Risk Factors Comparison 2023-02-22 to 2022-02-24 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

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 **and the measures to prevent** ~~is~~ **its spread have impacted** ~~complex and continuously evolving, resulting in significant disruption to~~ the Company' s business and the global economy. ~~At~~ **Capacity restrictions and safety protocols were lifted then reinstituted at** various points ~~during~~ **since** the **third quarter** ~~pandemic, authorities around the world imposed measures intended to control the spread~~ of **2020. Although normal operations have resumed in most key markets and movie theaters throughout the IMAX network, the Company' s business continues to experience impact from** 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~~ **For example** ~~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 ~~late 2021 and early~~ **China in the first quarter of** 2022, ~~some~~ **the Chinese** ~~governments~~ - **government** reinstituted capacity restrictions and safety protocols on large public gatherings **and enforced a dynamic zero- COVID policy** , ~~leading~~ **which led** to **the temporary lock- down of various cities and** the temporary closure of theaters ~~or~~ **in** ~~the~~ **these** ~~imposition~~ **cities. At the end** of ~~capacity~~ **2022, the Chinese government relaxed its dynamic zero- COVID policies and significantly eased** restrictions ~~in certain markets. As such, there is no assurance that movie theaters will remain open if there is a continued rise of or resurgence in COVID- 19 cases in certain jurisdictions~~ . As of December 31, ~~2021~~ **2022** , ~~95~~ **approximately 97** % of the ~~theaters in the global~~ IMAX ~~commercial multiplex~~ network ~~were~~ **in Greater China was** open at various capacities ~~, spanning 75 countries~~ . ~~This included 99 % of Domestic theaters (i. e., in the United States and Canada), 95 % of the theaters in Greater China and 91 % of the theaters in Rest of World markets. The~~ **There remains** ~~COVID- 19 pandemic resulted in significantly lower levels of revenues, earnings, and operating cash flows for the Company during 2020 and, to a lesser extent, during 2021, when compared to periods prior to the onset of the pandemic, as gross box office (" GBO ") results from theaters in the IMAX network declined, the installation of certain theater systems was delayed, and maintenance fees were generally not recognized for theaters that were closed or operating with reduced capacities. Given the~~ uncertainty around **whether and** when movie- going will return to historical levels ~~, there is no guarantee that the effects of the COVID- 19 pandemic will end even after theaters are reopened~~ . 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 ~~. In 2020 and 2021, the Company applied for and received wage subsidies, tax credits and other financial support under COVID- 19 relief legislation that has been enacted in the countries in which it operates. There are no guarantees that the Company will apply for or receive such benefits in the future or that the Company will receive any additional material financial support through these or other programs that may be created, expanded, or implemented by governments in the countries in which the Company operates~~ . As a result of the financial difficulties faced by certain of the Company ~~'~~ **'** s ~~exhibition~~ - **exhibitor** 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~~ **IMAX System** sale or lease arrangements. ~~In response, beginning in the second quarter of 2020 through the fourth quarter of 2021, the Company provided temporary relief to certain exhibitor customers by waiving or reducing maintenance fees during periods when theaters were closed or operating with reduced capacities and, in certain situations, by providing extended payment terms on annual minimum payment obligations in exchange for a corresponding or longer extension of the term of the underlying sale or lease arrangement. However, certain of the Company' s exhibitor partners that had reopened theaters have temporarily suspended operations of their theater network in certain jurisdictions and other exhibitor partners have reduced their theaters' operating hours, which may exacerbate existing financial difficulties.~~ 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 ~~in response to the prolonged suspension of movie- going, or for other reasons~~ , 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. **For example, on September 7, 2022, Cineworld and certain of its subsidiaries and Regal CineMedia Holdings, LLC filed petitions for reorganization under Chapter 11 of the United States Bankruptcy Code (see " Management' s Discussion and Analysis of Financial Condition and Results of Operations — Overview " in Part II, Item 7).** Further, the Company has had to delay certain ~~theater~~ **IMAX** 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 **have been, and** may **in the future continue to** 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 **and** , their ability to make timely payments, any potential construction or installation delays involving ~~our~~ **the Company' s** exhibitor partners, the continuing impact of the pandemic on global economic conditions and ongoing government responses to the pandemic. Such events are highly uncertain and cannot be accurately ~~forecast~~ **forecasted** . **To** ~~Moreover, there~~ -- **the extent** ~~can be no guarantees~~ that the Company **experiences** ~~’ s liquidity needs will not increase materially~~ -- **material negative impacts** as **a result of** the COVID- 19 pandemic **in future periods** ~~continues. In addition~~ , **especially if such impacts are prolonged, its** liquidity needs ~~as well as other changes to the Company’ s business and operations~~ may **increase materially and its** ~~impact the Company’ s~~ ability to maintain compliance with certain covenants under **its** ~~the Company’ s~~ credit agreement with Wells Fargo Bank ~~(see Note 14 of Notes to Consolidated Financial Statements in Part II, Item 8). The Company~~ may ~~also~~ be ~~subject to~~ **jeopardized, it may experience** impairment losses ~~based on long- term estimated projections. These estimates and the likelihood of future changes in these estimates depend on a number of underlying variables and a range of possible outcomes. Actual results may differ materially from management’ s estimates~~ , ~~especially due to the uncertainties associated with the COVID- 19 pandemic. If business conditions deteriorate further, or should they remain depressed for a more prolonged period of time, management’ s estimates of operating results~~ and ~~future cash flows for reporting units may be insufficient to support the goodwill assigned to them, thus requiring impairment charges. Estimates related to future expected credit losses and deferred tax assets, as well as the recoverability of equipment supporting joint revenue sharing arrangements and the realization of variable consideration assets, could also be materially impacted by changes in estimates in the future. The COVID- 19 pandemic and public health measures implemented to contain it may also have the effect of heightening~~ many of the other risks described in this Form 10- K, including, but not limited to, risks ~~relating to harm to the Company’ s key personnel, diverting management’ s resources and time to addressing the impacts of COVID- 19, which may negatively affect the Company’ s ability to implement its business plan and pursue certain opportunities, potential impairments, the effectiveness of the Company’ s internal control of financial reporting, cybersecurity and data privacy risks due to employees working from home, and risks~~ of increased indebtedness ~~under the Company’ s revolving credit facility with Wells Fargo Bank, including the Company’ s ability to seek waivers of covenants or to refinance any of the Company’ s borrowings, among others (see Note 14 of Notes to Consolidated Financial Statements in Part II, Item 8). The longer the COVID- 19 pandemic and associated protective measures persist, the more severe the extent of the adverse impact of the pandemic on the Company is likely to be~~ . 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. The Company’ s success depends in part on general political, social and economic conditions and the willingness of consumers to purchase tickets to IMAX movies. If movie- going becomes less popular globally, the Company’ s business could be adversely affected, especially if such a decline occurs in Greater China. In addition, the Company’ s operations could be adversely affected if consumers' discretionary income globally or in a particular geography falls as a result of an economic downturn **or recession** resulting from **geopolitical tensions, including the Russia- Ukraine conflict and resulting sanctions, sustained increase in inflation and interest rates, supply chain issues,** the COVID- 19 pandemic or otherwise ~~, as a result of increased inflation, or for any other reason~~ . Such adverse impact on consumer’ s discretionary income could result in a shift in consumer demand away from movie- going. **The** ~~In recent years, the~~ majority of the Company’ s revenue **is** ~~has been~~ directly derived from the box office results of its exhibitor partners. Accordingly, a decline in attendance at commercial IMAX ~~theaters~~ **locations** could materially and adversely affect several sources of key revenue streams for the Company. The Company also depends on the sale and lease of IMAX ~~Theater~~ Systems to commercial movie exhibitors to generate revenue. Commercial movie exhibitors generate revenues from consumer attendance at their theaters, which depends on the willingness of consumers to visit movie theaters and spend discretionary income at movie theaters. In the event of declining box office and concession revenues, commercial exhibitors may be less willing to invest capital in new IMAX ~~theaters~~ **Systems** . In addition, a significant portion of ~~theaters~~ **systems** in the Company’ s backlog are expected to be installed in newly built multiplexes. An economic downturn **, recession, significant increases in interest rates or other adverse economic developments** could impact developers’ ability to secure financing **on acceptable terms** and complete the buildout of these locations, thereby negatively impacting the Company’ s ability to grow its theater network **. Finally, sustained inflationary pressures observed globally, as well as supply chain disruptions resulting from the COVID- 19 pandemic or otherwise, could materially increase the cost of our goods, services and personnel, which could cause an increase in our operating costs** . The success of the IMAX network is directly related to the availability and success of IMAX DMR films, and other films released to the IMAX network, as well as the continued purchase or lease of IMAX ~~Theater~~ Systems and other support by movie exhibitors, for which there can be no guarantee. An important factor affecting the growth and success of the IMAX network is the availability and strategic selection of films for IMAX ~~theaters~~ **locations** and the box office performance of such films. The Company itself produces only a small number of such films and, as a result, the Company relies principally on films produced by third- party filmmakers and studios, including both Hollywood and local language features converted into the Company’ s format. In ~~2021~~ **2022** , 63 **new** IMAX films were released to the Company’ s global ~~theater~~ network. There is no guarantee that filmmakers and studios will continue to release films to the IMAX network, or that the films selected for release to the IMAX network will be commercially successful. The Company is directly impacted by the commercial success and box office results of the films released to the IMAX network through its joint revenue sharing arrangements, as well as through the percentage of the box office receipts the Company receives from the studios releasing IMAX films, and the Company’ s continued ability to secure films, find suitable partners for joint revenue sharing arrangements and to sell IMAX ~~Theater~~ Systems. The commercial success of films released to IMAX

~~theaters~~ **locations** depends on a number of factors outside of the Company' s control, including whether the film receives critical and consumer acclaim, the timing of its release, the success of the marketing efforts of the studio releasing the film, consumer preferences and trends in cinema attendance. Moreover, films can be subject to delays in production or changes in release schedule, which can negatively impact the number, timing and quality of IMAX films released to the Company' s global ~~theater~~ network. In addition, as the Company' s international network has expanded, the Company has signed deals with studios in other countries to convert their films to the Company' s format and release them to **the** IMAX ~~theaters~~ **network** . The Company may be unable to select films which will be successful in international markets or may be unsuccessful in selecting the right mix of Hollywood and local language films for a particular country or region, notably Greater China, the Company' s largest market. Also, conflicts in international release schedules may make it difficult to release every IMAX film in certain markets. The Company depends principally on commercial movie exhibitors to purchase or lease IMAX ~~Theater~~ Systems, to supply box office revenue under joint revenue sharing arrangements and under its ~~sales~~ - **sale** and sales- type lease agreements and to supply venues in which to exhibit IMAX films. The Company can make no assurances that exhibitors will continue to do any of these things. The Company is unable to predict the pace at which exhibitors will purchase or lease IMAX ~~Theater~~ Systems or enter into joint revenue sharing arrangements with the Company, or whether any of the Company' s existing exhibitor customers will continue to do any of the foregoing. If exhibitors choose to reduce their levels of expansion, negotiate **economic terms that are** less favorable ~~economic terms~~ **to the Company** , or decide not to enter into transactions with the Company, the Company' s revenues would not increase at an anticipated rate and motion picture studios may be less willing to convert their films into the Company' s format for exhibition in commercial IMAX ~~theaters~~ **locations** . As a result, the Company' s future revenues and cash flows could be adversely affected. The Company is undertaking brand extensions and new business initiatives, and the Company' s investments and efforts in such business evolution may not be successful. The Company is undertaking brand extensions and new business initiatives. These initiatives represent **potential** new areas of growth for the Company and could include the offering of new products and services that may not be accepted by the market. The Company has recently explored initiatives in the ~~fields~~ - **field** of ~~original content and~~ in- home entertainment technology, ~~both of~~ which ~~are~~ **is an** intensely competitive ~~businesses~~ -- **business** and which ~~are~~ **is** dependent on consumer demand, over which the Company has no control. The Company is also exploring new technologies to connect the IMAX network to facilitate bringing more unique content, including broadcasts of live events, to IMAX ~~theater~~ audiences. If any new brand extensions and business initiatives in which the Company invests or attempts to develop does not progress as planned, the Company may be adversely affected by investment expenses that have not led to the anticipated results, by write- downs of its assets, by the distraction of management from its core business or by damage to its brand or reputation. **New** ~~In addition, these~~ initiatives ~~may~~ **could** involve **acquisitions or** the formation of joint ventures and business alliances. ~~While~~ **In September 2022,** the Company **acquired SSIMWAVE** ~~seeks to employ the optimal structure~~ for ~~each~~ **$ 19. 5 million in cash and 160, 547 common shares of the Company with a fair value of $ 1. 9 million with additional earnout consideration.** ~~such~~ **Such transactions and arrangements involve significant challenges and risks, including that they may not advance the Company' s long- term** business ~~alliance~~ **strategy** , **that** the **Company realizes** ~~alliance may require a high level of cooperation with and~~ - **an** ~~reliance~~ **unsatisfactory return** on ~~the Company' s partners and there is~~ **its** ~~a possibility~~ **investments or fails to realize anticipated business synergies,** that the Company ~~may have~~ **has difficulty integrating or retaining new employees, systems, and technology, that the Company has** disagreements with a relevant partner with respect to financing, ~~technological~~ management, ~~product~~ **and** development, **that the Company fails to identify or anticipate risks and liabilities of acquired companies in advance of acquisition, or that** management ~~strategies or otherwise~~ **gets distracted from the Company' s core business** . ~~Any~~ **Also, it may take longer than expected to realize the full benefits from these transactions and arrangements** such ~~disagreement~~ **as increased revenue or enhanced efficiencies, or the benefits** may **ultimately** ~~cause the joint venture or business alliance to~~ be ~~terminated~~ **smaller than the Company expected** . The Company faces cyber- security and similar risks, which could result in the disclosure, theft, or loss of confidential or other proprietary information, including intellectual property, damage to the Company' s brand and reputation, legal exposure and financial losses. The Company must also comply with a variety of data privacy regulations and failure to comply with such regulations may affect the Company' s financial performance. The nature of the Company' s business involves access to and storage of confidential and proprietary content and other information, including its own intellectual property and the intellectual property of certain movie studios or partners it may work with, as well as certain information regarding the Company' s customers, employees, licensees, and suppliers. Although the Company maintains robust procedures, internal policies and technological security measures to safeguard such content and information, as well as a cyber- security insurance policy, the Company' s information technology systems, and the information technology systems of our current or future third- party vendors, collaborators, consultants and service providers, could be penetrated by internal or external parties intent on extracting information, corrupting information, stealing intellectual property or trade secrets, or disrupting business processes. Information security risks have increased in recent years because of the proliferation of new technologies and the increased sophistication and activities of perpetrators of cyber- attacks. The Company' s information technology infrastructure may be vulnerable to such attacks, including through the use of malware, software bugs, computer viruses, ransomware, social engineering, and denial of service. It is possible that such attacks could compromise the Company' s security measures or the security measures of parties with whom the Company does business. Because the techniques that may be used to circumvent the Company' s safeguards change frequently and may be difficult to detect, the Company may be unable to anticipate any new techniques or implement sufficient preventive security measures. The Company seeks to monitor such attempts and incidents and to prevent their recurrence through modifications to the Company' s internal procedures and information technology infrastructure and provides information security training and compliance program to its employees on an annual basis, but in some cases preventive action might not be successful. Moreover, the development and maintenance of these security measures may be costly and will require ongoing updates as technologies evolve and techniques to overcome the

Company' s security measures become more sophisticated. Any such attack or unauthorized access could result in a disruption of the Company' s operations, the theft, unauthorized use or publication of confidential or proprietary information of the Company or its customers, employees, licensees or suppliers, a reduction of the revenues the Company is able to generate from its operations, damage to the Company' s brand and reputation, a loss of confidence in the security of the Company' s business and products, and significant legal and financial exposure, each of which could potentially have an adverse effect on the Company' s business. In addition, a variety of laws and regulations at the international, national, and state level govern the Company' s collection, use, protection and processing of personal data. These laws, including the General Data Protection Regulation and the California Consumer Privacy Act, are constantly evolving and may result in increasing regulatory oversight and public scrutiny in the future. The Company' s actual or perceived failure to comply with such laws and regulations could result in fines, investigations, enforcement actions, penalties, sanctions, claims for damages by affected individuals, and damage to the Company' s reputation, among other negative consequences, any of which could have a material adverse effect on its financial performance. 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 **62 %,** 70 %, **and** 77 ~~%, and 66~~ % of the Company' s revenues were derived outside of the United States and Canada in **2022,** 2021 ~~,~~ **and** 2020 ~~and 2019~~ , respectively. As of December 31, ~~2021~~ **2022** , approximately ~~74~~ **75** % of IMAX ~~Theater~~ Systems in backlog are scheduled to be installed in international markets. The Company' s network spanned 87 different countries as of December 31, ~~2021~~ **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~~ **network** 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 and Belarus, 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 and resulting sanctions, major movie studios suspended the theatrical release of films in Russia and Belarus and financial institutions halted transactions with Russian entities. The Company has notified its exhibitor clients in Russia and Belarus that such sanctions and actions constitute a force majeure event under their system 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, Belarus 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 systems in its backlog from Russia, the CIS and Ukraine) and may also magnify the impact of other risks described herein,** including ~~with respect to Russia~~ **the risk of cybersecurity attacks** , **which have increased** in connection with ~~its~~ **the ongoing** conflict ~~with Ukraine)~~ **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. The Company faces risks in connection with its significant presence in China and the continued expansion of its business there. Greater China is the Company' s largest market by revenue, with approximately ~~44~~ 24 % of overall revenues generated from its Greater China operations in ~~2021~~ 2022 . As of December 31, ~~2021~~ 2022 , the Company had ~~783 theaters~~ 794 IMAX Systems operating in Greater China with an additional ~~215 theaters~~ 204 systems in backlog, which represent ~~44~~ 45 % of the Company' s current backlog. Of the IMAX ~~Theater~~ Systems currently scheduled to be installed in Greater China, ~~67~~ 66 % are under joint revenue sharing arrangements, which further increases the Company' s ongoing exposure to box office performance in this market. The China market faces a number of risks, including changes in laws and regulations, currency fluctuations, increased competition, and changes in economic conditions, including the risk of an economic downturn or recession, trade embargoes, restrictions or other barriers, as well as other conditions that may impact the Company' s exhibitor and studio partners, and consumer spending. The worsening of U. S. – China political tensions could exacerbate any or all of these risks, and adverse developments in any of these areas could impact the Company' s future revenues and cash flows and could cause the Company to fail to achieve anticipated growth. The Company does not believe that it is currently required to obtain any permission or approval from the China Securities Regulatory Commission, the Cyberspace Administration of China or any other regulatory authority in the People' s Republic of China (" PRC ") for its operations, but there can be no assurance that such permissions or approvals would not be required in the future and, if required, that they would be granted in a timely manner, on acceptable terms, or at all. Furthermore, PRC regulators, including the Cyberspace Administration of China, the Ministry of Industry and Information Technology, and the Ministry of Public Security, have been increasingly focused on regulation in data security and data protection. Regulatory requirements concerning data protection and cybersecurity in the PRC, as well as other requirements concerning operations of foreign businesses in the PRC, are evolving, and their enactment timetable, interpretation and implementation involve significant uncertainties. To the extent any PRC laws and regulations become applicable to the Company, it may be subject to the risks and uncertainties associated with the legal system in the PRC, including with respect to the enforcement of laws and the possibility of changes of rules and regulations with little or no advance notice. Certain risks and uncertainties of doing business in China are solely within the control of the Chinese government, and Chinese law regulates both the scope of the Company' s continued expansion in China and the business conducted by it within China. For instance, the Chinese government regulates the number, timing, and terms of Hollywood films released to the China market. A number of prominent Hollywood films were denied release dates in China in ~~2020 and~~ 2021 and 2022 , including several films released in IMAX format in other markets. The Company cannot provide assurance that the Chinese government will continue to permit the release of Hollywood IMAX films in China or that the timing or number of IMAX releases will be favorable to the Company. There are also uncertainties regarding the interpretation and application of laws and regulations and the enforceability of intellectual property and contract rights in China. If the Company were unable to navigate China' s regulatory environment, or if the Company were unable to enforce its intellectual property or contract rights in China, the Company' s business could be adversely impacted. The Company may experience adverse effects due to exchange rate fluctuations. A substantial portion of the Company' s revenues are denominated in U. S. Dollars, while a substantial portion of its expenses are denominated in Canadian Dollars. The Company also generates revenues in Chinese Yuan Renminbi, Euros and Japanese Yen. While the Company periodically enters into forward contracts to hedge its exposure to exchange rate fluctuations between the U. S. and the Canadian Dollar, the Company may not be successful in reducing its exposure to these fluctuations. The use of derivative contracts is intended to mitigate or reduce transactional level volatility in the results of foreign operations, but does not completely eliminate volatility. Even in jurisdictions in which the Company does not accept local currency or requires minimum payments in U. S. Dollars, significant local currency issues may impact the profitability of the Company' s arrangements with its customers, which ultimately affect the ability to negotiate cost- effective arrangements and, therefore, the Company' s results of operations. In addition, because IMAX films generate box office revenue in 87 different countries, unfavorable exchange rates between applicable local currencies and the U. S. Dollar could affect the GBO generated by exhibitors and the Company' s reported revenues, further impacting the Company' s results of operations. RISK RELATED TO THE COMPANY' S INDUSTRY AND COMPETITIVE ENVIRONMENT Consolidation among commercial exhibitors and studios reduces the breadth of the Company' s customer base, and could result in a narrower market for the Company' s products and reduced negotiating leverage. A deterioration in the Company' s relationship with key partners could materially and adversely affect the Company' s business, financial condition or results of operation. In addition, an adverse economic impact on a significant customer' s business operations could have a corresponding material adverse effect on the Company. The Company' s primary customers are commercial multiplex exhibitors. ~~The~~ Since 2016, the commercial exhibition industry has undergone significant consolidation, including AMC' s acquisition of Carmike Cinemas and Odeon ~~& UCI Cinemas Group~~ , which includes Nordic and ~~Cinema Group, in 2016. In recent years, the industry has continued to consolidate, as evidenced by~~ Cineworld ' ~~Group'~~ s acquisition of Regal ~~Entertainment Group in 2018~~ . Exhibitor concentration has resulted in certain exhibitor chains constituting a material portion of the Company' s network and revenue. For instance, although Wanda sold its controlling interest in AMC in 2021, it continues to be the Company' s largest exhibitor customer, representing approximately ~~10~~ 7 % of the Company' s total revenues in ~~2021~~ 2022 . As of December 31, ~~2021~~ 2022 , through the Company' s partnership with Wanda, there ~~are 369~~ were 375 IMAX ~~Theater~~ Systems operational in Greater China and Wanda represented approximately 22 % of the commercial network and 4 % of the Company' s backlog. The share of the Company' s revenue that is generated by Wanda is expected to continue to grow as the number of Wanda theater systems currently in backlog are opened. No assurance can be given that significant customers such as Wanda will continue to purchase IMAX ~~Theater~~ Systems and / or enter into joint revenue sharing arrangements with the Company and if so, whether contractual terms will be affected. If the Company does business with Wanda or other large exhibitor chains less frequently or on less favorable terms than currently, the Company' s business, financial condition or results of operations may be adversely affected. In addition, an adverse economic impact on a significant customer' s business operations could have a corresponding material adverse effect on the Company. The Company also receives revenues from studios releasing IMAX films. Hollywood studios have also experienced consolidation, as evidenced by the Walt Disney Company' s acquisition of certain studio assets from

Twenty First Century Fox in 2019. Studio consolidation could result in individual studios comprising a greater percentage of the Company' s film slate and overall IMAX DMR revenue, and could expose the Company to the same risks described above in connection with exhibitor consolidation. Failure to respond adequately or in a timely fashion to changes and advancements in digital technology could negatively affect the Company' s business. ~~There have been a number of advancements in the digital cinema field in recent years.~~ In order to keep pace with ~~these~~ changes **and advancements in digital technology** and in order to continue to provide an experience that is premium to and differentiated from conventional cinema experiences, the Company has made, and expects to continue to make, significant investments in digital technology in the form of research and development and the acquisition of third- party intellectual property and / or proprietary technology. A significant portion of the Company' s recent research and development efforts have been focused on its laser- based projection systems, which began rolling out to the largest theaters in the IMAX network at the end of 2014. Since then, the Company has continued research and development aimed at creating more affordable laser- based solutions with various screen sizes for its commercial multiplex customers. **Furthermore, in September 2022, the Company acquired SSIMWAVE, a leader in AI- driven video quality solutions for media and entertainment companies. With the acquisition of SSIMWAVE, the Company' s conducting research and development in perceptual metrics including novel measurement and optimization techniques.** The process of developing new technologies is inherently uncertain and subject to certain factors that are outside of the Company' s control, including reliance on third- party partners and suppliers, and the Company can provide no assurance its investments will result in commercially viable advancements to the Company' s existing products or in commercially successful new products, or that any such advancements or products will improve upon existing technology or will be developed within the timeframe expected. The introduction of new, competing products and technologies could harm the Company' s business. The out- of- home entertainment industry is very competitive, and the Company faces a number of competitive challenges. The Company faces competition both in the form of technological advances in in- home entertainment, as well as those within the theater- going experience. For example, according to **research conducted by Omdia** ~~the National Association of Theater Owners and the Movie Theater Association of Canada, as of December 31, 2020~~ , there were approximately 43, ~~800~~ **000** conventional- sized screens in North American commercial multiplexes **in 2022** . In addition, exhibitors and entertainment technology companies have introduced their own branded, large- screen 3D auditoriums or other proprietary theater systems, and in many cases have marketed those auditoriums or theater systems as having similar quality or attributes as an IMAX ~~Theater~~ System. The Company may continue to face competition in the future from companies in the entertainment industry with new technologies and / or substantially greater capital resources to develop and support them. If the Company is unable to continue to deliver a premium movie- going experience, or if other technologies surpass those of the Company, the Company may be unable to continue to produce theater systems which are premium to, or differentiated from, other theater systems **. Furthermore, many of the Company' s commercial exhibitor customers are reliant on the availability of retail shopping malls at physical locations, which compete with other forms of retailing such as online retail websites, and may be adversely affected by the changes in the retail shopping landscape and consumer purchasing pattern. In return, the Company may be adversely affected by the challenges faced by its exhibitor customers** . As noted above, the Company faces in- home competition from a number of alternative motion picture distribution channels such as home video ~~, pay- per- view~~ , streaming services, video- on- demand, internet, and broadcast and cable television. The average exclusive theatrical release window for Hollywood titles has decreased over the years and there can be no assurance that this release window, which is determined by the movie studios, will not shrink further, which could have an adverse impact on the Company' s business and results of operations. In addition, as a result of the COVID- 19 pandemic and related movie theater closures, in 2020 and 2021, a number of films were released directly or concurrently to streaming services the same day as to theaters. **Most** ~~In the third quarter of 2021, many~~ major film studios **have since** recommitted to exclusive theatrical releases for blockbuster movies. However, there can be no assurance that direct or concurrent release to streaming services will not resume or increase in the future, intensifying in- home competition. The Company further competes for the public' s leisure time and disposable income with other forms of entertainment, including gaming, sporting events, concerts, live theater, social media, and restaurants. If the Company is unable to continue to produce a differentiated theater experience, consumers may be unwilling to pay the price premiums associated with the cost of IMAX ~~theater~~ tickets and box office performance of IMAX films may decline. **The** ~~Declining~~ **declining** box- office performance of IMAX films could materially and adversely harm the Company' s business and prospects. The Company may not be able to adequately protect its intellectual property, and competitors could misappropriate its technology or brand, which could weaken its competitive position. The Company depends on its proprietary knowledge regarding IMAX ~~Theater~~ Systems and digital and film technology **, video quality assessment and image enhancement** . The Company relies principally upon a combination of copyright, trademark, patent and trade secret laws, restrictions on disclosures and contractual provisions to protect its proprietary and intellectual property rights. These laws and procedures may not be adequate to prevent unauthorized parties from attempting to copy or otherwise obtain the Company' s processes and technology or deter others from developing similar processes or technology, which could weaken the Company' s competitive position and require the Company to incur costs to secure enforcement of its intellectual property rights. The protection provided to the Company' s proprietary technology by the laws of foreign jurisdictions may not protect it as fully as the laws of Canada or the United States. The lack of protection afforded to intellectual property rights in certain international jurisdictions may be increasingly problematic given the extent to which **the** future growth of the Company is anticipated to come from foreign jurisdictions. Finally, some of the underlying technologies of the Company' s products and system components are not covered by patents or patent applications. The Company owns patents issued and patent applications pending, including those covering its digital projector, digital conversion technology ~~and~~ **,** laser illumination technology **, and other inventions relating to imaging technology and video quality assessment** . The Company' s patents are filed in the United States, often with corresponding patents or filed applications in other jurisdictions, such as Canada, China, Belgium, Japan, France, Germany, and the United Kingdom. The patent applications pending may not be issued or the patents may not provide the Company with any competitive advantage. The patent applications may also be challenged by third parties. Several of the Company' s issued patents for improvements to IMAX projection system components expire between ~~2022~~ **2023** and 2038. If the Company' s patent claims are rendered invalid or unenforceable, or narrowed in scope, the patent coverage afforded the Company' s products and services could be impaired, which could negatively affect its competitive position. In addition, competitors and other third parties may be able to circumvent or design around the Company' s patents and may develop and obtain patent protection for more effective technologies. If these developments were to occur, it could have an adverse effect on the Company' s sales or market position. Any claims or litigation initiated by the Company to protect its proprietary technology could be time consuming, costly, and divert the attention of its technical and management resources. If the Company chooses to go to court to stop a third party from infringing its intellectual property, that third party may ask the court to rule that the Company' s intellectual property rights are invalid and / or should not be enforced against that third party. The Company relies upon trade secrets and other confidential and proprietary know how to develop and maintain the Company' s competitive position. While it is the Company' s policy to enter into agreements imposing nondisclosure and confidentiality obligations upon its employees and third parties to protect the Company' s intellectual property, these obligations may be breached, may not provide meaningful protection for the Company' s trade secrets or proprietary know how, or adequate remedies may not be available in the event of an unauthorized access, use or disclosure of the Company' s trade secrets and know how. Furthermore, despite the existence of such nondisclosure and confidentiality agreements, or other contractual restrictions, the Company may not be able to prevent the unauthorized disclosure or use of its confidential proprietary information or trade secrets by consultants, vendors and employees. In addition, others could obtain knowledge of the Company' s trade secrets through independent development or other legal means. The IMAX brand stands for the highest quality and most immersive entertainment experiences. Protecting the IMAX brand is a critical element in maintaining the Company' s relationships with studios and its exhibitor clients and building and maintaining brand loyalty and recognition. Though the Company relies on a combination of trademark and copyright law as well as its contractual provisions to protect the IMAX brand, those protections may not be adequate to prevent erosion of the brand over time, particularly in foreign jurisdictions. Erosion of the brand could threaten the demand for the Company' s products and services and impair its ability to grow future revenue streams. In addition, if any of the Company' s registered or unregistered trademarks, trade names or service marks is challenged, infringed, circumvented ~~or~~ **,** declared generic or determined to be infringing on other marks, it could have an adverse effect on the Company' s sales or market position. The Company may be subject to claims of infringement of third- party intellectual property rights that are costly to defend, result in the diversion of management' s time and efforts, require the payment of damages, limit the Company' s ability to use particular technologies in the future or prevent the Company from marketing its existing or future products and services. The Company' s commercial success will depend in part on not infringing, misappropriating, or violating the intellectual property rights of others. A third party could assert a claim against the Company for alleged infringement of its patent, copyright, trademark, or other intellectual property rights, including in relation to technologies that are important to the Company' s business. The Company may not be aware of whether its products or services do or will infringe existing or future patents or the intellectual property rights of others. In addition, there can be no assurance that one or more of The Company' s competitors who have developed competing technologies or the Company' s other competitors will not be granted patents for their technology and allege that the Company has infringed. Any claims that the Company' s business infringes the intellectual property rights of others, regardless of the merit or resolution of such claims, could entail significant costs in responding to, defending, and resolving such claims. An adverse determination in any intellectual property claim could require the Company to pay damages and / or stop using its technologies, trademarks, copyrighted works, and other material found to be in violation of another party' s rights and could prevent the Company from licensing its technologies to others unless we enter into royalty or licensing arrangements with the prevailing party or are able to redesign our products and services to avoid infringement. ~~Any such~~ **Such a** license may not be available on reasonable terms, if at all, and there can be no assurance that the Company would be able to redesign its services in a way that would not infringe the intellectual property rights of others. Any payments the Company is required to make and any injunction the Company is required to comply with as a result of any infringement could harm its reputation and financial results. RISKS RELATED TO THE COMPANY' S REVENUES, EARNINGS, AND FINANCIAL POSITION The Company' s operating results and cash flow can vary substantially from period to period and could increase the volatility of its share price. The Company' s operating results and cash flow can fluctuate substantially from period to period. In particular, fluctuations in IMAX ~~Theater~~ System installations and GBO performance of IMAX films can materially affect operating results. Factors that have affected the Company' s operating results and cash flow in the past, and are likely to affect its operating results and cash flow in the future, include, among other things: • the timing of signing and installation of new IMAX ~~Theater~~ Systems (particularly for installations in newly- built multiplexes, which can result in delays that are beyond the Company' s control); • the timing and commercial success of films distributed to the Company' s ~~theater~~ network; • the demand for, and acceptance of, the Company' s products and services; • the recognition of revenue of ~~sales-~~ - **sale** and sales- type leases; • the classification of leases as sales- type versus operating; • the volume of orders received and that can be filled in the quarter; • the level of its sales backlog; • the signing of film distribution agreements; • the financial performance of IMAX ~~theaters~~ **Systems** operated by the Company' s customers; • financial difficulties faced by customers, particularly customers in the commercial exhibition industry; • the magnitude and timing of spending in relation to the Company' s research and development efforts and related investments, as well as new business initiatives; and • the number and timing of joint revenue sharing arrangement installations, related capital expenditures, and timing of related cash receipts. Most of the Company' s operating expenses are fixed in the short term. The Company may be unable to rapidly adjust its spending to compensate for any unexpected shortfall in sales, joint revenue sharing arrangements revenue or IMAX DMR revenue, which would harm operating results for a particular period. The Company' s ~~theater system~~ **systems** revenue can vary significantly from its cash flows under IMAX ~~Theater~~ System sales or lease agreements. The Company' s ~~theater system~~ **systems** revenue can vary significantly from the associated cash flows. The Company often provides financing to customers for IMAX ~~Theater~~ Systems on a long- term basis through long- term sale or lease arrangements. The terms of leases or financing receivables are typically 10 to 12 years. The sale and sales- type lease agreements for IMAX ~~Theater~~ Systems typically provide for three major sources of cash flow: • initial fees, which are paid in installments generally commencing upon the signing of the agreement until installation of the IMAX ~~Theater~~ System; • ongoing fees, which are paid monthly after the IMAX ~~Theater~~ System has been ~~installed~~ **opened to the public** and are generally equal to the greater of a fixed minimum amount per annum and a percentage of box office receipts; and • ongoing annual maintenance and extended warranty fees, which are generally payable commencing in the second year of theater operations. Initial fees generally make up the vast majority of cash received under IMAX ~~Theater~~ System sales or sales- type lease agreements for a theater arrangement. For ~~sales~~ - **sale** and sales- type leases, the revenue recorded is generally equal to the sum of initial fees and the present value of any future initial payments, and fixed minimum ongoing payments. Sales arrangements also include an estimate of future variable consideration due under the agreement. Cash received from initial fees in advance of meeting the revenue recognition criteria for the IMAX ~~Theater~~ Systems is recorded as deferred revenue. Leases that do not transfer substantially all of the benefits and risks of ownership to the customer are classified as operating leases. For these leases, initial fees and fixed minimum ongoing payments are recognized as revenue on a straight- line basis over the lease term. Contingent payments in excess of fixed minimum ongoing payments are recognized as revenue when reported by theater operators, provided collectability is reasonably assured. As a result of the above, the revenue set forth in the Company' s Consolidated Financial Statements does not necessarily correlate with the Company' s cash flow or cash position. Revenues include the present value of future contracted cash payments and there is no guarantee that the Company will receive such payments under its lease and sale agreements if its customers default on their payment obligations. The Company may not convert all of its backlog into revenue and cash flows. As of December 31, ~~2021~~ **2022** , the Company' s backlog included ~~489~~ **450** IMAX ~~Theater~~ Systems, consisting of ~~173~~ **162** IMAX ~~Theater~~ Systems under sales or lease arrangements and ~~316~~ **288** IMAX ~~Theater~~ Systems under joint revenue sharing arrangements. The Company lists signed contracts for IMAX ~~Theater~~ Systems for which revenue has not been recognized as backlog prior to the time of revenue recognition. The total value of the backlog represents all signed IMAX ~~Theater~~ System sale or lease agreements that are expected to be recognized as revenue in the future and includes initial fees along with the estimated present value of contractual ongoing fees due over the term, and a variable consideration estimate for the IMAX ~~Theater~~ Systems under sales arrangements, but it excludes amounts allocated to maintenance and extended warranty revenues. Notwithstanding the legal obligation to do so, some of the Company' s customers with which it has signed contracts may not accept delivery of IMAX ~~Theater~~ Systems that are included in the Company' s backlog. An economic downturn may exacerbate the risk of customers not accepting delivery of IMAX ~~Theater~~ Systems. Any reduction in backlog could adversely affect the Company' s future revenues and cash flows. In addition, customers with theater system obligations in backlog sometimes request that the Company agree to modify or reduce such obligations, which the Company has agreed to do in the past under certain circumstances. Customer- requested delays in the installation of IMAX ~~Theater~~ Systems in backlog remain a recurring and unpredictable part of the Company' s business. The Company' s inability to enter into renewals of new sales and lease agreements on favorable terms or at all would adversely affect its cash flows and operating results. Approximately ~~9~~ **11** % of the Company' s sales and lease agreements are due to expire in the next 12 months. If these agreements are not renewed, or if the Company is unable to enter into new leases agreements comparable to those currently in effect in a timely manner, then the Company' s theater revenue could be adversely affected. Although the Company has not been informed by any client of its intention not to renew an expiring sales or lease agreement, there can be no assurance that the expiring sales and lease agreements will be renewed or new agreements will be entered into on favorable terms, in a timely manner or at all. The Company' s revenues from existing customers are derived in part from financial reporting provided by its customers, which may be inaccurate or incomplete, resulting in lost or delayed revenues. The Company' s revenue under its joint revenue sharing arrangements, a portion of the Company' s payments under lease or sales arrangements and its film distribution fees are based upon financial reporting provided by its customers. If such reporting is inaccurate, incomplete, or withheld, the Company' s ability to receive the appropriate payments it is owed in a timely fashion may be impaired. The Company' s contractual ability to audit IMAX ~~theaters~~ **locations** may not rectify payments lost or delayed as a result of customers not fulfilling their contractual obligations with respect to financial reporting. There is collection risk associated with payments to be received over the terms of the Company' s ~~theater~~ **IMAX** ~~system~~ **System** agreements. The Company is dependent in part on the viability of its exhibitors for collections under long- term leases, sales financing agreements, and joint revenue sharing arrangements. Exhibitors or other operators may experience financial difficulties that could cause them to be unable to fulfill their contractual payment obligations to the Company. As a result, the Company' s future revenues and cash flows could be adversely affected. The Company may be subject to impairment losses on its film assets if such assets do not meet management' s estimates of total revenues. The Company amortizes its film assets, including IMAX DMR costs capitalized using the individual film forecast method, whereby the costs of film assets are amortized and participation costs are accrued for each film in the ratio of revenues earned in the current period to management' s estimate of total revenues ultimately expected to be received for that title. Management regularly reviews, and revises when necessary, its estimates of ultimate revenues on a title- by- title basis, which may result in a change in the rate of amortization of the film assets and write- downs or impairments of film assets. Results of operations in future years will include the amortization of the Company' s film assets and may be significantly affected by periodic adjustments in amortization rates. The Company may be subject to impairment losses on its inventories if they become obsolete. The Company records write- downs for excess and obsolete inventory based upon current estimates of future events and conditions, including the anticipated installation dates for the current backlog of theater system contracts, technological developments, signings in negotiation and anticipated market acceptance of the Company' s current and pending IMAX ~~Theater~~ Systems. If the Company' s goodwill or long- lived assets become impaired, the Company may be required to record a significant charge to earnings. Under United States Generally Accepted Accounting Principles (" U. S. GAAP "), the Company reviews its long- lived assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be qualitatively assessed at least annually and when events or changes in circumstances arise or can be quantitatively tested for impairment. Factors that may be considered a change in circumstances include (but are not limited to) a decline in stock price and market capitalization, declines in future cash flows, and slower growth rates in the Company' s industry. The Company may be required to record a significant charge to earnings in its financial statements during the period in which any impairment of its goodwill or long- lived assets is determined. RISKS RELATED TO THE COMPANY' S COMMON SHARES The market price for the Company' s common shares has historically been volatile and declines in market price, including as a result of a market downturn resulting from the COVID- 19 pandemic or otherwise, may negatively affect its ability to raise capital, issue debt, secure customer business, and retain employees. The Company is listed on the New York Stock Exchange (" NYSE ") and its publicly traded shares have in the past experienced, and may continue to experience, significant price and volume fluctuations. This market volatility could reduce the market price of its common shares, regardless of the Company' s operating performance. A decline in the capital markets generally, or an adjustment in the market price or trading volumes of the Company' s publicly traded securities, may negatively affect its ability to raise capital, issue debt, secure customer business or retain employees. These factors, as well as general economic and geopolitical conditions, may have a material adverse effect on the market price of the Company' s publicly traded securities. Because the Company is incorporated in Canada, it may be difficult for plaintiffs to enforce against the Company liabilities based solely upon United States federal securities laws. The Company is incorporated under the federal laws of Canada, some of its directors and officers are residents of Canada and a substantial portion of its assets and the assets of such directors and officers are located outside the United States. As a result, it may be difficult for United States plaintiffs to effect service within the United States upon those directors or officers who are not residents of the United States, or to obtain or enforce against them or the Company judgments of United States courts predicated solely upon civil liability under the United States federal securities laws. In addition, it may be difficult for plaintiffs to bring an original action outside of the United States against the Company to enforce liabilities based solely on United States federal securities laws. RISKS RELATED TO THE COMPANY' S INDEBTEDNESS The credit agreement governing the Company' s senior secured credit facility contains significant restrictions that limit its operating and financial flexibility. The credit agreement governing the Company' s senior secured credit facility contains certain restrictive covenants that, among other things, limit its ability to: • incur additional indebtedness; • pay dividends and make distributions; • repurchase stock; • make certain investments; • transfer or sell assets; • create liens; • enter into transactions with affiliates; • issue or sell stock of subsidiaries; • create dividend or other payment restrictions affecting restricted subsidiaries; and • merge, consolidate, amalgamate, or sell all or substantially all of its assets to another person. These restrictive covenants impose operating and financial restrictions on the Company that limit its ability to engage in acts that may be in the Company' s long- term best interests. The Company' s indebtedness and liabilities could limit the cash flow available for its operations, expose the Company to risks that could adversely affect its business, financial condition, and results of operations. As of December 31, ~~2021~~ **2022** , the Company had approximately $ ~~361~~ **413** . ~~5~~ **2** million of consolidated indebtedness **and liabilities** . The Company may also incur additional indebtedness to meet future financing needs. The Company' s indebtedness could have significant negative consequences for its security holders and its business, results of operations and financial condition by, among other things: • increasing its vulnerability to adverse economic and industry conditions; • limiting its ability to obtain additional financing; • requiring the dedication of a substantial portion of its cash flow from operations to service its indebtedness, which will reduce the amount of cash available for other purposes; • limiting its flexibility to plan for, or react to, changes in its business; • diluting the interests of its shareholders as a result of issuing common shares upon conversion of the 0. 500 % Convertible Senior Notes due 2026 (the " Convertible Notes "); and • placing the Company at a possible competitive disadvantage with competitors that are less leveraged than the Company or have better access to capital. The Company' s business may not generate sufficient funds, and the Company may otherwise be unable to maintain sufficient cash reserves, to pay amounts due under its indebtedness, and the Company' s cash needs may increase in the future. In addition, the Credit Agreement contains, and any future indebtedness that the Company incurs may contain, financial and other restrictive covenants that limit its ability to operate, raise capital or make payments under its other indebtedness. If the Company fails to comply with these covenants or to make payments under its indebtedness when due, then the Company would be in default under that indebtedness, which could, in turn, result in that and the Company' s other indebtedness becoming immediately payable in full. For a description of the Company outstanding indebtedness, see Note ~~14~~ **15** of Notes to Consolidated Financial Statements in Part II, Item 8. The Company may be unable to raise the funds necessary to repurchase the Convertible Notes for cash following a fundamental change, or to pay the cash amounts due upon conversion, and the Company' s other indebtedness may limit its ability to repurchase the Convertible Notes or pay cash upon their conversion. Noteholders may, subject to a limited exception described in the indenture governing the Convertible Notes, require the Company to repurchase their Convertible Notes following a fundamental change at a cash repurchase price generally equal to the principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid interest, if any. In addition, all conversions of Convertible Notes will be settled partially or entirely in cash. The Company may not have enough available cash or be able to obtain financing at the time it is required to repurchase the Convertible Notes or pay the cash amounts due upon conversion. In addition, applicable law, regulatory authorities and the agreements governing the Company' s other indebtedness may restrict the Company' s ability to repurchase the Convertible Notes or pay the cash amounts due upon conversion. The Company' s failure to repurchase Convertible Notes or pay the cash amounts due upon conversion when required will constitute a default under the indenture governing the Convertible Notes. A default under the indenture or the fundamental change itself could also lead to a default under agreements governing the Company' s other indebtedness, which may result in that other indebtedness becoming immediately payable in full. The Company may not have sufficient funds to satisfy all amounts due under its other indebtedness and the Convertible Notes. Provisions in the indenture could delay or prevent an otherwise beneficial takeover of the Company. Certain provisions in the Convertible Notes and the related indenture could make a third- party attempt to acquire the Company more difficult or expensive. For example, if a takeover constitutes a fundamental change, then noteholders will have the right to require the Company to repurchase their Convertible Notes for cash. In addition, if a takeover constitutes a make- whole fundamental change, then the Company may be required to temporarily increase the conversion rate of the Convertible Notes. In either case, and in other cases, the Company' s obligations under the Convertible Notes and the indenture could increase the cost of acquiring the Company otherwise discourage a third party from acquiring the Company or removing incumbent management, including in a transaction that noteholders or holders of the Company' s common shares may view as favorable. The Company is subject to counterparty risk with respect to the Capped Call Transactions, and the capped call may not operate as planned. In connection with the issuance of the Convertible Notes, the Company entered into privately negotiated capped call transactions with option counterparties (the " Capped Call Transactions "). The Capped Call Transactions are expected to reduce potential dilution resulting from the common shares the Company is required to issue and / or to offset any potential cash payments the Company is required to make in excess of the principal amount of the Convertible Notes in the event that the market price per share of the Company' s common shares is greater than the strike price of the Capped Call Transactions, with such reduction and / or offset subject to a cap. Collectively, the Capped Call Transactions cover, subject to anti- dilution adjustments substantially similar to those applicable to the Convertible Notes, the number of the Company' s common shares underlying the Convertible Notes. The option counterparties are financial institutions, and the Company will be subject to the risk that they might default under the Capped Call Transactions. The Company' s exposure to the credit risk of the option counterparties will not be secured by any collateral. Global economic conditions have from time to time resulted in the actual or perceived failure or financial difficulties of many financial institutions. If an option counterparty becomes subject to insolvency proceedings, the Company will become an unsecured creditor in those proceedings with a claim equal to the Company' s exposure at that time under our transactions with that option counterparty. The Company' s exposure will depend on many factors, but, generally, the increase in the Company' s exposure will be correlated with increases in the market price or the volatility of its common shares. In addition, upon a default by an option counterparty, the Company may suffer adverse tax consequences and more dilution than the Company currently ~~anticipate~~ **anticipates** with respect to its common shares. The Company can provide no assurances as to the financial stability or viability of any option counterparty. In addition, the Capped Call Transactions are complex, and they may not operate as planned. For example, the terms of the Capped Call Transactions may be subject to adjustment, modification or, in some cases, renegotiation if certain corporate or other transactions occur. Accordingly, these transactions may not operate as the Company intends if it is required to adjust their terms as a result of transactions in the future or upon unanticipated developments that may adversely affect the functioning of the Capped Call Transactions. GENERAL RISK FACTORS The loss of one or more of the Company' s key personnel, or its failure to attract and retain its employee population, could adversely affect its business. The Company' s operations and prospects depend in large part on the performance and continued service of its senior management team. The competition for experienced senior management in the Company' s industry is intense, and the Company may not find qualified replacements for any of these individuals if their services are no longer available ~~,~~ on the same terms or at all. The loss of the services of one or more members of the Company' s senior management team could adversely affect its ability to effectively pursue its business strategy. In addition, the Company may experience challenges with respect to employee retention given the current competitive labor market. A number of external factors beyond the Company' s control, including its industry' s highly competitive market for skilled workers and leaders, cost inflation ~~, the ongoing COVID- 19 pandemic~~ , and workforce participation rates, may negatively affect the Company' s ability to retain and attract qualified employees. If the Company experiences high attrition rates in its employee population, the results of our operations may be adversely affected. Changes in accounting and changes in management' s estimates may affect the Company' s reported earnings and operating income. U. S. GAAP and accompanying accounting pronouncements are highly complex and involve many subjective judgments. Changes in these rules, their interpretation, management' s estimates, or changes in the Company' s products or business could significantly change its reported future earnings and operating income and could add significant volatility to those measures, without a comparable underlying change in cash flow from operations. (See " Critical Accounting Estimates " in Item 7.) Regulatory and market responses to climate change concerns may negatively impact our business and increase our operating costs. Growing public concern about climate change has resulted in the increased focus of local, state, regional, national and international regulatory bodies on climate change issues. As a result, climate change regulation and market reactions to climate change could adversely impact the Company' s business, including the potential for an increase in climate risk assessment. Such enhanced governmental and societal attention to climate matters, including expanding mandatory and voluntary reporting, diligence, and disclosure on topics such as climate change **impacts** , carbon emissions, water usage, waste management, and risk oversight, could expand the nature, scope, and complexity of matters that the Company is required to control, assess, and report. Furthermore, ~~legislative or~~ regulatory efforts to combat climate change could result in increases in the cost of raw materials, taxes, transportation and utilities for the Company' s suppliers and vendors which would result in higher operating costs for the Company and potentially impact the availability of components used in the Company' s systems. These and other rapidly changing laws, regulations, policies, interpretations, and expectations may increase the cost of the Company' s compliance ~~and~~ **, divert management attention,** alter the environment in which it does business, **and expose the Company to potentially significant fines or other penalties if it is unable to comply with such laws, regulations or policies, any of** which could have a material adverse effect on the Company' s business, results of operations, and financial condition. In addition, the shift toward a lower- carbon economy, driven by policy regulations, low- carbon technology advancement, consumer sentiment, and / or liability risks, may negatively impact the Company' s business and operating costs. However, the Company is unable to predict at this time, the potential effects, if any, that any climate change initiatives may have on its business. The Company' s business and financial results could be adversely affected by weather conditions and natural **and man- made** disasters. Physical risks, including **man-made disasters, such as infrastructure failures, structural collapse, fires, explosions, and acts of war and terror, as well as** weather conditions and natural disasters, such as earthquakes, droughts, floods, hailstorms, heavy or prolonged precipitation, wildfires **, hurricanes, sea level rise** and others **, affecting the IMAX global network or corporate locations** , could harm the Company' s business. Additionally, the physical impacts of climate change may cause ~~these~~ occurrences **of natural disasters** to increase in frequency, severity and duration **, magnifying the adverse impact of such occurrences and the cost of insuring against them** . The climates and geology of some of the regions in which the Company' s principal offices are located, including California, present increased risks of adverse weather or natural disasters. Any such events in the future could disrupt the Company' s operations and impact the Company' s ability to serve its customers.