IMAX CHINA HOLDING, INC.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1970)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

INTERIM DIVIDEND ANNOUNCEMENT

CLOSURE OF REGISTER OF MEMBERS

AND

INSIDE INFORMATION

OUR CONTROLLING SHAREHOLDER IMAX CORPORATION RELEASED ITS UNAUDITED RESULTS AND QUARTERLY REPORT FOR THE SECOND QUARTER AND THE FIRST HALF OF FISCAL 2022

INTERIM RESULTS ANNOUNCEMENT

The Board of Directors of IMAX China Holding, Inc. (the "**Company**" or "**IMAX China**") announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2022. The interim results have been reviewed by the Group's external auditor and the Audit Committee.

INTERIM DIVIDEND ANNOUNCEMENT

The Board of Directors of the Company is pleased to announce it has declared an interim dividend of US$0.001 per share (equivalent to HK$0.008 per share) for the six months ended 30 June 2022 to the Shareholders.

The interim dividend will be paid on Friday, 26 August 2022 to the Shareholders whose names appear on the register of members of the Company as at the close of business on Monday, 15 August 2022. There will be no scrip dividend option for the 2022 interim dividend.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 11 August 2022 to Monday, 15 August 2022 (both days inclusive) during which period no transfer of Shares will be registered. In order to qualify for entitlement to the 2022 interim dividend, all share transfers documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration, no later than 4:30 p.m. on Wednesday, 10 August 2022.

INSIDE INFORMATION

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

Our controlling shareholder, IMAX Corporation has, on 28 July 2022 (New York time), released its unaudited results for the second quarter of 2022 and its quarterly report for the second quarter of 2022.

FINANCIAL INFORMATION

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE (LOSS) INCOME

(In thousands of U.S. dollars)

		Six months ended 30 June	
		2022	2021
	Notes	***(Unaudited)***	*(Unaudited)*
Revenues	6	**32,713**	53,431
Cost of sales	7	**(14,088)**	(20,308)
Gross profit	6	**18,625**	33,123
Selling, general and administrative expenses	7	**(9,545)**	(7,723)
Other operating expenses	7	**(1,873)**	(3,049)
Other (losses)/gains — net	7	**(5,083)**	2,612
Operating profit		**2,124**	24,963
Interest income		**728**	785
Interest expense		**(48)**	(203)
Profit before income tax		**2,804**	25,545
Income tax expense	8	**(2,038)**	(6,347)
Profit for the period attributable to owners of the Company		**766**	19,198
Other comprehensive (loss) income:			
Items that may be subsequently reclassified to profit or loss:			
Change in foreign currency translation adjustments		**(12,519)**	1,019
Items that may not be subsequently reclassified to profit or loss:			
Change in fair value of financial assets at fair value through other comprehensive income (“**FVOCI**”)		**—**	5,219
Other comprehensive (loss) income:		**(12,519)**	6,238
Total comprehensive (loss) income for the period, attributable to owners of the Company		**(11,753)**	25,436
Profit per share attributable to owners of the Company — basic and diluted (expressed in U.S. dollars per share):			
From profit for the period — basic	9	**0.00**	0.06
From profit for the period — diluted	9	**0.00**	0.05

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(In thousands of U.S. dollars)

	Notes	**As at 30 June 2022 *(Unaudited)***	As at 31 December 2021 *(Audited)*
ASSETS			
Non-current assets			
Property, plant and equipment	10	**91,064**	100,200
Other assets	11	**1,826**	510
Deferred tax assets	13	**6,599**	6,899
Variable consideration receivables from contracts		**2,419**	2,791
Financing receivables		**54,003**	60,681
		155,911	171,081
Current assets			
Other assets	11	**2,332**	633
Contract acquisition costs		**961**	518
Film assets		**2**	76
Inventories		**5,476**	5,857
Prepayments		**3,000**	3,566
Variable consideration receivables from contracts		**489**	516
Financing receivables		**22,372**	18,278
Trade and other receivables	12	**60,049**	51,496
Cash and cash equivalents		**76,961**	97,737
		171,642	178,677
Total assets		**327,553**	349,758

	Notes	**As at 30 June 2022** *(Unaudited)*	As at 31 December 2021 *(Audited)*
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	13	**17,642**	17,642
Deferred revenue	17	**18,560**	19,390
		36,202	37,032
Current liabilities			
Trade and other payables	16	**24,701**	21,107
Accruals and other liabilities	20	**19,360**	9,669
Income tax liabilities		**3,757**	5,585
Borrowings		**—**	3,612
Deferred revenue	17	**11,147**	18,875
		58,965	58,848
Total liabilities		**95,167**	95,880
EQUITY			
Equity attributable to owners of the Company			
Share capital		**34**	34
Share premium and reserves		**235,353**	257,611
Accumulated deficit		**(3,001)**	(3,767)
Total equity		**232,386**	253,878
Total equity and liabilities		**327,553**	349,758

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

1. General information

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

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

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

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

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

2. Summary of significant accounting policies

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

(a) Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2022 has been prepared in accordance with International Accounting Standard 34 ("**IAS 34**"), "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

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

(b) Summary of significant accounting policies

Except as described in note 3, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2021, as described in those annual financial statements.

Taxes on income in the six months ended 30 June 2022 and 2021 are accrued using the tax rate that would be applicable to expected total annual profits.

3. New accounting standards and accounting changes

A number of new or amended standards became applicable for annual reporting period commencing on 1 January 2022. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

		Effective for annual periods beginning on or after
IAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
IAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
IFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
Annual improvements	Annual Improvements to IFRS standards 2018–2020 cycle	1 January 2022

Certain new accounting standards and interpretations have been published that are not mandatory for the financial reporting periods commencing on or after 1 January 2022 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
IAS 1 (Amendments) and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
IAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
IAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IFRS 17	Insurance contracts	1 January 2023
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

4. Impact of COVID-19 Pandemic

The impact of the COVID-19 pandemic is complex and continuously evolving, resulting in significant disruption to the Group'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, including stay-at-home orders and restrictions on large public gatherings, which caused movie theatres to temporarily close.

During the six months ended 30 June 2022, following the emergence of the Omicron variant and rise of COVID cases in China, coupled with China's current dynamic zero COVID policy, the Chinese government implemented city or district level lock down measures and regular city-wide testing in an effort to significantly reduce community transmission of the virus. Included as part of the lockdowns were venues for public gatherings which included movie theatres. As the number of COVID cases decreased, cities and districts lifted lockdown restrictions and public venues gradually reopened with regular COVID testing a requirement. As of 22 July 2022, approximately 91% of the theatres in Greater China were open at various capacities, up from 52% as of 31 March 2022. Management is encouraged by the reopening of theatres, however, in the event COVID caseloads increase once again in China, cinemas may once again be forced to temporarily close, impacting future box office, installation and business development activity.

For the six months ended 30 June 2022, gross box office ("**GBO**") generated by IMAX films decreased compared with the same period in 2021. GBO results during the six months ended 30 June 2022 were significantly impacted by the COVID-related theatre closures in China and the limited number of Hollywood releases during the period. Based on the box office results experienced in Hong Kong and other global markets upon reopening, management believes that moviegoers will return to theatres, and in particular IMAX theatres, where and when theatres are open, and they feel safe.

The impact of the COVID pandemic on the Group'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 new and the spread of existing variants of the virus, the progress made on administering vaccines and developing treatments, the effectiveness of such vaccines and treatments, the continuing impact of the pandemic on the local economy and the ongoing government responses to the pandemic, which could lead to further theatre closures, theatre capacity restrictions and/or delays in the release of films.

5. Financial instruments

(a) Financial instruments

The Group's financial instruments at the following year/period-ends are comprised of the following:

	Financial assets at amortised costs	**Financial assets at FVTPL**	**Total**
30 June 2022 (unaudited)			
Assets as per statement of financial position			
Net financed sales receivable	**52,493**	**—**	**52,493**
Net investment in finance leases	**23,882**	**—**	**23,882**
Variable consideration receivables	**2,908**	**—**	**2,908**
Interest in a film classified as financial assets at FVTPL	**—**	**—**	**—**
Trade and other receivables	**60,049**	**—**	**60,049**
Cash and cash equivalents	**76,961**	**—**	**76,961**
	216,293	**—**	**216,293**

	Liabilities at amortised cost	**Total**
Liabilities as per statement of financial position		
Trade and other payables	**24,701**	**24,701**
Lease liabilities	**292**	**292**
	24,993	**24,993**

	Financial assets at amortised costs	Total
31 December 2021 (audited)		
Assets as per statement of financial position		
Net financed sales receivable	53,738	53,738
Net investment in finance leases	25,221	25,221
Variable consideration receivables from contracts	3,307	3,307
Trade and other receivables	51,496	51,496
Cash and cash equivalents	97,737	97,737
	231,499	231,499

	Liabilities at amortised cost	Total
Liabilities as per statement of financial position		
Trade and other payables	21,107	21,107
Borrowings	3,612	3,612
Lease liabilities	552	552
	25,271	25,271

(b) Fair value measurements

The Group has classified its financial instruments into three levels prescribed under the accounting standards.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The investment in an equity security is classified as financial asset with fair value change through other comprehensive income under IFRS 9 and this investment is classified as Level 1 financial instruments with the fair value determined by using quoted market prices at the end of the reporting period. As of 30 June 2022, the fair value of investment in an equity security was $nil (31 December 2021: $nil).

The interest in a film is classified as financial asset at fair value through profit or loss under IFRS 9 and this investment is classified as Level 3 financial instruments with the fair value determined based on projected GBO results and forecasted distribution costs at the end of the reporting period. As of 30 June 2022, the fair value of interest in a film classified as financial assets at FVTPL was $nil (31 December 2021: $nil).

The carrying value of the Group's cash and cash equivalents, trade and other receivables, trade and other payables and accruals and other liabilities due within one year approximate fair values due to the short-term maturity of these instruments.

Cash and cash equivalents are comprised of cash and interest-bearing investments with original maturity dates of 90 days or less. Cash and cash equivalents are recorded at cost, which approximates fair value as at 30 June 2022 and 31 December 2021, respectively.

The estimated fair values of the net financed sales receivable and net investment in finance leases are estimated based on discounting future cash flows at currently available interest rates with comparable terms as at 30 June 2022 and 31 December 2021, respectively.

	As at 30 June 2022 *(Unaudited)*		As at 31 December 2021 *(Audited)*	
	Carrying Amount	**Estimated Fair Value**	Carrying Amount	Estimated Fair Value
Net financed sales receivable	**52,493**	**52,459**	53,738	53,673
Net investment in finance leases	**23,882**	**23,690**	25,221	25,221
Variable consideration receivables from contracts	**2,908**	**2,908**	3,307	3,307
Interest in a film classified as financial assets at FVTPL	**—**	**—**	—	—
Borrowings	**—**	**—**	3,612	3,612
Lease liabilities	**292**	**292**	552	552

There were no significant transfers within Level 1, Level 2 and Level 3 during the six months ended 30 June 2022 (30 June 2021: none). When a determination is made to classify an asset or liability within Level 3, the determination is based upon the significance of the unobservable inputs to the overall fair value measurement.

6. Revenue and segment information

Management, including the Group's executive directors, assesses segment performance based on segment revenues, gross margins and film performance. Selling, general and administrative expenses, other operating expenses, other (losses)/gains — net, interest income, interest expense and income tax expense are not allocated to the segments.

The Group now has six operating and reportable segments: IMAX DMR films, Revenue sharing arrangements, IMAX Systems, IMAX Maintenance, Other Theatre Business, New Business Initiatives and Other.

The Group's reportable segments are organised under three primary groups identified by nature of product sold or service provided: (1) IMAX Technology Network, which earns revenue based on contingent box office receipts and includes the IMAX DMR films segment and contingent rent from revenue sharing arrangements segment; (2) IMAX Technology Sales and Maintenance, which includes results from IMAX Systems, IMAX Maintenance and Other Theatre Business, as well as upfront fees from revenue sharing arrangements; and (3) New Business Initiatives and Other, which includes activities related to the exploration of new lines of business and new initiatives outside of the Group's core business.

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

Transactions between the other segments are not significant.

(a) Operating Segments

	Six months ended 30 June	
	2022	2021
	(Unaudited)	*(Unaudited)*
Revenue		
IMAX Technology Network		
IMAX DMR films	**6,519**	11,493
Revenue sharing arrangements — contingent rent	**5,166**	10,210
	11,685	21,703
IMAX Technology Sales and Maintenance		
IMAX Systems	**6,270**	16,003
Revenue sharing arrangements — upfront fees	**525**	2,484
IMAX Maintenance	**14,099**	12,630
Other Theatre Business	**52**	569
	20,946	31,686
New Business Initiatives and Other	**82**	42
Total	**32,713**	53,431

	Six months ended 30 June	
	2022	2021
	(Unaudited)	*(Unaudited)*
Gross profit (loss)		
IMAX Technology Network		
IMAX DMR films	**5,180**	9,284
Revenue sharing arrangements — contingent rent	**(1,100)**	3,794
	4,080	13,078
IMAX Technology Sales and Maintenance		
IMAX Systems	**4,476**	10,729
Revenue sharing arrangements — upfront fees	**(97)**	569
IMAX Maintenance	**10,100**	8,464
Other Theatre Business	**(4)**	221
	14,475	19,983
New Business Initiatives and Other	**70**	62
Total gross profit	**18,625**	33,123
Selling, general and administrative expenses	**(9,545)**	(7,723)
Other operating expenses	**(1,873)**	(3,049)
Other (losses)/gains — net	**(5,083)**	2,612
Interest income	**728**	785
Interest expense	**(48)**	(203)
Profit before income tax	**2,804**	25,545

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

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

	Six months ended 30 June			
	Recognised under IFRS 15		**Recognised under IFRS 16**	
	2022	2021	**2022**	2021
Revenue				
IMAX Technology Network				
IMAX DMR films	**6,519**	11,493	**—**	—
Revenue sharing arrangements — contingent rent	**—**	—	**5,166**	10,210
	6,519	11,493	**5,166**	10,210
IMAX Technology Sales and Maintenance				
IMAX Systems	**6,270**	12,192	**—**	3,811
Revenue sharing arrangements — upfront fees	**—**	—	**525**	2,484
IMAX Maintenance	**14,099**	12,630	**—**	—
Other Theatre Business	**52**	569	**—**	—
	20,421	25,391	**525**	6,295
New Business Initiatives and Other	**82**	42	**—**	—
Total	**27,022**	36,926	**5,691**	16,505

Of the revenue from IMAX systems, finance income was approximately $1.9 million for the six months ended 30 June 2022 (2021: $2.0 million).

Of the revenue sharing arrangements — contingent rent, approximately $4.5 million for the six months ended 30 June 2022 (2021: $8.7 million) were from revenues under operating leases and approximately $0.7 million for the six months ended 30 June 2022 (2021: $1.5 million) were from revenues under finance leases.

The selling profit for the Group's finance leases was approximately less than negative $0.1 million for the six months ended 30 June 2022 (2021: $2.7 million).

(b) Significant customers

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

Customer A

Revenues of approximately $10.2 million in the six months ended 30 June 2022 (30 June 2021: $17.7 million) are derived from a single external customer. These revenues are attributable to Revenue sharing arrangements, IMAX DMR films, IMAX Systems, IMAX Maintenance and Other Theatre Business.

Customer B

Revenues of approximately $5.9 million in the six months ended 30 June 2022 (30 June 2021: $3.3 million) are derived from a single external customer. These revenues are attributable to IMAX DMR films, IMAX Systems, IMAX Maintenance and Other Theatre Business.

Customer C

Revenues of approximately $3.3 million in the six months ended 30 June 2022 (30 June 2021: $5.7 million) are derived from a related party. These revenues are attributable to IMAX DMR films, IMAX Maintenance and Other Theatre Business.

No other single customers comprises of more than 10% of total revenues in the six months ended 30 June 2022 or 2021.

7. Expenses by nature

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	*(Unaudited)*
Depreciation, including joint revenue sharing arrangements and film cost	**7,243**	7,557
Employee salaries and benefits	**5,177**	5,882
Net fair value losses on financial assets at FVTPL	**4,470**	—
Theatre maintenance fees	**2,810**	2,881
Cost of theatre system sales and finance leases	**2,104**	7,098
Technology and trademark fees	**1,867**	3,044
Share-based compensation expenses	**1,865**	2,027
Advertising and marketing expenses	**1,805**	2,372
Foreign exchange losses (gains)	**1,050**	(1,193)
Professional fees	**713**	537
Increase (Decrease) in allowance for expected credit losses	**613**	(2,612)
Travel and transportation expenses	**182**	240
Lease expenses	**119**	109
Utilities and maintenance expenses	**57**	57
Other film costs (recoveries)	**17**	(62)
Recoveries of write-downs	**(8)**	(30)
Other expenses	**289**	321
Auditor's remuneration		
— Non-audit services	**17**	69
— Audit services	**199**	171
Total costs of sales, selling, general and administrative expenses, other operating expenses and other (losses)/gains — net	**30,589**	28,468

8. Income tax expense

	Six months ended 30 June	
	2022	2021
	(Unaudited)	*(Unaudited)*
Current income tax:		
Current tax on profits for the period	**1,935**	5,195
Adjustments in respect of prior years	**78**	880
Total current income tax	**2,013**	6,075
Deferred income tax:		
Origination of deductible temporary differences and losses	**25**	(275)
Withholding tax on historical earnings	**—**	547
Total deferred income tax	**25**	272
Income tax expense	**2,038**	6,347

Income tax expense for the six months ended 30 June 2022 and 2021 is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

9. Profit per share

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	*(Unaudited)*
Profit for the period	**766**	19,198
Weighted average number of common shares (in '000s):		
Issued and outstanding, beginning of period	**341,743**	348,063
Weighted average number of shares (decreased) increased during the period	**(905)**	162
Weighted average number of shares used in computing basic earnings per share	**340,838**	348,225
Adjustments for:		
Stock options	**72**	1,204
Restricted share units	**1,492**	1,103
Performance stock units	**239**	131
Weighted average number of shares used in computing diluted earnings per share	**342,641**	350,663

10. Property, plant and equipment

	Theatre System Components	Office and Production Equipment	Right-of-use Assets	Leasehold Improvements	Construction in Process	Total
As at 1 January 2022						
Cost	**166,913**	**3,042**	**2,844**	**1,918**	**3,480**	**178,197**
Accumulated depreciation and impairment	**(71,286)**	**(2,500)**	**(2,296)**	**(1,915)**	**—**	**(77,997)**
Net book amount	**95,627**	**542**	**548**	**3**	**3,480**	**100,200**
Six months ended 30 June 2022 (unaudited)						
Opening net book amount	**95,627**	**542**	**548**	**3**	**3,480**	**100,200**
Exchange differences	**(4,748)**	**(27)**	**(30)**	**(1)**	**(41)**	**(4,847)**
Additions	**—**	**44**	**—**	**—**	**2,637**	**2,681**
Transfers	**2,118**	**—**	**—**	**—**	**(2,118)**	**—**
Depreciation charge	**(6,474)**	**(106)**	**(388)**	**(2)**	**—**	**(6,970)**
Closing net book amount	**86,523**	**453**	**130**	**—**	**3,958**	**91,064**
As at 30 June 2022 (unaudited)						
Cost	**160,588**	**2,936**	**2,702**	**1,811**	**3,958**	**171,995**
Accumulated depreciation and impairment	**(74,065)**	**(2,483)**	**(2,572)**	**(1,811)**	**—**	**(80,931)**
Net book amount	**86,523**	**453**	**130**	**—**	**3,958**	**91,064**
As as at 1 January 2021						
Cost	158,203	2,842	3,022	1,869	2,042	167,978
Accumulated depreciation and impairment	(57,606)	(2,125)	(1,642)	(1,853)	—	(63,226)
Net book amount	100,597	717	1,380	16	2,042	104,752
Six months ended 30 June 2021 (unaudited)						
Opening net book amount	100,597	717	1,380	16	2,042	104,752
Exchange differences	895	(2)	(14)	—	2	881
Additions	—	50	—	—	1,732	1,782
Transfers	2,769	—	—	—	(2,769)	—
Disposals	(137)	(5)	(79)	—	—	(221)
Depreciation charge	(6,215)	(187)	(397)	(8)	—	(6,807)
Impairment loss	32	—	—	—	—	32
Closing net book amount	97,941	573	890	8	1,007	100,419

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

11. Other assets

The Group's other assets balance is comprised of the following:

	As at 30 June 2022 ***(Unaudited)***	As at 31 December 2021 *(Audited)*
Prepayments to IMAX Corporation	**1,842**	—
Deposits	**439**	582
Interest in a film classified as financial assets at FVTPL (note (i))	**—**	—
Other	**51**	51
Other assets, current	**2,332**	633
Prepayments to IMAX Corporation	**1,812**	213
Investment in an equity security (note (ii))	**—**	—
Deposits over one year	**14**	297
Other assets, non-current	**1,826**	510
Other assets	**4,158**	1,143

Notes:

(i) On 10 January 2022, IMAX (Shanghai) Culture and Technology Co., Ltd., a wholly-owned subsidiary of the Company, entered into a joint film investment agreement with Wanda Film (Horgos) Co., Ltd. to invest RMB30.0 million (approximately $4.7 million) in the movie "Mozart from Space", which was released on 15 July 2022. Pursuant to the investment agreement, IMAX (Shanghai) Culture and Technology Co., Ltd. has the right to receive share of the profits or losses of the film distribution. IMAX (Shanghai) Culture and Technology Co., Ltd.'s commitment is limited to its RMB30.0 million (approximately $4.7 million) investment and has no further investment obligation if the actual move production cost exceeds the original budget.

The investment was classified as financial assets at FVTPL. As at 30 June 2022, the estimated fair value of the interest in a film was $nil and a decrease in fair value of $4.5 million was recorded in net fair value losses on financial assets at FVTPL during the six months ended 30 June 2022.

(ii) On 4 February 2019, IMAX China (Hong Kong), Limited, a wholly-owned subsidiary of the Company, purchased 7,949,000 shares (representing approximately 0.706% equity at the time) in Maoyan Entertainment ("**Maoyan**") with the amount of $15.1 million at the final offer price pursuant to the global offering of the share capital of Maoyan. During the six months ended 30 June 2021, IMAX China (Hong Kong), Limited sold out all of its 7,949,000 shares of Maoyan for a net proceed of $17.8 million. During the six months ended 30 June 2021, an increase in fair value of $5.2 million was recorded in other comprehensive income and the accumulated gain of $2.7 million was transferred to retained profit upon the disposal of the shares.

12. Trade and other receivables

	As at 30 June 2022 ***(Unaudited)***	As at 31 December 2021 *(Audited)*
Trade receivables:		
Trade receivables from third parties	**41,828**	33,914
Less: allowance for expected credit losses of trade receivables from third parties	**(4,324)**	(3,938)
Trade receivables from third parties — net	**37,504**	29,976
Trade receivables from IMAX Corporation	**18,379**	16,266
Accrued trade receivables	**4,573**	5,698
Less: allowance for expected credit losses of accrued trade receivables	**(540)**	(577)
Accrued trade receivables — net	**4,033**	5,121
Total trade receivables	**59,916**	51,363
Other receivables:		
Loan and interest receivables from related parties	**534**	562
Less: allowance for expected credit losses of loan and interest receivables	**(401)**	(429)
Loan and interest receivables from related parties — net	**133**	133
Total other receivables	**133**	133
Total trade and other receivables	**60,049**	51,496

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

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

	As at 30 June 2022 *(Unaudited)*	As at 31 December 2021 *(Audited)*
0–30 days	**9,413**	4,462
31–60 days	**1,263**	4,505
61–90 days	**4,164**	6,481
Over 90 days	**45,367**	34,732
	60,207	50,180

13. Deferred income tax

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

	As at 30 June 2022 *(Unaudited)*	As at 31 December 2021 *(Audited)*
Deferred tax assets		
Opening balance	**6,899**	7,089
Exchange differences	**(275)**	134
Credited to profit or loss	**(25)**	(324)
Closing balance	**6,599**	6,899
Deferred tax liabilities		
Opening balance	**17,642**	19,134
Credited to profit or loss	**—**	(1,492)
Closing balance	**17,642**	17,642

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

14. Interests in a joint venture

A joint venture was established in 2017. As at 30 June 2022, no capital has been injected to the joint venture yet.

Details of the Group's joint venture at 30 June 2022 are as follows:

Name of the entity	Place of incorporation, kind of legal entity and date of incorporation	Principal activities and place of operation	Issued shares/ registered capital	Paid up capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)
IMAX Fei Er Mu (Shanghai) Investment Management Co., Ltd.	The People's Republic of China (the "**PRC**") (a joint venture invested by foreign invested enterprise and domestic enterprise) 25 January 2017	Investment management, investment consulting	Registered capital of RMB 7,000,000	$nil	—	50%

15. Share capital and reserves

(a) Share capital

	Number of shares		Share capital	
	2022	2021	**2022**	2021
			US$	US$
Ordinary shares of US$0.0001 each				
Authorised				
At beginning and end of six months ended	**625,625,000**	625,625,000	**62,562.50**	62,562.50

	Number of shares		Share capital	
	2022	2021	**2022**	2021
			US$	US$
Issued and fully paid				
At beginning of 1 January	**342,082,805**	348,063,015	**34,208.28**	34,806.30
Shares issued for vested restricted share units	**—**	301,263	**—**	30.13
Share cancellation	**(1,448,000)**	—	**(144.80)**	—
Number of shares as at 30 June (unaudited)	**340,634,805**	348,364,278	**34,063.48**	34,836.43

The holders of common shares are entitled to receive dividends if, as and when declared by the directors of the Group. The holders of the common shares are entitled to one vote for each common share held at all meetings of the shareholders.

(b) Treasury shares

For the six months ended 30 June:

	Notes	**Number of shares** **2022**	2021	**US$'000** **2022**	2021
Treasury shares					
At beginning of period		**722,739**	—	**529**	—
Acquisition of shares by the Trust	(i)	**416,367**	688,257	**587**	1,323
Shares issued for vested RSUs		**—**	6,035	**—**	—
Issued to employees for vested restricted share units		**(853,773)**	(479,535)	**(717)**	(991)
Shares bought back on-market	(ii)	**1,448,000**	—	**1,831**	—
Buy-back transaction costs	(ii)	**—**	—	**13**	—
Shares cancelled	(ii)	**(1,448,000)**	—	**(1,844)**	—
At end of period		**285,333**	214,757	**399**	332

Notes:

(i) These shares are shares in IMAX China Holding, Inc. that are held by Computershare Hong Kong Trustees Limited (the "**Trust**") for the purpose of issuing shares under China Long-Term Incentive Plan. Shares issued to employees are recognised on a first-in-first-out basis.

(ii) During the six months ended 30 June 2022, the Company conducted shares buy-back pursuant to a general mandate granted by the shareholders to the Directors during the Annual General Meeting held on 6 May 2021 and resolutions of the Board adopted on 27 July 2021.

During the six months ended 30 June 2022, 1,448,000 shares were purchased back by the Company from the market and were cancelled. The shares were acquired at an average price of $1.26, with prices ranging from $1.25 to $1.30.

(c) Share-based payments

IMAX Corporation issued share-based compensation to eligible Group employees under IMAX Corporation's 2013 Long-Term Incentive Plan and the China Long-Term Incentive Plan, as described below.

On 11 June 2013, IMAX Corporation's shareholders approved the IMAX 2013 Long-Term Incentive Plan ("**IMAX LTIP**") at IMAX Corporation's Annual and Special Meeting. Awards to employees under the IMAX LTIP may consist of stock options, restricted share units ("**RSUs**"), and other awards.

IMAX Corporation's Stock Option Plan ("**SOP**") which shareholders approved in June 2008, permitted the grant of stock options to employees. As a result of the implementation of the IMAX LTIP on 11 June 2013, stock options will no longer be granted under the SOP.

A separate China Long-Term Incentive Plan (the "**China LTIP**") was adopted by the Group in October 2012. Each stock option issued prior to the IPO ("**China IPO Option**"), stock options issued after the IPO ("**China Option**"), RSU ("**China RSUs**"), performance stock units ("**China PSUs**") or cash settled share-based payment ("**CSSBP**") issued under the China LTIP represents an opportunity to participate economically in the future growth and value creation of the Company.

The compensation costs recorded in the condensed consolidated interim statement of comprehensive (loss) income for these plans were $1.9 million in the six months ended 30 June 2022 (30 June 2021: $2.0 million).

*(i) China Long-Term Incentive Plan ("**China LTIP**")*

China IPO Options Summary

The China IPO Options issued under China LTIP vest and become exercisable only upon specified events, including upon the likely event of a qualified initial public offering or upon a change in control on or prior to the fifth anniversary of the grant date. If such a specified event is likely to occur, the China IPO Options vest over a 5 year period beginning on the date of grant. In addition to China IPO Options, the Group has granted options to certain employees that operate in tandem with options granted under the IMAX Corporation's SOP and IMAX LTIP ("**Tandem Options**"). The Group would recognise the Tandem Options expense over a 5 year period if it is determined that a qualified initial public offering is unlikely. Upon vesting of the China IPO Options, the Tandem Options would not vest and be forfeited.

No China IPO Options were granted after 2015. Both the China IPO Options and Tandem Options have a maximum contractual life of 7 years.

In the six months ended 30 June 2022, the Group recorded an expense of $nil (30 June 2021: $nil) related to equity-settled China IPO Options issued under the China LTIP.

China IPO Options were priced using Binomial Model. Expected volatility rate is estimated based on a blended volatility method which take into consideration IMAX Corporation's historical stock price volatility, IMAX Corporation's implied volatility which is implied by the observed current market prices of IMAX Corporation's traded options and IMAX Corporation's peer group volatility.

The following table summarizes certain information in respect of China IPO Option activity in the Group:

For the six months ended 30 June:

	Number of Shares		**Weighted Average Exercise Price Per Share**	
	2022	2021	**2022**	2021
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
Options outstanding, beginning of period	**4,893,800**	5,163,800	**1.43**	1.45
Expired	**—**	(270,000)	**—**	1.81
Options outstanding, end of period	**4,893,800**	4,893,800	**1.43**	1.43
Options exercisable, end of period	**4,893,800**	4,893,800	**1.43**	1.43

As at 30 June 2022, the weighted average remaining contractual life of options outstanding is 0.3 years (31 December 2021: 0.8 years).

China Options Summary

The China Options vest between a three and four year period beginning on the date of grant. The China Options have a maximum contractual life of 7 years. No China Options were granted after 2019.

In the six months ended 30 June 2022, the Group recorded an expense of less than $0.1 million (30 June 2021: $0.1 million) related to China Options issued under the China LTIP.

The following table summarizes certain information in respect of China Options activity in the Group:

For the six months ended 30 June:

	Number of Shares		Weighted Average Exercise Price Per Share	
	2022	2021	**2022**	2021
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
Options outstanding, beginning and end of period	**1,343,039**	1,343,039	**3.23**	3.23
Options exercisable, end of period	**1,144,839**	871,368	**3.36**	3.56

As at 30 June 2022, the weighted average remaining contractual life of options outstanding is 2.9 years (31 December 2021: 3.4 years).

(ii) Restricted Share Units

China RSUs under China LTIP

China RSUs have been granted to employees of the Group under the IMAX China LTIP. Each China RSU represents a contingent right to receive one common share of the Company and its economic equivalent of one common share of the Company. China RSUs were not issued before 2015. The grant date fair value of each China RSU is equal to the share price of the Company's stock at the grant date. The Group recorded an expense of $1.5 million for the six months ended 30 June 2022 (30 June 2021: $1.7 million) related to China RSU grants issued to employees in the plan. The annual termination probability assumed for the six months ended 30 June 2022 was nil (30 June 2021: nil).

RSUs granted under the China LTIP vest between immediately and four years. Vesting of the RSUs is subject to continued employment or service with the Group or IMAX Corporation.

China RSUs under China LTIP Summary

The following table summarizes certain information in respect of China RSUs activity under the China LTIP:

For the six months ended 30 June:

	Number of Awards		Weighted Average Grant Date Fair Value Per Share	
	2022	2021	**2022**	2021
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
RSUs outstanding, beginning of period	**2,397,235**	2,102,349	**1.98**	2.18
Granted	**1,441,576**	962,792	**1.21**	2.10
Vested and settled	**(853,773)**	(774,763)	**2.14**	2.35
Vested and unsettled	**(381,044)**	—	**1.01**	—
Forfeited	**(1,624)**	(8,709)	**1.83**	1.88
RSUs outstanding, end of period	**2,602,370**	2,281,669	**1.65**	2.09

(iii) Performance Stock Units

During the six months ended 30 June 2020, the Group expanded its share-based compensation program to include performance stock units ("**PSUs**"). The Group grants PSU awards which vests based on a combination of employee service and the achievement of certain EBITDA-based targets. These awards vest over a three-year performance period. The fair value of PSUs with EBITDA-based targets is equal to the closing price on the date of grant.

The amount and timing of compensation expense recognised for PSUs with EBITDA-based targets is dependent upon management's assessment of the likelihood and timing 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 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 such determination is made.

At the conclusion of the three-year performance period, the number of PSUs that ultimately vest can range from 0% to a maximum vesting opportunity of 175% of the initial award, depending upon actual performance versus the established EBITDA.

In the six months ended 30 June 2022, the Group recorded an expense of $0.4 million (2021: $0.2 million) related to China PSUs issued under the China LTIP.

The following table summarized the activity in respect of PSUs issued under the IMAX LTIP for the six months ended 30 June:

For the six months ended 30 June:

	Number of Shares		Weighted Average Grant Date Fair Value Per Share	
	2022	2021	**2022**	2021
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
PSUs outstanding, beginning of period	**598,867**	317,998	**1.82**	1.81
Granted	**246,931**	169,200	**1.31**	2.11
PSUs outstanding, end of period	**845,798**	487,198	**1.67**	1.92

(d) Reserves

The Group's reserves and movement therein for the current and prior periods are presented in the condensed consolidated interim statement of changes in equity.

Share premium

The application of the share premium account is governed by Section 34(2) of the Companies Law (2013 Revision) of the Cayman Islands. Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business. The Company distributed a dividend of $9.2 million out of share premium for the six months ended 30 June 2022 (30 June 2021: $7.0 million).

Capital reserve

The Group's capital reserve represents the net contributions from the Controlling Shareholder and share-based payment expenses.

Statutory surplus reserves

The PRC laws and regulations require companies registered in the PRC to provide certain statutory reserves, which are to be appropriated from the net profit (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holders. All statutory reserves are created for specific purposes. PRC companies are required to appropriate 10% of statutory net profits to statutory surplus reserves, upon distribution of their post-tax profits. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the companies, to expand the companies' production operations, or to increase the capital of the companies. In addition, a company may make further contribution to the discretional surplus reserve using its post-tax profits in accordance with resolutions of the Board of Directors. The PRC companies of the Group had not distributed any of their post-tax profits up to 30 June 2022 accordingly, no statutory surplus reserves were appropriated (31 December 2021: $5.6 million).

FVOCI reserve

The FVOCI reserve represents the changes in fair value net of tax of financial assets at FVOCI of the Group.

The Group has one preferred share investments in IMAX (Hong Kong) Holdings, Limited. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The changes in the fair value are accumulated within the FVOCI reserve. There was no change to fair value of this investment as of 30 June 2022 and 31 December 2021 based on the Group's evaluation.

16. Trade and other payables

	As at 30 June 2022 *(Unaudited)*	As at 31 December 2021 *(Audited)*
Trade payables	**1,239**	1,025
Payables to IMAX Corporation	**21,832**	18,857
Other payables	**1,630**	1,225
	24,701	21,107

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

	As at 30 June 2022 *(Unaudited)*	As at 31 December 2021 *(Audited)*
0–30 days	**4,243**	8,346
31–60 days	**1,831**	1,688
61–90 days	**2,560**	901
Over 90 days	**16,067**	10,172
	24,701	21,107

As at 30 June 2022 and 31 December 2021, the carrying amounts of trade and other payables approximated their fair values due to short maturity. Trade and other payables over 90 days primarily consist of amounts due to IMAX Corporation.

17. Deferred revenue

	As at 30 June 2022 *(Unaudited)*	As at 31 December 2021 *(Audited)*
Theatre system deposits	**21,958**	27,728
Maintenance prepayments	**7,749**	10,537
	29,707	38,265
Deferred revenue, current	**11,147**	18,875
Deferred revenue, non-current	**18,560**	19,390
	29,707	38,265

The following table shows the amount of revenue recognised in the condensed consolidated statements of comprehensive (loss) income for the six months ended 30 June 2022 and 2021 relating to deferred revenue brought forward:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	*(Unaudited)*
Upfront revenue	**4,210**	5,480
Maintenance revenue	**5,207**	4,638
Total	**9,418**	10,118

The unsatisfied performance obligations out of the carrying value of the Group's backlog as at 30 June 2022 was approximately $164.3 million (31 December 2021: $176.6 million).

18. Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

IMAX Corporation (incorporated in Canada) is the Controlling Shareholder of the Company who holds 71.41% of the Company's shares as at 30 June 2022.

IMAX (Barbados) Holding, Inc. and IMAX Virtual Reality Content Fund, LLC are subsidiaries of IMAX Corporation.

IMAX Fei Er Mu (Shanghai) Investment Management Co., Ltd. ("**IMAX Fei Er Mu**") is the joint venture established by the Group with 50% equity interest.

Suzhou IMAX Fei Er Mu Project Investment Partnership Enterprise (Limited Partnership) ("**Suzhou IMAX Fei Er Mu**") is an investee of the Group with 50% equity interests and the remaining equity interests are held by a subsidiary of IMAX Fei Er Mu.

The following continuing transactions were carried out with related parties:

(a) Purchases and sales of goods and services and other transactions

	Six months ended 30 June	
	2022	2021
	(Unaudited)	*(Unaudited)*
Purchase of goods:		
IMAX Corporation (theatres systems)	**3,208**	6,210
Purchase of services:		
IMAX Corporation (film related transactions)	**1,461**	2,049
IMAX Corporation (management fees — legal and administration services)	**303**	304
Other transactions:		
IMAX (Barbados) Holding, Inc. (dividends paid to)	**—**	4,865
IMAX Corporation (trademark and technology fees)	**1,867**	3,013
Gross revenue earned from film services through IMAX Corporation (Note below)	**3,261**	5,626
Revenue earned from maintenance services provided to IMAX Corporation	**44**	49

Goods and services are bought from IMAX Corporation (the Controlling Shareholder) on a cost-plus basis. Management services, trademark and technology fees are paid to IMAX Corporation (the Controlling Shareholder) based on service and fee agreements.

Note:

The amounts shown in the table are gross amount for transactions with IMAX Corporation. For the six months ended 30 June 2022, conversion cost of $1.3 million (2021: $1.5 million) paid to IMAX Corporation in relation to Hollywood films is considered as a payment to customer and is net against DMR revenue earned from IMAX Corporation as presented in the revenues of condensed consolidated interim statement of comprehensive (loss) income, with the adoption of IFRS 15.

(b) Period/Year-end balances

	As at 30 June 2022 *(Unaudited)*	As at 31 December 2021 *(Audited)*
Prepayments to related parties:		
IMAX Corporation	**3,654**	213
Receivables from related parties:		
IMAX Corporation	**18,379**	16,266
Loan and interest receivables from a joint venture:		
Suzhou IMAX Fei Er Mu	**319**	335
IMAX Fei Er Mu	**215**	227
Payables to related parties:		
IMAX Corporation	**21,832**	18,857
Dividends payable to owners of the Company:		
IMAX (Barbados) Holding, Inc.	**6,568**	—

The receivables and payables from related parties arise mainly from purchase, sale, service and fee transactions and do not bear interest nor have fixed repayment terms and are due on demand, except that the loan receivables from IMAX Fei Er Mu and Suzhou IMAX Fei Er Mu are unsecured, with fixed interest rates and repayable within one year.

(c) Key management compensation

Key management includes members of the executive committee. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2022 *(Unaudited)*	2021 *(Unaudited)*
Salaries and other short-term employee benefits	**1,367**	1,613
Post-employment benefits	**23**	17
Other benefits[1]	**368**	399
Share-based compensation	**1,067**	1,134
	2,825	3,163

1 Includes perquisites such as educational reimbursements of minor children, housing, car, and relocation allowances.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The management discussion and analysis is based on the Company's condensed consolidated interim financial information for 1HFY2022 prepared in accordance with International Accounting Standard 34 and must be read together with the condensed consolidated interim financial information and the notes which form an integral part of the condensed consolidated interim financial information.

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

Revenue

We derive a majority of our revenue from our three primary groups — IMAX Technology Network, IMAX Technology Sales and Maintenance and New Business Initiatives and Other.

IMAX Technology Network

Our IMAX Technology Network represents all variable revenue generated by box-office results and includes three segments:

- IMAX DMR films, pursuant to which the Group generates revenue from a certain percentage of IMAX box office received by our studio partners for the conversion and release of Hollywood and Chinese language films to the IMAX theatre network. IMAX DMR films revenue is recognized when reported by our exhibitor partners;

- Revenue sharing arrangements, of which the Group has two types — full revenue sharing arrangements and hybrid revenue sharing arrangements. Under its full revenue sharing arrangements, the Group leases IMAX theatre systems to its exhibitor partners, and provides related services, in return for ongoing fees of contingent rent based on a percentage of the IMAX box office from the relevant IMAX theatre. Under full revenue sharing arrangements, the customer pays no upfront fee. Under hybrid revenue sharing arrangements, the Group receives ongoing fees of contingent rent based on a percentage of IMAX box office from the relevant IMAX theatre. The Group also receives a fixed upfront fee, which is less than the sales price, and which is recorded in the IMAX Technology Sales and Maintenance segment. Contingent rent revenue from joint revenue sharing arrangements is recognized when reported by our exhibitor partners; and,

- Sales-type lease arrangements, consist of contingent rent in excess of certain fixed minimum ongoing payments. The contingent rent on sales-type lease arrangements is recognized after the fixed minimum amount per annum is exceeded as driven by box office performance. Contingent rent on sales arrangements is estimated and that amount is recognized with the revenue under IMAX Technology Sales and Maintenance.

IMAX Technology Sales and Maintenance

The IMAX Technology Sales and Maintenance represents all fixed revenues that are primarily derived from exhibitor partners through either sales and sales-type lease or revenue sharing arrangements, and the revenue generated by maintenance services and aftermarket sales. IMAX Technology Sales and Maintenance revenue is revenue not directly tied to box office results and includes the following four segments:

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

- Revenue sharing arrangements, pursuant to which the Group receives a reduced, fixed upfront fee under its hybrid revenue sharing arrangement. In addition, the Group receives ongoing fees of contingent rent based on a percentage of IMAX box office from the relevant IMAX theatre which is recorded in IMAX Technology Network revenue group described above. Revenue sharing arrangements upfront fees revenue is recognized at the time of installation and exhibitor acceptance of the IMAX theatre system;

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

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

New Business Initiatives and Other

New business initiatives and other includes all revenue in connection with any other non-core business initiatives that are in development and/or start-up phase.

Impact of COVID-19 Pandemic

The impact of the COVID-19 pandemic is complex and continuously evolving, resulting in significant disruption to the Group'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, including stay-at-home orders and restrictions on large public gatherings, which caused movie theatres to temporarily close.

During the first half of 2022, following the emergence of the Omicron variant and rise of COVID cases in China, coupled with China's current dynamic zero COVID policy, the Chinese government implemented city or district level lockdown measures and regular city-wide testing in an effort to significantly reduce community transmission of the virus. Included as part of the lockdowns were venues for public gatherings which included movie theatres. As the number of COVID cases decreased, cities and districts lifted lockdown restrictions and public venues gradually reopened with regular COVID testing a requirement. As of July 22, 2022, approximately 91% of the theatres in Greater China were open at various capacities, up from 52% as of March 31, 2022. Management is encouraged by the reopening of theatres, however, in the event COVID caseloads increase once again in China, cinemas may once again be forced to temporarily close, impacting future box office, installation and business development activity.

For the six months ended 30 June 2022, gross box office ("**GBO**") generated by IMAX films totaled $76.3 million representing a 43% decrease for the same period in 2021. GBO results during the first half of 2022 were significantly impacted by the COVID-related theatre closures in China. Based on the box office results experienced in Hong Kong and other global markets upon reopening, Management believes that moviegoers will return to theatres, and in particular IMAX theatres, where and when theatres are open, and they feel safe.

The impact of the COVID pandemic on the Group'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 new and the spread of existing variants of the virus, the progress made on administering vaccines and developing treatments, the effectiveness of such vaccines and treatments, the continuing impact of the pandemic on the local economy and the ongoing government responses to the pandemic, which could lead to further theatre closures, theatre capacity restrictions and/or delays in the release of films.

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

	1HFY2022		1HFY2021	
	US$'000	*%*	*US$'000*	*%*
IMAX Technology Network				
IMAX DMR films	**6,519**	**19.9%**	11,493	21.5%
Revenue sharing arrangements — contingent rent	**5,167**	**15.8%**	10,210	19.1%
Sub-total	**11,686**	**35.7%**	21,703	40.6%
IMAX Technology Sales and Maintenance				
IMAX Systems	**6,269**	**19.2%**	16,003	30.0%
Revenue sharing arrangements — upfront fees	**525**	**1.6%**	2,484	4.6%
IMAX Maintenance	**14,099**	**43.1%**	12,630	23.6%
Other Theatre Business	**52**	**0.2%**	569	1.1%
Sub-total	**20,945**	**64.0%**	31,686	59.3%
New Business Initiatives and Other	**82**	**0.3%**	42	0.1%
Total	**32,713**	**100.0%**	53,431	100.0%

Cost of Sales

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

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

	1HFY2022		1HFY2021	
	US$'000	*%*	*US$'000*	*%*
IMAX Technology Network				
IMAX DMR films	**1,339**	**20.5%**	2,209	19.2%
Revenue sharing arrangements — contingent rent	**6,267**	**121.3%**	6,416	62.8%
Sub-total	**7,606**	**65.1%**	8,625	39.7%
IMAX Technology Sales and Maintenance				
IMAX Systems	**1,793**	**28.6%**	5,274	33.0%
Revenue sharing arrangements — upfront fees	**622**	**118.5%**	1,915	77.1%
IMAX Maintenance	**3,999**	**28.4%**	4,166	33.0%
Other Theatre Business	**56**	**107.7%**	348	61.2%
Sub-total	**6,470**	**30.9%**	11,703	36.9%
New Business Initiatives and Other	**12**	**14.6%**	(20)	(47.6%)
Total	**14,088**	**43.1%**	20,308	38.0%

Gross Profit and Gross Profit Margin

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

	1HFY2022		1HFY2021	
	US$'000	*%*	*US$'000*	*%*
IMAX Technology Network				
IMAX DMR films	**5,180**	**79.5%**	9,284	80.8%
Revenue sharing arrangements — contingent rent	**(1,100)**	**(21.3%)**	3,794	37.2%
Sub-total	**4,080**	**34.9%**	13,078	60.3%
IMAX Technology Sales and Maintenance				
IMAX Systems	**4,476**	**71.4%**	10,729	67.0%
Revenue sharing arrangements — upfront fees	**(97)**	**(18.5%)**	569	22.9%
IMAX Maintenance	**10,100**	**71.6%**	8,464	67.0%
Other Theatre Business	**(4)**	**(7.7%)**	221	38.8%
Sub-total	**14,475**	**69.1%**	19,983	63.1%
New Business Initiatives and Other	**70**	**85.4%**	62	147.6%
Total	**18,625**	**56.9%**	33,123	62.0%

Selling, General and Administrative Expenses

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

	1HFY2022		1HFY2021	
	US$'000	**%**	*US$'000*	%
Employee salaries and benefits	**4,063**	**12.4%**	3,970	7.4%
Share-based compensation expenses	**1,865**	**5.7%**	2,027	3.8%
Travel and transportation	**182**	**0.6%**	240	0.4%
Advertising and marketing	**408**	**1.2%**	675	1.3%
Professional fees	**929**	**2.8%**	778	1.5%
Other employee expense	**111**	**0.3%**	160	0.3%
Facilities	**560**	**1.7%**	562	1.1%
Depreciation	**101**	**0.3%**	190	0.4%
Foreign exchange and other expenses	**1,326**	**4.1%**	(879)	(1.6%)
Total	**9,545**	**29.2%**	7,723	14.5%

Other (losses)/gains — net

It includes the allowance for expected credit loss, and net fair value losses on financial assets at FVTPL. The allowance for expected credit losses for 1HFY2022 and 1HFY2021 were a loss of US$0.6 million and a reversal of US$2.6 million, respectively. The loss of US$0.6 million in 1HFY2022 was primarily due to the provision for current expected credit losses, principally reflecting a reduction in the credit quality of its trade receivables, financing receivables and variable consideration receivables, which is primarily related to the COVID-19 theatre closures in China in 1HFY2022. The net fair value losses on financial assets at FVTPL for 1HFY2022 of $4.5 million is a loss recognized for the film investment in "Mozart from Space". This loss is based on projected box office results and forecasted distribution costs.

Other Operating Expenses

Other operating expenses primarily include the annual license fees payable to IMAX Corporation in respect of the trademark and technology licensed under the Technology License Agreements and the Trademark License Agreements, charged at an aggregate of 5% of our revenue. Our other operating expenses for 1HFY2022 and 1HFY2021 were US$1.9 million and US$3.0 million, respectively.

Interest Income

Interest income mainly represents interest earned on various term deposits. None of the term deposits had a term of more than 90 days. Our interest income for 1HFY2022 and 1HFY2021 was US$0.7 million and US$0.8 million, respectively.

Income Tax Expenses

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

Our income tax expense for 1HFY2022 and 1HFY2021 was US$2.0 million and US$6.3 million, respectively.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Condensed Consolidated Interim Statements of Comprehensive (Loss) Income

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

	1HFY2022		1HFY2021	
	US$'000	***%***	*US$'000*	*%*
Revenues	**32,713**	**100.0%**	53,431	100.0%
Cost of sales	**(14,088)**	**(43.1%)**	(20,308)	(38.0%)
Gross profit	**18,625**	**56.9%**	33,123	62.0%
Selling, general and administrative expenses	**(9,545)**	**(29.2%)**	(7,723)	(14.5%)
Other (losses)/gains — net	**(5,083)**	**(15.5%)**	2,612	4.9%
Other operating expenses	**(1,873)**	**(5.7%)**	(3,049)	(5.7%)
Operating profit	**2,124**	**6.5%**	24,963	46.7%
Interest income	**728**	**2.2%**	785	1.5%
Interest expense	**(48)**	**(0.1%)**	(203)	(0.4%)
Profit before income tax	**2,804**	**8.6%**	25,545	47.8%
Income tax expense	**(2,038)**	**(6.2%)**	(6,347)	(11.9%)
Profit for the period, attributable to owners of the Company	**766**	**2.3%**	19,198	35.9%
Other comprehensive (loss) income:				
Items that may be subsequently reclassified to profit or loss:				
Change in foreign currency translation adjustments	**(12,519)**	**(38.3%)**	1,019	1.9%
Items that may not be subsequently reclassified to profit or loss:				
Change in fair value of financial assets at fair value through other comprehensive income ("**FVOCI**")	**—**	**—**	5,219	9.8%
Other comprehensive (loss) income:	**(12,519)**	**(38.3%)**	6,238	11.7%
Total comprehensive (loss) income for the period, attributable to owners of the Company	**(11,753)**	**(35.9%)**	25,436	47.6%

Adjusted Profit

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

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

	1HFY2022	1HFY2021
	US$'000	*US$'000*
Profit for the period	**766**	19,198
Adjustments:		
Share-based compensation	**1,865**	2,027
Tax impact on items listed above	**(522)**	(460)
Provisional tax	**—**	547
Adjusted profit	**2,109**	21,312

1HFY2022 COMPARED WITH 1HFY2021

Revenue

Our revenue decreased 38.8% from US$53.4 million in 1HFY2021 to US$32.7 million in 1HFY2022 driven by a decrease of US$10.0 million in our IMAX Technology Network revenue and a decrease of US$10.7 million in the IMAX Technology Sales and Maintenance revenue, as explained further below.

IMAX Technology Network

Revenue from our IMAX Technology Network decreased 46.1% from US$21.7 million in 1HFY2021 to US$11.7 million in 1HFY2022 primarily due to a US$56.5 million, or 42.5% decrease in box office revenue in 1HFY2022 compared to the prior year period.

IMAX DMR Films

IMAX DMR films revenue decreased 43.5% from US$11.5 million in 1HFY2021 to US$6.5 million in 1HFY2022 as a result of a decrease in box office revenue. The box office revenue generated by IMAX formatted films decreased 42.5% from US$132.8 million in 1HFY2021 to US$76.3 million in 1HFY2022 due to the COVID-19 theatre temporary closures in some major cities in China, weaker performance during the critical Chinese New Year period and because certain top IMAX Hollywood films globally did not release in China.

Box office revenue per screen decreased 47.4% from US$0.19 million in 1HFY2021 to US$0.10 million in 1HFY2022 due to the reasons explained above, partially offset by continued growth of the IMAX theatre network, which increased 3.8% from 759 IMAX theatres in 1HFY2021 to 788 IMAX theatres in 1HFY2022.

The following table sets out the number of films we released in the IMAX format in 1HFY2022 and 1HFY2021 in Greater China:

	1HFY2022	1HFY2021
Hollywood films	**8**	8
Hollywood films (Hong Kong and Taiwan only)	**8**	3
Chinese language films	**4**	7
Total IMAX films released	**20**	18

Revenue Sharing Arrangements — Contingent Rent

Contingent rent from revenue sharing arrangements decreased 49.0% from US$10.2 million in 1HFY2021 to US$5.2 million in 1HFY2022 primarily due to theatre temporary closures with lower box office revenue per screen, partially offset by a greater number of IMAX theatres operating under revenue sharing arrangements in 1HFY2022 compared to 1HFY2021. This included (i) contingent rent from full revenue sharing arrangements that decreased from US$8.7 million in 1HFY2021 to US$4.5 million in 1HFY2022; (ii) contingent rent from hybrid revenue sharing arrangements that decreased from US$1.5 million in 1HFY2021 to US$0.7 million in 1HFY2022. We had 492 theatres operating under revenue sharing arrangements at the end of 1HFY2021 as compared to 510 at the end of 1HFY2022, which represented an increase of 3.7%.

IMAX Technology Sales and Maintenance

Revenue from our IMAX Technology Sales and Maintenance decreased 33.8% from US$31.7 million in 1HFY2021 to US$21.0 million in 1HFY2022.

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

Commercial	**As at 30 June**		
	2022	2021	Growth (%)
The PRC[1]	**757**	728	4.0%
Hong Kong	**5**	5	—
Taiwan	**10**	9	11.1%
Macau	**1**	1	100.0%
	773	743	4.0%
Institutional[2]	**15**	16	(6.3%)
Total	**788**	759	3.8%

Note:

(1) Four theatres in the PRC were closed in 1HFY2022, and the relocations or takeovers are under negotiation.

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

The following table sets out the number of IMAX theatre systems installed by business arrangements in 1HFY2022 and 1HFY2021:

	1HFY2022	1HFY2021
Sales and sales-type lease arrangements	**2**	10
Revenue sharing arrangements	**7**	12
IMAX with Laser upgrades	**1**	1
Total theatre systems installed	**10**[1]	23[2]

Note:

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

(2) Includes 20 new theatre systems, 2 relocations (sales and sales-type lease), and 1 upgrade (sales and sales-type lease).

IMAX Systems

Revenue from sales and sales-type lease arrangements decreased 60.6% from US$16.0 million in 1HFY2021 to US$6.3 million in 1HFY2022, primarily due to 8 fewer sales and sales-type lease arrangements (including 2 fewer re-deployed system installations) in 1HFY2022 over 1HFY2021 mainly due to a construction slowdown as a result of the COVID-19 temporary lockdown in some major cities in China. We recognised sales revenue on 9 new theatre systems (including 1 IMAX Laser upgrade) in 1HFY2021 with a total value of US$13.2 million, compared to 3 new theatre system (including 1 IMAX Laser upgrade) in 1HFY2022 with a total value of US$4.3 million.

Average revenue per new system under sales and sales-type lease arrangements excluding the re-deployed system decreased from US$1.5 million in 1HFY2021 to US$1.4 million in 1HF2022.

Revenue Sharing Arrangements — Upfront Fees

Upfront revenue from hybrid revenue sharing arrangement decreased 80.0% from US$2.5 million in 1HFY2021 to US$0.5 million in 1HFY2022, primarily due to 3 less hybrid revenue sharing installations in 1HFY2022.

IMAX Maintenance

IMAX maintenance revenue increased from US$12.6 million in 1HFY2021 to US$14.1 million in 1HFY2022. Maintenance revenue increased in 1HFY2022 primarily due to a 3.8% increase in the size of the IMAX network, which increased to 788 theatres as at 30 June 2022 from 759 theatres as at 30 June 2021.

New Business Initiatives and Other

Revenue from new business initiatives and other was flat in 1HFY2022 and 1HFY2021 at less than US$0.1 million.

Cost of Sales

Our cost of sales decreased 30.5% from US$20.3 million in 1HFY2021 to US$14.1 million in 1HFY2022. This decrease was primarily due to a decrease of US$1.0 million in our IMAX Technology Network and a decrease of US$5.2 million in our IMAX Technology Sales and Maintenance, explained below.

IMAX Technology Network

The cost of sales for our IMAX Technology Network decreased 11.6% from US$8.6 million to US$7.6 million due to decreased costs associated with less films exhibited in 1HFY2022, decreased one-time upfront costs related to the installation of 2 fewer full revenue sharing arrangements in 1HFY2022 versus 1HFY2021. This was partially offset by the increased depreciation costs associated with a larger full revenue sharing network, currently 398 theatres as at 1HFY2022 versus 384 theatres as at 1HFY2021.

IMAX DMR Films

The cost of sales for IMAX DMR films decreased 40.9% from US$2.2 million in 1HFY2021 to US$1.3 million in 1HFY2022 driven by the decreased DMR and film marketing costs resulting from 12 films exhibited in PRC in 1HFY2022 compared to 15 films in 1HFY2021.

Revenue Sharing Arrangements — Contingent Rent

The cost of sales for contingent rent from revenue sharing arrangements decreased 1.6% from US$6.4 million in 1HFY2021 to US$6.3 million in 1HFY2022, primarily due to decreased one-time upfront costs related to the installation of 2 fewer full revenue sharing arrangements in 1HFY2022 versus 1HFY2021. This was partially offset by increased depreciation costs associated with a larger full revenue sharing network, currently 398 theatres as at 1HFY2022 versus 384 theatres as at 1HFY2021.

IMAX Technology Sales and Maintenance

The cost of sales for our IMAX Technology Sales and Maintenance decreased 44.4% from US$11.7 million in 1HFY2021 to US$6.5 million in 1HFY2022, primarily due to 8 fewer IMAX theatre systems installations under sales and sales-type lease arrangements (including 2 fewer re-deployed system installations), 3 fewer hybrid revenue sharing arrangements in 1HFY2022 as compared to 1HFY2021.

IMAX Systems

Cost of sales under sales and sales-type lease arrangements decreased 66.0% from US$5.3 million in 1HFY2021 to US$1.8 million in 1HFY2022, primarily due to the costs recognised on 3 new theatre systems (including 1 IMAX Laser upgrade) in 1HFY2022 as compared to 9 new theatre systems (including 1 IMAX Laser upgrade) in 1HFY2021.

Revenue Sharing Arrangements — Upfront Fees

Cost of sales from installation of hybrid revenue sharing arrangements decreased 68.4% from US$1.9 million in 1HFY2021 to US$0.6 million in 1HFY2022, primarily due to the costs recognised on 1 theatre system installation under hybrid revenue sharing arrangements in 1HFY2022 as compared to 4 in 1HFY2021.

IMAX Maintenance

Cost of sales with respect to theatre system maintenance decreased 4.8% from US$4.2 million in 1HFY2021 to US$4.0 million in 1HFY2022 as a result of delayed maintenance services during the period of the COVID-19 temporary lockdown in 1HFY2022 in some major cities in China, partially offset by a 3.8% increase in the size of the IMAX network, which increased to 788 theatres as at 30 June 2022 from 759 theatres as at 30 June 2021.

New Business Initiatives and Other

Cost from new business initiatives and other increased from a recovery of less than US$0.1 million in 1HFY2021 to a cost of less than US$0.1 million in 1HFY2022, respectively.

Gross Profit and Gross Profit Margin

Our gross profit decreased from a profit of US$33.1 million in 1HFY2021 to US$18.6 million in 1HFY2022, and our gross margin decreased from a profit of 62.0% in 1HFY2021 to a profit of 56.9% in 1HFY2022. The decrease in gross profit was largely attributable to a US$9.0 million decrease in our IMAX Technology Network, and a US$5.5 million decrease in our IMAX Technology Sales and Maintenance, as explained further below.

IMAX Technology Network

The gross profit from our IMAX Technology Network decreased 68.7% from a profit of US$13.1 million in 1HFY2021 to a profit of US$4.1 million in 1HFY2022, and the gross margin for our IMAX Technology Network decreased from a profit of 60.3% in 1HFY2021 to a profit of 34.9% in 1HFY2022. The decrease was primarily due to a decrease in our overall box office revenue in 1HFY2022 compared to 1HFY2021, and increased depreciation costs associated with continued growth in the IMAX theatre network under revenue sharing arrangements.

IMAX DMR Films

The gross profit for IMAX DMR films decreased 44.1% from US$9.3 million in 1HFY2021 to US$5.2 million in 1HFY2022, and the gross profit margin slightly decreased from 80.8% in 1HFY2021 to 79.5% in 1HFY2022. The decrease of gross profit was primarily due to a decrease of 42.5% in our overall box office revenue from US$132.8 million in 1HFY2021 to US$76.3 million in 1HFY2022.

Revenue Sharing Arrangements — Contingent Rent

The gross profit for contingent rent from revenue sharing arrangements decreased 128.9% from a profit of US$3.8 million in 1HFY2021 to a loss of US$1.1 million in 1HFY2022.

The gross profit for contingent rent from full revenue sharing arrangements decreased from a profit of US$2.3 million in 1HFY2021 to a loss of US$1.8 million in 1HFY2022. Gross profit decreased primarily due to much lower overall box office revenue, increased depreciation costs associated with a larger full revenue sharing network, partially offset by decreased one-time upfront costs related to the installation of 2 fewer full revenue sharing arrangements in 1HFY2022 versus 1HFY2021.

The gross profit for contingent rent from hybrid revenue sharing arrangements decreased 53.3% from US$1.5 million in 1HFY2021 to US$0.7 million in 1HFY2022, driven by much lower box office revenue per screen, partially offset by growth in the hybrid revenue sharing network which increased 3.7%, from 108 IMAX theatres in 1HFY2021 to 112 IMAX theatres in 1HFY2022.

IMAX Technology Sales and Maintenance

The gross profit for our IMAX Technology Sales and Maintenance decreased 27.5% from US$20.0 million in 1HFY2021 to US$14.5 million in 1HFY2022. During the same period, our gross profit margin increased from 63.1% to 69.1%. The decrease in gross profit was primarily driven by 8 fewer IMAX theatre systems installations under sales and sales-type lease arrangements (including 2 fewer re-deployed system installations) and 3 fewer hybrid revenue sharing arrangements in 1HFY2022 as compared to 1HFY2021. The increase in gross profit margin is mainly related to higher sales and maintenance margin in 1HFY2022 as explained further below.

IMAX Systems

The gross profit from sales of new IMAX theatre systems decreased 58.3% from US$10.7 million in 1HFY2021 to US$4.5 million in 1HFY2022 primarily due to the installation of 8 fewer systems (including 2 fewer re-deployed system installations) in 1HFY2022. Our gross profit margin increased from 67.0% in 1HFY2021 to 71.4% in 1HFY2022 primarily due to a larger portion of IMAX Laser installations with lower margin in 1HFY2021.

Revenue Sharing Arrangements — Upfront Fees

The gross profit from upfront fees derived from hybrid revenue sharing arrangements was decreased from a profit of US$0.6 million in 1HFY2021 to US$nil million in 1HFY2022, primarily due to 3 fewer installations under hybrid revenue sharing arrangements and higher gross profit margin of 22.9% in 1HFY2021 compared to a negative gross margin of 18.5% in 1HFY2022 mainly due to increased theatre marketing expenses for certain existing theatres.

IMAX Maintenance

The gross profit for our theatre system maintenance increased 18.8% from a profit of US$8.5 million in 1HFY2021 to a profit of US$10.1 million in 1HFY2022 and our gross margin increased from gross profit margin of 67.0% in 1HFY2021 to a gross profit margin of 71.6% in 1HFY2022 mainly as a result of a 3.8% increase in the size of the IMAX network, which increased to 788 theatres as at 30 June 2022 from 759 theatres as at 30 June 2021.

New Business Initiatives and Other

The gross profit for new business initiatives and other was flat in 1HFY2022 and 1HFY2021 at less than US$0.1 million.

Selling, General and Administrative Expenses

Selling, general and administrative expenses, increased 23.4% from US$7.7 million in 1HFY2021 to US$9.5 million in 1HFY2022, primarily due to a US$1.1 million foreign exchange loss mainly related to RMB cash held offshore China, partially offset by a US$0.3 million decrease in advertising and marketing expenses due to the temporarily closure of theatres in China. This compares to a US$1.2 million foreign exchange gain in 1HFY2021.

Other (losses)/gains — net

It includes the allowance for expected credit loss, and net fair value losses on financial assets at FVTPL. The allowance for expected credit losses for 1HFY2022 and 1HFY2021 were a loss of US$0.6 million and a reversal of US$2.6 million, respectively. The loss of US$0.6 million in 1HFY2022 was primarily due to the provision for current expected credit losses, principally reflecting a reduction in the credit quality of its trade receivables, financing receivables and variable consideration receivables, which is related to the COVID-19 theatre closures in China in 1HFY2022. The reversal of US$2.6 million in 1HFY2021 was driven mainly from subsequent cash collection. The net fair value losses on financial assets at FVTPL for 1HFY2022 of $4.5 million is a loss recognized for the film investment in “Mozart from Space”. This loss is based on projected box office results and forecasted distribution costs.

Other Operating Expenses

Other operating expenses decreased from US$3.0 million in 1HFY2021 to US$1.9 million in 1HFY2022, primarily due to a decrease in annual license fees payable to IMAX Corporation in respect of the trademark and technology licensed under the Technology License Agreements and the Trademark License agreements due to lower revenues in 1HFY2022 versus 1HFY2021.

Income Tax Expense

Our income tax expense decreased 68.3% from US$6.3 million in 1HFY2021 to US$2.0 million in 1HFY2022. The decrease in income tax expense was primarily due to a decrease of our operating income before income tax of US$22.7 millions from a profit of US$25.5 million in 1HFY2021 to a profit of US$2.8 million in 1HFY2022.

Profit for the Period

We reported a profit for the period of US$0.8 million in 1HFY2022 as compared to a profit of US$19.2 million in 1HFY2021.

Other Comprehensive (Loss) Income for the Period

We reported other comprehensive loss for the period of US$12.5 million in 1HFY2022 as compared to an income of US$6.2 million in 1HFY2021. The decrease was due to a loss of US$12.5 million due to foreign currency translation adjustments in 1HFY2022. This was as compared to a US$1.0 million gain related to foreign currency translation adjustment and a US$5.2 million gain related to change in fair value net of tax of financial assets at FVOCI in 1HFY2021.

Adjusted Profit

Adjusted profit, which consists of profit for the period adjusted for the impact of share-based compensation and the related tax impact, and provisional tax, was US$2.1 million in 1HFY2022 as compared to US$21.3 million in 1HFY2021, a decrease of 90.1%.

LIQUIDITY AND CAPITAL RESOURCES

	As at 30 June 2022 *US$'000*	As at 31 December 2021 *US$'000*
Current assets		
Other assets	**2,332**	633
Contract acquisition costs	**961**	518
Film assets	**2**	76
Inventories	**5,476**	5,857
Prepayments	**3,000**	3,566
Variable consideration receivable from contracts	**489**	516
Financing receivables	**22,372**	18,278
Trade and other receivables	**60,049**	51,496
Cash and cash equivalents	**76,961**	97,737
Total Current Assets	**171,642**	178,677
Current liabilities		
Trade and other payables	**24,701**	21,107
Accruals and other liabilities	**19,360**	9,669
Income tax liabilities	**3,757**	5,585
Borrowings	**—**	3,612
Deferred revenue	**11,147**	18,875
Total Current Liabilities	**58,965**	58,848
Net Current Assets	**112,677**	119,829

As at 30 June 2022, we had net current assets of US$112.7 million compared to net current assets of US$119.8 million as at 31 December 2021. The decrease in net current assets in 1HFY2022 was mainly attributable to a US$20.8 million decrease in cash and cash equivalents, a US$9.7 million increase in accruals and other liabilities, and a US$3.6 million increase in trade and other payables. This was offset by a US$8.6 million increase in trade and other receivables, a US$7.7 million decrease in deferred revenue, a US$4.1 million increase in financing receivables, a US$3.6 million decrease in borrowings, a US$1.8 million decrease in income tax liabilities, and a US$1.7 million increase in other assets.

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

		As at 30 June 2022		As at 31 December 2021
		US$'000		*US$'000*
Cash and cash equivalents denominated in RMB	**$**	**58,886**	$	92,830
Cash and cash equivalents denominated in US$	**$**	**14,839**	$	4,423
Cash denominated in Hong Kong dollars	**$**	**3,236**	$	484
	$	**76,961**	$	97,737

CAPITAL MANAGEMENT

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

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

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

CASH FLOW ANALYSIS

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

	1HFY2022	1HFY2021
	US$'000	*US$'000*
Net cash (used in) provided by operating activities	**(4,151)**	16,094
Net cash (used in) provided by investing activities	**(7,476)**	15,014
Net cash used in financing activities	**(6,286)**	(5,412)
Effects of exchange rate changes on cash	**(2,863)**	1,082
(Decrease) Increase in cash and cash equivalents during period	**(20,776)**	26,778
Cash and cash equivalents, beginning of period	**97,737**	88,472
Cash and cash equivalents, end of period	**76,961**	115,250

Cash (Used in) Provided by Operating Activities

1HFY2022

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

1HFY2021

Our net cash provided by operations was approximately US$16.1 million in 1HFY2021. We had profit before income tax for the period of US$25.6 million in 1HFY2021, and positive adjustments for depreciation of property, plant and equipment of US$6.8 million, amortisation of film assets of US$2.3 million, settlement of equity and other non-cash compensation of US$2.0 million, reduced by changes in working capital of US$12.2 million, taxes paid of US$5.9 million, and reversal of the expected credit loss of US$2.6 million. Changes in working capital primarily consisted of: (i) an increase in trade and other receivables of US$5.5 million; (ii) a decrease in deferred revenue of US$4.6 million; (iii) an increase of financing receivables of US$2.4 million; and (iv) an increase in film assets of US$2.1 million; partially offset by: (i) an increase in trade and other payables of US$1.4 million; (ii) a decrease in inventories of US$0.6 million; and (iii) an increase in accruals and other liabilities of US$0.5 million.

Cash (Used in) Provided by Investing Activities

1HFY2022

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

1HFY2021

Our net cash provided by investing activities was approximately US$15.0 million for 1HFY2021, primarily related to the proceeds on disposal of investment in Maoyan of US$17.8 million, partially offset by investments in IMAX theatre equipment amounting to US$2.7 million installed in our exhibitor partners' theatres under full revenue sharing arrangements.

Cash Used in Financing Activities

1HFY2022

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

1HFY2021

Our net cash used in financing activities was approximately US$5.4 million for 1HFY2021 primarily due to: (i) dividends paid to owners of the Company amounting to US$7.0 million; (ii) settlement of restricted share units and options of US$1.3 million; (iii) principal elements of lease payments of US$0.5 million; and (iv) repayment of borrowings US$0.2 million; partially offset by proceeds from borrowings of US$3.6 million.

Foreign Exchange Exposure

The Group's sales and purchases during the six months ended 30 June 2022 were mostly denominated in RMB, USD and HK$. The Group was exposed to certain foreign currency exchange risks. The Group currently does not have a foreign currency hedging policy in respect of its foreign currency transactions, assets and liabilities. The management monitors our foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

CONTRACTUAL OBLIGATIONS AND CAPITAL COMMITMENTS

Lease Commitments

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

Capital Commitments

As at 30 June 2022, we had capital expenditures contracted but not provided for of US$27.4 million (31 December 2021: US$25.6 million) primarily related to a film fund.

CAPITAL EXPENDITURES AND CONTINGENT LIABILITIES

Capital Expenditures

Our capital expenditures have primarily related to the acquisition of IMAX theatre systems. During both 1HFY2022 and 1HFY2021, our capital expenditures were US$2.8 million.

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

Contingent Liabilities

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

As at 30 June 2022, we had drawn down RMB2.8 million (approximately less than US$0.4 million) on our letter of guarantee facility with an interest rate of 4.15% (2021: 4.15%~4.35%) per annum. Except as disclosed above or as otherwise disclosed herein, as at 30 June 2022, we did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities. The Directors confirm that there has been no material change in our commitments and contingent liabilities since 30 June 2022.

WORKING CAPITAL

We finance our working capital needs primarily through cash flow from operating activities. Cash flow used in operating activities was US$4.2 million in 1HFY2022, significantly impact from the COVID-19 theatre closures in some major cities in China versus the cash flow provided by operating activities was US$16.1 million in 1HFY2021. As the IMAX theatre network recovers from the COVID-19 closures and continues to grow, we believe our cash flow from operating activities will continue to increase and fund existing business operations and any initial capital expenditures required under revenue sharing arrangements.

In June 2022, we renewed an unsecured revolving facility with Bank of China Limited for up to RMB200.0 million (approximately US$29.8 million) to fund ongoing working capital requirement. The total amounts drawn and available under the working capital loan at 30 June 2022 were RMB nil and RMB190.0 million for bank borrowing facility, and RMB2.8 million and RMB7.2 million for letter of guarantee facility, respectively.

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

STATEMENT OF INDEBTEDNESS

As at 30 June 2022:

- Except for the drawdown of RMB2.8 million on the letter of guarantee facility for up to RMB10.0 million, we did not have any bank borrowings or committed bank facilities;

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

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

Since 30 June 2022, being the latest date of our condensed interim statements, there has been no material adverse change to our indebtedness.

RECENT DEVELOPMENTS

On 25 July 2022, the Company, IMAX (Shanghai) Culture & Technology Co., Ltd. ("**IMAX Shanghai Culture**") and IMAX Corporation entered into an Enhanced Business Required IMAX China Contribution Agreement pursuant to which IMAX Shanghai Culture agreed to acquire and have the exclusive right to, directly or through any member of the Group, develop and exploit the Enhanced Business in Greater China in consideration for payment to IMAX Corporation of the Required IMAX China Contribution. Enhanced Business operated and marketed as "IMAX Enhanced" by IMAX Corporation, which includes the licensing program business conducted in partnership with a third party (the "**Third Party Partner**") to combine IMAX digitally remastered 4K HDR content and the third-party partner's audio encoding technologies to streaming platforms and IMAX certified CE devices worldwide.

For the development the Enhanced Business in Greater China, on 25 July 2022, the Company, IMAX Shanghai Multimedia, IMAX Hong Kong, IMAX Shanghai Culture and IMAX Corporation entered into an Enhanced Business Agreement, pursuant to which the parties agreed that:

(1) IMAX Shanghai Multimedia and IMAX Hong Kong shall be entitled to use the relevant IMAX trademarks (including the "**IMAX Enhanced**" and "**IMAX**" marks) (the "**Trademarks**") and the IMAX technology (including the DTS/IMAX format technology) (the "**Technology**") in connection with the development and exploitation of the Enhanced Business;

(2) in consideration for the use of the Trademarks in connection with the Enhanced Business, IMAX Shanghai Culture shall pay certain royalties to IMAX Corporation, comprising in aggregate 5% of certain revenues and other compensation received by IMAX Shanghai Multimedia and IMAX Hong Kong and/or any other member of the Group in connection with the Enhanced Business;

(3) in consideration for the use of the Technology in connection with the Enhanced Business, IMAX Shanghai Culture shall pay certain royalties to IMAX Corporation, comprising in aggregate 5% of certain revenues and other compensation received by IMAX Shanghai Multimedia and IMAX Hong Kong and/or any other member of the Group in connection with the Enhanced Business;

(4) in consideration for the Group's contribution to the overall development and exploitation of the Enhanced Business worldwide, IMAX Corporation shall pay to IMAX Shanghai Culture a certain percentage of net proceeds to be received by IMAX Corporation from the Third Party Partner in respect of any agreements entered into with China Domestic OEMs in connection with the Enhanced Business; and

(5) the existing DMR Services Agreements and Services Agreements shall apply to the Enhanced Business and IMAX Corporation shall provide DMR conversion services and other services to IMAX Shanghai Multimedia and IMAX Hong Kong for the development of the Enhanced Business in Greater China under equivalent terms as the existing DMR Services Agreements and Services Agreements.

OFF BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We had no off-balance sheet arrangements as at 30 June 2022.

KEY FINANCIAL RATIOS

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

	As at 30 June 2022	As at 31 December 2021
Gearing ratio[(1)]	**41.0%**	37.8%
	1HFY2022	1HFY2021
Adjusted (loss) profit margin[(2)]	**6.4%**	39.9%

Notes:

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

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

Gearing Ratio

Our gearing ratio increased from 37.8% as at 31 December 2021 to 41.0% as at 30 June 2022, primarily due to the decrease in equity of US$21.5 million, an increase in accruals and other liabilities of US$9.7 million, and an increase in trade and other payable of US$3.6 million, partially offset by a decrease in deferred revenue of US$8.6 million, borrowings of US$3.6 million, and current income tax liability of US$1.8 million.

Adjusted Profit Margin

Our adjusted profit margin decreased from 39.9% as at 30 June 2021 to 6.4% as at 30 June 2022, primarily due to the theatre closure in several major cities in China as a result of the COVID-19 pandemic.

DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

The proposal of payment and the amount of our dividends will be made at the discretion of our Board and will depend on our general business condition and strategies, cash flows, financial results and capital requirements, the interests of our Shareholders, taxation conditions, statutory and regulatory restrictions and other factors that our Board deems relevant. Our Board recommended the payment of an interim dividend, for 1HFY2022, of US$0.001 per share (equivalent to HK$0.008 per share).

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

As at 30 June 2022, the Company had a total equity in deficit of US$8.1 million. Under the Companies Law of the Cayman Islands, subject to the provisions of memorandum of association of the Company or the articles of association (the "**Articles of Association**"), the Company's share premium account may be applied to pay distributions or dividends to shareholders provided that immediately following the date of distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

Dividend

During the Company's board meeting held on 28 July 2022, the Board of Directors approved an interim dividend of US$0.001 per share (equivalent to HK$0.008 per share) for the six months ended 30 June 2022 to the Shareholders.

The interim dividend will be paid on Friday, 26 August 2022 to the shareholders whose names appear on the register of members of the Company as at the close of business on Monday, 15 August 2022. There will be no scrip dividend option for the 2022 interim dividend.

MATERIAL ACQUISITIONS OR DISPOSALS

We have not undertaken any material acquisition or disposal for the period ended 30 June 2022.

SIGNIFICANT INVESTMENTS

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

The purpose of the investment was to enable the Group to share in any profit earned in Greater China by TCL-IMAX Entertainment. We do not have any management or operational role, responsibilities or rights in TCL-IMAX Entertainment, nor are we subject to any funding obligations (either in respect of capital funding or bearing of losses) in relation to TCL-IMAX Entertainment. As at 30 June 2022, the fair value of TCL-IMAX Entertainment was nil (31 December 2021: nil).

In January 2022, IMAX (Shanghai) Culture & Technology Co., Ltd. a wholly-owned subsidiary of the Company signed a joint film investment agreement with Wanda Film (Horgos) Co. Ltd. to invest RMB30 million (approximately US$4.7 million, representing approximately 6% of the total film investment) in the movie "Mozart from Space" which was released in July 2022. As at 30 June 2022, the estimated fair value of this film investment was nil based on projected box office results and forecasted distribution costs. A fair value loss of US$4.5 million was recognized in 1HFY2022 accordingly.

There was no plan authorised by the Board for any material investments or divestments at the date of this report.

OTHER INFORMATION

CORPORATE GOVERNANCE

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

Mr. Richard Gelfond, the Chairman of the Company, was unable to attend the annual general meeting of the Company convened on 23 June 2022 due to other important business commitments. Mr. Gelfond appointed Ms. Mei-Hui (Jessie) Chou, an Executive Director and the Chief Marketing Officer of the Company, to be his delegate as the Chair of the Board and as the Chair of the Nomination Committee to attend, chair and answer questions at the annual general meeting. Saved as disclosed above, during the Reporting Period, the Company has complied with all the code provisions of the CG Code.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2022, the Company conducted share repurchases of 1,448,000 listed Shares on the Stock Exchange pursuant to a general mandate granted by the shareholders to the Directors during the Annual General Meeting held on 6 May 2021 and resolutions of the Board adopted on 27 July 2021. The following table outlines details of the shares repurchased on a monthly basis.

Month	Number of shares repurchased	Highest price paid per share HK$	Lowest price paid per share HK$	Average price paid per share HK$	Aggregate price paid HK$
March 2022	1,448,000	10.30	9.51	9.89	14,327,179.80
Total	**1,448,000**				**14,327,179.80**

In addition, 37,200 listed Shares, 34,400 listed Shares, 82,800 listed Shares and 261,967 listed Shares were purchased through Computershare Hong Kong Trustees Limited, the trustee engaged by the Company for administering its restricted share unit scheme, on 25 February 2022 at an average price per share of HK$10.9924, on 28 February 2022 at an average price per share of HK$10.7675, on 1 March 2022 at an average price per share of HK$11.0356, and on 2 March 2022 at an average price per share of HK$10.9657, respectively, for satisfying, or preparing for the satisfaction of, the vesting of the relevant restricted share units.

Save for the above, there have been no convertible securities issued or granted by the Group, no exercise of any conversion or subscription rights, nor any purchase, sale or redemption by the Group of the Company's listed securities during the six months ended 30 June 2022.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Directors' dealing policy on 21 September 2015 in order to ensure compliance with the Model Code. The terms of the Directors' dealing policy are no less exacting than those set out in the Model Code. Having made specific enquiry of the Directors, all Directors have confirmed that they have complied with the required standard of dealings and code of conduct regarding securities dealings by directors as set out in the Model Code and the Company's own Directors' dealing policy for the six months ended 30 June 2022.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company and within the knowledge of the Directors, as at the date of this announcement, the Company has maintained the prescribed public float under the Listing Rules throughout the six months ended 30 June 2022.

REVIEW OF INTERIM RESULTS

The interim report, including the unaudited condensed consolidated interim financial information of the Group, for the six months ended 30 June 2022 have been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The audit committee members have reviewed the interim report, including the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2022.

INTERIM REPORT

The Company's interim report for the six months ended 30 June 2022 containing all the relevant information required by Appendix 16 of the Listing Rules will be published on the websites of the Company and the Stock Exchange and dispatched to Shareholders in due course.

LITIGATION

The Group did not have any material litigation outstanding as at 30 June 2022.

INTERIM DIVIDEND ANNOUNCEMENT

The Board of Directors of the Company is pleased to announce it has declared an interim dividend of US$0.001 per share (equivalent to HK$0.008 per share) for the six months ended 30 June 2022 to the Shareholders.

The interim dividend will be paid on Friday, 26 August 2022 to the Shareholders whose names appear on the register of members of the Company as at the close of business on Monday, 15 August 2022. There will be no scrip dividend option for the 2022 interim dividend.

CLOSURE OF REGISTER OF MEMBERS

In connection with the payment of the 2022 interim dividend, the register of members of the Company will be closed from Thursday, 11 August 2022 to Monday, 15 August 2022 (both days inclusive) during which period no transfer of Shares will be registered. In order to qualify for entitlement to the 2022 interim dividend, all share transfers documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration, no later than 4:30 p.m. on Wednesday, 10 August 2022.

INSIDE INFORMATION

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

Results of IMAX Corporation

Our controlling shareholder, IMAX Corporation, is a company listed on the New York Stock Exchange in the United States. As of the date of this announcement, IMAX Corporation beneficially owns 71.41% of the issued share capital of the Company.

On 28 July 2022 (New York time), IMAX Corporation made an announcement regarding its unaudited results for the second quarter of 2022 (the "**Earnings Release**"). If you wish to review the Earnings Release, please visit: https://www.sec.gov/Archives/edgar/data/921582/000095017022013373/imax-ex99_1.htm. Unless otherwise provided therein, all dollar amounts in the Earnings Release are denominated in United States dollars.

On 28 July 2022 (New York time), IMAX Corporation filed its unaudited quarterly report on the Form 10-Q for the second quarter of 2022 (the "**Quarterly Report**") with the United States Securities and Exchange Commission (the "**SEC**"), in accordance with the ongoing disclosure obligations applicable to the companies listed on the New York Stock Exchange. Unless otherwise provided therein, all dollar amounts in the Quarterly Report are denominated in United States dollars.

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

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

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

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

IMAX CORPORATION

PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

IMAX CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

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

(Unaudited)

	June 30, 2022	December 31, 2021
Assets		
Cash and cash equivalents	**$ 110,112**	$ 189,711
Accounts receivable, net of allowance for credit losses	**122,440**	110,050
Financing receivables, net of allowance for credit losses	**127,173**	141,049
Variable consideration receivables, net of allowance for credit losses	**43,040**	44,218
Inventories	**33,422**	26,924
Prepaid expenses	**14,418**	11,802
Film assets, net of accumulated amortization	**6,026**	4,241
Property, plant and equipment, net of accumulated depreciation	**252,309**	260,353
Investment in equity securities	**1,092**	1,087
Other assets	**16,986**	17,799
Deferred income tax assets, net of valuation allowance	**13,958**	13,906
Goodwill	**39,027**	39,027
Other intangible assets, net of accumulated amortization	**21,821**	23,080
Total assets	**$ 801,824**	$ 883,247
Liabilities		
Accounts payable	**$ 19,849**	$ 15,943
Accrued and other liabilities	**105,776**	111,896
Deferred revenue	**75,951**	81,281
Revolving credit facility borrowings, net of unamortized debt issuance costs	**—**	2,472
Convertible notes, net of unamortized discounts and debt issuance costs	**224,379**	223,641
Deferred income tax liabilities	**17,642**	17,642
Total liabilities	**443,597**	452,875

	June 30, 2022	December 31, 2021
Commitments and contingencies (see Note 8)		
Non-controlling interests	**742**	758
Shareholders' equity		
Capital stock common shares — no par value. Authorized — unlimited number. 56,095,372 issued and outstanding (December 31, 2021 — 58,653,642 issued and outstanding)	**391,107**	409,979
Other equity	**174,668**	174,620
Statutory surplus reserve	**3,932**	3,932
Accumulated deficit	**(272,022)**	(234,975)
Accumulated other comprehensive (loss) income	**(6,755)**	2,527
Total shareholders' equity attributable to common shareholders	**290,930**	356,083
Non-controlling interests	**66,555**	73,531
Total shareholders' equity	**357,485**	429,614
Total liabilities and shareholders' equity	**$ 801,824**	$ 883,247

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

IMAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	**2022**	2021
Revenues				
Technology sales	**$ 8,229**	$ 15,173	**$ 17,205**	$ 21,348
Image enhancement and maintenance services	**44,958**	24,711	**81,052**	46,326
Technology rentals	**18,525**	8,130	**31,186**	16,489
Finance income	**2,256**	2,941	**4,561**	5,546
	73,968	50,955	**134,004**	89,709
Costs and expenses applicable to revenues				
Technology sales	**4,218**	6,496	**10,203**	11,549
Image enhancement and maintenance services	**19,953**	12,357	**35,696**	22,121
Technology rentals	**5,761**	6,499	**12,298**	13,155
	29,932	25,352	**58,197**	46,825
Gross margin	**44,036**	25,603	**75,807**	42,884
Selling, general and administrative expenses	**37,095**	28,807	**67,276**	54,016
Research and development	**1,356**	2,200	**2,552**	3,671
Amortization of intangible assets	**1,104**	1,190	**2,301**	2,331
Credit loss expense (reversal), net	**112**	(1,872)	**7,341**	(1,567)
Asset impairments (see Note 16(e))	**4,470**	—	**4,470**	—
Legal judgment and arbitration awards (see Note 8)	**—**	(1,770)	**—**	(1,770)
Loss from operations	**(101)**	(2,952)	**(8,133)**	(13,797)
Realized and unrealized investment gains	**30**	33	**64**	5,281
Retirement benefits non-service expense	**(138)**	(116)	**(277)**	(230)
Interest income	**417**	559	**919**	1,142
Interest expense	**(1,326)**	(1,690)	**(3,031)**	(3,994)
Loss before taxes	**(1,118)**	(4,166)	**(10,458)**	(11,598)
Income tax expense	**(3,133)**	(1,946)	**(5,743)**	(5,014)
Net loss	**(4,251)**	(6,112)	**(16,201)**	(16,612)
Less: net loss (income) attributable to non-controlling interests	**1,400**	(3,099)	**(259)**	(7,439)
Net loss attributable to common shareholders	**$ (2,851)**	$ (9,211)	**$ (16,460)**	$ (24,051)
Net loss per share attributable to common shareholders — basic and diluted:				
Net loss per share — basic and diluted	**$ (0.05)**	$ (0.16)	**$ (0.28)**	$ (0.41)

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

IMAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	**2022**	2021
Net loss	**$ (4,251)**	$ (6,112)	**$ (16,201)**	$ (16,612)
Other comprehensive (loss) income, before tax				
Unrealized net (loss) gain from cash flow hedging instruments	**(610)**	305	**(295)**	600
Realized net loss (gain) from cash flow hedging instruments	**66**	(824)	**95**	(1,055)
Reclassification of unrealized gain from ineffective cash flow hedging instruments	**—**	(271)	**—**	(293)
Foreign currency translation adjustments	**(13,521)**	2,960	**(12,941)**	794
Defined benefit and postretirement benefit plans	**46**	48	**92**	96
Total other comprehensive (loss) income, before tax	**(14,019)**	2,218	**(13,049)**	142
Income tax benefit related to other comprehensive (loss) income	**130**	194	**28**	170
Other comprehensive (loss) income, net of tax	**(13,889)**	2,412	**(13,021)**	312
Comprehensive loss	**(18,140)**	(3,700)	**(29,222)**	(16,300)
Comprehensive loss (income) attributable to non-controlling interests	**5,306**	(3,990)	**3,480**	(7,677)
Comprehensive loss attributable to common shareholders	**$ (12,834)**	$ (7,690)	**$ (25,742)**	$ (23,977)

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

IMAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of U.S. Dollars)

(Unaudited)

	Six Months Ended June 30, 2022	2021
Operating Activities		
Net loss	**$ (16,201)**	$ (16,612)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	**27,023**	25,671
Amortization of deferred financing costs	**1,753**	1,008
Credit loss expense (reversal), net	**7,341**	(1,567)
Write-downs	**5,432**	462
Deferred income tax (benefit) expense	**(300)**	33
Share-based and other non-cash compensation	**13,966**	12,332
Unrealized foreign currency exchange loss (gain)	**841**	(490)
Realized and unrealized investment gains	**(64)**	(5,281)
Changes in assets and liabilities:		
Accounts receivable	**(14,745)**	(11,049)
Inventories	**(6,949)**	1,867
Film assets	**(10,420)**	(5,808)
Deferred revenue	**(5,291)**	(447)
Changes in other operating assets and liabilities	**(7,679)**	(17,135)
Net cash used in operating activities	**(5,293)**	(17,016)
Investing Activities		
Purchase of property, plant and equipment	**(2,934)**	(1,365)
Investment in equipment for joint revenue sharing arrangements	**(8,651)**	(2,397)
Interest in film classified as a financial instrument	**(4,731)**	—
Acquisition of other intangible assets	**(1,680)**	(2,631)
Proceeds from sale of equity securities	**—**	17,769
Net cash (used in) provided by investing activities	**(17,996)**	11,376

	Six Months Ended June 30, 2022	2021
Financing Activities		
Proceeds from issuance of convertible notes, net	**—**	223,675
Debt issuance costs related to convertible notes	**—**	(242)
Purchase of capped calls related to convertible notes	**—**	(19,067)
Revolving credit facility borrowings	**—**	3,600
Repayments of revolving credit facility borrowings	**—**	(300,243)
Credit facility amendment fees paid	**(2,028)**	(32)
Repurchase of common shares, IMAX Corporation	**(49,355)**	—
Repurchase of common shares, IMAX China	**(1,844)**	—
Taxes withheld and paid on employee stock awards vested	**(3,393)**	(3,045)
Common shares issued — stock options exercised	**—**	883
Principal payment under finance lease obligations	**(890)**	—
Dividends paid to non-controlling interests	**—**	(2,099)
Net cash used in financing activities	**(57,510)**	(96,570)
Effects of exchange rate changes on cash and cash equivalents	**1,200**	(1,044)
Decrease in cash and cash equivalents during period	**(79,599)**	(103,254)
Cash and cash equivalents, beginning of period	**189,711**	317,379
Cash and cash equivalents, end of period	**$ 110,112**	$ 214,125

(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 Condensed Consolidated Balance Sheet at December 31, 2021 was derived from the Company's audited annual Consolidated Financial Statements, but does not contain all of the footnote disclosures included in the annual financial statements. The interim results presented in the Company's Condensed Consolidated Statements of Operations are not necessarily indicative of results for a full year.

These Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements included in the Company's 2021 Annual Report on Form 10-K (the "**2021 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 2021 Form 10-K.

Revision of Prior Period Amounts

In the Condensed Consolidated Statements of Shareholders' Equity, the Company revised the June 30, 2021 balances of Total Shareholders' Equity Attributable to Common Shareholders and Non-Controlling Interests. The revisions were principally made to properly reflect changes in the Company's ownership interest in IMAX China Holding, Inc. ("**IMAX China**") as a result of common share repurchases made by IMAX China and the amortization of share-based compensation related to IMAX China. The revisions resulted in a reclassification of $8.4 million between the balances of Other Equity and Non-Controlling Interests as of June 30, 2021. There is no change in Total Shareholders' Equity as a result of the revisions. (See Note 3(a) of Notes to Consolidated Financial Statements in Part II, Item 8 of the Company's 2021 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.

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(c) of the Company's audited Consolidated Financial Statements included in its 2021 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) the amount of variable consideration to be earned on sales of IMAX Theater Systems based on projections of future box office performance; (iii) expected credit losses on accounts receivable, financing receivables, and variable consideration receivables; (iv) provisions for the write-down of excess and obsolete inventory; (v) the fair values of the reporting units used in assessing the recoverability of goodwill; (vi) the cash flow projections used in testing the recoverability of long-lived assets such as the 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 financing receivables and lease liabilities, as well as to determine the fair values of the Company's reporting units for the purpose of assessing the recoverability of goodwill; (xi) pension plan assumptions; (xii) estimates related to the fair value and projected vesting of share-based payment awards; (xiii) the valuation of deferred income tax assets; and (xiv) reserves related to uncertain tax positions.

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, as described in Note 2. Although management is encouraged by the broad reopening of the IMAX theater network, the continued progress towards the resumption of normal theater operations, normal film release schedules, and recent box office results, there continues to be risk and uncertainty relating to the judgments, assumptions, and estimates used by management in preparing the Company's Condensed Consolidated Financial Statements.

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 these theater closures, movie studios postponed the theatrical release of most films originally scheduled for release in 2020 and early 2021, including many of the films scheduled to be shown in IMAX theaters, while several other films were released directly or concurrently to streaming platforms. Beginning in the third quarter of 2020, stay-at-home orders and capacity restrictions were lifted in many key markets and movie theaters throughout the IMAX network gradually reopened. However, following the emergence of the Omicron variant and the rise of COVID-19 cases in China in the first quarter of 2022, the Chinese government reinstituted capacity restrictions and safety protocols on large public gatherings, which has led to the temporary closure of theaters in several cities. As of June 30, 2022, approximately 90% of the IMAX theaters in Greater China were open at various capacities, up from 52% as of March 31, 2022.

The impact of the COVID-19 pandemic on the Company's business and financial results will continue to depend on numerous evolving factors that cannot be accurately predicted and that will vary by jurisdiction and market, including the duration and scope of the pandemic, the emergence of new and the spread of existing variants of the virus, the progress made on administering vaccines and developing treatments and the effectiveness of such vaccines and treatments, 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.

4. Receivables

The ability of the Company to collect its receivables is principally dependent on the viability and solvency of individual theater operators which is significantly influenced by consumer behavior and general economic conditions. Theater operators, or other customers, may experience financial difficulties that could result in their being unable to fulfill their payment obligations to the Company.

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

- Good Standing — The theater operator continues to be in good standing as payments and reporting are received on a regular basis.

- Credit Watch — The theater operator has demonstrated a delay in payments, but continues to be in active communication with the Company. Theater operators placed on Credit Watch are subject to enhanced monitoring. In addition, depending on the size of the outstanding balance, length of time in arrears, and other factors, future transactions may need to be approved by management. These receivables are in better condition than those in the Pre-Approved Transactions Only category, but are not in as good condition as the receivables in the Good Standing category.

- Pre-Approved Transactions Only — The theater operator has demonstrated a delay in payments with little or no communication with the Company. All services and shipments to the theater operator must be reviewed and approved by management. These receivables are in better condition than those in the All Transactions Suspended category, but are not in as good condition as the receivables in the Credit Watch category. In certain situations, a theater operator may be placed on nonaccrual status and all revenue recognition related to the theater may be suspended, including the accretion of Finance Income for Financing Receivables.

- All Transactions Suspended — The theater operator is severely delinquent, non-responsive or not negotiating in good faith with the Company. Once a theater operator is classified within the All Transactions Suspended category, the theater is placed on nonaccrual status and all revenue recognitions related to the theater are suspended, including the accretion of Finance Income for Financing Receivables.

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

When a customer's aging exceeds 90 days, the Company's policy is to perform an enhanced review to assess collectability of the theater's past due accounts. The over 90 days past due category may be an indicator of potential impairment as up to 90 days outstanding is considered to be a reasonable time to resolve any issues.

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

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).

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 principally for digitally remastering films into IMAX formats, as well as for film distribution and post-production services.

The following tables summarize the activity in the allowance for credit losses related to Accounts Receivable for the three and six months ended June 30, 2022 and 2021:

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

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

For the three months ended June 30, 2022, the Company's allowance for current expected credit losses related to Accounts Receivable decreased by $0.8 million compared to prior period, principally due to the write-off of certain receivables and foreign currency exchange rate movements. For the six months ended June 30, 2022, the Company's allowance for current expected credit losses related to Accounts Receivable increased by $1.4 million compared to prior period, principally due to reserves established against its receivables in Russia due to uncertainties associated with the ongoing Russia-Ukraine conflict, partially offset by the reversal of provisions associated with the COVID-19 pandemic as the outlook for the theatrical exhibition industry in Domestic and Rest of World markets continues to improve.

For the three and six months ended June 30, 2021, the Company's allowance for current expected credit losses related to Accounts Receivable decreased by $1.4 million and $2.0 million, respectively, principally as a result of better than anticipated collection experience with respect to foreign theater and studio receivable balances, which allowed the reversal of previously recorded Credit Loss Expense.

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. As of June 30, 2022 and December 31, 2021, financing receivables consist of the following:

(In thousands of U.S. Dollars)	**June 30, 2022**	December 31, 2021
Net investment in leases		
Gross minimum payments due under sales-type leases	**$ 28,438**	$ 29,953
Unearned finance income	**(1,037)**	(763)
Present value of minimum payments due under sales-type leases	**27,401**	29,190
Allowance for credit losses	**(688)**	(798)
Net investment in leases	**26,713**	28,392
Financed sales receivables		
Gross minimum payments due under financed sales	**141,976**	152,315
Unearned finance income	**(30,478)**	(34,244)
Present value of minimum payments due under financed sales	**111,498**	118,071
Allowance for credit losses	**(11,038)**	(5,414)
Net financed sales receivables	**100,460**	112,657
Total financing receivables	**$ 127,173**	$ 141,049
Net financed sales receivables due within one year	**$ 28,937**	$ 29,115
Net financed sales receivables due after one year	**71,523**	83,542
Total financed sales receivables	**$ 100,460**	$ 112,657

As of June 30, 2022 and December 31, 2021, the weighted-average remaining lease term and weighted-average interest rate associated with the Company's sales-type lease arrangements and financed sale receivables, as applicable, are as follows:

	June 30, 2022	December 31, 2021
Weighted-average remaining lease term (in years)		
Sales-type lease arrangements	**9.4**	9.6
Weighted-average interest rate		
Sales-type lease arrangements	**6.68%**	6.56%
Financed sales receivables	**8.78%**	8.79%

The tables below provide information on the Company's net investment in leases by credit quality indicator as of June 30, 2022 and December 31, 2021. The amounts disclosed for each credit quality classification are determined on a customer-by-customer basis and include both billed and unbilled amounts.

(In thousands of U.S. Dollars)			**By Origination Year**				
As of June 30, 2022	**2022**	**2021**	**2020**	**2019**	**2018**	**Prior**	**Total**
Net investment in leases:							
Credit quality classification:							
In good standing	**$ 858**	**$10,427**	**$ 3,791**	**$ 7,553**	**$ 2,014**	**$ 1,381**	**$26,024**
Credit Watch	**—**	**—**	**—**	**—**	**450**	**—**	**450**
Pre-approved transactions	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Transactions suspended	**—**	**—**	**—**	**—**	**—**	**927**	**927**
Total net investment in leases	**$ 858**	**$10,427**	**$ 3,791**	**$ 7,553**	**$ 2,464**	**$ 2,308**	**$27,401**

(In thousands of U.S. Dollars)			By Origination Year				
As of December 31, 2021	2021	2020	2019	2018	2017	Prior	Total
Net investment in leases:							
Credit quality classification:							
In good standing	$11,030	$ 3,991	$ 7,973	$ 2,574	$ 823	$ 1,928	$28,319
Credit Watch	—	—	—	—	—	—	—
Pre-approved transactions	—	—	—	—	—	—	—
Transactions suspended	—	—	—	—	—	871	871
Total net investment in leases	$11,030	$ 3,991	$ 7,973	$ 2,574	$ 823	$ 2,799	$29,190

The tables below provide information on the Company's financed sale receivables by credit quality indicator as of June 30, 2022 and December 31, 2021. The amounts disclosed for each credit quality classification are determined on a customer-by-customer basis and include both billed and unbilled amounts.

(In thousands of U.S. Dollars)	**By Origination Year**						
As of June 30, 2022	**2022**	**2021**	**2020**	**2019**	**2018**	**Prior**	**Total**
Financed sales receivables:							
Credit quality classification:							
In good standing	**$ 3,887**	**$11,074**	**$ 7,824**	**$ 8,737**	**$11,485**	**$46,393**	**$89,400**
Credit Watch	**41**	**—**	**—**	**—**	**—**	**1,615**	**1,656**
Pre-approved transactions	**—**	**—**	**—**	**1,271**	**568**	**6,826**	**8,665**
Transactions suspended	**—**	**681**	**142**	**1,189**	**961**	**8,804**	**11,777**
Total financed sales receivables	**$ 3,928**	**$11,755**	**$ 7,966**	**$11,197**	**$13,014**	**$63,638**	**$111,498**

(In thousands of U.S. Dollars)	By Origination Year						
As of December 31, 2021	2021	2020	2019	2018	2017	Prior	Total
Financed sales receivables:							
Credit quality classification:							
In good standing	$12,520	$ 8,251	$10,593	$13,278	$12,615	$47,950	$105,207
Credit Watch	—	—	—	—	321	1,292	1,613
Pre-approved transactions	—	—	743	418	2,098	3,650	6,909
Transactions suspended	—	—	335	—	680	3,327	4,342
Total financed sales receivables	$12,520	$ 8,251	$11,671	$13,696	$15,714	$56,219	$118,071

The balance of financed sale receivables classified within the Transactions Suspended category as of June 30, 2022 includes amounts due from exhibitors in Russia, Ukraine, and Belarus which were reclassified from other credit quality classifications in the first quarter of 2022 as a result of the ongoing Russia-Ukraine conflict.

The following tables provide an aging analysis for the Company's net investment in leases and financed sale receivables as of June 30, 2022 and December 31, 2021:

	As of June 30, 2022							
(In thousands of U.S. Dollars)	**Accrued and Current**	**30–89 Days**	**90+ Days**	**Billed**	**Unbilled**	**Recorded Receivable**	**Allowance for Credit Losses**	**Net**
Net investment in leases	**$ 229**	**$ 477**	**$ 1,934**	**$ 2,640**	**$ 24,761**	**$ 27,401**	**$ (688)**	**$ 26,713**
Financed sales receivables	**1,093**	**2,509**	**8,546**	**12,148**	**99,350**	**111,498**	**(11,038)**	**100,460**
Total	**$ 1,322**	**$ 2,986**	**$ 10,480**	**$ 14,788**	**$ 124,111**	**$ 138,899**	**$ (11,726)**	**$ 127,173**

	As of December 31, 2021							
(In thousands of U.S. Dollars)	Accrued and Current	30–89 Days	90+ Days	Billed	Unbilled	Recorded Receivable	Allowance for Credit Losses	Net
Net investment in leases	$ 225	$ 156	$ 1,267	$ 1,648	$ 27,542	$ 29,190	$ (798)	$ 28,392
Financed sales receivables	1,750	989	8,378	11,117	106,954	118,071	(5,414)	112,657
Total	$ 1,975	$ 1,145	$ 9,645	$ 12,765	$ 134,496	$ 147,261	$ (6,212)	$ 141,049

The following tables provide information about the Company's net investment in leases and financed sale receivables with billed amounts past due for which it continues to accrue finance income as of June 30, 2022 and December 31, 2021. The amounts disclosed for each credit quality classification are determined on a customer-by-customer basis and include both billed and unbilled amounts.

	As of June 30, 2022						
(In thousands of U.S. Dollars)	**Accrued and Current**	**30–89 Days**	**90+ Days**	**Billed**	**Unbilled**	**Allowance for Credit Losses**	**Net**
Net investment in leases	**$ 207**	**$ 419**	**$ 1,446**	**$ 2,072**	**$ 19,767**	**$ (255)**	**$ 21,584**
Financed sales receivables	**861**	**1,833**	**6,885**	**9,579**	**47,175**	**(1,273)**	**55,481**
Total	**$ 1,068**	**$ 2,252**	**$ 8,331**	**$ 11,651**	**$ 66,942**	**$ (1,528)**	**$ 77,065**

	As of December 31, 2021						
(In thousands of U.S. Dollars)	Accrued and Current	30–89 Days	90+ Days	Billed	Unbilled	Allowance for Credit Losses	Net
Net investment in leases	$ 143	$ 132	$ 825	$ 1,100	$ 12,619	$ (176)	$ 13,543
Financed sales receivables	959	729	6,190	7,878	41,439	(1,413)	47,904
Total	$ 1,102	$ 861	$ 7,015	$ 8,978	$ 54,058	$ (1,589)	$ 61,447

The following table provides information about the Company's net investment in leases and financed sale receivables that are on nonaccrual status as of June 30, 2022 and December 31, 2021:

	As of June 30, 2022			As of December 31, 2021		
(In thousands of U.S. Dollars)	**Recorded Receivable**	**Allowance for Credit Losses**	**Net**	Recorded Receivable	Allowance for Credit Losses	Net
Net investment in leases	**$ 927**	**$ (304)**	**$ 623**	$ 871	$ (309)	$ 562
Net financed sales receivables	**18,158**	**(9,380)**	**8,778**	8,642	(2,357)	6,285
Total	**$ 19,085**	**$ (9,684)**	**$ 9,401**	$ 9,513	$ (2,666)	$ 6,847

The balances of net investment in leases and financed sale receivables that are on nonaccrual status as of June 30, 2022 include amounts due from exhibitors in Russia, Ukraine, and Belarus which were placed on nonaccrual status in the first quarter of 2022 as a result of the ongoing Russia-Ukraine conflict.

For the three and six months ended June 30, 2022, the Company recognized less than $0.1 million and $0.1 million, respectively, (2021 — less than $0.1 million and $0.1 million) in Finance Income related to the net investment in leases with billed amounts past due. For the three and six months ended June 30, 2022 and 2021, the Company did not recognize Finance Income related to the net investment in leases on nonaccrual status. For the three and six months ended June 30, 2022, the Company recognized $1.3 million and $2.0 million, respectively, (2021 — $0.7 million and $2.3 million, respectively) in Finance Income related to the financed sale receivables with billed amounts past due. For the three and six months ended June 30, 2022, the Company recognized $0.3 million and $0.5 million, respectively, (2021 — $0.1 million and $0.3 million, respectively) in Finance Income related to the financed sales receivables on nonaccrual status.

The following tables summarize the activity in the allowance for credit losses related to the Company's net investment in leases and financed sale receivables for the three and six months ended June 30, 2022 and 2021:

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

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

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

Variable Consideration Receivables

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

The following table summarizes the activity in the allowance for credit losses related to Variable Consideration Receivables for the three and six months ended June 30, 2022 and 2021:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
(In thousands of U.S. Dollars)	**2022 Theater Operators**	2021 Theater Operators	**2022 Theater Operators**	2021 Theater Operators
Beginning balance	**$ 439**	$ 2,088	**$ 1,082**	$ 1,887
Current period provision (reversal), net	**73**	(38)	**(570)**	162
Write-offs	**—**	—	**—**	—
Foreign exchange	**(9)**	(22)	**(9)**	(21)
Ending balance	**$ 503**	$ 2,028	**$ 503**	$ 2,028

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

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 liabilities is based on the location of each leased property. None of the Company's leases include options to purchase the leased property. The depreciable lives of right-of-use assets and related leasehold improvements are limited by the expected lease term. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Company rents or subleases certain office space to third parties, which have a remaining term of less than 12 months and are not expected to be renewed.

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

For the three and six months ended June 30, 2022 and 2021, the components of operating lease expense recorded within Selling, General and Administrative expenses are as follows:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
(In thousands of U.S. Dollars)	**2022**	2021	**2022**	2021
Operating lease cost[(1)]	**$ 168**	$ 211	**$ 328**	$ 383
Amortization of operating lease assets	**669**	666	**1,362**	1,414
Interest on operating lease liabilities	**201**	231	**416**	473
Total lease cost	**$ 1,038**	$ 1,108	**$ 2,106**	$ 2,270

(1) Includes short-term leases and variable lease costs, which are not significant for the three and six months ended June 30, 2022 and 2021.

For the six months ended June 30, 2022 and 2021, supplemental cash and non-cash information related to leases is as follows:

(In thousands of U.S. Dollars)	**Six Months Ended June 30, 2022**	2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating leases	**$ 1,679**	$ 1,929
Finance leases	**890**	N/A
Supplemental disclosure of noncash leasing activities:		
Right-of-use assets obtained in exchange for operating lease obligations	**$ 622**	$ 928
Right-of-use assets obtained in exchange for finance lease obligations	**950**	N/A

As of June 30, 2022 and December 31, 2021, supplemental balance sheet information related to leases is as follows:

(In thousands of U.S. Dollars)		**June 30, 2022**	December 31, 2021
Assets	**Balance Sheet Location**		
Operating lease right-of-use assets	Property, plant and equipment	**$ 11,342**	$ 12,132
Finance lease right-of-use assets	Property, plant and equipment	**950**	N/A
Liabilities	**Balance Sheet Location**		
Operating lease liabilities	Accrued and other liabilities	**$ 13,964**	$ 14,691
Finance lease liabilities(1)	Accrued and other liabilities	**60**	N/A

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

As of June 30, 2022 and December 31, 2021, the weighted-average remaining lease term and weighted-average interest rate associated with the Company's operating leases are as follows:

	June 30, 2022	December 31, 2021
Operating leases:		
Weighted-average remaining lease term (years)	**6.6**	7.0
Weighted-average discount rate	**5.99%**	5.97%
Finance leases:		
Weighted-average remaining lease term (years)	**5.0**	N/A
Weighted-average discount rate	**6.00%**	N/A

As of June 30, 2022, the maturities of the Company's operating and finance lease liabilities are as follows:

(In thousands of U.S. Dollars)	**Operating Leases**	**Finance Leases**
2022 (six months remaining)	$ 1,575	$ —
2023	2,468	60
2024	2,256	—
2025	2,111	—
2026	2,095	—
Thereafter	6,547	—
Total lease payments	$ 17,052	$ 60
Less: interest expense	(3,088)	—
Present value of lease liabilities	$ 13,964	$ 60

(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(p) of the Company's audited Consolidated Financial Statements included in its 2021 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.

The following lease payments are expected to be received by the Company for its sales-type leases and joint revenue sharing arrangements in each of the next five years and thereafter following the June 30, 2022 balance sheet date:

(In thousands of U.S. Dollars)	**Sales-Type Leases**	**Joint Revenue Sharing Arrangements**
2022 (six months remaining)	$ 1,734	$ 95
2023	3,031	128
2024	2,914	—
2025	2,768	—
2026	2,558	—
Thereafter	15,433	—
Total	$ 28,438	$ 223

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

6. Inventories

As of June 30, 2022 and December 31, 2021, Inventories consist of the following:

(In thousands of U.S. Dollars)	**June 30, 2022**	December 31, 2021
Raw materials	**$ 27,051**	$ 20,551
Work-in-process	**2,816**	1,406
Finished goods	**3,555**	4,967
	$ 33,422	$ 26,924

As of June 30, 2022, Inventories include finished goods of $4.5 million (December 31, 2021 — $2.6 million) for which title had passed to the customer, but the criteria for revenue recognition were not met as of the balance sheet date.

During the three and six months ended June 30, 2022, the Company recorded write-downs of $0.3 million in Costs and Expenses Applicable to Technology Sales principally to reduce the carrying value of service parts held in Russia. In the three and six months ended June 30, 2021, the Company recorded write-downs of $0.1 million and $0.2 million, respectively, in Costs and Expenses Applicable to Technology Sales to reduce the carrying value of excess inventory.

7. Debt

(a) *Revolving Credit Facility Borrowings, Net*

As of June 30, 2022 and December 31, 2021, Revolving Credit Facility Borrowings, Net includes the following:

(In thousands of U.S. Dollars)	**June 30, 2022**	December 31, 2021
Credit Facility borrowings	**$ —**	$ —
Bank of China Facility borrowings	**—**	3,612
HSBC Facility borrowings	**—**	—
Unamortized debt issuance costs[1]	**—**	(1,140)
Revolving Credit Facility Borrowings, net	**$ —**	$ 2,472

(1) As of June 30, 2022, unamortized debt issuance costs of $2.4 million are classified within Prepaid Expenses as there were no outstanding revolving Credit Facility borrowings as of that date.

Bank of China Facility

In June 2022, IMAX (Shanghai) Multimedia Technology Co., Ltd. ("**IMAX Shanghai**"), one of the Company's majority-owned subsidiaries in China, renewed its unsecured revolving facility with Bank of China for up to 200.0 million Chinese Renminbi ("**RMB**") ($29.8 million), including RMB10.0 million ($1.5 million) for letters of guarantee, to fund ongoing working capital requirements (the "**Bank of China Facility**"). The Bank of China Facility expires in September 2023.

As of June 30, 2022, there were no outstanding borrowings under the Bank of China Facility and outstanding letters of guarantee were RMB2.8 million ($0.4 million). As of December 31, 2021, outstanding Bank of China Facility borrowings were RMB23.0 million ($3.6 million) and outstanding letters of guarantee were RMB2.8 million ($0.5 million).

As of June 30, 2022, the amount available for future borrowings under the Bank of China Facility was RMB190.0 million ($28.3 million) and the amount available for letters of guarantee was RMB7.2 million ($1.1 million). The amount available for future borrowings under the Bank of China Facility is not subject to a standby fee. The effective interest rate for the three and six months ended June 30, 2022 was 4.15% (2021 — 4.35%).

HSBC China Facility

In June 2022, IMAX Shanghai entered into an unsecured revolving facility for up to RMB200.0 million ($29.8 million) with HSBC Bank (China) Company Limited, Shanghai Branch to fund ongoing working capital requirements (the "**HSBC China Facility**"). As of June 30, 2022, there was no amounts drawn under the HSBC China facility and the amount available for future borrowings was RMB200.0 million ($29.8 million).

9. Condensed Consolidated Statements of Operations – Supplemental Information

(a) Selling Expenses

The following table summarizes the Company's selling expenses, including sales commissions and other selling expenses such as direct advertising and marketing expenses, which are recognized within Costs and Expenses Applicable to Revenues in the Condensed Consolidated Statements of Operations, for three and six months ended June 30, 2022 and 2021:

	Three Months Ended June 30,			
	2022		2021	
(In thousands of U.S. Dollars)	**Sales Commissions**	**Other Selling Expenses**	Sales Commissions	Other Selling Expenses
Technology sales[1]	**$ 47**	**$ 38**	$ 310	$ 196
Image enhancement and maintenance services[2]	**—**	**4,850**	—	1,507
Technology rentals[3]	**(334)**	**265**	69	117
Total	**$ (287)**	**$ 5,153**	$ 379	$ 1,820

	Six Months Ended June 30,			
	2022		2021	
(In thousands of U.S. Dollars)	**Sales Commissions**	**Other Selling Expenses**	Sales Commissions	Other Selling Expenses
Technology sales[1]	**$ 47**	**$ 200**	$ 442	$ 337
Image enhancement and maintenance services[2]	**—**	**7,765**	—	2,714
Technology rentals[3]	**(289)**	**730**	163	681
Total	**$ (242)**	**$ 8,695**	$ 605	$ 3,732

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

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

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

(b) Foreign Exchange

Included in Selling, General and Administrative Expenses for the three and six months ended June 30, 2022 is a net loss of $(1.7) million and $(1.9) million, respectively, (2021 — net gain of $1.1 million and $1.7 million, respectively) resulting from changes in exchange rates related to RMB denominated monetary assets and liabilities. See Note 16(c) for additional information.

(c) Collaborative Arrangements

Joint Revenue Sharing Arrangements

As of June 30, 2022, the Company has signed traditional and hybrid joint revenue sharing arrangements with 44 exhibitors (2021 — 42) for a total of 1,245 IMAX Theater Systems (2021 — 1,226), of which 923 theaters (2021 — 897) were operational and included in the network as of that date. The terms of these arrangements are similar in nature, rights, and obligations. (See Note 5 for a description of the material terms of the Company's collaborative joint revenue sharing arrangements.) The accounting policy for the Company's joint revenue sharing arrangements is disclosed in Note 3(p) of the Company's audited Consolidated Financial Statements in its 2021 Form 10-K.

Revenue attributable to transactions arising between the Company and its customers under joint revenue sharing arrangements are recorded within Revenues — Technology Sales (for hybrid joint revenue sharing arrangements) and Revenues — Technology Rentals (for traditional joint revenue sharing arrangements). For the three and six months ended June 30, 2022, such revenues totaled $19.0 million and $32.7 million, respectively (2021 — $8.9 million and $19.0 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 fee earned by the Company in a typical IMAX DMR arrangement averages approximately 12.5% of box office receipts (i.e. gross box office receipts less applicable sales taxes), except for within Greater China, where the Company receives a lower percentage of net box office receipts for certain Hollywood films.

For the three and six months ended June 30, 2022, IMAX DMR revenue was earned from the exhibition of 18 films (13 new films and 5 carryovers), and 36 films (26 new and 10 carryovers), respectively, as compared to 17 films (14 new films and 3 carryovers) and 32 films (26 new and 6 carryovers), respectively, and the re-release of classic titles throughout the IMAX theater network during the same periods of 2021. The accounting policy for the Company's IMAX DMR arrangements is disclosed in Note 3(p) of the Company's audited Consolidated Financial Statements in its 2021 Form 10-K.

Revenue attributable to transactions arising between the Company and its customers under IMAX DMR arrangements are included in Revenues — Image Enhancement and Maintenance Services. For the three and six months ended June 30, 2022, such revenues totaled $27.6 million and $47.1 million, respectively, (2021 — $11.8 million and $23.7 million, respectively). (See Note 13(a) for a disaggregated presentation of the Company's revenues.)

10. Condensed Consolidated Statements of Cash Flows — Supplemental Information

(c) Write-downs

(In thousands of U.S. Dollars)	**Six Months Ended June 30, 2022**	2021
Other assets[(1)]	**$ 4,470**	$ —
Inventories[(2)]	**278**	200
Property, plant and equipment:		
Equipment supporting joint revenue sharing arrangements[(3)]	**212**	329
Other property, plant and equipment	**6**	(23)
Film assets[(4)]	**466**	(44)
	$ 5,432	$ 462

(1) In the six months ended June 30, 2022, the Company recognized a full impairment of its RMB30.0 million ($4.5 million) investment in the film *Mozart from Space* (2021 — $nil) based on projected box office results and distribution costs. (See Note 16(e).)

(2) In the six months ended June 30, 2022, the Company recorded write-downs of $0.3 million in Costs and Expenses Applicable to Technology Sales principally to reduce the carrying value of service parts held in Russia. In the six months ended June 30, 2021, the Company recorded write-downs of $0.2 million in Costs and Expenses Applicable to Technology Sales to reduce the carrying value of excess inventory.

(3) In the six months ended June 30, 2022, the Company recorded charges of $0.2 million (2021 — $0.3 million) in Costs and Expenses Applicable to Technology Rentals mostly related to a removed IMAX Theater System, as well as the write-down of leased xenon-based digital systems which were taken out of service in connection with customer upgrades to laser-based digital systems.

(4) In the six months ended June 30, 2022, the Company recorded impairment losses of $0.5 million (2021 — $nil) related to the write-down of DMR and documentary film assets.

11. Income Taxes

(a) Income Tax Expense

For the three months ended June 30, 2022, the Company recorded income tax expense of $3.1 million (2021 — $1.9 million). For the three months ended June 30, 2022, the Company's effective tax rate differs from the combined Canadian federal and provincial statutory income tax rate due to the following factors:

	Three Months Ended June 30, 2022		Three Months Ended June 30, 2021	
(In thousands of U.S. Dollars, except rates)	**Amount**	**Rate**	Amount	Rate
Income tax benefit at combined statutory rates	**$ 296**	**26.5%**	$ 1,105	26.5%
Adjustments resulting from:				
Change of valuation allowance	**(5,426)**	**(485.3%)**	(3,007)	(72.2%)
Shortfall tax benefits related to share-based compensation	**(23)**	**(2.1%)**	(28)	(0.7%)
Changes to tax reserves	**(251)**	**(22.5%)**	892	21.4%
Changes to deferred tax assets and liabilities resulting from audit and other tax return adjustments	**2,497**	**223.4%**	(700)	(16.8%)
Other non-deductible/non-taxable items	**(226)**	**(20.2%)**	(208)	(5%)
Income tax expense	**$ (3,133)**	**(280.2%)**	$ (1,946)	(46.7%)

For the three months ended June 30, 2022, the Company recorded an additional $5.4 million (2021 — $3.0 million) valuation allowance against deferred tax assets in jurisdictions where management cannot reliably forecast that sufficient future tax liabilities will arise in specific jurisdictions, which includes the impact of the COVID-19 pandemic. Accordingly, the tax benefit associated with the current period losses in these jurisdictions is not ultimately reflected in the Company's Condensed Consolidated Statements of Operations.

For the six months ended June 30, 2022, the Company recorded income tax expense of $5.7 million (2021 — $5.0 million). For the six months ended June 30, 2022, the Company's effective tax rate differs from the combined Canadian federal and provincial statutory income tax rate due to the following factors:

	Six Months Ended June 30, 2022		Six Months Ended June 30, 2021	
(In thousands of U.S. Dollars, except rates)	**Amount**	**Rate**	Amount	Rate
Income tax benefit at combined statutory rates	**$ 2,772**	**26.5%**	$ 3,074	26.5%
Adjustments resulting from:				
Change of valuation allowance	**(10,435)**	**(99.8%)**	(9,978)	(86.0%)
(Shortfall) excess tax benefits related to share-based compensation	**(152)**	**(1.5%)**	713	6.1%
Changes to tax reserves	**(411)**	**(3.9%)**	1,449	12.5%
Gain on sale of Maoyan investment not taxable	**—**	**—**	1,367	11.8%
Withholding taxes resulting from management's decision to no longer indefinitely reinvest the historical earnings of certain foreign subsidiaries	**—**	**—**	(547)	(4.7%)
Changes to deferred tax assets and liabilities resulting from audit and other tax return adjustments	**2,497**	**23.9%**	(700)	(6.0%)
Other non-deductible/non-taxable items	**(14)**	**(0.1%)**	(392)	(3.4%)
Income tax expense	**$ (5,743)**	**(54.9%)**	$ (5,014)	(43.2%)

As of June 30, 2022, the Company's Condensed Consolidated Balance Sheets include net deferred income tax assets of $14.0 million, net of a valuation allowance of $56.4 million (December 31, 2021 — $13.9 million, net of a valuation allowance of $46.0 million). The valuation allowance will be reversed when and if 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.

12. Capital Stock and Reserves

(a) Share-Based Compensation

For the three and six months ended June 30, 2022, share-based compensation expense totaled $7.6 million and $13.7 million, respectively (2021 — $6.8 million and $12.1 million, respectively) and is reflected in the following accounts in the Condensed Consolidated Statements of Operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands of U.S. Dollars)	**2022**	2021	**2022**	2021
Cost and expenses applicable to revenues	**$ 269**	$ 312	**$ 508**	$ 606
Selling, general and administrative expenses	**7,263**	6,396	**12,989**	11,340
Research and development	**105**	87	**192**	156
	$ 7,637	$ 6,795	**$ 13,689**	$ 12,102

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands of U.S. Dollars)	**2022**	2021	**2022**	2021
Stock Options	**$ 122**	$ 204	**$ 329**	$ 555
Restricted Share Units	**4,478**	4,473	**7,889**	7,624
Performance Stock Units	**1,724**	972	**3,453**	1,986
IMAX China Stock Options	**24**	46	**58**	102
IMAX China Long Term Incentive Plan Restricted Share Units	**1,093**	985	**1,590**	1,617
IMAX China Long Term Incentive Plan Performance Stock Units	**196**	115	**370**	218
	$ 7,637	$ 6,795	**$ 13,689**	$ 12,102

For the three and six months ended June 30, 2022 and 2021, share-based compensation expense includes $1.3 million related to restricted share units granted to non-employee directors of IMAX Corporation and IMAX China (2021 — $1.3 million).

Stock Option Summary

The following table summarizes the activity under the Company's Stock Option Plan ("**SOP**") and the IMAX Corporation Second Amended and Restated Long-Term Incentive Plan (as may be amended, "**IMAX LTIP**") for the six months ended June 30, 2022 and 2021:

	Number of Shares		Weighted Average Exercise Price Per Share	
	2022	2021	**2022**	2021
Stock options outstanding, beginning of period	**3,736,157**	4,892,962	**$ 26.61**	$ 26.81
Granted	**—**	—	**—**	—
Exercised	**—**	(41,613)	**—**	21.23
Forfeited	**—**	(86,587)	**—**	22.51
Expired	**(126,569)**	(903,038)	**33.61**	28.31
Cancelled	**(2,197)**	(10,917)	**32.50**	27.20
Stock options outstanding, end of period	**3,607,391**	3,850,807	**26.36**	26.61
Stock options exercisable, end of period	**3,524,888**	3,600,160	**26.45**	26.92

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

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

The following table summarizes the activity in respect of RSUs issued under the IMAX LTIP for the six months ended June 30, 2022 and 2021:

	Number of Awards		Weighted Average Grant Date Fair Value Per Share	
	2022	2021	**2022**	2021
RSUs outstanding, beginning of period	**1,457,883**	1,564,838	**$ 19.16**	$ 18.33
Granted	**690,509**	829,057	**19.43**	21.05
Vested and settled	**(711,376)**	(568,714)	**18.68**	19.10
Forfeited	**(28,060)**	(220,195)	**20.16**	19.66
RSUs outstanding, end of period	**1,408,956**	1,604,986	**19.51**	19.28

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

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

The grant date fair value of PSUs with EBITDA-based targets is equal to the closing price of the Company's common shares on the date of grant or the average closing price of the Company's common shares for five days prior to the date of grant. The grant date fair value of PSUs with TSR targets is determined on the grant date using a Monte Carlo simulation, which is a valuation model that considers the likelihood of achieving the TSR targets embedded in the award ("**Monte Carlo Model**"). The compensation expense attributable to each type of PSU is recognized on a straight-line basis over the requisite service period.

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

The amount and timing of compensation expense recognized for PSUs with EBITDA-based targets is dependent upon management's assessment of the likelihood of achieving these targets. If, as a result of management's assessment, it is projected that a greater number of PSUs will vest than previously anticipated, a life-to-date adjustment to increase compensation expense is recorded in the period that such determination is made. Conversely, if, as a result of management's assessment, it is projected that a lower number of PSUs will vest than previously anticipated, a life-to-date adjustment to decrease compensation expense is recorded in the period that such determination is made. The expense recognized in the six months ended June 30, 2022 and 2021 includes adjustments reflecting management's estimate of the number of PSUs with EBITDA-based targets expected to vest.

The following table summarizes the activity in respect of PSUs issued under the IMAX LTIP for the six months ended June 30, 2022 and 2021:

	Number of Awards		Weighted Average Grant Date Fair Value Per Share	
	2022	2021	**2022**	2021
PSUs outstanding, beginning of period	**613,405**	361,844	**$ 18.21**	$ 15.68
Granted	**359,138**	309,574	**20.34**	20.77
Forfeited	**(8,073)**	(54,634)	**20.90**	16.08
PSUs outstanding, end of period	**964,470**	616,784	**18.98**	18.20

As of June 30, 2022, the maximum number of shares of common stock that may be issued with respect to PSUs outstanding is 1,687,823, assuming full achievement of the EBITDA and TSR targets.

(b) Issuer Purchases of Equity Securities

In 2021, IMAX China's shareholders granted its Board of Directors a general mandate authorizing the Board, subject to applicable laws, to repurchase shares of IMAX China not to exceed 10% of the total number of issued shares as of May 6, 2021 (34,835,824 shares). This program expired on the date of the 2022 Annual General Meeting of IMAX China on June 23, 2022. During the 2022 Annual General Meeting, shareholders approved the repurchase of shares of IMAX China not to exceed 10% of the total number of issued shares as of June 23, 2022 (34,063,480 shares). This program will be valid until the 2023 Annual General Meeting of IMAX China. The repurchases may be made in the open market or through other means permitted by applicable laws. IMAX China has no obligation to repurchase its shares and the share repurchase program may be suspended or discontinued by IMAX China at any time. During the three and six months ended June 30, 2022, IMAX China repurchased nil and 1,448,000 common shares, respectively, at an average price of HKD nil and HKD9.89 per share, respectively (U.S. $nil and $1.26 per share, respectively), for a total of HKD nil and HKD14.3 million or U.S. $nil and $1.8 million, respectively. IMAX China did not repurchase any common shares during the three and six months ended June 30, 2021. The change in the non-controlling interest attributable to IMAX China as a result of common shares repurchased is recorded as a reduction to Non-Controlling Interests in the Condensed Consolidated Balance Sheets and the Condensed Consolidated Statements of Shareholders' Equity. The difference between the consideration paid and the ownership interest obtained as a result of IMAX China share repurchases is recorded within Other Equity in the Condensed Consolidated Balance Sheets and the Condensed Consolidated Statements of Shareholders' Equity. (See Note 1.)

(c) Basic and Diluted Weighted Average Shares Outstanding

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

(In thousands)	Three Months Ended June 30, **2022**	2021	Six Months Ended June 30, **2022**	2021
Issued and outstanding, beginning of period	**58,751**	59,358	**58,654**	58,921
Weighted average number of shares (repurchased) issued, net	**(1,430)**	9	**(711)**	269
Weighted average number of shares outstanding — basic	**57,321**	59,367	**57,943**	59,190
Weighted average effect of potential common shares, if dilutive	**—**	—	**—**	—
Weighted average number of shares outstanding — diluted	**57,321**	59,367	**57,943**	59,190

For the three and six months ended June 30, 2022, the calculation of diluted weighted average shares outstanding excludes 6,302,818 shares (2021 — 6,239,713 shares) that are issuable upon the vesting or exercise of share-based compensation including: (i) 1,408,956 RSUs (2021 — 1,604,986 RSUs), (ii) 1,286,471 PSUs (2021 — 783,920 PSUs) and (iii) 3,607,391 stock options (2021 — 3,850,807 stock options), as the effect would be anti-dilutive.

The calculation of diluted weighted average shares outstanding for the three and six months ended June 30, 2022 and 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 may only be used to fund losses from prior years, to expand production operations, or to increase the capital of the subsidiaries. In addition, the subsidiaries may make further contribution to the discretional surplus reserve using post-tax profits in accordance with resolutions of the Board of Directors.

In 2021, one of the Company's PRC subsidiaries declared and paid dividends of RMB131.6 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 RMB36.4 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 RMB36.4 million ($5.6 million) has reached 50% of its PRC subsidiaries' registered capital. No additional statutory surplus reserve was recorded by the Company's PRC subsidiaries for the three months ended June 30, 2022.

13. Revenue from Contracts with Customers

(a) Disaggregated Information About Revenue

The following tables summarize the Company's revenues by type and reportable segment for the three and six months ended June 30, 2022 and 2021:

	Three Months Ended June 30, 2022				
	Revenue from Contracts with Customers				
(In thousands of U.S. Dollars)	Fixed Consideration	Variable Consideration	Revenue from Lease Arrangements	Finance Income	Total
Technology sales					
IMAX Systems[1]	$ 4,925	$ 1,016	$ 34	$ —	$ 5,975
Joint Revenue Sharing Arrangements, fixed fees	—	—	498	—	498
Other Theater Business	920	—	—	—	920
All Other	836	—	—	—	836
Sub-total	6,681	1,016	532	—	8,229
Image enhancement and maintenance services					
IMAX DMR	—	27,581	—	—	27,581
IMAX Maintenance	14,683	—	—	—	14,683
Film Distribution	23	818	—	—	841
Film Post-Production	1,122	—	—	—	1,122
All Other	—	731	—	—	731
Sub-total	15,828	29,130	—	—	44,958
Technology rentals					
Joint Revenue Sharing Arrangements, contingent rent	—	—	18,525	—	18,525
Sub-total	—	—	18,525	—	18,525
Finance income					
IMAX Systems	—	—	—	2,256	2,256
Total	$ 22,509	$ 30,146	$ 19,057	$ 2,256	$ 73,968

(In thousands of U.S. Dollars)	Six Months Ended June 30, 2022 — Revenue from Contracts with Customers: Fixed Consideration	Variable Consideration	Revenue from Lease Arrangements	Finance Income	Total
Technology sales					
IMAX Systems[1]	$ 10,870	$ 1,384	$ 34	$ —	$ 12,288
Joint Revenue Sharing Arrangements, fixed fees	—	—	1,488	—	1,488
Other Theater Business	1,590	—	—	—	1,590
All Other	1,758	81	—	—	1,839
Sub-total	14,218	1,465	1,522	—	17,205
Image enhancement and maintenance services					
IMAX DMR	—	47,145	—	—	47,145
IMAX Maintenance	29,625	—	—	—	29,625
Film Distribution	167	1,255	—	—	1,422
Film Post-Production	1,947	—	—	—	1,947
All Other	—	913	—	—	913
Sub-total	31,739	49,313	—	—	81,052
Technology rentals					
Joint Revenue Sharing Arrangements, contingent rent	—	—	31,168	—	31,168
All Other	—	—	18	—	18
Sub-total	—	—	31,186	—	31,186
Finance income					
IMAX Systems	—	—	—	4,561	4,561
Total	$ 45,957	$ 50,778	$ 32,708	$ 4,561	$ 134,004

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

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

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

(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. As of June 30, 2022, $17.3 million of consideration has been deferred in relation to outstanding maintenance services to be provided on existing maintenance contracts (December 31, 2021 — $20.2 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.

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 ("**JRSA**"); (iii) IMAX Systems, (iv) IMAX Maintenance; (v) Other Theater Business; (vi) Film Distribution; and (vii) Film Post-Production. The Company's activities that do not meet the criteria to be considered a reportable segment are disclosed within All Other. The Company organizes its reportable segments into the following three 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 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; and

(iii) Film Distribution and Post-Production, which includes activities related to the distribution of large-format documentary films, primarily to institutional theaters, and the distribution of exclusive experiences ranging from live performances to interactive events with leading artists and creators (through the Film Distribution segment) and the provision of film post-production and quality control services.

The Company presents its segment information at a disaggregated level to provide more relevant information to the users of its financial statements.

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.

In the first quarter of 2022, the Company's internal reporting was updated to reclassify the results of IMAX Enhanced™, an initiative to bring *The* IMAX *Experience*® into the home, out of the New Business Initiatives segment and into All Other for segment reporting purposes. IMAX Enhanced was the only component of the New Business Initiatives segment. Prior period comparatives have been reclassified to conform with the current period presentation.

The following table presents the Company's revenue and gross margin (margin loss) by category and reportable segment for the three months ended June 30, 2022 and 2021:

(In thousands of U.S. Dollars)	**Revenue**[1] **2022**	Revenue[1] 2021	**Gross Margin (Margin Loss) 2022**	Gross Margin (Margin Loss) 2021
IMAX Technology Network				
IMAX DMR	**$ 27,581**	$ 11,793	**$ 18,000**	$ 6,861
JRSA, contingent rent	**18,525**	7,862	**12,889**	1,790
	46,106	19,655	**30,889**	8,651
IMAX Technology Sales and Maintenance				
IMAX Systems[2]	**8,231**	15,982	**5,427**	10,548
JRSA, fixed fees	**498**	1,002	**(19)**	347
IMAX Maintenance	**14,683**	11,235	**7,367**	5,075
Other Theater Business[3]	**920**	483	**46**	142
	24,332	28,702	**12,821**	16,112
Film Distribution and Post-Production				
Film Distribution	**841**	194	**(1,015)**	(54)
Post-Production	**1,122**	1,396	**488**	660
	1,963	1,590	**(527)**	606
Sub-total for reportable segments	**72,401**	49,947	**43,183**	25,369
All Other[4]	**1,567**	1,008	**853**	234
Total	**$ 73,968**	$ 50,955	**$ 44,036**	$ 25,603

The following table presents the Company's revenue and gross margin (margin loss) by category and reportable segment for the six months ended June 30, 2022 and 2021:

	Revenue[(1)]		Gross Margin (Margin Loss)	
(In thousands of U.S. Dollars)	**2022**	2021	**2022**	2021
IMAX Technology Network				
IMAX DMR	**$ 47,145**	$ 23,737	**$ 31,557**	$ 15,112
JRSA, contingent rent	**31,168**	16,221	**19,087**	3,673
	78,313	39,958	**50,644**	18,785
IMAX Technology Sales and Maintenance				
IMAX Systems[(2)]	**16,849**	21,881	**9,403**	13,560
JRSA, fixed fees	**1,488**	2,740	**233**	503
IMAX Maintenance	**29,625**	20,141	**15,237**	8,898
Other Theater Business[(3)]	**1,590**	920	**146**	205
	49,552	45,682	**25,019**	23,166
Film Distribution and Post-Production				
Film Distribution	**1,422**	416	**(2,262)**	(315)
Post-Production	**1,947**	1,987	**874**	896
	3,369	2,403	**(1,388)**	581
Sub-total for reportable segments	**131,234**	88,043	**74,275**	42,532
All Other[(4)]	**2,770**	1,666	**1,532**	352
Total	**$ 134,004**	$ 89,709	**$ 75,807**	$ 42,884

(1) The Company's largest customer represents 17% and 15%, respectively, of total Revenues for the three and six months ended June 30, 2022 (2021 — 20% and 25%, respectively). No single customer comprises more than 10% of the Company's total Accounts Receivable as of June 30, 2022 and December 31, 2021.

(2) 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.

(3) The revenue from this segment principally includes after-market sales of IMAX Theater System parts and 3D glasses.

(4) All Other includes the results from IMAX Enhanced and other ancillary activities. In the second quarter of 2022, the Company's internal reporting was updated to reclassify the results of IMAX Enhanced out of the New Business Initiatives segment into All Other for segment reporting purposes. Prior period comparatives have been revised to conform with the current period presentation.

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.

The following table summarizes the Company's revenues by geographic area for the three and six months ended June 30, 2022 and 2021:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
(In thousands of U.S. Dollars)	**2022**	2021	**2022**	2021
United States	**$ 33,646**	$ 14,107	**$ 52,713**	$ 17,806
Greater China	**11,237**	27,913	**32,713**	53,431
Asia (excluding China)	**11,357**	3,610	**17,124**	7,912
Western Europe	**10,701**	2,157	**17,762**	3,526
Latin America	**2,543**	345	**4,429**	398
Canada[2]	**1,968**	90	**3,740**	(463)
Russia/the CIS & Ukraine[1]	**146**	1,338	**1,156**	3,224
Rest of the World	**2,370**	1,395	**4,367**	3,875
Total	**$ 73,968**	$ 50,955	**$ 134,004**	$ 89,709

(1) In addition to Russia, the CIS includes Azerbaijan, Belarus, Kazakhstan, and Kyrgyzstan. In March 2022, in response to the ongoing conflict between Russia and Ukraine and resulting sanctions, the Company suspended its operations in Russia and Belarus. As of June 30, 2022, the IMAX network includes 54 theaters in Russia, nine theaters in Ukraine, and one theater in Belarus.

(2) For the six months ended June 30, 2021, the amount attributable to Canada includes a $0.5 million reversal of previously recorded revenue and a corresponding reduction in the net investment in lease as a result of a lease modification entered into during the period.

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 six months ended June 30, 2022 and 2021.

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 $110.1 million balance of cash and cash equivalents as of June 30, 2022 (December 31, 2021 — $189.7 million) includes $86.4 million in cash held outside of Canada (December 31, 2021 — $102.1 million), of which $58.5 million was held in the PRC (December 31, 2021 — $76.3 million).

(b) Fair Value Measurements

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

(In thousands of U.S. Dollars)	**As of June 30, 2022** **Carrying Amount**	**Estimated Fair Value**	As of December 31, 2021 Carrying Amount	Estimated Fair Value
Level 1				
Cash and cash equivalents[(1)]	**$ 110,112**	**$ 110,112**	$ 189,711	$ 189,711
Equity securities[(2)]	**1,092**	**1,092**	1,087	1,087
Level 2				
Net financed sales receivables[(3)]	**$ 100,460**	**$ 100,106**	$ 112,657	$ 112,662
Net investment in sales-type leases[(3)]	**26,713**	**26,765**	28,392	28,407
Equity securities[(1)]	**1,000**	**1,000**	1,000	1,000
COLI[(4)]	**3,335**	**3,335**	3,275	3,275
Foreign exchange contracts — designated forwards[(2)]	**(122)**	**(122)**	79	79
Bank of China Facility borrowings[(1)]	**—**	**—**	(3,612)	(3,612)
Convertible Notes[(5)]	**(230,000)**	**(201,825)**	(230,000)	(223,100)
Level 3				
Interest in film classified as a financial instrument[(6)]	**$ —**	**$ —**	$ —	$ —

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

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

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

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

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

(6) Recorded at amortized cost less impairment losses. Inputs used in the calculation of estimated fair value include management's projection of future box office and ancillary receipts for the film net of distribution costs and other costs in accordance with the investment agreement. See 16(e) below.

(c) Foreign Exchange Risk Management

The Company is exposed to market risk from changes in foreign currency rates.

A majority of the Company's revenues is denominated in U.S. Dollars while a significant portion of its costs and expenses is denominated in Canadian Dollars. A portion of the Company's net U.S. Dollar cash is converted to Canadian Dollars to fund Canadian Dollar expenses through the spot market. In China and Japan, the Company has ongoing operating expenses related to its operations in RMB and Japanese Yen, respectively. Net cash flows are converted to and from U.S. Dollars through the spot market. The Company also has cash receipts under leases denominated in RMB, Japanese Yen, Canadian Dollars and Euros which are converted to U.S. Dollars through the spot market. In addition, because IMAX films generate box office in 87 different countries, unfavorable exchange rates between applicable local currencies and the U.S. Dollar could have an impact on box-office receipts and the Company's revenues and results of operations. The Company's policy is to not use any financial instruments for trading or other speculative purposes.

The Company has entered into a series of foreign currency forward contracts to manage the risks associated with the volatility of foreign currencies. Certain of these foreign currency forward contracts met the criteria required for hedge accounting under the Derivatives and Hedging Topic of the FASB ASC at inception, and continue to meet hedge effectiveness tests at June 30, 2022 (the "**Foreign Currency Hedges**"), with settlement dates throughout 2022 and 2023. Foreign currency derivatives are recognized and measured in the Condensed Consolidated Balance Sheets at fair value. Changes in the fair value (i.e., gains or losses) are recognized in the Condensed Consolidated Statements of Operations except for derivatives designated and qualifying as foreign currency cash flow hedging instruments. The Company currently has cash flow hedging instruments associated with Selling, General and Administrative Expenses. For foreign currency cash flow hedging instruments related to Selling, General and Administrative Expenses, the effective portion of the gain or loss in a hedge of a forecasted transaction is reported in Accumulated Other Comprehensive (Loss) Income and reclassified to the Condensed Consolidated Statements of Operations when the forecasted transaction occurs. Any ineffective portion is recognized immediately in the Condensed Consolidated Statements of Operations.

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

Notional value of foreign exchange contracts:

(In thousands of U.S. Dollars)	**June 30, 2022**	December 31, 2021
Derivatives designated as hedging instruments:		
Foreign exchange contracts — Forwards	**$ 22,004**	$ 26,702

Fair value of derivatives in foreign exchange contracts:

(In thousands of U.S. Dollars)	**Balance Sheet Location**	**June 30, 2022**	December 31, 2021
Derivatives designated as hedging instruments:			
Foreign exchange contracts — Forwards	Other assets	**$ 45**	$ 184
	Accrued and other liabilities	**(167)**	(105)
		$ (122)	$ 79

Derivatives in foreign currency hedging relationships are as follows:

(In thousands of U.S. Dollars)		**Three Months Ended June 30, 2022**	Three Months Ended June 30, 2021	**Six Months Ended June 30, 2022**	Six Months Ended June 30, 2021
Foreign exchange contracts — Forwards	Derivative (Loss) Gain Recognized in OCI (Effective Portion)	**$ (610)**	$ 305	**$ (295)**	$ 600

(In thousands of U.S. Dollars)	**Location of Derivative (Loss) Gain Reclassified from AOCI (Effective Portion)**	**Three Months Ended June 30, 2022**	Three Months Ended June 30, 2021	**Six Months Ended June 30, 2022**	Six Months Ended June 30, 2021
Foreign exchange contracts — Forwards	Selling, general and administrative expenses	**$ (66)**	$ 824	**$ (95)**	$ 1,055

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

(In thousands of U.S. Dollars)	**Location of Derivative Gain**	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
		2022	2021	**2022**	2021
Foreign exchange contracts — Forwards	Selling, general and administrative expenses	**$ —**	$ 369	**$ —**	$ 391

The Company's estimated net amount of the existing loss as of June 30, 2022 is $(0.1) million, which is expected to be reclassified to earnings within the next twelve months.

(d) Investments in Equity Securities

As of June 30, 2022, the Condensed Consolidated Balance Sheets includes $1.1 million (December 31, 2021 — $1.1 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. During the first quarter of 2021, IMAX China (Hong Kong), Limited sold all of its 7,949,000 shares of Maoyan for gross proceeds of $17.8 million and recognized $5.2 million gain in the Condensed Consolidated Statements of Operations.

The Company has an investment of $1.1 million (December 31, 2021 — $1.1 million) in the shares of an exchange traded fund. This investment is classified as an equity investment.

As of June 30, 2022, the Company held investments in the preferred shares of enterprises which meet the criteria for classification as an equity security carried at historical cost, net of impairment charges. The carrying value of these equity security investments was $1.0 million at June 30, 2022 (December 31, 2021 — $1.0 million) and is recorded in Other Assets.

(e) Interest in Film

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

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

17. Non-Controlling Interests

(a) IMAX China Non-Controlling Interest

The Company indirectly owns 71.41% of IMAX China, whose shares trade on the Hong Kong Stock Exchange (December 31, 2021 — 71.11%). IMAX China remains a consolidated subsidiary of the Company. As of June 30, 2022, the balance of the Company's non-controlling interest in IMAX China is $66.6 million (December 31, 2021 — $73.5 million). For the three and six months ended June 30, 2022, the net (loss) income attributable to the non-controlling interest in IMAX China is $(1.4) million and $0.3 million, respectively (2021 — $3.1 million and $7.4 million, respectively).

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

Presented below is Management's Discussion and Analysis of Financial Condition and Results of Operations (or "**MD&A**") for IMAX Corporation and its consolidated subsidiaries ("**IMAX**" or the "**Company**") for the three and six months ended June 30, 2022 and 2021. MD&A should be read in conjunction with Note 14, "Segment Reporting," in the accompanying Condensed Consolidated Financial Statements in Item 1.

As of June 30, 2022, the Company indirectly owns 71.41% 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 or "forward-looking information" within the meaning of Canadian securities laws. These forward-looking statements include, but are not limited to, references to business and technology strategies and measures to implement strategies, competitive strengths, goals, expansion and growth of business, operations and technology, future capital expenditures (including the amount and nature thereof), industry prospects and consumer behavior, plans and references to the future success of the Company and expectations regarding its future operating, financial and technological results. These forward-looking statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. However, whether actual results and developments will conform with the expectations and predictions of the Company is subject to a number of risks and uncertainties, including, but not limited to, risks related to the adverse impact of the COVID-19 pandemic; risks associated with investments and operations in foreign jurisdictions and any future international expansion, including those related to economic, political and regulatory policies of local governments and laws and policies of the United States and Canada, as well as geopolitical conflicts, such as the conflict between Russia and Ukraine; risks related to the Company's growth and operations in China; the performance of IMAX DMR® films; 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 consolidation among commercial exhibitors and studios; risks related to brand extensions and new business initiatives; conditions in the in-home and out-of-home entertainment industries; the opportunities (or lack thereof) that may be presented to and pursued by the Company; risks related to cyber-security and data privacy; risks related to the Company's

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®, Filmed For IMAX™, IMAX Live™, IMAX Enhanced™, 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.

inability to protect its intellectual property; risks related to climate change; risks related to weather conditions and natural disasters that may disrupt or harm the Company's business; risks related to the Company's indebtedness and compliance with its debt agreements; general economic, market or business conditions; risks related to political, economic and social instability, including with respect to the Russia-Ukraine conflict; the failure to convert theater system backlog into revenue; changes in laws or regulations; any statements of belief and any statements of assumptions underlying any of the foregoing; other factors and risks outlined in the Company's periodic filings with the United States Securities and Exchange Commission (the "**SEC**") or in Canada, the System for Electronic Document Analysis and Retrieval (the "**SEDAR**"); and other factors, many of which are beyond the control of the Company. Consequently, all of the forward-looking statements made in this quarterly report are qualified by these cautionary statements, and actual results or anticipated developments by the Company may not be realized, and even if substantially realized, may not have the expected consequences to, or effects on, the Company. The forward-looking statements herein are made only as of the date hereof and the Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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

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

OVERVIEW

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

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 these theater closures, movie studios postponed the theatrical release of most films originally scheduled for release in 2020 and early 2021, including many of the films scheduled to be shown in IMAX theaters, while several other films were released directly or concurrently to streaming platforms. Beginning in the third quarter of 2020, stay-at-home orders and capacity restrictions were lifted in many key markets and movie theaters throughout the IMAX network gradually reopened. However, following the emergence of the Omicron variant and the rise of COVID-19 cases in China in the first quarter of 2022, the Chinese government reinstituted capacity restrictions and safety protocols on large public gatherings, which has led to the temporary closure of theaters in several cities. As of June 30, 2022, approximately 90% of the IMAX theaters in Greater China were open at various capacities, up from 52% as of March 31, 2022.

For the six months ended June 30, 2022, gross box office ("**GBO**") generated by IMAX films totaled $420.9 million, surpassing the total for the same period in 2021 by $202.1 million (92%). Although GBO results during the first half of 2022 were impacted by the COVID-related theater closures in China, management remains encouraged by the overall positive trend in box office results and believes it indicates that moviegoers are returning to theaters, and in particular IMAX theaters, where and when theaters are open and they feel safe. Despite accounting for 1% of all domestic screens, the IMAX network had a domestic market share of 5.3% in the second quarter of 2022, and in May alone IMAX theaters captured approximately 7% of the total domestic box office. Management is further encouraged by the return of the prevalence of exclusive theatrical windows and the strong pipeline of Hollywood movies scheduled to be released for theatrical exhibition throughout the second half of 2022 and into 2023. However, the impact of the COVID-19 pandemic on the Company's business and financial results will continue to depend on numerous evolving factors that cannot be accurately predicted and that will vary by jurisdiction and market, including the duration and scope of the pandemic, the emergence of new and the spread of existing variants of the virus, the progress made on administering vaccines and developing treatments and the effectiveness of such vaccines and treatments, 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 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 three categories: (i) IMAX Technology Network; (ii) IMAX Technology Sales and Maintenance; and (iii) Film Distribution and Post-Production. Within these three categories are the Company's following reportable segments: (i) IMAX DMR; (ii) Joint Revenue Sharing Arrangements ("**JRSA**"); (iii) IMAX Systems; (iv) IMAX Maintenance; (v) Other Theater Business; (vi) Film Distribution; and (vii) Film Post-Production. The Company's activities that do not meet the criteria to be considered a reportable segment are disclosed within All Other.

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 JRSA segment, which are each described in more detail below.

IMAX DMR

IMAX DMR is 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 fee earned by the Company in a typical IMAX DMR arrangement averages approximately 12.5% of box office receipts (i.e., GBO less applicable sales taxes), except for within Greater China, where the Company receives a lower percentage of net box office receipts for certain Hollywood films.

IMAX 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. Unlike the soundtracks played in conventional theaters, IMAX remastered soundtracks are uncompressed and full fidelity. IMAX sound systems use proprietary loudspeaker systems and proprietary surround sound configurations that ensure every theater seat is in an optimal listening position.

IMAX films also benefit from enhancements made by individual filmmakers exclusively for the IMAX release of the film. Collectively, the Company refers to these enhancements as "**IMAX DNA**". Filmmakers and movie studios have sought IMAX-specific enhancements in recent years to generate interest in and excitement for their films. Such enhancements include shooting films with IMAX cameras to increase the audience's immersion in the film and to take advantage of the unique dimensions of the IMAX screen by projecting the film in a larger aspect ratio that delivers up to 26% more image onto a standard IMAX movie screen. In select IMAX theaters worldwide, movies filmed with IMAX cameras have an IMAX-exclusive 1.43 film aspect ratio, with up to 67% more image. The Company has a Filmed For IMAX™ program whereby filmmakers craft films from inception for the IMAX Experience, including but not limited to the way films are shot, the lens used and the IMAX sound mix, and audiences respond recognizing this as the best way to view the films.

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 its slate of Hollywood films with appealing local language IMAX films released in select markets, particularly in China.

The following table provides detailed information about the IMAX films that were newly released through the Company's global theater network during the three and six months ended June 30, 2022 and 2021:

	For the Three Months Ended June 30,		**For the Six Months Ended June 30,**	
	2022	2021	**2022**	2021
IMAX Hollywood film releases	**8**	8	**14**	14
IMAX local language film releases:				
China	**—**	3	**4**	7
Japan	**3**	3	**3**	5
South Korea	**1**	—	**2**	—
France	**—**	—	**1**	—
India	**1**	—	**2**	—
Total IMAX local language film releases	**5**	6	**12**	12
Total IMAX film releases(1)	**13**	14	**26**	26

(1) For the three and six months ended June 30, 2022, the IMAX films that were newly released through the Company's global theater network include three and six with IMAX DNA, respectively (2021 — nil and two, respectively).

The IMAX films distributed through the Company's global theater network during the six months ended June 30, 2022 include *Top Gun: Maverick, Doctor Strange in the Multiverse of Madness, The Batman, Jurassic World Dominion, The Battle at Lake Changjin 2, Spider-Man: No Way Home, Fantastic Beasts: The Secrets of Dumbledore, and Uncharted.*

In addition to the 26 IMAX films newly released through the Company's global theater network during the six months ended June 30, 2022, the Company has announced the following 25 additional titles scheduled to be released throughout the remainder of 2022:

Title	**Studio**	**Scheduled Release Date[1]**	**IMAX DNA**
Minions: The Rise Of Gru	Universal Pictures	July 2022	—
Thor: Love & Thunder	Walt Disney Studios	July 2022	Filmed For IMAX
Detective Vs. Sleuths	Super Lion	July 2022	—
Mozart From Space	Wanda	July 2022	Filmed For IMAX
Kingdom 2	Toho	July 2022	—
Nope	Universal Pictures	July 2022	Shot with IMAX Film Cameras
Shamshera	Yash Raj Films	July 2022	—
Alienoid	CJ ENM	July 2022	—
Hansan: Rising Dragon	Lotte	July 2022	—
Moon Man	Ali Pictures	July 2022	—
Bullet Train	Sony Pictures	August 2022	—
Emergency Declaration	Showbox	August 2022	—
One Piece Red	Toei	August 2022	—
E.T. the Extra-Terrestrial (exclusive to IMAX)[2]	Universal Pictures	August 2022	—
Warriors of Future	Maoyan	August 2022	—
Jaws[2]	Universal Pictures	September 2022	—
Brahmāstra — Part One: Shiva	Fox Star	September 2022	—
Moonage Daydream	Neon/Universal	September 2022	—
Avatar[2]	Walt Disney Studios	September 2022	—
Halloween Ends	Universal Pictures	October 2022	—
Black Adam	Warner Bros. Pictures	October 2022	—
Black Panther 2: Wakanda Forever	Walt Disney Studios	November 2022	Filmed For IMAX
Indochine	Pathe Live	November 2022	Filmed For IMAX
Avatar: The Way of Water	Walt Disney Studios	December 2022	—

(1) The scheduled release dates in the table above are subject to change, including as a result of the impact of the COVID-19 pandemic, may vary by territory, and may not reflect the date(s) of limited premiere events. (See "Risk Factors — The Company has experienced a significant decrease in its revenues, earnings and cash flows due to the COVID-19 pandemic and its business, financial condition and results of operations may continue to be significantly harmed in future reporting periods" in Part II, Item 1A in this report.)

(2) Denotes re-release of classic title.

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. The Company also expects to announce additional local language IMAX films to be released to its global theater network in the remainder of 2022.

IMAX NETWORK AND BACKLOG

IMAX Network

The following table provides detailed information about the IMAX network by type and geographic location as of June 30, 2022 and 2021:

	June 30, 2022				June 30, 2021			
	Commercial Multiplex	**Commercial Destination**	**Institutional**	**Total**	Commercial Multiplex	Commercial Destination	Institutional	Total
United States	**363**	**4**	**27**	**394**	361	4	27	392
Canada	**40**	**1**	**7**	**48**	39	1	7	47
Greater China(1)	**773**	**—**	**15**	**788**	743	—	16	759
Western Europe	**115**	**4**	**8**	**127**	115	4	8	127
Asia (excluding Greater China)	**127**	**2**	**2**	**131**	121	2	2	125
Russia/the CIS & Ukraine(2)	**70**	**—**	**—**	**70**	68	—	—	68
Latin America(3)	**54**	**1**	**11**	**66**	51	1	11	63
Rest of the World	**68**	**—**	**2**	**70**	71	—	2	73
Total(4)	**1,610**	**12**	**72**	**1,694**	1,569	12	73	1,654

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

(2) In addition to Russia, the CIS includes Azerbaijan, Belarus, Kazakhstan, and Kyrgyzstan. In March 2022, in response to the ongoing conflict between Russia and Ukraine and resulting sanctions, the Company suspended its operations in Russia and Belarus. As of June 30, 2022, the IMAX network includes 54 theaters in Russia, nine theaters in Ukraine, and one theater in Belarus.

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

(4) Period-to-period changes in the table 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 1,610 theaters in the network as of June 30, 2022. The Company believes that the majority of its future growth will come from international markets. As of June 30, 2022, 75% of IMAX Theater Systems in the global commercial multiplex network were located within international markets (defined as all countries other than the United States and Canada), compared to 74% as of June 30, 2021. Revenues and GBO derived from international markets continue to exceed revenues and GBO from the United States and Canada. Risks associated with the Company's international business, including Russia, are outlined in "Risk Factors — The Company conducts business internationally, which exposes it to uncertainties and risks that could negatively affect its operations, sales and future growth prospects" in Part II, Item 1A in this report.

In the year ended December 31, 2021, 44% of the Company's consolidated revenue was generated from its Greater China operations (2020 — 38%, 2019 — 31%). As of June 30, 2022, the Company had 788 theaters operating in Greater China with an additional 208 theaters in backlog. The Company's backlog in Greater China represents 42% of its total current backlog, including upgrades in system type. The Company has a partnership in China with Wanda Film ("**Wanda**"). As of June 30, 2022, through the Company's partnership with Wanda, there are 373 IMAX Theater Systems operational in Greater China of which 359 are under the parties' joint revenue sharing arrangements.

(See "Risk Factors — The Company faces risks in connection with its significant presence in China and the continued 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 2021 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 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 Company's global commercial multiplex theater network by arrangement type and geographic location as of June 30, 2022 and 2021:

	June 30, 2022 Commercial Multiplex Theaters in IMAX Network			
	Traditional JRSA	**Hybrid JRSA**	**Sale/Sales-type Lease**	**Total**
Domestic Total (United States & Canada)	**277**	**6**	**120**	**403**
International:				
Greater China	**398**	**112**	**263**	**773**
Asia (excluding Greater China)	**34**	**3**	**90**	**127**
Western Europe	**47**	**28**	**40**	**115**
Russia/the CIS & Ukraine(1)	**—**	**—**	**70**	**70**
Latin America	**2**	**—**	**52**	**54**
Rest of the World	**16**	**—**	**52**	**68**
International Total	**497**	**143**	**567**	**1,207**
Worldwide Total(2)	**774**	**149**	**687**	**1,610**

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

(1) In addition to Russia, the CIS includes Azerbaijan, Belarus, Kazakhstan, and Kyrgyzstan. In March 2022, in response to the ongoing conflict between Russia and Ukraine and resulting sanctions, the Company suspended its operations in Russia and Belarus. As of June 30, 2022, the IMAX network includes 54 theaters in Russia, nine theaters in Ukraine, and one theater in Belarus.

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

Backlog

The following tables provide detailed information about the Company's backlog by arrangement type and geographic location as of June 30, 2022 and 2021:

	June 30, 2022 IMAX Theater System Backlog			
	Traditional JRSA	**Hybrid JRSA**	**Sale/Sales-type Lease**	**Total**
Domestic Total (United States & Canada)	**125**	**2**	**5**	**132**
International:				
Greater China	**41**	**96**	**71**	**208**
Asia (excluding Greater China)	**5**	**15**	**35**	**55**
Western Europe	**17**	**13**	**5**	**35**
Russia/the CIS & Ukraine[(1)]	**—**	**—**	**23**	**23**
Latin America	**3**	**—**	**4**	**7**
Rest of the World	**3**	**2**	**27**	**32**
International Total	**69**	**126**	**165**	**360**
Worldwide Total	**194**	**128**	**170**	**492**[(2)]

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

(1) In addition to Russia, the CIS includes Azerbaijan, Belarus, Kazakhstan, and Kyrgyzstan. In March 2022, in response to the ongoing conflict between Russia and Ukraine and resulting sanctions, the Company suspended its operations in Russia and Belarus. As of June 30, 2022, the Company's backlog includes 14 theaters in Russia, one theater in Ukraine, and seven theaters in Belarus with a total fixed contracted value of $25.6 million.

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

(3) Includes 155 new IMAX Laser Theater Systems and 96 upgrades of existing locations to IMAX Laser Theater Systems.

Approximately 73% of IMAX Theater System arrangements in backlog as of June 30, 2022 are scheduled to be installed in international markets (2021 — 74%).

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

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

The Company's reportable segments are organized into the following three categories: (i) IMAX Technology Network; (ii) IMAX Technology Sales and Maintenance; and (iii) Film Distribution and Post-Production. Within these categories are the Company's following reportable segments: (i) IMAX DMR; (ii) JRSA; (iii) IMAX Systems; (iv) IMAX Maintenance; (v) Other Theater Business; (vi) Film Distribution; and (vii) Film Post-Production, each of which are described above under "Sources of Revenue." The Company's activities that do not meet the criteria to be considered a reportable segment are disclosed within All Other. 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 three 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.

In the first quarter of 2022, the Company's internal reporting was updated to reclassify the results of IMAX Enhanced out of the New Business Initiatives segment and into All Other for segment reporting purposes. IMAX Enhanced was the only component of the New Business Initiatives segment. Prior period comparatives have been reclassified to conform with the current period presentation.

Results of Operations for the Three Months Ended June 30, 2022 and 2021

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

The following table presents the Company's net loss attributable to common shareholders and the associated per share amounts, as well as adjusted net income (loss) attributable to common shareholders* and adjusted net income (loss) attributable to common shareholders per share* for the three months ended June 30, 2022 and 2021:

	Three Months Ended June 30,			
	2022		2021	
(In thousands of U.S. Dollars, except per share amounts)	**Net (Loss) Income**	**Per Diluted Share**	Net Loss	Per Diluted Share
Net loss attributable to common shareholders	**$ (2,851)**	**$ (0.05)**	$ (9,211)	$ (0.16)
Adjusted net income (loss) attributable to common shareholders*	**$ 3,922**	**$ 0.07**	$ (6,972)	$ (0.12)

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

Revenues and Gross Margin (Margin Loss)

During the three months ended June 30, 2022, the Company's revenues and gross margin increased by $23.0 million (45%) and $18.4 million (72%), respectively, when compared to same period in 2021 principally due to the strength of the GBO performance of the IMAX Technology Network through the distribution of films such as *Top Gun: Maverick, Doctor Strange In The Multiverse of Madness, Jurassic World: Dominion* and *Fantastic Beasts: The Secrets of Dumbledore*. Also contributing to the improvement in gross margin versus the prior year period is a $2.3 million (45%) increase in IMAX Maintenance gross margin due to the global reopening of the IMAX theater network amidst the continuing recovery of the theatrical exhibition industry from earlier stages of the COVID-19 pandemic. However, these factors were partially offset by a lower level of IMAX Theater System installations in the period due, in part, to the impact of COVID-related restrictions in China during the period.

The following table presents the Company's revenue and gross margin (margin loss) by category and reportable segment for the three months ended June 30, 2022 and 2021:

	Revenue		**Gross Margin (Margin Loss)**	
(In thousands of U.S. Dollars)	**2022**	2021	**2022**	2021
IMAX Technology Network				
IMAX DMR	**$ 27,581**	$ 11,793	**$ 18,000**	$ 6,861
JRSA, contingent rent	**18,525**	7,862	**12,889**	1,790
	46,106	19,655	**30,889**	8,651
IMAX Technology Sales and Maintenance				
IMAX Systems(1)	**8,231**	15,982	**5,427**	10,548
JRSA, fixed fees	**498**	1,002	**(19)**	347
IMAX Maintenance	**14,683**	11,235	**7,367**	5,075
Other Theater Business(2)	**920**	483	**46**	142
	24,332	28,702	**12,821**	16,112
Film Distribution and Post-Production	**1,963**	1,590	**(527)**	606
Sub-total for reportable segments	**72,401**	49,947	**43,183**	25,369
All Other(3)	**1,567**	1,008	**853**	234
Total	**$ 73,968**	$ 50,955	**$ 44,036**	$ 25,603

(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 Theater System parts and 3D glasses.

(3) All Other includes the results from IMAX Enhanced and other ancillary activities. In the first quarter of 2022, the Company's internal reporting was updated to reclassify the results of IMAX Enhanced out of the New Business Initiatives segment into All Other for segment reporting purposes. Prior period comparatives have been revised to conform with the current period presentation.

IMAX Technology Network

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

For the three months ended June 30, 2022, IMAX Technology Network revenues and gross margin increased by $26.5 million (135%) and $22.2 million (257%), respectively, when compared to the same period in 2021 principally due to the strength of the GBO performance of the IMAX Technology Network. Although overall IMAX Technology Network revenues and gross margin for the current period were significantly better than the prior year, the results were impacted by the temporary closure of theaters in several cities in China in the second quarter of 2022 following the emergence of the Omicron variant and the resulting rise in COVID-19 cases earlier in the year. See below for separate discussions of IMAX DMR and JRSA contingent rent segment results for the period.

IMAX DMR

For the three months ended June 30, 2022, IMAX DMR revenues and gross margin increased by $15.8 million (134%) and $11.1 million (162%), respectively, when compared to the same period in 2021. These increases are primarily due to the strong performance of the films distributed through the IMAX network, which resulted in a $139.1 million (128%) increase in GBO in the second quarter of 2022, from $108.6 million to $247.7 million. This overall improvement in GBO for the period was partially offset by unfavorable foreign currency exchange rate movements. In the second quarter of 2022, GBO was generated by the exhibition of 18 films (13 new films and 5 carryovers), including *Top Gun: Maverick*, which generated GBO of $89.1 million in the period. In the second quarter of 2021, GBO was generated by the exhibition of 17 films (14 new films and 3 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, especially with respect to marketing expenses. For the three months ended June 30, 2022, marketing expenses were $4.2 million, as compared to $1.5 million during the same period in 2021.

Joint Revenue Sharing Arrangements — Contingent Rent

For the three months ended June 30, 2022, JRSA contingent rent revenue and gross margin increased by $10.7 million (136%) and $11.1 million, respectively, when compared to the same period in 2021. These increases are largely due to a $65.5 million (110%) increase in GBO generated by theaters under joint revenue sharing arrangements in the second quarter of 2022 when compared to the same period in the prior year, from $59.7 million to $125.2 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 IMAX Xenon Theater Systems to IMAX Laser Theater Systems, 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 generally a function of the growth of the theater network and the mix of theater system configurations in the network. For the three months ended June 30, 2022 and 2021, JRSA gross margin included depreciation expense of $5.5 million. For the three months ended June 30, 2022, JRSA gross margin includes a net reversal of $0.1 million in advertising, marketing, and commission costs, as compared to expense of $0.2 million in the same period of the prior year primarily due to performance-based adjustments to accrued commission costs in accordance with the Company's Global Sales Commission Policy.

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 period, 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.

For the three months ended June 30, 2022, IMAX Technology Sales and Maintenance revenue and gross margin decreased by $4.4 million (15%) and $3.3 million (20%), respectively, when compared to the same period in the prior year. See below for separate discussions of IMAX Systems and IMAX Maintenance segment results for the period.

The following table provides detailed information about the mix of IMAX Theater Systems installed and recognized during the three months ended June 30, 2022 and 2021:

	For the Three Months Ended June 30,			
	2022		2021	
(In thousands of U.S. Dollars, except number of systems)	**Number of Systems**	**Revenue**	Number of Systems	Revenue
New IMAX Theater Systems:				
Sale and sales-type lease arrangements[1]	**3**	**$ 1,026**	9	$ 12,046
JRSA — hybrid	**1**	**496**	2	1,026
Total new IMAX Theater Systems[2]	**4**	**1,522**	11	13,072
IMAX Theater System upgrades:				
Sale and sales-type lease arrangements	**1**	**1,235**	1	1,437
JRSA — hybrid	**—**	**—**	—	—
Total upgraded IMAX Theater Systems	**1**	**1,235**	1	1,437
Total	**5**	**$ 2,757**	12	$ 14,509

(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.

(2) Includes three IMAX Xenon Theater Systems that were relocated from their original location, which are subject to sales and sales-type lease arrangements (2021 — nil). When a theater system under a sales or sales-type lease arrangement is relocated, the amount of revenue earned by the Company may vary from transaction-to-transaction and is usually less than the amount earned for a new sale. In certain situations when a theater system is relocated, the original location is upgraded to an IMAX Laser Theater System.

The average revenue per IMAX Theater System under sale 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.

For the three months ended June 30, 2022, IMAX Systems revenue and gross margin decreased by $7.8 million (48%) and $5.1 million (49%), respectively, when compared to the same period in the prior year. The lower level of revenue and gross margin is the result of seven fewer IMAX Theater System installations, including upgrades, in the current period and a decrease of $0.3 million in Finance Income associated with theaters in Russia, Ukraine, and Belarus, which were placed on nonaccrual status due to the ongoing Russia-Ukraine conflict.

IMAX Maintenance

For the three months ended June 30, 2022, IMAX Maintenance segment revenues and gross margin increased by $3.4 million (31%) and $2.3 million (45%), respectively, when compared to the same period in the prior year, due to the global reopening of the IMAX theater network amidst the continuing recovery of the theatrical exhibition industry from earlier stages of the COVID-19 pandemic. The overall increase in IMAX Maintenance segment revenues and gross margin is partially offset by a decrease of $0.5 million in revenue associated with theaters in Russia, Ukraine, and Belarus, which were placed on nonaccrual status due to the ongoing Russia-Ukraine conflict.

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.

Selling, General and Administrative Expenses

The following table presents information about the Company's Selling, General and Administrative Expenses for the three months ended June 30, 2022 and 2021:

	Three Months Ended June 30,		**Variance**	
(In thousands of U.S. Dollars)	**2022**	2021	$	%
Total selling, general and administrative expenses	**$ 37,095**	$ 28,807	$ 8,288	29%
Less: Share-based compensation[1]	**7,263**	6,396	867	14%
Total selling, general and administrative expenses, excluding share-based compensation	**$ 29,832**	$ 22,411	$ 7,421	33%

(1) 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.)

The increase in Selling, General and Administrative Expenses reflects the Company's higher level of business activity in the current period, as the effects of the COVID-19 pandemic continue to subside, resulting in higher staff costs, marketing expenses, and facilities-related expenses. Also influencing the comparison to the prior period was $2.8 million resulting from unfavorable foreign currency exchange rate movements and $1.4 million of benefits from the Canada Emergency Wage Subsidy ("**CEWS**") program that were recognized in the second quarter of 2021 but were not repeated in the current year.

Credit Loss Expense, Net

For the three months ended June 30, 2022, the Company recorded current expected credit losses of $0.1 million, principally due to additional reserves established for theater customers in Greater China, partially offset by the reversal of a previously recorded credit loss provision following the restructuring of an exhibitor contract in the second quarter of 2022.

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

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

Asset Impairment

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

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

Income Taxes

For the three months ended June 30, 2022, the Company recorded income tax expense of $3.1 million (2021 — $1.9 million). The Company's effective tax rate for the three months ended June 30, 2022 of (280.2)% differs from the Canadian statutory tax rate of 26.5% primarily due to the fact that the Company recorded an additional $5.4 million valuation allowance against deferred tax assets in jurisdictions where management cannot reliably forecast that sufficient future tax liabilities will arise in specific jurisdictions, which includes the impact of the COVID-19 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.

(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 or loss of IMAX China, as well as the impact of non-controlling interests in the activity of its Original Film Fund subsidiary. For the three months ended June 30, 2022, the net loss attributable to non-controlling interests of the Company's subsidiaries was $1.4 million (2021 — net income of $3.1 million).

Results of Operations for the Six Months Ended June 30, 2022 and 2021

Net Loss and Adjusted Net Loss Attributable to Common Shareholders

The following table presents the Company's net loss attributable to common shareholders and the associated per share amounts, as well as adjusted net loss attributable to common shareholders* and adjusted net loss attributable to common shareholders per share* for the six months ended June 30, 2022 and 2021:

	Six Months Ended June 30,			
	2022		2021	
(In thousands of U.S. Dollars, except per share amounts)	**Net Loss**	**Per Diluted Share**	Net Loss	Per Diluted Share
Net loss attributable to common shareholders	**$ (16,460)**	**$ (0.28)**	$ (24,051)	$ (0.41)
Adjusted net loss attributable to common shareholders*	**$ (4,322)**	**$ (0.07)**	$ (21,781)	$ (0.37)

During the six months ended June 30, 2022, the Company recorded a net non-cash provision of $6.9 million, or $0.12 per share, due to an increase in reserves given the uncertainty of collecting receivables in Russia. This provision was taken due to the ongoing conflict in Ukraine and covers substantially all of the Company's net receivable exposure in the Russian market. Excluding the impact of this provision, net loss attributable to common shareholders* was ($9.6) million, or ($0.17) per share, and adjusted net income attributable to common shareholders* was $2.6 million, or $0.04 per share. Over the past five years, Russia has represented on average approximately 3% of the GBO generated by IMAX films.

Revenues and Gross Margin

During the six months ended June 30, 2022, the Company's revenues and gross margin increased by $44.3 million (49%) and $32.9 million (77%), respectively, when compared to same period in 2021 principally due to the strength of the GBO performance of the IMAX Technology Network through the distribution of films such as *Top Gun: Maverick*, *Doctor Strange In The Multiverse of Madness*, *The Batman*, *Jurassic World: Dominion*, *The Battle at Lake Changjin 2*, *Spider-Man: No Way Home*, *Fantastic Beasts: The Secrets of Dumbledore*, and *Uncharted*. Also contributing to the improvement versus the prior year is a $6.3 million (71%) improvement in IMAX Maintenance gross margin due to the global reopening of the IMAX theater network amidst the continuing recovery of the theatrical exhibition industry from earlier stages of the COVID-19 pandemic. However, these factors were partially offset by a lower level of IMAX Theater System installations in the period due, in part, to the impact of COVID-related restrictions in China.

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

The following table presents the Company's revenue and gross margin (margin loss) by category and reportable segment for the six months ended June 30, 2022 and 2021:

(In thousands of U.S. Dollars)	**Revenue**		**Gross Margin (Margin Loss)**	
	2022	2021	**2022**	2021
IMAX Technology Network				
IMAX DMR	**$ 47,145**	$ 23,737	**$ 31,557**	$ 15,112
JRSA, contingent rent	**31,168**	16,221	**19,087**	3,673
	78,313	39,958	**50,644**	18,785
IMAX Technology Sales and Maintenance				
IMAX Systems(1)	**16,849**	21,881	**9,403**	13,560
JRSA, fixed fees	**1,488**	2,740	**233**	503
IMAX Maintenance	**29,625**	20,141	**15,237**	8,898
Other Theater Business(2)	**1,590**	920	**146**	205
	49,552	45,682	**25,019**	23,166
Film Distribution and Post-Production	**3,369**	2,403	**(1,388)**	581
Sub-total for reportable segments	**131,234**	88,043	**74,275**	42,532
All Other(3)	**2,770**	1,666	**1,532**	352
Total	**$ 134,004**	$ 89,709	**$ 75,807**	$ 42,884

(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 Theater System parts and 3D glasses.

(3) All Other includes the results from IMAX Enhanced and other ancillary activities. In the first quarter of 2022, the Company's internal reporting was updated to reclassify the results of IMAX Enhanced out of the New Business Initiatives segment into All Other for segment reporting purposes. Prior period comparatives have been revised to conform with the current period presentation.

IMAX Technology Network

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

For the six months ended June 30, 2022, IMAX Technology Network revenues and gross margin increased by $38.4 million (96%) and $31.9 million (170%), respectively, when compared to the same period in 2021. See below for separate discussions of IMAX DMR and JRSA contingent rent segment results for the period.

IMAX DMR

For the six months ended June 30, 2022, IMAX DMR revenues and gross margin increased by $23.4 million (99%) and $16.4 million (109%), respectively, when compared to the same period in 2021. These increases are primarily due to the strong performance of the films distributed through the IMAX network, which resulted in a $202.1 million (92%) increase in GBO during the six months ended June 30, 2022, from $218.8 million to $420.9 million. This overall improvement in GBO for the period was partially offset by unfavorable foreign currency exchange rate movements. During the six months ended June 30, 2022, GBO was generated by the exhibition of 36 films (26 new and 10 carryovers), including *Top Gun: Maverick*, which generated GBO of $89.1 million in the period. During the six months ended June 30, 2021, GBO was generated by the exhibition of 32 films (26 new and 6 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, especially with respect to marketing expenses. For the six months ended June 30, 2022, marketing expenses were $6.5 million, as compared to $2.6 million during the same period of 2021.

Joint Revenue Sharing Arrangements — Contingent Rent

For the six months ended June 30, 2022, JRSA contingent rent revenue and gross margin increased by $14.9 million (92%) and $15.4 million, respectively, when compared to the same period in 2021. These increases are largely due to a $92.8 million (74%) increase in GBO generated by theaters under joint revenue sharing arrangements during the six months ended June 30, 2022, from $125.5 million to $218.3 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 IMAX Xenon Theater Systems to IMAX Laser Theater Systems, 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 generally a function of the growth of the theater network and the mix of theater system configurations in the network. For the six months ended June 30, 2022, JRSA gross margin included depreciation expense of $11.1 million, which represents a $0.2 million decrease as compared to the same period of the prior year. The lower level of depreciation expense in the current period is due, in part, to the effect of lease term extensions entered into with exhibitor customers as a result of the COVID-19 global pandemic, partially offset by incremental depreciation expense associated with a 3% increase in the number of theaters operating under joint revenue sharing arrangements. For the six months ended June 30, 2022, JRSA gross margin includes advertising, marketing and commission costs of $0.4 million, which represents a decrease of $0.4 million as compared to $0.8 million in the same period of the prior year primarily due to performance-based adjustments to accrued commission costs in accordance with the Company's Global Sales Commission Policy.

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 period, 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.

For the six months ended June 30, 2022, IMAX Technology Sales and Maintenance revenue and gross margin increased by $3.9 million (8%) and $1.9 million (8%), respectively, when compared to the same period in the prior year. See below for separate discussions of IMAX Systems and IMAX Maintenance segment results for the period.

The following table provides detailed information about the mix of IMAX Theater Systems installed and recognized during the six months ended June 30, 2022 and 2021:

(In thousands of U.S. Dollars, except number of systems)	**For the Six Months Ended June 30, 2022**		2021	
	Number of Systems	**Revenue**	Number of Systems	Revenue
New IMAX Theater Systems:				
Sale and sales-type lease arrangements[1]	**7**	**$ 5,773**	11	$ 15,025
JRSA — hybrid	**3**	**1,510**	4	2,530
Total new IMAX Theater Systems[2]	**10**	**7,283**	15	17,555
IMAX Theater System upgrades:				
Sale and sales-type lease arrangements	**2**	**2,908**	1	1,437
JRSA — hybrid	**—**	**—**	1	775
Total upgraded IMAX Theater Systems	**2**	**2,908**	2	2,212
Total	**12**	**$ 10,191**	17	$ 19,767

(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.

(2) Includes three IMAX Xenon Theater Systems that were relocated from their original location, which are subject to sales and sales-type lease arrangements (2021 — nil). When a theater system under a sales or sales-type lease arrangement is relocated, the amount of revenue earned by the Company may vary from transaction-to-transaction and is usually less than the amount earned for a new sale. In certain situations when a theater system is relocated, the original location is upgraded to an IMAX Laser Theater System.

The average revenue per IMAX Theater System under sale 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 new IMAX Theater System under sale and sales-type lease arrangements, excluding relocations, was $1.2 million for the six months ended June 30, 2022, as compared to $1.4 million during the same period of the prior year.

IMAX Systems

For the six months ended June 30, 2022, IMAX Systems revenue and gross margin decreased by $5.0 million (23%) and $4.2 million (31%), respectively, when compared to the same period of the prior year. The lower level of revenue and gross margin is the result of five fewer IMAX Theater System installations, including upgrades, in the current period and a decrease of $0.5 million in Finance Income associated with theaters in Russia, Ukraine, and Belarus, which were placed on nonaccrual status due to the ongoing Russia-Ukraine conflict.

IMAX Maintenance

For the six months ended June 30, 2022, IMAX Maintenance segment revenues and gross margin increased by $9.5 million (47%) and $6.3 million (71%), respectively, when compared to the same period in the prior year, due to the global reopening of the IMAX theater network amidst the continuing recovery of the theatrical exhibition industry from earlier stages of the COVID-19 pandemic. The overall increase in IMAX Maintenance segment revenues and gross margin is partially offset by a decrease of $0.8 million in revenue associated with theaters in Russia, Ukraine, and Belarus, which were placed on nonaccrual status due to the ongoing Russia-Ukraine conflict.

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.

Selling, General and Administrative Expenses

The following table presents information about the Company's Selling, General and Administrative Expenses for the six months ended June 30, 2022 and 2021:

	Six Months Ended June 30,		**Variance**	
(In thousands of U.S. Dollars)	**2022**	2021	**$**	**%**
Total selling, general and administrative expenses	**$ 67,276**	$ 54,016	$ 13,260	25%
Less: Share-based compensation[1]	**12,989**	11,340	1,649	15%
Total selling, general and administrative expenses, excluding share-based compensation	**$ 54,287**	$ 42,676	$ 11,611	27%

(1) 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.)

The increase in Selling, General and Administrative Expenses reflects the Company's higher level of business activity in the current period, as the effects of the COVID-19 pandemic continue to subside, resulting in higher staff costs, marketing expenses, and facilities-related expenses. Also influencing the comparison to the prior period was $3.6 million resulting from unfavorable foreign currency exchange rate movements and $2.6 million of benefits from the Canada Emergency Wage Subsidy ("**CEWS**") program that were recognized in the first half of 2021 but were not repeated in the current year.

Credit Loss Expense, Net

For the six months ended June 30, 2022, the Company recorded current expected credit losses of $7.3 million, principally due to reserves established against substantially all of its receivables in Russia due to uncertainties associated with the ongoing Russia-Ukraine conflict, partially offset by the reversal of provisions associated with the COVID-19 pandemic as the outlook for the theatrical exhibition industry in Domestic and Rest of World markets continues to improve. For the six months ended June 30, 2021, the Company recorded a provision for current expected credit losses of $1.6 million.

Asset Impairment

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

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

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 and recognized a gain of $5.2 million.

Income Taxes

For the six months ended June 30, 2022, the Company recorded income tax expense of $5.7 million (2021 — $5.0 million). The Company's effective tax rate for the six months ended June 30, 2022 of (54.9%) differs from the Canadian statutory tax rate of 26.5% primarily due to the fact that the Company recorded an additional $10.4 million valuation allowance against deferred tax assets in jurisdictions where management cannot reliably forecast that sufficient future tax liabilities will arise in specific jurisdictions, which includes the impact of the COVID-19 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.

(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 or loss of IMAX China, as well as the impact of non-controlling interests in the activity of its Original Film Fund subsidiary. For the six months ended June 30, 2022, the net income attributable to non-controlling interests of the Company's subsidiaries was $0.3 million (2021 — $7.4 million).

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2022, the Company's principal sources of liquidity included: (i) its balances of cash and cash equivalents ($110.1 million); (ii) the anticipated collection of trade accounts receivable, which includes amounts owed under joint revenue sharing arrangements and DMR agreements with movie studios; (iii) the anticipated collection of financing receivables due in the next 12 months under sale and sales-type lease arrangements for theaters currently in operation; and (iv) installment payments expected in the next 12 months under sale and sales-type lease arrangements in backlog. Under the terms of the Company's typical sale and sales-type lease agreements, the Company receives substantial cash payments before it completes the performance of its contractual obligations.

In addition, as of June 30, 2022, the Company had $300.0 million in available borrowing capacity under its Sixth Amended and Restated Credit Agreement with Wells Fargo Bank, National Association (the "**Credit Agreement**"), $28.3 million in available borrowing capacity under IMAX (Shanghai) Multimedia Technology Co., Ltd. ("**IMAX Shanghai**")'s revolving facility with the Bank of China, and approximately $30.0 million in available borrowing capacity under IMAX Shanghai's revolving facility with HSBC Bank (China) Company Limited, Shanghai Branch (See Note 7 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 for a description of the material terms of the Credit Agreement, Bank of China Facility and HSBC China Facility.)

The Company's $110.1 million balance of cash and cash equivalents as of June 30, 2022 (December 31, 2021 — $189.7 million) includes $86.4 million in cash held outside of Canada (December 31, 2021 — $102.1 million), of which $58.5 million was held in the People's Republic of China (the "**PRC**") (December 31, 2021 — $76.3 million). In 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. In 2021, $20.4 million of historical earnings from a subsidiary in China were distributed and, as a result, $2.0 million of foreign withholding taxes were paid to the relevant tax authorities. As of June 30, 2022, the Company's Condensed Consolidated Balance Sheets include a deferred tax liability of $17.6 million for the applicable foreign withholding taxes associated with the remaining balance of unrepatriated historical earnings that will not be indefinitely reinvested outside of Canada. These taxes will become payable upon the repatriation of any such earnings.

The Company forecasts its future cash flow and short-term liquidity requirements on an ongoing basis. These forecasts are based on estimates and may be materially impacted by factors that are outside of the Company's control (including the factors described in "Risk Factors" in Item 1A of the Company's 2021 Form 10-K as supplemented by the risk factors in Part II, Item 1A of this report). As a result, there is no guarantee that these forecasts will come to fruition and that the Company will be able to fund its operations through cash flows from operations. In particular, the Company's operating cash flows and cash balances will be adversely impacted if management's projections of future signings and installations of IMAX Theater Systems and box office performance of IMAX DMR content are not realized.

For the three and six months ended June 30, 2022, GBO generated by IMAX films totaled $247.7 million and $420.9 million, respectively, surpassing the totals for the same periods in 2021 by $139.1 million (128%) and $202.1 million (92%), respectively. Although GBO results during the three and six months ended June 30, 2022 were impacted by the COVID-related theater closures in China, management remains encouraged by the overall positive trend in box office results and believes it indicates that moviegoers are returning to theaters, and in particular IMAX theaters, where and when theaters are open and they feel safe. Despite accounting for 1% of all domestic screens, the IMAX network had a domestic market share of 5.3% in the second quarter of 2022, and in May alone IMAX theaters captured approximately 7% of the total domestic box office. Management is further encouraged by the return of the prevalence of exclusive theatrical windows and the strong pipeline of Hollywood movies scheduled to be released for theatrical exhibition throughout the remainder of 2022 and into 2023.

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 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.)

NON-GAAP FINANCIAL MEASURES

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

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

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

	Three Months Ended June 30,			
	2022		2021	
(In thousands of U.S. Dollars, except per share amounts)	**Net (Loss) Income**	**Per Share**	Net Loss	Per Share
Net loss attributable to common shareholders	**$ (2,851)**	**$ (0.05)**	$ (9,211)	$ (0.16)
Adjustments[1]:				
Share-based compensation	**7,261**	**0.13**	6,451	0.11
COVID-19 government relief benefits, net	**32**	**—**	(1,981)	(0.03)
Legal judgment and arbitration awards	**—**	**—**	(1,770)	(0.03)
Realized and unrealized investment gains	**(30)**	**—**	(33)	—
Tax impact on items listed above	**(490)**	**(0.01)**	(428)	(0.01)
Adjusted net income (loss)[1]	**$ 3,922**	**$ 0.07**	$ (6,972)	$ (0.12)
Weighted average basic shares outstanding		**57,320**		59,367
Weighted average diluted shares outstanding		**57,856**		59,367

(In thousands of U.S. dollars, except per share amounts)	Six Months Ended June 30, **2022** Net Loss	**Per Share**	2021 Net Loss	Per Share
Net loss attributable to common shareholders	**$ (16,460)**	**$ (0.28)**	$ (24,051)	$ (0.41)
Adjustments[(1)]:				
Share-based compensation	**13,220**	**0.23**	11,799	0.20
COVID-19 government relief benefits, net	**(161)**	**—**	(3,465)	(0.06)
Legal judgment and arbitration awards	**—**	**—**	(1,770)	(0.03)
Realized and unrealized investment gains	**(64)**	**—**	(3,710)	(0.06)
Tax impact on items listed above	**(857)**	**(0.01)**	(965)	(0.02)
Income taxes resulting from management's decision to no longer indefinitely reinvest the historical earnings of certain foreign subsidiaries	**—**	**—**	381	0.01
Adjusted net loss[(1)]	**$ (4,322)**	**$ (0.07)**	$ (21,781)	$ (0.37)
Weighted average shares outstanding — basic and diluted		**57,943**		59,190

(1) Reflects amounts attributable to common shareholders.

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

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

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

	For the Three Months Ended June 30, 2022 [1]		
(In thousands of U.S. Dollars)	**Attributable to Non-controlling Interests and Common Shareholders**	**Less: Attributable to Non-controlling Interests**	**Attributable to Common Shareholders**
Reported net loss	**$ (4,251)**	**$ (1,400)**	**$ (2,851)**
Add (subtract):			
Income tax expense	**3,133**	**5**	**3,128**
Interest expense, net of interest income	**179**	**(91)**	**270**
Depreciation and amortization, including film asset amortization	**14,282**	**1,196**	**13,086**
Amortization of deferred financing costs[2]	**730**	**—**	**730**
EBITDA	**14,073**	**(290)**	**14,363**
Share-based and other non-cash compensation	**7,777**	**379**	**7,398**
Unrealized investment gains	**(30)**	**—**	**(30)**
Write-downs, including asset impairments and credit loss expense	**5,163**	**1,477**	**3,686**
Adjusted EBITDA per Credit Facility	**$ 26,983**	**$ 1,566**	**$ 25,417**

(In thousands of U.S. Dollars)	For the Twelve Months Ended June 30, 2022 (1) Attributable to Non-controlling Interests and Common Shareholders	Less: Attributable to Non-controlling Interests	Attributable to Common Shareholders
Reported net loss	$ (9,166)	$ 5,572	$ (14,738)
Add (subtract):			
Income tax expense	21,293	2,683	18,610
Interest expense, net of interest income	877	(378)	1,255
Depreciation and amortization, including film asset amortization	57,434	5,565	51,869
Amortization of deferred financing costs(2)	3,258	—	3,258
EBITDA	73,696	13,442	60,254
Share-based and other non-cash compensation	27,713	1,105	26,608
Unrealized investment gains	(123)	—	(123)
Write-downs, including asset impairments and credit loss expense	11,691	1,091	10,600
Adjusted EBITDA per Credit Facility	$ 112,977	$ 15,638	$ 97,339

(1) The Senior Secured Net Leverage Ratio is calculated using Adjusted EBITDA per Credit Facility determined on a trailing twelve-month basis. (See Note 7 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1.)

(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 in isolation, or as a substitute for, or superior to, the comparable GAAP amounts.

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

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

Foreign Exchange Rate Risk

A majority of the Company's revenue is denominated in U.S. Dollars while a significant portion of its costs and expenses is denominated in Canadian Dollars. A portion of the Company's net U.S. Dollar cash flows is converted to Canadian Dollars to fund Canadian Dollar expenses through the spot market. In addition, IMAX films generate box office in 87 different countries, and therefore unfavorable exchange rates between applicable local currencies and the U.S. Dollar could have an impact on the GBO generated by the Company's exhibitor customers and its revenues. The Company has incoming cash flows from its revenue generating 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 PRC subsidiaries held approximately RMB390.1 million ($58.1 million) in cash and cash equivalents as of June 30, 2022 (December 31, 2021 — RMB484.7 million or $76.0 million) and are required to transact locally in RMB. Foreign currency exchange transactions, including the remittance of any funds into and out of the PRC, are subject to controls and require the approval of the China State Administration of Foreign Exchange to complete. Any developments relating to the Chinese economy and any actions taken by the Chinese government are beyond the control of the Company; however, the Company monitors and manages its capital and liquidity requirements to ensure compliance with local regulatory and policy requirements. (See "Risk Factors — The Company faces risks in connection with its significant presence in China and the continued expansion of its business there," in Part I, Item 1A of the Company's 2021 Form 10-K.)

For the three and six months ended June 30, 2022, the Company recorded foreign exchange net losses of $(1.7) million and $(1.9) million, respectively, as compared to foreign exchange net gains of $1.1 million and $1.7 million for the three and six months ended June 30, 2021, 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 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 Financial Accounting Standards Board Accounting Standard Codification at inception, and continue to meet hedge effectiveness tests as of June 30, 2022, with settlement dates throughout 2022 and 2023. Foreign currency derivatives are recognized and measured in the Condensed Consolidated Balance Sheets at fair value. Changes in the fair value (i.e., gains or losses) are recognized in the Condensed Consolidated Statements of Operations except for derivatives designated and qualifying as foreign currency cash flow hedging instruments. The Company currently has cash flow hedging instruments associated with Selling, General and Administrative Expenses. For foreign currency cash flow hedging instruments related to Selling, General and Administrative Expenses, the effective portion of the gain or loss in a hedge of a forecasted transaction is reported within Accumulated Other Comprehensive (Loss) Income and reclassified to the Condensed Consolidated Statements of Operations when the forecasted transaction occurs. Any ineffective portion is recognized immediately in the Condensed Consolidated Statements of Operations.

The notional value of foreign currency cash flow hedging instruments that qualify for hedge accounting at June 30, 2022 was $22.0 million (December 31, 2021 — $26.7 million). Losses of $(0.6) million and $(0.3) million were recorded to Other Comprehensive Income (Loss) with respect to the change in fair value of these contracts for the three and six months ended June 30, 2022, respectively, (2021 — gains of $0.3 million and $0.6 million, respectively). Losses of $(0.1) million were reclassified from Accumulated Other Comprehensive (Loss) Income to Selling, General and Administrative Expenses for the three and six months ended June 30, 2022 (2021 — gains of $0.8 million, and $1.1 million, respectively). An unrealized gain of $0.4 million resulting from a change in the classification of certain forward contracts no longer meeting the requirements for hedge accounting were reclassified from Accumulated Other Comprehensive (Loss) Income to Selling, General and Administrative Expenses for the three and six months ended June 30, 2021 (2022 — $nil). The Company currently does not hold any derivatives which are not designated as hedging instruments.

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

As of June 30, 2022, 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 $168.2 million, of which $166.0 million was denominated in RMB. Assuming a 10% appreciation or depreciation in foreign currency exchange rates from the quoted foreign currency exchange rates as of June 30, 2022, the potential change in the fair value of foreign currency-denominated financing receivables and working capital items would have been $16.8 million. A significant portion of the Company's Selling, General, and Administrative Expenses is denominated in Canadian Dollars. Assuming a 1% change appreciation or depreciation in foreign currency exchange rates as of June 30, 2022, the potential change in the amount of Selling, General, and Administrative Expenses would be $0.1 million.

Interest Rate Risk Management

The Company's earnings may also be affected by changes in interest rates due to the impact those changes have on its interest income from cash, and its interest expense from variable-rate borrowings that may be made under the Credit Facility. The Company had no variable rate debt instruments outstanding as of June 30, 2022.

PART II. OTHER INFORMATION

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 2021 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 2021 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 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 these 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. Beginning in the third quarter of 2020, stay-at-home orders and capacity restrictions were lifted in many key markets, movie theaters throughout the IMAX network gradually reopened, and movie release schedules have begun to normalize. Note, however, that following the emergence of the Omicron variant and the rise of COVID-19 cases in China in the first quarter of 2022, the Chinese government reinstituted capacity restrictions and safety protocols on large public gatherings, which has led to the temporary closure of theaters in several cities. Throughout the second quarter of 2022, IMAX theaters in China gradually reopened. There continues to be no assurance that movie theaters will remain open or continue to reopen if there is a continued rise of or resurgence in COVID-19 cases in certain jurisdictions. As of June 30, 2022, approximately 90% of the theaters in Greater China were open at various capacities.

Despite the strong performance of numerous blockbuster films in recent quarters, there remains uncertainty around whether and when movie-going will return to historical levels on an annual basis. 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 revenue from GBO generated by its exhibitor customers until consumer behavior normalizes and consumer spending fully recovers.

As a result of the financial difficulties faced by certain of the Company's exhibition customers arising out of pandemic-related theater closures, the Company has experienced and may continue to experience delays in collecting payments due under existing theater sale or lease arrangements. The Company's exhibitor partners may continue to experience operational and/or financial difficulties if the COVID-19 pandemic continues or consumers change their behavior and consumption patterns, which would further increase the risks associated with payments due under existing agreements with the 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 certain theater system 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 the adverse impact of the COVID-19 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, spread and severity of variants of the virus, the progress made on administering vaccines and developing treatment and the effectiveness of such vaccines and treatments, the progress towards the resumption of normal operations 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 forecasted.

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 2021 Form 10-K.

RISKS RELATED TO THE COMPANY'S INTERNATIONAL OPERATIONS

The Company conducts business internationally, which exposes it to uncertainties and risks that could negatively affect its operations, sales, and future growth prospects.

A significant portion of the GBO generated by the Company's exhibitor customers and its revenues are generated by customers located outside the United States and Canada. Approximately 70%, 77%, and 66% of the Company's revenues were derived outside of the United States and Canada in 2021, 2020 and 2019, respectively. As of June 30, 2022, approximately 73% of IMAX Theater Systems in backlog are scheduled to be installed in international markets. The Company's network spanned 87 different countries as of June 30, 2022, and the Company expects its international operations to continue to account for an increasingly significant portion of its future revenues. There are a number of risks associated with operating in international markets that could negatively affect the Company's operations, sales and future growth prospects. These risks include:

- new restrictions on access to markets, both for IMAX Theater Systems and films;
- unusual or burdensome foreign laws or regulatory requirements or unexpected changes to those laws or requirements, including censorship of content that may restrict what films the Company's theaters can present;
- fluctuations in the value of various foreign currencies versus the U.S. Dollar and potential currency devaluations;
- new tariffs, trade protection measures, import or export licensing requirements, trade embargoes, sanctions, and other trade barriers;
- difficulties in obtaining competitively priced key commodities, raw materials, and component parts from various international sources that are needed to manufacture quality products on a timely basis;
- imposition of foreign exchange controls in foreign jurisdictions;
- dependence on foreign distributors and their sales channels;
- reliance on local partners, including in connection with joint revenue sharing arrangements;
- difficulties in staffing and managing foreign operations;
- inability to complete installations of IMAX Theater Systems, including as a result of material disruptions or delays in the Company's supply chains, or collect full payment on installations thereof;
- local business practices that can present challenges to compliance with applicable anti-corruption and bribery laws;
- difficulties in establishing market-appropriate pricing;

- less accurate and/or less reliable box office reporting;
- adverse changes in foreign government monetary and/or tax policies, and/or difficulties in repatriating cash from foreign jurisdictions (including with respect to China, where approval of the State Administration of Foreign Exchange is required);
- poor recognition of intellectual property rights;
- difficulties in enforcing contractual rights;
- inflation;
- requirements to provide performance bonds and letters of credit to international customers to secure system component deliveries;
- harm to the IMAX brand from operating in countries with records of controversial government action, including human rights abuses; and
- political, economic and social instability, which could result in adverse consequences for the Company's interests in different regions of the world.

Additionally, global geopolitical tensions and actions that governments take in response may adversely impact the Company. In response to the ongoing conflict between Russia and Ukraine, Canada, the United States, and other countries in which the Company operates have imposed broad sanctions and other restrictive actions against governmental and other entities in Russia, which in turn have and may continue to have an adverse impact on the Company's business and results of operations in affected regions. In addition, in the wake of the Russia-Ukraine conflict, major movie studios suspended the theatrical release of films in Russia. The lack of new films and content released by movie studios may force Russian exhibitors to reduce their operating hours or temporarily close their theaters, which may lead to financial difficulties and permanent closures of Russian theaters as well as general depression of the Russia exhibition industry. Such operational and financial challenges in the Russian exhibition industry may adversely affect the Company's future revenues and cash flows in that region. The Company has notified its exhibitor clients in Russia and Belarus that such sanctions and actions constitute a force majeure event under their theater agreements, resulting in the suspension of the Company's obligations thereunder. The scope, intensity, duration and outcome of the conflict is uncertain. Additionally, given the global nature of the Company's operations, any protracted conflict or the broader macroeconomic impact of the Russia-Ukraine conflict and sanctions imposed on Russia and other countries could have an adverse impact on the Company's business, results of operations, financial condition, and future performance (the Company has 22 theater systems in its backlog from Russia and the CIS and Ukraine) and may also magnify the impact of other risks described herein and in the Company's 2021 Form 10-K, including the risk of cybersecurity attacks, which have increased in connection with the ongoing conflict and may impact information technology systems unrelated to the conflict, or jeopardize critical infrastructure in jurisdictions where the Company operates.

In addition, changes in United States or Canadian foreign policy can present additional risks or uncertainties as the Company continues to expand its international operations. Opening and operating theaters in markets that have experienced geopolitical or sociopolitical unrest or controversy, including through partnerships with local entities, exposes the Company to the risks listed above, as well as additional risks of operating in a volatile region. Such risks may negatively impact the Company's business operations in such regions and may also harm the Company's brand. Moreover, a deterioration of the diplomatic relations between the United States or Canada and a given country may impede the Company's ability to operate theaters in such countries and have a negative impact on the Company's financial condition and future growth prospects.

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

Issuer Purchases of Equity Securities

In 2021, IMAX China's shareholders granted its Board of Directors a general mandate authorizing the Board, subject to applicable laws, to repurchase shares of IMAX China not to exceed 10% of the total number of issued shares as of May 6, 2021 (34,835,824 shares). This program expired on the date of the 2022 Annual General Meeting of IMAX China on June 23, 2022. During the 2022 Annual General Meeting, shareholders approved the repurchase of shares of IMAX China not to exceed 10% of the total number of issued shares as of June 23, 2022 (34,063,480 shares). This program will be valid until the 2023 Annual General Meeting of IMAX China. The repurchases may be made in the open market or through other means permitted by applicable laws. IMAX China has no obligation to repurchase its shares and the share repurchase program may be suspended or discontinued by IMAX China at any time. IMAX China did not repurchase any common shares during the three months ended June 30, 2022.

The total number of shares purchased during the six months ended June 30, 2022, 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.

(See Note 7 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 for a summary of the material terms and conditions of the Company's revolving credit facility, which include a limitation of the amount of permitted share repurchases.)

(2) EARNINGS RELEASE EXTRACTS

"IMAX is playing a leading role in the global resurgence in moviegoing, as demonstrated by our strong financial results, global box office growth, and market share gains we delivered in the second quarter. In fact, our second quarter results in North America were on par with our record-breaking 2019, as consumers continue to seek out IMAX as a destination for fandom," said Richard L. Gelfond, CEO of IMAX Corporation.

"With three consecutive $25 million-plus global openings for the first time in its history, IMAX continued to affirm its position as a critical launch platform for major entertainment franchises. As the year progresses with key titles such as Brad Pitt's 'Bullet Train', Dwayne 'The Rock' Johnson's Black Adam, 'Black Panther: Wakanda Forever' and 'Avatar: The Way of Water' and a remarkable offering of franchise tentpoles through 2023, we are focused on driving future growth for the Company across our global network, content portfolio, and technology platform."

"We are encouraged by recent activity to strengthen key partnerships with global exhibitors, including agreements for new theatres and installations across Asia, Europe, the Middle East, and North America. We also continue to enhance and diversify our content portfolio, with Hollywood blockbusters, more of which feature IMAX DNA; local language blockbusters across a growing international footprint; IMAX documentaries; and exclusive live events and experiences from a growing roster of new partners."

Second Quarter Financial Highlights

	Three Months Ended June 30,		
In millions of U.S. Dollars, except per share data	**2022**	2021	YoY% Change
Total Revenue	**$ 74.0**	$ 51.0	45%
Gross Margin	**$ 44.0**	$ 25.6	72%
Gross Margin (%)	**60%**	50%	
Net Loss attributable to common shareholders	**$ (2.9)**	$ (9.2)	N/A
Diluted Net Loss per share attributable to common shareholders	**$ (0.05)**	$ (0.16)	N/A
Adjusted Net Income (Loss) attributable to common shareholders[(1)]	**$ 3.9**	$ (7.0)	N/A
Adjusted Net Income (Loss) per share attributable to common shareholders[(1)]	**$ 0.07**	$ (0.12)	N/A
Adjusted EBITDA per Credit Facility attributable to common shareholders[(1)]	**$ 25.4**	$ 8.7	192%
Adjusted EBITDA Margin attributable to common shareholders (%)[(1)]	**35.9%**	20.6%	74%

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

Second Quarter and June Year-to-Date Segment Results[1]

In millions of U.S. Dollars	IMAX Technology Network			IMAX Technology Sales and Maintenance		
	Revenue	**Gross Margin**	**Gross Margin %**	**Revenue**	**Gross Margin**	**Gross Margin %**
2Q22	$ 46.1	$ 30.9	67%	$ 24.3	$ 12.8	53%
2Q21	19.7	8.7	44%	28.7	16.1	56%
% change	134%	255%		(15%)	(20%)	
YTD 2Q22	$ 78.3	$ 50.6	65%	$ 49.6	$ 25.0	50%
YTD 2Q21	40.0	18.8	47%	45.7	23.2	51%
% change	96%	169%		9%	8%	

(1) Please refer to the Company's Form 10-Q for the period ended June 30, 2022 for additional segment information.

IMAX Technology Network

- IMAX Technology Network revenues increased 134% to $46.1 million in the second quarter of 2022, compared to $19.7 million in the prior-year period. The strength of key titles such as "Doctor Strange in the Multiverse of Madness", "Top Gun: Maverick" and "Jurassic World Dominion" drove the increase in gross box office and revenue.

- Gross margin for the IMAX Technology Network increased to $30.9 million in the second quarter of 2022, compared to $8.7 million in the prior year period as improved box office performance drove higher revenue.

IMAX Technology Sales and Maintenance

- IMAX Technology Sales and Maintenance revenues decreased 15% to $24.3 million in the second quarter of 2022, compared with $28.7 million in the prior year period. The decrease in revenue was driven by seven fewer installations, including upgrades, compared to the second quarter 2021, partially offset by increased maintenance revenues.

- Total gross margin for IMAX Technology Sales and Maintenance decreased 20% to $12.8 million in the second quarter of 2022 compared to $16.1 million in the prior year period. The decrease in gross margin was the result of fewer system installations completed, partially offset by increased maintenance margin.

DEFINITIONS USED IN THIS ANNOUNCEMENT

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

"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"NYSE"	New York Stock Exchange
"PRC" or "China"	the People's Republic of China, but for the purposes of this document only, except where the context requires, references in this announcement to PRC or China exclude Hong Kong, Macau and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"RSUs"	restricted share units
"Share(s)"	Ordinary share(s) with a nominal value of US$0.0001 each in the share capital of the Company and a "Share" means any of them
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TCL-IMAX Entertainment"	TCL-IMAX Entertainment Co., Limited, a company incorporated in Hong Kong with limited liability on 3 January 2014, being the joint venture company jointly owned by IMAX Hong Kong Holding and Sino Leader (Hong Kong) Limited, which is wholly owned by TCL Multimedia Technology Holdings Limited
"U.S." or "United States"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"USD", "US$", "$" or "United States dollars"	U.S. dollars, the lawful currency of the United States of America

GLOSSARY

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

"3D"	three-dimensional
"backlog"	our backlog comprises the aggregate number of commitments for IMAX theatre installations pursuant to contracts we have entered into with exhibitors
"box office"	the gross aggregate proceeds from ticket sales received by the relevant exhibitor(s) in the relevant market(s) for the relevant type(s) of film. For example, the Greater China box office is the aggregate proceeds from ticket sales received by all exhibitors in Greater China, and the Greater China IMAX box office is the aggregate proceeds from ticket sales received by all the exhibitors in Greater China in respect of IMAX films and IMAX Original Films. We also use the concept of box office in our revenue sharing arrangements, where it refers to the aggregate proceeds from ticket sales received by exhibitors in respect of IMAX films with which we have entered into a revenue sharing arrangement
"box office revenue"	the portion of box office that is due to be paid to the Group under revenue sharing arrangements in our theatre systems business and/or arrangements with IMAX Corporation and studios in our films business, as applicable
"Chinese language film"	a motion picture approved for theatrical release in the PRC which has been produced by one or more PRC producer(s) or jointly produced by one or more PRC producer(s) and one or more foreign producer(s), and meets the requirements of the relevant laws and regulations of the PRC
"distributor"	an organisation that distributes films to exhibitors or, in the PRC, theatre circuits for exhibition at theatres
"exhibitor"	exhibitors are theatre investment management companies which own and operate theatres; exhibitors receive copies of films from the theatre circuits but retain control over the screening schedules

"full revenue sharing arrangement"	an arrangement with an exhibitor pursuant to which we contribute an IMAX theatre system to that exhibitor in return for a portion of that exhibitor's box office generated from IMAX films over the term of the arrangement, and no, or a relatively small, upfront payment
"Hollywood film"	an imported motion picture for theatrical release in the PRC which has been produced by one or more foreign producer(s) and the importation and release of such motion picture has been permitted in accordance with the relevant laws and regulations of the PRC
"hybrid revenue sharing arrangement"	an arrangement with an exhibitor pursuant to which we contribute an IMAX theatre system to that exhibitor in return for an upfront fee that is typically half of the payment under a sales arrangement and a portion of that exhibitor's box office generated from IMAX films over the term of the arrangement, that is typically half of that under a full revenue sharing arrangement
"IMAX DMR"	the proprietary digital re-mastering process or any other postproduction process and/or technology used by IMAX Corporation in connection with the conversion of a conventional film into an IMAX film
"IMAX film"	a film converted from a conventional film using DMR technology
"IMAX Original Film"	any IMAX film invested in, produced or co-produced by IMAX Corporation and released to IMAX theatres, and/or for which IMAX Corporation owns and/or controls its theatrical distribution rights
"IMAX theatre"	any movie theatre in which an IMAX screen is installed
"multiplex"	a movie theatre with more than one screen for the exhibition of films
"revenue sharing arrangement"	an arrangement with an exhibitor pursuant to which we contribute an IMAX theatre system to that exhibitor in return for, among other things, a portion of that exhibitor's box office generated from IMAX films over the term of the arrangement; our revenue sharing arrangements are either full revenue sharing arrangements or hybrid revenue sharing arrangements (See the separate glossary explanations for these terms)
"sales arrangement"	an arrangement with an exhibitor pursuant to which we sell that exhibitor an IMAX theatre system for a fee and the exhibitor agrees to pay us on-going royalty fees for use of the IMAX brand and technology over the term of the arrangement

"studio"	an organisation that produces films (which may include all or some of script writing, financing, production team and equipment sourcing, casting, shooting and post production), owns the copyright to the films it produces and works with distributors to release those films at theatres
"take rate"	a film studio's share of box office generated from a particular film, after making certain tax and other deductions
"theatre circuit"	an organisation that distributes newly released films to theatres within that circuit; every theatre in the PRC must be affiliated with a theatre circuit

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

Hong Kong, 29 July 2022

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

Executive Directors:
Edwin Tan
Jim Athanasopoulos
Mei-Hui (Jessie) Chou

Non-Executive Directors:
Richard Gelfond
Megan Colligan
Jiande Chen

Independent Non-Executive Directors:
John Davison
Yue-Sai Kan
Dawn Taubin
Peter Loehr

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