

**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 September 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**

*(State or other jurisdiction of  
incorporation or organization)*

**2525 Speakman Drive,  
Mississauga, Ontario, Canada L5K 1B1  
(905) 403-6500**

**98-0140269**

*(I.R.S. Employer  
Identification Number)*

**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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 September 30, 2021
Common Shares, no par value	59,081,999

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:

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

	September 30, 2021	December 31, 2020
<b>Assets</b>		
Cash and cash equivalents	\$ 193,008	\$ 317,379
Accounts receivable, net	82,728	56,300
Financing receivables, net	135,202	131,810
Variable consideration receivables, net	42,540	40,526
Inventories	38,245	39,580
Prepaid expenses	11,863	10,420
Film assets, net	5,347	5,777
Property, plant and equipment, net	260,852	277,397
Investment in equity securities	1,089	13,633
Other assets	18,514	21,673
Deferred income tax assets, net	18,652	17,983
Goodwill	39,027	39,027
Other intangible assets, net	24,094	26,245
<b>Total assets</b>	<b>\$ 871,161</b>	<b>\$ 997,750</b>
<b>Liabilities</b>		
Accounts payable	\$ 15,584	\$ 20,837
Accrued and other liabilities	98,272	99,354
Revolving credit facility borrowings, net	9,486	305,676
Convertible notes, net	223,265	—
Deferred revenue	86,442	87,982
Deferred income tax liabilities	17,642	19,134
<b>Total liabilities</b>	<b>450,691</b>	<b>532,983</b>
<b>Commitments and contingencies</b> (see Note 8)		
<b>Non-controlling interests</b>	<b>760</b>	<b>759</b>
<b>Shareholders' equity</b>		
Capital stock common shares — no par value. Authorized — unlimited number. 59,082,275 issued and 59,081,999 outstanding (December 31, 2020 — 58,921,731 issued and 58,921,008 outstanding)	413,531	407,031
Less: Treasury stock, 276 shares at cost (December 31, 2020 — 723)	(4)	(11)
Other equity	161,524	180,330
Statutory surplus reserve	3,932	—
Accumulated deficit	(241,440)	(202,849)
Accumulated other comprehensive (loss) income	(637)	988
<b>Total shareholders' equity attributable to common shareholders</b>	<b>336,906</b>	<b>385,489</b>
Non-controlling interests	82,804	78,519
<b>Total shareholders' equity</b>	<b>419,710</b>	<b>464,008</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 871,161</b>	<b>\$ 997,750</b>

(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		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
<b>Revenues</b>				
Technology sales	\$ 13,160	\$ 15,753	\$ 34,508	\$ 24,102
Image enhancement and maintenance services	30,588	14,589	76,914	39,109
Technology rentals	10,219	4,473	26,708	10,307
Finance income	2,635	2,441	8,181	7,495
	<u>56,602</u>	<u>37,256</u>	<u>146,311</u>	<u>81,013</u>
<b>Costs and expenses applicable to revenues</b>				
Technology sales	6,230	9,222	17,779	15,637
Image enhancement and maintenance services	16,461	16,989	38,582	42,049
Technology rentals	6,424	7,216	19,579	22,100
	<u>29,115</u>	<u>33,427</u>	<u>75,940</u>	<u>79,786</u>
<b>Gross margin</b>	<u>27,487</u>	<u>3,829</u>	<u>70,371</u>	<u>1,227</u>
Selling, general and administrative expenses	28,377	24,815	82,393	83,247
Research and development	2,025	1,130	5,696	4,562
Amortization of intangibles	1,255	1,349	3,586	4,014
Credit loss (reversal) expense, net	(3,317)	3,925	(4,884)	15,582
Asset impairments	—	—	—	1,151
Legal judgment and arbitration awards (see Note 8)	—	—	(1,770)	—
<b>Loss from operations</b>	<u>(853)</u>	<u>(27,390)</u>	<u>(14,650)</u>	<u>(107,329)</u>
Realized and unrealized investment gains (losses)	30	1,575	5,311	(939)
Retirement benefits non-service expense	(117)	(186)	(347)	(432)
Interest income	538	586	1,680	1,842
Interest expense	(1,540)	(2,391)	(5,534)	(4,620)
<b>Loss before taxes</b>	<u>(1,942)</u>	<u>(27,806)</u>	<u>(13,540)</u>	<u>(111,478)</u>
Income tax expense	(4,402)	(19,349)	(9,416)	(24,606)
Equity in losses of investees, net of tax	—	(1,329)	—	(1,858)
<b>Net loss</b>	<u>(6,344)</u>	<u>(48,484)</u>	<u>(22,956)</u>	<u>(137,942)</u>
Less: Net (income) loss attributable to non-controlling interests	(2,034)	1,275	(9,473)	15,412
<b>Net loss attributable to common shareholders</b>	<u>\$ (8,378)</u>	<u>\$ (47,209)</u>	<u>\$ (32,429)</u>	<u>\$ (122,530)</u>
<b>Net loss per share attributable to common shareholders - basic and diluted:</b>				
Net loss per share — basic and diluted	<u>\$ (0.14)</u>	<u>\$ (0.80)</u>	<u>\$ (0.55)</u>	<u>\$ (2.06)</u>

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

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

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

	Nine Months Ended	
	September 30,	
	2021	2020
<b>Operating Activities</b>		
Net loss	\$ (22,956)	\$ (137,942)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	40,570	40,699
Amortization of deferred financing costs	1,749	595
Credit loss (reversal) expense, net	(4,884)	15,582
Write-downs	878	13,339
Deferred income tax (benefit) expense	(1,687)	23,142
Share-based and other non-cash compensation	18,558	16,345
Unrealized foreign currency exchange loss (gain)	555	(394)
Realized and unrealized investment (gains) losses	(5,311)	939
Equity in losses of investees	—	1,858
Changes in assets and liabilities:		
Accounts receivable	(24,336)	30,350
Inventories	653	(10,278)
Film assets	(10,035)	(6,177)
Deferred revenue	(1,434)	5,233
Changes in other operating assets and liabilities	(11,902)	(24,109)
<b>Net cash used in operating activities</b>	<b>(19,582)</b>	<b>(30,818)</b>
<b>Investing Activities</b>		
Purchase of property, plant and equipment	(2,353)	(658)
Investment in equipment for joint revenue sharing arrangements	(5,361)	(5,289)
Acquisition of other intangible assets	(3,399)	(1,661)
Proceeds from sale of equity investment	17,769	—
<b>Net cash provided by (used in) investing activities</b>	<b>6,656</b>	<b>(7,608)</b>
<b>Financing Activities</b>		
Proceeds from issuance of convertible notes, net	223,675	—
Debt issuance costs related to convertible notes	(1,163)	—
Purchase of capped calls related to convertible notes	(19,067)	—
Revolving credit facility borrowings	3,600	280,244
Repayments of revolving credit facility borrowings	(300,243)	—
Credit facility amendment fees paid	(474)	(1,026)
Repurchase of common shares	(4,610)	(36,624)
Repurchase of common shares, IMAX China	(5,016)	(1,534)
Treasury stock purchased for future settlement of restricted share units	—	(3,086)
Taxes withheld and paid on employee stock awards vested	(3,045)	(251)
Common shares issued - stock options exercised	883	—
Dividends paid to non-controlling interests	(5,027)	(4,214)
<b>Net cash (used in) provided by financing activities</b>	<b>(110,487)</b>	<b>233,509</b>
Effects of exchange rate changes on cash	(958)	630
<b>(Decrease) increase in cash and cash equivalents during period</b>	<b>(124,371)</b>	<b>195,713</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>317,379</b>	<b>109,484</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 193,008</b>	<b>\$ 305,197</b>

(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		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
<b>Adjustments to capital stock:</b>				
Balance, beginning of period	\$ 415,849	\$ 405,254	\$ 407,020	\$ 419,348
Change in shares held in treasury	4	58	7	3,767
Employee stock options exercised	—	—	883	—
Grant date fair value of stock options exercised	—	—	272	—
Average carrying value of repurchased and retired common shares	(2,380)	—	(2,380)	(17,803)
Restricted share units vested, net of shares withheld for employee tax obligations	54	—	7,725	—
Balance, end of period	<u>413,527</u>	<u>405,312</u>	<u>413,527</u>	<u>405,312</u>
<b>Adjustments to other equity:</b>				
Balance, beginning of period	160,658	172,690	180,330	171,789
Amortization of share-based payment expense - stock options	294	1,034	951	2,137
Amortization of share-based payment expense - restricted share units	4,331	3,337	13,327	11,099
Amortization of share-based payment expense - performance stock units	1,315	514	3,519	1,307
Restricted share units vested	(58)	(463)	(12,249)	(7,688)
Grant date fair value of stock options exercised	—	—	(271)	—
Common shares repurchased, IMAX China	(5,016)	(2)	(5,016)	(1,534)
Purchase of capped calls related to convertible notes	—	—	(19,067)	—
Balance, end of period	<u>161,524</u>	<u>177,110</u>	<u>161,524</u>	<u>177,110</u>
<b>Adjustments to statutory surplus reserve:</b>				
Balance, beginning of period	—	—	—	—
Establishment of statutory surplus reserve, IMAX China	3,932	—	3,932	—
Balance, end of period	<u>3,932</u>	<u>—</u>	<u>3,932</u>	<u>—</u>
<b>Adjustments to accumulated deficit:</b>				
Balance, beginning of period	(226,900)	(134,395)	(202,849)	(40,253)
Net loss attributable to common shareholders	(8,378)	(47,209)	(32,429)	(122,530)
Statutory surplus reserve deducted from retained earnings, IMAX China	(3,932)	—	(3,932)	—
Common shares repurchased and retired	(2,230)	—	(2,230)	(18,821)
Balance, end of period	<u>(241,440)</u>	<u>(181,604)</u>	<u>(241,440)</u>	<u>(181,604)</u>
<b>Adjustments to accumulated other comprehensive (loss) income:</b>				
Balance, beginning of period	1,062	(4,180)	988	(3,190)
Other comprehensive (loss) income, net of tax	(1,699)	2,196	(1,625)	1,206
Balance, end of period	<u>(637)</u>	<u>(1,984)</u>	<u>(637)</u>	<u>(1,984)</u>
<b>Adjustments to non-controlling interests:</b>				
Balance, beginning of period	84,090	74,723	78,519	89,493
Net income (loss) attributable to non-controlling interests	2,040	2,186	9,472	(10,280)
Other comprehensive (loss) income, net of tax	(398)	722	(160)	536
Establishment of statutory surplus reserve	1,699	—	1,699	—
Statutory surplus reserve deducted from retained earnings	(1,699)	—	(1,699)	—
Dividends paid to non-controlling shareholders	(2,928)	(2,096)	(5,027)	(4,214)
Balance, end of period	<u>82,804</u>	<u>75,535</u>	<u>82,804</u>	<u>75,535</u>
<b>Total Shareholders' Equity</b>	<b><u>\$ 419,710</u></b>	<b><u>\$ 474,369</u></b>	<b><u>\$ 419,710</u></b>	<b><u>\$ 474,369</u></b>

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

**IMAX CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
*(Tabular amounts in thousands of U.S. Dollars, unless otherwise stated)*  
*(Unaudited)*

**1. Basis of Presentation**

*Accounting Principles*

IMAX Corporation, together with its consolidated subsidiaries (the “Company”), 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:

<i>(In thousands of U.S. Dollars)</i>	<b>September 30,</b>	<b>December 31,</b>
	<b>2021</b>	<b>2020</b>
Total assets	\$ 1,575	\$ 1,543
Total liabilities	\$ 259	\$ 230

In October 2021, the Company and Maximus Technologies Limited dissolved its previously announced joint venture, IMAX AI, and the intellectual property assets contributed to the joint venture were returned to each party.

## *Estimates and Assumptions*

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

The Company's operations have been significantly impacted by the COVID-19 global pandemic, as described in Note 2. The impact of the COVID-19 global pandemic on the Company's business and financial results will continue to depend on numerous evolving factors that cannot be accurately predicted and that will vary by jurisdiction and market, including the duration and scope of the pandemic, the emergence of variants of the virus, the progress made on administering vaccines, the continuing impact of the pandemic on global economic conditions and ongoing government responses to the pandemic, which could lead to further theater closures, theater capacity restrictions and/or delays in the release of films. However, management is encouraged by the broad reopening of the IMAX theater network, the continued progress towards the resumption of normal theater operations, and recent box office results. Accordingly, during the three and nine months ended September 30, 2021, the Company reversed \$3.3 million and \$4.9 million, respectively, of its allowance for current expected credit losses, reflecting the improving outlook for theater operators as the theatrical exhibition industry continues to recover from the COVID-19 global pandemic. Despite the improving environment, there continues to be a degree of risk and uncertainty relating to future credit losses on receivables, inventory write downs, impairments of film assets, impairments of long-lived assets (including the theater system equipment supporting the Company's joint revenue sharing arrangements), impairments of goodwill, a further valuation allowance against deferred tax assets, and the reversal of variable consideration receivables that are based on estimates of future box office performance. In the current environment, assumptions about box office results, IMAX Theater System installations, and customer creditworthiness have greater variability than normal, which could in the future significantly impact management's estimates and judgments relating to the recoverability of the Company's financial and non-financial assets.

## **2. Impact of COVID-19 Pandemic**

The impact of the COVID-19 pandemic is complex and continuously evolving, resulting in significant disruption to the Company's business and the global economy. At various points during the pandemic, authorities around the world imposed measures intended to control the spread of COVID-19, including stay-at-home orders and restrictions on large public gatherings, which caused movie theaters in countries around the world to temporarily close, including the IMAX theaters in those countries. As a result of the theater closures, movie studios postponed the theatrical release of most films originally scheduled for release in 2020 and early 2021, including many scheduled to be shown in IMAX theaters, while several other films were released directly or concurrently to streaming platforms. More recently, stay-at-home orders and capacity restrictions have been lifted in almost all key markets and, beginning in the third quarter of 2020, movie theaters throughout the IMAX network gradually reopened. As of September 30, 2021, 93% of the theaters in the global IMAX commercial multiplex network were open at various capacities, spanning 70 countries. This included 100% of Domestic theaters (i.e., in the United States and Canada), 93% of the theaters in Greater China and 87% of the theaters in Rest of World markets.

The impact of the COVID-19 global pandemic has resulted in significantly lower levels of revenues, earnings and operating cash flows for the Company during 2020 and, to a lesser extent, during the nine months ended September 30, 2021, when compared to periods prior to the onset of the pandemic, as gross box office (“GBO”) results from the Company’s theater customers declined, the installation of certain theater systems was delayed, and maintenance services were generally suspended for theaters that were closed. In response to uncertainties associated with the pandemic, the Company took significant steps to preserve cash by eliminating non-essential costs, temporarily furloughing certain employees, reducing the working hours of other employees and reducing all non-essential capital expenditures to minimum levels. The Company also implemented an active cash management process, which, among other things, required senior management approval of all outgoing payments. In addition, as a result of the financial difficulties faced by certain of the Company’s exhibition customers arising out of pandemic-related closures, although improving, the Company has experienced and may continue to experience delays in collecting payments due under existing theater sale or lease arrangements. The Company has provided temporary relief to certain exhibitor customers by waiving or reducing maintenance fees during periods when theaters are closed or operating with reduced capacities and, in certain situations, by providing extended payment terms on annual minimum payment obligations in exchange for a corresponding or longer extension of the term of the underlying sale or lease arrangement.

For the three and nine months ended September 30, 2021, GBO receipts generated by IMAX DMR films totaled \$141.9 million and \$360.7 million, respectively, surpassing the totals for the same periods in 2020 by \$71.7 million (102%) and \$192.6 million (115%), respectively. Moreover, GBO receipts for September 2021 approximated the levels achieved prior to the onset of the COVID-19 global pandemic. Management is encouraged by these box office results, the return of the prevalence of exclusive theatrical windows beginning with the release of *Shang-Chi and the Legend of the Ten Rings* in September 2021, and the strong pipeline of Hollywood movies scheduled to be released for theatrical exhibition during the remainder of 2021 and in 2022. However, the impact of the COVID-19 global pandemic on the Company’s business and financial results will continue to depend on numerous evolving factors that cannot be accurately predicted and that will vary by jurisdiction and market, including the duration and scope of the pandemic, the emergence of variants of the virus, the progress made on administering vaccines, the continuing impact of the pandemic on global economic conditions and ongoing government responses to the pandemic, which could lead to further theater closures, theater capacity restrictions and/or delays in the release of films.

### 3. Recently Issued Accounting Standards

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 only contract held by the Company that references the London Interbank Offered Rate (LIBOR) is the Credit Agreement (as defined in Note 7), which utilizes USD LIBOR to determine the interest rate applicable to borrowings. The Credit Agreement matures on June 28, 2023, prior to the date that USD LIBOR rates will cease publication on June 30, 2023. Accordingly, the Company does not expect ASU 2020-04 to have a material effect 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 has not yet adopted ASU 2021-05, but has determined that the impact of adopting this guidance will not have a material impact 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 September 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 caused by the COVID-19 global pandemic, that could result in their being unable to fulfill their payment obligations to the Company.

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

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

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

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

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

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

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

#### Financing Receivables

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

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

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

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

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

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

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

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

(In thousands of U.S. Dollars)

As of September 30, 2021	By Origination Year						Total
	2021	2020	2019	2018	2017	Prior	
<b>Net investment in leases:</b>							
Credit quality classification:							
In good standing	\$ 959	\$ 2,747	\$ 2,245	\$ —	\$ —	\$ 1,150	\$ 7,101
Credit Watch	3,374	1,251	5,650	2,533	881	863	14,552
Pre-approved transactions	—	—	—	—	—	—	—
Transactions suspended	—	—	—	—	—	843	843
<b>Total net investment in leases</b>	<b>\$ 4,333</b>	<b>\$ 3,998</b>	<b>\$ 7,895</b>	<b>\$ 2,533</b>	<b>\$ 881</b>	<b>\$ 2,856</b>	<b>\$ 22,496</b>

(In thousands of U.S. Dollars)

As of December 31, 2020	By Origination Year						Total
	2020	2019	2018	2017	2016	Prior	
<b>Net investment in leases:</b>							
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
<b>Total net investment in leases</b>	<b>\$ 4,148</b>	<b>\$ 8,468</b>	<b>\$ 2,730</b>	<b>\$ 988</b>	<b>\$ —</b>	<b>\$ 3,637</b>	<b>\$ 19,971</b>

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

(In thousands of U.S. Dollars)

As of September 30, 2021	By Origination Year						Total
	2021	2020	2019	2018	2017	Prior	
<b>Financed sales receivables:</b>							
Credit quality classification:							
In good standing	\$ 6,311	\$ 4,414	\$ 5,733	\$ 3,831	\$ 5,890	\$ 17,830	\$ 44,009
Credit Watch	1,911	4,108	6,046	9,847	7,733	35,739	65,384
Pre-approved transactions	—	—	—	309	1,420	2,285	4,014
Transactions suspended	—	—	—	—	1,315	4,043	5,358
<b>Total financed sales receivables</b>	<b>\$ 8,222</b>	<b>\$ 8,522</b>	<b>\$ 11,779</b>	<b>\$ 13,987</b>	<b>\$ 16,358</b>	<b>\$ 59,897</b>	<b>\$ 118,765</b>

(In thousands of U.S. Dollars)

As of December 31, 2020	By Origination Year						Total
	2020	2019	2018	2017	2016	Prior	
<b>Financed sales receivables:</b>							
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
<b>Total financed sales receivables</b>	<b>\$ 8,816</b>	<b>\$ 11,981</b>	<b>\$ 14,903</b>	<b>\$ 17,247</b>	<b>\$ 17,859</b>	<b>\$ 48,864</b>	<b>\$ 119,670</b>

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

	As of September 30, 2021							
<i>(In thousands of U.S. Dollars)</i>	Accrued and Current	30-89 Days	90+ Days	Billed	Unbilled	Recorded Receivable	Allowance for Credit Losses	Net
Net investment in leases	\$ 221	\$ 149	\$ 876	\$ 1,246	\$ 21,250	\$ 22,496	\$ (494)	\$ 22,002
Financed sales receivables	1,989	1,748	10,207	13,944	104,821	118,765	(5,565)	113,200
<b>Total</b>	<b>\$ 2,210</b>	<b>\$ 1,897</b>	<b>\$ 11,083</b>	<b>\$ 15,190</b>	<b>\$ 126,071</b>	<b>\$ 141,261</b>	<b>\$ (6,059)</b>	<b>\$ 135,202</b>

	As of December 31, 2020							
<i>(In thousands of U.S. Dollars)</i>	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
<b>Total</b>	<b>\$ 3,605</b>	<b>\$ 2,123</b>	<b>\$ 11,388</b>	<b>\$ 17,116</b>	<b>\$ 122,525</b>	<b>\$ 139,641</b>	<b>\$ (7,831)</b>	<b>\$ 131,810</b>

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

The following table provides information about the Company's net investment in leases and financed sale receivables with billed amounts past due for which it continues to accrue finance income as of September 30, 2021 and December 31, 2020. The amounts disclosed for each credit quality classification are determined on a customer-by-customer basis and include both billed and unbilled amounts.

	As of September 30, 2021						
<i>(In thousands of U.S. Dollars)</i>	Accrued and Current	30-89 Days	90+ Days	Billed	Unbilled	Allowance for Credit Losses	Net
Net investment in leases	\$ 180	\$ 144	\$ 458	\$ 782	\$ 13,770	\$ (248)	\$ 14,304
Financed sales receivables	1,152	1,083	8,286	10,521	51,756	(2,870)	59,407
<b>Total</b>	<b>\$ 1,332</b>	<b>\$ 1,227</b>	<b>\$ 8,744</b>	<b>\$ 11,303</b>	<b>\$ 65,526</b>	<b>\$ (3,118)</b>	<b>\$ 73,711</b>

	As of December 31, 2020						
<i>(In thousands of U.S. Dollars)</i>	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
<b>Total</b>	<b>\$ 2,257</b>	<b>\$ 1,713</b>	<b>\$ 10,608</b>	<b>\$ 14,578</b>	<b>\$ 76,514</b>	<b>\$ (4,744)</b>	<b>\$ 86,348</b>

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

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

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

For the three and nine months ended September 30, 2021, the Company recognized less than \$0.1 million and \$0.1 million, respectively, (2020 — \$nil and \$0.1 million, respectively) in Finance Income related to the net investment in leases with billed amounts past due. For the three and nine months ended September 30, 2021, the Company recognized \$1.3 million and \$3.6 million, respectively, (2020 — \$1.4 million and \$4.2 million, respectively) in Finance Income related to the financed sale receivables with billed amounts past due.

The following tables summarize the activity in the allowance for credit losses related to the Company's net investment in leases and financed sale receivables for the three and nine months ended September 30, 2021 and 2020:

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

	Three Months Ended September 30, 2020		Nine Months Ended September 30, 2020	
	Net Investment in Leases	Net Financed Sales Receivables	Net Investment in Leases	Net Financed Sales Receivables
<i>(In thousands of U.S. Dollars)</i>				
Beginning balance	\$ 459	\$ 3,709	\$ 155	\$ 915
Current period provision	105	1,201	409	4,014
Write-offs	(69)	(330)	(69)	(330)
Foreign exchange	9	63	9	44
Ending balance	<u>\$ 504</u>	<u>\$ 4,643</u>	<u>\$ 504</u>	<u>\$ 4,643</u>

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

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

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

#### *Variable Consideration Receivables*

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

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

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

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

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

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

For the three and nine months ended September 30, 2020, the Company's allowance for current expected credit losses related to Variable Consideration Receivables increased by \$0.8 million and \$1.7 million, respectively, principally reflecting a reduction in the credit quality of and heightened collection risk associated with Variable Consideration Receivables primarily due to the COVID-19 global pandemic.

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

## 5. Lease Arrangements

### (a) IMAX Corporation as a Lessee

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

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

(In thousands of U.S. Dollars)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Operating lease cost (1)	\$ 163	\$ 133	\$ 546	\$ 392
Amortization of lease assets	684	706	2,098	2,155
Interest on lease liabilities	242	258	715	765
Total lease cost	\$ 1,089	\$ 1,097	\$ 3,359	\$ 3,312

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

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

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

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

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

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

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

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

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

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

**(b) IMAX Corporation as a Lessor**

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

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

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

## 6. Inventories

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

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

At September 30, 2021, Inventories include finished goods of \$2.2 million (December 31, 2020 — \$2.1 million) for which title had passed to the customer, but the criteria for revenue recognition were not met as of the balance sheet date.

During the three and nine months ended September 30, 2021, the Company recognized write-downs of \$0.3 million and \$0.5 million, respectively, (2020 — \$0.6 million and \$0.7 million, respectively) for excess and damaged inventory.

## 7. Debt

### (a) Revolving Credit Facility Borrowings

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

<i>(In thousands of U.S. Dollars)</i>	September 30, 2021	December 31, 2020
Credit Facility borrowings	\$ —	\$ 300,000
Working Capital Facility borrowings	10,974	7,643
Unamortized debt issuance costs	(1,488)	(1,967)
Revolving Credit Facility Borrowings, net	<u>\$ 9,486</u>	<u>\$ 305,676</u>

### *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 first half of 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 September 30, 2021, there were no outstanding borrowings under the Credit Facility. As of September 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 “First and Second Amendments”). On July 28, 2021, the Company entered into the Third Amendment to the Credit Agreement (as previously amended by the First and Second Amendments) (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, (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, (vi) allow \$30.0 million in permitted repurchases of the Company’s common shares, subject to a \$300.0 million pro forma minimum liquidity covenant and (vii) increase permitted repurchases of the common shares of IMAX China Holding, Inc. from \$5.0 million to \$20.0 million, subject to pro forma compliance with the existing financial covenants set forth in the Credit Agreement. The modifications to the negative covenants, the minimum liquidity covenant, permitted share repurchases 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 September 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 nine months ended September 30, 2021 was nil and 2.64%, respectively (2020 — 2.70% and 2.24%, 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 \$1.6 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 \$30.8 million) to fund ongoing working capital requirements (the “Working Capital Facility”). The Working Capital Facility expires in July 2022.

As of September 30, 2021, outstanding Working Capital Facility borrowings were RMB 71.2 million (\$11.0 million) and outstanding letters of guarantee were RMB 0.3 million (less than \$0.1 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 September 30, 2021, the amount available for future borrowings under the Working Capital Facility was RMB 118.8 million (\$18.3 million) and the amount available for letters of guarantee was RMB 9.7 million (\$1.5 million). The amount available for future borrowings under the Working Capital Facility is not subject to a standby fee. The effective interest rate for borrowings under the Working Capital Facility for the three and nine months ended September 30, 2021 was 4.29% and 4.32%, respectively (2020 — 4.35%, respectively).

#### *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 September 30, 2021, the net unrealized loss on the Company’s outstanding foreign currency forward contracts was \$(0.3) million, representing the amount by which the notional value of these forward contracts exceeded their fair value (December 31, 2020 — \$2.0 million). As of September 30, 2021, the notional value of the Company’s outstanding foreign currency forward contracts was \$25.8 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 NBC Facility is renewed on an annual basis. It was renewed on October 15, 2021 for a one-year term on the same terms and conditions. The Company did not have any letters of credit or advance payment guarantees outstanding as of September 30, 2021 and December 31, 2020 under the NBC Facility.

### (b) Convertible Notes

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

(In thousands of U.S. Dollars)	September 30,	December 31,
	2021	2020
Convertible Notes	\$ 230,000	\$ —
Unamortized discounts and debt issuance costs	(6,735)	—
	<u>\$ 223,265</u>	<u>\$ —</u>

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 paid \$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, or (v) 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, which award the Company calculates to be \$24.2 million, inclusive of interest, as of September 30, 2021. 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 May 2012, 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. 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 a decision regarding the merits of the dispute. 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 includes 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 within Legal Judgment and Arbitration Awards in the Company’s Consolidated Statements of Operations during the year ended December 31, 2020 in respect of the remaining amounts owed under the Final Judgment. 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”). In the second quarter of 2021, the Company 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 September 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 September 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 nine months ended September 30, 2021, the sales commission costs recognized within Costs and Expenses Applicable to Revenues – Technology Sales are \$0.2 million and \$0.6 million, respectively (2020 — \$0.3 million and \$0.4 million, respectively). Direct advertising and marketing costs for each theater are expensed as incurred. For the three and nine months ended September 30, 2021, the total of all such costs recognized within Costs and Expenses Applicable to Revenues – Technology Sales was \$0.1 million and \$0.3 million, respectively (2020 — \$0.3 million and \$0.6 million, respectively).

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

Film exploitation costs, including advertising and marketing expense, totaled \$3.2 million and \$5.9 million, respectively, for the three and nine months ended September 30, 2021 (2020 — \$0.5 million and \$3.1 million, respectively), and are expensed as incurred within Costs and Expenses Applicable to Revenues – Image Enhancement and Maintenance Services.

**(b) Foreign Exchange**

Included in Selling, General and Administrative Expenses for the three and nine months ended September 30, 2021 is a net loss of \$(0.6) million and a net gain of \$1.1 million, respectively (2020 — net gain of \$0.2 million and net loss of \$(0.8) million, respectively) resulting from changes in exchange rates related to foreign currency denominated monetary assets and liabilities. See Note 16(c) for additional information.

### **(c) Collaborative Arrangements**

#### *Joint Revenue Sharing Arrangements*

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

As of September 30, 2021, the Company has signed traditional and hybrid joint revenue sharing agreements with 42 exhibitors (2020 — 41) for a total of 1,228 IMAX Theater Systems (2020 — 1,233), of which 904 theaters (2020 — 881) were operational and included in the network as of that date. The terms of these arrangements are similar in nature, rights and obligations. The accounting policy for the Company's joint revenue sharing arrangements is disclosed in Note 3(n) of the Company's 2020 Form 10-K.

Revenue attributable to transactions arising between the Company and its customers under joint revenue sharing arrangements are recorded within Revenues — Technology Sales and Revenues — Technology Rentals. For the three and nine months ended September 30, 2021, such revenues totaled \$10.9 million and \$29.9 million, respectively (2020 — \$4.5 million and \$11.5 million, respectively). (See Note 13(a) for a disaggregated presentation of the Company's revenues.)

#### *IMAX DMR*

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

For the three and nine months ended September 30, 2021, the majority of IMAX DMR revenue was earned from the exhibition of 24 films (21 new and 3 carryovers) and 53 films (47 new and 6 carryovers), respectively, and the re-release of classic titles throughout the IMAX theater network, as compared to six new films and 20 films (16 new and 4 carryovers), respectively, and the re-release of classic titles in the three and nine months ended September 30, 2020. The accounting policy for the Company's IMAX DMR arrangements is disclosed in Note 3(n) of the Company's 2020 Form 10-K.

Revenue attributable to transactions arising between the Company and its customers under IMAX DMR arrangements are included in Revenues – Image Enhancement and Maintenance Services. For the three and nine months ended September 30, 2021, such revenues totaled \$15.7 million and \$39.4 million, respectively (2020 — \$6.9 million and \$18.1 million, respectively). (See Note 13(a) for a disaggregated presentation of the Company's revenues.)

#### *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 September 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 nine months ended September 30, 2021, an expense of \$0.2 million and \$0.3 million, respectively (2020 — \$0.5 million and \$1.9 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

<i>(In thousands of U.S. Dollars)</i>	Nine Months Ended	
	September 30,	
	2021	2020
(Increase) decrease in:		
Financing receivables	\$ (1,693)	\$ (3,212)
Prepaid expenses	(2,767)	(1,332)
Variable consideration receivables	(1,243)	(1,007)
Other assets	664	(3,712)
Decrease in:		
Accounts payable	(5,135)	(8,320)
Accrued and other liabilities <sup>(1)</sup>	(1,728)	(6,526)
	\$ (11,902)	\$ (24,109)

(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

<i>(In thousands of U.S. Dollars)</i>	Nine Months Ended	
	September 30,	
	2021	2020
Film assets	\$ 10,661	\$ 6,159
Property, plant and equipment:		
Equipment supporting joint revenue sharing arrangements	16,784	19,247
Other property, plant and equipment	7,176	8,478
Other intangible assets <sup>(1)</sup>	4,509	4,882
Other assets <sup>(2)</sup>	1,440	1,933
	\$ 40,570	\$ 40,699

(1) Includes the amortization of licenses and intellectual property recorded in Research and Development on the Condensed Consolidated Statement of Operations of \$1.0 million in the nine months ended September 30, 2021 (2020 — \$1.0 million).

(2) 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)	Nine Months Ended	
	September 30,	
	2021	2020
Inventories(1)	\$ 468	\$ 729
Property, plant and equipment:		
Equipment supporting joint revenue sharing arrangements(2)	328	1,050
Other property, plant and equipment	—	66
Other intangible assets	63	132
Film assets(3)	19	10,211
Other assets(4)	—	1,151
	<u>\$ 878</u>	<u>\$ 13,339</u>

- (1) In the nine months ended September 30, 2021, the Company recorded write-downs of \$0.5 million (2020 — \$0.7 million) in Costs and Expenses Applicable to Technology Sales related to excess and damaged inventory.
- (2) In the nine months ended September 30, 2021, the Company recorded charges of \$0.3 million (2020 — \$1.1 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.
- (3) In the nine months ended September 30, 2020, the Company recorded impairment losses of \$10.2 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. To a much lesser extent, the impairment losses also relate to the write-down of DMR related film assets.
- (4) In the nine months ended September 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.

(d) Significant non-cash investing activities

(In thousands of U.S. Dollars)	Nine Months Ended	
	September 30,	
	2021	2020
Net (decrease) increase in accruals related to:		
Investment in equipment supporting joint revenue sharing arrangements	\$ 217	\$ (1,897)
Acquisition of other intangible assets	(863)	69
Purchases of property, plant and equipment	(8)	158
	<u>\$ (654)</u>	<u>\$ (1,670)</u>

## 11. Income Taxes

### (a) Income Tax Expense

For the three months ended September 30, 2021, the Company recorded income tax expense of \$4.4 million (2020 — income tax expense of \$19.3 million). For the three months ended September 30, 2021, the Company's effective tax rate of (226.6)% varies from the Canadian statutory tax rate of 26.2% that was in effect during the period as follows:

	Three Months Ended September 30, 2021		Three Months Ended September 30, 2020	
	Amount	Rate	Amount	Rate
<i>(In thousands of U.S. Dollars, except rates)</i>				
Income tax benefit at combined statutory rates	\$ 509	26.2%	\$ 7,279	26.2%
Adjustments resulting from:				
Unrealized investment gains not taxable	—	—	420	1.5%
Increase of valuation allowance	(4,270)	(219.8%)	(23,707)	(85.3%)
Changes to tax reserves	(215)	(11.1%)	(181)	(0.7%)
Withholding taxes resulting from management's decision to no longer indefinitely reinvest the historical earnings of certain foreign subsidiaries	—	—	(186)	(0.7%)
Reduction in tax benefits resulting from the vesting of share-based compensation	(4)	(0.2%)	(38)	(0.1%)
Other non-deductible/non-taxable items	(422)	(21.7%)	(2,936)	(10.5%)
Income tax expense	<u>\$ (4,402)</u>	<u>(226.6%)</u>	<u>\$ (19,349)</u>	<u>(69.6%)</u>

For the three months ended September 30, 2021, the Company recorded an additional \$4.3 million valuation allowance against deferred tax assets in jurisdictions where management could not reliably forecast that future tax liabilities would arise, principally due to the uncertainties around the long-term impact of the COVID-19 global pandemic. Accordingly, the tax benefit associated with the current period losses in these jurisdictions is not ultimately reflected in the Company's Condensed Consolidated Statements of Operations.

For the nine months ended September 30, 2021, the Company recorded income tax expense of \$9.4 million (2020 — \$24.6 million). For the nine months ended September 30, 2021, the Company's effective tax rate of (69.5)% varies from the Canadian statutory tax rate of 26.2% that was in effect during the period as follows:

	Nine Months Ended September 30, 2021		Nine Months Ended September 30, 2020	
	Amount	Rate	Amount	Rate
<i>(In thousands of U.S. Dollars, except rates)</i>				
Income tax benefit at combined statutory rates	\$ 3,548	26.2%	\$ 29,201	26.2%
Adjustments resulting from:				
Realized and unrealized investment gains (losses) not taxable	1,367	10.1%	(239)	(0.2%)
Increase of valuation allowance	(14,248)	(105.2%)	(23,706)	(21.3%)
Changes to tax reserves	1,234	9.1%	(4,978)	(4.5%)
Withholding taxes resulting from management's decision to no longer indefinitely reinvest the historical earnings of certain foreign subsidiaries	(547)	(4.0%)	(18,661)	(16.7%)
Increase in tax benefits resulting from the vesting of share-based compensation	709	5.2%	33	—
Other non-deductible/non-taxable items	(1,479)	(10.9%)	(6,256)	(5.6%)
Income tax expense	<u>\$ (9,416)</u>	<u>(69.5%)</u>	<u>\$ (24,606)</u>	<u>(22.1%)</u>

As of September 30, 2021, the Company's Condensed Consolidated Balance Sheets include net deferred income tax assets of \$18.7 million, net of a valuation allowance of \$45.5 million (December 31, 2020 — \$18.0 million, net of a valuation allowance of \$28.8 million). The \$16.7 million valuation allowance change recorded during the nine months ended September 30, 2021 is reflected within Income Tax Expense in the Company's Condensed Consolidated Statements of Operations (\$14.2 million) and within Shareholder's Equity on the Company's Condensed Consolidated Balance Sheets (\$2.5 million). The valuation allowance is expected to reverse at the point in time when management determines it is more likely than not that the Company will incur sufficient tax liabilities to allow it to utilize the deferred tax assets against which the valuation allowance is recorded. Despite the valuation allowance recorded against its deferred tax assets, the Company remains entitled to benefit from tax attributes which currently have a valuation allowance applied to them.

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

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

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
<i>(In thousands of U.S. Dollars)</i>				
Unrealized change in cash flow hedging instruments	\$ 199	\$ (160)	\$ 42	\$ 235
Realized change in cash flow hedging instruments	82	(29)	358	(211)
Reclassification of unrealized change in ineffective cash flow hedging instruments	7	—	83	—
Defined benefit and postretirement benefit plans	(12)	—	(37)	40
	<u>\$ 276</u>	<u>\$ (189)</u>	<u>\$ 446</u>	<u>\$ 64</u>

**12. Capital Stock And Reserves**

**(a) Share-Based Compensation**

For the three and nine months ended September 30, 2021, share-based compensation expense totaled \$6.1 million and \$18.2 million, respectively (2020 — \$5.3 million and \$16.0 million, respectively) and is reflected in the following accounts in the Condensed Consolidated Statements of Operations:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
<i>(In Thousands of U.S. Dollars)</i>				
Cost and expenses applicable to revenues	\$ 314	\$ 130	\$ 920	\$ 530
Selling, general and administrative expenses	5,706	5,151	17,046	15,325
Research and development	89	29	245	114
	<u>\$ 6,109</u>	<u>\$ 5,310</u>	<u>\$ 18,211</u>	<u>\$ 15,969</u>

For the three and nine months ended September 30, 2020, there was a lower level of share-based compensation expenses allocated to Costs and Expense Applicable to Revenues or Research and Development due to the lower level of production during the COVID-19 global pandemic.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
(In Thousands of U.S. Dollars)				
Stock Options	\$ 253	\$ 433	\$ 808	\$ 1,449
Restricted Share Units	3,900	3,430	11,524	10,866
Performance Stock Units	1,183	483	3,169	1,229
IMAX China Stock Options	41	600	143	701
IMAX China Long Term Incentive Plan Restricted Share Units	600	332	2,217	1,645
IMAX China Long Term Incentive Plan Performance Stock Units	132	32	350	79
	<u>\$ 6,109</u>	<u>\$ 5,310</u>	<u>\$ 18,211</u>	<u>\$ 15,969</u>

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

#### Stock Option Summary

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

	Number of Shares		Weighted Average Exercise Price Per Share	
	2021	2020	2021	2020
Stock options outstanding, beginning of period	4,892,962	5,732,209	\$ 26.81	\$ 26.82
Granted	—	—	—	—
Exercised	(41,613)	—	21.23	—
Forfeited	(86,587)	(23,633)	22.51	22.35
Expired	(903,038)	(772,665)	28.31	27.03
Cancelled	(123,220)	(18,483)	26.68	27.97
Stock options outstanding, end of period	<u>3,738,504</u>	<u>4,917,428</u>	26.61	26.80
Stock options exercisable, end of period	<u>3,487,857</u>	<u>4,315,484</u>	26.93	27.32

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

#### Restricted Share Units ("RSU") Summary

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

	Number of Awards		Weighted Average Grant Date Fair Value Per Share	
	2021	2020	2021	2020
RSUs outstanding, beginning of period	1,564,838	1,065,347	\$ 18.33	\$ 23.17
Granted	831,123	1,050,385	21.03	15.35
Vested and settled	(571,616)	(386,451)	19.11	21.59
Forfeited	(231,380)	(54,933)	19.50	19.70
RSUs outstanding, end of period	<u>1,592,965</u>	<u>1,674,348</u>	19.29	18.75

## Performance Stock Units Summary

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

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

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

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

	Number of Awards		Weighted Average Grant Date Fair Value Per Share	
	2021	2020	2021	2020
PSUs outstanding, beginning of period	361,844	—	\$ 15.68	\$ —
Granted	309,574	370,265	20.77	15.66
Forfeited	(54,634)	(2,526)	16.08	14.84
PSUs outstanding, end of period	<u>616,784</u>	<u>367,739</u>	18.20	15.67

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

### (b) Issuer Purchases of Equity Securities

In April 2021, the Company’s Board of Directors approved a 12-month extension to its share repurchase program through June 30, 2022. 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. The repurchases may be made either in the open market or through private transactions, including repurchases made pursuant a plan intended to comply with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, 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.

During the three and nine months ended September 30, 2021, the Company repurchased 316,812 common shares, respectively (2020 — nil and 2,484,123 common shares, respectively), at an average price of \$14.53 per share, respectively (2020 — \$nil and \$14.72 per share, respectively), excluding commissions. During the three and nine months ended September 30, 2021, there were no common shares purchased in the administration of employee share-based compensation plans (2020 — nil and 200,000 common shares at an average price of \$nil and \$15.43 per share, respectively).

As of September 30, 2021, the IMAX LTIP trustee held 276 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. During the three and nine months ended September 30, 2021, IMAX China repurchased 3,569,000 common shares, respectively, at an average price of HKD 10.90 per share, respectively (U.S. \$1.40 per share, respectively). During three and nine months ended September 30, 2020, IMAX China repurchased nil and 906,400 common shares, respectively, at an average price of HKD nil and HKD 13.13 per share, respectively (U.S. \$nil 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		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
<i>(In thousands)</i>				
Issued and outstanding, beginning of period	59,396	58,857	58,921	61,176
Weighted average number of shares (repurchased) issued, net	(152)	2	286	(1,816)
Weighted average number of shares outstanding - basic	59,244	58,859	59,207	59,360
Weighted average effect of potential common shares, if dilutive	—	—	—	—
Weighted average number of shares outstanding - diluted	59,244	58,859	59,207	59,360

For the three and nine months ended September 30, 2021, the calculation of diluted weighted average shares outstanding excludes 6,115,389 shares (2020 — 6,959,515 shares) that are issuable upon the vesting or exercise of share-based compensation including: (i) 1,592,965 RSUs (2020 — 1,674,348 RSUs), (ii) 783,920 PSUs (2020 — 367,739 PSUs) and (iii) 3,738,504 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 nine months ended September 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).)

**(d) Statutory Surplus Reserve**

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

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

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

### 13. Revenue from Contracts with Customers

#### (a) Disaggregated Information About Revenue

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

	Three Months Ended September 30, 2021				
	Revenue from Contracts with Customers		Revenue from Lease Arrangements	Finance Income	Total
	Fixed Consideration	Variable Consideration			
<i>(In thousands of U.S. Dollars)</i>					
<b>Technology sales</b>					
IMAX Systems <sup>(1)</sup>	\$ 9,701	\$ 802	\$ 98	\$ —	\$ 10,601
Joint Revenue Sharing Arrangements, fixed fees	—	—	1,036	—	1,036
Other Theater Business	363	—	—	—	363
Other sales <sup>(2)</sup>	1,154	6	—	—	1,160
Sub-total	<u>11,218</u>	<u>808</u>	<u>1,134</u>	<u>—</u>	<u>13,160</u>
<b>Image enhancement and maintenance services</b>					
IMAX DMR	—	15,701	—	—	15,701
IMAX Maintenance	13,055	—	—	—	13,055
Film Post-Production	899	—	—	—	899
Film Distribution	203	496	—	—	699
Other	—	234	—	—	234
Sub-total	<u>14,157</u>	<u>16,431</u>	<u>—</u>	<u>—</u>	<u>30,588</u>
<b>Technology rentals</b>					
Joint Revenue Sharing Arrangements, contingent rent	—	—	9,887	—	9,887
Other	—	—	332	—	332
Sub-total	<u>—</u>	<u>—</u>	<u>10,219</u>	<u>—</u>	<u>10,219</u>
<b>Finance income</b>					
IMAX Systems	—	—	—	2,635	2,635
Total	<u>\$ 25,375</u>	<u>\$ 17,239</u>	<u>\$ 11,353</u>	<u>\$ 2,635</u>	<u>\$ 56,602</u>

Nine Months Ended September 30, 2021

<i>(In thousands of U.S. Dollars)</i>	Revenue from		Revenue from Lease Arrangements	Finance Income	Total
	Contracts with Customers				
	Fixed consideration	Variable consideration			
<b>Technology sales</b>					
IMAX Systems <sup>(1)</sup>	\$ 20,143	\$ 2,573	\$ 4,220	\$ —	\$ 26,936
Joint Revenue Sharing Arrangements, fixed fees	—	—	3,776	—	3,776
Other Theater Business	1,275	—	—	—	1,275
Other sales <sup>(2)</sup>	2,474	47	—	—	2,521
Sub-total	<u>23,892</u>	<u>2,620</u>	<u>7,996</u>	<u>—</u>	<u>34,508</u>
<b>Image enhancement and maintenance services</b>					
IMAX DMR	—	39,438	—	—	39,438
IMAX Maintenance	33,196	—	—	—	33,196
Film Post-Production	2,886	—	—	—	2,886
Film Distribution	204	911	—	—	1,115
Other	—	279	—	—	279
Sub-total	<u>36,286</u>	<u>40,628</u>	<u>—</u>	<u>—</u>	<u>76,914</u>
<b>Technology rentals</b>					
Joint Revenue Sharing Arrangements, contingent rent	—	—	26,108	—	26,108
Other	—	—	600	—	600
Sub-total	<u>—</u>	<u>—</u>	<u>26,708</u>	<u>—</u>	<u>26,708</u>
<b>Finance income</b>					
IMAX Systems	—	—	—	8,181	8,181
Total	<u>\$ 60,178</u>	<u>\$ 43,248</u>	<u>\$ 34,704</u>	<u>\$ 8,181</u>	<u>\$ 146,311</u>

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

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

The following tables summarize the Company's revenues by type and reportable segment for the three and nine months ended September 30, 2020:

Three Months Ended September 30, 2020					
(In thousands of U.S. Dollars)	Revenue from		Revenue from Lease Arrangements	Finance Income	Total
	Contracts with Customers				
	Fixed Consideration	Variable Consideration			
<b>Technology sales</b>					
IMAX Systems(1)(2)	\$ 12,356	\$ 1,481	\$ 1,159	\$ —	\$ 14,996
Joint Revenue Sharing Arrangements, fixed fees	—	—	57	—	57
Other Theater Business	307	—	—	—	307
Other sales(3)	378	15	—	—	393
Sub-total	<u>13,041</u>	<u>1,496</u>	<u>1,216</u>	<u>—</u>	<u>15,753</u>
<b>Image enhancement and maintenance services</b>					
IMAX DMR	—	6,886	—	—	6,886
IMAX Maintenance	5,855	—	—	—	5,855
Film Post-Production	739	—	—	—	739
Film Distribution	750	376	—	—	1,126
Other	—	(17)	—	—	(17)
Sub-total	<u>7,344</u>	<u>7,245</u>	<u>—</u>	<u>—</u>	<u>14,589</u>
<b>Technology rentals</b>					
Joint Revenue Sharing Arrangements, contingent rent	—	—	4,473	—	4,473
Sub-total	<u>—</u>	<u>—</u>	<u>4,473</u>	<u>—</u>	<u>4,473</u>
<b>Finance income</b>					
IMAX Systems	—	—	—	2,441	2,441
Total	<u>\$ 20,385</u>	<u>\$ 8,741</u>	<u>\$ 5,689</u>	<u>\$ 2,441</u>	<u>\$ 37,256</u>
Nine Months Ended September 30, 2020					
(In thousands of U.S. Dollars)	Revenue from		Revenue from Lease Arrangements	Finance Income	Total
	Contracts with Customers				
	Fixed consideration	Variable consideration			
<b>Technology sales</b>					
IMAX Systems(1)(2)	\$ 14,711	\$ 3,143	\$ 2,325	\$ —	\$ 20,179
Joint Revenue Sharing Arrangements, fixed fees	—	—	1,196	—	1,196
Other Theater Business	1,261	—	—	—	1,261
Other sales(3)	1,361	105	—	—	1,466
Sub-total	<u>17,333</u>	<u>3,248</u>	<u>3,521</u>	<u>—</u>	<u>24,102</u>
<b>Image enhancement and maintenance services</b>					
IMAX DMR	—	18,061	—	—	18,061
IMAX Maintenance	13,225	—	—	—	13,225
Film Post-production	3,088	—	—	—	3,088
Film Distribution	3,000	1,453	—	—	4,453
Other	—	282	—	—	282
Sub-total	<u>19,313</u>	<u>19,796</u>	<u>—</u>	<u>—</u>	<u>39,109</u>
<b>Technology rentals</b>					
Joint Revenue Sharing Arrangements, contingent rent	—	—	10,307	—	10,307
Sub-total	<u>—</u>	<u>—</u>	<u>10,307</u>	<u>—</u>	<u>10,307</u>
<b>Finance income</b>					
IMAX Systems	—	—	—	7,495	7,495
Total	<u>\$ 36,646</u>	<u>\$ 23,044</u>	<u>\$ 13,828</u>	<u>\$ 7,495</u>	<u>\$ 81,013</u>

- 
- (1) Includes revenues earned from sales or sales-type lease arrangements involving new and upgraded IMAX Theater Systems, as well as the impact on revenue of renewals and amendments to existing theater system arrangements.
  - (2) Prior period comparatives have been revised to appropriately classify \$1.1 million and \$2.3 million, respectively, of fixed consideration under revenue from contracts with customers to revenue from lease arrangements for the three and nine months ended September 30, 2020.
  - (3) Other sales include revenues associated with New Business Initiatives.

**(b) *Deferred Revenue***

IMAX Theater System sale and lease arrangements include a requirement for the Company to provide maintenance services over the life of the arrangement, subject to a consumer price index adjustment each year. In circumstances where customers prepay the entire term's maintenance fee, additional payments are due to the Company for the years after its extended warranty and maintenance obligations expire. Payments upon renewal each year are either prepaid or made in arrears and can vary in frequency from monthly to annually. At September 30, 2021, \$20.3 million of consideration has been deferred in relation to outstanding maintenance services to be provided on existing maintenance contracts (December 31, 2020 — \$21.6 million). Maintenance revenue is recognized evenly over the contract term which coincides with the period over which maintenance services are provided. In the event of customer default, any payments made by the customer may be retained by the Company.

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

(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 September 30, 2021 and 2020:

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

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

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

- (1) The Company's largest customer represents 18.2% and 22.2%, respectively, of total Revenues for the three and nine months ended September 30, 2021 (2020 — 11.0% and 11.3%, respectively). No single customer comprises more than 10% of the Company's total Accounts Receivable as of September 30, 2021 and December 31, 2020.
- (2) The revenue from this segment includes the initial upfront payments and the present value of fixed minimum payments from sales and sales-type lease arrangements of IMAX Theater Systems, as well as the present value of estimated variable consideration from sales of IMAX Theater Systems. To a lesser extent, the revenue from this segment also includes finance income associated with these revenue streams.
- (3) The revenue from this segment principally includes after-market sales of IMAX projection system parts and 3D glasses.
- (4) IMAX DMR gross margin includes marketing costs of \$3.2 million and \$5.8 million, respectively, for the three and nine months ended September 30, 2021 (2020 — \$0.4 million and \$2.8 million, respectively). JRSA gross margin includes advertising, marketing and commission expense of \$0.8 million and \$1.9 million, respectively, for the three and nine months ended September 30, 2021 (2020 — \$0.7 million and \$1.3 million, respectively). IMAX Systems gross margin includes marketing and commission costs of \$0.3 million and \$0.9 million, respectively, for the three and nine months ended September 30, 2021 (2020 — \$0.6 million and \$1.0 million, respectively). Film Distribution segment gross margin includes marketing expense of \$nil and less than \$0.1 million, respectively, for the three and nine months ended September 30, 2021 (2020 — \$0.2 million and \$0.4 million, respectively).
- (5) During the three and nine months ended September 30, 2020, Film Distribution segment results include impairment losses of \$5.4 million and \$9.9 million, respectively, to write-down the carrying value of certain documentary and alternative content film assets due to a decrease in projected box office totals and related revenues based on management's regular quarterly recoverability assessments. No such charges were incurred in the three and nine months ended September 30, 2021.

### Geographic Information

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

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

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

## 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 September 30, 2021 and December 31, 2020, the Company's projected benefit obligation and unfunded status related to the SERP are as follows:

<i>(In thousands of U.S. Dollars)</i>	September 30, 2021	December 31, 2020
<b>Projected benefit obligation:</b>		
Obligation, beginning of period	\$ 20,116	\$ 18,840
Interest cost	54	379
Actuarial gain	—	897
Obligation, end of period and unfunded status <sup>(1)</sup>	<u>\$ 20,170</u>	<u>\$ 20,116</u>

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

For the three and nine months ended September 30, 2021, the Company recorded interest costs of less than \$0.1 million and \$0.1 million, respectively (2020 — \$0.1 million and \$0.3 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 nine months ended September 30, 2021, the Company contributed and recorded expense of \$0.3 million and \$0.8 million, respectively (2020 — \$0.3 million and \$0.8 million, respectively) to its Canadian defined contribution plan and \$0.1 million and \$0.4 million, respectively (2020 — \$0.1 million and \$0.5 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 September 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 nine months ended September 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 September 30, 2021, the Company's postretirement benefits obligation under this plan is \$1.8 million (December 31, 2020 — \$1.9 million). For the three and nine months ended September 30, 2021, the Company has recorded expense of less than \$0.1 million (2020 — less than \$0.1 million and \$0.1 million, respectively) 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 September 30, 2021, the benefit obligation related to the Retirement Plan was \$3.8 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 September 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 \$193.0 million balance of cash and cash equivalents as of September 30, 2021 includes \$101.0 million in cash held outside of Canada (December 31, 2020 — \$89.9 million), of which \$70.3 million was held in the 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 September 30, 2021		As of December 31, 2020	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<b>Level 1</b>				
Cash and cash equivalents <sup>(1)</sup>	\$ 193,008	\$ 193,008	\$ 317,379	\$ 317,379
Equity securities <sup>(2)</sup>	1,089	1,089	13,633	13,633
<b>Level 2</b>				
Net financed sales receivables <sup>(3)</sup>	\$ 113,200	\$ 113,210	\$ 112,396	\$ 112,603
Net investment in sales-type leases <sup>(3)</sup>	22,002	21,850	19,414	19,373
Equity securities <sup>(1)</sup>	1,000	1,000	1,000	1,000
COLI <sup>(4)</sup>	3,244	3,244	3,155	3,155
Foreign exchange contracts — designated forwards <sup>(3)</sup>	(209)	(209)	1,635	1,635
Foreign exchange contracts — non-designated forwards <sup>(3)</sup>	(61)	(61)	344	344
Working Capital Facility borrowings <sup>(1)</sup>	(10,974)	(10,974)	(7,643)	(7,643)
Credit Facility borrowings <sup>(1)</sup>	—	—	(300,000)	(300,000)
Convertible Notes <sup>(5)</sup>	(230,000)	(224,574)	—	—

- (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 September 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 September 30, 2021 (the "Foreign Currency Hedges"), with settlement dates throughout 2022. Foreign currency derivatives are recognized and measured in the Condensed Consolidated Balance Sheets at fair value. Changes in the fair value (i.e., gains or losses) are recognized in the Condensed Consolidated Statements of Operations except for derivatives designated and qualifying as foreign currency cash flow hedging instruments. The Company currently has cash flow hedging instruments associated with Selling, General and Administrative Expenses. For foreign currency cash flow hedging instruments related to Selling, General and Administrative Expenses, the effective portion of the gain or loss in a hedge of a forecasted transaction is reported in Other Comprehensive (Loss) Income and reclassified to the Condensed Consolidated Statements of Operations when the forecasted transaction occurs. For foreign currency cash flow hedging instruments related to Inventories, the effective portion of the gain or loss in a hedge of a forecasted transaction is reported in Other Comprehensive (Loss) Income and reclassified to Inventories in the Condensed Consolidated Balance Sheets when the forecasted transaction occurs. Any ineffective portion is recognized immediately in the Condensed Consolidated Statements of Operations.

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

Notional value of foreign exchange contracts:

<i>(In thousands of U.S. Dollars)</i>	September 30, 2021	December 31, 2020
<b>Derivatives designated as hedging instruments:</b>		
Foreign exchange contracts — Forwards	\$ 24,642	\$ 26,358
<b>Derivatives not designated as hedging instruments:</b>		
Foreign exchange contracts — Forwards	1,123	5,552
	<u>\$ 25,765</u>	<u>\$ 31,910</u>

Fair value of derivatives in foreign exchange contracts:

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

Derivatives in foreign currency hedging relationships are as follows:

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

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

(In thousands of U.S. Dollars)		Three Months Ended September 30,		Nine months ended September 30,	
		2021	2020	2021	2020
Foreign exchange contracts	Derivative Loss Recognized In				
— Forwards	and Out of OCI				
	(Effective Portion)	\$ —	\$ —	\$ —	\$ (55)

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

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

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

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

#### (d) Investments in Equity Securities

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

On January 17, 2019, IMAX China (Hong Kong), Limited, a wholly-owned subsidiary of IMAX China, as an investor entered into a cornerstone investment agreement with Maoyan Entertainment (“Maoyan”) (as the issuer) and Morgan Stanley Asia Limited (as a sponsor, underwriter and the underwriters’ representative). Pursuant to this agreement, IMAX China (Hong Kong), Limited agreed to invest \$15.2 million to subscribe for a certain number of shares of Maoyan at the final offer price pursuant to the global offering of the share capital of Maoyan, and this investment would be subject to a lock-up period of six months following the date of the global offering. On February 4, 2019, Maoyan completed its global offering, upon which, IMAX China (Hong Kong), Limited became a less than 1% shareholder in Maoyan. In February 2021, IMAX China (Hong Kong), Limited sold all of its 7,949,000 shares of Maoyan for gross proceeds of \$17.8 million, which represents a \$2.6 million gain relative to the Company’s acquisition cost and a \$5.2 million gain compared to the fair value of the investment as of December 31, 2020. Prior to this sale, the Company accounted for its investment in Maoyan at fair value with any changes in fair value recorded to the Condensed Consolidated Statements of Operations. For the three and nine months ended September 30, 2020, the fair value of the Company’s investment in Maoyan experienced an unrealized gain of \$1.6 million and loss of \$(0.9) million, respectively. As of December 31, 2020, the value of the Company’s investment in Maoyan was \$12.6 million.

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

### (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 September 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 nine months ended September 30, 2021:

Balance as of December 31, 2020	\$	759
Net income		1
Balance as of September 30, 2021	\$	<u>760</u>

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

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

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

### **SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION**

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

The Company makes available, free of charge, its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and any amendments to such reports, as soon as reasonably practicable after such filings have been made with the SEC. Reports may be obtained free of charge through the SEC's website at [www.sec.gov](http://www.sec.gov) and through the Company's website at [www.imax.com](http://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.

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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 September 30, 2021, there were 1,664 IMAX Theater Systems operating in 85 countries and territories, including 1,580 commercial multiplexes, 12 commercial destinations and 72 institutional locations. This compares to 1,632 IMAX Theater Systems operating in 82 countries and territories as of September 30, 2020 including 1,542 commercial multiplexes, 13 commercial destinations and 77 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*<sup>®</sup>, 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. At various points during the pandemic, authorities around the world imposed measures intended to control the spread of COVID-19, including stay-at-home orders and restrictions on large public gatherings, which caused movie theaters in countries around the world to temporarily close, including the IMAX theaters in those countries. As a result of the theater closures, movie studios postponed the theatrical release of most films originally scheduled for release in 2020 and early 2021, including many scheduled to be shown in IMAX theaters, while several other films were released directly or concurrently to streaming platforms. More recently, stay-at-home orders and capacity restrictions have been lifted in almost all key markets and, beginning in the third quarter of 2020, movie theaters throughout the IMAX network gradually reopened. As of September 30, 2021, 93% of the theaters in the global IMAX commercial multiplex network were open at various capacities, spanning 70 countries. This included 100% of Domestic theaters (i.e., in the United States and Canada), 93% of the theaters in Greater China and 87% of the theaters in Rest of World markets.

The impact of the COVID-19 global pandemic has resulted in significantly lower levels of revenues, earnings and operating cash flows for the Company during 2020 and, to a lesser extent, during the nine months ended September 30, 2021, when compared to periods prior to the onset of the pandemic, as gross box office ("GBO") results from the Company's theater customers declined, the installation of certain theater systems was delayed, and maintenance services were generally suspended for theaters that were closed. In response to uncertainties associated with the pandemic, the Company took significant steps to preserve cash by eliminating non-essential costs, temporarily furloughing certain employees, reducing the working hours of other employees and reducing all non-essential capital expenditures to minimum levels. The Company also implemented an active cash management process, which, among other things, required senior management approval of all outgoing payments. In addition, as a result of the financial difficulties faced by certain of the Company's exhibition customers arising out of pandemic-related closures, although improving, the Company has experienced and may continue to experience delays in collecting payments due under existing theater sale or lease arrangements. The Company has provided temporary relief to certain exhibitor customers by waiving or reducing maintenance fees during periods when theaters are closed or operating with reduced capacities and, in certain situations, by providing extended payment terms on annual minimum payment obligations in exchange for a corresponding or longer extension of the term of the underlying sale or lease arrangement.

For the three and nine months ended September 30, 2021, GBO receipts generated by IMAX DMR films totaled \$141.9 million and \$360.7 million, respectively, surpassing the totals for the same periods in 2020 by \$71.7 million (102%) and \$192.6 million (115%), respectively. Moreover, GBO receipts for September 2021 approximated the levels achieved prior to the onset of the COVID-19 global pandemic, and GBO receipts for October 2021 have already exceeded the Company's all-time record for that month. Management is encouraged by these box office results and believes they indicate that moviegoers are eager to return to cinemas where and when theaters are open and they feel safe. Management is further encouraged by the return of the prevalence of exclusive theatrical windows beginning with the release of *Shang-Chi and the Legend of the Ten Rings* in September 2021, and the strong pipeline of Hollywood movies scheduled to be released for theatrical exhibition during the remainder of 2021 and in 2022. However, the impact of the COVID-19 global pandemic on the Company's business and financial results will continue to depend on numerous evolving factors that cannot be accurately predicted and that will vary by jurisdiction and market, including the duration and scope of the pandemic, the emergence of variants of the virus, the progress made on administering vaccines, the continuing impact of the pandemic on global economic conditions and ongoing government responses to the pandemic, which could lead to further theater closures, theater capacity restrictions and/or delays in the release of films.

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

## SOURCES OF REVENUE

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

### IMAX Technology Network

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

#### IMAX DMR

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

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

IMAX films also benefit from enhancements made by individual filmmakers exclusively for the IMAX release of the film. Collectively, the Company refers to these enhancements as "IMAX DNA". Filmmakers and movie studios have sought IMAX-specific enhancements in recent years to generate interest in and excitement for their films. Such enhancements include shooting films with IMAX cameras to increase the audience's immersion in the film and to take advantage of the unique dimensions of the IMAX screen by projecting the film in a larger aspect ratio that delivers up to 26% more image onto a movie screen. During the nine months ended September 30, 2021, the films released to the global IMAX theater network include seven films with IMAX DNA, including five filmed with IMAX cameras and two with exclusive select scenes in expanded aspect ratio.

Management believes that growth in international box office remains an important driver of growth for the Company. To support continued growth in international markets, the Company has sought to bolster its international film strategy, supplementing the Company's film slate of Hollywood DMR titles with appealing local IMAX DMR releases in select markets, particularly in China. During the year ended December 31, 2020, 17 local language IMAX DMR films were released to the IMAX network, including ten in China, three in Russia, three in Japan, and one in South Korea. During the nine months ended September 30, 2021, 24 local language IMAX DMR films were released to the IMAX network, including 16 in China and seven in Japan and one in South Korea. The Company expects to announce additional local language IMAX DMR films to be released to the IMAX network during the remainder of 2021 and in 2022.

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

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

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

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

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

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

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

## *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.

Joint revenue sharing arrangements have been an important factor in the expansion of the Company's commercial theater network. Joint revenue sharing arrangements allow commercial theater exhibitors to install IMAX 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 investment in equipment for joint revenue sharing arrangements through cash flows from operations. As of September 30, 2021, the Company had 904 theaters in operation under joint revenue sharing arrangements, a 2.6% increase as compared to the 881 theaters in operation under joint revenue sharing arrangements as of September 30, 2020. The Company also had contracts in backlog for 324 theaters under joint revenue sharing arrangements as of September 30, 2021, including 83 upgrades to existing theater locations and 241 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 the captioned section for each respective segment.

## *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 preventative 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 more than six million certified devices in-market. IMAX Enhanced content is now available on five streaming platforms worldwide, with partners that include Sony Pictures Entertainment, Paramount Pictures, Huayi Brothers, Bona Film Group, Tencent Video, iQIYI and Tsutaya TV, 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 September 30, 2021 and 2020:

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

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

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

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

The Company currently believes that over time its commercial multiplex network could grow to approximately 3,318 IMAX theaters worldwide from the 1,580 operating as of September 30, 2021. The Company believes that the majority of its future growth will come from international markets. As of September 30, 2021, 73.6% of IMAX Theater Systems in operation were located within international markets (defined as all countries other than the United States and Canada), compared to 72.2% as of September 30, 2020. Revenues and gross box office derived from international markets continue to exceed revenues and gross box office from the United States and Canada. Risks associated with the Company's international business are outlined in "Risk Factors – The Company conducts business internationally, which exposes it to uncertainties and risks that could negatively affect its operations, sales and future growth prospects" in Part I, Item 1A of the Company's 2020 Form 10-K.

Greater China is the Company's largest market, measured by revenues, with approximately 38% and 31% of consolidated revenue generated from its Greater China operations in the years ended December 31, 2020 and 2019, respectively. During the nine months ended September 30, 2021, this percentage increased to 52% as the pace of the reopening of IMAX theaters in Greater China has exceeded that of theaters in Domestic and Rest of World markets. As of September 30, 2021, the Company had 767 theaters operating in Greater China with an additional 229 theaters in backlog. The Company's backlog in Greater China represents 45.3% of its total current backlog, including upgrades in system type. The Company's largest single international partnership is in China with Wanda Film ("Wanda"). As of September 30, 2021, the total number of Wanda's IMAX Theater Systems in Greater China that are operational is 367 (of which 361 are under the parties' joint revenue sharing arrangement).

(See "Risk Factors – The Company faces risks in connection with its significant presence in China and the continues expansion of its business there," "Risk Factors – General political, social and economic conditions can affect the Company's business by reducing both revenues generated from existing IMAX Theater Systems and the demand for new IMAX Theater Systems," and "Risk Factors – The Company may not convert all of its backlog into revenue and cash flows" in Part I, Item 1A of the Company's 2020 Form 10-K.)

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

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

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

  

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

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

## Backlog

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

	September 30, 2021				September 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	170	12	\$ 194,539	\$ 14,207	184	9	\$ 212,623	\$ 11,418
Hybrid joint revenue sharing arrangements	133	6	95,349	4,785	139	7	98,398	5,560
Traditional joint revenue sharing arrangements	108 <sup>(1)</sup>	77 <sup>(1)</sup>	200 <sup>(2)</sup>	5,500 <sup>(2)</sup>	125 <sup>(1)</sup>	81 <sup>(1)</sup>	300 <sup>(2)</sup>	5,500 <sup>(2)</sup>
	<u>411</u>	<u>95</u>	<u>\$ 290,088</u>	<u>\$ 24,492</u>	<u>448</u>	<u>97</u>	<u>\$ 311,321</u>	<u>\$ 22,478</u>

(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 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. The dollar value of 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 September 30, 2021 and 2020:

	September 30, 2021			
	IMAX Theater System Backlog			
	Traditional JRSA	Hybrid JRSA	Sale / Lease	Total
Domestic Total (United States & Canada)	120	3	9	132
International:				
Greater China	44	107	78	229
Asia (excluding Greater China)	4	15	31	50
Western Europe	11	12	7	30
Russia & the CIS	—	1	17	18
Latin America	3	—	8	11
Rest of the World	3	1	32	36
International Total	65	136	173	374
Worldwide Total	185	139	182	506 (1)
	September 30, 2020			
	IMAX Theater System Backlog			
	Traditional JRSA	Hybrid JRSA	Sale / Lease	Total
Domestic Total (United States & Canada)	123	3	10	136
International:				
Greater China	59	113	86	258
Asia (excluding Greater China)	5	15	30	50
Western Europe	12	13	6	31
Russia & the CIS	-	1	15	16
Latin America	3	-	9	12
Rest of the World	4	1	37	42
International Total	83	143	183	409
Worldwide Total	206	146	193	545 (2)

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

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

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

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

## Signings and Installations

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Theater System Signings:</b>				
New IMAX Theater Systems				
Sales and sales-type lease arrangements	4	8	13	22
Hybrid joint revenue sharing lease arrangements	—	—	—	17
Traditional joint revenue sharing arrangements	5	—	8	2
Total new IMAX Theater Systems	9	8	21	41
Upgrades of IMAX Theater Systems				
Total IMAX Theater System signings	11	10	25	54
<b>Theater System Installations:</b>				
New IMAX Theater Systems				
Sales and sales-type lease arrangements	6	9	17	13
Hybrid joint revenue sharing lease arrangements	2	1	6	3
Traditional joint revenue sharing arrangements	6	8	15	10
Total new IMAX Theater Systems	14	18	38	26
Upgrades of IMAX Theater Systems				
Total IMAX Theater System installations	17	23	45	38

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

## RESULTS OF OPERATIONS

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

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

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

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

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

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

### Revenues and Gross Margin

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

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

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

(2) The revenue from this segment 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.

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

### ***IMAX Technology Network***

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

For the three months ended September 30, 2021, IMAX Technology Network revenues and gross margin increased by \$14.2 million and \$10.3 million, respectively, when compared to the same period in 2020 primarily due to the reopening of the IMAX theater network, particularly in the United States, and the strong performance of Hollywood film releases. See below for separate discussions of IMAX DMR and JRSA contingent rent segment results for the period.

### ***IMAX DMR***

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

In addition to the level of revenues, IMAX DMR gross margin is also influenced by the costs associated with the films exhibited in the period, and can vary from period-to-period, particularly with respect to marketing expenses. For the three months ended September 30, 2021, marketing expenses were \$3.2 million, as compared to \$0.4 million during the same period in 2020.

### ***Joint Revenue Sharing Arrangements – Contingent Rent***

For the three months ended September 30, 2021, JRSA contingent rent revenue and gross margin increased by \$5.4 million and \$6.1 million, respectively, when compared to the same period in 2020. These increases are largely due to a \$34.8 million increase in GBO generated by theaters under joint revenue sharing arrangements in the third quarter of 2021 when compared to the same period in the prior year, from \$36.4 million to \$71.2 million.

In addition to the level of revenues, JRSA contingent rent margin is also influenced by the level of costs associated with such arrangements, such as depreciation expense related to the underlying theater systems and costs incurred to upgrade theater systems from digital xenon to IMAX with Laser, as well as advertising, marketing, and commission costs primarily for the launch of new theaters. The level of depreciation expense in a period relative to the prior year is a function of the growth of the theater network and the mix of theater system configurations in the network. For the three months ended September 30, 2021, JRSA gross margin included depreciation expense of \$5.5 million, which represents a \$0.6 million decrease as compared to \$6.1 million recorded in the same period of the prior year. The lower level of depreciation expense in the current period is due, in part, to the effect of lease term extensions entered into with exhibitor customers as a result of the COVID-19 global pandemic, partially offset by incremental depreciation expense associated with a 3% increase in the number of theaters operating under joint revenue sharing arrangements. For the three months ended September 30, 2021, JRSA gross margin includes advertising, marketing, and commission costs of \$0.8 million, as compared to \$0.7 million in the same period of the prior year.

## IMAX Technology Sales and Maintenance

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

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

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

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

The average revenue per IMAX Theater System under sales and sales-type lease arrangements varies depending upon the number of IMAX Theater System commitments with a single respective exhibitor, an exhibitor's location and various other factors. The average revenue per full (i.e., not hybrid), new IMAX Theater System under sales and sales-type lease arrangements was \$1.2 million for the three months ended September 30, 2021, as compared to \$1.1 million during the same period of the prior year.

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

### IMAX Systems

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

### IMAX Maintenance

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

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

### ***Film Distribution and Post-Production***

For the three months ended September 30, 2021, Film Distribution and Post-Production revenues decreased by \$0.3 million while gross margin increased by \$6.5 million, when compared to the same period in the prior year. The comparison of gross margin to the prior year period is significantly influenced by \$5.4 million of impairment losses recorded in the third 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. There were no such losses recorded in the third quarter of 2021.

### ***Selling, General and Administrative Expenses***

For the three months ended September 30, 2021, total Selling, General and Administrative Expenses increased by \$3.6 million (14%), when compared to the same period in 2020. For the three months ended September 30, 2021, Selling, General and Administrative Expenses, excluding the impact of share-based compensation of \$5.7 million, were \$22.7 million, as compared to \$19.7 million in the same period in the prior year, excluding share-based compensation expense of \$5.2 million, representing an increase of \$3.0 million (15%). A portion of share-based compensation expense is recognized within Cost and Expenses Applicable to Revenue and Research and Development. (See Note 12 of Notes to Condensed Consolidated Financial Statements.)

For the three months ended September 30, 2021, the Company recognized \$2.0 million in benefits from the Canada Emergency Wage Subsidy (“CEWS”) program as reductions to Selling, General and Administrative Expenses (\$1.5 million) and Costs and Expenses Applicable to Revenues (\$0.5 million) in the Condensed Consolidated Statements of Operations. For three months ended September 30, 2020, the Company recognized \$2.0 million from the CEWS program as reductions to Selling, General and Administrative Expenses (\$1.6 million), Costs and Expenses Applicable to Revenues (\$0.3 million) and Research and Development (\$0.1 million) in the Condensed Consolidated Statements of Operations. The CEWS program has been extended to October 23, 2021. The Company will continue to review for the availability of additional subsidies and credits for the remaining terms of this program, where applicable, although there are no guarantees that the Company will ultimately apply for or receive any such additional benefits.

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

### ***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.

In addition, in the third 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.

For the three months ended September 30, 2021, Research and Development expenses increased by \$0.9 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.

### ***Credit Loss (Reversal) Expense, Net***

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

For the three months ended September 30, 2020, the Company recorded a provision for current expected credit losses of \$3.9 million which reflected judgments made by management regarding the potential effects of the COVID-19 global pandemic on the credit quality of Company's theater and studio related receivable balances.

Management's judgments regarding expected credit losses are based on the facts available to management at the time that the Condensed Consolidated Financial Statements are prepared and involve estimates about the future. Due to the unprecedented nature of the COVID-19 pandemic, its effect on the Company's customers and their ability to meet their financial obligations to the Company is difficult to predict. As a result, the Company's judgments and associated estimates of credit losses may ultimately prove, with the benefit of hindsight, to be incorrect.

(See Notes 1 and 4 of Notes to Condensed Consolidated Financial Statements.)

#### ***Realized and Unrealized Investment Gains***

In the first quarter of 2019, IMAX China (Hong Kong), Limited, a wholly-owned subsidiary of IMAX China, entered into a cornerstone investment agreement with Maoyan Entertainment ("Maoyan") and purchased equity securities for \$15.2 million. In February 2021, IMAX China (Hong Kong), Limited sold all of its shares of Maoyan. Prior to this sale, the Company accounted for its investment in Maoyan at fair value with any changes in fair value recorded to the Condensed Consolidated Statements of Operations. For the three months ended September 30, 2020, the fair value of the Company's investment in Maoyan experienced an unrealized gain of \$1.6 million.

#### ***Interest Expense***

For the three months ended September 30, 2021, interest expense was \$1.5 million, as compared to \$2.4 million during the same period of the prior year. The decrease in interest expense versus the same period of the prior year is due to a lower level of indebtedness partially offset by the amortization of deferred financing costs associated with amendments to the Company's Credit Agreement. (See Note 7 of Notes to Condensed Consolidated Financial Statements.)

#### ***Income Taxes***

For the three months ended September 30, 2021, the Company recorded income tax expense of \$4.4 million (2020 — income tax expense of \$19.3 million). The Company's effective tax rate for the three months ended September 30, 2021 of (226.6)% differs from the Canadian statutory tax rate of 26.2% primarily due to the fact that the company recorded an additional \$4.3 million valuation allowance against deferred tax assets in jurisdictions where management could not reliably forecast that future tax liabilities would arise, principally due to the uncertainties around the long-term impact of the COVID-19 global pandemic. Accordingly, the tax benefit associated with the current period losses in these jurisdictions is not ultimately reflected in the Company's Condensed Consolidated Statements of Operations. Also impacting the Company's effective tax rate for the three months ended September 30, 2021 are jurisdictional tax rate differences. In the third quarter of 2021, \$20.4 million of historical earnings from a subsidiary in China were repatriated and, as a result \$2.0 million of foreign withholding taxes were paid in the period.

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

#### ***Non-Controlling Interests***

The Company's Condensed Consolidated Financial Statements primarily include the non-controlling interest in the net income (loss) of IMAX China, as well as the impact of non-controlling interests in the activity of its Original Film Fund subsidiary. For the three months ended September 30, 2021, the net income attributable to non-controlling interests of the Company's subsidiaries was \$2.0 million (2020 — net loss of \$(1.3) million).

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

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

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

### Revenues and Gross Margin

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

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

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

(2) The revenue from this segment 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.

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

### ***IMAX Technology Network***

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

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

### ***IMAX DMR***

For the nine months ended September 30, 2021, IMAX DMR revenues and gross margin increased by \$21.4 million and \$14.9 million, respectively, when compared to the same period in 2020. These increases are primarily due to a \$192.6 million (115%) increase in GBO receipts generated by IMAX DMR films during the nine months ended September 30, 2021, from \$168.1 million to \$360.7 million. During the nine months ended September 30, 2021, GBO was generated by the exhibition of 53 films (47 new and 6 carryovers) and the re-release of classic titles. During the nine months ended September 30, 2020, GBO was generated by the exhibition of 20 films (16 new and 4 carryovers) and the re-release of classic titles.

In addition to the level of revenues, IMAX DMR gross margin is also influenced by the costs associated with the films exhibited in the period, and can vary from period-to-period, particularly with respect to marketing expenses. For the nine months ended September 30, 2021, marketing expenses were \$5.8 million, as compared to \$2.8 million during the same period of 2020.

### ***Joint Revenue Sharing Arrangements – Contingent Rent***

For the nine months ended September 30, 2021, JRSA contingent rent revenue and gross margin increased by \$15.8 million and \$17.9 million, respectively, when compared to the same period in 2020. These increases are largely due to a \$114.7 million (140%) increase in GBO generated by theaters under joint revenue sharing arrangements during the nine months ended September 30, 2021, from \$82.1 million to \$196.8 million.

In addition to the level of revenues, JRSA contingent rent margin is also influenced by the level of costs associated with such arrangements, such as depreciation expense related to the underlying theater systems and costs incurred to upgrade theater systems from digital xenon to IMAX with Laser, as well as advertising, marketing, and commission costs primarily for the launch of new theaters. The level of depreciation expense in a period relative to the prior year is a function of the growth of the theater network and the mix of theater system configurations in the network. For the nine months ended September 30, 2021, JRSA gross margin included depreciation expense of \$16.8 million, which represents a \$2.5 million decrease when compared to the same period of the prior year. The lower level of depreciation expense in the current period is due, in part, to the effect of lease term extensions entered into with exhibitor customers as a result of the COVID-19 global pandemic, partially offset by incremental depreciation expense associated with a 3% increase in the number of theaters operating under joint revenue sharing arrangements. For the nine months ended September 30, 2021, JRSA gross margin includes advertising, marketing, and commission costs of \$1.9 million, as compared to \$1.3 million in the same period of the prior year.

## IMAX Technology Sales and Maintenance

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

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

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

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

The average revenue per IMAX Theater System under sales and sales-type lease arrangements varies depending upon the number of IMAX Theater System commitments with a single respective exhibitor, an exhibitor's location and various other factors. The average revenue per full (i.e., not hybrid), new IMAX Theater System under sales and sales-type lease arrangements was \$1.3 million for the nine months ended September 30, 2021, as compared to \$1.0 million during the same period of the prior year.

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

### IMAX Systems

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

### IMAX Maintenance

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

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

### ***Film Distribution and Post-Production***

For the nine months ended September 30, 2021, Film Distribution and Post-Production revenues decreased by \$3.5 million and gross margin increased by \$10.4 million, when compared to the same period of the prior year. The comparison of gross margin to the prior year period is significantly influenced by \$9.9 million of impairment losses recorded during the nine months ended September 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. There were no such losses recorded during the nine months ended September 30, 2021.

### ***Selling, General and Administrative Expenses***

For the nine months ended September 30, 2021, total Selling, General and Administrative Expenses decreased by \$0.9 million (1%), when compared to the same period in 2020. For the nine months ended September 30, 2021, Selling, General and Administrative Expenses, excluding the impact of share-based compensation of \$17.1 million, were \$65.3 million, as compared to \$67.9 million in the same period of the prior year, excluding share-based compensation expense of \$15.3 million, representing a decrease of \$2.6 million (4%). A portion of share-based compensation expense is recognized within Cost and Expenses Applicable to Revenue and Research and Development. (See Note 12 of Notes to Condensed Consolidated Financial Statements.)

For the nine months ended September 30, 2021, the Company recognized \$5.5 million in benefits from CEWS program as reductions to Selling, General and Administrative Expenses (\$4.1 million) and Costs and Expenses Applicable to Revenues (\$1.4 million) in the Condensed Consolidated Statements of Operations. For the nine months ended September 30, 2020, the Company recognized \$5.2 million from the CEWS program and the U.S. CARES Act as reductions to Selling, General and Administrative Expenses (\$4.5 million), Costs and Expenses Applicable to Revenues (\$0.6 million) and Research and Development Expense (\$0.1 million) in the Condensed Consolidated Statements of Operations. The CEWS program has been extended to October 2021. The Company will continue to review for the availability of additional subsidies and credits for the remaining terms of these programs, where applicable, although there are no guarantees that the Company will ultimately apply for or receive any such additional benefits.

The decrease in September year-to-date Selling, General and Administrative Expenses versus the prior year is due, in part, to management's cost control efforts and a lower level of business activity in the first half of 2021 amidst the COVID-19 global pandemic, resulting in lower staff costs, travel, and facilities related expenses, among others. Also contributing to the lower level of current period Selling, General and Administrative Expenses is a \$2.0 million (8%) increase in labor and other costs capitalized to inventory, film assets, and joint venture theater equipment or allocated to costs applicable to revenues, due to the higher level of business activity during the current period as the effects of the COVID-19 global pandemic subside.

In response to uncertainties associated with the COVID-19 global pandemic, management is continuing to take steps to preserve the Company's cash and liquidity by closely monitoring and controlling operating expenses and capital expenditures.

### ***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.

In addition, during the nine months ended September 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.

For the nine months ended September 30, 2021, Research and Development expenses increased by \$1.1 million (25%), 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.

### ***Credit Loss (Reversal) Expense, Net***

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

For the nine months ended September 30, 2020, the Company recorded a provision for current expected credit losses of \$15.6 million which reflected judgments made by management regarding the potential effects of the COVID-19 global pandemic on the credit quality of Company's theater and studio related receivable balances.

Management's judgments regarding expected credit losses are based on the facts available to management at the time that the Condensed Consolidated Financial Statements are prepared and involve estimates about the future. Due to the unprecedented nature of the COVID-19 pandemic, its effect on the Company's customers and their ability to meet their financial obligations to the Company is difficult to predict. As a result, the Company's judgments and associated estimates of credit losses may ultimately prove, with the benefit of hindsight, to be incorrect.

(See Notes 1 and 4 of Notes to Condensed Consolidated Financial Statements.)

### ***Asset Impairments***

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

### ***Legal Judgment and Arbitration Awards***

In the nine months ended September 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 nine months ended September 30, 2020, the fair value of the Company's investment in Maoyan experienced an unrealized loss of \$(0.9) million.

### ***Interest Expense***

For the nine months ended September 30, 2021, interest expense was \$5.5 million, as compared to \$4.6 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 the amortization of deferred financing costs associated with amendments to the Company's Credit Agreement and the issuance of the Convertible Notes. (See Note 7 of Notes to Condensed Consolidated Financial Statements.)

### ***Income Taxes***

For the nine months ended September 30, 2021, the Company recorded income tax expense of \$9.4 million (2020 — \$24.6 million). The Company's effective tax rate for the nine months ended September 30, 2021 of (69.5)% differs from the Canadian statutory tax rate of 26.2% primarily due to the fact that the Company recorded an additional \$14.2 million valuation allowance against deferred tax assets in jurisdictions where management could not reliably forecast that future tax liabilities would arise, principally due to the uncertainties around the long-term impact of the COVID-19 global pandemic. Accordingly, the tax benefit associated with the current period losses in these jurisdictions is not ultimately reflected in the Company's Condensed Consolidated Statements of Operations. Also impacting the Company's effective tax rate for the nine months ended September 30, 2021 are jurisdictional tax rate differences, including a difference related to the gain on the sale of the Maoyan investment (see "Realized and Unrealized Investment Gains (Losses)" above) and a change in the estimated contingent liabilities related to the potential resolution of various tax examinations.

In the first quarter of 2020, management completed a reassessment of its strategy with respect to the most efficient means of deploying the Company's capital resources globally. Based on the results of this reassessment, management concluded that the historical earnings of certain foreign subsidiaries in excess of amounts required to sustain business operations would no longer be indefinitely reinvested. As a result, the Company recognized a deferred tax liability of \$19.7 million in the first quarter of 2020 for the estimated applicable foreign withholding taxes associated with these historical earnings, which will become payable upon the repatriation of any such earnings. The estimate of the applicable foreign withholding taxes was reduced by \$1.0 million, principally in the second quarter of 2020, to \$18.7 million due to a reduction in the amount of distributable historical earnings. In the first quarter of 2021, the applicable foreign withholding taxes was increased by \$0.5 million due to an increase in the amount of distributable historical earnings. In the third quarter of 2021, \$20.4 million of historical earnings from a subsidiary in China were repatriated and, as a result, \$2.0 million of foreign withholding taxes were paid in the period.

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

### ***Non-Controlling Interests***

The Company's Condensed Consolidated Financial Statements primarily include the non-controlling interest in the net income (loss) of IMAX China, as well as the impact of non-controlling interests in the activity of its Original Film Fund subsidiary. For the nine months ended September 30, 2021, the net income attributable to non-controlling interests of the Company's subsidiaries was \$9.5 million (2020 — net loss of \$(15.4) million).

## CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 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 nine months ended September 30, 2021, net cash used in the Company's operating activities totaled \$19.6 million, as compared to net cash used in operating activities of \$30.8 million in the same period of the prior year. For the nine months ended September 30, 2021, the net cash used in the Company's operating activities is principally due to an increase in Accounts Receivable of \$24.3 million as a result of revenue growth attributable to the reopening of theaters amidst the early stages of recovery from the COVID-19 global pandemic. To a lesser extent, the net cash used in the Company's operating activities is due to \$10.0 million spent in connection with the development of Film Assets, as well as reductions in Accounts Payable and Accrued and Other Liabilities, including 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.

For the nine months ended September 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 \$30.4 million decrease in Accounts Receivable.

### *Investing Activities*

For the nine months ended September 30, 2021, net cash provided by investing activities totaled \$6.7 million, as compared to net cash used in investing activities of \$7.6 million in the same period of the prior year. For the nine months ended September 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 \$5.4 million invested in equipment to be used in the Company's joint revenue sharing arrangements with exhibitors (2020 — \$5.3 million), \$3.4 million of intangible assets acquired, principally related to the purchase or development of software (2020 — \$1.7 million), and \$2.4 million for the purchase of property, plant and equipment (2020 — \$0.7 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 \$21.1 million for the nine months ended September 30, 2021, as compared to \$13.8 million for the nine months ended September 30, 2020.

### *Financing Activities*

For the nine months ended September 30, 2021, net cash used in financing activities totaled \$110.5 million, as compared to \$233.5 million provided by financing activities in the same period of the prior year. For the nine months ended September 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, as well as \$9.6 million used to repurchase common shares of the Company (\$4.6 million) and IMAX China Holding, Inc. (\$5.0 million). (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 nine months ended September 30, 2020, net cash provided by financing activities totaled \$233.5 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 first half of 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 September 30, 2021, there were no outstanding borrowings under the Credit Facility. As of September 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 “First and Second Amendments”). On July 28, 2021, the Company entered into the Third Amendment to the Credit Agreement (as previously amended by the First and Second Amendments) (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, (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, (vi) allow \$30.0 million in permitted repurchases of the Company’s common shares, subject to a \$300.0 million pro forma minimum liquidity covenant and (vii) increase permitted repurchases of the common shares of IMAX China Holding, Inc. from \$5.0 million to \$20.0 million, subject to pro forma compliance with the existing financial covenants set forth in the Credit Agreement. The modifications to the negative covenants, the minimum liquidity covenant, permitted share repurchases 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 September 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 nine months ended September 30, 2021 was nil and 2.64%, respectively (2020 — 2.70% and 2.24%, 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 \$1.6 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 \$30.8 million) to fund ongoing working capital requirements (the "Working Capital Facility"). The Working Capital Facility expires in July 2022.

As of September 30, 2021, outstanding Working Capital Facility borrowings were RMB 71.2 million (\$11.0 million) and outstanding letters of guarantee were RMB 0.3 million (less than \$0.1 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 September 30, 2021, the amount available for future borrowings under the Working Capital Facility was RMB 118.8 million (\$18.3 million) and the amount available for letters of guarantee was RMB 9.7 million (\$1.5 million). The amount available for future borrowings under the Working Capital Facility is not subject to a standby fee. The effective interest rate for borrowings under the Working Capital Facility for the three and nine months ended September 30, 2021 was 4.29% and 4.32%, respectively (2020 — 4.35%, respectively).

### **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 September 30, 2021, the net unrealized loss on the Company's outstanding foreign currency forward contracts was \$(0.3) million, representing the amount by which the notional value of these forward contracts exceeded their fair value (December 31, 2020 — \$2.0 million). As of September 30, 2021, the notional value of the Company's outstanding foreign currency forward contracts was \$25.8 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 NBC Facility is renewed on an annual basis. It was renewed on October 15, 2021 for a one-year term on the same terms and conditions. The Company did not have any letters of credit or advance payment guarantees outstanding as of September 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 paid \$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, or (v) 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.

## Assessment of Liquidity and Capital Requirements

As of September 30, 2021, the Company's principal sources of liquidity included: (i) its balances of cash and cash equivalents (\$193.0 million); (ii) the anticipated collection of trade accounts receivable, which includes amounts owed under joint revenue sharing arrangements and DMR agreements with movie studios; (iii) the anticipated collection of financing receivables due in the next 12 months; and (iv) installment payments expected in the next 12 months on its existing sales and sales and sales-type lease arrangements in backlog. In addition, as of September 30, 2021, the Company had \$300.0 million in available borrowing capacity under the Credit Facility and \$18.3 million in available borrowing capacity under the Working Capital Facility, as described above.

The Company's \$193.0 million balance of cash and cash equivalents as of September 30, 2021 includes \$101.0 million in cash held outside of Canada (December 31, 2020 — \$89.9 million), of which \$70.3 million was held in the People's Republic of China (the "PRC") (December 31, 2020 — \$77.2 million). In the first quarter of 2020, management completed a reassessment of its strategy with respect to the most efficient means of deploying the Company's capital resources globally. Based on the results of this reassessment, management concluded that the historical earnings of certain foreign subsidiaries in excess of amounts required to sustain business operations would no longer be indefinitely reinvested. As of September 30, 2021, the Company's Condensed Consolidated Balance Sheets include a deferred tax liability of \$17.6 million for the applicable foreign withholding taxes associated with these historical earnings, which will become payable upon the repatriation of any such earnings. In the third quarter of 2021, \$20.4 million of historical earnings from a subsidiary in China were repatriated and, as a result, \$2.0 million of foreign withholding taxes were paid in the period.

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

The impact of the COVID-19 global pandemic has resulted in significantly lower levels of revenues, earnings and operating cash flows for the Company during 2020 and, to a lesser extent, during the nine months ended September 30, 2021, when compared to periods prior to the onset of the pandemic, as GBO results from the Company's theater customers declined, the installation of certain theater systems was delayed, and maintenance services were generally suspended for theaters that were closed. In addition, as a result of the financial difficulties faced by certain of the Company's exhibition customers arising out of pandemic-related closures, although improving, the Company has experienced and may continue to experience delays in collecting payments due under existing theater sale or lease arrangements. The Company has provided temporary relief to certain exhibitor customers by waiving or reducing maintenance fees during periods when theaters are closed or operating with reduced capacities and, in certain situations, by providing extended payment terms on annual minimum payment obligations in exchange for a corresponding or longer extension of the term of the underlying sale or lease arrangement. However, with approximately 93% of the Company's global theater network open at various capacities as of September 30, 2021, GBO receipts generated by IMAX DMR films and joint revenue sharing arrangements increased in the current quarter and year-to-date periods, leading to improvement in the Company's results, when compared to the prior year periods covered by this report.

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

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

## CONTRACTUAL OBLIGATIONS

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

(In thousands of U.S. Dollars)	Payments Due by Period				
	Total Obligation	Less Than One Year	1 to 3 years	3 to 5 years	Thereafter
Purchase obligations(1)	\$ 32,879	\$ 31,176	\$ 1,676	\$ —	\$ 27
Pension obligations(2)	20,298	—	20,298	—	—
Operating lease obligations(3)	19,331	3,376	4,983	4,177	6,795
Working Capital Facility(4)	10,974	10,974	—	—	—
Convertible Notes(5)	235,750	1,150	2,300	232,300	—
Postretirement benefits obligations	3,203	125	265	273	2,540
	<u>\$ 322,435</u>	<u>\$ 46,801</u>	<u>\$ 29,522</u>	<u>\$ 236,750</u>	<u>\$ 9,362</u>

- (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 September 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 September 30, 2021, the Company’s Condensed Consolidated Balance Sheets include an unfunded benefit obligation of \$1.8 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 September 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 September 30, 2021, the benefit obligation related to the Retirement Plan was \$3.8 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 September 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 or losses, as well as the related tax impact of these adjustments, and (v) income taxes resulting from management’s decision to no longer indefinitely reinvest the historical earnings of certain foreign subsidiaries.

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

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

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

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

(1) Reflects amounts attributable to common shareholders.

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

(3) For the nine months ended September 30, 2021, the Company recognized \$5.5 million in COVID-19 government relief benefits (2020 — \$5.2 million), as reductions to Selling, General and Administrative Expenses (\$4.1 million) (2020 — \$4.5 million), Costs and Expenses Applicable to Revenues (\$1.4 million) (2020 — \$0.6 million) and Research and Development Expenses (\$nil) (2020 — \$0.1 million) in the Condensed Consolidated Statements of Operations.

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

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

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

	<b>For the Three Months Ended September 30, 2021 (1)</b>		
	<b>Attributable to Non-controlling Interests and Common Shareholders</b>	<b>Less: Attributable to Non-controlling Interests</b>	<b>Attributable to Common Shareholders</b>
<i>(In thousands of U.S. Dollars)</i>			
Reported net loss	\$ (6,344)	\$ 2,034	\$ (8,378)
Add (subtract):			
Income tax expense	4,402	634	3,768
Interest expense, net of interest income	261	(90)	351
Depreciation and amortization, including film asset amortization	14,899	1,723	13,176
Amortization of deferred financing costs <sup>(2)</sup>	741	—	741
<b>EBITDA</b>	<b>13,959</b>	<b>4,301</b>	<b>9,658</b>
Share-based and other non-cash compensation	6,226	233	5,993
Unrealized investment gains	(30)	—	(30)
(Recoveries) write-downs, including asset impairments and credit loss expense	(2,901)	(381)	(2,520)
<b>Adjusted EBITDA per Credit Facility</b>	<b>\$ 17,254</b>	<b>\$ 4,153</b>	<b>\$ 13,101</b>

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

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- (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 454.4 million (\$70.1 million) in cash and cash equivalents as of September 30, 2021 (December 31, 2020 — RMB 500.3 million or \$76.7 million) and are required to transact locally in RMB. Foreign currency exchange transactions, including the remittance of any funds into and out of the PRC, are subject to controls and require the approval of the China State Administration of Foreign Exchange to complete. Any developments relating to the Chinese economy and any actions taken by the Chinese government are beyond the control of the Company; however, the Company monitors and manages its capital and liquidity requirements to ensure compliance with local regulatory and policy requirements.

For the three and nine months ended September 30, 2021, the Company recorded a foreign exchange net loss of \$(0.6) million and net gain \$1.1 million, respectively, as compared to a foreign exchange net gain of \$0.2 million and a net loss of \$(0.8) million for the three and nine months ended September 30, 2020, respectively, associated with the translation of foreign currency denominated monetary assets and liabilities.

The Company has entered into a series of foreign currency forward contracts to manage the Company's risks associated with the volatility of foreign currencies. The forward contracts have settlement dates throughout 2022. Foreign currency derivatives are recognized and measured in the Condensed Consolidated Balance Sheets at fair value. Changes in the fair value (gains or losses) are recognized in the Condensed Consolidated Statements of Operations except for derivatives designated and qualifying as foreign currency cash flow hedging instruments. Certain of these foreign currency forward contracts held by the Company as of September 30, 2021, are designated and qualify as foreign currency cash flow hedging instruments. The Company currently has cash flow hedging instruments associated with Selling, General and Administrative Expenses, Inventories and capital expenditures. For foreign currency cash flow hedging instruments related to Selling, General and Administrative Expenses, the effective portion of the gain or loss in a hedge of a forecasted transaction is reported in Other Comprehensive (Loss) Income and reclassified to the Condensed Consolidated Statements of Operations when the forecasted transaction occurs. For foreign currency cash flow hedging instruments related to Inventories, the effective portion of the gain or loss in a hedge of a forecasted transaction is reported in Other Comprehensive (Loss) Income and reclassified to Inventories on the Condensed Consolidated Balance Sheets when the forecasted transaction occurs. Any ineffective portion is recognized immediately in the Condensed Consolidated Statements of Operations.

The notional value of foreign currency cash flow hedging instruments that qualify for hedge accounting at September 30, 2021 was \$24.6 million (December 31, 2020 — \$26.4 million). A loss of \$(0.8) million and a loss of \$(0.2) million was recorded to Other Comprehensive (Loss) Income with respect to the change in fair value of these contracts for the three and nine months ended September 30, 2021, respectively (2020 — gain of \$0.6 million and a loss of \$(0.9) million, respectively). A gain of \$0.3 million and a gain of \$1.4 million was reclassified from Accumulated Other Comprehensive (Loss) Income to Selling, General and Administrative Expenses and Inventories for the three and nine months ended September 30, 2021, respectively (2020 — loss of \$(0.1) million and a loss of \$(0.8) million, respectively). An unrealized gain of less than \$0.1 million and \$0.3 million resulting from a change in the classification of certain forward contracts no longer meeting the requirements for hedge accounting were reclassified from Accumulated Other Comprehensive (Loss) Income to Selling, General and Administrative Expenses for the three and nine months ended September 30, 2021 (2020 — \$nil). The notional value of forward contracts that do not qualify for hedge accounting at September 30, 2021 was \$1.1 million (December 31, 2020 — \$5.6 million).

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

At September 30, 2021, the Company's Financing Receivables and working capital items denominated in Canadian Dollars, RMB, Japanese Yen, Euros and other foreign currencies translated into U.S. Dollars was \$144.2 million. Assuming a 10% appreciation or depreciation in foreign currency exchange rates from the quoted foreign currency exchange rates at September 30, 2021, the potential change in the fair value of foreign currency-denominated financing receivables and working capital items would have been \$14.4 million. A significant portion of the Company's Selling, General, and Administrative Expenses is denominated in Canadian Dollars. Assuming a 1% change appreciation or depreciation in foreign currency exchange rates at September 30, 2021, the potential change in the amount of Selling, General, and Administrative Expenses would be \$0.1 million.

### **Interest Rate Risk Management**

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

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

#### **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 September 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 September 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. At various points during the pandemic, authorities around the world imposed measures intended to control the spread of COVID-19, including stay-at-home orders and restrictions on large public gatherings, which caused movie theaters in countries around the world to temporarily close, including the IMAX theaters in those countries. As a result of the theater closures, movie studios postponed the theatrical release of most films originally scheduled for release in 2020 and early 2021, including many scheduled to be shown in IMAX theaters, while several other films were released directly or concurrently to streaming platforms. More recently, stay-at-home orders and capacity restrictions have been lifted in almost all key markets and, beginning in the third quarter of 2020, movie theaters throughout the IMAX network gradually reopened. However, there is no assurance that movie theaters will remain open or continue to reopen if there is a resurgence in COVID-19 cases in certain jurisdictions. As of September 30, 2021, 93% of the theaters in the global IMAX commercial multiplex network were open at various capacities, spanning 70 countries. This included 100% of Domestic theaters (i.e., in the United States and Canada), 93% of the theaters in Greater China and 87% of the theaters in Rest of World markets.

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

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

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

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

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

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

## RISKS RELATED TO THE COMPANY'S INDEBTEDNESS

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

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

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

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

*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 April 2021, the Company's Board of Directors approved a 12-month extension to its share repurchase program, through June 30, 2022. 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. The repurchases may be made either in the open market or through private transactions, including repurchases made pursuant a plan intended to comply with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, 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.

During the three months ended September 30, 2021, the Company repurchased 316,812 common shares at an average price of \$14.53 per share. As of September 30, 2021, the Company has \$84.8 million available under its approved repurchase program.

The Company's common share repurchase program activity for the three months ended September 30, 2021 was as follows:

	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced program	Maximum value of shares that may yet be purchased under the program
July 1 through July 31, 2021	—	\$ —	—	\$ 89,361,337
August 1 through August 31, 2021	—	—	—	89,361,337
September 1 through September 30, 2021	316,812	14.53	316,812	84,757,657
Total	316,812	\$ 14.53	316,812	

In 2021, IMAX China announced that its shareholders granted its Board of Directors a general mandate authorizing the Board, subject to applicable laws, to repurchase of shares of IMAX China not to exceed 10% of the total number of issued shares as of May 6, 2021 (34,835,824 shares). This program will be valid until the 2022 Annual General Meeting of IMAX China. The repurchases may be made in the open market or through other means permitted by applicable laws. IMAX China has no obligation to repurchase its shares and the share repurchase program may be suspended or discontinued by IMAX China at any time. During the three months ended September 30, 2021, IMAX China repurchased 3,569,000 common shares at an average price of HKD 10.90 per share (U.S. \$1.40 per share).

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

**Item 6. Exhibits**

<b>Exhibit No.</b>	<b>Description</b>
10.1	<a href="#"><u>Third Amendment to the Fifth Amended and Restated Credit Agreement, dated as of July 28, 2021. Incorporated by reference to Exhibit 10.1 to IMAX Corporation's Form 8-K dated as of July 28, 2021 (File No. 001-35066).</u></a>
31.1*	<a href="#"><u>Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated October 28, 2021, by Richard L. Gelfond.</u></a>
31.2*	<a href="#"><u>Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated October 28, 2021, by Joseph Sparacio.</u></a>
32.1*	<a href="#"><u>Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated October 28, 2021, by Richard L. Gelfond.</u></a>
32.2*	<a href="#"><u>Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated October 28, 2021, by Joseph Sparacio.</u></a>
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.

**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: October 28, 2021

By: \_\_\_\_\_  
/s/ JOSEPH SPARACIO  
Joseph Sparacio  
Interim Chief Financial Officer  
(Principal Financial Officer)

Date: October 28, 2021

By: \_\_\_\_\_  
/s/ KEVIN M. DELANEY  
Kevin M. Delaney  
Senior Vice-President, Finance & Controller  
(Principal Accounting Officer)

# 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 September 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: October 28, 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 September 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: October 28, 2021

By: /s/ Joseph Sparacio  
Name: Joseph Sparacio  
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 September 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: October 28, 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 September 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: October 28, 2021

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