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

FORM 10-Q

(Mark One)
☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended: March 31, 2022

OR

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

For the transition period from ___________ to ___________

Commission file number 1-8625

READING INTERNATIONAL

READING INTERNATIONAL, INC.
(Exact name of Registrant as specified in its charter)

Nevada State or other jurisdiction of incorporation or organization)	**95-3885184** (IRS Employer Identification Number)
189 Second Avenue, Suite 2S **New York, New York** (Address of principal executive offices)	**10003** (Zip Code)

Registrant's telephone number, including area code: **(213) 235-2240**

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A Nonvoting Common Stock, $0.01 par value	**RDI**	**NASDAQ**
Class B Voting Common Stock, $0.01 par value	**RDIB**	**NASDAQ**

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

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

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

Large Accelerated Filer ☐ Accelerated Filer ☐ Non-Accelerated Filer ☑ Smaller Reporting Company ☑ Emerging Growth Company ☐

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of May 9, 2022, there were 20,363,234 shares of Class A Nonvoting Common Stock, $0.01 par value per share and 1,680,590 shares of Class B Voting Common Stock, $0.01 par value per share outstanding.

READING INTERNATIONAL, INC. AND SUBSIDIARIES

TABLE OF CONTENTS

	Page
PART I - Financial Information	3
Item 1 – Financial Statements	3
Consolidated Balance Sheets (Unaudited)	3
Consolidated Statements of Income (Unaudited)	4
Consolidated Statements of Comprehensive Income (Unaudited)	5
Consolidated Statements of Cash Flows (Unaudited)	6
Notes to Consolidated Financial Statements (Unaudited)	7
Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations	33
Item 3 – Quantitative and Qualitative Disclosure about Market Risk	51
Item 4 – Controls and Procedures	53
PART II – Other Information	54
Item 1 – Legal Proceedings	54
Item 1A – Risk Factors	54
Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds	54
Item 3 – Defaults Upon Senior Securities	54
Item 4 – Mine Safety Disclosure	54
Item 5 – Other Information	54
Item 6 – Exhibits	55
SIGNATURES	56
Certifications	

PART 1 – FINANCIAL INFORMATION

Item 1 - Financial Statements
READING INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS
(U.S. dollars in thousands, except share information)

	March 31, 2022	December 31, 2021
ASSETS	**(unaudited)**	
Current Assets:		
Cash and cash equivalents	$ 67,263	$ 83,251
Restricted cash	4,552	5,320
Receivables	3,358	5,360
Inventories	1,350	1,408
Derivative financial instruments - current portion	793	96
Prepaid and other current assets	6,207	4,871
Total current assets	83,523	100,306
Operating property, net	306,693	306,657
Operating lease right-of-use assets	224,754	227,367
Investment and development property, net	9,668	9,570
Investment in unconsolidated joint ventures	5,108	4,993
Goodwill	27,232	26,758
Intangible assets, net	3,058	3,258
Deferred tax asset, net	2,233	2,220
Derivative financial instruments - non-current portion	109	112
Other assets	8,239	6,461
Total assets	$ 670,617	$ 687,702
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 40,055	$ 39,678
Film rent payable	3,180	7,053
Debt - current portion	40,976	11,349
Subordinated debt - current portion	720	711
Derivative financial instruments - current portion	85	181
Taxes payable - current	10,742	10,655
Deferred revenue	9,422	9,996
Operating lease liabilities - current portion	24,397	23,737
Other current liabilities	9,559	3,619
Total current liabilities	139,136	106,979
Debt - long-term portion	166,861	195,198
Subordinated debt, net	26,783	26,728
Noncurrent tax liabilities	7,534	7,467
Operating lease liabilities - non-current portion	220,215	223,364
Other liabilities	16,594	22,906
Total liabilities	$ 577,123	$ 582,642
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Class A non-voting common shares, par value $0.01, 100,000,000 shares authorized, 33,250,482 issued and 20,314,372 outstanding at March 31, 2022 and 33,198,500 issued and 20,262,390 outstanding at December 31, 2021	234	233
Class B voting common shares, par value $0.01, 20,000,000 shares authorized and 1,680,590 issued and outstanding at March 31, 2022 and December 31, 2021	17	17
Nonvoting preferred shares, par value $0.01, 12,000 shares authorized and no issued or outstanding shares at March 31, 2022 and December 31, 2021	—	—
Additional paid-in capital	152,364	151,981
Retained earnings/(deficits)	(27,986)	(12,632)
Treasury shares	(40,407)	(40,407)
Accumulated other comprehensive income	8,406	4,882
Total Reading International, Inc. stockholders' equity	92,628	104,074
Noncontrolling interests	866	986
Total stockholders' equity	93,494	105,060
Total liabilities and stockholders' equity	$ 670,617	$ 687,702

See accompanying Notes to the Unaudited Consolidated Financial Statements.

READING INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited; U.S. dollars in thousands, except per share data)

	Three Months Ended March 31, 2022	2021
Revenue		
Cinema	$ 37,347	$ 18,115
Real estate	2,853	3,192
Total revenue	40,200	21,307
Costs and expenses		
Cinema	(38,503)	(21,882)
Real estate	(2,157)	(2,655)
Depreciation and amortization	(5,524)	(5,650)
General and administrative	(5,796)	(5,097)
Total costs and expenses	(51,980)	(35,284)
Operating income (loss)	(11,780)	(13,977)
Interest expense, net	(3,205)	(4,363)
Gain (loss) on sale of assets	—	46,545
Other income (expense)	(781)	1,641
Income (loss) before income tax expense and equity earnings of unconsolidated joint ventures	(15,766)	29,846
Equity earnings of unconsolidated joint ventures	(65)	(50)
Income (loss) before income taxes	(15,831)	29,796
Income tax benefit (expense)	378	(7,728)
Net income (loss)	$ (15,453)	$ 22,068
Less: net income (loss) attributable to noncontrolling interests	(99)	3,103
Net income (loss) attributable to Reading International, Inc.	$ (15,354)	$ 18,965
Basic earnings (loss) per share	$ (0.70)	$ 0.87
Diluted earnings (loss) per share	$ (0.70)	$ 0.86
Weighted average number of shares outstanding–basic	21,955,985	21,761,307
Weighted average number of shares outstanding–diluted	22,500,658	22,170,268

See accompanying Notes to the Unaudited Consolidated Financial Statements.

READING INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited; U.S. dollars in thousands)

	Three Months Ended March 31,	
	2022	**2021**
Net income (loss)	$ (15,453)	$ 22,068
Foreign currency translation gain (loss)	2,677	(2,657)
Gain (loss) on cash flow hedges	800	61
Other	47	51
Comprehensive income (loss)	(11,929)	19,523
Less: net income (loss) attributable to noncontrolling interests	(99)	3,103
Less: comprehensive income (loss) attributable to noncontrolling interests	1	—
Comprehensive income (loss)	$ (11,831)	$ 16,420

See accompanying Notes to the Unaudited Consolidated Financial Statements.

READING INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; U.S. dollars in thousands)

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Operating Activities		
Net income (loss)	$ (15,453)	$ 22,068
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Equity earnings of unconsolidated joint ventures	65	50
Gain (loss) recognized on foreign currency transactions	793	(2,370)
(Gain) Loss on sale of assets	—	(46,545)
Amortization of operating leases	5,846	5,607
Amortization of finance leases	12	12
Change in operating lease liabilities	(5,839)	(5,486)
Change in net deferred tax assets	67	—
Depreciation and amortization	5,524	5,650
Other amortization	396	334
Stock based compensation expense	416	464
Net changes in operating assets and liabilities:		
Receivables	2,024	167
Prepaid and other assets	(2,093)	2,544
Payments for accrued pension	(171)	(171)
Accounts payable and accrued expenses	(397)	6,748
Film rent payable	(3,894)	(107)
Taxes payable	(230)	7,627
Deferred revenue and other liabilities	(1,128)	(366)
Net cash provided by (used in) operating activities	(14,062)	(3,774)
Investing Activities		
Purchases of and additions to operating and investment properties	(1,741)	(1,663)
Contributions to unconsolidated joint ventures	(34)	—
Proceeds from sale of assets	—	65,569
Net cash provided by (used in) investing activities	(1,775)	63,906
Financing Activities		
Repayment of borrowings	(1,540)	(42,552)
Repayment of finance lease principal	(12)	(12)
Proceeds from borrowings	—	2,337
Capitalized borrowing costs	—	(75)
(Cash paid) proceeds from the settlement of employee share transactions	(32)	(111)
Noncontrolling interest distributions	(22)	(5,300)
Net cash provided by (used in) financing activities	(1,606)	(45,713)
Effect of exchange rate on cash and restricted cash	687	(326)
Net increase (decrease) in cash and cash equivalents and restricted cash	(16,756)	14,093
Cash and cash equivalents and restricted cash at the beginning of the year	88,571	26,834
Cash and cash equivalents and restricted cash at the end of the year	$ 71,815	$ 40,927
Cash and cash equivalents and restricted cash consists of:		
Cash and cash equivalents	$ 67,263	$ 40,920
Restricted cash	4,552	7
	$ 71,815	$ 40,927
Supplemental Disclosures		
Interest paid	$ 2,732	$ 4,306
Income taxes (refunded) paid	399	(3,500)
Non-Cash Transactions		
Additions to operating and investing properties through accrued expenses	2,970	3,883

See accompanying Notes to the Unaudited Consolidated Financial Statements.

Note 1 – Description of Business and Segment Reporting

Our Company

Reading International, Inc., a Nevada corporation ("RDI" and collectively with our consolidated subsidiaries and corporate predecessors, the "Company," "Reading," and "we," "us," or "our") was incorporated in 1999. Our businesses, owned and operated through our various subsidiaries, consist primarily of:

- the development, ownership, and operation of cinemas in the United States, Australia, and New Zealand; and,
- the development, ownership, operation and/or rental of retail, commercial and live venue real estate assets in Australia, New Zealand, and the United States.

Business Segments

Reported below are the operating segments of our Company for which separate financial information is available and evaluated regularly by the Chief Executive Officer, the chief operating decision-maker of our Company. As part of our real estate activities, we have historically held undeveloped land in urban and suburban centers in the United States, Australia, and New Zealand. However, in 2021, we monetized certain raw landholdings and other real estate assets as detailed at *Note 6 – Property and Equipment*.

The table below summarizes the results of operations for each of our business segments for the quarter ended March 31, 2022 and 2021, respectively. Operating expense includes costs associated with the day-to-day operations of the cinemas and the management of rental properties, including our live theatre assets.

	Three Months Ended March 31,	
(Dollars in thousands)	**2022**	**2021**
Revenue:		
Cinema exhibition	$ 37,347	$ 18,115
Real estate	4,162	3,323
Inter-segment elimination	(1,309)	(131)
	$ 40,200	**$ 21,307**
Segment operating income (loss):		
Cinema exhibition	$ (7,216)	$ (8,275)
Real estate	104	(1,368)
	$ (7,112)	**$ (9,643)**

A reconciliation of segment operating income to income before income taxes is as follows:

	Three Months Ended March 31,	
(Dollars in thousands)	**2022**	**2021**
Segment operating income (loss)	$ (7,112)	$ (9,643)
Unallocated corporate expense		
Depreciation and amortization expense	(277)	(231)
General and administrative expense	(4,391)	(4,103)
Interest expense, net	(3,205)	(4,363)
Equity earnings of unconsolidated joint ventures	(65)	(50)
Gain (loss) on sale of assets	—	46,545
Other income (expense)	(781)	1,641
Income (loss) before income tax expense	**$ (15,831)**	**$ 29,796**

Note 2 – Summary of Significant Accounting Policies

<u>Basis of Consolidation</u>

The accompanying consolidated financial statements include the accounts of our Company's wholly-owned subsidiaries as well as majority-owned subsidiaries that our Company controls, and should be read in conjunction with our Company's Annual Report on Form 10-K as of and for the year ended December 31, 2021 ("2021 Form 10-K"). All significant intercompany balances and transactions have been eliminated on consolidation. These consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim reporting with the instructions for Form 10-Q and Rule 10-01 of Regulation S-X of the Securities and Exchange Commission ("SEC"). As such, they do not include all information and footnotes required by U.S. GAAP for complete financial statements. We believe that we have included all normal and recurring adjustments necessary for a fair presentation of the results for the interim period.

Operating results for the quarter ended March 31, 2022, are not necessarily indicative of the results that may be expected for the year ending December 31, 2022.

<u>Use of Estimates</u>

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and footnotes thereto. Significant estimates include (i) projections we make regarding the recoverability and impairment of our assets (including goodwill and intangibles), (ii) valuations of our derivative instruments, (iii) recoverability of our deferred tax assets, (iv) estimation of breakage and redemption experience rates, which drive how we recognize breakage on our gift card and gift certificates, and revenue from our customer loyalty program, (v) allocation of insurance proceeds to various recoverable components, and (vi) estimation of our Incremental Borrowing Rate ("IBR") as relates to the valuation of our right-of-use assets and lease liabilities. Actual results may differ from those estimates.

<u>New Accounting Standards and Accounting Changes</u>

1) On December 15, 2021, we early adopted *ASU 2021-10, Government Assistance: Disclosures by Business Entities about Government Assistance (Topic 832).* This ASU applies to transactions with a government that are accounted for by analogizing to accounting standards such as *International Accounting Standard 20 - Accounting for Government Grants and Disclosure of Government Assistance ("IAS 20"),* which we adopted in the second quarter of 2020 in order to account for the receipt of certain government grants in Australia and New Zealand. The early adoption of the ASU has no material effect on our consolidated financial statements.

Note 3 – Impact of COVID-19 Pandemic and Liquidity

Continuing Operational Impact
The novel coronavirus, COVID-19, has progressed through several variants since its emergence in 2019. The current variant affecting the jurisdictions in which we do business is the Omicron variant. Due to the Omicron variant appearing to be less severe than prior variants, and with vaccination programs having advanced, federal, state and local governments throughout the United States, Australia, New Zealand have largely lifted restrictions and returned to pre-COVID activities. There can be no assurances, however, that there will be no further variants of COVID-19 which could reverse the current trend.

Liquidity Impact
While substantially all of our cinemas are open, COVID-19 and its legacy impacts continue to adversely impact cinema operations, both ours and those of our competitors. Patrons are not yet returning to the cinemas at pre-pandemic levels. This may be due to a variety of factors including reticence to engage in outside the home activities that involve a material number of individuals in an enclosed venue, the lack of compelling film product, competition from alternative forms of "in the home" entertainment, the impact of inflation on disposable income, and/or the impact of increasing gas prices. Consequently, our Company's revenues and earnings for the quarter ended March 31, 2022, are significantly lower than those of pre-COVID-19 operations. Such effects will likely continue, to varying degrees, until its impact on the cinema going public abates. While our revenues and earnings as compared to the quarter ended March 31, 2021, have increased as our cinemas have remained open for the entire quarter, and as virtually all of our third-party tenants are now open for business on a full rent paying basis, we cannot provide any assurances as to the nature or pace of a return of our cinema operations to prior operating levels.

Going Concern
We continue to evaluate the going concern assertion required by ASC 205-40 Going Concern as it relates to our Company. Management's evaluation is informed by current liquidity positions, cashflow estimates, known capital and other expenditure requirements and commitments and management's current business plan and strategies. Our forecasts and cash flow estimates are based on the current expectation that the global cinema industry will continue to recover in 2022 and 2023. Forecasts are by their nature inherently uncertain, and the effects of COVID-19 and its aftermath (including labor shortages, increased government intervention in business operations and inflation including the increasing prices of gas), continue to cause greater forecasting difficulties than would otherwise exist in more stable economic times. While we are seeing substantial evidence of recovery, our forecasts regarding the cinema portion of our business, rely upon the ability and desire of moviegoers to return to the movie theatres. Many factors influencing this are outside of management's control, but are, nevertheless, material, individually and in the aggregate, to the realization of management's forecasts and expectations.

The cumulative impact of COVID-19 on our cinema business led to the conclusion in the third quarter of 2020 that there was substantial doubt regarding our Company's ability to continue as a going concern; however, management's plans to alleviate such substantial doubt, including the adoption of plans to refinance our 44 Union Square property and the monetization of certain real estate assets whose value was not adversely impacted by the pandemic, and which would have required substantial capital expenditures to achieve any meaningful increase in value, were completed by June 2021.

There have been no material business developments in the period since the execution of our plans that have negatively impacted our assessment of our going concern position. We acknowledge the impact of the Omicron variant on the cinema industry, but its impact is proving to be less than those of past variants. We believe that our current financial position, forecasts and cash flow estimates based on our current expectations of industry performance and recovery, mean that our Company has sufficient resources to meet its obligations as they become due within one year after the issuance of this report on Form 10-Q.

Impairment Considerations

Our Company considers that the events and factors described above constitute impairment indicators under *ASC 360 Property, Plant and Equipment*. At December 31, 2021, our Company performed a quantitative recoverability test of the carrying values of all its asset groups. Our Company estimated the undiscounted future cash flows expected to result from the use of these asset groups. No impairment charges were recorded. As noted above, the financial performance of our cinemas has been improving. This improved performance at an asset group level, and the impacts of this performance on our impairment modelling, resulted in no impairment charges being recognized for the quarter ended March 31, 2022. Actual performance against our forecasts is dependent on several variables and conditions, many of which are subject to the uncertainties associated with COVID-19 and as a result, actual results may materially differ from management's estimates.

Our Company also considers that the events and factors described above constitute impairment indicators under *ASC 350 Intangibles – Goodwill and Other*. Our Company performed a quantitative goodwill impairment test and determined that its goodwill was not impaired as of December 31, 2021. The test was performed at a reporting unit level by comparing each reporting unit's carrying value, including goodwill, to its fair value. The fair value of each reporting unit was assessed using a discounted cash flow model based on the budgetary revisions performed by management in response to COVID-19 and the developing market conditions. Given the improvements in trading conditions during 2021 and through the first quarter of 2022, no impairment of goodwill has been recognized for the quarter ended March 31, 2022. Actual performance against our forecasts is dependent on several variables and conditions, many of which are subject to the uncertainties associated with COVID-19 and as a result, actual results may materially differ from management's estimates.

Note 4 – Operations in Foreign Currency

We have significant assets in Australia and New Zealand. Historically, we have conducted our Australian and New Zealand operations (collectively "foreign operations") on a self-funding basis, where we use cash flows generated by our foreign operations to pay for the expenses of those foreign operations. Our Australian and New Zealand assets and liabilities are translated from their functional currencies of Australian dollar ("AU$") and New Zealand dollar ("NZ$"), respectively, to the U.S. dollar based on the exchange rate as of March 31, 2022. The carrying value of the assets and liabilities of our foreign operations fluctuates as a result of changes in the exchange rates between the functional currencies of the foreign operations and the U.S. dollar. The translation adjustments are accumulated in the Accumulated Other Comprehensive Income in the Consolidated Balance Sheets.

Due to the natural-hedge nature of our funding policy, we have not historically used derivative financial instruments to hedge against the risk of foreign currency exposure. We take a global view of our financial resources and are flexible in making use of resources from one jurisdiction in other jurisdictions.

Presented in the table below are the currency exchange rates for Australia and New Zealand:

	Foreign Currency / USD		
	As of and for the quarter ended March 31, 2022	As of and for the twelve months ended December 31, 2021	As of and for the quarter ended March 31, 2021
Spot Rate			
Australian Dollar	0.7499	0.7260	0.7613
New Zealand Dollar	0.6946	0.6839	0.6989
Average Rate			
Australian Dollar	0.7241	0.7517	0.7730
New Zealand Dollar	0.6763	0.7077	0.7194

Note 5 – Earnings Per Share

Basic earnings per share ("EPS") is calculated by dividing the net income attributable to our Company by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated by dividing the net income attributable to our Company by the weighted average number of common and common equivalent shares outstanding during the period and is calculated using the treasury stock method for equity-based compensation awards.

The following table sets forth the computation of basic and diluted EPS and a reconciliation of the weighted average number of common and common equivalent shares outstanding:

	Three Months Ended March 31,	
(Dollars in thousands, except share data)	2022	2021
Numerator:		
Net income (loss) attributable to Reading International, Inc	$ (15,354)	$ 18,965
Denominator:		
Weighted average number of common stock – basic	21,955,985	21,761,307
Weighted average dilutive impact of awards	544,673	408,961
Weighted average number of common stock – diluted	22,500,658	22,170,268
Basic earnings (loss) per share	$ (0.70)	$ 0.87
Diluted earnings (loss) per share	$ (0.70)	$ 0.86
Awards excluded from diluted earnings (loss) per share	544,673	514,341

Our weighted average number of common stock - basic increased, primarily as a result of the vesting of restricted stock units. During the first three months of 2022 and 2021, we did not repurchase any shares of Class A Common Stock.

Certain shares issuable under stock options and restricted stock units were excluded from the computation of diluted net income (loss) per share in periods when their effect was anti-dilutive; either because our Company incurred a net loss for the period, or the exercise price of the options was greater than the average market price of the common stock during the period, or the effect was anti-dilutive as a result of applying the treasury stock method.

Note 6 – Property and Equipment

Operating Property, net

As of March 31, 2022, and December 31, 2021, property associated with our operating activities is summarized as follows:

(Dollars in thousands)	**March 31, 2022**	**December 31, 2021**
Land	$ 70,377	$ 69,459
Building and improvements	222,730	219,580
Leasehold improvements	64,927	58,349
Fixtures and equipment	202,746	202,837
Construction-in-progress	4,282	5,395
Total cost	565,062	555,620
Less: accumulated depreciation	(258,369)	(248,963)
Operating property, net	**$ 306,693**	**$ 306,657**

Depreciation expense for operating property was $5.4 million for the quarter ended March 31, 2022, and $5.5 million for the quarter ended March 31, 2021.

Investment and Development Property, net

As of March 31, 2022, and December 31, 2021, our investment and development property is summarized below:

(Dollars in thousands)	**March 31, 2022**	**December 31, 2021**
Land	$ 4,224	$ 4,193
Construction-in-progress (including capitalized interest)	5,444	5,377
Investment and development property	**$ 9,668**	**$ 9,570**

Construction-in-Progress – Operating and Investing Properties

Construction-in-Progress balances are included in both our operating and development properties. The balances of our major projects along with the movements for the three months ended March 31, 2022, are shown below:

(Dollars in thousands)	**Balance, December 31, 2021**	**Additions during the period**	**Completed during the period**	**Foreign currency translation**	**Balance, March 31, 2022**
Courtenay Central development	6,918	8	—	108	7,034
Cinema developments and improvements	2,942	843	(2,557)	4	1,232
Other real estate projects	912	582	(59)	25	1,460
Total	**$ 10,772**	**$ 1,433**	**$ (2,616)**	**$ 137**	**$ 9,726**

Real Estate Transactions *-* ***Sales***

Beginning in 2020, we reviewed our various real estate holdings in light of the fact that our cash flow from cinema operations had been adversely affected by the governmentally mandated cinema closings ordered in response to the COVID-19 pandemic. As a result, for the foreseeable future, other sources of cash would be needed to support our operations and only very limited funds would be available for capital investment in our properties. Between the fourth quarter of 2020 and the second quarter of 2021, we classified as assets held for sale disposal groups and thereafter monetized the following real estate assets: The Auburn/Redyard Entertainment Themed Center ("ETC") and ancillary land, the Royal George Theatre, Coachella (land), and Manukau (land). In addition, in the third quarter of 2021, we monetized our Invercargill, New Zealand, property, comprised of a cinema and ancillary land. A 'disposal group' represents assets to be disposed of in a single transaction. A disposal group may represent a single asset, or multiple assets. Each of these transactions is discussed separately below.

Auburn/Redyard, New South Wales

In January 2021, we classified our Auburn/Redyard ETC as held for sale, reflecting the fact that approximately 2.6 acres of this property was non-income producing land. This disposal group, which consists of land, the ETC building and related property, plant and equipment, was transferred to Land and Property Held for Sale at its book value of $30.2 million (AU$39.1 million), being the lower of cost and fair value less costs to sell. No adjustments to the book value of the assets contained within this disposal group were required.

The sale of Auburn/Redyard was completed on June 9, 2021, for $69.6 million (AU$90.0 million). As part of the transaction, we entered into a lease with the purchaser for the cinema portion of the Auburn/Redyard site.

The gain on sale of this property is calculated as follows:

(Dollars in thousands)		**June 30 2021**
Sales price	$	69,579
Net book value		(30,231)
Gain on sale, gross of direct costs		39,348
Direct sale costs incurred		(622)
Gain on sale, net of direct costs	**$**	**38,726**

Manukau, New Zealand

In December 2020, we classified our non-income producing land at Manukau, New Zealand, as held for sale. This disposal group, which consists of land and certain improvements to that land, was transferred to Land Held for Sale at its book value of $13.6 million, being the lower of cost and fair value less costs to sell. No adjustments to the book value of this asset were required. The sale of this land was completed on March 4, 2021, for $56.1 million (NZ$77.2 million).

The gain on sale of this property is calculated as follows:

(Dollars in thousands)		**March 31, 2021**
Sales price	$	56,058
Net book value		(13,618)
Gain on sale, gross of direct costs		42,440
Direct sale costs incurred		(1,514)
Gain on sale, net of direct costs	**$**	**40,926**

Coachella, California

In December 2020, we classified the non-income producing land at Coachella (held through Shadow View Land and Farming LLC) as held for sale. This disposal group, which consists of land and certain improvements to that land, was transferred to Land and Property Held for Sale at its book value of $4.4 million, being the lower of cost and fair value less costs to sell. No adjustments to the book value of this asset were required. The sale of this land was completed on March 5, 2021 for $11.0 million. As a 50% member in Shadow View Land and Farming LLC, our Company received the benefit of 50% of the sale proceeds, being $5.3 million. As the other 50% member was related to our controlling stockholder, these actions were approved by our Audit and Conflicts Committee.

The gain on sale of this property, including both our interests and those of the other 50% owner of Shadow View Land and Farming, LLC, is calculated as follows:

(Dollars in thousands)		**March 31, 2021**
Sales price	$	11,000
Net book value		(4,351)
Gain on sale, gross of direct costs		6,649
Direct sale costs incurred		(301)
Gain on sale, net of direct costs	**$**	**6,348**

Royal George Theatre, Chicago

In February 2021, we classified our Royal George Theatre as held for sale as part of our strategy to monetize certain real estate assets. This disposal group, which consists of the Royal George Theatre building and the associated property, plant and equipment, was transferred to Land and Property Held for Sale at its book value of $1.8 million, being the lower of cost and fair value less costs to sell. No adjustments to the book value of the assets contained within this disposal group were required. On June 30, 2021, we received net sale proceeds of $6.8 million (net of closing costs).

The gain on sale of this property is calculated as follows:

(Dollars in thousands)		**June 30 2021**
Sales price	$	7,075
Net book value		(1,824)
Gain on sale, gross of direct costs		5,251
Direct sale costs incurred		(295)
Gain on sale, net of direct costs	**$**	**4,956**

Invercargill, New Zealand

On August 30, 2021, we sold our cinema building and land in Invercargill for $3.8 million (NZ$5.4 million) to the owner of the adjacent property, which is currently undergoing a major redevelopment. This property, not then classified as held for sale, was monetized in a transaction whereby the purchaser leased back the Reading Cinema to our Company.

The gain on sale on this property is calculated as follows:

(Dollars in thousands)		**September 30 2021**
Sales price	$	3,803
Net book value		(1,425)
Gain on sale, gross of direct costs		2,378
Direct sale costs incurred		(6)
Gain on sale, net of direct costs	**$**	**2,372**

Real Estate Transactions - Acquisitions

Exercise of Option to Acquire Ground Lessee's Interest in Ground Lease and Improvements Constituting the Village East Cinema

On August 28, 2019, we exercised our option to acquire the ground lessee's interest in the then 13-year ground lease underlying and the real property assets constituting our Village East Cinema in Manhattan. The purchase price under the option was $5.9 million. It was initially agreed that the transaction would close on or about May 31, 2021. On March 29, 2021, we extended the closing date to January 1, 2023.

Note 7 – Investments in Unconsolidated Joint Ventures

Our investments in unconsolidated joint ventures are accounted for under the equity method of accounting.

The table below summarizes our active investment holdings in two (2) unconsolidated joint ventures as of March 31, 2022 and December 31, 2021:

(Dollars in thousands)	Interest		March 31, 2022		December 31, 2021
Rialto Cinemas	50.0%	$	980	$	1,017
Mt. Gravatt	33.3%		4,128		3,976
Total investments		**$**	**5,108**	**$**	**4,993**

For the quarter ended March 31, 2022 and 2021, the recognized share of equity earnings from our investments in unconsolidated joint ventures are as follows:

	Three Months Ended March 31,			
(Dollars in thousands)		2022		2021
Rialto Cinemas	$	(85)	$	(51)
Mt. Gravatt		20		1
Total equity earnings	**$**	**(65)**	**$**	**(50)**

Note 8 – Goodwill and Intangible Assets

The table below summarizes goodwill by business segment as of March 31, 2022 and December 31, 2021.

(Dollars in thousands)		Cinema		Real Estate		Total
Balance at December 31, 2021	$	21,534	$	5,224	$	26,758
Foreign currency translation adjustment		474		—		474
Balance at March 31, 2022	**$**	**22,008**	**$**	**5,224**	**$**	**27,232**

Our Company is required to test goodwill and other intangible assets for impairment on an annual basis and, if current events or circumstances require, on an interim basis. Our next annual evaluation of goodwill and other intangible assets is scheduled during the fourth quarter of 2022. To test the impairment of goodwill, our Company compares the fair value of each reporting unit to its carrying amount, including the goodwill, to determine if there is potential goodwill impairment. A reporting unit is generally one level below the operating segment. As of March 31, 2022, we were not aware that any events indicating potential impairment of goodwill had occurred outside of those described at *Note 3 – Impact of COVID-19 Pandemic and Liquidity*.

The tables below summarize intangible assets other than goodwill, as of March 31, 2022 and December 31, 2021, respectively.

	As of March 31, 2022							
(Dollars in thousands)		Beneficial Leases		Trade Name		Other Intangible Assets		Total
Gross carrying amount	$	12,396	$	9,058	$	5,035	$	26,489
Less: Accumulated amortization		(12,064)		(7,707)		(3,643)		(23,414)
Less: Impairments		—		—		(17)		(17)
Net intangible assets other than goodwill	**$**	**332**	**$**	**1,351**	**$**	**1,375**	**$**	**3,058**

(Dollars in thousands)	As of December 31, 2021 Beneficial Leases	Trade Name	Other Intangible Assets	Total
Gross carrying amount	$ 12,335	$ 9,058	$ 4,996	$ 26,389
Less: Accumulated amortization	(12,002)	(7,660)	(3,452)	(23,114)
Less: Impairments	—	—	(17)	(17)
Net intangible assets other than goodwill	**$ 333**	**$ 1,398**	**$ 1,527**	**$ 3,258**

Beneficial leases obtained in business combinations where we are the landlord are amortized over the life of the relevant leases. Trade names are amortized based on the accelerated amortization method over their estimated useful life of 30 years, and other intangible assets are amortized over their estimated useful lives of up to 30 years (except for transferrable liquor licenses, which are indefinite-lived assets). The table below summarizes the amortization expense of intangible assets for the quarter ended March 31, 2022

(Dollars in thousands)	Three Months Ended March 31, 2022	2021
Beneficial lease amortization	$ 22	$ 29
Other amortization	135	166
Total intangible assets amortization	**$ 157**	**$ 195**

Note 9 – Prepaid and Other Assets

Prepaid and other assets are summarized as follows:

(Dollars in thousands)	March 31, 2022	December 31, 2021
Prepaid and other current assets		
Prepaid expenses	$ 2,753	$ 1,185
Prepaid taxes	1,234	1,929
Income taxes receivable	603	52
Prepaid rent	1,352	1,438
Deposits	244	244
Investments in marketable securities	21	23
Total prepaid and other current assets	**$ 6,207**	**$ 4,871**
Other non-current assets		
Other non-cinema and non-rental real estate assets	1,134	1,134
Investment in Reading International Trust I	838	838
Straight-line rent asset	6,259	4,477
Long-term deposits	8	12
Total other non-current assets	**$ 8,239**	**$ 6,461**

Note 10 – Income Taxes

The interim provision for income taxes is different from the amount determined by applying the U.S. federal statutory rate to consolidated income or loss before taxes. The differences are attributable to foreign tax rate differential, unrecognized tax benefits, and change in valuation allowance. Our effective tax rate was 2.4% and 25.9% for the three months ended March 31, 2022, and 2021, respectively. The difference between 2022 and 2021 is primarily related to an increase in valuation allowance in 2022. The forecasted effective tax rate is updated each quarter as new information becomes available.

Note 11 – Borrowings

Our Company's borrowings at March 31, 2022 and December 31, 2021, net of deferred financing costs and including the impact of interest rate derivatives on effective interest rates, are summarized below:

	As of March 31, 2022					
(Dollars in thousands)	Maturity Date	Contractual Facility	Balance, Gross	Balance, Net(1)	Stated Interest Rate	Effective Interest Rate
Denominated in USD						
Trust Preferred Securities (US)	April 30, 2027	$ 27,913	$ 27,913	$ 26,783	4.30%	4.30%
Bank of America Credit Facility (US)	March 6, 2023	38,500	38,500	38,380	6.00%	6.00%
Cinemas 1, 2, 3 Term Loan (US)	October 1, 2022	23,885	23,885	23,405	4.25%	4.25%
Minetta & Orpheum Theatres Loan (US)(2)	November 1, 2023	8,000	8,000	7,952	2.28%	5.15%
U.S. Corporate Office Term Loan (US)	January 1, 2027	8,872	8,872	8,800	4.64% / 4.44%	4.61%
Union Square Financing (US)	May 6, 2024	55,000	43,000	42,186	7.35%	7.35%
Purchase Money Promissory Note (US)	September 18, 2024	1,869	1,869	1,869	5.00%	5.00%
Denominated in foreign currency ("FC") (3)						
NAB Corporate Term Loan (AU)	December 31, 2023	76,490	76,490	76,352	1.81%	1.81%
Westpac Bank Corporate (NZ)	January 1, 2024	9,613	9,613	9,613	3.45%	3.45%
		$ 250,142	**$ 238,142**	**$ 235,340**		

(1) Net of deferred financing costs amounting to $2.8 million.
(2) The interest rate derivative associated with the Minetta & Orpheum loan provides for an effective fixed rate of 5.15%.
(3) The contractual facilities and outstanding balances of the foreign currency denominated borrowings were translated into U.S. dollars based on the applicable exchange rates as of March 31, 2022.

	As of December 31, 2021					
(Dollars in thousands)	Maturity Date	Contractual Facility	Balance, Gross	Balance, Net(1)	Stated Interest Rate	Effective Interest Rate
Denominated in USD						
Trust Preferred Securities (US)	April 30, 2027	$ 27,913	$ 27,913	$ 26,728	4.13%	4.13%
Bank of America Credit Facility (US)	March 6, 2023	39,500	39,500	39,364	5.75%	5.75%
Cinemas 1, 2, 3 Term Loan (US)	April 1, 2022	24,039	24,039	23,680	4.25%	4.25%
Minetta & Orpheum Theatres Loan (US)(2)	November 1, 2023	8,000	8,000	7,944	2.14%	5.15%
U.S. Corporate Office Term Loan (US)	January 1, 2027	8,936	8,936	8,860	4.64% / 4.44%	4.64%
Union Square Financing (US)	May 6, 2024	55,000	43,000	42,002	7.00%	7.00%
Purchase Money Promissory Note (US)	September 18, 2024	2,043	2,043	2,043	5.00%	5.00%
Denominated in foreign currency ("FC") (3)						
NAB Corporate Term Loan (AU)	December 31, 2023	74,052	74,052	73,900	1.82%	1.82%
Westpac Bank Corporate (NZ)	January 1, 2024	9,465	9,465	9,465	3.45%	3.45%
Total		**$ 248,948**	**$ 236,948**	**$ 233,986**		

(1) Net of deferred financing costs amounting to $3.0 million.
(2) The interest rate derivative associated with the Minetta & Orpheum loan provides for an effective fixed rate of 5.15%.
(3) The contractual facilities and outstanding balances of the foreign currency denominated borrowings were translated into U.S. dollars based on the applicable exchange rates as of December 31, 2021.

Our loan arrangements are presented, net of the deferred financing costs, on the face of our consolidated balance sheet as follows:

Balance Sheet Caption	March 31, 2022	December 31, 2021
Debt - current portion	$ 40,976	$ 11,349
Debt - long-term portion	166,861	195,198
Subordinated debt - current portion	720	711
Subordinated debt - long-term portion	26,783	26,728
Total borrowings	**$ 235,340**	**$ 233,986**

Bank of America Credit Facility

On March 6, 2020, we amended our $55.0 million credit facility with Bank of America extending the maturity date to March 6, 2023. The refinanced facility carries an interest rate of 2.5% - 3.0%, depending on certain financial ratios plus a variable rate based on the loan defined "Eurodollar" interest rate.

On August 7, 2020, we modified certain financial covenants within this credit facility and temporarily suspended the testing of certain other covenant tests through the measurement period ending September 30, 2021. The testing of the financial covenant resumed for the measurement period ending December 31, 2021. In addition to the covenant modifications, the interest rate on borrowings under this facility was fixed at 3.0% above the "Eurodollar" rate, which itself now has a floor of 1.0%. Such a modification was not considered to be substantial under U.S. GAAP.

On November 8, 2021, and effective in Q4 of 2021, Bank of America replaced all of our covenants with a single liquidity test and converted the line of credit into a term loan with scheduled repayments, maturing on March 6, 2023. We also repaid $2.8 million of the facility on this date.

Minetta and Orpheum Theatres Loan

On October 12, 2018, we refinanced our $7.5 million loan with Santander Bank, which is secured by our Minetta and Orpheum Theatres, with a loan for a five year term of $8.0 million. Such modification was not considered to be substantial under U.S. GAAP.

U.S. Corporate Office Term Loan

On December 13, 2016, we obtained a ten year $8.4 million mortgage loan on our Culver City building at a fixed annual interest rate of 4.64%. This loan provided for a second loan upon completion of certain improvements. On June 26, 2017, we obtained a further $1.5 million under this provision at a fixed annual interest rate of 4.44%.

Cinemas 1,2,3 Term Loan

On March 13, 2020, Sutton Hill Properties LLC ("SHP"), a 75% subsidiary of RDI, refinanced its $20.0 million term loan with Valley National Bank with a new term loan of $25.0 million, an interest rate of 4.25%, and maturity date of April 1, 2022, with two six month options to extend. We executed the first extension option on March 3, 2022, taking the maturity to October 1, 2022. With the availability of the remaining loan extension, we continue to keep the loan long-term.

Union Square Financing

On December 29, 2016, we closed construction finance facilities totaling $57.5 million to fund the non-equity portion of the anticipated construction costs of the redevelopment of our property at 44 Union Square in New York City. The facilities consisted of a first mortgage component of $50.0 million and a mezzanine component of $7.5 million. On August 8, 2019, we repaid the $7.5 million mezzanine loan. On January 24, 2020, we exercised the first of our two one year extension options on the first mortgage loan, taking the maturity to December 29, 2020. On December 29, 2020, we further extended the maturity of this loan to March 31, 2021, at an interest rate of 17.5%. On May 7, 2021, we closed on a new three year $55.0 million loan facility with Emerald Creek Capital secured by our 44 Union Square property and certain limited guarantees. The facility bears a variable interest rate of one month LIBOR plus 6.9% with a floor of 7.0 % and includes provisions for a prepaid interest and property tax reserve fund. The loan contains a reserve for existing mechanic's liens. The loan has two 12-month options to extend, but may be repaid at any time, subject to notice and a minimum interest payment equal to the positive difference between interest paid on the loan through the pre-payment date and one year's interest. In effect, the loan may be repaid after May 7, 2022 without the payment of any premium.

Purchase Money Promissory Note

On September 18, 2019, we purchased for $5.5 million 407,000 shares of our Class A Common Stock in a privately negotiated transaction under our Share Repurchase Program. Of this amount, $3.5 million was paid by the issuance of a Purchase Money Promissory Note, which bears an interest rate of 5.0% per annum, payable in equal quarterly payments of principal plus accrued interest. The Purchase Money Promissory Note matures on September 18, 2024.

Westpac Bank Corporate Credit Facility (NZ)

On December 20, 2018, we restructured our Westpac Corporate Credit Facilities. The maturity of the 1st tranche (general/non-construction credit line) was extended to December 31, 2023, with the available facility being reduced from NZ$35.0 million to NZ$32.0 million. The facility bears an interest rate of 1.75% above the Bank Bill Bid Rate on the drawn down balance and a 1.1% line of credit charge on the entire facility. The 2nd tranche (construction line) with a facility of NZ$18.0 million was removed.

On June 29, 2020, Westpac pushed out the June 30, 2020, covenant testing date to July 31, 2020. On July 27, 2020, Westpac waived the requirement to test certain covenants as of July 31, 2020. This agreement also increased the interest rate and line of credit charge to 2.40% above the Bank Bill Bid Rate and 1.65% respectively. The maturity date was extended to January 1, 2024. Such modifications of this facility were not considered to be substantial under U.S. GAAP. On September 15, 2020, Westpac waived the requirement to test certain covenants as of September 30, 2020. On December 8, 2020, Westpac waived the requirement to test certain covenants as of December 31, 2020. On April 29, 2021, Westpac waived the requirement to test certain covenants as of March 31, 2021. On May 7, 2021, we repaid NZ$16.0 million of this debt, in a permanent reduction of this facility to NZ$16.0 million. On June 8, 2021, Westpac waived the requirement to test certain covenants as of June 30, 2021. On August 30, 2021, we repaid a further NZ$2.2 million of this debt, in a permanent reduction of this facility to NZ$13.8 million. On this same date, Westpac waived the requirement to test certain covenants as of September 30, 2021. On December 14, 2021, Westpac waived the requirement to test certain covenants as of December 31, 2021. On March 14, 2022, Westpac waived the requirement to test certain covenants as of March 31, 2022.

Australian NAB Corporate Term Loan (AU)

On March 15, 2019, we amended our Revolving Corporate Markets Loan Facility with National Australia Bank (“NAB”) converting it from a facility comprised of (i) an AU$66.5 million loan facility with an interest rate of 0.95% above the Bank Bill Swap Bid Rate (“BBSY”) and a maturity date of June 30, 2019 and (ii) a bank guarantee of AU$5.0 million at a rate of 1.90% per annum into a (i) AU$120.0 million Corporate Loan facility at rates of 0.85%-1.30% above BBSY depending on certain ratios with a due date of December 31, 2023, of which AU$80.0 million is revolving and AU$40.0 million is core and (ii) a Bank Guarantee Facility of AU$5.0 million at a rate of 1.85% per annum. Such modifications of this particular term loan were not considered to be substantial under U.S. GAAP.

On August 6, 2020, we modified certain covenants within this Revolving Corporate Markets Loan Facility. These modifications applied until the quarter ended June 30, 2021. In addition, for the period in which these covenant modifications applied, the interest rate on amounts borrowed under the facility was 1.75%. Such a modification was not considered to be substantial under U.S. GAAP.

On December 29, 2020, we modified the core portion of our Revolving Corporate Markets Loan Facility, increasing it to AU$43.0 million. The AU$3.0 million increase was provided to fund the completion of our recently opened cinema at Jindalee, Queensland, and is repayable in semi-annual installments of AU$500,000, the first installment being April 30, 2021, until fully repaid on October 31, 2023. This amendment increases the Facility Limit to AU$123.0 million, which will be reduced back to AU$120.0 million as the Jindalee funding is repaid. We further modified certain covenants within this Revolving Corporate Markets Loan Facility with NAB. The Fixed Charge Cover Ratio testing periods were further modified through the quarter ended September 30, 2021. The Leverage Ratio was also modified through the quarter ended June 30, 2022.

On June 9, 2021, incident to our sale of our Auburn/Redyard ETC, we repaid AU$20.0 million of the revolving portion of this debt, in a permanent reduction of this facility.

On November 2, 2021, NAB modified our Fixed Charge Cover Ratio and Leverage Ratio covenants, reducing the measurement requirements and in some instances removing the requirement to test.

Note 12 – Other Liabilities

Other liabilities are summarized as follows:

(Dollars in thousands)	March 31, 2022	December 31, 2021
Current liabilities		
Lease liability	$ 5,900	$ —
Liability for demolition costs	2,827	2,783
Accrued pension	684	684
Security deposit payable	70	69
Finance lease liabilities	37	40
Other	41	43
Other current liabilities	**$ 9,559**	**$ 3,619**
Other liabilities		
Lease make-good provision	7,999	7,766
Accrued pension	3,490	3,605
Deferred rent liability	3,410	3,930
Environmental reserve	1,656	1,656
Lease liability	—	5,900
Acquired leases	19	21
Finance lease liabilities	20	28
Other non-current liabilities	**$ 16,594**	**$ 22,906**

Pension Liability – Supplemental Executive Retirement Plan

On August 29, 2014, the Supplemental Executive Retirement Plan ("SERP") that has been effective since March 1, 2007, was ended and replaced in accordance with the terms of a pension annuity. As a result of the termination of the SERP program, the accrued pension liability of $7.6 million was reversed and replaced with this pension annuity liability of $7.5 million. The valuation of the liability is based on the present value of $10.2 million discounted at a rate of 4.25% over a 15-year term, resulting in a monthly payment of $57,000. The discounted value of $2.7 million (which is the difference between the estimated payout of $10.2 million and the present value of $7.5 million) as of August 29, 2014 will be amortized and expensed based on the 15-year term. In addition, the accumulated actuarial loss of $3.1 million recorded, as part of other comprehensive income will also be amortized based on the 15-year term.

In February 2018, we made a payment of $2.4 million relating to the annuity representing payments for the 42 months outstanding at the time. Monthly ongoing payments of $57,000 are now being made.

As a result of the above, included in our current and non-current liabilities are accrued pension costs of $4.2 million at March 31, 2022. The benefits of our pension plan are fully vested and therefore no service costs were recognized for the three months ended March 31, 2022 and 2021. Our pension plan is unfunded.

During the quarter ended March 31, 2022, the interest cost was $56,000, and the actuarial loss was $52,000. During the quarter ended March 31, 2021, the interest cost was $62,000, and the actuarial loss was $52,000.

Note 13 – Accumulated Other Comprehensive Income

The following table summarizes the changes in each component of accumulated other comprehensive income attributable to RDI:

(Dollars in thousands)	Foreign Currency Items	Unrealized Gain (Losses) on Available-for-Sale Investments	Accrued Pension Service Costs	Hedge Accounting Reserve	Total
Balance at January 1, 2022	$ 6,842	$ (14)	$ (1,969)	$ 23	$ 4,882
<u>Change related to derivatives</u>					
Total change in hedge fair value recorded in Other Comprehensive Income	—	—	—	731	731
Amounts reclassified from accumulated other comprehensive income	—	—	—	69	69
Net change related to derivatives	—	—	—	800	800
Net current-period other comprehensive income (loss)	2,677	(5)	52	800	3,524
Balance at March 31, 2022	**$ 9,519**	**$ (19)**	**$ (1,917)**	**$ 823**	**$ 8,406**

Note 14 – Commitments and Contingencies

<u>Litigation General</u>

Insofar as our Company is aware, there are no claims, arbitration proceedings, or litigation proceedings that constitute material contingent liabilities of our Company. Such matters require significant judgments based on the facts known to us. These judgments are inherently uncertain and can change significantly when additional facts become known. We provide accruals for matters that have probable likelihood of occurrence and can be properly estimated as to their expected negative outcome. We do not record expected gains until the proceeds are received by us. However, we typically make no accruals for potential costs of defense, as such amounts are inherently uncertain and dependent upon the scope, extent and aggressiveness of the activities of the applicable plaintiff.

Discussed below are certain litigation matters which, however, have been significant to our Company.

Litigation Matters

We are currently involved in certain legal proceedings and, as required, have accrued estimates of probable and estimable losses for the resolution of these claims, including legal costs.

- Where we are the *<u>plaintiffs</u>*, we accrue legal fees as incurred on an on-going basis and make no provision for any potential settlement amounts until received. In Australia, the prevailing party is usually entitled to recover its attorneys' fees, which recoveries typically work out to be approximately 60% of the amounts actually spent where first-class legal counsel is engaged at customary rates. Where we are a plaintiff, we have likewise made no provision for the liability for the defendant's attorneys' fees in the event we are determined not to be the prevailing party.
- Where we are the *<u>defendants</u>*, we accrue for probable damages that insurance may not cover as they become known and can be reasonably estimated, as permitted under ASC 450-20 *Loss Contingencies*. In our opinion, any claims and litigation in which we are currently involved are not reasonably likely to have a material adverse effect on our business, results of operations, financial position, or liquidity. It is possible, however, that future results of the operations for any particular quarterly or annual period could be materially affected by the ultimate outcome of the legal proceedings. From time to time, we are involved with claims and lawsuits arising in the ordinary course of our business that may include contractual obligations, insurance claims, tax claims, employment matters, and anti-trust issues, among other matters.

Environmental and Asbestos Claims on Reading Legacy Operations

Certain of our subsidiaries were historically involved in railroad operations, coal mining, and manufacturing. Also, certain of these subsidiaries appear in the chain-of-title of properties that may suffer from pollution. Accordingly, certain of these subsidiaries have, from time to time, been named in and may in the future be named in various actions brought under applicable environmental laws. Also, we are in the real estate development business and may encounter from time to time environmental conditions at properties that we have acquired for development and which will need to be addressed in the future as part of the development process. These environmental conditions can increase the cost of such projects and adversely affect the value and potential for profit of such projects. We do not currently believe that our exposure under applicable environmental laws is material in amount.

From time to time, there are claims brought against us relating to the exposure of former employees to asbestos and/or coal dust. These are generally covered by an insurance settlement reached in September 1990 with our insurance providers. However, this insurance settlement does not cover litigation by people who were not employees of our historic railroad operations and who may claim direct or second-hand exposure to asbestos, coal dust and/or other chemicals or elements now recognized as potentially causing cancer in humans. Our known exposure to these types of claims, asserted or probable of being asserted, is not material.

California Employment Litigation

Our Company is currently a defendant in certain California employment matters which include substantially overlapping wage and hour claims relating to our California cinema operations as described below. Taylor Brown, individually, and on behalf of other members of the general public similarly situated vs. Reading Cinemas et al. Superior Court of the State of California for the County of Kern, Case No. BCV-19-1000390 (“Brown v. RC,” and the “Brown Class Action Complaint”) was initially filed in December 2018, as an individual action and refiled as a putative class action in February 2019, but not served until June 24, 2019. Peter M. Wagner, Jr., an individual, vs. Consolidated Entertainment, Inc. et al., Superior Court of the State of California for the County of San Diego, Case NO. 37-2019-00030695-CU-WT-CTL (“Wagner v. CEI,” and the “Wagner Individual Complaint”) was filed as a discrimination and retaliation lawsuit in June 2019. The following month, in July 2019, a notice was served on us by separate counsel for Mr. Wagner under the California Private Attorney General Act of 2004 (Cal. Labor Code Section 2698, et seq) (the “Wagner PAGA Claim”) purportedly asserting in a representational capacity claims under the PAGA statute, overlapping, in substantial part, the allegations set forth in the Brown Class Action Complaint. On March 6, 2020, Wagner filed a purported class action in the Superior Court of California, County of San Diego, again covering basically the same allegations as set forth in the Brown Class Action Complaint, and titled Peter M. Wagner, an individual, on behalf of himself and all others similarly situated vs. Reading International, Inc., Consolidated Entertainment, Inc. and Does 1 through 25, Case No. 37-2020-000127-CU-OE-CTL (the “Wagner Class Action” and the “Wagner Class Action Complaint”). Following mediation, the Wagner Individual Complaint was settled, and final judgment entered on February 10, 2021, at what we believe to have been its nuisance value. The remaining lawsuits seek damages, and attorneys’ fees, relating to alleged violations of California labor laws relating to meal periods, rest periods, reporting time pay, unpaid wages, timely pay upon termination and wage statements violations.

On July 13, 2021, following a mediation, the parties agreed to settle the claims set forth in the remaining lawsuits (specifically, the Brown Class Action Complaint, the Wagner PAGA Claim and the Wagner Class Action Complaint) for the Company’s payment of $4.0 million (the “Settlement Amount”). The final settlement agreement has been executed and delivered by the parties, but remains contingent upon final court approval. No date has yet been set for that hearing. The Settlement Amount is to be paid in two installments, one-half within 30 days of final court approval and the balance nine-months thereafter. A court hearing on the settlement is not expected until the third quarter of 2022. We accrued the Settlement Amount in 2021 as a cinema segment administrative expense.

General Distributors Limited v. Reading Wellington Properties Arbitration

On June 18, 2021, General Distributors Limited (“GDL”), an owner and operator of supermarkets in New Zealand, filed an arbitration statement of claim (the “Statement of Claim”) in Auckland, New Zealand, against our wholly owned subsidiary, Reading Wellington Properties, Limited (“RWPL”), relating to the enforceability of an Agreement to Lease (the “ATL”) entered into between the parties in February 2013, contemplating the construction by RWPL and the lease by GDL of a supermarket in Wellington, New Zealand on property owned by RWPL. The ATL contemplated that GDL would also obtain certain rights to use parking spaces in an adjacent 9 story parking structure owned by another of our wholly owned subsidiaries, Courtenay Carpark Limited (the “Parking Garage”). However, as a result of the Kaikōura earthquake on November 14, 2016, it was necessary to demolish the Parking Garage. It has not been rebuilt and there is currently no plan to rebuild it and neither RWPL nor Courtenay Carpark Limited have any legal right to rebuild it under presently existing laws controlling land use in Wellington. Accordingly, we believe that it became impossible to deliver the specific parking rights contemplated by the ATL and, given the materiality of these parking rights to the transaction contemplated by the ATL, that the ATL has been frustrated and is of no ongoing force and effect. In addition, there remain a variety of open business points which have not yet been resolved and which we believe, given the passage of time, render the contract null and unenforceable. GDL asserts a different view and is seeking a declaration that the ATL remains binding upon the parties and for specific performance by RWPL of the ATL.

RWPL has filed a response contesting GDL's claims, and raising various affirmative defenses, including frustration and a failure of the parties to reach any specifically enforceable agreement as to certain fundament construction and construction cost issues.   No damages are being sought by GDL, other than costs, and no reserves for this matter have been established. RWPL is a limited liability company, its only asset being the parcel of unimproved land on which the supermarket was to be built. Discovery is substantially complete, and the parties have exchanged witness statements. The arbitration is scheduled to be heard in the fourth quarter of this year.

In the interim, the parties have been having, and are continuing to have, "without prejudice" discussions as to possible alternatives pursuant to which a grocery store of the type contemplated by the parties could be developed and leased to GDL.

Note 15 – Non-controlling Interests

These are composed of the following enterprises:

- Australia Country Cinemas Pty Ltd. - 25% noncontrolling interest owned by Panorama Group International Pty Ltd.:
- Shadow View Land and Farming, LLC - 50% noncontrolling membership interest owned by the estate of Mr. James J. Cotter, Sr. (the "Cotter Estate"); and,
- Sutton Hill Properties, LLC - 25% noncontrolling interest owned by Sutton Hill Capital, LLC (which in turn is 50% owned by the Cotter Estate).

The components of noncontrolling interests are as follows:

(Dollars in thousands)	March 31, 2022	December 31, 2021
Australian Country Cinemas, Pty Ltd	$ 14	$ 48
Shadow View Land and Farming, LLC	(4)	(4)
Sutton Hill Properties, LLC	856	942
Noncontrolling interests in consolidated subsidiaries	**$ 866**	**$ 986**

The components of income attributable to noncontrolling interests are as follows:

	Three Months Ended March 31,	
(Dollars in thousands)	2022	2021
Australian Country Cinemas, Pty Ltd	$ (11)	$ 59
Shadow View Land and Farming, LLC	(1)	3,152
Sutton Hill Properties, LLC	(87)	(108)
Net income (loss) attributable to noncontrolling interests	**$ (99)**	**$ 3,103**

On March 5, 2021, Shadow View Land and Farming, LLC, sold its only asset, being certain land holdings in Coachella, California, for $11.0 million and is currently in the process of winding up and liquidating. See *Note 6*.

Summary of Controlling and Noncontrolling Stockholders’ Equity

A summary of the changes in controlling and noncontrolling stockholders’ equity is as follows:

(Dollars in thousands, except shares)	**Common Stock** Class A Non-Voting Shares	Class A Par Value	Class B Voting Shares	Class B Par Value	**Additional Paid-In Capital**	**Retained Earnings (Accumulated Deficit)**	**Treasury Shares**	**Accumulated Other Comprehensive Income (Loss)**	**Reading International Inc. Stockholders’ Equity**	**Noncontrolling Interests**	**Total Stockholders’ Equity**
At January 1, 2022	20,260	$ 233	1,680	$ 17	$ 151,981	$ (12,632)	$ (40,407)	$ 4,882	$ 104,074	$ 986	$ 105,060
Net income (loss)	—	—	—	—	—	(15,354)	—	—	(15,354)	(99)	(15,453)
Other comprehensive income, net	—	—	—	—	—	—	—	3,524	3,524	1	3,525
Share-based compensation expense	—	—	—	—	415	—	—	—	415	—	415
Restricted Stock Units	52	1	—	—	(32)	—	—	—	(31)	—	(31)
Distributions to noncontrolling stockholders	—	—	—	—	—	—	—	—	—	(22)	(22)
At March 31, 2022	20,312	$ 234	1,680	$ 17	$ 152,364	$ (27,986)	$ (40,407)	$ 8,406	$ 92,628	$ 866	$ 93,494

(Dollars in thousands, except shares)	**Common Stock** Class A Non-Voting Shares	Class A Par Value	Class B Voting Shares	Class B Par Value	**Additional Paid-In Capital**	**Retained Earnings (Accumulated Deficit)**	**Treasury Shares**	**Accumulated Other Comprehensive Income (Loss)**	**Reading International Inc. Stockholders’ Equity**	**Noncontrolling Interests**	**Total Stockholders’ Equity**
At January 1, 2021	20,069	$ 231	1,680	$ 17	$ 149,979	$ (44,553)	$ (40,407)	$ 12,502	$ 77,769	$ 3,404	$ 81,173
Net income (loss)	—	—	—	—	—	18,965	—	—	18,965	3,103	22,068
Other comprehensive income, net	—	—	—	—	—	—	—	(2,545)	(2,545)	—	(2,545)
Share-based compensation expense	—	—	—	—	464	—	—	—	464	—	464
Restricted Stock Units	52	1	—	—	(111)	—	—	—	(110)	—	(110)
Distributions to noncontrolling stockholders	—	—	—	—	—	—	—	—	—	(5,300)	(5,300)
At March 31, 2021	20,121	$ 232	1,680	$ 17	$ 150,332	$ (25,588)	$ (40,407)	$ 9,957	$ 94,543	$ 1,207	$ 95,750

Note 16 – Stock-Based Compensation and Stock Repurchases

Employee and Director Stock Incentive Plan

2010 Stock Incentive Plan
Our 2010 Stock Incentive Plan (as amended, the "2010 Plan") under which our Company has granted stock options and other share-based payment awards of our Common Stock to eligible employees, directors, and consultants has expired. In total, 1,360,402 shares of Class A Common Stock were issued or reserved for issuance pursuant to the previously granted options or restricted stock units under that plan.

2020 Stock Incentive Plan
On November 4, 2020, the Company enacted the 2020 Stock Incentive Plan, which was also approved by the Company's stockholders on December 8, 2020 (the "2020 Plan"). Under the 2020 Plan, the Company may grant stock options and other share-based payment awards of our Class A Common Stock to eligible employees, directors and consultants. The aggregate total number of shares of Class A Common Stock authorized for issuance under the 2020 Plan at March 31, 2022 was 1,250,000, of which 736,325 remain available for future issuance. In addition, if any awards that were outstanding under the 2010 Plan are subsequently forfeited or if the related shares are repurchased, a corresponding number of shares will automatically become available for issuance under the 2020 Plan, thus resulting in a potential increase in the number of shares available for issuance under the 2020 Plan. At March 31, 2022, this potential increase in the number of shares eligible for issuance under the 2020 Plan was 307,382 Class A Common Stock.

Stock options are granted at exercise prices equal to the grant-date market prices and typically expire no later than five years from the grant date. In contrast to a stock option where the grantee buys our Company's share at an exercise price determined on the grant date, a restricted stock unit ("RSU") entitles the grantee to receive one share for every RSU based on a vesting plan, typically between one year and four years from grant. As discussed further below, a performance component has been added to certain of the RSUs granted to management. At the time the options are exercised or RSUs vest and are settled, at the discretion of management, we will issue treasury shares or make a new issuance of shares to the option or RSU holder.

Stock Options
We have estimated the grant-date fair value of our stock options using the Black-Scholes option-valuation model, which takes into account assumptions such as the dividend yield, the risk-free interest rate, the expected stock price volatility, and the expected life of the options. We expensed the estimated grant-date fair values of options over the vesting period on a straight-line basis. Based on our historical experience, the "deemed exercise" of expiring in-the-money options and the relative market price to strike price of the options, we have not estimated any forfeitures of vested or unvested options.

No stock options were issued in the three months ended March 31, 2022.

For the quarters ended March 31, 2022 and 2021, we recorded compensation expense of $53,000 and $101,000, respectively, with respect to our prior stock option grants. At March 31, 2022, the total unrecognized estimated compensation expense related to non-vested stock options was $0.2 million, which we expect to recognize over a weighted average vesting period of 0.93 years. The intrinsic, unrealized value of all options outstanding vested and expected to vest, at March 31, 2022 was $nil, as the closing price of our Common Stock on that date was $4.28.

The following table summarizes the number of options outstanding and exercisable as of March 31, 2022 and December 31, 2021:

	Outstanding Stock Options - Class A Shares			
	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Years of Contractual Life	Aggregate Intrinsic Value
	Class A	Class A	Class A	Class A
Balance - December 31, 2020	713,479	$ 14.64	2.18	$ 13,969
Granted	—	—	—	—
Exercised	(38,803)	4.66	—	63,831
Forfeited	(157,332)	11.87	—	—
Balance - December 31, 2021	517,344	$ 15.42	1.66	$ —
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited	(144,925)	15.97	—	—
Balance - March 31, 2022	372,419	$ 15.51	1.52	$ —

Restricted Stock Units

The following table summarizes the status of the RSUs granted to date as of March 31, 2022:

	RSU Grants (in units)		Outstanding Restricted Stock Units			
Grant Date	Directors	Management	Total Grants	Vested, March 31, 2022	Unvested, March 31, 2022	Forfeited, March 31, 2022
March 10, 2016	35,147	27,381	62,528	62,264	—	264
April 11, 2016	—	5,625	5,625	5,108	—	517
March 23, 2017	30,681	32,463	63,144	62,612	—	532
August 29, 2017	—	7,394	7,394	7,394	—	—
January 2, 2018	29,393	—	29,393	29,393	—	—
April 12, 2018	—	29,596	29,596	21,092	6,262	2,242
April 13, 2018	—	14,669	14,669	11,003	3,666	—
July 6, 2018	—	932	932	—	—	932
November 7, 2018	23,010	—	23,010	23,010	—	—
March 13, 2019	—	24,366	24,366	15,947	5,315	3,104
March 14, 2019	—	23,327	23,327	17,496	5,831	—
May 7, 2019	11,565	—	11,565	11,565	—	—
March 10, 2020	—	287,163	287,163	96,828	189,517	818
December 14, 2020	—	43,260	43,260	42,323	—	937
December 16, 2020	60,084	11,459	71,543	71,543	—	—
April 5, 2021	—	262,830	262,830	—	262,830	—
April 19, 2021	—	22,888	22,888	—	22,301	587
August 11, 2021	26,924	—	26,924	26,924	—	—
December 8, 2021	48,951	—	48,951	—	48,951	—
Total	**265,755**	**793,353**	**1,059,108**	**504,502**	**544,673**	**9,933**

RSU awards to management vest 25% on the anniversary of the grant date over a period of four years. Beginning in 2020, a performance component has been added to certain of the RSUs granted to management, which vest on the third anniversary of their grant date based on the achievement of certain performance metrics. On March 10, 2020, RSUs covering 287,163 shares were issued to members of executive management and other employees of our Company. Between December 14, 2020 and December 16, 2020, RSUs covering 114,803 shares were issued to members of executive management and other employees of our Company, all of which vested 100% on December 14 and 16, 2021, as applicable. In addition, we granted non-employee directors 60,084 RSUs (as well as 38,803 options) on December 16, 2020. In April 2021, RSUs covering 262,830 shares were issued to members of executive management. These RSUs have two structures, which include time vesting and performance. The majority of RSUs vest 75% evenly over a period of four years, with the remaining 25% contingent upon the achievement of certain performance metrics, vesting in full on the third anniversary of the date of the grant. In the case of our Chief Executive Officer, RSUs vest 50% evenly over a period of four years with the remaining 50%, contingent upon the achievement of certain performance metrics, vesting in full on the third anniversary of the grant date. RSUs covering 22,888 shares were also issued to other employees of our Company. These awards vest 25% on the anniversary of the grant date over a period of four years. On August 11, 2021, and December 8, 2021, RSUs covering 26,924 and 48,951 shares, respectively, were issued to non-employee directors.

We estimate the grant-date fair values of our RSUs using the Company's stock price at grant-date and record such fair values as compensation expense over the vesting period on a straight-line basis. Prior to November 7, 2018, RSU awards to non-employee directors vested 100% in January of the following year in which such RSUs were granted. At the November 7, 2018 Board meeting, it was determined that it would be more appropriate for the vesting of RSUs to align with the director's term of office. Accordingly, the RSUs granted on November 7, 2018, vested on the first to occur of (i) 5:00 pm, Los Angeles, CA time on the last business day prior to the one year anniversary of the grant date, or (ii) the date on which the recipient's term as a director ended and the recipient or, as the case may be, the recipient's successor was elected to the board of directors. Accordingly, the RSUs granted to directors on November 7, 2018, vested on May 7, 2019, annual meeting of stockholders. Due to the fact that our Company held our annual meeting of stockholders in May 2019, the vesting period for the RSUs issued on November 7, 2018 was shorter than anticipated. In order to adjust for this factor, the award of RSUs to directors made immediately following the 2019 Annual Meeting of Stockholders was determined using a value of $35,000 or one half of the dollar amount of the prior year's annual grant. The RSUs issued to non-employee directors on May 7, 2019, vested on May 6, 2020. The RSUs issued to non-employee directors on August 11, 2021 vested on December 8, 2021. The RSUs issued to non-employee directors on December 8, 2021 will vest on the first to occur of (i) 5:00 pm, Los Angeles, CA time on the last business day prior to the one-year anniversary of the Grant Date or (ii) the date on which the Recipient has served such Recipient's full term as a Director (December 8, 2022).

For the quarters ended March 31, 2022, and 2021, we recorded compensation expense of $363,000 and $363,000, respectively. The total unrecognized compensation expense related to the non-vested RSUs was $2.6 million as of March 31, 2022, which we expect to recognize over a weighted average vesting period of 1.66 years.

Stock Repurchase Program

On March 2, 2017, our Company's Board of Directors authorized management, at its discretion, to spend up to an aggregate of $25.0 million to acquire shares of Reading’s Class A Common Stock. On March 14, 2019, the Board of Directors extended this stock buy-back program for two years, through March 2, 2021. On March 10, 2020, the Board increased the authorized amount by $25.0 million and extended it to March 2, 2022. At the present time, the amount available under the repurchase program authorization is $26.0 million. On May 5, 2022, the Board extended the program for two years, to March 10, 2024, making no changes to the available amount.

The repurchase program allows Reading to repurchase its shares in accordance with the requirements of the SEC on the open market, in block trades and in privately negotiated transactions, depending on market conditions and other factors. All purchases are subject to the availability of shares at prices that are acceptable to Reading, and accordingly, no assurances can be given as to the timing or number of shares that may ultimately be acquired pursuant to this authorization.

Under the stock repurchase program, as of March 31, 2022, our Company had acquired a total of 1,792,819 shares of Class A Common Stock for $24.0 million at an average price of $13.39 per share (excluding transaction costs). No shares of Class A Common Stock were purchased in the quarter ended March 31, 2022. The last share repurchase made by our Company was made on March 5, 2020, at which time 25,000 shares were purchased at an average cost per share of $7.30. This leaves $26.0 million available under the March 2, 2017 program, as extended, to March 10, 2024.

Note 17 - Leases

In all leases, whether we are the lessor or lessee, we define lease term as the non-cancellable term of the lease plus any renewals covered by renewal options that are reasonably certain of exercise based on our assessment of economic factors relevant to the lessee. The non-cancellable term of the lease commences on the date the lessor makes the underlying property in the lease available to the lessee, irrespective of when lease payments begin under the contract.

As Lessee

We have operating leases for certain cinemas, and finance leases for certain equipment assets. Our leases have remaining lease terms of 1 to 25 years, with certain leases having options to extend to up to a further 20 years.

Contracts are analyzed in accordance with the criteria set out in ASC 842 to determine if there is a lease present. For contracts that contain an operating lease, we account for the lease component and the non-lease component together as a single component. For contracts that contain a finance lease we account for the lease component and the non-lease component separately in accordance with ASC 842.

In leases where we are the lessee, we recognize a right of use asset and lease liability at lease commencement, which is measured by discounting lease payments using an incremental borrowing rate applicable to the relevant country and lease term of the lease as the discount rate. Subsequent amortization of the right of use asset and accretion of the lease liability for an operating lease is recognized as a single lease cost, on a straight-line basis, over the term of the lease. A finance lease right-of-use asset is depreciated on a straight-line basis over the lesser of the useful life of the leased asset or the lease term. Interest on each finance lease liability is determined as the amount that results in a constant periodic discount rate on the remaining balance of the liability. Property taxes and other non-lease costs are accounted for on an accrual basis.

Lease payments for our cinema operating leases consist of fixed base rent, and for certain leases, variable lease payments consisting of contracted percentages of revenue, changes in the relevant CPI, and/or other contracted financial metrics.

As a result of the impacts of COVID-19, we have obtained certain concessions from our landlords. We have elected to account for these concessions as if there have been no changes to the underlying contracts, thereby recognizing abatements secured as variable lease expenses, and increasing payables for lease payment deferrals.

The components of lease expense were as follows:

(Dollars in thousands)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Lease cost		
Finance lease cost:		
Amortization of right-of-use assets	$ 12	$ 12
Interest on lease liabilities	1	1
Operating lease cost	8,714	8,308
Variable lease cost	(88)	(1,165)
Total lease cost	**$ 8,639**	**$ 7,156**

Supplemental cash flow information related to leases is as follows:

(Dollars in thousands)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Cash flows relating to lease cost		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for finance leases	$ 13	$ 14
Operating cash flows for operating leases	10,141	2,507
Right-of-use assets obtained in exchange for new operating lease liabilities	66	—

Supplemental balance sheet information related to leases is as follows:

(Dollars in thousands)	March 31, 2022	December 31, 2021
Operating leases		
Operating lease right-of-use assets	**$ 224,754**	**$ 227,367**
Operating lease liabilities - current portion	24,397	23,737
Operating lease liabilities - non-current portion	220,215	223,364
Total operating lease liabilities	**$ 244,612**	**$ 247,101**
Finance leases		
Property plant and equipment, gross	378	374
Accumulated depreciation	(326)	(311)
Property plant and equipment, net	**$ 52**	**$ 63**
Other current liabilities	37	40
Other long-term liabilities	20	28
Total finance lease liabilities	**$ 57**	**$ 68**
Other information		
Weighted-average remaining lease term - finance leases	1	2
Weighted-average remaining lease term - operating leases	11	11
Weighted-average discount rate - finance leases	5.23%	5.24%
Weighted-average discount rate - operating leases	4.46%	4.47%

The maturities of our leases were as follows:

(Dollars in thousands)	Operating leases	Finance leases
2022	$ 26,095	$ 30
2023	34,725	29
2024	33,246	—
2025	31,258	—
2026	28,958	—
Thereafter	161,182	—
Total lease payments	**$ 315,464**	**$ 59**
Less imputed interest	(70,852)	(2)
Total	**$ 244,612**	**$ 57**

As of March 31, 2022, we have an additional cinema operating lease that has not yet commenced operations commenced operations of approximately $9.0 million. It is anticipated that this operating lease will commence in 2022 with a lease term of 15 to 20 years.

As Lessor

We have entered into various leases as a lessor for our owned real estate properties. These leases vary in length between 1 and 20 years, with certain leases containing options to extend at the behest of the applicable tenants. Lease components consist of fixed base rent, and for certain leases, variable lease payments consisting of contracted percentages of revenue, changes in the relevant CPI, and/or other contracted financial metrics. None of our leases grant any right to the tenant to purchase the underlying asset.

We recognize lease payments for operating leases as property revenue on a straight-line basis over the lease term. Lease incentive payments we make to lessees are amortized as a reduction in property revenue over the lease term.

As a result of the impacts of COVID-19, we have provided certain concessions to specific tenants. We have elected to account for these concessions as if there have been no changes to the underlying contracts, thereby recognizing abatements granted as variable lease payments through revenue and increasing receivables for lease payment deferrals.

Lease income relating to operating lease payments was as follows:

	Three Months Ended March 31,	
(Dollars in thousands)	2022	2021
Components of lease income		
Lease payments	$ 2,068	$ 2,701
Variable lease payments	130	169
Total lease income	**$ 2,198**	**$ 2,870**

The book value of underlying assets under operating leases from owned assets was as follows:

(Dollars in thousands)	March 31, 2022	December 31, 2021
Building and improvements		
Gross balance	$ 141,702	$ 140,028
Accumulated depreciation	(24,442)	(23,923)
Net Book Value	**$ 117,260**	**$ 116,105**

The Maturity of our leases were as follows:

(Dollars in thousands)	Operating leases
2022	$ 5,606
2023	6,989
2024	6,214
2025	5,288
2026	2,504
Thereafter	2,854
Total	**$ 29,455**

Note 18 – Hedge Accounting

As of March 31, 2022, and December 31, 2021, our Company held interest rate derivatives in the total notional amount of $63.0 million and $8.0 million, respectively.

The derivatives are recorded on the balance sheet at fair value and are included in the following line items:

	Asset Derivatives			
	March 31, 2022		December 31, 2021	
(Dollars in thousands)	**Balance sheet location**	**Fair value**	**Balance sheet location**	**Fair value**
Interest rate contracts	Derivative financial instruments - current portion	$ 793	Derivative financial instruments - current portion	$ 96
	Derivative financial instruments - non-current portion	109	Derivative financial instruments - non-current portion	112
Total derivatives designated as hedging instruments		**$ 902**		**$ 208**
Total derivatives		**$ 902**		**$ 208**

	Liability Derivatives			
	March 31, 2022		December 31, 2021	
(Dollars in thousands)	**Balance sheet location**	**Fair value**	**Balance sheet location**	**Fair value**
Interest rate contracts	Derivative financial instruments - current portion	$ 85	Derivative financial instruments - current portion	$ 181
	Derivative financial instruments - non-current portion	—	Derivative financial instruments - non-current portion	—
Total derivatives designated as hedging instruments		**$ 85**		**$ 181**
Total derivatives		**$ 85**		**$ 181**

The changes in fair value are recorded in Other Comprehensive Income and released into interest expense in the same period(s) in which the hedged transactions affect earnings. In the quarter ended March 31, 2022 and March 31, 2021, respectively, the derivative instruments affected Comprehensive Income as follows:

(Dollars in thousands)	**Location of Loss Recognized in Income on Derivatives**	**Amount of Loss Recognized in Income on Derivatives**	
		Three Months Ended March 31	
		2022	**2021**
Interest rate contracts	Interest expense	$ 69	$ 60
Total		**$ 69**	**$ 60**

(Dollars in thousands)	Loss Recognized in OCI on Derivatives (Effective Portion)	
	Amount	
	Three Months Ended March 31	
	2022	2021
Interest rate contracts	$ (731)	$ (1)
Total	**$ (731)**	**$ (1)**

Line Item	Loss Reclassified from OCI into Income (Effective Portion)	
	Amount	
	Three Months Ended March 31	
	2022	2021
Interest expense	$ 69	$ 60
Total	**$ 69**	**$ 60**

The derivatives have no ineffective portion, and consequently no losses have been recognized directly in income.

Note 19 – Fair Value Measurements

ASC 820, *Fair Value Measurement* establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities;
- Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and,
- Level 3: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

As of March 31, 2022 and December 2021, we had derivative financial assets carried and measured at fair value on a recurring basis of $900,000 and $208,000, respectfully. As of March 31, 2022, and December 31, 2021 we had derivative financial liabilities carried and measured at fair value on a recurring basis of $85,000 and $181,000 respectively.

The following tables summarize our financial liabilities that are carried at cost and measured at fair value on a non-recurring basis as of March 31, 2022 and December 31, 2021, by level within the fair value hierarchy.

		Fair Value Measurement at March 31, 2022			
(Dollars in thousands)	Carrying Value(1)	Level 1	Level 2	Level 3	Total
Notes payable	$ 208,360	$ —	$ —	$ 208,782	$ 208,782
Subordinated debt	29,782	—	—	20,697	20,697
	$ 238,142	**$ —**	**$ —**	**$ 229,479**	**$ 229,479**

		Fair Value Measurement at December 31, 2021			
(Dollars in thousands)	Carrying Value(1)	Level 1	Level 2	Level 3	Total
Notes payable	$ 206,992	$ —	$ —	$ 207,817	$ 207,817
Subordinated debt	29,956	—	—	20,494	20,494
	$ 236,948	**$ —**	**$ —**	**$ 228,311**	**$ 228,311**

(1) These balances are presented before any deduction for deferred financing costs.

Following is a description of the valuation methodologies used to estimate the fair value of our financial assets and liabilities. There have been no changes in the methodologies used as of March 31, 2022 and December 31, 2021.

- **Level 1** investments in marketable securities primarily consist of investments associated with the ownership of marketable securities in U.S. and New Zealand. These investments are valued based on observable market quotes on the last trading date of the reporting period.
- **Level 2** derivative financial instruments are valued based on discounted cash flow models that incorporate observable inputs such as interest rates and yield curves from the derivative counterparties. The credit valuation adjustments associated with

our non-performance risk and counterparty credit risk are incorporated in the fair value estimates of our derivatives. As of March 31, 2022, and December 31, 2021, we concluded that the credit valuation adjustments were not significant to the overall valuation of our derivatives.

- **Level 3** borrowings include our secured and unsecured notes payable, trust preferred securities and other debt instruments. The borrowings are valued based on discounted cash flow models that incorporate appropriate market discount rates. We calculated the market discount rate by obtaining period-end treasury rates for fixed-rate debt, or LIBOR for variable-rate debt, for maturities that correspond to the maturities of our debt, adding appropriate credit spreads derived from information obtained from third-party financial institutions. These credit spreads take into account factors such as our credit rate, debt maturity, types of borrowings, and the loan-to-value ratios of the debt.

Our Company's financial instruments also include cash, cash equivalents, receivables and accounts payable. The carrying values of these financial instruments approximate the fair values due to their short maturities. Additionally, there were no transfers of assets and liabilities between levels 1, 2, or 3 during the quarter ended March 31, 2022 and March 31, 2021.

Note 20 – Subsequent Events

No material subsequent events were identified as of the issue date of these Financial Statements.

This MD&A should be read in conjunction with the accompanying unaudited consolidated financial statements included in Part I, Item 1 (Financial Statements). The foregoing discussions and analyses contain certain forward-looking statements. Please refer to the "Cautionary Statement Regarding Forward-Looking Statements" included at the conclusion of this section and our "Risk Factors" set forth in our 2021 Form 10-K, Part 1 – Financial Information, Item 1A and the Risk Factors set out below.

Item 2 – Management's Discussion and Analysis ("MD&A") of Financial Condition and Results of Operations

General COVID-19 Pandemic Overview & Update

The cinema exhibition industry has endured significant challenges for more than two years. The viability of our Company has been tested: (i) the pandemic forced our Company to temporarily close our cinemas worldwide, (ii) the emergence of COVD-19 variants prolonged our recovery putting a strain on our liquidity needs, and (iii) our Company faced increased competition from streaming service subscriptions which impeded our theatrical windows.

Despite these challenges, our Company continues to persevere. The pandemic has been a testament to the durability of our two-pronged, diversified international business strategy and has increased our faith in the future longevity of our Company.

Despite the presence of the Omicron BA.2 variant, all of our cinemas were open during the current reporting period (excluding those temporarily closed unrelated to the pandemic). This was the first time that we were fully open for an entire fiscal quarter since the beginning of the pandemic. By comparison, during the prior year reporting period, most of our U.S. cinemas remained closed in January and February in accordance with the directions and recommendations of the relevant local, state and federal authorities. Even with the reopening of our cinemas, we will continue to face challenges until film offerings and patron acceptance reach pre-pandemic levels.

During the first quarter of 2022, all of our unrelated third-party tenants for our Australian and New Zealand properties were open for business with continued health and safety measures in place (with the exception of one tenant in Australia completing a new fit out). Most of the rentable retail portions of our Courtenay Central location in New Zealand continued to be closed due to seismic concerns, however, three tenants remained open and were trading.

In the United States, we secured a long-term lease for our historic 44 Union Square property in Manhattan, New York, for the occupation of the lower level, ground floor, and second floor on January 27, 2022. We are currently in the tenant improvement stage of this development project.

Although our cinema attendances are still below pre-pandemic levels, we believe that our Company is on a path to recovery. Our cinema revenue for the three months ended March 31, 2022, was approximately 65% of the cinema revenue for the same period in 2019. The box office results from the top performing films during the first quarter of 2022, such as *The Batman*, *Spider-Man: No Way Home*, and *Uncharted*, continue to provide optimism for our Company and the cinema industry.

Although government restrictions are easing and our operational results are improving, we continue to experience risks associated with COVID-19 and its variants. We believe these uncertainties are diminishing, but we may continue to experience (i) delayed releases of certain major motion pictures, (ii) government mandated restrictions, (iii) and shortened or eliminated the theatrical windows.

BUSINESS OVERVIEW

We are an internationally diversified company principally focused on the development, ownership, and operation of entertainment and real estate assets in the United States, Australia, and New Zealand. Currently, we operate in two business segments:

- Cinema exhibition, through our 63 cinemas.
- Real estate, including real estate development and the rental of retail, commercial, and live theatre assets.

We believe these two business segments complement and support one another. Prior to COVID-19, we used cash flows generated by our cinema operations to fund the front-end cash demands of our real estate development business. As a result of COVID-19, we relied more upon income from our real estate assets, and the imbedded value in those assets, to support our Company through the COVID-19 crisis. As COVID-19 mortality rates decrease, government restrictions ease, and quality film product and patrons return to our cinemas, we anticipate being able to once again rely on the cash flows generated by our cinema portfolio. We are steadfast in our belief that this two-pronged, diversified international business strategy will carry our Company through these difficult times as we continue to navigate the uncertainty and challenges posed by the global COVID-19 pandemic, including the emergence of new variants.

Key Performance Indicators

A key performance indicator utilized by management is Food and Beverage (“F&B”) Spend Per Patron (“SPP”).

One of our strategic priorities has been and continues to be upgrading the food and beverage menu at a number of our global cinemas. We use SPP as a measure of our performance as compared to the performance of our competitors, as well as a measure of the performance of our food and beverage operations. While ultimately, the profitability of our food and beverage operations depends on a variety of factors, including labor cost and cost of goods sold, we think that this calculation is important to show how well we are doing on a top line basis.

Due to factors discussed in our *Cautionary Statement Regarding Forward-Looking Statements* that continue to adversely impact cinema attendances, we do not currently believe that a discussion of Reading’s key performance indicators will serve as a useful metric for stockholders. However, we intend to resume providing a discussion of our key performance indicators in future filings.

Cinema Exhibition Overview

We operate our worldwide cinema exhibition businesses through various subsidiaries under various brands:

- in the U.S., under the Reading Cinemas, Angelika Film Centers, and Consolidated Theatres brands.
- in Australia, under the Reading Cinemas, the State Cinema by Angelika, and the unconsolidated joint venture, Event Cinemas brands.
- in New Zealand, under the Reading Cinemas and the unconsolidated joint venture, Rialto Cinemas brands.

Shown in the following table are the number of locations and screens in our cinema circuit in each country, by state/territory/region, our cinema brands, and our interest in the underlying assets as of March 31, 2022.

Country	State / Territory / Region	Location Count	Screen Count	Interest in Asset Underlying the Cinema Leased	Interest in Asset Underlying the Cinema Owned	Operating Brands
United States	Hawaii	9	98	9		Consolidated Theatres
	California	7	88	7		Reading Cinemas, Angelika Film Center
	New York	3	16	2	1	Angelika Film Center
	Texas	2	13	2		Angelika Film Center
	New Jersey	1	12	1		Reading Cinemas
	Virginia	1	8	1		Angelika Film Center
	Washington, D.C.	1	3	1		Angelika Film Center
	U.S. Total	**24**	**238**	**23**	**1**	
Australia	Victoria	9	62	9		Reading Cinemas
	New South Wales	6	44	5	1	Reading Cinemas
	Queensland	6	56	3	3	Reading Cinemas, Event Cinemas(1)
	Western Australia	2	16	1	1	Reading Cinemas
	South Australia	2	15	2		Reading Cinemas
	Tasmania	2	14	2		Reading Cinemas, State Cinema by Angelika
	Australia Total	**27**	**207**	**22**	**5**	
New Zealand	Wellington	3	18	2	1	Reading Cinemas
	Otago	3	15	2	1	Reading Cinemas, Rialto Cinemas(2)
	Auckland	2	15	2		Reading Cinemas, Rialto Cinemas(2)
	Canterbury	1	8	1		Reading Cinemas
	Southland	1	5	1		Reading Cinemas
	Bay of Plenty	1	5		1	Reading Cinemas
	Hawke's Bay	1	4		1	Reading Cinemas
	New Zealand Total	**12**	**70**	**8**	**4**	
GRAND TOTAL		**63**	**515**	**53**	**10**	

(1) Our Company has a 33.3% unincorporated joint venture interest in a 16-screen cinema located in Mt. Gravatt, Queensland managed by Event Cinemas.
(2) Our Company is a 50% joint venture partner in two New Zealand Rialto Cinemas, with a total of 13 screens. We are responsible for the booking of these cinemas and our joint venture partner, Event Cinemas, manages their day-to-day operations.

Our cinema revenues consist primarily of admissions, F&B sales, screen advertising, gift card purchases, cinema rentals, and online convenience fee revenue generated by the sale of our cinema tickets through our websites and mobile apps. Cinema operating expenses consist of the costs directly attributable to the operation of the cinemas, including (i) film rent expense, (ii) operating costs, such as employment costs and utilities, and (iii) occupancy costs. Cinema revenues and certain expenses fluctuate with the availability of quality first run films and the numbers of weeks such first run films stay in the market. For a breakdown of our current cinema assets that we own and/or manage, please refer to *Part I, Item 1 – Our Business* of our 2021 Form 10-K. We now present a discussion of recent material developments.

Cinema Additions and Pipeline

The latest additions to our cinema portfolio as of March 31, 2022, were as follows:

- *Traralgon, Victoria, Australia:* On December 15, 2021, we opened a new state-of-the-art five-screen Reading Cinemas in Traralgon, Victoria.
- *Millers Junction, Victoria, Australia:* On June 16, 2021, we opened a new state-of-the-art six screen Reading Cinemas at the expanded Millers Junction Village featuring two TITAN LUXE auditoriums with DOLBY ATMOS immersive sound, luxury recliner seating in all auditoriums, and an enhanced F&B offering.

By the end of 2022, we anticipate adding an eight-screen complex scheduled to open at South City Square, Brisbane QLD. The new location will operate under the Angelika Film Center brand. By the end of 2023, we anticipate adding a five-screen Reading Cinema in Busselton in Western Australia. Both new cinema complexes are part of broader shopping center developments currently under construction.

Cinema Upgrades

As of March 31, 2022, all of the upgrades to our cinema circuits' film exhibition technology and amenities over the years were as summarized in the following table:

	Location Count	Screen Count
Screen Format		
Digital (all cinemas in our cinema circuit)	63	515
IMAX	1	1
TITAN XC and LUXE	26	32
Dine-in Service		
Gold Lounge (AU/NZ)(1)	9	24
Premium (AU/NZ)(2)	16	42
Spotlight (U.S.)(3)	1	6
Upgraded Food & Beverage menu (U.S.)(4)	18	n/a
Premium Seating (features recliner seating)	30	189
Liquor Licenses (5)	37	n/a

(1) **Gold Lounge**: This is our "First Class Full Dine-in Service" in our Australian and New Zealand cinemas, which includes an upgraded F&B menu (with alcoholic beverages), luxury recliner seating features (intimate 25-50 seat cinemas) and waiter service.
(2) **Premium Service**: This is our "Business Class Dine-in Service" in our Australian and New Zealand cinemas, which typically includes upgraded F&B menu (some with alcoholic beverages) and may include luxury recliner seating features (less intimate 80-seat cinemas), but no waiter service.
(3) **Spotlight Service**: Our first dine-in cinema concept in the U.S. at Reading Cinemas in Murrieta, California. Six of our 17 auditoriums at this cinema feature waiter service before the movie begins with a full F&B menu, luxury recliner seating, and laser focus on customer service. Our Spotlight service has been temporarily suspended since the initial COVID-19 shutdown.
(4) **Upgraded Food & Beverage Menu**: Features an elevated F&B menu including a menu of locally inspired and freshly prepared items that go beyond traditional concessions, which we have worked with former Food Network executives to create. The elevated menu also includes beer, wine and/or spirits at most of our locations.
(5) **Liquor Licenses:** Licenses are applicable at each cinema location, rather than each cinema auditorium. As of March 31, 2022, we have pending applications for additional liquor licenses for eleven cinemas in the U.S and two in Australia.

Recent Enhancements:

United States

- *Kapolei renovation*: On March 3, 2022, we reopened our Consolidated Theatre in Kapolei, in Western Oahu, Hawaii with eight screens featuring recliner seating and a renovation of the lobby areas.

As of March 31, 2022, we have converted 110 of our 238 U.S. auditoriums to luxury recliner seating.

We continue to enhance our proprietary online ticketing and F&B capabilities, improve our contactless experiences, and develop our social media platforms. Our goal is to enhance the convenience and safety of our offerings while promoting guest affinity with our brands. The first quarter of 2022 was our first full quarter offering online ordering of a full F&B menu for our Reading Cinemas in Australia and New Zealand.

Cinema Closures

No cinemas are currently closed due to the COVID-19 or its variants. As of the date of this Report, one cinema in the United States and one cinema in New Zealand are closed due to reasons unrelated to the pandemic.

Real Estate Overview

Through our various subsidiaries, we engage in the real estate business through the development and ownership and rental or licensing to third parties of retail, commercial, and live theatre assets. Our real estate business creates long-term value for our stockholders through the continuous improvement and development of our investment and operating properties, including our ETCs. As of March 31, 2022, we owned the fee interests in both of our live theatres in Manhattan and in 10 of our cinemas (as presented in the table under *Cinema Exhibition Overview*). In addition, we:

- owned our 44 Union Square property comprised of retail and office space which is currently in the lease-up phase. The lower level, ground floor, and second floor of the building are now fully leased to a national retailer, and construction for retail tenant fit out has begun;
- owned and operated four ETCs known as Newmarket Village (in a suburb of Brisbane), The Belmont Common (in a suburb of Perth), and Cannon Park (in Townsville) in Australia, and Courtenay Central (in Wellington) in New Zealand;
- owned and operated our administrative office building in Culver City and, during the second quarter 2020, entered into a multi-year lease with a corporate tenant for the entire second floor;
- owned and operated our administrative office building in South Melbourne, Australia;
- owned and operated the fee interests in two developed commercial properties in Manhattan improved with live theatres comprised of two stages;
- owned a 75% managing member interest in a limited liability company which in turn owns the fee interest in and improvements constituting our Cinemas 1,2,3;
- owned 197-acres principally in Pennsylvania from our legacy railroad business, including the Reading Viaduct in downtown Philadelphia; and
- have exercised our option to purchase the improvements and ground lease comprising our cinema, Village East by Angelika cinema, and headquarters building at 189 Second Avenue in Manhattan.

For a breakdown of our real estate assets, made current by our discussion below, please refer to *Part I, Item 1 – Our Business* of our 2021 Form 10-K. We now present a discussion of recent material developments.

Value-creating Opportunities

The implementation of most of our Company’s real estate development plans have been delayed due to COVID-19 and the need to conserve capital. However, we intend to continue to emphasize the prudent development of our real estate assets as we emerge from the pandemic.

United States:

- *44 Union Square Redevelopment (New York, N.Y.)* – Initially, during the COVID-19 pandemic, New York City shut down non-essential construction and businesses, including construction work at our site. The shutdown has since been lifted. On August 31, 2020, we received a temporary certificate of occupancy for the core and shell of the building, which has been continuously renewed pending construction of tenant improvements.

  On January 27, 2022, we entered into a long-term lease with a national retailer for the lower level, ground floor and second floor of the building. We expect the tenant to take occupancy in 2022, following the completion of certain work for which we are responsible. We have retained CBRE as our leasing agent for the upper floors of the building. Our leasing team continues to pursue potential tenants to fill the remainder of the space, although no assurances can be given that we will be able to lease the space on acceptable terms in the near term.

  This building, hailed as a dramatic pièce de résistance with its first in the city, over 800-piece glass dome, brings the future to New York’s fabled past and was awarded in 2020 the ENR New York’s Best Projects awards for Renovation/Restoration and for Safety. In July 2021, 44 Union Square/Tammany Hall was a jury and popular choice winner in the Architecture and Collaboration concept category of the Architizer A+ Awards, the world’s largest awards program for architecture and building products.

- *Minetta Lane Theatre (New York, N.Y.)* – Prior to COVID-19, our theatre was used by Audible, to present plays featuring a limited cast of one or two characters and special live performance engagements on the Audible streaming service. Due to COVID-19, no shows were presented between March 2020 and October 8, 2021, the date on which public performances resumed. In late 2019, we completed an initial feasibility study for the potential redevelopment of this asset. We will refocus our efforts on this project at a later date. In the interim, we renewed our license arrangement with Audible which extends through March 15, 2023, with a one-year option to extend held by Audible.

- *Cinemas 1,2,3 Redevelopment (New York, N.Y.)* – We have received the consent of the 25% minority member of the ownership entity for the redevelopment of the property. We continue to evaluate the potential to redevelop the property as a mixed-use property. As our negotiations with our neighbor for a joint development did not bear fruit and given the closure of our two cinemas in New York City's Upper East Side, we have determined to continue to operate this location as a cinema for at least the near term. All other redevelopment activity related to this location has been suspended, until we are able to develop a better understanding of the ongoing effects of COVID-19 on our assets and the market

New Zealand:

- *Courtenay Central Redevelopment (Wellington)* – Located in the heart of Wellington – New Zealand's capital city – our Courtenay Central property covers, on a consolidated basis through various subsidiaries, 161,000 square feet of land situated proximate to (i) the Te Papa Tongarewa Museum (attracting over 1.5 million visitors annually, pre-COVID), and (ii) across the street from Takina, the site of the future Wellington Convention and Exhibition Centre (wcec.co.nz), the capital's first premium conference and exhibition space, which is due to be completed in 2023. Despite the COVID-19 pandemic, construction for this major public project has resumed and plans include the creation of a public concourse linking through to Wakefield Street, which is across the street from our Courtenay Central project.

   As previously reported, damage from the 2016 Kaikoura earthquake necessitated demolition of our nine-story parking garage at the site, and unrelated seismic issues caused us to close major portions of the existing cinema and retail structure in early 2019. Prior to the COVID-19 pandemic, the real estate team had developed a comprehensive plan featuring a variety of uses to complement and build upon the "destination quality" of the Courtenay Central location. Notwithstanding the COVID-19 pandemic, our real estate team is continuing to work with our consultants, tenants, potential tenants, and city representatives to advance our redevelopment plans for this property. Given the uncertainty surrounding the COVID-19 pandemic, we have no fixed time frame for the commencement of the redevelopment of this property.

Corporate Matters

Refer to *Part I – Financial Information, Item 1 – Notes to Consolidated Financial Statements-- Note 16 – Stock-Based Compensation and Stock Repurchases* for details regarding our stock repurchase program and Board, Executive and Employee stock-based remuneration programs.

Please refer to our 2021 Form 10-K for more details on our cinema and real estate segments.

RESULTS OF OPERATIONS

The table below summarizes the results of operations for each of our principal business segments along with the non-segment information for the three months ended March 31, 2022, and March 31, 2021, respectively:

(Dollars in thousands)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	% Change Fav/ (Unfav)
SEGMENT RESULTS			
Revenue			
Cinema exhibition	$ 37,347	$ 18,115	>100 %
Real estate	4,162	3,323	25 %
Inter-segment elimination	(1,309)	(131)	(>100) %
Total revenue	40,200	21,307	89 %
Operating expense			
Cinema exhibition	(39,812)	(22,013)	(81) %
Real estate	(2,157)	(2,655)	19 %
Inter-segment elimination	1,309	131	>100 %
Total operating expense	(40,660)	(24,537)	(66) %
Depreciation and amortization			
Cinema exhibition	(3,575)	(3,578)	- %
Real estate	(1,672)	(1,840)	9 %
Total depreciation and amortization	(5,247)	(5,418)	3 %
General and administrative expense			
Cinema exhibition	(1,176)	(799)	(47) %
Real estate	(229)	(196)	(17) %
Total general and administrative expense	(1,405)	(995)	(41) %
Segment operating income			
Cinema exhibition	(7,216)	(8,275)	13 %
Real estate	104	(1,368)	>100 %
Total segment operating income (loss)	**$ (7,112)**	**$ (9,643)**	26 %
NON-SEGMENT RESULTS			
Depreciation and amortization expense	(277)	(231)	(20) %
General and administrative expense	(4,391)	(4,103)	(7) %
Interest expense, net	(3,205)	(4,363)	27 %
Equity earnings of unconsolidated joint ventures	(65)	(50)	(30) %
Gain (loss) on sale of assets	—	46,545	(>100) %
Other income (expense)	(781)	1,641	(>100) %
Income before income taxes	(15,831)	29,796	(>100) %
Income tax benefit (expense)	378	(7,728)	>100 %
Net income (loss)	(15,453)	22,068	(>100) %
Less: net income (loss) attributable to noncontrolling interests	(99)	3,103	(>100) %
Net income (loss) attributable to Reading International, Inc.	**$ (15,354)**	**$ 18,965**	**(>100) %**
Basic earnings (loss) per share	**$ (0.70)**	**$ 0.87**	**(>100) %**

Consolidated and Non-Segment Results:

<u>Three Months Net Results</u>

<u>Revenue</u>

Revenue for the three months ended March 31, 2022, increased by $18.9 million, to $40.2 million, when compared to the same period in the prior year. This increase was attributable to substantially all of our cinemas operating during the first three months of 2022, compared to the same period in 2021, when most or our U.S. cinemas were closed due to local government mandates for most of the reporting period. This increase was also favorably impacted by the release of more blockbuster films, such as the highly anticipated films *The Batman* and *Uncharted*. Specialty films have also bounced back and have shown strength, like *Licorice Pizza* and *The Worst Person in the World.* This result was further aided by the rental income generated from our U.S. Live Theatre business unit during the first three months of 2022, compared to the same period in 2021 (when our live theatres were closed). This increase was offset by the monetization of our Auburn/Redyard ETC in 2021, which generated property rental income from third party leases.

Segment Operating Income/(Loss)

Our total segment operating loss decreased from a loss of $9.6 million to a loss of $7.1 million due to easing government restrictions and better film content available during the current reporting period. This operating loss was mitigated by the rental revenue generated from our U.S. Live Theatre business unit during the first three months of 2022, compared to the same period in 2021 (when our live theatres were closed), partially offset by loss of third-party property income from our Auburn/Redyard ETC monetization in June 2021 and an increase in occupancy costs related to the monetization of our Invercargill property in August 2021.

Net Income/(Loss)

For the three months ended March 31, 2022, net loss attributable to Reading International, Inc. increased by $34.3 million, to a loss of $15.4 million, from net income of $19.0 million of the same period in the prior year. This loss increase is largely due to the prior period profits from our asset monetizations that did not reoccur for the three months ended March 31, 2022, partially offset by the increase in income tax benefit.

Non-Segment General & Administrative Expenses

Non-segment general and administrative expense for the three months ended March 31, 2022, increased 7%, or $0.3 million, to $4.4 million compared to the three months ended March 31, 2021. This increase is attributable to an increase in salaries and wages due to increased operating activities.

Interest Expense

Interest expense decreased by $1.2 million for the three months ended March 31, 2022, related to the repayment of certain debt as well as refinancing other debt.

Other Expense

Other expense increased by $2.4 million driven by foreign exchange losses on cash held by foreign operations in currencies other than their native currency.

Income Tax Expense

Income tax expense for the three months ended March 31, 2022, decreased by $8.1 million to a tax benefit of $0.4 million compared to the equivalent prior-year period. The change between 2022 and 2021 is primarily related to the decrease in pretax income in 2022, offset by increase in valuation allowance in 2022.

Business Segment Results

Cinema Exhibition

The following table details our cinema exhibition segment operating results for the three months ended March 31, 2022, and March 31, 2021, respectively:

		Three Months Ended				
(Dollars in thousands)		March 31, 2022	*% of Revenue*	March 31, 2021	*% of Revenue*	Three Months Ended
REVENUE						
United States	Admissions revenue	$ 9,648	*26%*	$ 1,885	*10%*	>100%
	Food & beverage revenue	6,097	*16%*	1,241	*7%*	>100%
	Advertising and other revenue	1,772	*5%*	664	*4%*	>100%
		$ 17,517	***47%***	**$ 3,790**	***21%***	**>100%**
Australia	Admissions revenue	$ 10,181	*27%*	$ 7,464	*41%*	36%
	Food & beverage revenue	5,717	*15%*	3,722	*21%*	54%
	Advertising and other revenue	1,083	*3%*	932	*5%*	16%
		$ 16,981	***45%***	**$ 12,118**	***67%***	**40%**
New Zealand	Admissions revenue	$ 1,746	*5%*	$ 1,415	*7%*	23%
	Food & beverage revenue	942	*3%*	657	*4%*	43%
	Advertising and other revenue	161	*0%*	135	*1%*	19%
		$ 2,849	***8%***	**$ 2,207**	***12%***	**29%**
Total revenue		**$ 37,347**	***100%***	**$ 18,115**	***100%***	**>100%**
OPERATING EXPENSE						
United States	Film rent and advertising cost	$ (5,231)	*14%*	$ (810)	*4%*	(>100)%
	Food & beverage cost	(1,574)	*4%*	(314)	*1%*	(>100)%
	Occupancy expense	(6,050)	*17%*	(6,255)	*35%*	3%
	Other operating expense	(8,306)	*22%*	(3,032)	*17%*	(>100)%
		$ (21,161)	***57%***	**$ (10,411)**	***57%***	**(>100)%**
Australia	Film rent and advertising cost	$ (4,440)	*12%*	$ (3,029)	*17%*	(47)%
	Food & beverage cost	(1,196)	*3%*	(836)	*5%*	(43)%
	Occupancy expense	(4,328)	*11%*	(2,186)	*12%*	(98)%
	Other operating expense	(5,755)	*15%*	(3,538)	*19%*	(63)%
		$ (15,719)	***41%***	**$ (9,589)**	***53%***	**(64)%**
New Zealand	Film rent and advertising cost	$ (720)	*2%*	$ (565)	*3%*	(27)%
	Food & beverage cost	(170)	*1%*	(124)	*1%*	(37)%
	Occupancy expense	(850)	*2%*	(455)	*2%*	(87)%
	Other operating expense	(1,192)	*3%*	(870)	*5%*	(37)%
		$ (2,932)	***8%***	**$ (2,014)**	***11%***	**(46)%**
Total operating expense		**$ (39,812)**	***106%***	**$ (22,013)**	***121%***	**(81)%**
DEPRECIATION, AMORTIZATION, GENERAL AND ADMINISTRATIVE EXPENSE						
United States	Depreciation and amortization	$ (1,899)	*5%*	$ (1,828)	*10%*	(4)%
	General and administrative expense	(776)	*2%*	(513)	*3%*	(51)%
		$ (2,675)	***7%***	**$ (2,341)**	***13%***	**(14)%**
Australia	Depreciation and amortization	$ (1,434)	*4%*	$ (1,426)	*8%*	(1)%
	General and administrative expense	(400)	*1%*	(287)	*1%*	(40)%
		$ (1,834)	***5%***	**$ (1,713)**	***9%***	**(7)%**
New Zealand	Depreciation and amortization	$ (242)	*1%*	$ (324)	*2%*	25%
	General and administrative expense	—	*0%*	—	*0%*	-%
		$ (242)	***1%***	**$ (324)**	***2%***	**25%**
Total depreciation, amortization, general and administrative expense		**$ (4,751)**	***13%***	**$ (4,377)**	***24%***	**(9)%**
OPERATING INCOME (LOSS) – CINEMA						
United States		$ (6,319)	*(16)%*	$ (8,960)	*(50)%*	29%
Australia		(572)	*(2)%*	816	*5%*	(>100)%
New Zealand		(325)	*(1)%*	(131)	*0%*	(>100)%
Total Cinema operating income (loss)		**$ (7,216)**	***(19)%***	**$ (8,275)**	***(45)%***	**13%**

Three Months Results

Revenue

For the three months ended March 31, 2022, cinema revenue increased by $19.2 million, to $37.3 million compared to the same period in 2021. This increase is primarily driven by more days of operation and higher occupancy rates for our cinemas worldwide due to fewer government restrictions during the first three months of 2022, compared to the same period in the prior year. Further, the releases of major blockbuster films, such as *The Batman* and *Uncharted* significantly improved attendance. These favorable results were further enhanced by the opening of our new state-of-the-art cinemas in Millers Junction and Traralgon, Australia in June and December of 2021, respectively.

Cinema Segment Operating Income/(Loss)

Cinema segment operating loss for the three months ended March 31, 2022, decreased by $1.1 million, to a loss of $7.2 million when compared to the same period in 2021, due to fewer government restrictions and a higher quantity and quality of tentpole films released during the first three months of 2022. This loss decrease was partially offset by increased occupancy costs in Australia and New Zealand as a result of restarting internal rent that was abated during 2021.

Operating expense

Operating expense for the three months ended March 31, 2022, increased by $17.8 million, to $39.8 million due to increased (i) film rent correlated to higher admissions, (ii) other operating expenses, and (iii) occupancy costs in Australia and New Zealand as a result of restarting internal rent that was abated during 2021.

Depreciation, amortization, general and administrative expense

Depreciation, amortization, general and administrative expense for the three months ended March 31, 2022, increased by $0.4 million, to $4.8 million, compared to the same period in 2021. This increase is attributable to an increase in salaries and wages.

Real Estate

The following table details our real estate segment operating results for the three months ended March 31, 2022 and March 31, 2021, respectively:

(Dollars in thousands)		Three Months Ended March 31, 2022	% of Revenue	March 31, 2021	% of Revenue	Three Months Ended
REVENUE						
United States	Live theatre rental and ancillary income	$ 516	12%	$ 82	2%	>100%
	Property rental income	160	4%	137	5%	17%
		676	***16%***	**219**	***7%***	**>100%**
Australia	Property rental income	**3,130**	***75%***	**2,874**	***86%***	9%
New Zealand	Property rental income	**356**	***9%***	**230**	***7%***	55%
Total revenue		**$ 4,162**	***100%***	**$ 3,323**	***100%***	**25%**
OPERATING EXPENSE						
United States	Live theatre cost	$ (177)	4%	$ (95)	3%	(86)%
	Property cost	(325)	8%	(341)	10%	5%
	Occupancy expense	(256)	6%	(397)	12%	36%
		(758)	***18%***	**(833)**	***25%***	**9%**
Australia	Property cost	(470)	11%	(765)	23%	39%
	Occupancy expense	(522)	13%	(599)	18%	13%
		(992)	***24%***	**(1,364)**	***41%***	**27%**
New Zealand	Property cost	(306)	8%	(342)	10%	11%
	Occupancy expense	(101)	2%	(116)	4%	13%
		(407)	***10%***	**(458)**	***14%***	**11%**
Total operating expense		**$ (2,157)**	***52%***	**$ (2,655)**	***80%***	**19%**
DEPRECIATION, AMORTIZATION, GENERAL AND ADMINISTRATIVE EXPENSE						
United States	Depreciation and amortization	$ (754)	19%	$ (746)	22%	(1)%
	General and administrative expense	(227)	5%	(184)	6%	(23)%
		(981)	***24%***	**(930)**	***28%***	**(5)%**
Australia	Depreciation and amortization	$ (692)	17%	$ (842)	25%	18%
	General and administrative expense	(2)	0%	(9)	0%	78%
		(694)	***17%***	**(851)**	***25%***	**18%**
New Zealand	Depreciation and amortization	(226)	5%	(253)	8%	11%
	General and administrative expense	—	0%	(2)	0%	100%
		(226)	***5%***	**(255)**	***8%***	**11%**
Total depreciation, amortization, general and administrative expense		**$ (1,901)**	***46%***	**$ (2,036)**	***61%***	**7%**
OPERATING INCOME (LOSS) - REAL ESTATE						
United States		$ (1,063)	(26)%	$ (1,544)	(46)%	31%
Australia		1,444	35%	659	20%	>100%
New Zealand		(277)	(7)%	(483)	(15)%	43%
Total real estate operating income (loss)		**$ 104**	***2%***	**$ (1,368)**	***(41)%***	**>100%**

Three Months Results

Revenue

Real estate revenue for the three months ended March 31, 2022, increased by $0.8 million to $4.2 million, compared to the same period in 2021. This increase is largely due to rental revenue generated from our U.S. Live Theatre business unit and an increase in internal rental income in Australia and New Zealand that was abated during 2021. This revenue increase was partially offset by loss of third-party rental income from the monetization of our Auburn/Redyard ETC in June 2021 and the elimination of internal rental income from the monetization of our Invercargill property in August 2021.

Real Estate Segment Income/(Loss)

Real estate segment operating income for the three months ended March 31, 2022, increased by $1.5 million, to $0.1 million, compared to the loss of $1.5 million from the same period in 2021. This increase is attributable to rental revenue generated from our U.S. Live Theatre business unit and an increase in internal rental income in Australia and New Zealand that was abated during 2021.

Operating Expense

Operating expense for the three months ended March 31, 2022, decreased by $0.5 million, to $2.2 million. The asset monetization of our Coachella and Manukau landholdings, our Auburn/Redyard ETC, and Invercargill property contributed to decreases in operating expenses quarter-over-quarter.

Depreciation, Amortization, General and Administrative Expense

Depreciation, amortization, general and administrative expense for the three months ended March 31, 2022, remained relatively flat at $1.9 million. There was a slight decrease in depreciation and amortization in Australia related to the monetization of our Auburn/Redyard ETC and Invercargill property.

LIQUIDITY AND CAPITAL RESOURCES

Our COVID-19 Financing Strategy

Our Financing Strategy

Prior to the interruption to our revenues caused by the COVID-19 pandemic, we had used cash generated from operations and other excess cash to the extent not needed to fund capital investments contemplated by our business plan, to pay down our loans and credit facilities. This provided us with availability under our loan facilities for future use and thereby, reduced interest charges. On a periodic basis, we have reviewed the maturities of our borrowing arrangements and negotiated renewals and extensions where necessary. On March 3, 2022, we exercised the first of two six-month options to extend the Cinemas 1,2,3 Term Loan, taking the maturity to October 1, 2022.

Our bank loans with Bank of America, NAB, and Westpac require that our Company comply with certain covenants. Furthermore, our Company's use of these loan funds is limited due to limitations on the expatriation of funds from Australia and New Zealand to the United States. We believe that our lenders understand that the current situation, relating to the COVID-19 pandemic, is not of our making, that we are doing everything that can reasonably be done, and that, generally speaking, our relationship with our lenders is good.

Our Company remains focused on the various economic factors affecting us as the markets in which we operate emerge from the worst effects of the COVID-19 pandemic, including financial, economic, competitive, regulatory, and other factors, many of which are beyond our control. If our Company is unable to generate sufficient cash flow in the upcoming months or if its cash needs exceed our Company's borrowing capacity under its available facilities, we could be required to adopt one or more alternatives, such as reducing, delaying or eliminating planned capital expenditures, selling additional assets, or restructuring debt.

For more information about our borrowings, please refer to *Part I – Financial Information, Item 1 – Notes to Consolidated Financial Statements*-- *Note 11 – Borrowings*.

The changes in cash and cash equivalents for the three months ended March 31, 2022, and March 31, 2021, respectively, are discussed as follows:

(Dollars in thousands)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	% Change
Net cash provided by (used in) operating activities	$ (14,062)	$ (3,774)	(>100) %
Net cash provided by (used in) investing activities	(1,775)	63,906	(>100) %
Net cash provided by (used in) financing activities	(1,606)	(45,713)	96 %
Effect of exchange rate on cash and restricted cash	687	(326)	>100 %
Increase (decrease) in cash and cash equivalents and restricted cash	$ (16,756)	$ 14,093	(>100) %

Operating activities

Cash used in operating activities for the three months ended March 31, 2022, increased by $10.3 million, to $14.1 million driven by a $22.3 million increase in net changes in operating assets and liabilities primarily resulting from tax payable, accrued expenses, accounts payable, and film rent, offset by an increase in cash inflows from and improvement in trading conditions.

Investing activities

Cash used in investing activities during the three months ended March 31, 2022, increased by $65.7 million, to $1.8 million when compared to the same period in 2021. This increase is primarily attributable to the proceeds from the monetizations of our assets in 2021 that did not occur in the current reporting period.

Financing activities

Cash used in financing activities for the three months ended March 31, 2022, decreased by $44.1 million, to $1.6 million due to prior year debt repayments discussed in *Part 1 – Financial Information, Item 1 – Notes to Consolidated Financial Statements-- Note 11 – Borrowings*.

The table below presents the changes in our total available resources (cash and borrowings), debt-to-equity ratio, working capital, and other relevant information addressing our liquidity for the first quarter ended March 31, 2022, and preceding four years:

($ in thousands)	As of and for the 3-Months Ended March 31, 2022	Year Ended December 31 2021	2020	2019	2018[(1)]
Total Resources (cash and borrowings)					
Cash and cash equivalents (unrestricted)	$ 67,263	$ 83,251	$ 26,826	$ 12,135	$ 13,127
Unused borrowing facility	12,000	12,000	15,490	73,920	85,886
Restricted for capital projects	12,000	12,000	9,377	13,952	30,318
Unrestricted capacity	—	0	6,113	59,968	55,568
Total resources at period end	79,263	95,251	42,316	86,055	99,013
Total unrestricted resources at period end	67,263	83,251	32,939	72,103	68,695
Debt-to-Equity Ratio					
Total contractual facility	$ 250,142	$ 248,948	$ 300,449	$ 283,138	$ 252,929
Total debt (gross of deferred financing costs)	238,142	236,948	284,959	209,218	167,043
Current	41,696	12,060	42,299	37,380	30,393
Non-current	196,446	224,888	242,660	171,838	136,650
Finance lease liabilities	57	68	209	—	—
Total book equity	93,494	105,060	81,173	139,616	179,979
Debt-to-equity ratio	2.55	2.26	3.51	1.50	0.93
Changes in Working Capital					
Working capital (deficit)[(2)]	$ (55,613)	$ (6,673)	$ (64,140)	$ (84,138)	$ (56,047)
Current ratio	0.60	0.94	0.47	0.24	0.35
Capital Expenditures (including acquisitions)	$ 1,741	$ 14,428	$ 16,759	$ 47,722	$ 56,827

(1) Please refer to *Part II – Notes to Consolidated Financial Statements-- Note 2 – Summary of Significant Accounting Policies – Prior Period Financial Statements Correction of Immaterial Errors* of the 2021 Form 10-K for the prior period adjustments for accounting for accrued sales tax deemed not material.

(2) Our working capital is reported as a deficit, as we receive revenue from our cinema business ahead of the time that we have to pay our associated liabilities. We use the money we receive to pay down our borrowings in the first instance.

At March 31, 2022, our total outstanding borrowings were $238.1 million compared to $236.9 million at December 31, 2021. As of March 31, 2022, we had $67.3 million in cash and cash equivalents compared to $83.3 million at December 31, 2021. At March 31, 2022, our cash and cash equivalents totaled $67.3 million.

We manage our cash, investments, and capital structure to meet the short-term and long-term obligations of our business, while maintaining financial flexibility and liquidity. We forecast, analyze, and monitor our cash flows to enable investment and financing within the overall constraints of our financial strategy. In the past, we used cash generated from operations and other excess cash to the extent not needed for any capital expenditures, to pay down our loans and credit facilities providing us some flexibility on our available loan facilities for future use and thereby, reducing interest charges. Following these drawdowns, our global debt was $275.9 million. Since then, we have reduced our debt to $238.1 million as of March 31, 2022.

CONTRACTUAL OBLIGATIONS, COMMITMENTS AND CONTINGENCIES

The following table provides information with respect to the maturities and scheduled principal repayments of our recorded contractual obligations and certain of our commitments and contingencies, either recorded or off-balance sheet, as of March 31, 2022:

(Dollars in thousands)	2022	2023	2024	2025	2026	Thereafter	Total
Debt[1]	$ 31,582	$ 115,764	$ 52,900	$ 300	$ 314	$ 7,500	$ 208,360
Operating leases, including imputed interest	26,095	34,725	33,246	31,258	28,958	161,182	315,464
Finance leases, including imputed interest	30	29	—	—	—	—	59
Subordinated debt[1]	536	747	586	—	—	27,913	29,782
Pension liability	513	684	684	684	684	925	4,174
Estimated interest on debt [2]	7,889	7,715	2,665	1,532	1,517	611	21,929
Village East purchase option[3]	—	5,900	—	—	—	—	5,900
Total	$ 66,645	$ 165,564	$ 90,081	$ 33,774	$ 31,473	$ 198,131	$ 585,668

(1) Information is presented gross of deferred financing costs.
(2) Estimated interest on debt is based on the anticipated loan balances for future periods and current applicable interest rates.
(3) Represents the lease liability of the option associated with the ground lease purchase of the Village East Cinema.

Litigation

We are currently involved in certain legal proceedings and, as required, have accrued estimates of probable and estimable losses for the resolution of these claims.

Please refer to *Part I, Item 3 – Legal Proceedings* in our 2021 Form 10-K for more information. There have been no material changes to our litigation since our 2021 Form 10-K, except as set forth in *Notes to Consolidated Financial Statements-- Note 14 – Commitments and Contingencies* included herein in *Part I – Financial Information, Item 1 – Financial Statements* on this Quarterly Report on Form 10-Q. This note sets out our litigation accounting policies.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements or obligations (including contingent obligations) that have, or are reasonably likely to have, a current or future material effect on our financial condition, changes in the financial condition, revenue or expense, results of operations, liquidity, capital expenditures or capital resources.

CRITICAL ACCOUNTING POLICIES

We believe that the application of the following accounting policies requires significant judgments and estimates in the preparation of our Consolidated Financial Statements and hence, are critical to our business operations and the understanding of our financial results:

(i) Impairment of Long-lived Assets (other than Goodwill and Intangible Assets with indefinite lives) – we evaluate our long-lived assets and finite-lived intangible assets using historical and projected data of cash flows as our primary indicator of potential impairment and we take into consideration the seasonality of our business. If the sum of the estimated, undiscounted future cash flows is less than the carrying amount of the asset, then an impairment is recognized for the amount by which the carrying value of the asset exceeds its estimated fair value based on an appraisal or a discounted cash flow calculation. For certain non-income producing properties or for those assets with no consistent historical or projected cash flows, we obtain appraisals or other evidence to evaluate whether there are impairment indicators for these assets.

No impairment losses were recorded for long-lived and finite-lived intangible assets for the first three months ended March 31, 2022.

(ii) Impairment of Goodwill and Intangible Assets with indefinite lives – goodwill and intangible assets with indefinite useful lives are not amortized, but instead, tested for impairment at least annually on a reporting unit basis. The impairment evaluation is based on the present value of estimated future cash flows of each reporting unit plus the expected terminal value. There are significant assumptions and estimates used in determining the future cash flows and terminal value. The most significant assumptions include our cost of debt and cost of equity assumptions that comprise the weighted average cost of capital for each reporting unit. Accordingly, actual results could vary materially from such estimates.

No impairment losses were recorded for goodwill and indefinite-lived intangible assets for the first three months ended March 31, 2022.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report contains forward-looking statements within the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as: "may," "will," "expect," "believe," "intend," "future," and "anticipate" and similar references to future periods. Examples of forward-looking statements include, among others, statements we make regarding the closures and reopening of our cinemas and theatres, including our expectations regarding renovations and addition of cinemas; our expected operating results, including the long-term impact of the COVID-19 pandemic and our ultimate return to pre-pandemic type results; our expectations regarding the recovery and future of the cinema exhibition industry, including the strength of movies anticipated for release in the future; our expectations regarding people returning to our theatres and continuing to use discretionary funds on entertainment outside of the home; our expectations regarding the impact of streaming and mobile video services on the cinema exhibition industry; our expectations regarding the impact of inflation on disposable income and its effect on customer attendance; our belief regarding the impact of a tightening labor market and supply disruptions on our business; our expectations regarding the enhancement of our proprietary online ticketing capabilities and social media interfaces; our belief regarding the attractiveness of 44 Union Square to potential tenants and ability to lease space on acceptable terms; and our expectations of our liquidity and capital requirements and the allocation of funds. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the following:

- with respect to our cinema and live theatre operations:
  - the adverse effects of the COVID-19 pandemic and its variants on our Company’s results from operations, liquidity, cash flows, financial condition, and access to credit markets;
  - the adverse impact of the COVID-19 pandemic and its variants on short-term and/or long-term entertainment, leisure and discretionary spending habits and practices of our patrons;
  - the decrease in attendance at our cinemas and theatres due to (i) continued health and safety concerns, (ii) a change in consumer behavior in favor of alternative forms of entertainment, or (iii) additional regulatory requirements limiting our seating capacity;
  - reduction in operating margins (or negative operating margins) due to the implementation of social distancing and other health and safety protocols;
  - potentially uninsurable liability exposure to customers and staff should they become (or allege that they have become) infected with COVID-19 while at one of our facilities;
  - unwillingness of employees to report to work due to the adverse effects of the COVID-19 pandemic or to otherwise conduct work under any revised work environment protocols;
  - the adverse impact that the COVID-19 pandemic may continue to have on the national and global macroeconomic environment;
  - the disruptions or reductions in the utilization of entertainment, shopping, and hospitality venues, as well as in our operations, due to pandemics, epidemics, widespread health emergencies, or outbreaks of infectious diseases such as COVID-19, or to changing consumer tastes and habits;
  - the number and attractiveness to moviegoers of the films released in future periods, and potential changes in release dates for motion pictures;
  - the lack of availability of films in the short- or long-term as a result of (i) major film distributors releasing scheduled films on alternative channels or (ii) disruptions of film production;
  - the amount of money spent by film distributors to promote their motion pictures;
  - the licensing fees and terms required by film distributors from motion picture exhibitors in order to exhibit their films;
  - the comparative attractiveness of motion pictures as a source of entertainment and willingness and/or ability of consumers (i) to spend their dollars on entertainment and (ii) to spend their entertainment dollars on movies in an outside-the-home environment;
  - the extent to which we encounter competition from other cinema exhibitors, from other sources of outside-the-home entertainment, and from inside-the-home entertainment options, such as “home cinemas” and competitive film product distribution technology, such as, streaming, cable, satellite broadcast, video on demand platforms, and Blu-ray/DVD rentals and sales;
  - our ability to continue to obtain, to the extent needed, waivers or other financial accommodations from our lenders and landlords;
  - the impact of major movies being released directly to one of the multitudes of streaming services available;

- the impact of certain competitors' subscription or advance pay programs;
- the failure of our new initiatives to gain significant customer acceptance and use or to generate meaningful profits;
- the cost and impact of improvements to our cinemas, such as improved seating, enhanced F&B offerings, and other improvements;
- disruptions during cinema improvements;
- in the U.S., the impact of the termination and phase-out of the so called "Paramount Decree;"
- the risk of damage and/or disruption of cinema businesses from earthquakes as certain of our operations are in geologically active areas;
- the impact of protests, demonstrations, and civil unrest on, among other things, government policy, consumer willingness to go to the movies, and the spread of COVID-19 and its variants;
- additional delays by our landlords in the State of Victoria in the hand-over of cinema space to us which will result in further delays of our planned opening dates; and
- labor shortages and increased labor costs related to such shortages and to increasingly costly labor laws and regulations applicable to part time non-exempt workers.

- with respect to our real estate development and operation activities:
  - the impact of the COVID-19 pandemic and its variants may continue to affect many of our tenants at our real estate operations in the United States, Australia, and New Zealand, their ability to pay rent, and to stay in business;
  - the impact of the COVID-19 pandemic and its variants on our construction projects and on our ability to open construction sites and to secure needed labor and materials;
  - the impact of the COVID-19 pandemic and its variants on real estate valuations in major urban centers, such as New York;
  - the rental rates and capitalization rates applicable to the markets in which we operate and the quality of properties that we own;
  - the ability to negotiate and execute lease agreements with material tenants;
  - the extent to which we can obtain on a timely basis the various land use approvals and entitlements needed to develop our properties;
  - the risks and uncertainties associated with real estate development;
  - the availability and cost of labor and materials;
  - the ability to obtain all permits to construct improvements;
  - the ability to finance improvements;
  - the disruptions to our business from construction and/or renovations;
  - the possibility of construction delays, work stoppage, and material shortage;
  - competition for development sites and tenants;
  - environmental remediation issues;
  - the extent to which our cinemas can continue to serve as an anchor tenant that will, in turn, be influenced by the same factors as will influence generally the results of our cinema operations;
  - the increased depreciation and amortization expense as construction projects transition to leased real property;
  - the ability to negotiate and execute joint venture opportunities and relationships;
  - the risk of damage and/or disruption of real estate businesses from earthquakes as certain of our operations are in geologically active areas;
  - the disruptions or reductions in the utilization of entertainment, shopping and hospitality venues, as well as in our operations, due to pandemics, epidemics, widespread health emergencies, or outbreaks of infectious diseases such as COVID-19, or to changing consumer tastes and habits; and
  - the impact of protests, demonstrations, and civil unrest on government policy, consumer willingness to visit shopping centers, and the spread of COVID-19, among other things.

- with respect to our operations generally as an international company involved in both the development and operation of cinemas and the development and operation of real estate and previously engaged for many years in the railroad business in the United States:
  - our ability to renew, extend, renegotiate or replace our loans that mature in 2023 and beyond;
  - our ability to grow our Company and provide value to our stockholders;
  - our ongoing access to borrowed funds and capital and the interest that must be paid on that debt and the returns that must be paid on such capital, and our ability to borrow funds to help cover the cessation of cash flows we are experiencing during the COVID-19 pandemic;
  - our ability to reallocate funds among jurisdictions to meet short-term liquidity needs;
  - the relative values of the currency used in the countries in which we operate;
  - the impact that any discontinuance, modification or other reform of London Inter-Bank Offered Rate (LIBOR), or the establishment of alternative reference rates, may have on our LIBOR-based debt instruments;
  - changes in government regulation, including by way of example, the costs resulting from the requirements of Sarbanes-Oxley;

- our labor relations and costs of labor (including future government requirements with respect to minimum wages, shift scheduling, the use of consultants, pension liabilities, disability insurance and health coverage, and vacations and leave);
- our exposure from time to time to legal claims and to uninsurable risks, such as those related to our historic railroad operations, including potential environmental claims and health-related claims relating to alleged exposure to asbestos or other substances now or in the future recognized as being possible causes of cancer or other health related problems, and class actions and private attorney general wage and hour and/or safe workplace-based claims; and uncertainty of the outcome of litigation or arbitration related to our various real estate assets and operations;
- our exposure to cybersecurity risks, including misappropriation of customer information or other breaches of information security;
- the impact of major outbreaks of contagious diseases, such as COVID-19;
- the availability of employees and/or their ability or willingness to conduct work under any revised work environment protocols;
- the increased risks related to employee matters, including increased employment litigation and claims relating to terminations or furloughs caused by cinema and ETC closures;
- our ability to generate significant cash flow from operations if our cinemas and/or ETCs continue to experience demand at levels significantly lower than historical levels, which could lead to a substantial increase in indebtedness and negatively impact our ability to comply with the financial covenants, if applicable, in our debt agreements;
- our ability to comply with credit facility covenants and our ability to obtain necessary covenant waivers and necessary credit facility amendments;
- changes in future effective tax rates and the results of currently ongoing and future potential audits by taxing authorities having jurisdiction over our various companies;
- the impact of the events occurring in Eastern Europe and the conflict taking place in Ukraine;
- potential inflationary pressures; and
- changes in applicable accounting policies and practices.

The above list is not necessarily exhaustive, as business is by definition unpredictable and risky, and subject to influence by numerous factors outside of our control, such as changes in government regulation or policy, competition, interest rates, supply, technological innovation, changes in consumer taste and fancy, weather, earthquakes, pandemics, such as COVID-19, and the extent to which consumers in our markets have the economic wherewithal to spend money on beyond-the-home entertainment. Refer to *Part I, Item 1A - Risk Factors* and *Part II, Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations* of our 2021 Form 10-K, as well as the risk factors set forth in any other filings made under the Securities Act of 1934, as amended, including any of our Quarterly Reports on Form 10-Q, for more information.

Forward-looking statements made by us in this quarterly report are based only on information currently available to us and are current only as of the date of this report. We undertake no obligation to publicly update or to revise any of our forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable law. Accordingly, you should always note the date to which our forward-looking statements speak.

Item 3 – Quantitative and Qualitative Disclosure about Market Risk

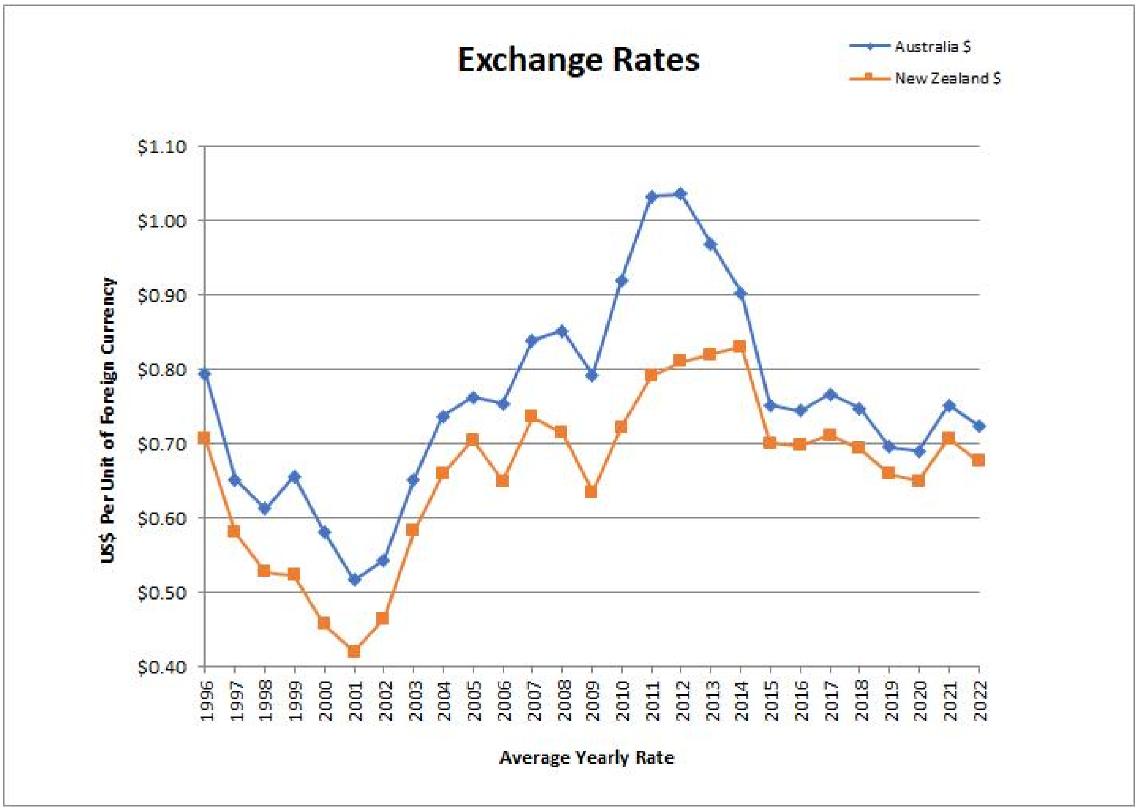
The SEC requires that registrants include information about potential effects of changes in currency exchange and interest rates in their filings. Several alternatives, all with some limitations, have been offered. We base the following discussion on a sensitivity analysis that models the effects of fluctuations in currency exchange rates and interest rates. This analysis is constrained by several factors, including the following:

- It is based on a single point in time; and
- It does not include the effects of other complex market reactions that would arise from the changes modeled.

Although the results of such an analysis may be useful as a benchmark, they should not be viewed as forecasts.

Currency Risk

While we report our earnings and net assets in U.S. dollars, substantial portions of our revenue and of our obligations are denominated in either Australian or New Zealand dollars. The value of these currencies can vary significantly compared to the U.S. dollar and compared to each other. We do not hedge the currency risk, but rather have relied upon the natural hedges that exist as a result of the fact that our film costs are typically fixed as a percentage of the box office, and our local operating costs and obligations are likewise typically denominated in local currencies. However, we do have intercompany debt and our ability to service this debt could be adversely impacted by declines in the relative value of the Australian and New Zealand dollars compared to the U.S. dollar. Also, our use of local borrowings to mitigate the business risk of currency fluctuations has reduced our flexibility to move cash between jurisdictions. Set forth below is a chart of the exchange ratios between these three currencies since 1996:



In recent periods, we have paid material intercompany dividends and have repaid intercompany debt, using these proceeds to fund capital investment in the United States. Accordingly, our debt levels in Australia are higher than they would have been if funds had not been returned for such purposes. On a company wide basis, this means that a reduction in the relative strength of the U.S. dollar versus the Australian dollar and/or the New Zealand dollar would effectively raise the overall cost of our borrowing and capital and make it more expensive to return funds from the United States to Australia and New Zealand.

Our Company transacts business in Australia and New Zealand and are subject to risks associated with fluctuating foreign currency exchange rates. During the first quarter of 2022, the average Australian dollar and New Zealand dollar weakened against the U.S. dollar by 6.3% and 6.0%, respectively, compared to the same period prior year.

At March 31, 2022, approximately 37% and 7% of our assets were invested in assets denominated in Australian dollars (Reading Australia) and New Zealand dollars (Reading New Zealand), respectively, including approximately $60.5 million in cash and cash equivalents. At December 31, 2021, approximately 40% and 8% of our assets were invested in assets denominated in Australian dollars (Reading Australia) and New Zealand dollars (Reading New Zealand), respectively, including approximately $51.8 million in cash and cash equivalents.

Our policy in Australia and New Zealand is to match revenues and expenses, whenever possible, in local currencies. As a result, we have procured a majority of our expenses in Australia and New Zealand in local currencies. Despite this natural hedge, recent movements in foreign currencies and the current holding of U.S. dollars by certain Australian and New Zealand subsidiaries have had an effect on our current earnings. The effect of the translation adjustment on our assets and liabilities noted in our other comprehensive income was a decrease of $2.7 million for the three months ended March 31, 2022. As we continue to progress our acquisition and development activities in Australia and New Zealand, no assurances can be given that the foreign currency effect on our earnings will not be material in the future.

Historically, our policy has been to borrow in local currencies to finance the development and construction of our long-term assets in Australia and New Zealand. As a result, the borrowings in local currencies have provided somewhat of a natural hedge against the foreign currency exchange exposure. We have also historically paid management fees to the U.S. to cover a portion of our domestic overhead. The fluctuations of the Australian and New Zealand currencies, however, may impact our ability to rely on such funding for ongoing support of our domestic overhead.

In 2007, we issued subordinated Trust Preferred Securities denominated in U.S Dollars, and substantially deployed those funds in our New Zealand subsidiaries, thus exposing approximately 59% of New Zealand assets to currency risk. Those funds were returned to the U.S. parent company permanently and in full during 2019, and the New Zealand subsidiaries were released from liability under the Securities. Presently, we have no plans to make new borrowings in currencies other than the local currency.

We record unrealized foreign currency translation gains or losses that could materially affect our financial position. As of March 31, 2022, and December 31, 2021, the balance of cumulative foreign currency translation adjustments were approximately $9.5 million gain and $6.8 million gain, respectively.

Interest Rate Risk

Our exposure to interest rate risk arises out of our long-term floating-rate borrowings. To manage the risk, we utilize interest rate derivative contracts to convert certain floating-rate borrowings into fixed-rate borrowings. It is our Company's policy to enter into interest rate derivative transactions only to the extent considered necessary to meet its objectives as stated above. Our Company does not enter into these transactions or any other hedging transactions for speculative purposes.

Historically, we maintain most of our cash and cash equivalent balances in short-term money market instruments with original maturities of three months or less. Due to the short-term nature of such investments, a change of 1% in short-term interest rates would not have a material effect on our financial condition. The negative spread between our borrowing costs and earned interest will exacerbate as we hold cash to provide a safety net to meet our expenses while our cinema operations are closed, and our tenant income curtailed.

We have a combination of fixed and variable interest rate loans. In connection with our variable interest rate loans, a change of approximately 1% in short-term interest rates would have resulted in approximately $469,000 increase or decrease in our quarterly interest expense.

For further discussion on market risks, please refer to *Part I, Item 1A – Risk Factors* included on our 2021 Form 10-K.

Item 4 – Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Company's reports filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such, term is defined under Rule 13a-15(e) promulgated under the Exchange Act. Based upon that evaluation, we concluded that, as of March 31, 2022, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There were no other changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the first quarter ended March 31, 2022, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – Other Information

Item 1 – Legal Proceedings

The information required under Part II, Item 1 *(Legal Proceedings)* is incorporated by reference to the information contained in *Notes to Consolidated Financial Statements-- Note 14 – Commitments and Contingencies* included herein in *Part I – Financial Information, Item 1 – Financial Statements* on this Quarterly Report on Form 10-Q.

For further details on our legal proceedings, please refer to *Part I, Item 3 – Legal Proceedings*, contained in our 2021 Form 10-K.

Item 1A – Risk Factors

In addition to the risk factors previously disclosed in our 2021 Form 10-K, the following risk factor was identified:

None.

Item 2 – Sales of Equity Securities and Use of Proceeds

None.

Item 3 – Defaults upon Senior Securities

None.

Item 4 – Mine Safety Disclosure

Not applicable.

Item 5 – Other Information

Item 1.01 Entry into a Material Definitive Agreement

None.

Item 6 – Exhibits

31.1*	Certification of the Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32*	Certifications Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following material from our Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021, formatted in iXBRL (Inline Extensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Cash Flows, and (v) the Notes to the Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted in iXBRL and contained in Exhibit 101)

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* Filed or furnished herewith.

SIGNATURES

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

READING INTERNATIONAL, INC.

Date: May 10, 2022

By: /s/ Ellen M. Cotter
Ellen M. Cotter
President and Chief Executive Officer

Date: May 10, 2022

By: /s/ Gilbert Avanes
Gilbert Avanes
Executive Vice President, Chief Financial Officer and Treasurer

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a) AS ADOPTED
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Ellen M. Cotter, certify that:

1) I have reviewed this Quarterly Report on Form 10-Q of Reading International, Inc.;

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

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

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

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Ellen M. Cotter
Ellen M. Cotter
President and Chief Executive Officer
May 10, 2022

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a) AS ADOPTED
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Gilbert Avanes, certify that:

1) I have reviewed this Quarterly Report on Form 10-Q of Reading International, Inc.;

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

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

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

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Gilbert Avanes
Gilbert Avanes
Executive Vice President, Chief Financial Officer and Treasurer
May 10, 2022

EXHIBIT 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Ellen M. Cotter, Chief Executive Officer, and Gilbert Avanes, Chief Financial Officer, of Reading International, Inc. (the "Company"), pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, do each hereby certify, that, to his or her knowledge:

- The Quarterly Report on Form 10-Q for the period ended March 31, 2022 (the "Report") of the Company fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Dated: May 10, 2022

/s/ Ellen M. Cotter
Name: Ellen M. Cotter
Title: President and Chief Executive Officer

/s/ Gilbert Avanes
Name: Gilbert Avanes
Title: Executive Vice President, Chief Financial Officer and Treasurer