 30, 2021, the Company's Condensed Consolidated Balance Sheets include an unfunded benefit obligation of $0.7 million within Accrued and Other Liabilities (December 31, 2020 — $0.7 million). Mr. Wechsler retired from the Company's Board of Directors on June 9, 2021. The Company will maintain Mr. Wechsler's current health benefits through December 31, 2021, and thereafter will provide him with Medicare supplemental coverage.

The Company maintained a nonqualified deferred compensation benefit plan (the "Retirement Plan") covering the former CEO of IMAX Entertainment and Senior Executive Vice President of the Company. Under the terms of the Retirement Plan, the benefits were due to vest in full if the executive incurred a separation from service from the Company (as defined therein). In the fourth quarter of 2018, the executive incurred a separation from service from the Company, and as such, the Retirement Plan benefits became fully vested as of December 31, 2018 and the accelerated costs were recognized and reflected in Executive Transition Costs in the Consolidated Statements of Operations.

As of June 30, 2021, the benefit obligation related to the Retirement Plan was $3.7 million (December 31, 2020 — $3.7 million) and is recorded on the Company's Condensed Consolidated Balance Sheets within Accrued and Other Liabilities. As the Retirement Plan is fully vested, the benefit obligation is measured at the present value of the benefits expected to be paid in the future with the accretion of interest recognized in the Condensed Consolidated Statements of Operations within Retirement Benefits Non-Service Expenses.

The Retirement Plan is funded by an investment in company-owned life insurance ("COLI"), which is recorded at its fair value on the Company's Condensed Consolidated Balance Sheets within Prepaid Expenses. As of June 30, 2021, fair value of the COLI asset was $3.2 million (December 31, 2020 — $3.2 million). Gains and losses resulting from changes in the cash surrender value of the COLI asset are recognized in the Condensed Consolidated Statements of Operations within Realized and Unrealized Investment Gains (Losses).

OFF-BALANCE SHEET ARRANGEMENTS

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

NON-GAAP FINANCIAL MEASURES

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

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

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

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

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

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

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

(1) Reflects amounts attributable to common shareholders.

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

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

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

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

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

	For the Three Months Ended June 30, 2021 (1)		
(In thousands of U.S. Dollars)	**Attributable to Non-controlling Interests and Common Shareholders**	**Less: Attributable to Non-controlling Interests**	**Attributable to Common Shareholders**
Reported net loss	$ (6,112)	$ 3,099	$ (9,211)
Add (subtract):			
Income tax expense	1,946	884	1,062
Interest expense, net of interest income	432	(89)	521
Depreciation and amortization, including film asset amortization	12,994	1,038	11,956
Amortization of deferred financing costs(2)	699	—	699
EBITDA	$ 9,959	$ 4,932	$ 5,027
Share-based and other non-cash compensation	6,911	345	6,566
Unrealized investment gains	(33)	—	(33)
(Recoveries) write-downs, including asset impairments and credit loss expense	(1,623)	(575)	(1,048)
Legal judgment and arbitration awards	(1,770)	—	(1,770)
Adjusted EBITDA per Credit Facility	$ 13,444	$ 4,702	$ 8,742

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

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

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

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

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

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

Foreign Exchange Rate Risk

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

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

Certain of the Company's subsidiaries held approximately RMB 604.4 million ($93.6 million) in cash and cash equivalents as of June 30, 2021 (December 31, 2020 — RMB 500.3 million or $77.2 million) and are required to transact locally in RMB. Foreign currency exchange transactions, including the remittance of any funds into and out of the PRC, are subject to controls and require the approval of the China State Administration of Foreign Exchange to complete. Any developments relating to the Chinese economy and any actions taken by the Chinese government are beyond the control of the Company; however, the Company monitors and manages its capital and liquidity requirements to ensure compliance with local regulatory and policy requirements.

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

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

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

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

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

Interest Rate Risk Management

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

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

Item 4. *Controls and Procedures*

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the specified time periods and that such information is accumulated and communicated to management, including the CEO and Chief Financial Officer ("CFO"), to allow timely discussions regarding required disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

The Company's management, with the participation of its CEO and its CFO, has evaluated the effectiveness of the Company's "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) or 15d-15(e)) as of June 30, 2021 and has concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective. The Company will continue to periodically evaluate its disclosure controls and procedures and will make modifications from time to time as deemed necessary to ensure that information is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Company's internal control over financial reporting which occurred during the three months ended June 30, 2021, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. The Company has not experienced any material impact to its internal control over financial reporting despite the fact that most of its Finance employees are working remotely due to the COVID-19 pandemic. The Company will continue to monitor the evolving COVID-19 situation to minimize its impact on the design and operating effectiveness of the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

See Note 8 of Notes to Condensed Consolidated Financial Statements to the accompanying Condensed Consolidated Financial Statements in Item 1 for information regarding legal proceedings involving the Company.

Item 1A. *Risk Factors*

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

RISKS RELATED TO THE COMPANY'S BUSINESS AND OPERATIONS

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

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

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

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

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

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

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

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

RISKS RELATED TO THE COMPANY'S INDEBTEDNESS

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

As of June 30, 2021, the Company had approximately $347.8 million of consolidated indebtedness. The Company may also incur additional indebtedness to meet future financing needs. The Company's indebtedness could have significant negative consequences for its security holders and its business, results of operations and financial condition by, among other things:

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

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

Provisions in the indenture could delay or prevent an otherwise beneficial takeover of us.

Certain provisions in the Convertible Notes and the related indenture could make a third party attempt to acquire the Company more difficult or expensive. For example, if a takeover constitutes a fundamental change, then noteholders will have the right to require the Company to repurchase their Convertible Notes for cash. In addition, if a takeover constitutes a make-whole fundamental change, then the Company may be required to temporarily increase the conversion rate of the Convertible Notes. In either case, and in other cases, the Company's obligations under the Convertible Notes and the indenture could increase the cost of acquiring the Company otherwise discourage a third party from acquiring the Company or removing incumbent management, including in a transaction that noteholders or holders of the Company's common shares may view as favorable.

The Company is subject to counterparty risk with respect to the Capped Call Transactions, and the capped call may not operate as planned.

In connection with the issuance of the Convertible Notes, the Company entered into privately negotiated capped call transactions with option counterparties (the "Capped Call Transactions"). The Capped Call Transactions are expected to reduce potential dilution resulting from the common shares the Company is required to issue and/or to offset any potential cash payments the Company is required to make in excess of the principal amount of the Convertible Notes in the event that the market price per share of the Company's common shares is greater than the strike price of the Capped Call Transactions, with such reduction and/or offset subject to a cap. Collectively, the Capped Call Transactions cover, subject to anti-dilution adjustments substantially similar to those applicable to the Convertible Notes, the number of the Company's common shares underlying the Convertible Notes.

The option counterparties are financial institutions, and the Company will be subject to the risk that they might default under the Capped Call Transactions. The Company's exposure to the credit risk of the option counterparties will not be secured by any collateral. Global economic conditions have from time to time resulted in the actual or perceived failure or financial difficulties of many financial institutions. If an option counterparty becomes subject to insolvency proceedings, the Company will become an unsecured creditor in those proceedings with a claim equal to the Company's exposure at that time under our transactions with that option counterparty. The Company's exposure will depend on many factors, but, generally, the increase in the Company's exposure will be correlated with increases in the market price or the volatility of its common shares. In addition, upon a default by an option counterparty, the Company may suffer adverse tax consequences and more dilution than the Company currently anticipate with respect to its common shares. The Company can provide no assurances as to the financial stability or viability of any option counterparty. In addition, the Capped Call Transactions are complex, and they may not operate as planned. For example, the terms of the Capped Call Transactions may be subject to adjustment, modification or, in some cases, renegotiation if certain corporate or other transactions occur. Accordingly, these transactions may not operate as the Company intends if it is required to adjust their terms as a result of transactions in the future or upon unanticipated developments that may adversely affect the functioning of the Capped Call Transactions.

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

Issuer Purchases of Equity Securities

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

The Company did not repurchase any common shares during the three months ended June 30, 2021. As of June 30, 2021, the Company has $89.4 million available under its approved repurchase program.

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

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

Item 6. *Exhibits*

Exhibit No.	Description
3.1*	Amended and Restated By-Law No. 1 of IMAX Corporation, enacted on March 4, 2021.
10.1*+	Offer Letter, effective May 14, 2021, between IMAX Corporation and Joseph Sparacio.
10.2*+	Form of IMAX Corporation Second Amended and Restated Long-Term Incentive Plan Restricted Stock Unit Award Agreement for Non-employee Directors.
31.1*	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated July 27, 2021, by Richard L. Gelfond.
31.2*	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated July 27, 2021, by Joseph Sparacio.
32.1*	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated July 27, 2021, by Richard L. Gelfond.
32.2*	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated July 27, 2021, by Joseph Sparacio.
101.INS	Inline XBRL Instance Document – The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

*Filed herewith.
+ Management contract or compensatory plan, contract or arrangement

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

		IMAX CORPORATION
Date: July 27, 2021	By:	/s/ JOSEPH SPARACIO Joseph Sparacio Interim Chief Financial Officer (Principal Financial Officer)
Date: July 27, 2021	By:	/s/ KEVIN M. DELANEY Kevin M. Delaney Senior Vice-President, Finance & Controller (Principal Accounting Officer)

EXHIBIT 3.1

IMAX CORPORATION

AMENDED AND RESTATED BY-LAW NO. 1

MARCH 4, 2021

AMENDED AND RESTATED BY-LAW NO. 1

IMAX CORPORATION

A by-law regulating generally the transaction of the business and affairs of IMAX Corporation.

Section 1

INTERPRETATION

1.1 **Definitions**. In this by-law, which may be cited as the By-law, unless the context otherwise requires:

"Act" means the *Canada Business Corporations Act*, R.S.C. 1985, C. 44 and any statute that may be substituted therefor, as from time to time amended;

"Articles" includes the original or restated articles of incorporation, articles of amendment, articles of amalgamation, articles of continuance, articles of reorganization, articles of arrangement and articles of revival of the Corporation;

"Board" means the Board of Directors of the Corporation;

"Corporation" means IMAX Corporation;

"meeting of shareholders" means any meeting of shareholders including an annual meeting and a special meeting;

"non-business day" means Saturday, Sunday and any other day that is a holiday as defined in the *Interpretation Act* (Canada);

"recorded address" means in the case of a shareholder the address as recorded in the securities register; and in the case of joint shareholders the address appearing in the securities register in respect of such joint holding or the first address so appearing if there are two or more; and in the case of a director, officer or auditor, the latest address as recorded in the records of the Corporation.

1.2 **Construction**. Save as aforesaid, words and expressions defined in the Act have the same meanings when used herein; and words importing the singular include the plural and vice versa; words importing gender include the masculine, feminine and neuter genders; and words importing persons include individuals, bodies corporate, partnerships, associations, trusts, executors, administrators, legal representatives, and unincorporated organizations and any number or aggregate of persons.

Section 2

MEETINGS OF SHAREHOLDERS

2.1 **Meetings of Shareholders**. The annual meeting of shareholders shall be held in each year on a date to be determined by the Board. The Board, the Chair, a Vice-Chair or the Chief Executive Officer may call a special meeting of shareholders, at any time.

2.2 **Chair, Secretary and Scrutineers**. The chair of any meeting of shareholders shall be the first mentioned of such of the following officers who is present at the meeting: the Chair, the Chief Executive Officer, a Vice-Chair or a Vice-President who is a director of the Corporation. If no such officer is present within fifteen minutes from the time fixed for holding the meeting, the persons present and entitled to vote shall choose one of their number to act as chair. The secretary of any meeting of shareholders shall be the Secretary of the Corporation. If the Secretary is absent, the chair shall appoint some person, who need not be a shareholder, to act as secretary of the meeting. The chair may appoint one or more persons who need not be shareholders to act as scrutineers at the meeting.

2.3 **Persons Entitled to be Present**. The only persons entitled to be present at a meeting of shareholders shall be those entitled to vote thereat, the directors, the auditors of the Corporation and others who, although not entitled to vote, are entitled or required under any provision of the Act or the Articles to be present. Any other person may be admitted with the consent of the meeting or of the chair of the meeting.

2.4 **Quorum**. Except as otherwise provided in the Articles, a quorum for the transaction of business at any meeting of shareholders shall be at least two persons present in person or by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting, each being a shareholder entitled to vote thereat or a duly appointed proxyholder for such a shareholder and together holding or representing by proxy not less than 33-1/3% of the outstanding shares of the Corporation entitled to be voted at the meeting.

2.5 **Procedures at Meetings**. The Board may determine the procedures to be followed at any meeting of shareholders including, without limitation, the rules of order. Subject to the foregoing, the chair of a meeting may determine the procedures of the meeting in all respects.

2.6 **Meetings Held by Electronic Means**. If the Board calls a meeting of shareholders under the Act, the Board may determine that the meeting shall be held, in accordance with the Act, entirely by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting. A person participating in the meeting by such means shall be deemed to be present at the meeting.

2.7 **Place of Meetings**. All meetings of the shareholders shall be held at such place in Canada or otherwise specified in the Articles as the Board determines or, in the absence of such a determination, at the place stated in the notice of meeting. Any meeting of shareholders conducted by means of a telephonic, an electronic or other communication facility in accordance with Section 2.6 shall be deemed to be held at the registered office of the Corporation or such other place as determined by the Board.

Section 3

DIRECTORS

3.1 **Number of Directors; Filling Vacancies**. Subject to the Act and the Articles the number of directors of the Corporation may be fixed from time to time by resolution of the Board, and any vacancies on the Board, whether arising due to an increase in the number of directors or otherwise, may be filled by the Board.

3.2 **Term of Office**. Subject to Section 3.3 hereof, each director shall be elected for a term as provided in the Articles.

3.3 **Qualification of Directors**. In addition to the disqualifications provided for in the Act, a director who is a salaried officer of the Corporation other than the Chief Executive Officer, the Chair, or a Vice-Chair, shall cease to hold office as a director when he or she ceases to be a salaried officer of the Corporation.

3.4 **Quorum**. A majority of the directors holding office at any particular time shall constitute a quorum of the Board.

3.5 **Meeting Following Annual Meeting**. The Board shall meet without notice as soon as practicable after each annual meeting of shareholders to transact such business as may come before the meeting and to appoint by election:

(1)the Chair;
(2)the Chief Executive Officer;
(3)the Secretary;
(4)one or more Vice-Presidents; and
(5)such other officers as the Board chooses to appoint.

Each of the officers appointed by the Board, whether at the meeting of the Board after the annual meeting of shareholders or at any other meeting, shall perform such duties and have such powers as are customarily performed and held by such officers, subject to any limitations or specific duties required to be performed or specific powers bestowed by the Board from time to time.

3.6 **Other Meetings of the Board**. In addition to the meeting following the annual meeting of shareholders described in Section 3.5 above and regular quarterly meetings, meetings of the Board may be held from time to time at a date, time and place determined by the Chair, a Vice-Chair or any two of the directors.

3.7 **Notice of Meeting**. Notice of the time and place of each meeting of the Board requiring notice shall be given to each director not less than forty-eight (48) hours before the time at which the meeting is to be held.

3.8 **Chair**. The chair of any meeting of the Board shall be the first mentioned of such of the following officers who is present at the meeting: the Chair, the Chief Executive Officer, a Vice-Chair or a Vice-President who is a director of the Corporation. If no such officer is present, the directors present shall choose one of their number to act as chair.

3.9 **Votes to Govern**. Subject to the Articles and this By-law, at all meetings of the Board, every question shall be decided by a majority of the votes cast. The chair of any meeting may vote as a director and, in the event of an equality of votes, the chair shall not be entitled to a second or casting vote.

3.10 **Remuneration**. No director who is a salaried officer of the Corporation shall be entitled to any remuneration for the performance of his or her duties as a director. If any director or officer of the Corporation shall be employed by or shall perform services for the Corporation otherwise than as a director or officer or shall be a member of a firm or a shareholder, director or officer of a body corporate which is employed by or performs services for the Corporation, the fact of his or her being a director or officer of the Corporation shall not disentitle such director or officer or such firm or body corporate, as the case may be, from receiving proper remuneration for such services.

3.11 **Interest of Directors and Officers Generally in Contracts**. No director or officer shall be disqualified as a result of being a director or officer from contracting with the Corporation. No contract or arrangement entered into by or on behalf of the Corporation with any director or officer or in which any director or officer is in any way interested shall be voidable for that reason, nor shall any director or officer so contracting or being so interested be liable to account to the Corporation for any profit realized by any such contract or arrangement by reason of such director or officer holding that office or of the fiduciary relationship thereby established; provided that the director or officer shall have complied with the provisions of the Act.

Section 4

ADVANCE NOTICE PROVISION

4.1 **Nomination of Directors**. Except as otherwise provided by applicable law, the Articles or the By-laws of the Corporation, only persons who are nominated in accordance with the following procedures will be eligible for election as a director of the Corporation. Nominations of a person for election to the Board may be made at any annual meeting of shareholders, or at any special meeting of shareholders if one of the purposes for which the special meeting was called was the election of directors, (a) by or at the direction of the Board or an authorized officer of the Corporation, including pursuant to a notice of meeting, (b) by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the provisions of the Act or a requisition of the shareholders made in accordance with the provisions of the Act, or (c) by any person (a "Nominating Shareholder") (i) who, at the close of business on the date of the giving of the notice provided for in Section 4.1(a) below and on the record date for notice of such meeting, is entered in the securities register of the Corporation as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting, and (ii) who provides timely notice in proper written form to the Secretary of the Corporation in accordance with this Section 4.1:

(a) to be timely, a Nominating Shareholder's notice must be made and received at the registered office of the Corporation:

(i) in the case of an annual meeting of shareholders, not less than 30 days prior to the date of the annual meeting of shareholders; provided, however, that in the event that the annual meeting of shareholders is called for a date that is less than 50 days after the date (the "Notice Date") on which the first Public Announcement (as defined below) of the date of the annual meeting was made, notice by the Nominating Shareholder may be made not later than the close of business on the tenth (10th) day following the Notice Date; and

(ii) in the case of a special meeting (which is not also an annual meeting) of shareholders called for the purpose of electing directors (whether or not called for other purposes), not later than the close of business on the fifteenth (15th) day following the day on which the first Public Announcement of the date of the special meeting of shareholders was made.

(b) in the event of any adjournment or postponement of a meeting of shareholders, or a Public Announcement thereof, the required time periods for the giving of a Nominating Shareholder's notice as described in Section 4.1(a)(i) or (ii), as applicable, will apply using the date of the adjourned or postponed meeting or the date of a Public Announcement thereof, as the case may be.

(c) to be in proper written form, a Nominating Shareholder's notice must set forth:

(i) as to each person whom the Nominating Shareholder proposes to nominate for election as a director:

(1) the name, age, business address and residential address of the person;
(2) the principal occupation, business or employment of the person;
(3) the country of residence of the person, including the person's status as a "resident Canadian" (as such term is defined in the Act);
(4) the class or series and number of shares of the Corporation which are, directly or indirectly, controlled or directed, or which are owned beneficially or of record, by such person as of the record date for the meeting of shareholders (if such record date shall have occurred) and as of the date of such notice;
(5) a description of all direct and indirect compensation and other material agreements, arrangements and understandings during the past three years, and any other material relationships, between or among such Nominating Shareholder and beneficial owner, if any, and their respective affiliates and associates, or others acting jointly or in concert therewith, on the one hand, and such nominee, and his or her respective associates, or others acting jointly or in concert therewith, on the other hand;
(6) a written consent of the nominee to act as a director of the Corporation, in the form provided by the Secretary of the Corporation; and
(7) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act or applicable securities laws; and

(ii) as to the Nominating Shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination is made:

(1) the name and address of such Nominating Shareholder, as they appear on the Corporation's securities register, and of such beneficial owner, if any, and of their respective affiliates or associates or others acting jointly or in concert therewith;
(2) (A)the class or series and number of shares of the Corporation which are, directly or indirectly, controlled or directed by, or which are owned beneficially or of record by, such Nominating Shareholder, such beneficial owner, if any, or any of their respective affiliates or associates or others acting jointly or in concert therewith as of the record date for the meeting of shareholders (if such record date shall have occurred) and as of the date of such notice;
(B)any instrument, agreement, understanding, security or exchange contract which is directly or indirectly, controlled or directed by, or which is owned beneficially or of record by,

such Nominating Shareholder, such beneficial owner, if any, or any of their respective affiliates or others acting jointly or in concert with any of them and which is derived from any security of the Corporation or any of its principal competitors;

(C)any proxy, contract, arrangement, understanding, or relationship pursuant to which any such Nominating Shareholder or beneficial owner, if any, has a right to vote any class or series of shares of the Corporation;

(D)any direct or indirect interest of such Nominating Shareholder or beneficial owner, if any, in any contract arrangement, understanding or relationship with the Corporation, any affiliate of the Corporation, any of the directors or officers of the Corporation or any of its affiliates, or with the Nominating Shareholder, such beneficial owner, if any, or any of their respective affiliates or associates, or with any principal competitor of the Corporation; and

(E)any other information that would be required to be reported on an early warning report filed with the Ontario Securities Commission or on a Schedule 13D filed with the U.S. Securities and Exchange Commission.

(iii) any other information that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act or applicable securities laws; and

(iv) a statement of whether either such Nominating Shareholder or beneficial owner, if any, alone or acting jointly or in concert with others, intends to solicit or participate in the solicitation of proxies from shareholders of the Corporation in support of the nomination. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as an independent director of the Corporation or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such proposed nominee.

(d) No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of this Section 4.1. The chair of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.

(e) For purposes of this Section 4.1, "Public Announcement" means disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Corporation under its profile on the System of Electronic Document Analysis and Retrieval at www.sedar.com or on the Electronic Data Gathering, Analysis, and Retrieval system at www.sec.gov/edgar.shtml.

(f) Notwithstanding any other provision of the By-law of the Corporation, notice given to the Secretary of the Corporation pursuant to this Section 4.1 may only be given by personal delivery or by email (at such email address as stipulated from time to time by the Secretary of the Corporation for purposes of the notice), and shall be deemed to have been given and made only at the time it is served by personal delivery or email (at the address as aforesaid) to the Corporate Secretary at the address of the registered office of the Corporation; provided that if such delivery or electronic communication is made on a day which is a non-business day or later than 5:00 p.m. (Eastern Time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the next day that is a business day.

(g) Notwithstanding the foregoing, the Board may, in its sole discretion, waive any requirement of this Section 4.1.

Section 5

COMMITTEES

5.1 **Committees**. The Board shall, from time to time, appoint members of audit, compensation, and governance committees and such additional committees as it deems necessary and, subject to the Act, delegate to the committees such powers of the Board and assign to the committees such duties, as the Board considers appropriate.

5.2 **Composition of Committees**. To the extent required by regulatory requirements applicable to the Corporation, all of the members of the audit, compensation, and governance committees shall be directors who are independent directors for the purposes of such regulatory requirements applicable to the Corporation.

5.3 **Operation of Committees**. In the case of each committee, a majority of members holding office at any particular time shall constitute a quorum for the transaction of business at that time. The Board shall appoint a chair of each committee. Each committee shall meet at the call of its chair, on not less than forty-eight (48) hours' notice to each member of the committee prior to the date on which the meeting is to be held. All acts or proceedings of any committee shall be reported to the Board at or before the next meeting thereof.

Section 6

THE TRANSACTION OF BUSINESS

6.1 **Execution of Instruments**. Contracts, documents or instruments in writing requiring execution by the Corporation shall be signed by any two officers or directors, and all contracts, documents or instruments in writing so signed shall be binding upon the Corporation without any further authorization or formality. The Board is authorized from time to time by resolution to appoint any officer or officers or any other person or persons on behalf of the Corporation to sign and deliver either contracts, documents or instruments in writing generally or to sign either manually or by facsimile signature and deliver specific contracts, documents or instruments in writing. Contracts, documents or instruments in writing that are to be signed by hand may be signed electronically. The term "contracts, documents or instruments in writing" as used in this By-law shall include deeds, mortgages, charges, conveyances, powers of attorney, transfers and assignments of property of all kinds including specifically but without limitation transfers and assignments of shares, warrants, bonds, debentures or other securities and all paper writings.

6.2 **Banking Arrangements**. The banking business of the Corporation, or any part thereof, shall be transacted with such banks, trust companies or other financial institutions as the Board may designate, appoint or authorize from time to time by resolution and all such banking business, or any part thereof, shall be transacted on the Corporation's behalf by such one or more officers and/or other persons as the Board may designate, direct or authorize from time to time by resolution and to the extent therein provided.

Section 7

DIVIDENDS

7.1 **Dividends**. The Board may from time to time declare dividends payable to shareholders according to their respective rights.

7.2 **Dividend Payment**. A dividend payable in money may be paid by cheque, wire transfer or any other electronic means, drawn on the Corporation's bankers, or one of them, to the order of each registered holder of shares of a class or series in respect of which the dividend has been declared, and mailed by prepaid ordinary mail to such registered holder at the registered holder's recorded address. In the case of joint holders the cheque shall, unless such joint holders otherwise direct, be made payable to the order of all of such joint holders and mailed to them at their recorded address. The Corporation may pay a dividend by cheque to a registered holder or to joint holders other than in the manner herein set out, if the registered holder or joint holders so request.

7.3 **Idem**. The Corporation may, when so directed by a registered holder of a share in respect of which a dividend in money has been declared, pay the dividend in the manner so directed.

7.4 **Non-receipt or Loss of Dividend Cheques**. In the event of non-receipt or loss of any dividend cheque by the person to whom it is sent, the Corporation shall issue to such person a replacement cheque for a like amount on such terms as to indemnity, reimbursement of expenses and evidence of non-receipt or loss and of entitlement as the Board or the Vice-President in charge of finance, or any employee delegated authority by such persons, may from time to time prescribe, whether generally or in a particular case.

Section 8

PROTECTION OF DIRECTORS AND OFFICERS

8.1 **Indemnification of Directors and Officers**. The Corporation shall indemnify a director or officer of the Corporation, a former director or officer of the Corporation or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor, and his or her heirs and legal representatives to the extent permitted by the Act.

8.2 **Indemnity of Others**. Except as otherwise required by the Act and subject to paragraph 8.1, the Corporation may from time to time indemnify and save harmless any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he or she is or was an employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee, agent of or participant in another body corporate, partnership, joint venture, trust or other enterprise, against expenses (including legal fees), judgments, fines and any amount actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted honestly and in good faith with a view to the best interests of the Corporation and, with respect to any criminal or administrative action or proceeding that is enforced by a monetary penalty, had reasonable grounds for believing that his or her conduct was lawful. The termination of any action, suit or proceeding by judgment, order, settlement or conviction shall not, of itself, create a presumption that the person did not act honestly and in good faith with a view to the best interests of the Corporation and, with respect to any criminal or administrative action or proceeding that is enforced by a monetary penalty, had no reasonable grounds for believing that his or her conduct was lawful.

8.3 **Right of Indemnity Not Exclusive**. The provisions for indemnification contained in the By-law of the Corporation shall not be deemed exclusive of any other rights to which any person seeking indemnification may be entitled under any agreement, vote of shareholders or directors or otherwise, both as to action in his or her official capacity and as to action in another capacity, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs and legal representatives of such a person.

8.4 **No Liability of Directors or Officers for Certain Matters**. To the extent permitted by law, no director or officer for the time being of the Corporation shall be liable for the acts, receipts, neglects or defaults of any other director or officer or employee or for joining in any receipt or act for conformity or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired by the Corporation or for or on behalf of the Corporation or for the insufficiency or deficiency of any security in or upon which any of the moneys of or belonging to the Corporation shall be placed out or invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person, firm or body corporate with whom or which any moneys, securities or other assets belonging to the Corporation shall be lodged or deposited or for any loss, conversion, misapplication or misappropriation of or any damage resulting from any dealings with any moneys, securities or other assets belonging to the Corporation or for any other loss, damage or misfortune whatever which may happen in the execution of the duties of his or her respective office or trust or in relation thereto unless the same shall happen by or through his or her failure to act honestly and in good faith with a view to the best interests of the Corporation and in connection therewith to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. If any director or officer of the Corporation shall be employed by or shall perform services for the Corporation otherwise than as a director or officer or shall be a member of a firm or a shareholder, director or officer of a body corporate which is employed by or performs services for the Corporation, the fact of his or her being a director or officer of the Corporation shall not disentitle such director or officer or such firm or body corporate, as the case may be, from receiving proper remuneration for such services.

Section 9

MISCELLANEOUS

9.1 **Omissions and Errors**. The accidental omission to give any notice to any shareholder, director, officer or auditor or the non-receipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting to which the notice related.

9.2 **Persons Entitled by Death or Operation of Law**. Every person who, by operation of law, transfer, death of a shareholder or any other means whatsoever, becomes entitled to any share, shall be bound by every notice in respect of such share which shall have been duly given to the shareholder from whom title is derived to such share prior to his or her name and address being entered on the securities register.

9.3 **Waiver of Notice**. A shareholder, proxyholder, director, officer or auditor may at any time waive any notice, or waive or abridge the time for any notice, required to be given to him or her under any provision of the Act, the regulations thereunder, the Articles or otherwise and such waiver or abridgment, whether given before, during, or after the meeting or other event of which notice is required to be given, shall cure any default or defect in the giving or in the time of such notice, as the case may be. Any such waiver or abridgment shall be in writing except a waiver of notice of a meeting of shareholders or of the Board or of a committee of the Board which may be given in any manner. Attendance at a meeting by a person shall constitute a waiver of notice of the meeting, except where such person attends such meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

9.4 **Invalidity of any Provision of this By-law**. The invalidity or unenforceability of any provision of this By-law shall not affect the validity or enforceability of the remaining provisions of this By-law.

Section 10

REPEAL

10.1 **Repeal**. By-Law No. 1 of the Corporation adopted and confirmed by the shareholders of the Corporation on June 2, 2014 is repealed on the coming into force of this Amended and Restated By-Law No. 1. Such repeal shall not affect the previous operation of By-Law No. 1 of the Corporation or any of its predecessors or affect the validity of any act done or right, privilege, obligation or liability acquired or incurred under or the validity of any contract or agreement made pursuant to any such by-law prior to its repeal. All officers and persons acting under the by-law so repealed shall continue to act as if appointed by the directors under the provisions of this By-law or the Act until their successors are appointed.

EXHIBIT 10.1

April 28, 2021
Approved by the Compensation Committee and effective as of May 14, 2021
Strictly Private & Confidential

Joseph Sparacio
jspara@comcast.net

Dear Joe,

I am writing to confirm our agreement with respect to your service as Interim Chief Financial Officer of IMAX Corporation ("IMAX" or the "Company").

We have agreed as follows:

Title:	Interim Chief Financial Officer
Reporting to:	Rich Gelfond, CEO
Duration:	Start date: June 1, 2021 End date: When a new CFO begins employment at the Company, which the parties anticipate to be no later than December 31, 2021
Work schedule:	Average of three days per week
Salary:	Your annualized salary will be $500,000 USD, less applicable withholding taxes.
Signing Equity Grant:	As soon as practicable following your start date you will be eligible for a one-time equity award in the form of Restricted Share Units (RSUs) under the Company's Second Amended and Restated Long-Term Incentive Plan (the "LTIP") with an aggregate grant date fair market value equal to $650,000 USD (the "Signing Grant"). The Signing Grant will be subject to the terms and conditions of the LTIP and it will vest upon the successful completion of the end of your term as Interim CFO.
Bonus:	You will not be eligible to participate in the IMAX performance bonus program.
Travel Expenses:	You may expense and be reimbursed for reasonable business expenses including car expenses as a result of traveling into the New York office such as gas, tolls and parking when needed.
Benefits:	You will be eligible to participate in the Company's employee benefit plans and as requested, this will start 60 days after your start date. These plans will be consistent with the plans given to Executive Vice Presidents

	at the Company including health benefits, life insurance, and auto enrolment into the Company's 401(k) plan.
Location:	Your principal working arrangement will be remote with travel to the Company's New York City office as required.
Background Check:	This offer is subject to the satisfactory completion of a background check, including a criminal record check.

You will be required to review and acknowledge by way of signature the IMAX Code of Business Conduct and Ethics, the IMAX Confidentiality and Non-Competition Agreement, and the IMAX Anti-Bribery and Anti-Corruption policy prior to your start date.

Please indicate your formal acceptance by signing this offer and returning via email to me by April 29, 2021 at jbassani@imax.com.

Sincerely,

/s/ Jacqueline Bassani /s/ Kenneth Weissman

Jacqueline Bassani Kenneth Weissman
EVP & Chief People Officer SVP, Legal Affairs and Corporate Secretary
May 14, 2021

I accept the above offer of employment as written.

__/s/ Joseph Sparacio________________
Joseph Sparacio

_4/28/21_________________
Date

Exhibit 10.2

IMAX CORPORATION
SECOND AMENDED AND RESTATED LONG-TERM INCENTIVE PLAN
RESTRICTED SHARE UNIT AWARD AGREEMENT FOR NON-EMPLOYEE DIRECTOR

THIS RESTRICTED SHARE UNIT AGREEMENT (the "***Agreement***") is made effective as of **June 10, 2021** (the "***Date of Grant***") between IMAX Corporation, a Canadian corporation (the "***Company***"), and **[Director name]** (the "***Participant***").

This Agreement sets forth the general terms and conditions of Restricted Share Units ("***RSUs***"). By accepting the RSUs, the Participant agrees to the terms and conditions set forth in this Agreement and the IMAX Corporation Second Amended and Restated Long-Term Incentive Plan (as amended, the "***IMAX LTIP***").

Capitalized terms not otherwise defined herein shall have the same meanings as in the IMAX LTIP.

1. Grant of the RSUs. Subject to the provisions of this Agreement and the IMAX LTIP the Company hereby grants to the Participant an aggregate of [# of units**]** RSUs, subject to adjustment as set forth in the IMAX LTIP. Each RSU gives the Participant the unsecured right to receive, subject to the terms and conditions of the IMAX LTIP and this Agreement, one Common Share. The Participant shall not be required to pay any additional consideration for the issuance of the Common Shares upon settlement of the RSUs.

2. Vesting Schedule. Subject to the terms and conditions hereof, the Participant shall vest in the RSUs as follows, unless previously vested or cancelled in accordance with the provisions of the IMAX LTIP or this Agreement (each applicable date, a "***Scheduled Vesting Date***"):

Scheduled Vesting Date	**RSUs Vesting on Such Date**
June 10, 2021	**[# of RSUs]**

3. Settlement. Each RSU shall be settled by delivery of one Common Share within thirty (30) days following the applicable Scheduled Vesting Date ("***Settlement Date***"); provided, however, that in no event shall settlement occur later than March 15th of the year following the applicable Scheduled Vesting Date; provided further, that if a Change in Control occurs at a time where settlement has not yet occurred, settlement shall occur upon such Change in Control.

4. Nontransferability of RSUs. Unless otherwise determined by the Committee pursuant to the terms of the IMAX LTIP, the RSUs may not be transferred, pledged, alienated, assigned or otherwise attorned other than by last will and testament or by the laws of descent and distribution or pursuant to a domestic relations order, as the case may be.

5. Rights as a Shareholder. The Participant shall have no rights as a shareholder with respect to the Common Shares underlying the RSUs. Upon settlement, the Participant shall have all rights as a shareholder with respect to the Common Shares delivered to the Participant, if any, including, without limitation, voting rights and the right to receive dividends.

6. Dividend Equivalents. If, after the Date of Grant and prior to the applicable Settlement Date, dividends with respect to the Common Shares are declared or paid by the Company, the Participant, upon settlement of RSUs in accordance with Section 3, shall be entitled to receive dividend equivalents in an amount, without interest, equal to the cumulative dividends declared or paid on a Common Share, if any, during such period multiplied by the number of RSUs being settled. Dividend equivalents will be subject to the same terms and conditions of this Agreement applicable to the RSUs. The dividend equivalents will be paid on the applicable Settlement Date for the underlying RSUs in cash or Common Shares, as determined by the Company in its discretion. If the underlying RSUs are cancelled prior to the applicable Settlement Date for any reason, any accrued and unpaid dividend equivalents shall be cancelled.

7. No Entitlements.

(a) No Right to Continued Service. This Agreement does not constitute a service agreement and nothing in the IMAX LTIP or this Agreement shall modify the terms of the Participant's service, including, without limitation, the Participant's status as an "at will" employee of the Company, if applicable. None of the IMAX LTIP, the Agreement, the grant of RSUs, nor any action taken or omitted to be taken shall be construed (i) to create or confer on the Participant any right to be retained by the Company, (ii) to interfere with or limit in any way the right of the Company to terminate the Participant's service at any time and for any reason or (iii) to give the Participant any right to be retained by the Company following a termination of service for any reason.

(b) No Right to Future Awards. This award of RSUs and all other equity-based awards under the IMAX LTIP are discretionary. This award does not confer on the Participant any right or entitlement to receive another award of RSUs or any other equity-based award at any time in the future or in respect of any future period.

8. Taxes and Withholding. The Participant must satisfy any federal, state, provincial, local or foreign tax withholding requirements applicable with respect to the settlement of the RSUs. The Company may require or permit the Participant to satisfy such tax withholding obligations through the Company withholding Common Shares that would otherwise be received by such individual upon settlement of the RSUs. The obligations of the Company to deliver the Common Shares under this Agreement shall be conditioned upon the Participant's payment of all applicable taxes and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Participant.

9. Breach of Restrictive Covenants. If (i) the Participant is a party to a service agreement or other agreement with the Company or any of its Subsidiaries or Affiliates and (ii) such Participant materially breaches any of the restrictive covenants set forth in such agreement (including, without limitation, any restrictive covenants relating to non-competition, non-solicitation or confidentiality), then all of the RSUs (whether or not vested) shall terminate and be cancelled without consideration being paid therefor.

10. Securities Laws. The Company shall not be required to issue Common Shares in settlement of or otherwise pursuant to the RSUs unless and until (i) the Common Shares have been duly listed upon each stock exchange on which the Common Shares are then registered; (ii) a registration statement under the Securities Act of 1933, as amended, with respect to such Common Shares is then effective; and (iii) the issuance of the Common Shares would comply with such legal or regulatory provisions of such countries or jurisdictions outside the United States as may be applicable in respect of the RSUs. In connection with the grant or vesting of the RSUs, the Participant will make or enter into such written representations, warranties and agreements as the Committee may reasonably request in order to comply with applicable securities laws or with this Agreement.

11. Miscellaneous Provisions.

(a) Notices. Any notice necessary under this Agreement shall be addressed to the Company in care of its Corporate Secretary at the principal executive office of the Company and to the Participant at the address appearing in the records of the Company for the Participant or to either party at such other address as either party hereto may hereafter designate in writing to the other. Notwithstanding the foregoing, the Company may deliver notices to the Participant by means of email or other electronic means that are generally used for employee communications. Any such notice shall be deemed effective upon receipt thereof by the addressee.

(b) Headings. The headings of sections and subsections are included solely for convenience of reference and shall not affect the meaning of the provisions of this Agreement.

(c) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

(d) Incorporation of IMAX LTIP; Entire Agreement. This Agreement and the RSUs shall be subject to the IMAX LTIP, the terms of which are incorporated herein by reference, and in the event of any conflict or inconsistency between the IMAX LTIP and this Agreement, the IMAX LTIP shall govern. This Agreement and the IMAX LTIP constitute the entire agreement between the parties hereto with regard to the subject matter hereof. They supersede all other agreements, representations or understandings (whether oral or written and whether express or implied) that relate to the subject matter hereof. The Participant acknowledges receipt of the IMAX LTIP, and represents that the Participant is familiar with its terms and provisions.

(e) Amendments. Subject to all applicable laws, rules and regulations, the Committee shall have the power to amend this Agreement at any time provided that such amendment does not adversely affect, in any material respect, the Participant’s rights under this Agreement without the Participant’s consent. Notwithstanding the foregoing, the Company shall have broad authority to alter or amend this Agreement and the terms and conditions applicable to the RSUs without the consent of the Participant to the extent it deems necessary or desirable in its sole discretion (i) to comply with or take into account changes in, or rescissions or interpretations of, applicable tax laws, securities laws, employment laws, accounting rules or standards and other applicable laws, rules, regulations, guidance, ruling, judicial decision or legal requirement, (ii) to ensure that the RSUs are not subject to taxes, interest and penalties under Section 409A of the Internal Revenue Code of 1986, as amended (the “***Code***”), (iii) to take into account unusual or nonrecurring events or market conditions, or (iv) in any other manner set forth in Section 15 of the IMAX LTIP. Any amendment, modification or termination shall, upon adoption, become and be binding on all persons affected thereby without requirement for consent or other action with respect thereto by any such person. The Committee shall give written notice to the Participant in accordance with Section 11(a) of any such amendment, modification or termination as promptly as practicable after the adoption thereof. The foregoing shall not restrict the ability of the Participant and the Company by mutual consent to alter or amend the terms of the RSUs in any manner that is consistent with the IMAX LTIP and approved by the Committee.

(f) Section 409A.

(i) The RSUs are intended to constitute “short-term deferrals” for purposes of Section 409A of the Code and the regulations and guidance promulgated thereunder (“***Section 409A***”). If any provision of the IMAX LTIP or this Agreement would, in the reasonable good faith judgment of the Committee, result or likely result in the imposition on the Participant, a beneficiary or any other person of a penalty tax under Section 409A, the Committee may modify the terms of the IMAX LTIP or this Agreement, without the consent of the Participant, beneficiary or such other person, in the manner that the Committee may reasonably and in good faith determine to be necessary or advisable to avoid the imposition of such penalty tax. This Section 11(f) does not create an obligation on the part of the Company to modify the IMAX LTIP or this Agreement and does not guarantee that the RSUs will not be subject to taxes, interest and penalties under Section 409A.

(ii) Notwithstanding anything to the contrary in the IMAX LTIP or this Agreement, to the extent that the RSUs constitute deferred compensation for purposes of Section 409A and Participant is a “***Specified Employee***” (within the meaning of the Committee’s established methodology for determining “***Specified Employees***” for purposes of Section 409A), no payment or distribution of any amounts with respect to the RSUs that are subject to Section 409A may be made before the first business day following the six (6) month anniversary from the Participant’s Separation from Service from the Company Group (as defined in Section 409A) or, if earlier, the date of the Participant’s death.

(g) Successor. Except as otherwise provided herein, this Agreement shall be binding upon and shall inure to the benefit of any successor or successors of the Company, and to any Permitted Transferee pursuant to Section 4.

(h) Choice of Law. Except as to matters of federal law, this Agreement and all actions taken thereunder shall be governed by and construed in accordance with the laws of the State of New York (other than its conflict of law rules).

[Signatures on Following Page]

IMAX CORPORATION

By: ______________________________
Name:
Title:

By: ______________________________
Name:
Title:

The undersigned hereby acknowledges having read the IMAX LTIP and this Agreement, and hereby agrees to be bound by all the provisions set forth in the IMAX LTIP and this Agreement.

Name (Printed): _ ______________________

Signature:

Date:

IMAX CORPORATION

Exhibit 31.1

Certification Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002

I, Richard L. Gelfond, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 of the registrant, IMAX Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	July 27, 2021	By:	/s/ Richard L. Gelfond
		Name:	Richard L. Gelfond
		Title:	Chief Executive Officer

IMAX CORPORATION

Exhibit 31.2

Certification Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002

I, Joseph Sparacio, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 of the registrant, IMAX Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	July 27, 2021	By:	/s/ Joseph Saparacio
		Name:	Joseph Saparcio
		Title:	Interim Chief Financial Officer

IMAX CORPORATION

Exhibit 32.1

CERTIFICATIONS
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (A) and (B) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), I, Richard L. Gelfond, Chief Executive Officer & Director of IMAX Corporation, a Canadian corporation (the "Company"), hereby certify, to my knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	July 27, 2021	By:	/s/ Richard L. Gelfond
		Name:	Richard L. Gelfond
		Title:	Chief Executive Officer

IMAX CORPORATION

Exhibit 32.2

CERTIFICATIONS
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (A) and (B) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), I, Joseph Sparacio, Interim Chief Financial Officer of IMAX Corporation, a Canadian corporation (the “Company”), hereby certify, to my knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 (the “Form 10-Q”) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 27, 2021

By: /s/ Joseph Sparacio
Name: Joseph Sparacio
Title: Interim Chief Financial Officer