

A full-page photograph of an Apollo 13 lunar surface scene. An astronaut in a white spacesuit with a US flag on the chest is walking on the grey, cratered surface of the moon. To the left is the Lunar Module (LM) with its gold-colored thermal insulation and a sign that reads "UNITED STATES". The background is the black void of space filled with stars.

IMAX[®]

Apollo 13: The IMAX Experience

IMAX Corporation 2001 Annual Report

The IMAX® brand is
growing exponentially
as successful IMAX
theatres are launched
in new countries

In 2001, new IMAX theatres opened in South Africa,
Canada, England, Germany, Poland, Northern Ireland,
India, the USA and China.

Shanghai Science & Technology Museum,
the location of two new IMAX theatres.



Message to Shareholders

2001 was a year of both significant challenges and important achievements, as we took major steps to reposition IMAX for future growth and profit. While the past year was difficult from a financial perspective, we accomplished a number of strategic objectives – including reducing our cost structure, retiring a significant portion of our debt, improving the business model for IMAX theatres by reducing their operating costs and, most importantly, developing a key technology that will make IMAX® theatres a new release window for Hollywood films. All of this positions us to deliver on our overriding goal of returning IMAX to profitability and preparing the Company for future growth.

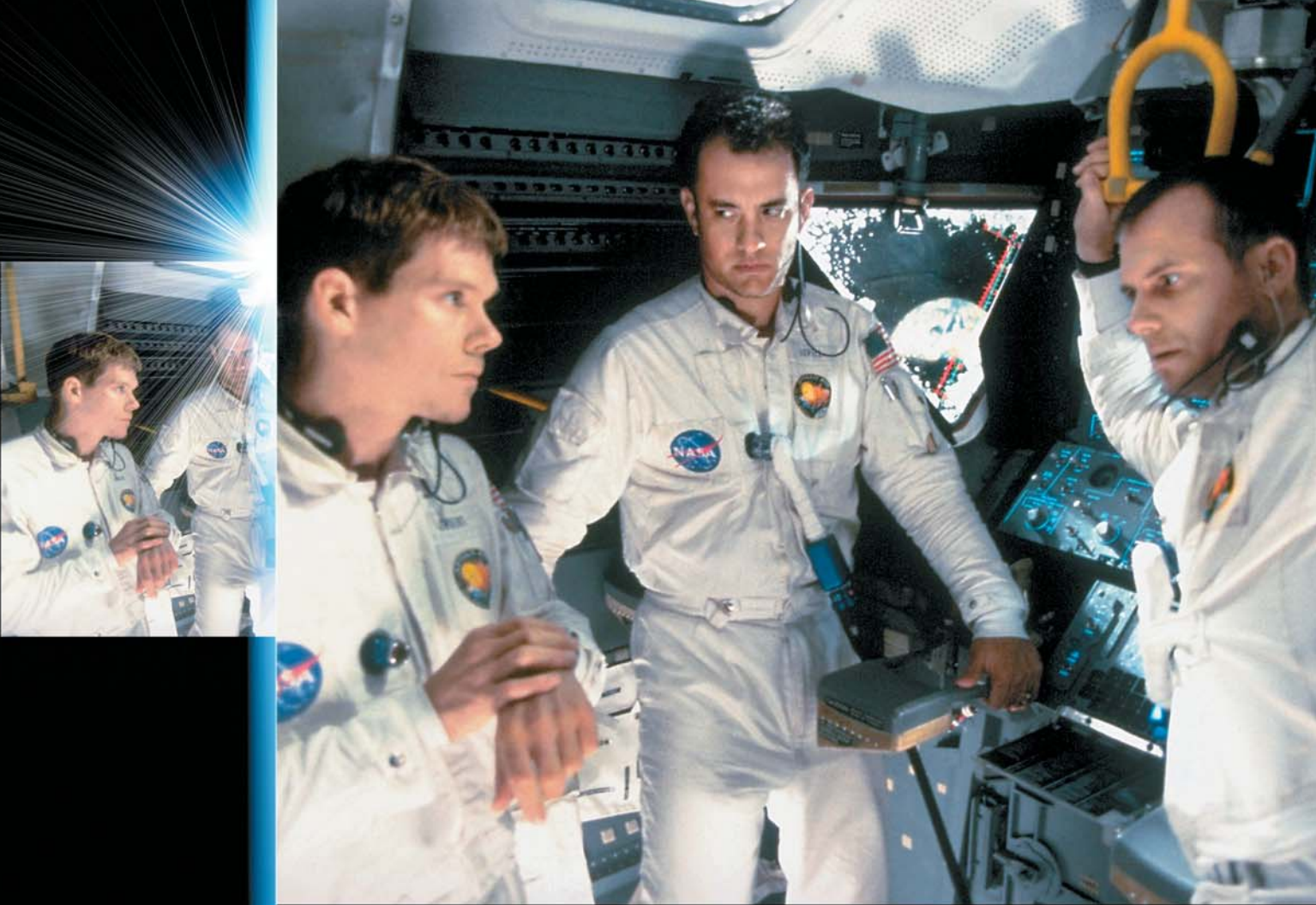
2001 was the year we firmly established access to mainstream commercial films, a key business-building goal that has been a major strategic priority for IMAX since the mid-1990s. Never in the 30-year-plus history of the Company has our film line-up been as strong as it is today; never before have we seen such growth in the number and quality of films for IMAX theatres.

Even more important is our breakthrough IMAX® Digital Re-mastering™ (IMAX® DMR™) technology that allows the re-mastering of 35mm live-action films into IMAX's 15/70 format at a moderate cost. This opens the door to Hollywood's massive library of films for IMAX theatres, and we believe it will have a dramatic impact on our business going forward.

A New Technology Will Bring Hollywood Films to IMAX Theatres

The development of our new IMAX DMR film conversion technology will have a profound impact on our business. IMAX could become a major distribution channel for a virtually unlimited number of successful commercial films ranging from well-known and well-loved classics such as *E.T.*, *Star Wars* or *Titanic* to today's event films like *Lord of the Rings*, *Harry Potter* or *Attack of the Clones*, thereby turning IMAX theatres into the place to see "event" Hollywood films.

Just as the development of home video, pay cable, satellite programming and pay-per-view has created important new outlets



New Technology



At the heart of IMAX® Digital Re-mastering™ (IMAX® DMR™) is a patent-pending technology that will enable IMAX to reach into Hollywood's massive library of new and old 35mm films, thereby turning IMAX theatres into the place to see "event" Hollywood films.

Whether it's a specialized re-release of a classic original or a simultaneous day-and-date release of a new event film in 35mm and IMAX theatres, this ground-breaking technology will give Hollywood a new outlet to reach audiences, and potentially revolutionize the way people see first-run films.

In recent years, some people believed they were seeing Hollywood films that had been converted for IMAX theatres. They were not. What they were seeing was a poor cousin: simply a 35mm film shown on an

IMAX screen. The image was fuzzy, washed-out and only filled half of the giant IMAX screen. IMAX's DMR technology can now take Hollywood films and make them every bit as big, sharp and beautiful as a classic IMAX film.

The first film to be transformed by the IMAX DMR process is Universal's quintessential space adventure, *Apollo 13*, produced by Imagine Entertainment, directed by Ron Howard and starring Tom Hanks. It will be released to IMAX theatres in August 2002.

HIGHLIGHTS



IMAX in the summer exclusively to IMAX theatres throughout the world. The announcement was made by the film's star, Tom Hanks, director Ron Howard and producer Brian Grazer, Universal Pictures president of distribution Nikki Rocco and IMAX co-CEOs Richard L. Gelfond and Bradley J. Wechsler.

Apollo Makes Giant Leap

IMAX unveiled its plans for *Apollo 13*, the first live-action movie to be digitally re-mastered into IMAX's 15/70 format using the new IMAX DMR system. *Apollo 13: The IMAX Experience* will be distributed by



for film, IMAX DMR should help IMAX become another important distribution channel for Hollywood films. All of these outlets have provided Hollywood studios with significant new revenue streams, creating entire industries and multi-billion-dollar companies in their wake. Hence, it is our belief that the introduction of mainstream Hollywood films to the IMAX theatre network should translate into significant new theatre signings, which would drive both upfront and recurring revenues.

The first film to be transformed by IMAX DMR is Universal Studios’ classic space adventure, *Apollo 13*. A visually stunning film based on actual events, *Apollo 13* is produced by Imagine Entertainment, directed by Ron Howard and stars Tom Hanks. It will be re-released as *Apollo 13: The IMAX Experience* in the summer of 2002, and is the culmination of an important strategic initiative and an extensive R&D program.

2002: The Return to Growth

As we enter 2002 we have lowered our cost structure, many of our commercial partners have emerged from their reorganization processes on solid financial footing, and the 2002 film slate for IMAX theatres has never been better.

The year began strongly with the successful run of The Walt Disney Company’s *Beauty and the Beast*, further confirmation of the power of the IMAX brand to draw and sustain commercial audiences. In 2002, Disney will release a total of four films: *Beauty and the Beast*, *Ultimate X*, filmed during the X Games last summer in Philadelphia for release in May, *Treasure Planet*, Disney’s big holiday animated feature, scheduled to be released simultaneously in both IMAX and regular theatres, and *The Lion King*, Disney’s most successful animated feature ever.

Following the release of *Beauty and the Beast*, one of the year’s most highly anticipated events is the opening of IMAX’s first 3D space film, *SPACE STATION*. Narrated by Tom Cruise, filmed by the astronauts themselves and documenting the construction of the International Space Station, the film is enjoying the most successful advance bookings in IMAX’s history, with commitments from more than 100 IMAX theatres.

As mentioned earlier, the end of the summer shall see the release of *Apollo 13: The IMAX Experience*, which will introduce the breadth and power of the IMAX DMR conversion process.

Also due out in 2002 is *Titanic* director James Cameron’s *Ghosts of the Abyss* and

IMAX’s first 3D space film, **SPACE STATION**, is a breathtaking experience. Narrated by **Tom Cruise**, *SPACE STATION* has more advance bookings than any film in IMAX’s history.

APOLLO 13: THE IMAX EXPERIENCE is the first Hollywood live-action movie to be **digitally re-mastered** for release to the IMAX theatre network. “IMAX has truly redefined the experience of movie-going,” says Ron Howard, director of *Apollo 13*.

GHOSTS OF THE ABYSS, from Academy Award-winning director **James Cameron** in his first IMAX 3D theatre network project, captures events that shook the world – the sinking of the ships *Titanic* and *Bismarck*.

2002: A Year of Film Firsts

ULTIMATE X, the first Walt Disney Motion Pictures live-action IMAX film, goes to **extraordinary lengths** to immerse audiences in what it takes to perform these daredevil feats.

SANTA VS. THE SNOWMAN is the first IMAX 3D animated film for producer/ animator **Steve Oedekerk**. The producer of the **Oscar®-nominated** *Jimmy Neutron* will be releasing this special family film in 3D for the holidays.

TREASURE PLANET breaks new ground for Walt Disney Motion Pictures and the IMAX theatre network as the **first day-and-date release** of a film to both 35mm and IMAX venues.



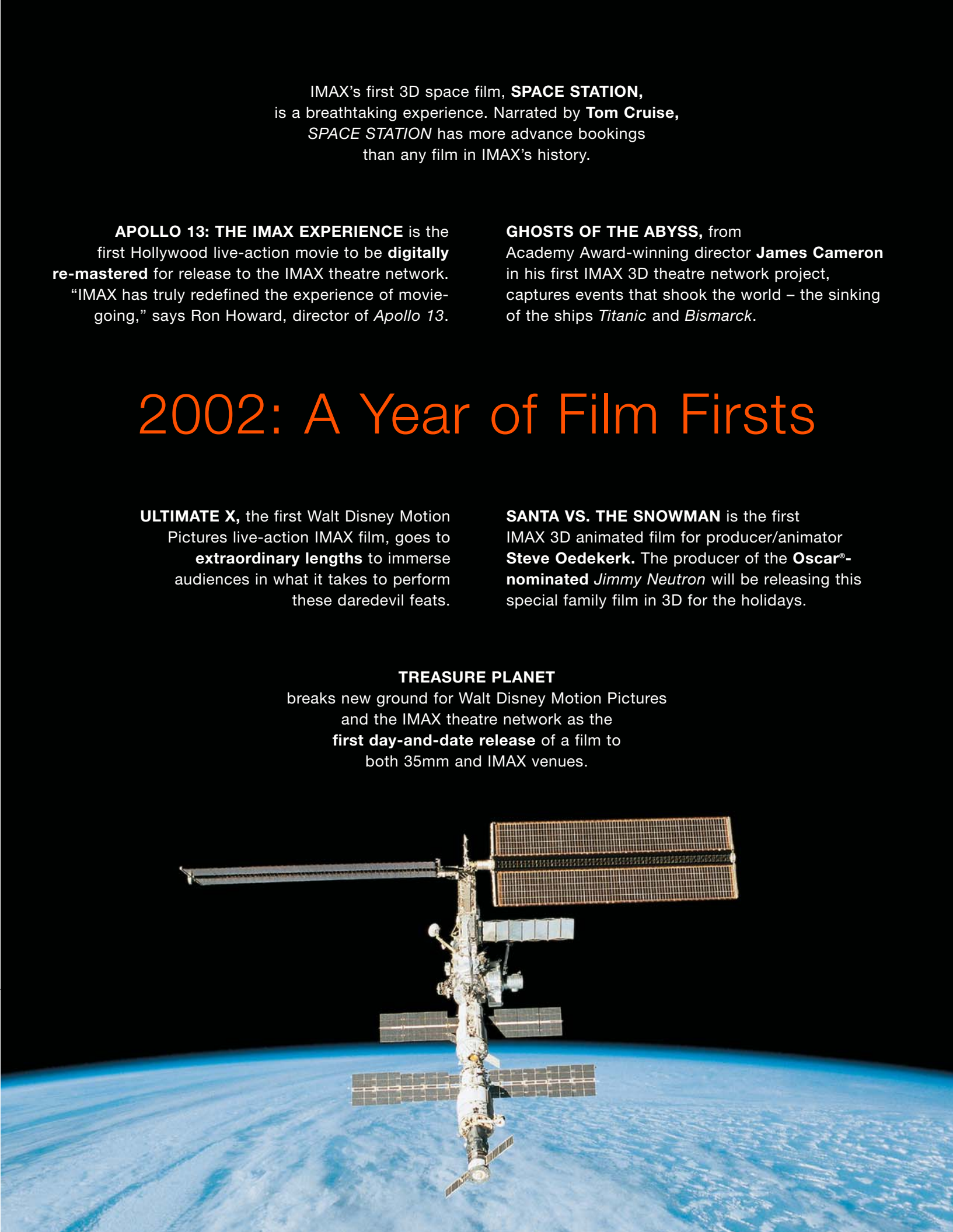
Warner DVDs

In June 2001, Warner Brothers Home Video commenced shipping IMAX home videos under a joint agreement with the Company. To date, seven titles have been released and the program has exceeded expectations. Two titles, *Blue Planet* and *T-REX: Back to the Cretaceous*, have each shipped in excess of 100,000 units.



Roger Ebert on IMAX

“As the average American movie screen grows smaller and smaller, as palaces are phased out for multiplexes, why isn’t IMAX the natural home for the great Hollywood epics?”
Roger Ebert, *Chicago Sun-Times*



Santa vs. the Snowman, created by Steve Oedekerk, the producer of the Oscar®-nominated *Jimmy Neutron*, which will be released in 3D during the holidays.

Besides these high-profile offerings, there will be a very strong line-up of traditional IMAX films, including *Kilimanjaro* from *Everest* director David Breashears, *Top Speed* from large-format veterans MacGillivray Freeman and *Lewis & Clark* from National Geographic.

Financial Results

While we are disappointed by our reported financial results for 2001, these results reflect the challenging industry environment that we operated in and include a significant number of non-cash charges related to our completed restructuring process, which was designed to stabilize and rationalize IMAX’s business in the midst of a deteriorating exhibition industry environment.

As part of this process in 2001, we reduced head counts and consolidated our manufacturing operations in our Missis-sauga facility, cutting about \$14 million in annual operating expenses. We took the necessary charges to clean up our balance sheet while aggressively collecting receiv-ables. We retired approximately \$90 million of the \$100 million 5.75% Convertible

Subordinated Notes due April 1, 2003 at an average cost in cash and shares of less than 24% of face value. This reduces our interest expense by about \$5 million annually and means IMAX does not face significant principal repayments until December 2005.

We divested the Company of Digital Pro-jection International (DPI) to further reduce corporate costs and insulate IMAX from its losses. Initially, we acquired DPI to gain access to key technology to develop a digital IMAX system and to participate in the high-end digital cinema market. As part of the sale, we retained certain key rights and technologies of DPI to allow us to participate in the further development of these tech-nologies and, if business conditions improve for DPI, to be a partner in its future success.

To enhance the bottom line for IMAX theatres, we introduced a lower-cost main-tenance plan and signed an agreement with Technicolor that will significantly reduce the cost of film prints to IMAX theatres. These savings will drop directly to the theatre’s bottom line.

In the last quarter of 2001, IMAX signed contracts for eight theatre systems, com-pared to only four in the first nine months of 2001 and three in the last quarter of 2000. Three of the new systems were for commercial multiplexes and five were in

Theatre Growth

The IMAX theatre network continued to grow in 2001. New IMAX theatres opened in South Africa, Germany and Poland, and our first theatres opened in Northern Ireland, India and mainland China. In China, IMAX opened two theatres at Shanghai Science & Technology Museum, the largest social and cultural landmark in Shanghai. India and China have cultures with very exten-sive movie-going histories, and the introduction of IMAX theatres to these regions should help to open up these previously untapped markets.

In North America, IMAX opened its first 3D theatre in Boston at the acclaimed New England Aquarium, and we completed our first installation for National Amusements at its flagship multiplex “The Bridge” on Los Angeles’ west side.

The Company believes the introduction of IMAX DMR technology will exponentially grow the number of films available to our theatres and drive additional leases of IMAX systems.



CLOCKWISE FROM TOP RIGHT:
SIMONS IMAX THEATRE, NEW ENGLAND AQUARIUM, BOSTON; PANASONIC IMAX THEATRE, KRAKOW;
SHERIDAN IMAX CINEMA, ODYSSEY PAVILION, BELFAST; IMAX THEATRE AT THE BRIDGE, LOS ANGELES;
SHANGHAI SCIENCE & TECHNOLOGY MUSEUM, SHANGHAI



Smithsonian Upgrade

In January 2002, IMAX announced that the Smithsonian Institution had expanded its commitment to The IMAX Experience, adding a third IMAX theatre to be located at the National Air and Space Museum’s new Steven F. Udvar-Hazy Center in Dulles, Virginia and upgrading its first IMAX theatre at the National Air and Space Museum to IMAX 3D.



Cruise into SPACE

Tom Cruise has gone beyond global, agreeing to narrate IMAX’s 3D film *SPACE STATION*. “The minute I saw the amazing 3D footage shot by the astronauts in space, I knew I had to be involved with this very special film,” Cruise said. “My family and I have enjoyed IMAX movies for many years.”



Message to Shareholders

North America, including a theatre with National Amusements – its first-ever IMAX theatre, at its state-of-the-art 17-screen cinema and entertainment complex in Los Angeles. In addition, IT International contracted for two more theatres in Europe, and we received a commitment from the Smithsonian Institution for its third IMAX theatre, as well as an upgrade to a 3D system at its National Air and Space Museum.

Summary

2001 was a watershed year for IMAX. We solidified our financial position, reduced our costs and created important re-purposing technology that should help establish IMAX theatres as a new distribution platform for both live-action and animated Hollywood films.

While our reported financial results for 2001 were very disappointing, they do reflect the unique economic climate and challenges of 2001 which are largely behind us. Today, IMAX has developed the tools to achieve the scale and create the kind of impact in the exhibition industry that

will establish it as an important release window for major Hollywood films. That, in turn, is the key lever in jump-starting our ability to lease new systems.

Thirty-two years after its introduction, the IMAX film medium remains the most powerful movie experience in the world. The Company’s first permanent theatre, which opened in Toronto in 1971, is still in operation. The IMAX brand is respected and loved by the more than 70 million theatre-goers who each year experience an IMAX presentation.

We appreciate the dedication of IMAX employees, our partners’ support, and the enthusiasm of millions of theatre-goers around the world. Thank you for your continued loyalty and confidence.

March, 2002

Richard L. Gelfond
*Co-Chairman and
Co-Chief Executive
Officer*

Bradley J. Wechsler
*Co-Chairman and
Co-Chief Executive
Officer*



Richard L. Gelfond *Co-Chairman and Co-Chief Executive Officer*
Richard L. Gelfond has been Co-Chairman of the Company since June 1999 and Co-Chief Executive Officer since May 1996. From March 1994 to June 1999, Mr. Gelfond served as Vice Chairman of the Corporation. In addition, Mr. Gelfond serves on the boards of Mainframe Entertainment, Inc. and several private and philanthropic entities.



Bradley J. Wechsler *Co-Chairman and Co-Chief Executive Officer*
Bradley J. Wechsler has been Chairman or Co-Chairman of the Company since March 1994 and Co-Chief Executive Officer with Mr. Gelfond since May 1996. Mr. Wechsler serves on the boards of Mainframe Entertainment, Inc., NYU Hospital, the Kernochan Center for Law, Media and the Arts, and the American Museum of the Moving Image.

| Corporate Information | Directors | Officers | Credits |
|--|--|---|---|
| Share Listing Trading Symbol Nasdaq: IMAX TSE: IMX | Richard L. Gelfond [▲] Co-Chairman and Co-CEO | Richard L. Gelfond Co-Chairman and Co-CEO | DESIGN Atlanta Visual Communications |
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| | Garth M. Girvan ^{* + •} Partner of McCarthy Tétrault | Robert D. Lister Executive Vice President, Business & Legal Affairs and General Counsel | |
| | Ellis B. Jones Chief Executive Officer of Wasserstein & Co., L.P. | Mary Pat Ryan Executive Vice President, Worldwide Marketing | |
| | G. Edmund King [*] Deputy Chairman and a director of McCarvill Corporation | Brian Bonnick Senior Vice President, Technology | |
| | Murray B. Koffler ⁺ Honorary Chairman of Shoppers Drug Mart | David B. Keighley Senior Vice President and President, David Keighley Productions 70MM Inc. | FILM Moveable Inc. |
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| Auditors PricewaterhouseCoopers | Townsend Ziebold ^{+ ▲} Non-Executive Chairman of the Board, President of the Venture Capital Practice of Wasserstein & Co., L.P. | Mary C. Sullivan Senior Vice President, Human Resources and Administration | |
| Annual Meeting Date June 5, 2002 | [*] Member of the Audit Committee ⁺ Member of the Compensation Committee [▲] Member of the Nominating Committee [•] Member of the Option Committee | Mark Welton Senior Vice President, Business Affairs | |
| | | Kathryn A. Gamble Vice President, Finance and Controller | |
| | | Edward MacNeil Vice President, Finance | |

SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain statements included herein may constitute “forward-looking statements” within the meaning of relevant United States and Canadian law. These forward-looking statements include, but are not limited to, references to future capital expenditures (including the amount and nature thereof), business strategies and measures to implement strategies, competitive strengths, goals, expansion and growth of its business and operations, plans and references to the future success of IMAX Corporation together with its wholly owned subsidiaries (the “Company”). 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, general economic, market or business conditions; the opportunities (or lack thereof) that may be presented to and pursued by the Company; competitive actions by other companies; conditions in the out-of-home entertainment industry; changes in laws or regulations; 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; the potential impact of increased competition in the markets the Company operates within; and other factors, many of which are beyond the control of the Company. Consequently, all of the forward-looking statements made herein are qualified by these cautionary statements, and actual results or developments anticipated 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 Company undertakes no obligation to update publicly or otherwise revise any forward-looking information, whether as a result of new information, future events or otherwise.

IMAX[®]

DMR[™]

Movies Reimagined by IMAX[™]

*Revolutionizing the way we see
live-action Hollywood movies.*

