

READING INTERNATIONAL INC

Form 10-K

March 18, 2019

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2018 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 No. 1-8625

READING INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

NEVADA

95-3885184

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

5995 Sepulveda Boulevard, Suite 300

Culver City, CA

90230

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(Address of principal executive offices)

(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	Name of each exchange on which registered
Class A Nonvoting Common Stock, \$0.01 par value	NASDAQ
Class B Voting Common Stock, \$0.01 par value	NASDAQ

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the preceding 12 months (or for shorter period than 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 post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrants knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K of any amendments to this Form 10-K.

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

Large Accelerated Filer 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 June 29, 2018 (the last business day of the registrant's most recently completed second fiscal quarter), the

aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates based on the closing price on that date as reported by the Nasdaq Stock Market was \$383,954,817. As of March 15, 2019, there were 21,240,044 shares of class A non-voting common stock, par value \$0.01 per share and 1,680,590 shares of class B voting common stock, par value \$0.01 per share, outstanding.

Documents Incorporated by Reference

Portion of the registrant's definitive Proxy Statement for the 2019 annual meeting of the stockholders to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year ended December 31, 2018 are incorporated by reference into Part III of this Annual Report on Form 10-K.

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READING INTERNATIONAL, INC.

ANNUAL REPORT ON FORM 10-K

YEAR ENDED DECEMBER 31, 2018

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The information in this Annual Report on Form 10-K for the year ended December 31, 2018 ("2018 Form 10-K" or "2018 Annual Report") contains certain forward-looking statements, including statements related to trends in the Company's business. The Company's actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause such a difference include those discussed in "Item 1 – Our Business," "Item 1A – Risk Factors," and "Item 7 – Management's Discussions and Analysis of Financial Condition and Results of Operations" as well as those discussed elsewhere in this 2018 Form 10-K.

PART I

Item 1 – Our Business

GENERAL

Reading International, Inc. ("RDI" and collectively with our consolidated subsidiaries and corporate predecessors, the "Company," "Reading", "we," "us," or "our") was incorporated in 1999 incident to our reincorporation in the State of Nevada. Our class A non-voting common stock ("Class A Stock") and class B voting common stock ("Class B Stock") are listed for trading on the NASDAQ Capital Market (Nasdaq-CM) under the symbols RDI and RDIB, respectively. Our Corporate Headquarters is located in the Silicon Beach area of Los Angeles County, at 5995 Sepulveda Blvd, Suite 300, Culver City, California, United States 90230.

Our corporate website address is www.ReadingRDI.com. We provide, free of charge on our website, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Sections 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we have electronically filed such material with or furnished it to the Securities and Exchange Commission (www.sec.gov). The contents of our Company website are not incorporated into this report. Our corporate governance charters for our Audit and Conflicts Committee and Compensation and Stock Options Committee are available on our website.

BUSINESS DESCRIPTION

Synergistic Diversification and Branding

We are a diversified company focused on the development, ownership and operation of entertainment and real property assets in three jurisdictions: (i) United States ("U.S."), (ii) Australia, and (iii) New Zealand. We group our

businesses in two (2) operating segments:

- Theatrical Motion Picture Exhibition (“Cinema Exhibition”), through our 59 cinemas as of December 31, 2018, and,
- Real Estate, including real estate development and the rental or licensing of retail, commercial and live theater assets comprising some 22,101,800 square feet of land and approximately 879,000 square feet of net rentable area.

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Set forth below is a brief description of the various brands under which we organize our business operations:

Business Segment / Unit	Our Commercial Brands	Country	Description	Website Link
Cinema Exhibition / All Countries		United States, Australia, New Zealand	Our Reading Cinemas tradename is derived from our over 180 year history as the “Reading Railroad” featured on the Monopoly game board. Under this brand, we deliver beyond-the-home entertainment (principally mainstream movies and alternative content and attendant food and beverage) across our three operating jurisdictions. All our cinemas are equipped with the latest state-of-the-art digital equipment, and 19 Reading Cinemas feature at least one TITAN LUXE, TITAN XC or IMAX premium auditorium.	Reading Cinemas US Reading Cinemas AU Reading Cinemas NZ
		United States	Since its opening in 1989, our New York City Angelika Film Center has and consistently continues to be one of the most popular and influential arthouse cinemas in the U.S., featuring principally independent and foreign films. To date, we have expanded our Angelika Film Center Group to include 5 other Angelikas: two in the Dallas area, two in the Washington DC area and one in San Diego, CA. We are actively looking for more locations.	Angelika Film Center
		United States	In 2017, our Consolidated Theatres celebrated 100 years of providing cinematic entertainment in the state of Hawaii. We are the oldest and largest circuit in Hawaii with 9 cinemas on the islands of Oahu and Maui, including our new state-of-the-art 8-screen concept cinema: Olineo by Consolidated Theatres in West Oahu.	Consolidated Theatres

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Business Our
Segment / Commercial

Unit	Brands	Country	Description	Description
		United States	Our City Cinemas circuit, which consists of five cinemas in the Manhattan area of New York City features an eclectic mix of programming, from mainstream blockbusters to independent films.	City Cinemas
Real Estate / Leasing		United States	Our 44 Union Square property – the historic Tammany Hall, located overlooking Union Square in New York City -- is currently in the final stages of a complete re-development. We are currently in exclusive lease negotiations for long term leases with respect to approximately 90% of the net rentable area of the building and, while no assurances can be given, it is currently anticipated that our base building will be ready for tenant improvement work before the end of the second quarter of this year.	44 Union Square
		Australia	Located on 203,287 square feet of land in suburban Brisbane, the center is currently comprised of approximately 146,905 square feet of net rentable area and is 98% leased. At the end of 2017, we completed a major expansion that added a new 8-screen Reading Cinemas with TITAN LUXE, an additional 10,150 square feet (943m2) of restaurant tenant space and 124 parking spaces.	Newmarket Village
		Australia	Anchored by a 10-screen Reading Cinemas, Auburn/Redyard is an outdoor retail center located in a suburb of Sydney. The center is currently comprised of approximately 519,992 square feet of land and 75,492 square feet of net rentable area, serviced by a 727 space subterranean parking garage, and is 83% leased. In 2018, we added to the center approximately 20,870 square foot of land currently improved with a 16,830 square foot office building, rented to Telstra through July 2022, and over the past two years have added an additional 15,000 rentable square feet of fully leased restaurant and retail space.	Auburn/Redyard
		Australia	Anchored by a six-screen Reading Cinemas, Cannon Park is located in Townsville, Australia, and is currently comprised of 245,266 square feet of land and 104,744 square feet of net rentable area, which is currently 85% leased. We are working on plans to add approximately 13,100 square feet of net rentable area to the center.	Cannon Park Townsville
		Australia	Anchored by a 10-screen Reading Cinema and four F&B or retail tenancies, the Belmont Common is located in Perth, Australia, and is currently comprised of 103,204 square feet of land and 59,395 square feet of net rentable area, which is currently 96% leased.	The Belmont Common

New Zealand	Located in the heart of Wellington – New Zealand’s capital city – this center is comprised of 161,071 square feet of land situated proximate to the Te Papa Tongarewa Museum (attracting over 1.5 million visitors annually), across the street from the site of Wellington’s newly announced convention center (estimated to open its doors in 2022) and at a major public transit hub. Damage from the 2016 earthquake necessitated demolition of our nine-story parking garage at the site, and unrelated seismic issues have caused us to close portions of the existing cinema and retail structure while we reevaluate the center for redevelopment as an entertainment themed urban center with a major food and grocery component.	Courtenay Central
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Wellington continues to be rated as one of the top cities in the world in which to live, and we continue to believe that the Courtenay Central site is located in one of the most vibrant and growing commercial and entertainment sections of Wellington.

Real Estate / Live Theatre	United States	We continue to operate three (3) off-Broadway live theatres, one (1) in Chicago and two (2) in Manhattan, New York, under the Liberty Theatres tradename. In 2018, we entered into a license with Audible, a subsidiary of Amazon, pursuant to which our Minetta Lane Theatre serves as Audible’s live theatre home in New York City.	Liberty Theatres
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We synergistically bring together cinema based entertainment and real estate and believe that these two business segments complement one another, as our cinemas have historically provided the steady cash flows that allow us to be opportunistic in acquiring and holding real estate assets (including non-income producing land) and support our real estate development activities. Our real estate allows us to develop an asset base that we believe will stand the test of time and one that is capable of providing financial leverage. More specifically, the combination of these two segments provides a variety of business advantages including the following:

- Cinema Anchor Tenancy. Cinemas can be used as anchors for larger retail developments (referred to as entertainment-themed centers, or “ETCs”), and our involvement in the cinema business can give us an advantage over other real estate developers or redevelopers who must identify and negotiate with third party anchor tenants. We have used cinemas to create our own anchors at our five (5) ETCs.
 - Reduced Pressure to Deliver Cinema Business Growth. Pure cinema operators can encounter financial difficulty as demands upon them to produce cinema-based earnings growth tempt them into reinvesting their cash flow into increasingly marginal cinema sites, overpaying for existing cinemas or entering into high-rent leases. While we believe that there will continue to be attractive opportunities to acquire cinema assets and/or to develop upper-end specialty type theaters in the future, we do not feel pressure to build or acquire cinemas for the sake of adding units or building gross cinema revenues. This

strategy has, over the years, allowed us to acquire cinemas at multiples of trailing theater cash flow below those paid by third parties in recent acquisitions. We intend to focus our use of cash flow on our real estate development and operating activities, to the extent that attractive cinema opportunities are not available to us or that such funds are not needed for reinvestment to maintain our cinemas in a competitive position. In 2018, we invested approximately \$24.0 million in the upgrading and repositioning of our historic cinema assets or adding new cinemas, and approximately \$30.7 million in the acquisition or development of our non-cinema real estate assets.

- Flexibility in Property Use. We are always open to the idea of converting an entertainment property to another use, if there is a higher and better use for the property, or to sell individual assets if an attractive opportunity presents itself. Our Union Square property, which is in the final stages of redevelopment was initially acquired as an entertainment property.

Insofar as we are aware, we are the only publicly traded company in the world to apply this two-track, synergistic approach to the cinema and real estate development businesses on an international basis. None of the major cinema exhibition companies (other than Marcus Theatres) have any material landholdings as they operate predominantly on a leased-facility model.

Business Mix and Impact of Foreign Currency Fluctuations

We have worked to maintain a balance both between our cinema and real estate assets and between our U.S. and our Australian and New Zealand assets. In 2018, we invested approximately \$40.6 million in our U.S. assets: \$23.4 million for the development of our real estate assets (principally construction of our Union Square property) and \$17.2 million for the improvements of our cinema assets (principally upgrading our offerings at our existing cinemas). We invested approximately \$12.3 million in our Australian assets: \$6.4 million for the development of our real estate assets (principally at our Auburn (Sydney) shopping centers), and \$6.0 million for the development of our cinema assets (principally renovations of our cinemas at Auburn, Elizabeth, and Charlestown and the upgrade of certain other cinemas). We invested approximately \$1.8 million in our New Zealand assets: \$1.0 million for the development of

real estate assets (principally towards the redevelopment of our Courtenay Central assets), and approximately \$817,000 for the development of cinema assets (principally upgrades).

As shown in the chart set forth the International Business Risks section below, exchange rates for the currencies of these jurisdictions have varied, sometimes materially. These ratios naturally have an impact on our revenues and asset values, which are reported in USD. Notwithstanding these fluctuations, we continue to believe that, over the long term, operating in Australia and New Zealand is a prudent diversification of risk. Australia has been identified by the United Nations as among the Top 10 countries in the World in terms of natural resources per person. Deutsche Bank has twice named Wellington the best place in the world to live. In 2013, the Organization for Economic Co-operation and Development rated Australia as the best place to live and work in the world. In our view, the economies of Australian and New Zealand are stable economies and their lifestyles support our entertainment/lifestyle focus.

At December 31, 2018, the book value of our assets was \$439.0 million, and, as of that same date, we had a consolidated stockholders' book equity of \$180.5 million. Calculated based on book value, \$138.9 million, or 32% of our assets, relate to our cinema exhibition activities and \$263.8 million, or 60%, of our assets, relate to our real estate activities.

For additional segment financial information, please see Note 1 – Description of Business and Segment Reporting to our 2018 consolidated financial statements.

We have diversified our assets among three countries: the United States, Australia, and New Zealand. Based on book value, at December 31, 2018, we had approximately 50% of our assets in the United States, 36% in Australia and 14% in New Zealand compared to 45%, 40%, and 15% respectively, at the end of 2017. This increase in U.S. assets is principally due to our investments in the redevelopment of Union Square and the upgrades to our domestic cinema assets, as well as the continued strengthening of the U.S. dollar compared to the Australian and the New Zealand dollar.

At December 31, 2018, we had cash and cash equivalents of \$13.1 million, which are treated as a corporate assets. Our cash included \$7.6 million denominated in U.S. dollars, \$3.5 million (AU \$4.9 million) in Australian dollars, and \$2.0 million (NZ\$3.0 million) in New Zealand dollars. We had total worldwide non-current assets of \$408.7 million, distributed as follows: \$203.8 million in the United States, \$147.4 million (AU\$209.2 million) in Australia and \$57.5 million (NZ\$85.7 million) in New Zealand. We had \$55.6 unused capacity of available and unrestricted corporate credit facilities at December 31, 2018.

For 2018, our gross revenues in the United States, Australia, and New Zealand were \$165.8 million, \$111.7 million, and \$31.9 million, respectively, compared to \$143.8 million, \$106.5 million, and \$29.7 million for 2017. All three countries posted revenue increases in 2018 as a result of higher cinema attendance in all three of our circuits.

CINEMA EXHIBITION

Overall

We are dedicated to creating engaging cinema experiences for our guests through hospitality-styled comfort and service, cinematic presentation, uniquely designed venues, curated film and event programming, and crafted food and beverage options. As discussed previously, we manage our worldwide cinema exhibition business under various brands.

Shown in the following table are the number of locations and theatre screens in our theatre circuit in each country, by state/territory/ region and indicating our cinema brands and our interest in the underlying asset as of December 31, 2018:

Country	State / Territory / Region	Location Count	Screen Count	Interest in Asset Underlying the Cinema		Operating Brands
				Leased	Owned	
United States	Hawaii	9	98	9		Consolidated Theatres Reading Cinemas, Angelika Film Center
	California	7	88	7		Angelika Film Center, City Cinemas
	New York(3)	6	23	5	1	Angelika Film Center
	Texas	2	13	2		Reading Cinemas
	New Jersey	1	12	1		Angelika Film Center
	Virginia	1	8	1		Angelika Film Center
	Washington DC	1	3	1		Angelika Film Center
	U.S. Total	27	245	26	1	
Australia	New South Wales	6	44	4	2	Reading Cinemas
	Victoria	6	43	6		Reading Cinemas
	Queensland	5	48	2	3	Reading Cinemas, Event Cinemas(1)
	Western Australia	2	16	1	1	Reading Cinemas
	South Australia	2	15	2		Reading Cinemas
	Australia Total	21	166	15	6	
New Zealand	Wellington	2	15	1	1	Reading Cinemas
	Otago	3	15	2	1	Reading Cinemas
	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	11	67	6	5
GRAND TOTAL		59	478	47	12

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

In January of 2019, we acquired our first cinema in Tasmania, a well-established 4 screen cinema (with liquor license) in Devonport, bringing our current cinema count up to 60. In addition, as of today, we have entered into four lease agreements, providing for the development of an additional 25 state-of-the-art screens. While no assurances can be given, the completion of these four new complexes is anticipated to increase our cinema count to 64 before the end of 2021.

We continue to focus on upgrading our existing cinemas and developing new cinema opportunities to provide our customers with premium offerings, including luxury seating, state-of-the-art presentation including sound, lounges, cafés and bar service, and other amenities. Since 2017 and continuing through 2018, we increased the number of auditoriums featuring recliner seating from 58 to 136. In addition, we added large format TITAN XC or LUXE screen offerings to 18 of our cinemas. Our circuit has been completely converted to digital projection and sound systems. In 2018, we upgraded two of our auditoriums to feature Dolby ATMOS sound which we consider to be the best in the industry at this time.

Attendance and gross box office was significantly higher for the exhibition industry in the U.S., Australia and New Zealand for 2018, compared to 2017. We believe that the cinema exhibition business will continue to generate increasing cash flows in the years ahead, even in recessionary or inflationary environments, because people will continue to spend a reasonable portion of their entertainment dollars on entertainment outside of the home. When compared to other forms of outside-the-home entertainment, movies continue to be a popular and competitively priced option. We believe that the advent of an array of streaming and mobile video services is a threat to traditional in-home forms of entertainment (such as traditional cable and satellite providers), the creation of new sources of program production will ultimately be beneficial to our industry, as cinema exhibition becomes an increasingly important point of differentiation for the marketing of such product.

Recognizing that the cinema exhibition business is considered a mature business, we continue to see growth opportunities in our cinema exhibition business principally from (i) the enhancement of our existing cinemas, (ii) the development in select markets of art and specialty cinemas, (iii) the development of new state-of-the-art cinemas on land that we already own or may in the future acquire, and (iv) the development of new mainstream cinemas in selected markets. While we continue to consider possible opportunities in

third party developments, we prefer, where possible, to put our capital to work in properties that we own rather than take on potentially burdensome lease obligations with their built-in rent increases and pass-throughs and their dependence on third party shopping center operators.

We continue to expand and upgrade our circuits on an opportunistic basis. Our philosophy is not one of growth at any cost and our goal is not to have more screens than anyone else. Rather, our goal is to have high quality, consistently grossing cinemas, and to grow on a steady and sustainable basis. During 2018, we continued working on the refurbishment of several of our cinema locations including Manville and Mililani in the U.S., and Charlestown, Elizabeth, and Auburn in the Australia and New Zealand circuits. At the end of 2017, we opened a new cinema at our Newmarket Village Shopping Center in Brisbane, Australia, and re-opened our Cal Oaks cinema, located in Murrieta, California which now features our new “Spotlight” level of service in 6 out of the 17 auditoriums. “Spotlight” puts focus directly on our customers by providing an in-auditorium, waitered, enhanced F&B experience for their enjoyment. We also upgraded 54 of our screens to luxury seating and extended our enhanced food offerings to 25 of our cinemas in 2017. In 2016, we opened an eight-screen, state-of-the-art cinema, branded OlinO by Consolidated Theatres, our ninth theatre and first to break ground since 2001 in the state of Hawaii. In 2015, we opened a new state-of-the-art cinema (eight screens) in Auckland, New Zealand, completed the renovation and rebranding as an “Angelika” luxury art cinema of our conventional cinema at the Carmel Mountain Plaza in San Diego, California, completely renovated our fourteen-screen Harbourtown cinema in Queensland, Australia, and added the first IMAX screen to our circuit.

Since 2015, we have consistently executed our strategic priority of upgrading the food and beverage menu at a number of our U.S. cinemas. We are focused on the renovation and upgrading of our existing U.S. cinemas, along the lines of our Carmel Mountain cinema. Working with Bruce Seidel (veteran Food Network executive) of Hot Lemon Productions and chef Santos Loo, we are continuing to upgrade our food and beverage offerings. During 2017, we created our “Spotlight” service concept, which we implemented at our Cal Oaks cinema during 2018. At year-end 2018, we currently have beer and wine, and in some cases liquor, licenses for 14 of our venues in the U.S. and are in the application process for an additional 5 venues. As a result we are currently offering alcoholic beverages at 12 of our U.S. cinemas and two of our live theatres. In our international cinema operations, we offer alcoholic beverages for 11 of our cinemas in Australia and five of our cinemas in New Zealand (which includes the joint ventures).

Operating Information

At December 31, 2018, our principal tangible assets included:

- interests in 59 cinemas comprising some 478 screens;
- fee interests in three live theaters (the Orpheum and Minetta Lane in Manhattan and the Royal George in Chicago);
- fee interest in one cinema (the Cinemas 1,2,3), in New York City;
- fee interests in two cinemas in Australia (Bundaberg and Maitland) and four cinemas in New Zealand (Dunedin, Invercargill, Napier and Rotorua);
- fee interest in our Union Square property, previously used by us as a live theater venue and for rental to third parties and now in the final stages of redevelopment for retail and office uses;
- our ETCs in Sydney (Redyard Center), Brisbane (Newmarket Village Center), Townsville (Cannon Park), Perth (Belmont) and Wellington (Courtenay Central), each of which includes a Reading Cinema;
- fee interest in 70.4 acres of developable land located between Auckland and the airport, zoned for light industrial and heavy industrial purposes;

- a 50% interest in a special purpose entity holding the fee interest in 202 acres of developable land located in Coachella, California zoned for residential and mixed use purposes;
- fee interest in 2 office buildings, our corporate office in Culver City, Los Angeles as well as an office in Melbourne, Australia. Both buildings are mixed use assets, housing our corporate staff with any surplus space rented, or available to rent to third parties;
- in addition to the fee interests described immediately above, fee ownership of approximately 20.7million square feet of developed and undeveloped real estate in the United States, Australia and New Zealand; and
- cash and cash equivalents, aggregating \$13.1 million.

Although we operate cinemas in three jurisdictions, the general nature of our operations and operating strategies does not vary materially from jurisdiction-to-jurisdiction. In each jurisdiction, our gross receipts are primarily from box office receipts, food and beverage sales, and screen advertising. Our ancillary revenue is created principally from theater rentals (for example, for film festivals and special events), and ancillary programming (such as concerts and sporting events).

Our cinemas generated approximately 64% of their 2018 revenue from box office receipts. Ticket prices vary by location, and in selected locations we offer reduced rates for senior citizens, children and, in certain markets, military and students.

Show times and features are placed in advertisements on our various websites, on internet sites and, in some markets, in local newspapers. We are increasing our presence in social media, thereby, reducing our dependency on print advertising. Film distributors may also advertise certain feature films in various print, radio and television media, as well as on the internet, and distributors generally pay those costs.

F&B sales accounted for approximately 29% of our total 2018 cinema revenue. Although certain cinemas have licenses for the sale and on-premises consumption of alcoholic beverages, historically F&B products have been primarily popcorn, candy, and soda. This is changing, as more of our theaters are offering expanded food and beverage offerings. One of our strategic focuses is to upgrade our existing cinemas with expanded F&B offerings.

Screen advertising and other revenue contribute approximately 7% of our total 2018 cinema revenue. With the exception of certain rights that we have retained to sell to local advertisers, generally speaking, we are not in the screen advertising business and nationally recognized screen-advertising companies' contract with us for the right to show such advertising on our screens.

Management of Cinemas

With the exception of our three unconsolidated cinemas, we manage our cinemas with executives located in Los Angeles and Manhattan in the U.S.; Melbourne, Australia; and Wellington, New Zealand. Our two New Zealand Rialto cinemas are owned by a joint venture in which Reading New Zealand is a 50% joint venture partner. While we assist in the booking of these two cinemas, our joint venture partner, Event Cinemas, manages their day-to-day operations. In addition, we have a passive one-third interest in a 16-screen Brisbane cinema managed by Event Cinemas.

Licensing and Pricing

Film product is available from a variety of sources, ranging from the major film distributors, such as Paramount Pictures, Twentieth Century Fox, Warner Bros, Buena Vista Pictures (Disney), Sony Pictures Releasing, Universal Pictures and Lionsgate, to a variety of smaller independent film distributors. In Australia and New Zealand, some of those major distributors distribute through local unaffiliated distributors. Worldwide, the major film distributors dominate the market for mainstream conventional films. In the U.S., art and specialty film is distributed through the art and specialty divisions of these major distributors, such as Fox Searchlight and Sony Pictures Classics, and through independent distributors such as A24. Film payment terms are generally based upon an agreed-upon percentage of box office receipts that will vary from film-to-film.

Competition

Film is allocated by the applicable distributor among competitive cinemas. Accordingly, from time-to-time, we may be unable to license every film that we desire to play. In the Australian and New Zealand markets, we generally have access to all film product in the market.

Competition for films may be intense, depending upon the number of cinemas in a particular competitive market. Our ability to obtain top grossing first run feature films may be adversely impacted by our comparatively small size, and the limited number of screens and markets that we can supply to distributors. Moreover, because of the dramatic consolidation of screens into the hands of a few very large and powerful exhibitors such as Cineworld (the new owners of Regal), AMC (including the newly acquired Carmike), Cinemark, and Galaxy Cinemas, who control 64% of the North American market, these mega-exhibition companies are in a position to offer distributors access to many more screens in major markets than we can. Also, the majors have a significant number of markets where they operate without material competition, meaning that the distributors have no alternative exhibitor for their films in these markets. Accordingly, distributors may decide to give preference to these mega-exhibitors when it comes to licensing top-grossing films, rather than deal with independents such as ourselves. The situation is different in Australia and New Zealand, where typically every major multiplex cinema has access to all of the film currently in distribution, regardless of the ownership of that multiplex cinema. However, on the reverse side, we have suffered somewhat in these markets from competition from boutique operators, who are able to book top grossing commercial films for limited runs, thus increasing competition for customers wishing to view such top grossing films.

The availability of state-of-the-art technology and/or luxury seating can also be a factor in the preference of one cinema over another. In recent periods, a number of cinemas have opened or re-opened featuring luxury seating and/or expanded food and beverage service, including the sale of alcoholic beverages and food served to the seat. We have, for a number of years, offered alcoholic beverages in certain of our Australia and New Zealand cinemas and at certain of our Angelika Film Centers in the U.S. We are currently working to upgrade the seating and food and beverage offerings (including the offering of alcoholic beverages) at a number of our existing cinemas. We now offer alcoholic beverages at 28 of our worldwide cinemas.

The film exhibition markets in the United States, Australia, and New Zealand are to a certain extent dominated by a limited number of major exhibition companies. The principal exhibitors in the United States are AMC (with 11,247 screens in 1,027 cinemas, which includes the information of newly acquired Carmike), Regal (with 7,315 screens in 561 cinemas), recently acquired by Cineworld

Group, the U.K.'s largest cinema operator, and Cinemark (with 4,561 screens in 339 cinemas). As of December 31, 2018, we were the 11th largest exhibitor with 1% of the box office in the United States with 245 screens in 27 cinemas under management.

The principal exhibitors in Australia are Greater Union, which does business under the Event Cinemas name (a subsidiary of Amalgamated Holdings Limited) ("Event"), Hoyts Cinemas ("Hoyts"), and Village Cinemas ("Village"). The major exhibitors control approximately 78% of the total cinema box office: Event 43%, Hoyts 22%, and Village 13%. Event has 566 screens nationally, Hoyts 354 screens, and Village 210 screens. By comparison, our 149 screens (excluding any partnership theaters) represent approximately 7% of the total box office.

The principal exhibitors in New Zealand are Event Cinemas with 116 screens nationally and Hoyts with 70 screens. Reading has 54 screens (excluding its interest in unconsolidated joint ventures). The major exhibitors in New Zealand control approximately 52% of the total box office: Event 31% and Hoyts 21%. Reading has 16% of the market (Event and Reading market share figures exclude any partnership theaters) and we were the third largest exhibitor in New Zealand.

In Australia and New Zealand, the industry is somewhat vertically integrated in that Roadshow Film Distributors, a subsidiary of Village, serves as a distributor of film in Australia and New Zealand for Warner Brothers.

Many of our competitors have substantial financial resources which could allow them to operate in a more competitive manner than us.

In-Home, Streaming and Mobile Device Competition

The "in-home," streaming and mobile device entertainment industry has experienced significant leaps in recent periods in both the quality and affordability of in-home and mobile device entertainment systems and in the accessibility to, and quality of, entertainment programming through cable, satellite, internet distribution channels, and Blu-ray/DVD. The success of these alternative distribution channels and the entrance of new sources of product (like Netflix and Amazon) who are producing product competitive with films produced for theatrical release puts additional pressure on film distributors to reduce and/or eliminate the time period between theatrical and secondary release dates. With the acquisition of Fox, Disney is now poised to enter this market.

To a certain extent, it appears that consumers are willing to choose convenience over presentation quality. We are responding to this challenge generally by increasing the comfort and service levels available at our cinemas, by offering convenient on-line ticket reservations services with guaranteed seating, by investing in larger screens and enhanced audio, by offering more specialized and alternative product to our audiences and by providing value for the movie goer's dollar. We are focusing on the fact that going to the movies is a social experience, and we are working to make that experience the best that it can be. Also, that we must differentiate ourselves from other forms of video entertainment by emphasizing the special nature of seeing video presentations in a cinema environment and by

developing ways to position ourselves to take advantage in the increased output of film and feature product. These are issues common to both our U.S. and international cinema operations.

Competitive issues are discussed in detail under the caption, Item 1A – Risk Factors.

Seasonality

Major films are generally released to coincide with holidays. With the exception of Christmas and New Year's Days, this fact provides some balancing of our revenue because there is no material overlap between holidays in the United States and those in Australia and New Zealand. Distributors will delay, in certain cases, releases in Australia and New Zealand to take advantage of Australian and New Zealand holidays that are not celebrated in the United States. However, the deferral of releases is becoming increasingly less common, given the need to address internet and other channels of distribution that operate on a worldwide basis.

REAL ESTATE

Overall

We engage in real estate development and the ownership and rental or licensing to third parties of retail, commercial and live theater assets. We own the fee interests in all of our live theaters, and in 12 of our cinemas (as presented in the preceding table within the "Cinema Exhibition" section). 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.

Our real estate activities have historically consisted principally of:

- the ownership of fee or long-term leasehold interests in properties used in our cinema exhibition activities or which were acquired for the development of cinemas or cinema-based real estate development projects;
- the acquisition of fee interests in land for general real estate development;
- the licensing to production companies of our live theaters; and

- the redevelopment of our existing fee-owned cinema or live theater sites to their highest and best use.

Over 2016 and 2017, we added 25,635 square feet of newly constructed net rentable space to our existing ETCs (calculated exclusive of cinema space), of which 24,924 square feet has been rented.

In light of the geographic reach of our business, and the highly localized nature of the real estate business, we have historically made use of third party contractors to provide on-site management of our real estate development and management activities. We have begun, however, in recent periods to selectively build our internal resources in this regard, concentrating on Australia and New Zealand where we have increased our overall real estate team from 3 to 7 full time employees over the last 3 years.

In 2016, we began the construction phase of the redevelopment of our Union Square property into approximately 73,322 square feet of net leasable area (inclusive of anticipated BOMA adjustments), comprised of retail and office space. While no assurances can be given, we currently anticipate that the building will be ready for the commencement of the construction of tenant improvements during the second quarter of 2019. We are currently negotiating, on an exclusive basis, leases representing approximately 90% of the net leasable area of the building. A short video on this project can be seen at www.44unionsquare.com.

Regarding our Cinemas 1,2,3 property in Manhattan, we have received the consent of the 25% minority member of the ownership entity for the redevelopment of the property. We are evaluating the potential to redevelop the property as a mixed use property. While we are still talking with the owner of the adjacent property about a possible joint venture development, we have not been able to come to an agreement as to the terms of that joint venture. Accordingly, we have shifted our strategic plan with respect to that property and have commenced the master-planning for a go-it-alone development. The Cinemas 1,2,3, is a cash flowing contributor to our domestic cinema operations. On August 31, 2016, we secured a new three-year mortgage loan (\$20.0 million) with Valley National Bank, with a one year option to extend through August 31, 2020, the proceeds of which were used to repay the then existing mortgage on the property, and to repay certain inter-company indebtedness, and for working capital purposes.

On April 11, 2016, we purchased for \$11.2 million a 24,000 square foot office building with 72 parking spaces located at 5995 Sepulveda Boulevard in Culver City, California. We currently use approximately 50% of the leasable area for our headquarters offices and endeavor to lease the remainder to unaffiliated third parties. Culver City has in recent years developed as a center of entertainment and high-tech activity in Los Angeles County. We moved into the building in February, 2017, and have obtained \$8.4 million in financing on the property pursuant to a 10-year, fixed rate mortgage loan at an interest rate of 4.64% per annum and in June 2017 we obtained an additional \$1.5 million in financing due to a reappraisal of the property, at an interest rate of 4.44%. Currently, we own essentially all of the office space from which we conduct our executive and administrative operations. All of our leasehold interests are cinema operating properties.

All of our leasehold interests are cinema operating properties.

Overseas, on December 23, 2015, we acquired two adjoining properties in Townsville, Queensland, Australia for a total of \$24.1 million (AU\$33.4 million) comprising approximately 5.6 acres. The total gross leasable area of the two properties, the Cannon Park City Centre and the Cannon Park Discount Centre, is 133,000 square feet. Our multiplex cinema at the Cannon Park City Centre is the anchor tenant of that center. This acquisition is consistent with our business plan to own, where practical, the land underlying our entertainment assets. We operate these two (2) properties as a single ETC. This acquisition was funded internally. For additional information, see Note 4 – Real Estate Transactions.

We continue to work on the expansion and upgrading of our Auburn/Redyard in Sydney, Australia and Newmarket Village in Brisbane, Australia and to master-plan the expansion and enhancement of our Cannon Park ETC in Townsville, Australia through the expansion or improvement of our Reading Cinemas at each of these centres and additional food and beverage focused space.

At Auburn/RedYard, since the beginning of 2016, we have constructed and entered into leases representing approximately 15,000 square feet of additional retail space, which increased the square footage of that center from approximately 117,000 to approximately 132,000 square feet. Of this 15,000 square feet, 9,600 square feet was completed in 2016, and the remaining 5,900 square feet was completed in Q4 2017. In 2018, we acquired a 20,870 square foot in-fill property, currently improved with a 16,830 square foot office building, leased to Telstra through July 2022. This increased our frontage on Parramatta Road to 1,620 of uninterrupted square feet. The center is now comprised of 519,992 square feet of land, 75,492 square feet of retail improvements, surface parking for 367 vehicles and subterranean parking for 727 vehicles and is 83% leased. The center also has approximately 10,586 square foot of additional land available for development. This expansion was funded internally.

At Newmarket Village, we added a state-of-the art eight-screen Reading Cinema, 10,150 square feet of additional retail space and 124 additional parking spaces. On November 30, 2015, we acquired an approximately 23,000 square foot parcel adjacent to our tenant Coles supermarket. This property is currently improved with an office building, which is now fully leased. These leases have early development provisions allowing us to terminate these arrangements in connection with a redevelopment of the property. We intend to ultimately demolish this office building and to integrate this parcel into Newmarket Village. This will increase our Newmarket

Village footprint from approximately 204,000 square feet to approximately 227,000 square feet. Our Newmarket Village project was funded internally and is currently approximately 98% leased.

Located in the heart of Wellington – New Zealand’s capital city – this center is comprised of 161,071 square feet of land situated proximate to the Te Papa Tongarewa Museum (attracting over 1.5 million visitors annually), across the street from the site of Wellington’s newly announced convention center (estimated to open its doors in 2022) and at a major public transit hub. Damage from the 2016 earthquake necessitated demolition of our nine-story parking garage at the site, and unrelated seismic issues have caused us to close portions of the existing cinema and retail structure while we reevaluate the center for redevelopment as an entertainment themed urban center with a major food and grocery component.

Wellington continues to be rated as one of the top cities in the world in which to live, and we continue to believe that the Courtenay Central site is located in one of the most vibrant and growing commercial and entertainment sections of Wellington.

In addition to certain historic railroad properties (such as our 6.8 acre Viaduct Property in downtown Philadelphia and certain adjacent commercial properties) and certain expansion space associated with our existing ETCs, we have two unimproved properties that we acquired for, and are currently being held for, development: (i) our 50% interest in a 202-acre parcel in Coachella, California (near the grounds where the Coachella Music Festival is held), currently zoned for residential and mixed-use uses, and (ii) our 70.4-acre parcel in Manukau, a suburb of Auckland, New Zealand (located adjacent to the Auckland Airport) currently zoned for a mixture of light and heavy industrial uses.

Our Coachella property was acquired as a long term land hold in a foreclosure auction by the Resolution Trust Corporation as the liquidator of the lender with the first mortgage on the property. The zoning has been established and the property freed of a burdensome development agreement. We are monitoring developments in the area, and believe that this property is likely a candidate for sale. Development activity in the vicinity appears to be strengthening.

In 2016, the Auckland City Council revised the zoning of the agricultural portion of our property in Manukau (approximately 64.0 acres) to light industrial uses. The remaining 6.4 acres of our Manukau property were already zoned for heavy industrial use. Light industrial uses include certain manufacturing, production, logistic, transportation, warehouse and wholesale distribution activities and, on an ancillary basis, certain office, retail and educational uses. Now that our zoning enhancement goal has been achieved, we are working with other major landowners in the area on the development of a master plan for the construction of needed infrastructure works, while we continue to develop our long range plans for the property.

While we report our real estate as a separate segment, it has historically operated as an integral portion of our overall business and, historically, has principally been in support of that business. We have, however, acquired or developed certain properties that do not currently have any cinema or other entertainment component.

Our real estate activities, holdings and developments are described in greater detail in Item 2 – Properties.

EMPLOYEES

As of December 31, 2018, we had 104 full-time executive and administrative employees, 113 live theatre employees, 8 Real Estate employees and 2,719 cinema employees. A small number of our cinema employees in New Zealand are union members, as are our projectionists in Hawaii. None of our Australian-based employees or other employees are subject to union contracts. Overall, we are of the view that the existence of these collective-bargaining agreements does not materially increase our costs of labor or our ability to compete.

FORWARD LOOKING STATEMENTS

Our statements in this annual report, including the documents incorporated herein by reference, contain a variety of forward-looking statements as defined by the Securities Litigation Reform Act of 1995. Forward-looking statements reflect only our expectations regarding future events and operating performance and necessarily speak only as of the date the information was prepared. No guarantees can be given that our expectation will in fact be realized, in whole or in part. You can recognize these statements by our use of words such as, by way of example, “may,” “will,” “expect,” “believe,” and “anticipate” or other similar terminology.

These forward-looking statements reflect our expectation after having considered a variety of risks and uncertainties. However, they are necessarily the product of internal discussion and do not necessarily completely reflect the views of individual members of our Board of Directors or of our management team. Individual Board members and individual members of our management team may have a different view as to the risks and uncertainties involved, and may have different views as to future events or our operating performance.

Among the factors that could cause actual results and our financial condition to differ materially from those expressed in or underlying our forward-looking statements are the following:

- with respect to our cinema operations:
- the number and attractiveness to movie goers of the films released in future periods;
- 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 theaters” and competitive film product distribution technology, such as, by way of example, cable, satellite broadcast and Blu-ray/DVD rentals and sales, and so called “movies on demand;”
- the cost and impact of improvements to our cinemas, such as improved seating, enhanced food and beverage offerings and other improvements;
- disruption from theater improvements; and
- the extent to, and the efficiency with, which we are able to integrate acquisitions of cinema circuits with our existing operations.
- with respect to our real estate development and operation activities:
- the rental rates and capitalization rates applicable to the markets in which we operate and the quality of properties that we own;
- 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 from construction;
- 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 ability to negotiate and execute joint venture opportunities and relationships; and
- certain of our activities are in geologically active areas, creating a risk of damage and/or disruption of real estate and/or cinema businesses from earthquakes and related seismic conditions.
- 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 or renegotiate our loans that mature in 2019;
- 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;
- expenses, management and Board distraction and other effects of the litigation efforts mounted by James Cotter, Jr. against the Company, including his efforts to cause a sale of voting control of the Company;
- the relative values of the currency used in the countries in which we operate;
- changes in government regulation, including by way of example, the costs resulting from the implementation of the requirements of Sarbanes-Oxley;

- our labor relations and costs of labor (including future government requirements with respect to 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;
- our exposure to cyber-security risks, including misappropriation of customer information or other breaches of information security;
- 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; and
- changes in applicable accounting policies and practices.

The above list is not necessarily exhaustive, as business is by definition unpredictable and risky, and it is 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, the weather, and the extent to which consumers in our markets have the economic wherewithal to spend money on beyond-the-home entertainment. Refer to Item 1A Risk factors for more information.

Given the variety and unpredictability of the factors that will ultimately influence our businesses and our results of operation, it naturally follows that no guarantees can be given that any of our forward-looking statements will ultimately prove to be correct. Actual results will undoubtedly vary and there is no guarantee as to how our securities will perform either when considered in isolation or when compared to other securities or investment opportunities.

Finally, we undertake no obligation to update publicly 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.

Additionally, certain of the presentations included in this annual report may contain “non-US GAAP financial measures.” In such case, a reconciliation of this information to our US GAAP financial statements will be made available in connection with such statements.

Item 1A – Risk Factors

Investing in our securities involves risk. Set forth below is a summary of various risk factors that you should consider in connection with your investment in our Company. This summary should be considered in the context of our overall Annual Report on Form 10-K, as many of the topics addressed below, and our plans to address or mitigate the risks involved, are discussed in significantly greater detail in the context of specific discussions of our business plan, our operating results, and the various competitive forces that we face.

BUSINESS RISK FACTORS

We are currently engaged principally in the cinema exhibition and real estate businesses. Because we operate in two business segments (cinema exhibition and real estate), we discuss separately below the risks we believe to be material to our involvement in each of these segments. We have discussed separately certain risks relating to the international nature of our business activities, our use of leverage, and our status as a controlled corporation. Please note that, while we report the results of our live theater operations as real estate operations – because we are principally in the business of renting space to producers rather than in producing plays ourselves – the cinema exhibition and live theater businesses share certain risk factors and are, accordingly, discussed together below.

Cinema Exhibition and Live Theater Business Risk Factors

We operate in a highly competitive environment with many competitors who are significantly larger and may have significantly better access to funds than we do. We are a comparatively small cinema operator and face competition from much larger cinema exhibitors. These larger exhibitors are able to offer distributors more screens in more markets – including markets where they may be the exclusive exhibitor – than can we. Faced with such competition, we may not be able to get access to all of the films we want, which may adversely affect our revenue and profitability. While we are concerned about the use of larger competitors of national and international booking power to limit our access to film, there is little we can do to mitigate this risk as antitrust litigation is very expensive and typically long lived. While several private lawsuits are currently pending challenging the practice of certain competitors to prevent or limit their access to film product, these are private lawsuits. We have no control over the prosecution of such lawsuits or the terms on which they may be privately resolved or settled. While several distributors have announced that they will generally provide access of film to all who desire it, this practice is not universal. Also, for major films, the terms of exhibition as a practical matter limited the competitors who could exhibit the film. This competitive disadvantage has been, in our view, exacerbated in recent periods with the further concentration of the cinema exhibition industry, for example, Cineworld Group Plc's acquisition of Regal Entertainment Group and Dalian Wanda's acquisition of AMC Entertainment, which has now acquired Carmike Cinemas, Odeon & UCI Cinemas Group and Nordic Cinema Group.

These larger competitors may also enjoy (i) greater cash flow, which can be used to develop additional cinemas, including cinemas that may be competitive with our existing cinemas, (ii) better access to equity capital and debt, (iii)

better visibility to landlords and real estate developers, and (iv) better economies of scale than us.

In the case of our live theaters, we compete for shows not only with other “for profit” Off-Broadway theaters, but also with “not-for-profit” operators and, increasingly, with Broadway theaters. We believe our live theaters are generally competitive with other Off-Broadway venues. However, due to the increased cost of staging live theater productions, we are seeing an increasing tendency for plays that would historically have been staged in an Off-Broadway theater moving directly to larger Broadway venues. In 2016, we closed our principal live theater in New York, the Union Square incident to our redevelopment of that property.

We face competition from other sources of entertainment and other entertainment delivery systems. Both our cinema and live theater operations face competition from “in-home” and mobile device sources of entertainment. These include competition from network, cable and satellite television, internet streaming video services, Video on Demand, Blu-ray/DVD, the internet, video games and other sources of entertainment. The quality of “in-home” and mobile entertainment systems, as well as programming available on an in-home and mobile basis, has increased, while the cost to consumers of such systems (and such programming) has decreased in recent periods, and some consumers may prefer the security and/or convenience of an “in-home” or mobile entertainment experience to the more public and presentation oriented experience offered by our cinemas and live theaters. Film distributors have been responding to these developments by, in some cases, decreasing or eliminating the period of time between cinema release and the date such product is made available to “in-home” or mobile forms of distribution. The competitive pressure from streaming video may increase as a result of the acquisition of Fox by Disney.

In order to compete with these in-home and mobile forms of distribution, it is likely that we will make material capital improvements to our cinemas to increase the amenities and quality of presentation delivered. It may also be necessary to reduce admission prices.

There is the risk that, over time, distributors may move towards simultaneous release of motion picture product in multiple channels of distribution. Also, some traditional in-home and mobile distributors have begun the production of full-length movies, specifically for the purpose of direct or simultaneous release to the in-home and mobile markets. These factors may adversely affect the competitive advantage enjoyed by cinemas over “in-home” and mobile forms of entertainment, as it may be that the cinema market and the “in-home” and mobile markets will have simultaneous access to the same motion picture product. In recent times, a number of movies

were released on a simultaneous basis to movie exhibitors and to in-home and mobile markets. It is likely that this trend will continue, making it, in our view, increasingly important for exhibitors to enhance the convenience and quality of the theater-going experience. This can require substantial capital outlays and increased labor expense, which exhibitors may not be able to fully pass on to their customers. Also, the amount of programming (including without limitation, the live streaming of sporting, theatrical and political events) available on an “in-home” and mobile basis continues to increase.

The narrowing and/or elimination of this so-called “window” for cinema exhibition may be problematic for the cinema exhibition industry. However, to date, attempts by the major film distributors to continue to narrow or eliminate the window have been strenuously resisted by the cinema exhibition industry, and we view the total elimination of the cinema exhibition window by major film distributors, while theoretically possible, to be unlikely.

We also face competition from various other forms of “beyond-the-home” entertainment, including sporting events, concerts, restaurants, casinos, video game arcades, and nightclubs. Our cinemas also face competition from live theaters and vice versa. Also, social media offerings – such as Facebook, Instagram and Snapchat – appear to be commanding increasing portions of the recreational time of our potential audience.

Our cinema and live theater businesses may be vulnerable to fears of terrorism and random shooter incidents which could cause customers to avoid public assembly seating, and natural disasters. Political events, such as terrorist attacks, random shooter incidents and health-related epidemics, such as flu outbreaks, could cause patrons to avoid our cinemas or other public places where large crowds are in attendance. In addition, a natural disaster, such as a typhoon or an earthquake, could impact our ability to operate certain of our cinemas, which could adversely affect our results of operations.

Our cinema operations depend upon access to film and alternative entertainment product that is attractive to our patrons, and our live theater operations depend upon the continued attractiveness of our theaters to producers. Our ability to generate revenue and profits is largely dependent on factors outside of our control, specifically, the continued ability of motion picture, alternative entertainment and live theater producers to produce films, alternative entertainment and plays that are attractive to audiences, the amount of money spent by film and alternative entertainment distributors and theatrical producers to promote their motion pictures, alternative entertainment and plays, and the willingness of these distributors and producers to license their films and alternative entertainment on terms that are financially viable to our cinemas and to rent our theaters for the presentation of their plays. To the extent that popular movies, alternative entertainment and plays are produced, our cinema and live theater activities are ultimately dependent upon our ability, in the face of competition from other cinema and live theater operators to book such movies, alternative entertainment and plays into our facilities, and to provide a superior customer offering.

Distribution of film is in the discretion of the film distribution companies. Accordingly, we are at risk that the distributors may not give us all of the film we request.

Adverse economic conditions could materially affect our business by reducing discretionary income and by limiting or reducing sources of film and live theater funding. Cinema and live theater attendance is a luxury, not a necessity. Furthermore, consumer demand for better and better amenities and food offerings have resulted in an increase of the cost of a night at the movies. Accordingly, a decline in the economy resulting in a decrease in discretionary income, or a perception of such a decline, may result in decreased discretionary spending, which could adversely affect our cinema and live theater businesses. Adverse economic conditions can also affect the supply side of our business, as reduced liquidity can adversely affect the availability of funding for movies and plays. This is particularly true in the case of Off-Broadway plays, which are often times financed by high net worth individuals (or groups of such individuals) and that are very risky due to the absence of any ability to recoup investment in secondary markets like Blu-ray/DVD, cable, satellite or internet distribution.

Our screen advertising or auditorium leasing revenue may decline. Over the past several years, cinema exhibitors have been looking increasingly to screen advertising and auditorium leasing as a way to improve income. No assurances can be given that this source of income will be continuing, or that the use of screen advertising will not ultimately prove to be counterproductive, by giving consumers a disincentive to choose going to the movies over “in-home” or mobile entertainment alternatives.

We face uncertainty as to the timing and direction of technological innovations in the cinema exhibition business and as to our access to those technologies. We have converted all of our cinema auditoriums to digital projection. However, no assurances can be given that other technological advances will not require us to make further material investments in our cinemas or face loss of business. Also, equipment is currently being developed for holographic or laser projection. The future of these technologies in the cinema exhibition industry is uncertain.

We face competition from competitors offering food and beverage and luxury seating as an integral part of their cinema offerings. A number of our competitors offering an expanded food and beverage menu (including the sale of alcoholic beverages) and luxury seating, have emerged in recent periods. In addition, some competitors such as AMC are converting existing cinemas to provide such expanded menu offerings and in-theater dining options. The existence of such cinemas may alter traditional cinema selection practices of moviegoers, as they seek out cinemas with such expanded offerings as a preferred alternative to traditional cinemas. In order to

compete with these new cinemas, the Company has begun to materially increase its capital expenditures to add such features to many of our cinemas and to take on additional and more highly trained (and, consequently, compensated) staff. Also, the conversion to luxury seating typically requires a material reduction in the number of seats that an auditorium can accommodate which may translate into fewer movie tickets being sold.

Our failure to obtain and maintain liquor licenses at any of our cinemas could adversely affect our business, results of operations or financial condition. Each of our cinemas offering beer and wine, and in some cases liquor, is subject to licensing and regulation by the alcoholic beverage control agency in the state, county and municipality in which the cinema is located. Each cinema is required to obtain a license to sell alcoholic beverages on the premises from a state authority and, in certain locations, county and municipal authorities. Typically, licenses must be renewed annually and may be revoked or suspended for cause at any time. Alcoholic beverage control regulations relate to numerous aspects of the daily operations of each store, including minimum age of patrons and employees, hours of operation, advertising, wholesale purchasing, inventory control and handling and storage and dispensing of alcoholic beverages. The failure to receive or retain a liquor license, or any other required permit or license, in a particular location, or to continue to qualify for, or renew licenses, could have a material adverse effect on our profitability, our ability to attract patrons, and our ability to obtain such a liquor license in other locations.

We may be subject to increased labor and benefits costs generally. We are subject to laws governing such matters as minimum wages, working conditions and overtime. As minimum wage rates increase, we may need to increase not only the wages of our minimum wage employees, but also the wages paid to employees at wage rates that are above minimum wage. Labor shortages, increased employee turnover and health care mandates could also increase our labor costs. This in turn could lead us to increase prices which could impact our sales. Conversely, if competitive pressures or other factors prevent us from offsetting increased labor costs by increases in prices, our results of operations may be adversely impacted.

Cyber security threats and our failure to protect our electronically stored data could adversely affect our business. We store and maintain electronic information and data necessary to conduct our business. Data maintained in electronic form is subject to the risk of intrusion, tampering and theft. While we have adopted industry-accepted security measures and technology to protect the confidential and proprietary information, the development and maintenance of these systems is costly and require ongoing monitoring and updating as technologies change and efforts to overcome security measures become more sophisticated. As such, we may be unable to anticipate and implement adequate preventive measures in time. This may adversely affect our business, including exposure to government enforcement actions and private litigation, and our reputation with our customers and employees may be injured. In addition to Company-specific cyber threats or attacks, our business and results of operations could also be impacted by breaches affecting our peers and partners within the entertainment industry, as well as other retail companies.

Real Estate Development and Ownership Business Risks

We operate in a highly competitive environment in which we must compete against companies with much greater financial and human resources than we have. We have limited financial and human resources, compared to our principal real estate competitors. In recent periods, we have relied heavily on outside professionals in connection with

our real estate development activities. Many of our competitors have significantly greater resources and may be able to achieve greater economies of scale than we can. Given our structure as a taxable corporation, our cost of capital is typically higher than other real estate investment vehicles such as real estate investment trusts.

Risks Related to the Real Estate Industry Generally

Our financial performance will be affected by risks associated with the real estate industry generally. Events and conditions generally applicable to developers, owners, and operators of real property will affect our performance as well. These include (i) changes in the national, regional and local economic climate, (ii) local conditions, such as an oversupply of, or a reduction in demand for, commercial space and/or entertainment-oriented properties, (iii) reduced attractiveness of our properties to tenants, (iv) the rental rates and capitalization rates applicable to the markets in which we operate and the quality of properties that we own, (v) competition from other properties, (vi) inability to collect rent from tenants, (vii) increased operating costs, including labor, materials, real estate taxes, insurance premiums, and utilities, (viii) costs of complying with changes in government regulations, (ix) the relative illiquidity of real estate investments, and (x) decreases in sources of both construction and long-term lending as traditional sources of such funding leave or reduce their commitments to real estate-based lending. In addition, periods of rising interest rates or declining demand for real estate (for example, due to competition from internet sellers the demand for brick and mortar retail spaces may decline, and due to the increasing popularity of tele-commuting demand for traditional office space may decline), or the public perception that any of these events may occur, could result in declining rents or increased lease defaults. Increasing cap rates can result in lower property values. Also, we have holdings in areas that are subject to earthquake, storm and flooding risk.

We may incur costs complying with the Americans with Disabilities Act and similar laws. Under the Americans with Disabilities Act and similar statutory regimes in Australia and New Zealand or under applicable state or local law, all places of public accommodation (including cinemas and theaters) are required to meet certain governmental requirements related to access and use by persons with disabilities. A determination that we are not in compliance with those governmental requirements with respect to any of

our properties could result in the imposition of fines or an award of damages to private litigants. The cost of addressing these issues could be substantial.

Illiquidity of real estate investments could impede our ability to respond to adverse changes in the performance of our properties. Real estate investments are relatively illiquid and, therefore, tend to limit our ability to vary our portfolio promptly in response to changes in economic or other conditions. Many of our properties are either (i) “special purpose” properties that could not be readily converted to general residential, retail or office use, or (ii) undeveloped land. In addition, certain significant expenditures associated with real estate investment, such as real estate taxes and maintenance costs, are generally not reduced when circumstances cause a reduction in income from the investment, and competitive factors may prevent the pass-through of such costs to tenants.

Real estate development involves a variety of risks.

Real estate development involves a variety of risks, including the following:

- The identification and acquisition of suitable development properties. Competition for suitable development properties is intense. Our ability to identify and acquire development properties may be limited by our size and resources. Also, as we and our affiliates are considered to be “foreign owned” for purposes of certain Australian and New Zealand statutes, we have been in the past, and may in the future be, subject to regulations that are not applicable to other persons doing business in those countries.
- The procurement of necessary land use entitlements for the project. This process can take many years, particularly if opposed by competing interests. Competitors and community groups (sometimes funded by such competitors) may object based on various factors, including, for example, impacts on density, parking, traffic, noise levels and the historic or architectural nature of the building being replaced. If they are unsuccessful at the local governmental level, they may seek recourse to the courts or other tribunals. This can delay projects and increase costs.
- The construction of the project on time and on budget. Construction risks include the availability and cost of financing; the availability and costs of material and labor; the costs of dealing with unknown site conditions (including addressing pollution or environmental wastes deposited upon the property by prior owners); inclement weather conditions; and the ever-present potential for labor-related disruptions.
- The leasing or sell-out of the project. Ultimately, there are risks involved in the leasing of a rental property or the sale of a condominium or built-for-sale property. For our ETCs, the extent to which our cinemas can continue to serve as an anchor tenant will be influenced by the same factors as will influence generally the results of our cinema operations. Leasing or sale can be influenced by economic factors that are neither known nor knowable at the commencement of the development process and by local, national, and even international economic conditions, both real and perceived.
- The refinancing of completed properties. Properties are often developed using relatively short-term loans. Upon completion of the project, it may be necessary to find replacement financing for these loans. This process involves risk as to the availability of such permanent or other take-out financing, the interest rates, and the payment terms applicable to such financing, which may be adversely influenced by local, national, or international factors.

The ownership of properties involves risk. The ownership of investment properties involves risks, such as: (i) ongoing leasing and re-leasing risks, (ii) ongoing financing and re-financing risks, (iii) market risks as to the multiples offered by buyers of investment properties, (iv) risks related to the ongoing compliance with changing governmental regulation (including, without limitation, environmental laws and requirements to remediate environmental

contamination that may exist on a property (such as, by way of example, asbestos), even though not deposited on the property by us), (v) relative illiquidity compared to some other types of assets, and (vi) susceptibility of assets to uninsurable risks, such as biological, chemical or nuclear terrorism, or risks that are subject to caps tied to the concentration of such assets in certain geographic areas, such as earthquakes. Furthermore, as our properties are typically developed around an entertainment use, the attractiveness of these properties to tenants, sources of finance and real estate investors will be influenced by market perceptions of the benefits and detriments of such entertainment-type properties.

A number of our assets are in geologically active areas, presenting risk of earthquake and land movement. We have properties in California and New Zealand, areas that present a greater risk of earthquake and/or land movement than other locations. New Zealand has in recent periods had several major earthquakes damaging our facilities in Christchurch and Wellington. The ability to insure for such casualties is limited and may become more difficult and/or more expensive in future periods.

We may be subject to liability under environmental laws and regulations. We own and operate a large number of cinemas and other properties within the U.S. and internationally, which may be subject to various foreign, federal, state and local laws and regulations relating to the protection of the environment or human health. Such environmental laws and regulations include those that impose liability for the investigation and remediation of spills or releases of hazardous materials. We may incur such liability, including for any currently or formerly owned, leased or operated property, or for any site, to which we may have disposed, or arranged for the disposal of, hazardous materials or wastes. Certain of these laws and regulations may impose liability, including on a joint and several liability, which can result in a liable party being obliged to pay for greater than its share, regardless of fault or the legality of the

original disposal. Environmental conditions relating to our properties or operations could have an adverse effect on our business and results of operations and cash flows.

Legislative or regulatory initiatives related to global warming/climate change concerns may negatively impact our business. Recently, there has been an increasing focus and continuous debate on global climate change including increased attention from regulatory agencies and legislative bodies. This increased focus may lead to new initiatives directed at regulating an as yet unspecified array of environmental matters. Legislative, regulatory or other efforts in the U.S. to combat climate change could result in future increases in the cost of raw materials, taxes, transportation and utilities for our vendors and for us which would result in higher operating costs for the Company. Also, compliance by our cinemas and accompanying real estate with new and revised environmental, zoning, land-use or building codes, laws, rules or regulations, could have a material and adverse effect on our business. However, we are unable to predict at this time, the potential effects, if any, that any future environmental initiatives may have on our business.

Changes in interest rates may increase our interest expense. Because a portion of our debt bears interest at variable rates, increases in interest rates could materially increase our interest expense. In each of March, June, September and December 2018, the U.S. Federal Reserve raised its benchmark interest rate by a quarter of a percentage point, with additional increases expected to come over the next year. If interest rates continue increasing, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, will correspondingly decrease. Based on our debt outstanding as of December 31, 2018, if interest rates were to increase by 1%, the corresponding increase in interest expense on our variable rate debt would decrease future earnings and cash flows by approximately \$1.4 million per year. Potential future increases in interest rates may therefore negatively affect our financial condition and results of operations, and reduce our access to the debt or equity capital markets.

In addition, some of our variable rate indebtedness uses LIBOR as a benchmark for establishing the rate. LIBOR is the subject of recent national, international and other regulatory guidance and proposals for reform. On July 27, 2017, the United Kingdom's Financial Conduct Authority announced that it intends to phase out LIBOR by the end of 2021. These reforms and other pressures may cause LIBOR to disappear entirely or to perform differently than in the past. The consequences of these developments cannot be entirely predicted, but could include an increase in the cost of our variable rate indebtedness.

International Business Risks

Our international operations are subject to a variety of risks, including the following:

- **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 dollar 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 repaid intercompany debt and used the 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 US dollar versus the Australian Dollar and/or the New Zealand dollar will 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.

- **Risk of adverse government regulation:** currently, we believe that relations between the United States, Australia, and New Zealand are good. However, no assurances can be given that these relationships will continue and that Australia and New Zealand will not in the future seek to regulate more highly the business done by U.S. companies in their countries.
- **Risk of adverse labor relations:** deterioration in labor relations could lead to an increased cost of labor (including future government requirements with respect to pension liabilities, disability insurance and health coverage, and vacations and leave).

Trade disputes and geopolitical instability outside of the U.S. may adversely impact the U.S. and global economies. In 2018, global growth weakened, trade tensions heightened, and several emerging markets experienced significant downturns as macroeconomic and geopolitical developments weighed on market sentiments. Governmental policies of developed economies, such as the U.S., have a substantial effect on emerging markets, and the consequences of a trade war between two developed countries, like that of the U.S. and China, could further contribute to the adverse economic and political conditions of emerging and other developed economies. Additionally, North Korea's nuclear weapons capabilities continue to be an ongoing security concern and worsening relations between the U.S. and North Korea continue to create a global security issue that may adversely affect international business and economic conditions. While it is difficult for us to predict the effect of such trade wars and heightened geopolitical and economic instability on our business, they could lead to currency devaluation, economic and political turmoil, market volatility, and a loss of consumer confidence in the broader U.S. economy.

Risks Associated with Certain Discontinued Operations

Certain of our subsidiaries were previously in industrial businesses. As a consequence, properties that are currently owned or may have in the past been owned, by these subsidiaries may prove to have environmental issues. Where we have knowledge of such environmental issues and are in a position to make an assessment as to our exposure, we have established what we believe to be appropriate reserves, but we are exposed to the risk that currently unknown problems may be discovered. These subsidiaries are also exposed to potential claims related to exposure of former employees to coal dust, asbestos, and other materials now considered to be, or which in the future may be found to be, carcinogenic or otherwise injurious to health.

Operating, Financial Structure and Borrowing Risk

From time to time, we may have negative working capital. In recent years, as we have invested our cash in new acquisitions and the development of our existing properties, we have had negative working capital. This negative working capital is typical in the cinema exhibition industry because our short-term liabilities are in part financing our long-term assets instead of long-term liabilities financing short-term assets, as is the case in other industries such as manufacturing and distribution.

We are subject to complex taxation, changes in tax rates, adoption of new U.S. or international tax legislation and disagreements with tax authorities that could adversely affect our business, financial condition or results of operations. We are subject to many different forms of taxation in both the U.S. and in foreign jurisdictions where we operate, such as the U.S. Tax Cuts and Jobs Act signed into law in December 2017. The new laws are still evolving and require we interpret the provisions of the law as we try to comply with them. The costs of compliance with these laws and regulations are high and are likely to increase in the future. Any failure on our part to comply with these laws and regulations can result in negative publicity and diversion of management time and effort and may subject us to significant liabilities and other penalties.

Changes in U.S. accounting standards may adversely impact our business. In February 2016, the Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) 2016-02 Leases (ASC 842). This ASU was a joint effort by FASB and the International Accounting Standards Board (IASB) to improve the financial reporting of leasing transactions by requiring companies to recognize lease assets and lease liabilities on their balance sheet. ASU 2016-02 could require significant changes to our balance sheet relating to the recognition of operating leases as assets or liabilities based on existing lease terms and whether we are the lessor or lessee. Although these standards become effective in 2019, these changes in accounting standards could have a material effect on our financial condition or results of operations which, ultimately, could materially impact the price of our stock.

We have substantial short to medium term debt. Generally speaking, we have historically financed our operations through relatively short-term debt. No assurances can be given that we will be able to refinance this debt, or if we can, that the terms will be reasonable. However, as a counterbalance to this debt, we have certain unencumbered real property assets, which could be sold to pay debt or encumbered to assist in the refinancing of existing debt, if necessary.

We have substantial lease liabilities. Most of our cinemas operate in leased facilities. These leases typically have “cost of living” or other rent adjustment features and require that we operate the properties as cinemas. A downturn in our cinema exhibition business might, depending on its severity, adversely affect the ability of our cinema operating subsidiaries to meet these rental obligations. Even if our cinema exhibition business remains relatively constant, cinema level cash flow will likely be adversely affected unless we can increase our revenue sufficiently to offset increases in our rental liabilities.

Our stock is thinly traded. Our stock is thinly traded, with an average daily volume in 2018 of only approximately 45,123 Class A Stock. Our Class B Stock is very thinly traded with even less volume. This can result in significant volatility, as demand by buyers and sellers can easily get out of balance.

Ownership and Management Structure, Corporate Governance, and Change of Control Risks

Pending disputes among the heirs of James J. Cotter, Sr., have over the past three years caused, and may continue to cause, uncertainty regarding the ongoing control of the Company by the Cotter family and have distracted and may continue to distract

the time and attention of our officers and directors from our business and operations and may ultimately interfere with the effective management of the Company. Up until his death on September 13, 2014, James J. Cotter, Sr., the father of Ellen Cotter, James J. Cotter, Jr. and Margaret Cotter, was our controlling stockholder, having the sole power to vote approximately 66.9% of the outstanding voting stock of the Company. Under applicable Nevada Law, a stockholder holding more than 2/3rds of the Company's voting stock has the power at any time, with or without cause, to remove any one or more directors (up to and including the entire board of directors) by written consent taken without a meeting of the stockholders.

Since his death, disputes have arisen among Ellen Cotter, James J. Cotter, Jr. and Margaret Cotter concerning the voting control of those shares and regarding the exercise by the Estate of James J. Cotter, Sr. Deceased (the "Cotter Estate") of options to acquire an additional 100,000 shares of Class B Stock. At the present time, Ellen Cotter is the Chair, President and Chief Executive Officer of our Company. Margaret Cotter is the Vice-Chair of our Company, Executive Vice-President – Real Estate Management and Development, NYC and the President of Liberty Theaters, LLC, the company through which we own and operate our live theaters. She heads up the management and redevelopment of our New York properties. James J. Cotter, Jr., from June 2013 until June 12, 2015 was the President and from August 7, 2014 until June 12, 2015 was the Chief Executive Officer of our Company, having been removed from those positions by Board action on June 12, 2015. From 2002 until November 7, 2018, Mr. Cotter, Jr., was also a director of our Company.

As of December 31, 2018, according to the books of the Company, the Living Trust established by the Declaration of Trust dated June 5, 2013, by James J. Cotter, Sr. (the "Cotter Trust"), held of record 696,080 shares of our Class B Stock constituting approximately 41.4% of the voting power of our outstanding capital stock. According to the books of the Company, the Cotter Estate as of that date held of record an additional 427,808 shares of Class B Stock, constituting approximately 25.5% of the voting power of our outstanding capital stock. We are advised, based upon public filings made by one or more of Ellen Cotter, Margaret Cotter and James J. Cotter, Jr. (the "Cotter Filings") that the Class B Stock currently held of record by the Cotter Estate will eventually pour over into the Cotter Trust. We are further advised from the Cotter Filings that the Cotter Trust also provides for the establishment of a voting trust (the "Cotter Voting Trust") which will eventually hold the Class B Stock currently held by the Cotter Estate and the Cotter Trust. At the present time, however, such Class B Stock is held of record by the Cotter Trust and the Cotter Estate, respectively.

On December 22, 2014, the District Court of Clark County, Nevada, (the "Nevada District Court") appointed Ellen Cotter and Margaret Cotter as co-executors of the Cotter Estate. On March 23, 2018, the Superior Court of the State of California, County of Los Angeles (the "California Superior Court"), issued its judgement in the case captioned In re James J. Cotter Living Trust dated August 1, 2000 (Case No. BP159755) (the "Trust Case"), to the effect that Ellen Cotter and Margaret Cotter are the Co-Trustees of the Cotter Trust and that Margaret Cotter is the sole Trustee of the Voting Trust. As the appeal period for that judgment has expired, the California Superior Court's determination in this regard is now final and not subject to review. Accordingly, in the view of the Company, Ellen Cotter and Margaret Cotter have voting control over the shares held by the Cotter Trust and the Cotter Estate, collectively representing 66.9% of our Company's Class B Stock. Taking into account Ellen Cotter and Margaret Cotter's personal holdings of voting stock, Ellen Cotter and Margaret Cotter have the power to vote 71.9% of our Company's voting stock.

We understand from public filings made by Ellen Cotter and Margaret Cotter and public filings made by James J. Cotter, that James J. Cotter, Jr. is the first alternate trustee of the Voting Trust, in the event that Margaret Cotter is unable or unwilling to serve as trustee.

While our Company is not a party to the Trust Case, our Company has appeared to protect (a) the business plan adopted by our Board of Directors and its determination that stockholder interests are best achieved by continuing with that business plan rather than selling the Company at this time and (b) in the event that the California Court were to disregard the advice of our Board and order that a controlling interest in our Company be marketed or sold, that the interests of our Company and stockholders generally are protected. Our Company's participation in the Trust Case since August 2017 has been overseen by a Special Independent Committee of the Board of Directors currently comprised of directors Doug McEachern and Judy Coddling.

On February 8, 2017, James Cotter, Jr. filed in the Trust Case an Ex Parte Petition for Appointment of a trustee ad litem and of a guardian ad litem for the benefit of Cotter, Sr.'s, minor grandchildren (two of whom are the children of Margaret Cotter and three of whom are the children of James Cotter, Jr., and who are referred to herein as the "Cotter Grandchildren"). Mr. Cotter, Jr., sought the appointment of a trustee ad litem, to evaluate the non-binding indication of interest sent by Patton Vision, LLC ("Patton Vision"), to the Trustees of the Cotter Trust to acquire the RDI shares held by the Cotter Trust at \$18.50 per share (referred to in Mr. Cotter, Jr.'s pleadings as the "Offer") and to take reasonable steps to act on the Offer in the trustee's sole discretion. Specifically, Mr. Cotter Jr. sought an order "granting the trustee ad litem with full power, authority, and protections under the Cotter Trust and California trust law, as any other named trustee would have, to evaluate the Offer, conduct due diligence, negotiate with Patton Vision or any other potential offerors, and take all actions necessary or appropriate to consummate the sale of the Cotter Trust's RDI shares, including but not limited to:

- a. communicate solely with Patton Vision regarding their Offer to purchase the Cotter Trust's RDI shares;
- b. receive solely and exclusively all offers for the purchase of the Cotter Trust's RDI shares;
- c. enter into purchase and sale agreements with respect to the Cotter Trust's RDI shares;

- d. take all actions necessary to carry out the terms, conditions, and obligations of any purchase and sale agreement with respect to the Cotter Trust's RDI shares, including negotiating any modifications thereto;
- e. receive all proceeds of sale from the Cotter Trust's RDI shares;
- f. return to the co-trustees of the Cotter Trust, namely Margaret Cotter, Ellen Cotter, and James J. Cotter, Jr., net proceeds of the sale of the Cotter Trust's RDI shares to be invested, managed and distributed in accordance with the terms of the Cotter Trust;
- g. hire investment advisors, tax advisors, accountants, attorneys, or any other advisors the trustee ad litem deems necessary and reasonable, in his or her sole discretion, to carry out his powers; and,
- h. temporarily suspending James J. Cotter, Jr., Margaret and Ellen's powers with respect to all of the foregoing matters until further order of this Court."

Notwithstanding its determination that Mr. Cotter, Jr. was not a trustee of either the Cotter Trust or the Voting Trust, on February 14, 2018, the California Superior Court issued its "Statement of Decision" to appoint a temporary trustee ad litem (the "TTAL") "with the narrow and specific authority to obtain offers to purchase the RDI stock in the voting trust, but not to exercise any other powers without court approval, specifically the sale of the company or any other powers possessed by the trustees." The California Superior Court's order based on that Statement of Decision was entered on March 23, 2018. That order was appealed by Ellen Cotter and Margaret Cotter to the California Court of Appeals for the Second District (the "California Court of Appeals"), and on April 2, 2018, the California Court of Appeals entered its order to show cause and a stay (the "Order to Show Cause and Stay") as to why the court below "should not be compelled to vacate your order of March 23, 2018 directing that trustee ad litem be appointed to obtain offers to purchase the voting-stock trust's interest in Reading International, Inc., and issue a new and different order denying the ex parte petition seeking a trustee ad litem. . . . All trial court proceedings are stayed pending disposition of this proceeding or further order of this court." Briefs have been submitted by all parties, and a hearing is set for April 5, 2019. Accordingly, no temporary trustee ad litem has been appointed and no solicitation of offers is ongoing.

In so far as we are aware, based upon public filings and our internal records, at the present time the Voting Trust does not own any shares of RDI stock. The shares which are anticipated to flow into the Voting Trust are, insofar as our Company is aware, currently owned by the Cotter Estate and the Cotter Trust.

We continue to believe that, whether or not a final determination is made to sell the voting shares, the appointment of a TTAL would pose risks to our Company and our stockholders for a variety of reasons, including the resultant potential for: (i) distraction of management and key employees from focusing on the conduct of our business, including the implementation of our three year business strategy, (ii) incurrence of additional general and administrative costs due to the need to implement employee retention programs and to incur legal expenses of the type and at levels not typically required in the ordinary conduct of our Company's business, (iii) interference with contractual relationships, negotiations and potential negotiations with third parties important to our Company's business, including, without limitation, current and future lenders, tenants, landlords, suppliers and co-developers, (iv) increased difficulty in hiring and retaining high quality employees, and (v) exposure of our Company to potential litigation claims of the type which often accompany any extraordinary corporate transactions together with the expense, distraction and time loss that typically results from any such litigation. If the California Superior Court's order is not reversed by the California Court of Appeals and if a decision to sell a controlling interest is made by the California Superior Court, then there would be the additional risk that control might be sold to an unqualified purchaser who might exploit such control position in a manner not consistent with the best interests of our Company or stockholders generally.

Since May 2016, Patton Vision has sent various non-binding indications of interest to us to purchase all of our Company's outstanding shares. In each case our Board of Directors has determined that our Company and our stockholders would be best served by our continued independence and by our pursuit of our business strategy. We were informed that on January 23, 2017, Patton Vision separately sent a similar indication of interest to the co-trustees of the Cotter Trust to purchase the Cotter Trust's shares and to the Co-Executors of the Cotter Estate to purchase the Cotter Estate's shares. We have been advised by Ellen Cotter and Margaret Cotter that, acting in their capacities as the Co-Executors of the Cotter Estate and as the Co-Trustees of the Cotter Trust and by Margaret Cotter, acting in her capacity as the Trustee of the to-be-formed Voting Trust, that they do not have any current plans to sell voting control of our Company.

Most recently, on November 6, 2018, we received a non-binding indication of interest from Patton Vision dated November 5, 2018, stating an indicated purchase price of \$444.0 million, allocated \$17.22 per share for our Class A Common Stock and \$37.38 per share for our Class B Common Stock. In a further letter dated January 17, 2019, Patton Vision clarified that "the value per Class A and Class B shares reflected [in the November 5, 2018 non-binding indication of interest] were exemplary and intended to reflect that the proposal represented a substantial equity value premium across Reading classes of common stock" and extended the term of its non-binding indication of interest to March 29, 2019. On March 14, 2019, our Board of Directors, following consideration and adoption of our three year business strategy, once again confirmed its determination that our Company and our stockholders would be best served by our continued independence and by our pursuit of our business strategy. Our Board of Directors instructed our management to inform Patton Vision once again that our Board had no present interest in engaging in discussions regarding our possible sale.

The California Superior Court, in the Trust Case, has jurisdiction over a potentially controlling block of our voting power. The Cotter Trust, which as described in more detail above, currently owns 41.4% of our Class B Stock, and, at such time as the Cotter Estate is

probated, may receive up to an additional 25.5% of our Class B Stock, should the California Superior Court order the sale of the Trusts' Class B Stock and such sale be completed, then there may be a change of control of our Company (depending on, among other things, who the ultimate purchaser(s) of such shares might be, the number of shares of Voting Stock distributed by the Cotter Estate to the Cotter Trust, and whether the California Superior Court orders a sale of all or only some portion to the Class B Stock held by the Cotter Trust). We cannot predict what reactions, including appeals or other steps, might be taken by Ellen Cotter and Margaret Cotter in their respective capacities as Trustees under the Cotter Trust, or in other capacities (for example, as Co-Executors of the Cotter Estate or as stockholders acting in their own right), should the California Superior Court make such an order. We do note, however, that Ellen Cotter and Margaret Cotter have publicly stated that, if there is to be a sale of controlling shares, they intend to be the purchaser of such shares. We also cannot predict what action our Board of Directors would take in response, if any. However, our Board of Directors has an obligation to act in the best interest of our Company, and in the event the California Superior Court were to order a sale of the Class B Stock held by the Cotter Trust, our Board of Directors would be obligated to consider the interests of the Company and to act accordingly.

In addition, James J. Cotter, Jr., has filed a derivative action (discussed in greater detail below) against Ellen Cotter and Margaret Cotter and certain of our Directors, alleging a variety of misconduct on their part and, among other things, seeking the reinstatement of James J. Cotter, Jr. as president and chief executive officer of our Company, and challenging the voting by Ellen Cotter and Margaret Cotter of the shares held by the Cotter Estate. The Nevada District Court has now dismissed on summary judgment all of Mr. Cotter, Jr.'s claims in that action, including his claims relating to the handling of the Patton Vision non-binding indications of interest. The Nevada District Court has also entered a cost order against Mr. Cotter, Jr., in the amount of \$1.55 million. However, Mr. Cotter, Jr., has appealed those decisions so they continue as an overhang over our Company. See Notes to Consolidated Financial Statements—Note 12—Commitments and Contingencies—Cotter Jr. Related Litigation Matters (including legal costs coverage).

The Nevada derivative litigation and related matters has for multiple years, required the time and attention of Ellen Cotter, Margaret Cotter, our directors and members of our management team and could, in the future, potentially further distract the time and attention of these key persons from the business and operations of our Company.

Furthermore, the uncertainty as to the future management and control of our Company could potentially adversely impact, among other things (i) our ability to develop and maintain favorable business relationships, (ii) our ability to attract and retain talented and experienced directors, executives and employees, (iii) the compensation and other terms needed to attract and retain such individuals (including, without limitation, the potential need for retentions agreements and other incentive arrangements typically put into place when control of a public company is uncertain), (iv) our ability to borrow money on favorable long-term terms, and (v) our ability to pursue and complete long-term business objectives.

The interests of our controlling stockholder may conflict with your interests. As of December 31, 2018, the Cotter Estate and the Cotter Trust beneficially own 66.9% of our outstanding Class B Stock. At the present time, according to the books of the Company, Ellen Cotter and Margaret Cotter vote (including their direct holdings of 50,000 shares and 35,100 shares respectively of the Class B Stock), Class B Stock representing 71.9% of our outstanding Class B Stock. Our Class A Stock is non-voting, while our Class B Stock represents all of the voting power of our Company. For as long as the Cotter Estate, the Cotter Trust and/or the Cotter Voting Trust (referred to herein

collectively as the “Cotter Entities”) continue to own shares of Class B Stock representing more than 50% of the voting power of our common stock, the Cotter Entities will be able to elect all of the members of our Board of Directors and determine the outcome of all matters submitted to a vote of our stockholders, including matters involving mergers or other business combinations, the acquisition or disposition of assets, the incurrence of indebtedness, the issuance of any additional shares of common stock or other equity securities and the payment of dividends on common stock. The Cotter Entities will also have the power to prevent or cause a change in control, and could take other actions that might be desirable to the Cotter Entities but not to other stockholders. To the extent that the Cotter Entities hold more than 2/3rds of our outstanding Class B Stock, the Cotter Entities will have the power at any time, with or without cause, to remove any one or more Directors (up to and including the entire board of directors) by written consent taken without a meeting of the stockholders.

In addition, the Cotter Estate or the Cotter Trust and/or their respective affiliates have controlling interests in companies in related and unrelated industries. In the future, we may participate in transactions with these companies (see Note 19 – Related Parties).

While controlling stockholders may owe certain fiduciary duties to our Company and/or minority stockholders, these duties are limited. No assurances can be given that the Cotter Entities will not take action that, while beneficial to them and legally enforceable, would not necessarily be in the best interests of our Company and/or our stockholders generally.

We are a “Controlled Company” under applicable NASDAQ Regulations. As permitted by those Regulations, our Board has elected to opt-out of certain corporate governance rules applicable to non-controlled companies. Generally speaking, the NASDAQ requires listed companies to meet certain minimum corporate governance provisions. However, a “Controlled Company”, such as we, may elect not to be governed by certain of these provisions. Our Board of Directors has elected to exempt our Company from requirements that (i) at least a majority of our Directors be independent, and (ii) nominees to our Board of Directors be nominated by a committee comprised entirely of independent Directors or by a majority of our Company’s independent Directors. Notwithstanding the determination by our Board of Directors to opt-out of these NASDAQ requirements, we believe that a majority of our Board of

Directors is nevertheless currently comprised of independent Directors. As a practical matter, subject to their fiduciary duties, Ellen Cotter and Margaret Cotter control the composition of our Board of Directors.

We depend on key personnel for our current and future performance. Our current and future performance depends to a significant degree upon the continued contributions of our senior management team and other key personnel. The loss or unavailability to us of any member of our senior management team or a key employee could significantly harm us. We cannot assure you that we would be able to locate or employ qualified replacements for senior management or key employees on acceptable terms. Due to the uncertainty of our control situation, the ongoing availability of these employees and our ability to replace them is uncertain.

If our company suffers cyber-security attacks, data security challenges or privacy incidents that result in security breaches, we could suffer a loss of sales, additional liability, reputational harm or other adverse consequences.

The effective operation of our international businesses depends on our network infrastructure, computer systems, physical, virtual and/or cloud based, and software. Our information technology systems collect and process information provided by customers, employees and vendors. In addition, third party vendors' systems process ticketing for our theaters. These various information technology systems and the data stored within them are subject to penetration by cyber attackers. We utilize industry accepted security protocols to securely maintain and protect proprietary and confidential information. However, in spite of our best efforts, our information systems may fail to operate for a variety of technological or human reasons. An interruption or failure of our information technology systems and of those maintained by our third party providers could adversely affect our business, liquidity or results of operations and result in increases in reputational risk, litigation or penalties. Furthermore, any such occurrence, if significant could require us to expend resources to remediate and upgrade information technology systems. Since 2015, we have annually procured cybersecurity insurance to protect against cyber-security risks; however, such we cannot provide any assurance regarding the adequacy of such insurance coverage.

Item 1B – Unresolved Staff Comments

None.

Item 2 – Properties

EXECUTIVE AND ADMINISTRATIVE OFFICES

As discussed previously, in February 2017, we moved our executive headquarters in the U.S. from an 11,700 square foot leased office space located at 6100 Center Drive, Suite 900, Los Angeles, California 90045 to a 24,000 square foot Class B office building with 72 parking spaces located at 5995 Sepulveda Boulevard, Suite 300, Culver City, California 90230, which we purchased on April 11, 2016. We are currently using approximately 50% of the leasable area for our headquarters’ offices and continue to look for an unaffiliated third party tenant to lease the remainder.

We own an 8,300 square foot office building in Melbourne, Australia, approximately 5,200 square feet of which serve as the headquarters for our Australian and New Zealand operations (the remainder being leased to an unrelated third party). We maintain our accounting personnel and certain IT and operational personnel in approximately 5,900 square feet of office spaces located in our Wellington Courtenay Central ETC. We also occupy approximately 3,500 square feet at our Village East leasehold property in New York for administrative purposes.

ENTERTAINMENT PROPERTIES

Entertainment Use Leasehold Interests

As of December 31, 2018, we lease approximately 1,800,000 square feet of completed cinema space in the United States, Australia, and New Zealand as follows:

	Aggregate Square Footage	Approximate Range of Remaining Lease Terms (including renewals)
United States	962,000	2019 – 2052
Australia	659,000	2019 – 2039
New Zealand	191,000	2019 – 2050

In December 2014, we entered into a lease for a new luxury cinema, Olino by Consolidated Theatres, which opened on October 21, 2016 at the new Ka Makana Ali'i Shopping Center developed in Kapolei, Hawaii by an affiliate of DeBartolo Development.

REAL ESTATE INTERESTS

Fee Interests

In Australia, as of December 31, 2018, we owned approximately 1,200,000 square feet of land at nine locations. Most of this land is located in the greater metropolitan areas of Brisbane, Perth, and Sydney. Of these fee interests, approximately 208,000 square feet are currently improved with cinemas. We also own an approximately 23,000 square foot parcel currently improved with an approximately 22,000 square foot office building that we intend to integrate with and into our Newmarket Village ETC and that, accordingly, is not included in the above table. In 2018, we acquired a building of 16,830 square feet which borders on three sides of our Auburn ETC for \$3.5 million (AU\$ 4.5 million) This building has a lease in place, which expires in July 2022, after which we intend to integrate the property with our ETC.

In New Zealand, as of December 31, 2018, we owned approximately 3,300,000 square feet of land at six locations. The foregoing includes the Courtenay Central ETC in Wellington, the development land adjacent to our Courtenay Central ETC, the 70.4-acre Manukau site, and the fee interests underlying four cinemas in New Zealand, which properties include approximately 20,000 square feet of ancillary retail space.

In the United States, as of December 31, 2018, we owned approximately 134,000 square feet of improved real estate comprised of three live theater buildings, which include approximately 37,000 square feet of leasable space, the fee interest in the Union Square property (currently being redeveloped), and the fee interest in our Cinemas 1,2,3 in Manhattan (held through a limited liability company in which we have a 75% managing member interest) and (through a limited liability company [Shadow View Land and Farming, LLC] in which we have a 50% managing member interest) 202 acres of developable land in Coachella, California, zoned for residential and mixed use purposes. We also own various properties relating to our historic railroad business, including the Reading Viaduct in central Philadelphia.

Live Theaters

Included among our real estate holdings are three Off-Broadway style live theaters, operated through our Liberty Theaters subsidiary. We license theater auditoriums to the producers of Off-Broadway theatrical productions and provide various box office and food & beverage services. The terms of our licenses are, naturally, principally dependent upon the commercial success of our tenants. While we attempt to choose productions that we believe will be successful, we have no control over the production itself. At the current time, we have two single-auditorium theaters in Manhattan:

- the Minetta Lane (399 seats); and
- the Orpheum (347 seats).

We also own a four-auditorium theater complex, the Royal George Theatre in Chicago (main stage 452 seats, cabaret 199 seats, great room 100 seats and gallery 60 seats), which has ancillary retail, office space, and parking.

Liberty Theaters is primarily in the business of licensing theatre space. However, we may from time-to-time participate as an investor in a play, which can help facilitate the exhibition of the play at one of our facilities, and do from time-to-time rent space on a basis that allows us to share in a production’s revenue or profits. Revenue, expense, and profits are reported as a part of the real estate segment of our business.

Joint Venture Interests

Real estate joint ventures comprise of a 75% managing member interest in the limited liability company that owns our Cinemas 1,2,3 property and a 50% managing member interest in Shadow View Land & Farming, LLC, which owns an approximately 202-acre property in Coachella, California that is currently zoned for residential and mixed use.

OPERATING PROPERTY

As of December 31, 2018, we own fee interests on approximately 879,000 square feet of income-producing properties (including certain properties principally occupied by our cinemas) as follows:

Property	Square Feet of Improvements (rental/entertainment)(1)	Percentage Leased(2)	Net Book Value(3) (US Dollars in	Reporting Segment	Address
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thousands)

United States					
1 Cinemas 1, 2, 3(4)	0 / 21,000	n/a	\$ 24,267	Cinema Exhibition	1003 Third Avenue, Manhattan, NY
2 LA Office Building, Culver City	12,000 / 14,000	0%	13,004	Real Estate	5995 Sepulveda Blvd, Culver City, CA
3 Minetta Lane Theatre	0 / 9,000	100%	2,477	Real Estate	18-22 Minetta Lane, Manhattan, NY
4 Orpheum Theatre	1,000 / 5,000	100%	1,324	Real Estate	126 2nd Street, Manhattan, NY
5 Royal George	37,000 / 23,000	91%	2,227	Real Estate	1633 N. Halsted Street, Chicago, IL
	plus a 55-space parking structure				
Australia					
1 Newmarket	102,000 / 42,000	98%	52,453	Real Estate	400 Newmarket Road, Newmarket, QLD
	plus a 574-space parking structure				
2 Auburn(5)	92,000 / 57,000	83%	23,498	Cinema Exhibition / Real Estate	99 Parramatta Road, Auburn, NSW
	plus a 727-space parking structure				
3 Cannon Park(6)	105,000 / 44,000	91%	21,579	Cinema Exhibition / Real Estate	High Range Drive, Thuringowa, QLD
4 Belmont	15,000 / 45,000	92%	6,104	Cinema Exhibition	Knutsford Avenue and Fulham Street, Belmont, WA
5 York Street Office	8,000 / 0	37%	1,769	Real Estate	98 York Street, South Melbourne, VIC
6 Maitland Cinema	0 / 22,000	n/a	955	Cinema Exhibition	Ken Tubman Drive, Maitland, NSW
7 Bundaberg Cinema	0 / 14,000	n/a	1,118	Cinema Exhibition	1 Johanna Boulevard, Bundaberg, QLD
New Zealand					
1 Courtenay Central(5)	29,000 / 76,000	54%	12,344	Cinema Exhibition / Real Estate	100 Courtenay Place, Wellington
	Plus an additional 37,000 feet of land currently used as car parking where our car parking structure once was.				24 Tory Street, Wellington (Parking)
2 Dunedin Cinema	0 / 25,000	n/a	5,994	Cinema Exhibition	33 The Octagon, Dunedin
3 Napier Cinema	12,000 / 18,000	100%	1,878	Cinema Exhibition	154 Station Street, Napier
4 Invercargill Cinema	8,000 / 24,000	61%	1,493	Cinema Exhibition	29 Dee Street, Invercargill
5 Rotorua Cinema	0 / 19,000	n/a	1,673	Cinema Exhibition	1281 Eruera Street, Rotorua
TOTAL(7)			\$ 174,157		

- (1) Rental square footage refers to the amount of area available to be rented to third parties. A number of our real estate holdings include entertainment components rented to one or more of our subsidiaries at fair market rent. The rental area to such subsidiaries is noted under the entertainment square footage.
- (2) Represents the percentage of rental square footage currently leased or licensed to third parties.

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- (3) Refers to the net carrying value of the land and buildings of the property presented as “Operating Property” in our Consolidated Balance Sheet as of December 31, 2018 (net of any impairments recorded).
- (4) Owned by a limited liability company in which we hold a 75% managing member interest. The remaining 25% is owned by Sutton Hill Capital, LLC (“SHC”), a company owned in equal parts by the Cotter Estate or the Cotter Trust and a third party.
- (5) Our Courtenay Central parking structure has been demolished due to an earthquake on November 14, 2016. For further information on the on-going development projects of these properties, refer to succeeding section "Investment and Development Property."
- (6) Our Cannon Park City and Discount Centers are operated as a single ETC.
- (7) This schedule does not include (i) our leasehold assets on cinemas under leased-facility model, (ii) those portion of the owned assets that are not income-producing or purely used for administrative purposes, and (iii) our assets on our legacy business principally in Pennsylvania.

LONG-TERM LEASEHOLD OPERATING PROPERTY

In certain cases, we have long-term leases that we view more akin to real estate investments than cinema leases. As of December 31, 2018, we had approximately 149,000 square foot of space subject to such long-term leases, which are reported as part of our Cinema Exhibition segment, detailed as follows:

Property	Square Feet of Improvements (rental/ entertainment)(1)	Percentage Leased(2)	Net Book Value(3) (US Dollars in thousands)
In United States			
1 Manville	0 / 46,000	n/a	4,898
In Australia			
1 Waurin Ponds	6,000 / 38,000	100%	963
TOTAL			\$ 5,861

- (1) Rental square footage refers to the amount of area available to be rented to third parties. A number of our real estate holdings include entertainment components rented to one or more of our subsidiaries at fair market rent. The rental area to such subsidiaries is noted under the entertainment square footage.
- (2) Represents the percentage of rental square footage currently leased to third parties.
- (3) Refers to the net carrying value of the leasehold property presented as “Operating Property” in our Consolidated Balance Sheet as of December 31, 2018 (net of any impairments recorded).

INVESTMENT AND DEVELOPMENT PROPERTY

We are engaged in several investment and development projects relative to our currently undeveloped parcels of land. In addition, we are currently executing, or still pursuing to execute, our redevelopment plans on several of our existing developed properties to take them to their highest and best use. The following table summarizes our investment and development projects as of December 31, 2018:

Property(1) United States	Acreage	Net Book Value(2) (US Dollars in thousands)	Status
1 44 Union Square	0.27	\$ 62,423	We are currently in exclusive lease negotiations for long term leases with respect to approximately 90% of the net rentable area of the building and, while no assurances can be given, it is currently anticipated that our base building will be ready for tenant improvement work before the end of the second quarter of this year.
2 Coachella, CA	202.39	4,351	We hold this property for the potential long-term development benefit. During 2018, we cleared and secured the property. The property is zoned for residential and mixed-use uses.
Australia 1 Auburn/RedYard, Sydney, New South Wales	2.62	1,428	We continue our expansion of this center. During 2018, we acquired an approximately 20,870 square foot infill property, improved with an approximately 16,830 square foot office building rented to Telstra through July 2022. This acquisition has increased the square footage of the center to approximately 519,982 square feet and the rentable area to approximately 149,020 square feet. The property includes approximately 118,000 square feet of developable land, which will be an area of focus in 2019. The net book value referenced for this property references only the above referenced 118,000 square feet of developable land.
New Zealand 1 Manukau, Auckland	64.0 acres zoned light industrial use and 6.4 acres zoned heavy industrial use	11,867	In August 2016, the agricultural portion of our property in Manukau (approximately 64.0 acres) was rezoned to light industrial uses. The remainder of this property (6.4 acres) is zoned for heavy industrial use. In 2018, we worked with adjoining landholders to jointly advance necessary infrastructure improvement issues. We estimate that our property will support approximately 1.6 million square feet of improvements.
2 Courtenay Central, Wellington	1.08	6,735	Damage from the 2016 earthquake necessitated demolition of our nine-story parking garage at the site, and unrelated seismic issues

have caused us to close portions of the existing cinema and retail structure while we reevaluate the center for redevelopment as an entertainment themed urban center with a major food and grocery component.

TOTAL \$ 86,804

- (1) A number of our real estate holdings include additional land held for development. In addition, we have acquired certain parcels for future development.
- (2) Refers to the recorded values of our non-operating and currently in-development stage properties, which are comprised of land, building, development costs and capitalized interest, and presented as “Investment and Development Property” in our Consolidated Balance Sheet as of December 31, 2018. Not included in this number is the book value of those portions of such properties which have already been developed. For example, in the case of our Auburn/Redyard shopping center, only the 118,000 square foot of developable land (out of the total 519,982 square foot of land comprising the entire center) is included in this calculation.

Some of our income operating properties and our investment and development properties carry various debt encumbrances based on their income streams and geographic locations. For an explanation of our debt and the associated security collateral please see Note 10 – Borrowings to our 2018 consolidated financial statements.

OTHER PROPERTY INTERESTS AND INVESTMENTS

We own the fee interests in various parcels comprising 197 acres in principally in Pennsylvania. These acres consist primarily of vacant land. With the exception of certain properties located in Philadelphia (including the raised railroad bed near the Center City, known as the Reading Viaduct), the properties are principally located in rural areas of Pennsylvania. These properties are unencumbered by any debt.

Item 3 – Legal Proceedings

The information required under Part I, Item 3 (Legal Proceedings) is incorporated by reference to the information contained in Note 12 – Commitments and Contingencies to the Consolidated Financial Statements included herein in Part II, Item 8 (Financial Statements and Supplementary Data) on this Annual Report on Form 10-K.

Item 4 – Mine Safety Disclosures

Not Applicable. Properties relating to our legacy business are currently not used and classified as Investment Property.

PART II

Item 5 – Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

MARKET INFORMATION

Our common stock is traded on the NASDAQ under the symbols RDI (Class A Stock) and RDIB (Class B Stock).

As of December 31, 2018, the approximate number of common stockholders of record was 2,300 for Class A Stock and 375, for Class B Stock. On March 15, 2019, the closing prices per share of our Class A Stock and Class B Stock were \$16.15 and \$25.70, respectively.

We have never declared a cash dividend on our common stock and we have no current plans to declare a dividend.

Securities Authorized for Issuance Under Equity Compensation Plans

Our Definitive Proxy Statement to be filed in connection with our 2019 Annual Meeting of Stockholders incorporated herein by reference, contains information concerning securities authorized for issuance under equity compensation plans within the caption: Ownership of Certain Beneficial Owners and Management and Equity Compensation Plan Information.

The following table summarizes the securities authorized for issuance under our equity compensation plans:

	Number of securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted-average exercise price of outstanding options, warrants, and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders			
Stock options	586,469	\$ 14.01	
Restricted stock units	236,291	14.80	
Total	822,760		1,031,970

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Performance Graph

The following line graph compares the cumulative total stockholder return on RDI's common stock for the five-year period ended December 31, 2018 against the cumulative total return as calculated by the NASDAQ composite, a peer group of public companies engaged in the motion picture theater operator industry and a peer group of public companies engaged in the real estate operator industry. Measurement points are the last trading day for each of the five years ended December 31, 2018. The graph assumes that \$100 was invested on December 31, 2013 in our common stock, the NASDAQ composite and the noted peer groups, and assumes reinvestment of any dividends. The stock price performance on the following graph is not necessarily indicative of future stock price performance.

The following performance graph shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, nor shall this information be incorporated by reference into any future filing under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate it by reference into a filing.

RECENT SALES OF UNREGISTERED SECURITIES; USE OF PROCEEDS FROM REGISTERED SECURITIES

None.

PURCHASE OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

On March 2, 2017 our Board of Directors authorized a stock buy-back program to spend up to an aggregate of \$25.0 million to acquire shares of the Company's Class A non-voting stock. Below is a summary of share repurchases during the fourth quarter of 2018: Refer to Note 14 - Share-Based Compensation and Share Repurchase Plans in the 2018 Consolidated Financial Statements for further details.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as part of our Stock Buy-Back Program	Approximate Dollar Value of Shares that may yet be Purchased under the Stock Buy-Back Program
December 2018	125,700	15.24	125,700	16,162,529

On March 14, 2019, the Board of Directors extended our Company's stock buy-back program for two years, through March 2, 2021. The Board did not increase the authorized amount, which was initially fixed at \$25 million. At the present time, \$16.2 million of that authorization remains available to repurchase Class A Common Stock. Refer to Note 14 - Share-Based Compensation and Share Repurchase Plans in the 2018 Consolidated Financial Statements for further details.

Item 6 – Selected Financial Data

The table below sets forth certain historical financial data regarding our Company. This information is derived in part from, and should be read in conjunction with, our consolidated financial statements included in Item 8 of this 2018, and the related notes to the consolidated financial statements.

(\$ in thousands, except per share data)	2018	2017(2)	2016(2)	2015(2)	2014
Statement of operations					
Revenue	\$ 309,385	\$ 279,879	\$ 270,866	\$ 257,865	\$ 255,242
Operating income	24,078	20,706	20,704	23,696	22,667
Net income attributable to RDI	14,366	31,101	9,678	23,110	25,335
Per common share					
Net income/ attributed to RDI					
Basic EPS	\$ 0.62	\$ 1.35	\$ 0.42	\$ 0.99	\$ 1.08
Diluted EPS	0.62	1.34	0.41	0.98	1.07
Balance sheet					
Total assets	\$ 439,028	\$ 423,403	\$ 406,041	\$ 372,198	\$ 401,586
Total debt (gross of deferred financing costs)	167,043	134,501	148,535	130,941	164,036
Working capital (deficit)(3)	(55,270)	(46,971)	6,655	(35,581)	(15,119)
Stockholders' equity	180,547	181,618	146,890	138,951	133,716
Statement of cash flows					
Cash provided by / (used in):					
Operating activities	\$ 32,645	\$ 23,851	\$ 30,188	\$ 28,574	\$ 28,343
Investing activities	(64,855)	(6,786)	(42,861)	(29,710)	(9,898)
Financing activities	33,210	(22,055)	11,246	(27,961)	(3,275)
Other Information					
EBIT	\$ 24,623	\$ 40,675	\$ 20,598	\$ 35,562	\$ 25,410
EBITDA	\$ 46,898	\$ 57,617	(1) \$ 36,287	\$ 50,124	(1) \$ 40,878
Debt to EBITDA Ratio	3.56	2.33	4.09	2.61	4.01
Capital expenditure (including acquisitions)	\$ 56,827	\$ 76,708	\$ 49,166	\$ 53,119	\$ 14,914
Shares outstanding					
Weighted average - basic	22,920,634	22,931,881	23,178,307	23,334,892	23,237,076
Weighted average - diluted	22,991,277	23,041,190	23,320,048	23,293,696	23,431,855
Number of employees at 12/31	23,208,991	23,247,969	23,521,157	23,495,618	23,749,221
	2,944	2,585	2,793	2,712	2,596

(1) 2017 includes gain on sale of assets amounting to \$9.4 million and casualty loss recovery of \$9.2 million. 2015 includes gain on sale of assets amounting to \$11.0 million.

(2)

Certain 2015 balances included the restatement impact of a change in accounting principle (see Note 2 – Summary of Significant Accounting Policies – Accounting Changes). Certain 2017 and 2016 balances included the restatement impact of a prior period financial statement correction of immaterial errors (see Note 2 – Summary of Significant Accounting Policies – Prior Period Financial Statement Correction of Immaterial Errors).

- (3) Our working capital (deficit) is negative 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.

Both EBIT and EBITDA are non-US GAAP measures and are presented for informational purposes. They should not be construed as an alternative to net earnings (loss), as an indicator of operating performance or as an alternative to cash flow provided by operating activities as a measure of liquidity (as determined in accordance with US GAAP). These measures should be reviewed in conjunction with the relevant US GAAP financial measures. EBIT and EBITDA as we have calculated them may not be comparable to similarly titled measures reported by other companies.

EBIT presented above represents net income (loss) adjusted for interest expense (net of interest income), income tax expense and an adjustment of interest expense for discontinued operations, if any. EBIT is useful in evaluating our operating results for the following reasons:

- EBIT removes the impact of the varying tax rates and tax regimes in the jurisdictions where we operate and the impact of tax timing differences that may vary from time-to-time and from jurisdiction-to-jurisdiction
- EBIT removes the impact from our effective tax rate of factors not directly related to our business operations.
- EBIT removes the impact of our historically significant net loss carry-forwards.
- EBIT allows a better performance comparison between RDI and other companies. For example, it allows us to compare ourselves with other companies that may have more or less debt than we do.

We define EBITDA as net income adjusted for interest expense (net of interest income), income tax expense, depreciation and amortization expense, and an adjustment of interest expense, depreciation, and amortization for discontinued operations, if any. EBITDA is useful principally for the following reasons:

- EBITDA is an industry comparative measure of financial performance. Analysts and financial commentators who report on the cinema exhibition and real estate industries often use EBITDA to determine the valuation of a company in such industries.
- EBITDA is a measure used by financial institutions to determine the credit rating of companies in cinema exhibition and real estate industries.

Reconciliation of EBIT and EBITDA to net income is presented below:

(\$ in thousands)	2018	2017	2016	2015	2014
Net income attributable to RDI	\$ 14,366	\$ 31,101	\$ 9,678	\$ 23,110	\$ 25,335
Add: Interest expense, net	6,837	6,194	6,782	7,304	9,000
Add: Income tax (benefit) expense	3,420	3,380	4,138	5,148	(8,925)
EBIT	\$ 24,623	\$ 40,675	\$ 20,598	\$ 35,562	\$ 25,410
Add: Depreciation and amortization	22,275	16,942	15,689	14,562	15,468
EBITDA	\$ 46,898	\$ 57,617	\$ 36,287	\$ 50,124	\$ 40,878

Item 7 – Management’s Discussions and Analysis of Financial Condition and Results of Operations (“MD&A”)

This MD&A should be read in conjunction with the accompanying consolidated financial statements included in Part II, Item 8 (Financial Statements and Supplementary Data). The foregoing discussions and analyses contain certain forward-looking statements. Please refer to the “Forward Looking Statements” included as a preface in Part I, Item 1A – Risk Factors of this 2018 Form 10-K.

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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 59, including one managed only cinema multiplex cinemas; and,
- Real estate, including real estate development and the rental of retail, commercial and live theater assets.

We believe that these two business segments can complement one another, as we can use the comparatively consistent cash flows generated by our cinema operations to fund the front-end cash demands of our real estate development business.

We operate our worldwide cinema exhibition businesses under various brands:

- in the U.S., under the following brands: Reading Cinemas, Angelika Film Centers, Consolidated Theatres, and City Cinemas;
- in Australia, under the Reading Cinemas brand; and,
- in New Zealand, under the Reading Cinemas and Rialto brands.

Our Business Strategy: Applying a Synergistic Approach

We believe the cinema business to be one that will likely continue to generate fairly consistent cash flows in the years ahead, even in a recessionary or inflationary environment. This is based on our belief that people will continue to spend a reasonable portion of their entertainment dollars on entertainment outside of the home and that, when compared to other forms of outside-the-home entertainment, movies continue to be a popular and competitively priced option. We believe the cinema exhibition business to be a mature business with most markets either adequately screened or over-screened and we see growth in our cinema business coming principally from (i) the enhancement of our existing cinemas (for example, by the addition of luxury recliner seating and expanding our food and beverage program), (ii) the development in select markets of specialty cinemas and where applicable, new cinemas in underserved markets, and (iii) the opportunistic acquisition of already existing cinemas. From time-to-time, we might invest in the securities of other companies, where we believe the business or assets of those companies to be attractive or to offer synergies to our

existing entertainment and real estate businesses. We continue to focus on the development and redevelopment of our existing assets (particularly our real estate assets in (i) New York, (ii) Brisbane and Sydney in Australia, and (iii) Wellington, New Zealand, and our Angelika Film Center chain), as well as to continue to be opportunistic in identifying and endeavoring to acquire undervalued assets, particularly assets with proven cash flow and that we believe to be resistant to recessionary trends.

We see ourselves principally as a geographically diversified real estate and cinema exhibition company and intend to add to stockholder value by building the value of our portfolio of tangible assets, including both entertainment and other types of land and “brick and mortar” assets. We endeavor to maintain a reasonable asset allocation between our domestic and international assets and operations, and between our cash-generating cinema operations and our cash-consuming real estate investment and development activities. We believe that, by blending the cash generating capabilities of a cinema operation with the investment and development opportunities of our real estate operations, our business strategy is unique among public companies.

Industry Outlook

Cinema Exhibition

Along with most of our industry, we have completed the conversion of all of our U.S., Australia, and New Zealand cinema operations to digital exhibition. We believe that a substantial part of this cost of conversion has been or will be recovered by the receipt of “virtual print fees” paid by film distributors for the use of such digital projection equipment.

The “in-home” entertainment industry has experienced significant leaps in recent periods in both the quality and affordability of in-home entertainment systems and in the accessibility to and quality of entertainment programming through alternative film distribution channels, such as network, cable, satellite, internet distribution channels, and Blu-ray/DVD. The success of these alternative distribution channels puts additional pressure on film distributors to reduce and/or eliminate the length of time between theatrical and secondary release dates. These are issues common to both our U.S. and international cinema operations.

Certain new entrants to the cinema exhibition market, as well as certain of our historic competitors, have begun to develop new, and to reposition existing, cinemas that offer a broader selection of premium seating and food and beverage choices. These include, in some cases, food service to the seat and the offering of alcoholic beverages. For some years, we have offered premium seating, café food selections and alcoholic beverages in certain cinemas. Based on our experience, we believe that we can compete effectively with this emerging competition. We are currently reviewing the potential for further expanding our offerings at a variety of our cinemas.

Below is a summary discussion of the competitive aspects of our two cinema exhibition markets:

- North America: We face strong competition in North America as distributors may find it more commercially appealing to deal with major exhibitors, rather than to deal with independents such as us. This competitive disadvantage has increased significantly in recent periods, with the development of mega-circuits such as Cinemark, Regal and AMC, who are able to offer distributors access to screens on a truly nationwide basis, or, on the other hand, to limit access if their desires with respect to film supply are not satisfied.

AMC in 2017 completed its acquisition of the 4th largest exhibitor in the U.S., Carmike Cinemas, making it the largest circuit in the U.S. and when considered with its parent (Dalian Wanda), the largest exhibitor in the world. Just recently, Cineworld, a major European cinema circuit operator, has acquired Regal. The restructuring and consolidation undertaken in the industry is decreasing the number of exhibitors in the market, and the emergence of increasingly attractive “in-home” and mobile entertainment alternatives and the continued growth of in-home and mobile viewing options is resulting in pressure for shortened release windows.

- Australia / New Zealand: The film exhibition industry in Australia and New Zealand is highly concentrated in that Village, Event, and Hoyts (the “Major Exhibitors”) control approximately 78% of the cinema box office in Australia, while Event and Hoyts control approximately 52% of New Zealand’s cinema box office. The industry is also somewhat vertically integrated in that one of the Major Exhibitors, Roadshow Film Distributors (part of Village), also serves as a distributor of film in Australia and New Zealand for Warner Bros. Films produced or distributed by the majority of the local international independent producers are also distributed by Roadshow. Typically, the Major Exhibitors own the newer multiplex and megaplex cinemas, while the independent exhibitors typically have older and smaller cinemas. In addition, the Major Exhibitors have in recent periods built a number of new multiplexes as joint venture partners or under shared facility arrangements, and have historically not engaged in head-to-head competition.

Real Estate

A summary discussion of the competitive aspects of the markets where we own real estate properties is as follows:

- North America: We believe that U.S. retail real estate owners will continue to reuse the space vacated by anchor retailers to offer a variety of entertainment options and ultimately enhance the customer experience. Online marketplaces will offer a platform to brands, designers, and artists to find physical retail space for a short duration. This will likely spur a broader subleasing phenomenon. Subleasing will likely be bigger than leasing, however physical stores will remain, although their form and functionality will continue to evolve. Credit availability may be a concern going forward, due to, among other things, the continued low CMBS issuances and banks tightening the lending standards across all commercial real estate loan categories due to increased federal scrutiny.

Demand for office space is likely to reduce as corporations adapt to employees' "live, work, and play" behavior and leverage technology to automate tasks. The leasing of large office spaces and sub-leasing them on demand for a wide variety of short-term rentals, ranging from day offices, hourly use of office space or meeting rooms, to virtual offices and other uses, will be a continuing growth trend. In essence, office space demand will tilt in favor of open, flexible, co-sharing spaces and the per-employee office space requirement is likely to shrink. As there will be a higher demand for dynamically configurable spaces.

Our U.S. business plan is aligned with these real estate trends – to expand our U.S. cinema offering, offer premium retail locations and versatile office product.

- Australia and New Zealand: Over the past few years, there has been a noted stabilization in real estate market activity resulting in some increases to commercial and retail property values in Australia and to a lesser extent in New Zealand. Both countries have relatively stable economies with varying degrees of economic growth that are mostly influenced by global trends. Also, we have noted that our Australian and New Zealand developed properties have had consistent growth in rentals and values, and we have a number of projects commencing in the near to medium term. Once developed, we remain optimistic that our Australian and New Zealand holdings will continue to provide value and cash flows to our operations.

RECENT DEVELOPMENTS

Recent developments in our two business segments are discussed below:

Cinema Exhibition

Our cinema revenue consists primarily of admissions, F&B, advertising and theater rentals. Cinema operating expense consists of the costs directly attributable to the operation of the cinemas, including film rent expense, operating costs, and occupancy costs. Cinema revenue and expense 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 see Part I, Item 1 – Our Business of this 2018 Form 10-K.

While our capital projects in recent years have been focused on growing our real estate segment, we have also maintained our focus on improving and enhancing in our cinema exhibition portfolio, as discussed below:

Cinema Additions and Enhancements

Here are the additions to our cinema portfolio in 2017 and 2018:

- Opened a new state-of-the-art eight-screen in Newmarket, Brisbane, Australia On December 14, 2017, at the completion of our expansion of our Newmarket Village, Brisbane shopping center, we opened an eight screen Reading Cinemas offering one TITAN LUXE with DOLBY ATMOS sound and recliner seating, and three Gold Lounge auditoriums featuring recliner seating, as well as offering an expanded F&B menu.
- Opened our first dine-in concept, “Spotlight” in the United States: On March 30, 2018 we finished the conversion of one wing (six auditoriums) at our Reading Cinema in Murrieta, California (Cal Oaks) to our dine-in concept brand, “Spotlight
- U.S. Refurbishments In 2017 and 2018, we continued to invest in the refurbishment and enhancements of our existing cinemas, as contemplated by our strategic plan. During this period, seven locations had significant refurbishment work performed: our Cal Oaks, Valley Plaza and Grossmont locations in California; our Ward, Pearlridge and Mililani locations in Hawaii; and our Manville location in New Jersey. During this period, we converted (or are in the process of conversion), 63 of our 245 U.S. auditoriums to luxury recliner seating.
- AU and NZ Refurbishments In 2017 and 2018, we improved eight theaters: Belmont, Rouse Hill, Courtenay Central, Napier, Charlestown, Elizabeth, Auburn and Rotorua.

Upgrades to our Film Exhibition Technology and Theatre Amenities

As discussed previously, we continue to focus in areas of the matured cinema business where we believe we have growth potential and ultimately, provide long-term value to our stockholders. We have invested both in (i) upgrading of our existing cinemas and (ii) developing new cinemas, in each case to provide our customers with premium offerings, including state-of-the-art presentation and sound, luxury seating and enhanced food and beverage amenities (such as lounges and bar service). As of December 31, 2018, the upgrades to our theater circuits' film exhibition technology and amenities are as summarized in the following table:

	Location Count	Screen Count
Screen Format		
Digital (all cinemas in our theatre circuit)	59	478
IMAX	1	1
Titan LUXE and TITAN XC	18	20
Dine-in Service		
Gold Lounge(1)	10	25
Premium(2)	11	21
Spotlight	1	6
Upgraded Food & Beverage menu (for U.S. operations)(3)	14	n/a
Premium Seating (recliner seating features)	21	136
Liquor Licenses Obtained(4)	25	n/a

- (1) Gold Lounge: This is our "First Class Full Dine-in Service" in our Australian and New Zealand cinemas, which includes upgraded F&B menu (with alcoholic beverages), luxury recliner seating features (intimate 30-40 seat cinemas) and waiter service.
- (2) Premium Service: This is our "Business Class Dine-in Service" in our Australian and New Zealand cinemas, which includes upgraded F&B menu (with alcoholic beverages) and may include luxury recliner seating features (less intimate 80-seat cinemas), but no waiter service.
- (3) Upgraded Food & Beverage Menu: Contrary to our offerings in Australia and New Zealand, our upgraded F&B offerings in the U.S. cinemas are available in a common counter in each of our cinema locations rather than a dine-in service at each screen room. We have worked with renowned former Food Network executives and chefs to curate a menu of locally inspired and freshly prepared items.
- (4) Liquor Licenses: Licenses are applicable at each cinema location, rather than each theatre auditorium. For accounting purposes, we capitalize the cost of purchasing or obtaining for liquor licenses meeting certain thresholds as an intangible asset due to long-term economic benefits derived on future sales of alcoholic beverages. As of December 31, 2018, we have five pending applications for additional liquor licenses in the U.S.

During January 2019, we acquired a proven four-screen cinema in Tasmania.

Plans for 2019 and Our Cinema Pipeline

We currently plan to upgrade or begin the upgrade of various cinemas in the U.S., Australia, and New Zealand in 2019.

We have entered into lease agreements for four new cinemas in Australia (25 screens), which we anticipate will come on line in 2019 - 2021.

Our focus with respect to new cinemas featuring state-of-the-art projection and sound, luxury recliner seating, enhanced F&B (typically including alcohol service) and typically at least one major TITAN type presentation screen. Our focus is on providing best in class services and amenities that will differentiate us from in-home and mobile viewing options. We believe that a night at the movies should be a special and premium experience and, indeed, that it must be in order to compete with the variety of options being offered to consumers through other platforms.

During 2019, we will also be focusing on the rollout and enhancement of our proprietary on-line ticketing capabilities and social media interfaces. These are intended to enhance the convenience of our offering and to promote customer affinity with the experience and product that we are offering.

Real Estate

As of December 31, 2018, our operating properties consisted of the following:

- our Newmarket, Queensland ETC, our Belmont, Western Australia ETC, our Auburn, New South Wales ETC, our Townsville, Queensland ETC and our Wellington, New Zealand ETC;
- two (2) single-auditorium live theaters in Manhattan (Minetta Lane and Orpheum) and a four-auditorium live theater complex (including the accompanying ancillary retail and commercial tenants) in Chicago (The Royal George); and,
- the ancillary retail and commercial tenants at some of our non-ETC cinema properties.

At the beginning of January 2016, we ceased our live theatre business at our Union Square property in New York, terminated all tenant leases and prepared the property for redevelopment. Accordingly, this property is no longer treated as an operating property.

In February 2018, we entered into a one-year license agreement with Audible, Inc., a subsidiary of Amazon, at the Minetta Lane Theatre, which allows Audible to produce its one and two person voice shows at our Minetta Lane Theatre. While no assurances can be given, we are currently finalizing with Audible an amendment extending this agreement through 2020, with an additional one year option.

In addition, we have various parcels of unimproved real estate held for development in Australia and New Zealand and certain unimproved land in the United States including properties used in our legacy activities. We also own an 8,300 square foot commercial building in Melbourne, which serves as our administrative headquarters for Australia and New Zealand, approximately 37% which is leased to an unrelated third party. During 2016, we bought a 24,000 square foot office building in Culver City, California to serve as our Corporate Headquarters in Los Angeles (refer to “Strategic Acquisitions” section below for more details).

Our key real estate transactions over the 2016-2018 period are as follows:

Strategic Acquisitions

- Purchase of Infill Property in Auburn, Australia – On June 29, 2018, we purchased a property for \$3.5 million (AU\$ 4.5 million) in Auburn (Sydney area), Australia. The property which borders our Redyard ETC in Auburn on three sides to the east, west and south and consists of an approximately 16,830 square foot building located on an estimated 20,870 square foot lot, is subject to a lease to Telstra Corporation through July 2022. This will allow us time to plan for its efficient integration into our ETC. Including this acquisition, our Redyard ETC represents approximately 519,992 square feet (48,309 square meters) of land, with approximately 1,620 feet (498 meters) of uninterrupted frontage to Parramatta Road, a major Sydney arterial motorway. The final settlement payment was made in early October 2018
- Purchase of New Corporate Headquarters Building in Los Angeles. On April 11, 2016, we purchased a 24,000 square foot office building with 72 parking spaces located at 5995 Sepulveda Boulevard in Culver City, California (a Los Angeles suburb) for \$11.2 million cash and financed the property with a \$9.9 million 10-year, fixed-rate mortgage loan. We currently use approximately 50% of the leasable area for our headquarters offices and we plan to lease the remainder to unaffiliated third parties.
- Purchase of Land at Cannon Park, Australia. On June 13, 2018, we acquired a 163,000 square foot (15,150 square meter) parcel at our Cannon Park ETC, in connection with the restructuring of our relationship with the adjacent land owner. Prior to the restructuring, this parcel was commonly owned by us and the adjoining land owner. In the restructuring, the adjoining land owner conveyed to us its interest in the parcel for AU\$1. We granted the adjoining land owner certain access rights.

Opportunistic Sales

- Sale of Landholding in Burwood, Australia. On December 14, 2017, we received the final payment for Burwood of \$28.1 million (AU\$36.6 million), on June 19, 2017 we received \$16.6 million (AU\$21.8 million) as a partial payment and on May 23, 2014 we received \$5.9 million (AU\$6.5 million) as the initial deposit.

Value-creating Opportunities

We are engaged in several real estate development projects to take our properties to their highest and best use. The most notable of these value-creating projects are as follows:

- Redevelopment of 44 Union Square Property in New York, USA. We secured construction financing for our Union Square property in December 2016 and entered into a guaranteed maximum price construction management agreement with an affiliate of CNY. We anticipate that the project will be ready for tenant fit-out activities in the second quarter of 2019. Retail and office leasing interest to date has been strong and, while no assurances can be given, we are currently in exclusive negotiations with respect to long-term leases covering approximately 90% of the net rentable area of the building. This redevelopment will add approximately 23,000 square footage of rentable space to the current square footage of the building for an approximate total of 73,322 square feet of rentable space, inclusive of anticipated BOMA (Building Owners and Managers Association) adjustments and subject to lease negotiations and the final tenant mix.
- Expansion Project for our Newmarket Shopping Center located in an affluent suburb of Brisbane, Australia. In December 2017 we opened our eight-screen Reading Cinema, 10,150 square feet of additional retail space and 124 parking spaces. As of December 31, 2018, this center was approximately 98% leased.
- Master-planning for our Courtenay Central ETC in Wellington, New Zealand. Located in the heart of Wellington – New Zealand’s capital city – this center is comprised of 161,071 square feet of land situated proximate to the Te Papa Tongarewa Museum (attracting over 1.5 million visitors annually), across the street from the site of Wellington’s newly announced convention center (estimated to open its doors in 2022) and at a major public transit hub. Damage from the 2016 earthquake necessitated demolition of our nine-story parking garage at the site, and unrelated seismic issues have caused us to close portions of the existing cinema and retail structure while we reevaluate the center for redevelopment as an entertainment themed urban center with a major food and grocery component. Wellington continues to be rated as one of the top cities in the world in which to live, and we continue to believe that the Courtenay Central site is located in one of the most vibrant and growing commercial and entertainment sections of Wellington.

In April, 2017, our Insurer completed the examination of our insurance claim with respect to the parking building and shopping center earthquake damage and related business interruption. We received a final settlement of US \$20.0 million in May 2017, reaching the policy maximum of US\$25.0 million for the loss event. As a result, we recorded a gain of \$9.2 million (NZ\$12.7 million) representing excess insurance recoveries over the recorded property value during the second quarter ended June 30, 2017. This amount is recorded net of demolition costs incurred and an allocation to lost profits, covered within the same insurance policy. This gain was a non-recurring item for the year 2018.

During the quarter ended June 30, 2017, we recorded a gain on business interruption recoveries of \$1.5 million (NZ\$2.1 million), presented as part of the relevant segment revenue lines in our Consolidated Statement of Operations for that quarter. While the earthquake has opened up possibilities to reconfigure our Courtenay Central property, the gains recorded during the quarter ended June 30, 2017 do not compensate for the lost time value of the delay of our development plan. This gain was a non-recurring item for the year 2018.

Refer to Note 20 – Insurance Recoveries on Impairment and Related Losses due to Earthquake for further details on the impact of the earthquake incident.

- Cinema 1,2,3 Redevelopment – In June 2017, we entered into an exclusive dealing and pre-development agreement with our adjoining neighbors, 260-264 LLC, to jointly develop the properties, currently home to Cinemas 1,2,3 and Anassa Taverna. Under the terms of the agreement, Reading and 260-264 LLC worked together on a comprehensive mixed-use plan to co-develop the properties located on 3rd Avenue, between 59th Street and 60th Streets, in New York City. The parties completed an initial feasibility study, analyzing various retail, entertainment and residential uses for the site and during 2018 continued to work on the terms of a final agreement for the development of the combined property. We do not presently believe that we will be able to come to agreement with our neighbors for a joint development of our properties and, have, accordingly, begun developing plans for an approximately 96,000 square foot mixed use stand-alone development. Our Cinemas 1,2,3, property is located on Third Avenue in New York City, between 59th and 60th Streets across from Bloomingdales.
- Manukau Land Rezoning – In August 2016, the Auckland City Council up-zoned 64.0 acres of our property in Manukau from agricultural to light industrial use. The remaining 6.4 acres were already zoned for heavy industrial use. Our zoning enhancement goal has been achieved, in 2018, we worked with adjoining landholders to jointly advance necessary infrastructure improvement issues. We estimate that our property will support approximately 1.6 million square feet of improvements. We see this property as a future value realization opportunity for us. This tract is adjacent to the Auckland Airport, which is currently undergoing a major improvement and expansion project.

Corporate Matters

- \$25-million Stock Repurchase Program. The prior repurchase program was completed at the end of 2016. The new repurchase program approved on March 2, 2017, and extended on March 14, 2019, allows Reading to repurchase its Class A Stock from time to time in accordance with the requirements of the Securities and Exchange Commission on the open market, in block trades and in privately negotiated transactions, depending on market conditions and other factors. The new authorization continues through March 2, 2020.

Our Financing Strategy

Our treasury management is focused on concerted cash management using cash balances to reduce debt. We have 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. On a periodic basis, we review the maturities of our borrowing arrangements and negotiate for renewals and extensions where necessary in the current circumstances.

In March 2019, we amended our Revolving Corporate Markets Loan Facility with National Australia Bank (“NAB”) from a facility comprised of (i) a 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 AUD\$5.0 million at a rate of 1.90% per annum into a (i) AU\$120.0 million Corporate Loan facility at a rate of 0.85% - 1.3% 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 US GAAP.

On December 20, 2018, we then 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 loan balance and a 1.1% line of credit charge on the full amount of the facility. The 2nd tranche (construction line) with a facility of NZ\$18.0 million matured on December 31, 2018, and was not renewed.

On March 5, 2019, we extended our current Bank of America credit facilities until May 1, 2020 (the \$55 million credit line). We anticipate refinancing this credit line during the second quarter of 2019.

For a complete list and further details of our value creation projects, see Part I, Item 2 – Properties under the heading “Investment and Development Property”.

OVERALL RESULTS OF OPERATIONS

At December 31, 2018, we leased or owned and operated 59 cinemas with 478 screens, which includes (i) one managed cinema with 4 screens and (ii) our interests in certain unconsolidated joint ventures that total 3 cinemas with 29 screens. In the first quarter of 2019, we acquired a proven 4-screen cinema in Tasmania, increasing our cinema count to 60 and our screen count to 488. We also (i) owned and operated five ETCs located in Newmarket Village (a suburb of Brisbane), Belmont (a suburb of Perth), Auburn (a suburb of Sydney) and Townsville in Australia and Wellington in New Zealand, (ii) owned and operated our headquarters office buildings in Culver City (an emerging high-tech and communications hub in Los Angeles County) and Melbourne, Australia, (iii) owned and operated the fee interests in three developed commercial properties in Manhattan and Chicago improved with live theaters comprising six stages and ancillary retail and commercial space (our fourth live theatre was closed at the end of 2015 as part of the Union Square property redevelopment), (iv) owned a 75% managing member interest in a limited liability company which in turn owns the fee interest in Cinemas 1,2,3, (v) held for development approximately 70.4 acres of developable industrial land located next to the Auckland Airport in New Zealand, (vi) owned a 50% managing member interest in a limited liability company, which in turn owns a 202-acre property in Coachella, California that is zoned approximately 150 acres for single-family residential use (maximum 550 homes) and approximately 50 acres for high density mixed use in the U.S., that is held for development, and (vii) owned 197 acres principally in Pennsylvania from our legacy railroad business, including the Reading Viaduct in downtown Philadelphia.

Our Company transacts business in Australia and New Zealand and is subject to risks associated with changing foreign currency exchange rates. During the current year, compared to the prior year, the Australian dollar and New Zealand dollar weakened against the U.S. dollar by 2.5% in each country.

The following table sets forth the overall results of operations for the three years ended December 31, 2016, 2017, and 2018:

(Dollars in thousands)	2018	% of Revenue 2017	2017	% of Revenue 2016	2016	% of Revenue 2017	% Change - Favorable/ (Unfavorable)		
							2018 vs. 2017	2017 vs. 2016	2017 vs. 2016
SEGMENT RESULTS									
Cinema exhibition operating income	\$ 39,321	13 %	\$ 32,970	12 %	\$ 35,498	13 %	19 %	(7) %	
Real estate operating income (1)	6,438	2 %	8,156	3 %	7,322	3 %	(21) %	11 %	
NON-SEGMENT RESULTS									
Depreciation and amortization expense	(394)	— %	(473)	— %	(395)	— %	17 %	(20) %	

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General and administrative expense	(21,287)	(7) %	(19,947)	(7) %	(21,721)	(8) %	(7) %	8 %
Interest expense, net	(6,837)	(2) %	(6,194)	(2) %	(6,782)	(3) %	(10) %	9 %
Equity earnings of unconsolidated joint ventures	974	— %	815	— %	999	— %	20 %	(18) %
Gain (loss) on sale of assets	(41)	— %	9,360	3 %	393	— %	100) %	100 %
Casualty gain (loss)	—	— %	9,217	3 %	(1,421)	(1) %	(100) %	100 %
Other income (expense)	(256)	— %	588	— %	(63)	— %	100) %	100 %
Income before income taxes	17,918	6 %	34,492	12 %	13,830	5 %	(48) %	100 %
Income tax benefit (expense)	(3,420)	(1) %	(3,380)	(1) %	(4,138)	(2) %	(1) %	18 %
Net income	14,498	5 %	31,112	11 %	9,692	4 %	(53) %	100 %
Less: Net income (loss) attributable to noncontrolling interests	132	— %	11	— %	14	— %	nm	nm
Net income attributable to RDI common stockholders	\$ 14,366	5 %	\$ 31,101	11 %	\$ 9,678	4 %	(54) %	100 %
Basic EPS	\$ 0.62		\$ 1.35		\$ 0.42		(54) %	100 %

(1) See Note 2 of the 2018 10-K for the prior period adjustments for accounting of straight line rent receivable deemed not material.

“nm” – not meaningful for further analysis

CONSOLIDATED RESULTS

2018 vs. 2017

Net income attributable to RDI common stockholders decreased by \$16.7 million, or 54%, to \$14.4 million. This decrease was mainly due to: (i) the 2017 recognition of a non-recurring \$9.2 million casualty gain attributable the insurance settlement on our Courtenay Central earthquake damage claim, (ii) a \$9.4 million gain on property sales in 2017 (attributable to the sale of our Burwood Property) not repeated in 2018, (iii) an increase in non-segment general and administrative expenses of \$1.3 million in 2018 iv) 844,000 decrease in other income in 2018 mainly due to a non-recurring 2017 gain on foreign exchange (FX) of \$563,000 relating to short term intercompany loan balances held in foreign operations, (v) a \$1.7 million decrease in Real Estate segment operating income due to non-recurring receipt in 2017 of legal fee reimbursement related to the STOMP arbitration award settlement and (vi) a \$40,000 increase in income tax expense for 2018. These were offset by increased Cinema Exhibition segment operating income of \$4.6.4 million mainly relating to higher admissions in all three jurisdictions, predominantly in the United States.

2017 vs. 2016

Net income attributable to RDI common stockholders increased 221% to \$31.1 million for the year ended December 31, 2017. This increase was mainly due to: (i) a non-recurring increase of \$9.2 million attributable to the receipt of insurance settlement proceeds with respect to our Courtenay Central earthquake damage claim, (ii) a \$9.4 million gain on the sale of our Burwood Property, (iii) \$1.8 million decrease in non-segment general and administrative expenses, (iv) a \$651,000 increase in other income mainly consisting of a gain on FX of \$563,000 relating to short term intercompany loan balances held in foreign operations, and (v) offset by a decrease in Cinema Exhibit segment operating income of \$ 2.5 million mainly relating to lower admissions in the United States and higher occupancy costs.

BUSINESS SEGMENT RESULTS – 2018 vs 2017

Presented below is the comparison of the segment operating income of our two business segments for the years ended December 31, 2018 and 2017:

	2018		2017		% Change Favorable/ (Unfavorable)			
	Cinema	Real Estate (1)	Cinema	Real Estate (1)	Cinema	Real Estate		
(Dollars in thousands)								
Segment Revenues	\$ 294,177	\$ 24,235	\$ 263,464	\$ 23,988	12 %	1 %		
Segment Operating Expenses								
Cost of services and products (excluding depreciation and amortization)	(234,818)	(9,904)	(215,020)	(9,436)	(9) %	(5) %		
Depreciation and amortization	(16,314)	(5,567)	(12,213)	(4,256)	(34) %	(31) %		
General and administrative expense	(3,724)	(2,326)	(3,261)	(2,140)	(14) %	(9) %		
Total segment expenses	(254,856)	(17,797)	(230,494)	(15,832)	(11) %	(12) %		
Segment operating income	\$ 39,321	\$ 6,438	\$ 32,970	\$ 8,156	19 %	(21) %		
Breakdown by country:								
United States	\$ 12,683	\$ (362)	\$ 7,207	\$ 1,198	76 %	(>100) %		
Australia	21,295	5,002	21,358	5,623	— %	(11) %		
New Zealand	5,343	1,798	4,405	1,335	21 %	35 %		
	\$ 39,321	\$ 6,438	\$ 32,970	\$ 8,156	19 %	(21) %		

(1) See Note 2 of the 2018 10-K for the prior period adjustments for accounting of straight line rent receivable deemed not material.

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The discussion for each segments follows:

Cinema Exhibition – 2018 vs. 2017

(Dollars in thousands)	2018	% of Revenue	2017	% of Revenue	2018 vs. 2017 Favorable / (Unfavorable)	
REVENUE						
United						
State admission revenue	\$ 103,421	63 %	\$ 87,646	63 %	18	%
Food & beverage revenue	48,110	30 %	41,911	30 %	15	%
Advertising and other revenue	10,720	7 %	9,521	7 %	13	%
	\$ 162,251	100 %	\$ 139,078	100 %	17	%
Australia						
State admission revenue	\$ 65,263	64 %	\$ 60,736	63 %	7	%
Food & beverage revenue	29,722	29 %	28,746	30 %	3	%
Advertising and other revenue	7,011	7 %	7,124	7 %	(2)	%
	\$ 101,996	100 %	\$ 96,606	100 %	6	%
New Zealand						
State admission revenue	\$ 19,708	66 %	\$ 17,495	63 %	13	%
Food & beverage revenue	8,683	29 %	7,689	28 %	13	%
Advertising and other revenue	1,539	5 %	2,596	9 %	(41)	%
	\$ 29,930	100 %	\$ 27,780	100 %	8	%
Total revenue	\$ 294,177	100 %	\$ 263,464	100 %	12	%
OPERATING EXPENSE						
United						
State film rent and advertising cost	\$ (55,269)	(35) %	\$ (46,520)	(33) %	(19)	%
Food & beverage cost	(10,457)	(6) %	(8,325)	(6) %	(26)	%
Occupancy expense	(28,963)	(18) %	(28,903)	(21) %	—	%
Other operating expense	(42,515)	(26) %	(39,920)	(29) %	(7)	%
	\$ (137,204)	(85) %	\$ (123,668)	(89) %	(11)	%
Australia						
State film rent and advertising cost	\$ (30,151)	(29) %	\$ (28,286)	(29) %	(7)	%
Food & beverage cost	(5,967)	(6) %	(5,964)	(6) %	—	%
Occupancy expense	(15,995)	(16) %	(14,921)	(16) %	(7)	%
Other operating expense	(22,520)	(22) %	(20,620)	(21) %	(9)	%
	\$ (74,633)	(73) %	\$ (69,791)	(72) %	(7)	%
New Zealand						
State film rent and advertising cost	\$ (9,259)	(32) %	\$ (8,203)	(30) %	(13)	%
Food & beverage cost	(1,915)	(6) %	(1,771)	(6) %	(8)	%
Occupancy expense	(5,153)	(17) %	(5,128)	(19) %	—	%
Other operating expense	(6,654)	(22) %	(6,459)	(23) %	(3)	%
	\$ (22,981)	(77) %	\$ (21,561)	(78) %	(7)	%
Total operating expense	\$ (234,818)	(80) %	\$ (215,020)	(82) %	(9)	%

DEPRECIATION, AMORTIZATION,
GENERAL AND ADMINISTRATIVE
EXPENSE

United									
United States	Depreciation and amortization	\$ (9,957)	(7)	%	\$ (6,092)	(4)	%	(63)	%
	General and administrative expense	(2,407)	(1)	%	(2,111)	(2)	%	(14)	%
		\$ (12,364)	(8)	%	\$ (8,203)	(6)	%	(51)	%
Australia	Depreciation and amortization	\$ (4,763)	(5)	%	\$ (4,357)	(5)	%	(9)	%
	General and administrative expense	(1,305)	(1)	%	(1,100)	(1)	%	(19)	%
		\$ (6,068)	(6)	%	\$ (5,457)	(6)	%	(11)	%
New Zealand									
	Depreciation and amortization	\$ (1,595)	(5)	%	\$ (1,763)	(6)	%	10	%
	General and administrative expense	(11)	—	%	(51)	—	%	78	%
		\$ (1,606)	(5)	%	\$ (1,814)	(6)	%	11	%
Total depreciation, amortization, and general and administrative expense									
		\$ (20,038)	(7)	%	\$ (15,474)	(6)	%	(29)	%
Total expenses									
		\$ (254,856)	(87)	%	\$ (230,494)	(87)	%	(11)	%
OPERATING INCOME									
United States		\$ 12,683	8	%	\$ 7,207	5	%	76	%
Australia		21,295	21	%	21,358	22	%	—	%
New Zealand		5,343	18	%	4,405	16	%	21	%
Total operating income		\$ 39,321	13	%	\$ 32,970	13	%	19	%

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Cinema Exhibition – The following table details our cinema segment operating results for the quarter ended December 31, 2018 and December 31, 2017, respectively.

(Dollars in thousands)	2018	% of Revenue	2017	% of Revenue	2018 vs. 2017 Favorable / (Unfavorable)
REVENUE					
United					
State					
Admission revenue	\$ 24,915	63 %	\$ 23,916	64 %	4 %
Food & beverage revenue	12,081	30 %	10,852	29 %	11 %
Advertising and other revenue	2,818	7 %	2,452	7 %	15 %
	\$ 39,814	100 %	\$ 37,220	100 %	7 %
Australia					
Admission revenue	\$ 15,605	64 %	\$ 14,475	62 %	8 %
Food & beverage revenue	6,853	28 %	6,957	30 %	(1) %
Advertising and other revenue	2,025	8 %	1,890	8 %	7 %
	\$ 24,483	100 %	\$ 23,322	100 %	5 %
New Zealand		68		63	
Admission revenue	\$ 4,599	%	\$ 4,331	%	6 %
Food & beverage revenue	1,891	28 %	2,012	29 %	(6) %
Advertising and other revenue	281	4 %	516	8 %	(46) %
	\$ 6,771	100 %	\$ 6,859	100 %	(1) %
Total revenue	\$ 71,068	100 %	\$ 67,401	100 %	5 %
OPERATING EXPENSE					
United					
State					
Film rent and advertising cost	\$ (13,311)	(33) %	\$ (12,882)	(34) %	(3) %
Food & beverage cost	(2,640)	(7) %	(2,181)	(6) %	(21) %
Occupancy expense	(7,186)	(18) %	(8,150)	(22) %	12 %
Other operating expense	(10,876)	(27) %	(9,322)	(25) %	(17) %
	\$ (34,013)	(85) %	\$ (32,535)	(87) %	(5) %
Australia					
Film rent and advertising cost	\$ (7,216)	(29) %	\$ (7,010)	(30) %	(3) %
Food & beverage cost	(1,404)	(6) %	(1,345)	(6) %	(4) %
Occupancy expense	(3,779)	(15) %	(3,773)	(16) %	— %
Other operating expense	(5,909)	(25) %	(5,307)	(23) %	(11) %
	\$ (18,308)	(75) %	\$ (17,435)	(75) %	(5) %
New Zealand					
Film rent and advertising cost	\$ (2,157)	(32) %	\$ (2,082)	(31) %	(4) %
Food & beverage cost	(402)	(6) %	(442)	(6) %	9 %
Occupancy expense	(1,230)	(18) %	(1,781)	(26) %	31 %
Other operating expense	(1,607)	(24) %	(1,658)	(24) %	3 %
	\$ (5,396)	(80) %	\$ (5,963)	(87) %	10 %
Total operating expense	\$ (57,717)	(81) %	\$ (55,933)	(83) %	(3) %
DEPRECIATION, AMORTIZATION, GENERAL AND ADMINISTRATIVE EXPENSE					

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United States								
Depreciation and amortization	\$ (2,569)	(7)	%	\$ (1,831)	(5)	%	(40)	%
General and administrative expense	(557)	(1)	%	(437)	(1)	%	(27)	%
	\$ (3,126)	(8)	%	\$ (2,268)	(6)	%	(38)	%
Australia								
Depreciation and amortization	\$ (1,191)	(5)	%	\$ (1,073)	(5)	%	(11)	%
General and administrative expense	(331)	(1)	%	(268)	(1)	%	(24)	%
	\$ (1,522)	(6)	%	\$ (1,341)	(6)	%	(13)	%
New Zealand								
Depreciation and amortization	\$ (356)	(5)	%	\$ (441)		%	19	%
General and administrative expense	(9)	—	%	(29)	—	%	69	%
	\$ (365)	(5)	%	\$ (470)	(7)	%	22	%
Total depreciation, amortization, and general and administrative expense	\$ (5,013)	(7)	%	\$ (4,079)	(6)	%	(23)	%
Total expenses	\$ (62,730)	(88)	%	\$ (60,012)	(89)	%	(5)	%
OPERATING INCOME								
United States	\$ 2,675	7	%	\$ 2,417	6	%	11	%
Australia	4,652	19	%	4,546	19	%	2	%
New Zealand	1,010	15	%	426	6	%	>100	%
Total operating income	\$ 8,337	12	%	\$ 7,389	11	%	13	%

Cinema Exhibition segment operating income

Cinema Exhibition segment operating income increased by 19%, or \$6.4 million, to \$39.3 million for the year ended December 31, 2018 compared to December 31, 2017, primarily driven by higher admissions for our US, Australia, and New Zealand operations coupled with improved F&B revenues in all three circuits.

Cinema Exhibition segment operating income for the quarter ended December 31, 2018 increased by 13% or \$948,000, to \$8.3 million compared to quarter ended December 31, 2017, primarily driven by higher F&B revenue in the U.S. and an overall increase in attendance for the three circuits.

Measured in local currencies these increases were somewhat greater as reported results were dampened by the strengthening of the U.S. dollar in 2018.

Revenue

Cinema revenue increased by 12%, or \$30.7 million, to \$294.2 million for the year ended December 31, 2018 compared to 2017. This was primarily driven by higher admissions in all three of our geographies, resulting in higher box office and F&B revenue. These increases were offset by the weakened AU and NZ dollars compared to the US dollar. Additionally, the increase in cinema revenue for 2018 was due to the industry-wide box office soft year for product in 2017 and the closure of some of our cinemas and auditoriums for renovation in 2017. Comparing the current and prior year, the Australian dollar and New Zealand dollar decreased against the U.S. dollar by 2.5% and 2.5% (on average rates), respectively.

For the quarter ended December 31, 2018, Cinema segment revenues increased 5%, or \$3.7 million, to \$71.1 million compared to the same quarter in 2017. This increase is primarily due to U.S. Circuit including the positive results from Cal Oaks, Manville, and Ward which all had improved revenue results over the same quarter in the previous year.

Our Cinemas in Australia and New Zealand also enjoyed increased revenues in local currency, offset by the strengthening of the U.S. dollar during the same two periods.

The table below is the revenue breakdown by country for each year:

(Dollars in thousands)	2018	% of		2017	% of		2018 vs. 2017	
		Revenue	Revenue		Revenue	Revenue	Favorable/	(Unfavorable)
United States	\$ 162,251	55	%	\$ 139,078	53	%	17	%
Australia	101,996	35	%	96,606	37	%	6	%
New Zealand	29,930	10	%	27,780	10	%	8	%
Total Segment Revenues	\$ 294,177	100	%	\$ 263,464	100	%	12	%

- In the United States, revenues increased by 17%, or \$23.2 million, primarily driven by a 9% increase in attendance, an 8% increase in average ticket price (ATP), and an increase of 5% in spend per patron (SPP).
- Australia's cinema revenue, stated in U.S. dollars, increased by 6%, or \$5.4 million, primarily due to a 4% increase in ATP, a 3% increase in attendance, as well as a slight favorable increase in SPP. Additionally, the Newmarket ETC was fully operational for the entire year of 2018 which contributed to the overall positive results.
- In New Zealand, cinema revenue increased by 8%, or \$2.2 million, mainly due to an 11% increase in attendance, coupled with a 2% increase in ATP and SPP.

Cost of services and products (excluding depreciation and amortization)

Cost of services and products for 2018 increased by 9%, or \$19.8 million, to \$234.8 million mainly attributable to higher film rent and advertising costs in the U.S. due to higher box office revenue and higher concession costs due to increased concession sales. Increases were driven by operations in Australia at our Newmarket Cinema location related to costs associated with the full year of operations.

For the quarter ended December 31, 2018 costs of services remained relatively flat compared to December 31, 2017.

Cost of services and products as a percentage of gross revenue increased to 82% in 2018 from 80% in 2017.

Depreciation, amortization, general and administrative expense

Depreciation, amortization, general and administrative expense for 2018 cinema operations increased by 29% or \$4.6 million, to \$20.0 million compared to 2017 primarily driven by the increase in depreciation resulting from improvements in several of our cinema facilities.

Depreciation, amortization, general and administrative expenses for the quarter ended December 31, 2018 increased by 23%, or \$934,000, to \$5.0 million primarily from the refurbishments and capital investments in the U.S. circuit.

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Real Estate – 2018 vs. 2017

(Dollars in thousands)		2018	% of Revenue	2017	% of Revenue	2018 vs. 2017 Favorable / (Unfavorable)	
REVENUE							
United States	Live theater rental and ancillary income	\$ 3,163	91 %	\$ 4,418	93 %	(28)	%
	Property rental income	317	9 %	322	7 %	(2)	%
		3,480	100 %	4,740	100 %	(27)	%
Australia	Property rental income	16,122	100 %	15,089	100 %	7	%
New Zealand	Property rental income	4,633	100 %	4,159	100 %	11	%
	Total revenue	\$ 24,235	100 %	\$ 23,988	100 %	1	%
OPERATING EXPENSE							
United States	Live theater cost	\$ (1,222)	(35) %	\$ (1,105)	(23) %	(11)	%
	Property cost	(520)	(15) %	\$ (388)	(8) %	(34)	%
	Occupancy expense	(696)	(20) %	(660)	(14) %	(5)	%
		\$ (2,438)	(70) %	\$ (2,153)	(45) %	(13)	%
Australia	Property cost	\$ (3,138)	(19) %	\$ (3,031)	(20) %	(4)	%
	Occupancy expense	(2,531)	(16) %	(2,375)	(16) %	(7)	%
		\$ (5,669)	(35) %	\$ (5,406)	(36) %	(5)	%
New Zealand	Property cost	\$ (1,199)	(26) %	\$ (1,295)	(31) %	7	%
	Occupancy expense	(598)	(13) %	(582)	(14) %	(3)	%
		\$ (1,797)	(39) %	\$ (1,877)	(45) %	4	%
	Total operating expense	\$ (9,904)	(41) %	\$ (9,436)	(39) %	(5)	%
DEPRECIATION, AMORTIZATION, GENERAL AND ADMINISTRATIVE EXPENSE							
United States	Depreciation and amortization	\$ (777)	(22) %	\$ (615)	(13) %	(26)	%
	General and administrative expense	(627)	(18) %	(774)	(16) %	19	%
		\$ (1,404)	(40) %	\$ (1,389)	(29) %	(1)	%
Australia	Depreciation and amortization	\$ (3,752)	(23) %	\$ (2,693)	(18) %	(39)	%
	General and administrative expense	(1,699)	(11) %	(1,367)	(9) %	(24)	%
		\$ (5,451)	(34) %	\$ (4,060)	(27) %	(34)	%
New Zealand	Depreciation and amortization	\$ (1,038)	(22) %	\$ (947)	(23) %	(10)	%
		\$ (1,038)	(22) %	\$ (947)	(23) %	(10)	%
	Total depreciation, amortization, and general and administrative expense	\$ (7,893)	(33) %	\$ (6,396)	(27) %	(23)	%
	Total expenses	\$ (17,797)	(73) %	\$ (15,832)	(66) %	(12)	%

OPERATING INCOME

United States	\$ (362)	(10) %	\$ 1,198	25 %	(>100) %
Australia	5,002	31 %	5,623	37 %	(11) %
New Zealand	1,798	39 %	1,335	32 %	35 %
Total operating income	\$ 6,438	27 %	\$ 8,156	34 %	(21) %

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Real Estate - The following table details our real estate segment operating results for the quarter ended December 31, 2018 and December 31, 2017, respectively

(Dollars in thousands)	2018	% of Revenue	2017	% of Revenue	2018 vs. 2017 Favorable / (Unfavorable)
REVENUE					
United					
Statewide theater rental and ancillary income	\$ 906	85 %	\$ 1,492	98 %	(39) %
Property rental income	164	15 %	25	2 %	>100 %
	1,070	100 %	1,517	100 %	(29) %
Australia property rental income	3,816	100 %	3,777	100 %	1 %
New Zealand property rental income	1,144	100 %	1,143	100 %	— %
Total revenue	\$ 6,030	100 %	\$ 6,437	100 %	(6) %
OPERATING EXPENSE					
United					
Statewide theater cost	\$ (271)	(25) %	\$ (271)	(18) %	— %
Property cost	(128)	(12) %	\$ 105	7 %	(>100) %
Occupancy expense	(170)	(16) %	(173)	(11) %	2 %
	\$ (569)	(53) %	\$ (339)	(22) %	(68) %
Australia property cost	\$ (838)	(22) %	\$ (870)	(23) %	4 %
Occupancy expense	(660)	(17) %	(642)	(17) %	(3) %
	\$ (1,498)	(39) %	\$ (1,512)	(40) %	1 %
New Zealand					
Property cost	\$ (279)	(24) %	\$ (184)	(16) %	(52) %
Occupancy expense	(149)	(13) %	(143)	(13) %	(4) %
	\$ (428)	(37) %	\$ (327)	(29) %	(31) %
Total operating expense	\$ (2,495)	(41) %	\$ (2,178)	(34) %	(15) %
DEPRECIATION, AMORTIZATION, GENERAL AND ADMINISTRATIVE EXPENSE					
United					
Depreciation and amortization	\$ (195)	(19) %	\$ (232)	(15) %	16 %
General and administrative expense	(154)	(14) %	(98)	(7) %	(57) %
	\$ (349)	(33) %	\$ (330)	(22) %	(6) %
Australia Depreciation and amortization	\$ (922)	(24) %	\$ (757)	(20) %	(22) %
General and administrative expense	(466)	(12) %	(372)	(10) %	(25) %
	\$ (1,388)	(36) %	\$ (1,129)	(30) %	(23) %
New Zealand					
Depreciation and amortization	\$ (257)	(22) %	\$ (331)	(29) %	22 %
General and administrative expense	—	— %	3	— %	100 %
	\$ (257)	(22) %	\$ (328)	(29) %	22 %
	\$ (1,994)	(33) %	\$ (1,787)	(28) %	(12) %

Total depreciation, amortization, and general and administrative expense

Total expenses	\$ (4,489)	(74)	%	\$ (3,965)	(62)	%	(13)	%
OPERATING INCOME								
United States	\$ 152	14	%	\$ 848	56	%	(82)	%
Australia	930	24	%	1,136	30	%	(18)	%
New Zealand	459	40	%	488	43	%	(6)	%
Total operating income	\$ 1,541	26	%	\$ 2,472	38	%	(38)	%

Real Estate segment operating income

Real Estate segment operating income decreased by 21%, or \$1.7 million, to \$6.4 million for the year ended December 31, 2018 compared to 2017, primarily due to the one-time recognition of payments in fees recovered as part of the STOMP arbitration award settlement recognized in 2017, offset by an increase in revenue in 2018 from the Newmarket and Auburn centers. Please refer below for further explanation.

Real Estate segment operating income for the quarter ended December 31, 2018 decreased by 38%, or \$931,000 primarily related to the STOMP arbitration award settlement payments in fees recovered in the Live Theatre business unit.

Revenue

The table below is the revenue breakdown by country for each year:

(Dollars in thousands)	2018	% of Revenue	2017	% of Revenue	2018 vs. 2017 Favorable/ (Unfavorable)
United States	\$ 3,480	14 %	\$ 4,740	20 %	(27) %
Australia	16,122	67 %	15,089	63 %	7 %
New Zealand	4,633	19 %	4,159	17 %	11 %
Total Segment Revenues	\$ 24,235	100 %	\$ 23,988	100 %	1 %

Real estate revenue for the year ended December 31, 2018 increased slightly by 1% or \$247,000 mainly driven by increased rental income as part of the expansion of our Newmarket Village site in Brisbane, Australia.

For the quarter ended December 31, 2018, Real Estate revenue decreased by 6%, or \$407,000, to \$6.0 million primarily related to the Live Theatre circuit.

Cost of services and products (excluding depreciation and amortization)

Operating expense for the Real Estate segment for 2018 increased by 5%, or \$468,000, to \$9.9 million mainly driven by the full year of operations at our Newmarket ETC and increased operations at our Auburn ETC, which include additional expansion tenancies.

Depreciation, amortization, general and administrative expense

Depreciation, amortization, general and administrative expenses for 2018 increased by 23%, or \$1.5 million, to \$7.9 million, compared to the same period in 2017, primarily driven by capital improvements at the Newmarket ETC and Auburn ETC locations.

For the quarter ended December 31, 2018 depreciation, amortization, and general and administrative expenses increased by 12%, or \$207,000 primarily related to a full quarter of depreciation expense for Newmarket in 2018 compared to 15 days of depreciation for Newmarket during the same quarter 2017.

NON-SEGMENT RESULTS – 2018 vs. 2017

Gain on sale of assets

Net gain on sale of assets for 2018 decreased by \$9.4 million, primarily due to the gain on sale realized in 2017 on the settlement of the Burwood land of \$9.3 million (AU\$12.4 million) not being repeated in 2018.

General and administrative expense

Non-segment general and administrative expense for 2018 increased by \$1.3 million or 7%, to \$21.3 million. This primarily relates to higher payroll and bonus related expenses (attributable to reversal in 2017 for prior year incentive compensation accruals not deemed necessary), offset by a reduction in professional services and legal fees of \$209,000.

For more information about the legal expense, please refer to Note 12 – Commitments and Contingencies to the Consolidated Financial Statements included herein in Part II, Item 8 (Financial Statements and Supplementary Data) on this report.

Income tax expense

On December 22, 2017, the U.S. Tax Cuts and Jobs Act of 2017 (the “Tax Act”) was signed into law. The Tax Act significantly changed the U.S. corporate income tax law by lowering the statutory corporate tax rate from 35% to 21%, imposed a one-time mandatory repatriation tax on deferred earnings of foreign subsidiaries, and changed how foreign earnings are subject to U.S. tax.

As the result of the Tax Act and under the guidance of the U.S. Securities and Exchange Commission Staff Accounting Bulletin No. 118, we recorded a provisional tax expense of approximately \$13.0 million for the impact of the Tax Act in the fourth quarter of 2017. During the fourth quarter of 2018, upon finalizing the analysis of the impact from the Tax Act, we recorded a tax benefit of \$2.3 million as an adjustment to the provisional estimate, for a net tax impact of \$10.7 million. The \$2.3 million is comprised of an adjustment of \$1.2 million to the impact of the one-time mandatory repatriation tax on previously undistributed earnings of our foreign subsidiaries and \$1.1 million from the re-measurement of federal net deferred tax liabilities resulting from the reduction in the U.S. statutory corporate tax rate.

Income tax expense decreased by \$40,000, or 1%, compared to 2017, mainly due to benefits recognized in 2017 as the result of the dissolution of a non-operating overseas subsidiary, partially offset by the provisional unfavorable effect of the Tax Act. Please refer to Note 9 of the Notes to Consolidated Financial Statements in Part II of this Annual Report for further information.

Interest expense, net

Interest expense (net of interest income) increased by \$643,000, or 10%, mainly due to an increase in the average balance outstanding to fund our capital projects.

BUSINESS SEGMENT RESULTS – 2017 vs. 2016

Presented below is the comparison of the segment operating income for our two business segments for the years ended December 31, 2017 and 2016:

(Dollars in thousands)	2017		2016		% Change Favorable/ (Unfavorable)			
	Cinema	Real Estate	Cinema	Real Estate	Cinema	Real Estate	Cinema	Real Estate
Segments Revenues	\$ 263,464	\$ 23,988	\$ 256,922	\$ 21,310	3	%	13	%
Segment Operating Expenses								
Cost of services and products (excluding depreciation and amortization)	(215,020)	(9,436)	(205,889)	(9,044)	(4)	%	(4)	%
Depreciation and amortization	(12,213)	(4,256)	(11,772)	(3,522)	(4)	%	(21)	%
General and administrative expense	(3,261)	(2,140)	(3,763)	(1,422)	13	%	(50)	%
Total segment expenses	(230,494)	(15,832)	(221,424)	(13,988)	(4)	%	(13)	%
Segment operating income	\$ 32,970	\$ 8,156	\$ 35,498	\$ 7,322	(7)	%	11	%
Breakdown by country:								
United States	7,207	1,198	12,351	689	(42)	%	74	%
Australia	21,358	5,623	18,101	5,646	18	%	—	%
New Zealand	4,405	1,335	5,046	987	(13)	%	35	%
	\$ 32,970	\$ 8,156	\$ 35,498	\$ 7,322	(7)	%	11	%

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The discussion for each segment follows:

Cinema Exhibition – 2017 vs. 2016

(Dollars in thousands)	2017	% of Revenue	2016	% of Revenue	2017 vs. 2016 Favorable / (Unfavorable)
REVENUE					
United					
Admission revenue	\$ 87,646	63 %	\$ 89,053	64 %	(2) %
Food & beverage revenue	41,911	30 %	41,642	30 %	1 %
Advertising and other revenue	9,521	7 %	9,125	6 %	4 %
	\$ 139,078	100 %	\$ 139,820	100 %	(1) %
Australia					
Admission revenue	\$ 60,736	63 %	\$ 56,804	64 %	7 %
Food & beverage revenue	28,746	30 %	25,916	29 %	11 %
Advertising and other revenue	7,124	7 %	6,333	7 %	12 %
	\$ 96,606	100 %	\$ 89,053	100 %	8 %
New Zealand					
Admission revenue	\$ 17,495	63 %	\$ 18,870	67 %	(7) %
Food & beverage revenue	7,689	28 %	7,671	28 %	— %
Advertising and other revenue	2,596	9 %	1,508	5 %	72 %
	\$ 27,780	100 %	\$ 28,049	100 %	(1) %
Total revenue	\$ 263,464	100 %	\$ 256,922	100 %	3 %
OPERATING EXPENSE					
United					
Film rent and advertising cost	\$ (46,520)	(33) %	\$ (47,507)	(34) %	2 %
Food & beverage cost	(8,325)	(6) %	(7,467)	(5) %	(11) %
Occupancy expense	(28,903)	(21) %	(26,260)	(19) %	(10) %
Other operating expense	(39,920)	(29) %	(37,649)	(27) %	(6) %
	\$ (123,668)	(89) %	\$ (118,883)	(85) %	(4) %
Australia					
Film rent and advertising cost	\$ (28,286)	(29) %	\$ (26,658)	(30) %	(6) %
Food & beverage cost	(5,964)	(6) %	(5,444)	(6) %	(10) %
Occupancy expense	(14,921)	(16) %	(13,905)	(16) %	(7) %
Other operating expense	(20,620)	(21) %	(19,689)	(22) %	(5) %
	\$ (69,791)	(72) %	\$ (65,696)	(74) %	(6) %
New Zealand					
Film rent and advertising cost	\$ (8,203)	(30) %	\$ (8,708)	(31) %	6 %
Food & beverage cost	(1,771)	(6) %	(1,823)	(6) %	3 %
Occupancy expense	(5,128)	(19) %	(4,749)	(17) %	(8) %
Other operating expense	(6,459)	(23) %	(6,029)	(22) %	(7) %
	\$ (21,561)	(78) %	\$ (21,309)	(76) %	(1) %
Total operating expenses	\$ (215,020)	(82) %	\$ (205,888)	(80) %	(4) %

DEPRECIATION, AMORTIZATION,
GENERAL AND ADMINISTRATIVE
EXPENSE

United									
United States	Depreciation and amortization	\$ (6,092)	(4)	%	\$ (5,820)	(4)	%	(5)	%
	General and administrative expense	(2,111)	(2)	%	(2,766)	(2)	%	24	%
		\$ (8,203)	(6)	%	\$ (8,586)	(6)	%	4	%
Australia	Depreciation and amortization	\$ (4,357)	(5)	%	\$ (4,238)	(5)	%	(3)	%
	General and administrative expense	(1,100)	(1)	%	(1,018)	(1)	%	(8)	%
		\$ (5,457)	(6)	%	\$ (5,256)	(6)	%	(4)	%
New Zealand									
	Depreciation and amortization	\$ (1,763)	(6)	%	\$ (1,714)	(6)	%	(3)	%
	General and administrative expense	(51)	—	%	20	0	%	(>100)	%
		\$ (1,814)	(6)	%	\$ (1,694)	(6)	%	(7)	%
Total depreciation, amortization, and general and administrative expense									
		\$ (15,474)	(6)	%	\$ (15,536)	(6)	%	—	%
Total expenses									
		\$ (230,494)	(87)	%	\$ (221,424)	(86)	%	(4)	%
OPERATING INCOME									
United States									
		\$ 7,207	5	%	\$ 12,351	9	%	(42)	%
Australia									
		21,358	22	%	18,101	20	%	18	%
New Zealand									
		4,405	16	%	5,046	18	%	(13)	%
Total operating income									
		\$ 32,970	13	%	\$ 35,498	14	%	(7)	%

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Cinema Exhibition - The following table details our cinema segment operating results for the quarter ended December 31, 2017 and December 31, 2016, respectively.

(Dollars in thousands)	2017	% of Revenue	2016	% of Revenue	2017 vs. 2016 Favorable / (Unfavorable)
REVENUE					
United					
State Admission revenue	\$ 23,916	64 %	\$ 24,349	63 %	(2) %
Food & beverage revenue	10,852	29 %	11,201	29 %	(3) %
Advertising and other revenue	2,452	7 %	2,995	8 %	(18) %
	\$ 37,220	100 %	\$ 38,545	100 %	(3) %
Australia					
Admission revenue	\$ 14,475	62 %	\$ 12,701	63 %	14 %
Food & beverage revenue	6,957	30 %	5,898	29 %	18 %
Advertising and other revenue	1,890	8 %	1,486	8 %	27 %
	\$ 23,322	100 %	\$ 20,085	100 %	16 %
New Zealand					
Admission revenue	\$ 4,331	63 %	\$ 3,805	66 %	14 %
Food & beverage revenue	2,012	29 %	1,573	28 %	28 %
Advertising and other revenue	516	8 %	335	6 %	54 %
	\$ 6,859	100 %	\$ 5,713	100 %	20 %
Total revenue	\$ 67,401	100 %	\$ 64,343	100 %	5 %
OPERATING EXPENSE					
United					
State Film rent and advertising cost	\$ (12,882)	(34) %	\$ (12,870)	(33) %	— %
Food & beverage cost	(2,181)	(6) %	(2,095)	(6) %	(4) %
Occupancy expense	(8,150)	(22) %	(6,491)	(17) %	(26) %
Other operating expense	(9,322)	(25) %	(9,746)	(25) %	4 %
	\$ (32,535)	(87) %	\$ (31,202)	(81) %	(4) %
Australia					
Film rent and advertising cost	\$ (7,010)	(30) %	\$ (5,835)	(29) %	(20) %
Food & beverage cost	(1,345)	(6) %	(1,272)	(6) %	(6) %
Occupancy expense	(3,773)	(16) %	(3,493)	(18) %	(8) %
Other operating expense	(5,307)	(23) %	(4,867)	(24) %	(9) %
	\$ (17,435)	(75) %	\$ (15,467)	(77) %	(13) %
New Zealand					
Film rent and advertising cost	\$ (2,082)	(31) %	\$ (1,779)	(31) %	(17) %
Food & beverage cost	(442)	(6) %	(370)	(6) %	(19) %
Occupancy expense	(1,781)	(26) %	(1,174)	(21) %	(52) %
Other operating expense	(1,658)	(24) %	(1,513)	(27) %	(10) %
	\$ (5,963)	(87) %	\$ (4,836)	(85) %	(23) %
Total operating expense	\$ (55,933)	(83) %	\$ (51,505)	(80) %	(9) %
DEPRECIATION, AMORTIZATION, GENERAL AND ADMINISTRATIVE EXPENSE					

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United States								
Depreciation and amortization	\$ (1,831)	(5)	%	\$ (1,348)	(3)	%	(36)	%
General and administrative expense	(437)	(1)	%	(707)	(2)	%	38	%
	\$ (2,268)	(6)	%	\$ (2,055)	(5)	%	(10)	%
Australia								
Depreciation and amortization	\$ (1,073)	(5)	%	\$ (1,085)	(6)	%	1	%
General and administrative expense	(268)	(1)	%	(270)	(1)	%	1	%
	\$ (1,341)	(6)	%	\$ (1,355)	(7)	%	1	%
New Zealand								
Depreciation and amortization	\$ (441)	(7)	%	\$ (465)	(8)	%	5	%
General and administrative expense	(29)	—	%	(1)	—	%	(>100)	%
	\$ (470)	(7)	%	\$ (466)	(8)	%	(1)	%
Total depreciation, amortization, and general and administrative expense	\$ (4,079)	(6)	%	\$ (3,876)	(6)	%	(5)	%
Total expenses	\$ (60,012)	(89)	%	\$ (55,381)	(86)	%	(8)	%
OPERATING INCOME								
United States	\$ 2,417	6	%	\$ 5,288	14	%	(54)	%
Australia	4,546	19	%	3,263	16	%	39	%
New Zealand	426	6	%	411	7	%	4	%
Total operating income	\$ 7,389	11	%	\$ 8,962	14	%	(18)	%

Cinema Exhibition segment operating income

Cinema Exhibition segment operating income decreased by 7%, or \$2.5 million, to \$33.0 million for the year ended December 31, 2017 compared to December 31, 2016, primarily driven by lower admissions for our US and New Zealand operations partially offset by improved F&B revenues. The higher revenues of our Australia cinemas and favorable foreign currency movements of our foreign operations helped to offset lower revenues in the U.S. Refer below for further explanations.

For the quarter ended December 31, 2017 compared to December 31, 2016, Cinema Exhibition operating income decreased by 18%, or \$1.6 million primarily resulting from four of our stronger cinemas either being closed, or partially closed, for significant renovations, which included the installation of recliner seats and conversion to TITAN LUXE during the fourth quarter.

Revenue

Cinema revenue increased by 3%, or \$6.5 million, to \$263.5 million for the year ended December 31, 2017 compared to year ended 2016. This was primarily driven by higher admissions in our Australian circuit resulting in higher box office and F&B revenue. F&B revenues were also up in both the United States and New Zealand driven by increased spend per patron due to our expanded F&B offering. These increases were further enhanced as a result of the appreciation of the AU and NZ dollars compared to the US dollar. These items were partially offset by lower admits in the U.S. due in part to industry-wide box office softening in 2017 and the cinema closure resulting from our cinema renovation program. Comparing the current and prior year, the Australian dollar and New Zealand dollar increased against the U.S. dollar by 3.1% and 2.0% (on average rates), respectively. Shown below is the revenue breakdown by country:

	2017 vs. 2016							
					Favorable/ (Unfavorable)			
(Dollars in thousands)	2017	% of Revenue	2016	% of Revenue				
United States	\$ 139,078	53 %	\$ 139,820	54 %	(1)			%
Australia	96,606	37 %	89,053	35 %	8			%
New Zealand	27,780	10 %	28,049	11 %	(1)			%
Total Segment Revenues	\$ 263,464	100 %	\$ 256,922	100 %	3			%

- In the United States, 2017 revenues decreased by 1%, or \$742,000, primarily driven by lower attendance partially due to the temporary closure of certain sites for renovations along with lower industry-wide box office attendance. This was partially offset by, improved average ticket prices, improved F&B revenues and increased web sale revenues.
- Australia's cinema revenue, stated in U.S. dollars, increased by 8%, or \$7.6 million, primarily due to increase in attendance, as well as a favorable foreign exchange movements, offset by a reduction in average ticket prices.
- In New Zealand, cinema revenue decreased by 1%, or \$269,000, mainly due to the closure of our Courtenay Central ETC for a portion of the period.

Cinema Revenue for the quarter ended December 31, 2017 increased by 5%, or \$3.1 million, to \$67.4 million compared to the same quarter ended December 31, 2016, despite the fact that some PearlrIDGE auditoriums were closed during the quarter, generating a decrease in revenue \$1.5 million, Australia generated a 16% increase in revenue and New Zealand generated a 20% increase in revenue.

Cost of services and products (excluding depreciation and amortization)

Cost of services and products for 2017 increased by 4%, or \$9.1 million, to \$215.0 million mainly attributable to higher film rent and advertising costs in Australia due to higher box office revenue, higher concession costs due to increased concession sales, additional operating costs amounting to \$3.3 million associated with Olino, including an additional \$1.8 million in occupancy cost compared to 2016. Further movements were driven by an increase in occupancy expenses of \$765,000 as a result of increases in rents associated with the exercise of certain lease options, increased staff costs due to minimum wage increases and a move towards enhanced food & beverage offerings, and costs associated with the opening of our new Newmarket cinema in Brisbane, Australia. In addition, the impact of the strengthening Australian and New Zealand dollars relative to the U.S. dollar further contributed to the cost increase. These were partially offset by lower film rent and advertising costs in the United States and New Zealand due to lower box office revenue.

Certain costs incurred in quarters one to three of 2017 have, in quarter four, crystallized as rent liabilities to be paid, and as such have been reclassified from 'other operating expenses' to 'occupancy costs'. These costs have no material impact on our financial results for the periods concerned.

Cost of services and products as a percentage of gross revenue increased in 2017 to 82% from 80% in 2016.

Cost of services and products for the quarter ended December 31, 2017 compared to the quarter ended December 31, 2016 increased by 9%, or \$4.4 million, to \$55.9 million. The increase is primarily due to higher occupancy costs in the U.S. coupled with higher film rents and advertising in Australia and New Zealand.

Cost of services and products as a percentage of gross revenue increased in for the fourth quarter 2017 to 83% from 80% in 2016.

Depreciation, amortization, general and administrative expense

Depreciation, amortization, general and administrative expense for 2017 remained relatively unchanged compared to 2016. The increase in depreciation resulting from improvements in several of our cinema facilities was offset by savings in general and administrative expenses.

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Real Estate – 2017 vs. 2016

(Dollars in thousands)		2017	% of Revenue	2016	% of Revenue	2017 vs. 2016 Favorable / (Unfavorable)	
REVENUE							
United States	Live theater rental and ancillary income	\$ 4,418	93 %	\$ 2,840	87 %	56	%
	Property rental income	322	7 %	431	13 %	(25)	%
		\$ 4,740	100 %	\$ 3,271	100 %	45	%
Australia	Property rental income	15,089	100 %	13,728	100 %	10	%
New Zealand	Property rental income	4,159	100 %	4,311	100 %	(4)	%
	Total revenue	\$ 23,988	100 %	\$ 21,310	100 %	13	%
OPERATING EXPENSE							
United States	Live theater cost	\$ (1,105)	(23) %	\$ (1,371)	(42) %	19	%
	Property cost	(388)	(8) %	(317)	(10) %	(22)	%
	Occupancy expense	(660)	(14) %	(557)	(17) %	(18)	%
		\$ (2,153)	(45) %	\$ (2,245)	(69) %	4	%
Australia	Property cost	\$ (3,031)	(20) %	\$ (2,672)	(20) %	(13)	%
	Occupancy expense	(2,375)	(16) %	(2,081)	(15) %	(14)	%
		\$ (5,406)	(36) %	\$ (4,753)	(35) %	(14)	%
New Zealand	Property cost	\$ (1,295)	(31) %	\$ (1,412)	(33) %	8	%
	Occupancy expense	(582)	(14) %	(632)	(14) %	8	%
		\$ (1,877)	(45) %	\$ (2,044)	(47) %	8	%
	Total operating expense	\$ (9,436)	(39) %	\$ (9,042)	(42) %	(4)	%
DEPRECIATION, AMORTIZATION, GENERAL AND ADMINISTRATIVE EXPENSE							
United States	Depreciation and amortization	\$ (615)	(13) %	\$ (343)	(10) %	(79)	%
		(774)	(16) %	6	— %	(>100)	%

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	General and administrative expense	\$ (1,389)	(29) %	\$ (337)	(10) %	(>100)	%
Australia	Depreciation and amortization	\$ (2,693)	(18) %	\$ (2,221)	(16) %	(21)	%
	General and administrative expense	(1,367)	(9) %	(1,108)	(8) %	(23)	%
		\$ (4,060)	(27) %	\$ (3,329)	(24) %	(22)	%
New Zealand	Depreciation and amortization	\$ (947)	(23) %	\$ (958)	(22) %	1	%
	General and administrative expense	—	— %	(322)	(8) %	>100	%
		\$ (947)	(23) %	\$ (1,280)	(30) %	26	%
Total depreciation, amortization, and general and administrative expense		\$ (6,396)	(27) %	\$ (4,946)	(23) %	(29)	%
Total expenses		\$ (15,832)	(66) %	\$ (13,988)	(66) %	(13)	%
OPERATING INCOME							
United States		\$ 1,198	25 %	\$ 689	21 %	74	%
Australia		5,623	37 %	5,646	41 %	—	%
New Zealand		1,335	32 %	987	23 %	35	%
Total operating income		\$ 8,156	34 %	\$ 7,322	34 %	11	%

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Real Estate -For the quarter ending December 31, 2017 v 2016, the following results of operations for the Real Estate segment are as follows:

(Dollars in thousands)		2017	% of Revenue	2016	% of Revenue	2017 vs. 2016 Favorable / (Unfavorable)	
REVENUE							
United States	Live theater rental and ancillary income	\$ 1,492	98 %	\$ 721	85 %	107	%
	Property rental income	25	2 %	127	15 %	(80)	%
		\$ 1,517	100 %	\$ 848	100 %	79	%
Australia	Property rental income	3,778	100 %	3,383	100 %	12	%
New Zealand	Property rental income	1,143	100 %	883	100 %	29	%
	Total revenue	\$ 6,438	100 %	\$ 5,114	100 %	26	%
OPERATING EXPENSE							
United States	Live theater cost	\$ (271)	(18) %	\$ (204)	(24) %	(33)	%
	Property cost	105	7 %	(154)	(18) %	168	%
	Occupancy expense	(173)	(11) %	(84)	(10) %	(106)	%
		\$ (339)	(22) %	\$ (442)	(52) %	23	%
Australia	Property cost	\$ (870)	(23) %	\$ (727)	(22) %	(20)	%
	Occupancy expense	(642)	(17) %	(482)	(14) %	(33)	%
		\$ (1,512)	(40) %	\$ (1,209)	(36) %	(25)	%
New Zealand	Property cost	\$ (184)	(16) %	\$ (603)	(68) %	69	%
	Occupancy expense	(143)	(13) %	(160)	(18) %	11	%
		\$ (327)	(29) %	\$ (763)	(86) %	57	%
	Total operating expense	\$ (2,178)	(34) %	\$ (2,414)	(47) %	10	%
DEPRECIATION, AMORTIZATION, GENERAL AND ADMINISTRATIVE EXPENSE							
United States	Depreciation and amortization	\$ (232)	(15) %	\$ (91)	(11) %	(155)	%
	General and administrative expense	(98)	(7) %	75	9 %	(>100)	%
		\$ (330)	(22) %	\$ (16)	(2) %	(>100)	%
Australia	Depreciation and amortization	\$ (757)	(20) %	\$ (604)	(18) %	(25)	%
	General and administrative expense	(372)	(10) %	(334)	(10) %	(11)	%
		\$ (1,129)	(30) %	\$ (938)	(28) %	(20)	%
New Zealand	Depreciation and amortization	\$ (331)	(29) %	\$ (231)	(26) %	(43)	%
	General and administrative expense	3	— %	(271)	(31) %	101	%
		\$ (328)	(29) %	\$ (502)	(57) %	35	%
	Total depreciation, amortization, and general and administrative expense	\$ (1,787)	(28) %	\$ (1,456)	(28) %	(23)	%
	Total expenses	\$ (3,965)	(62) %	\$ (3,870)	(76) %	(2)	%
OPERATING INCOME							
United States		\$ 848	56 %	\$ 390	46 %	>100	%
Australia		1,136	30 %	1,236	37 %	(8)	%
New Zealand		488	43 %	(382)	(43) %	>100	%
	Total operating income	\$ 2,472	38 %	\$ 1,244	24 %	99	%

Real Estate segment operating income

Real Estate segment operating income increased by 11%, or \$834,000, to \$8.2 million for the year ended December 31, 2017 compared to 2016, primarily attributable to: (i) \$1.4 million in fees recovered as part of the STOMP arbitration award settlement (\$1.8 million of fees recovered revenue in 2017, including the final settlement payment received in March 2018, less \$415,000 in legal fee cost recovery recorded in 2016). This was offset by an increase in general and administrative costs. Please refer below for further explanation.

For the quarter ended December 31, 2017 real estate operating income increased 99% to \$2.5 million compared to the same period in 2016. In the fourth quarter of 2017, we recognized STOMP arbitration award settlement for approximately \$700,000 for proceeds received in the first quarter in 2018. Additionally, for the fourth quarter 2017, the receipt of property rental for a full quarter at Courtenay were not received in 2016 due to the Wellington earthquake.

Revenue

Real estate revenue for the year ended December 31, 2017 increased by 13% or \$2.7 million, mainly driven by fees recovered of \$1.8 million in relation to the STOMP arbitration award settlement, increased rental income as part of the expansion of our Newmarket site in Brisbane Australia, as well as additional rental income from the Newmarket office building purchased in November 2016, the recognition of business interruption insurance on our Courtenay Central property and parking structure, as well as the impact of the favorable foreign exchange rates on our Australia and New Zealand operations. This was partially offset by the decrease in revenue from our Courtenay Central ETC due to damage suffered in the Wellington earthquake and result in closure of the center, and a reduction in revenue from our live theatre operations. Shown below is the revenue breakdown by country:

(Dollars in thousands)	2017 vs. 2016							
	2017	% of Revenue		2016	% of Revenue		Favorable/ (Unfavorable)	
United States	\$ 4,740	20	%	\$ 3,271	15	%	45	%
Australia	15,089	63	%	13,728	65	%	10	%
New Zealand	4,159	17	%	4,311	20	%	(4)	%
Total Segment Revenues	\$ 23,988	100	%	\$ 21,310	100	%	13	%

Revenues for the quarter to date ended December 31, 2017 increased by 26%, or \$1.3 million to \$6.4 million compared to the same period in 2016. This is primary due to a 29% increase in the New Zealand circuit, offset by reduced real estate revenues in the U.S. circuit due to redevelopment expansion projects of several of our properties.

Cost of services and products (excluding depreciation and amortization)

Operating expense for 2017 increased by 4%, or \$394,000, as a result of a number of pre-opening costs associated with our recently developed Newmarket Village site. This was partially offset by a reduction in costs relating to our live theaters and Courtenay Central during the period it was closed.

Depreciation, amortization, general and administrative expense

Depreciation, amortization, general and administrative expense for 2017 increased by 29%, or \$1.5 million, primarily driven by the increased salary costs due to staff expansion as we continue to develop our Real Estate capacity,

including costs that had previously been incurred by our Cinema segment, as well as an increase in depreciation expense due to recent acquisitions and property enhancements. This has been partially offset by the reduction in doubtful debt expense.

Depreciation, amortization, general and administrative expenses for the quarter ended December 31, 2017 compared to the same period increased \$331,000 primarily due to increased general and administrative expenses in the U.S.

NON-SEGMENT RESULTS – 2017 vs. 2016

Gain on sale of assets

Net gain on sale of assets for 2017 increased by \$9.0 million, primarily due to the gain on sale realized in 2017 on the settlement of the Burwood land of \$9.3 million (AU\$12.4 million), compared to the gain from the final closing of the second sale agreement of the Taupo property in New Zealand in the amount of \$393,000 (NZ\$585,000) realized in Q1, 2016.

General and administrative expense

Non-segment general and administrative expense for 2017 decreased by \$1.8 million or 8%, to \$19.9 million. This primarily relates to a reduction in professional services mainly relating to non-recurring one-off items incurred in 2016 including additional expenses incurred in connection with the 2015 year-end audit (\$960,000) and expenses incurred in connection with the change in status of certain executives (\$400,000) as well as 2017 savings in legal fees, and reduced occupancy costs due to the purchase of our new company headquarters. These were offset by additional costs incurred in our Australian and New Zealand corporate offices due to additional staff costs and the effects of foreign exchange movements.

Higher legal expenses in 2016 mainly relate to the defense of the derivative litigation, the arbitration of certain claims related to the termination of James J. Cotter, Jr. as our President and Chief Executive Officer and on a more limited basis, for the work undergone to improve corporate governance matters. While the legal costs incurred by the Company were undoubtedly high, we believe that the majority of these costs were forced upon the Company as it became necessary to vigorously defend the Company's position in the derivative litigation and to resolve Mr. Cotter, Jr.'s claims relating to his termination. As such, these costs should be treated as non-recurring in nature.

For more information about the legal expense, please refer to Note 12 – Commitments and Contingencies to the Consolidated Financial Statements included herein in Part II, Item 8 (Financial Statements and Supplementary Data) on this report.

Casualty Gain

The \$9.2 million represents the gain recognized on final insurance settlement relating to the earthquake damage on our Courtenay Central parking structure (excluding business interruption insurance recoveries). Our parking structure at Courtenay Central in Wellington, New Zealand was significantly damaged by the earthquake on November 14, 2016 and was subsequently demolished for safety reasons. We filed an insurance claim to recover the impairment loss on the parking structure and the ancillary demolition costs. Refer to Note 20 – Insurance Recoveries on Impairment and Related Losses due to Earthquake for further details.

Income tax expense

Income tax expense decreased by \$758,000 or 18%, compared to 2016, mainly due to benefits recognized as the result of the dissolution of a non-operating overseas subsidiary, partially offset by an increase in pre-tax income and the provisional unfavorable effect of the Tax Act. Please refer to Note 9 of the Notes to Consolidated Financial Statements in Part II of this Annual Report for further information.

Interest expense, net

Interest expense (net of interest income) decreased by \$588,000, or 9%, compared to 2016, mainly due to a reduction in the average balance outstanding. This was achieved due to the receipt of the insurance proceeds from the Courtenay Central parking structure of \$20.0 million in May 2017, allowing us to fully pay down our Westpac loan in New Zealand. Interest income also includes the \$115,000 of interest levied on the STOMP arbitration award settlement.

LIQUIDITY AND CAPITAL RESOURCES

Our cinema exhibition business plan is to enhance our current cinemas where it is financially reasonable to do so; develop our specialty cinemas in select markets; expand our food and beverage offering, and continue on an opportunistic basis, to identify, develop, and acquire cinema properties that allow us to leverage our cinema expertise over a larger operating base.

Our real estate business is to complete the redevelopment of our Union Square property; to reassess and master-plan the Cinemas 1,2,3 property for redevelopment as a stand-alone 96,000 square foot mixed use property and in the interim to continue to use it as a cinema; to continue the build-out of our Newmarket Village and Auburn ETCs and the master planning of the expansion of our Townsville ETC in Australia; to master plan and consider the redevelopment of our Courtenay Central site in New Zealand into an urban entertainment center with a focus on cinema exhibition, food and beverage, and grocery store uses; and in Manukau, New Zealand, to develop in concert with other major land owners, of plans for the development of the infrastructure needed to support the construction of income-producing improvements; and to continue to be sensitive to opportunities to convert our entertainment assets

to higher and better uses, or, where appropriate, to dispose of such assets. We will also continue to explore potential synergistic acquisitions that may not readily fall into either our cinema or real estate segment.

The success of our Company is dependent on our ability to execute these business plans effectively through our available resources (both cash and available borrowing facilities) while still timely addressing our liquidity risk. Liquidity risk is the risk relating to our ability to meet our financial obligations when they come due. At the present, our financial obligations arise mainly from capital expenditure needs, working capital requirements, and debt servicing requirements. We manage the liquidity risk by ensuring our ability to generate sufficient cash flows from operating activities and to obtain adequate, reasonable financing or extension of maturity dates under reasonable arrangements, and/or to convert non-performing or non-strategic assets into cash.

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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 last five years:

(\$ in thousands)	2018	2017	2016(2)	2015(2)	2014(2)
Net Cash from Operating Activities	\$ 32,645	\$ 23,851	\$ 30,188	\$ 28,574	\$ 28,343
Total Resources (cash and borrowings)					
Cash and cash equivalents (unrestricted)	\$ 13,127	\$ 13,668	\$ 19,017	\$ 19,702	\$ 50,248
Unused borrowing facility	85,886	137,231	117,599	70,134	45,700
Restricted for capital projects(1)	30,318	62,280	62,024	10,263	—
Unrestricted capacity	55,568	74,951	55,575	59,871	45,700
Total resources at 12/31	99,013	150,899	136,616	89,836	95,948
Total unrestricted resources at 12/31	68,695	88,619	74,592	79,573	95,948
Debt-to-Equity Ratio					
Total contractual facility	\$ 252,929	\$ 271,732	\$ 266,134	\$ 207,075	\$ 201,318
Total debt (gross of deferred financing costs)	167,043	134,501	148,535	130,941	164,036
Current	30,393	8,109	567	15,000	38,104
Non-current	136,650	126,392	147,968	115,941	125,932
Total book equity	180,547	181,618	146,890	138,951	133,716
Debt-to-equity ratio	0.93	0.74	1.01	0.94	1.23
Changes in Working Capital					
Working capital (deficit)(3)	\$ (55,270)	\$ (46,971)	\$ 6,655	\$ (35,581)	\$ (15,119)
Current ratio	0.35	0.42	1.10	0.51	0.84
Capital Expenditures (including acquisitions)	\$ 56,827	\$ 76,708	\$ 49,166	\$ 53,119	\$ 14,914

- (1) This relates to the construction facilities specifically negotiated for: (i) Union Square redevelopment project, obtained in December 2016, and (ii) New Zealand construction projects, obtained in May 2015. The New Zealand construction loan expired December 31, 2018.
- (2) Certain 2015 balances included the restatement impact as a result of a change in accounting principle (see Note 2 – Summary of Significant Accounting Policies – Accounting Changes). For 2014, no changes made, except for the Stockholders' Equity balance as of 12/31/2014, as we were not required to present the restatement numbers as of December 31, 2014 for the Balance Sheet. Certain 2017 and 2016 balances included the restatement impact as a result of a prior period financial statement correction of immaterial errors (see Note 2 – Summary of Significant Accounting Policies – Prior Period Financial Statement Correction of Immaterial Errors).
- (3) Typically our working capital (deficit) is negative 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.

On March 2, 2017, the Board of Directors authorized a stock repurchase program to repurchase up to \$25.0 million of Reading's Class A Stock. The Board on March 14, 2019, extended that program to March 2, 2021. There is currently \$16.2 million of capacity remaining in that authorization.

We manage our cash, investments and capital structure so we are able 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 recent years, our treasury management has been focused on more aggressive cash management using cash balances to reduce debt. In earlier years, we maintained significant cash balances in our bank accounts. We have 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.

Refer to Note 10 – Borrowings in the Consolidated Financial Statements for further details on our various borrowing arrangements.

At December 31, 2018, our consolidated cash and cash equivalents totaled \$13.1 million. Of this amount, \$7.6 million, \$3.5 million and \$2.0 million were held by our U.S., Australian and New Zealand operations, respectively. Our current intention is to reinvest indefinitely Australian earnings but do not have the same plan for New Zealand earnings. If the Australian earnings were used to fund U.S. operations, they could be subject to additional state income taxes upon repatriation.

We have historically funded our working capital requirements, capital expenditures and investments in individual properties primarily from a combination of internally generated cash flows and debt. As noted in the preceding table, we have \$55.6 million unused capacity of available corporate credit facilities at December 31, 2018. In addition, we have \$30.3 million unused capacity for Union Square development uses and construction funding.

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The change in cash and cash equivalents for the three years ended December 31, 2018 is as follows:

	2018	2017	2016	% Change	
				2018 vs. 2017	2017 vs. 2016
(Dollars in thousands)					
Net cash provided by operating activities	\$ 32,645	\$ 23,851	\$ 30,188	37 %	(21) %
Net cash used in investing activities	(64,855)	(6,786)	(42,861)	(> 100) %	(> 84) %
Net cash provided by (used in) financing activities	33,210	(22,055)	11,246	> 100 %	(> 100) %
Impact of exchange rate on cash	(1,541)	(359)	742	(> 100) %	(> 100) %
Net increase (decrease) in cash and cash equivalents	\$ (541)	\$ (5,349)	\$ (685)	90 %	(> 100) %

Operating activities

2018 vs. 2017

Cash provided by operating activities for 2018 increased by \$8.8 million, or 37%, to \$32.6 million, primarily driven by \$6.6 million increase in net operating assets and \$1.8 million increase in cash inflows from operating activities.

2017 vs. 2016: Cash provided by operating activities for 2017 decreased by \$6.3 million or 21%, to \$23.9 million, primarily driven by a \$16.4 million reduction in net working capital assets, partially offset by a \$10.1 million increase in operational cash flows as a result of the decrease in corporate General and Administrative expense.

Investing activities

2018: In 2018, the \$64.9 million used in investing activities was mainly related to \$63.5 million in capital expenditures, primarily for expenditures in the U.S. for \$45.9 million (Comprised mainly of Union Square, Mililani, Manville, and Digital Projector purchase) and \$15.9 million in Australia (Comprised mainly of Newmarket, Auburn, Elizabeth and Charlestown).

2017: In 2017, the \$6.8 million of cash used in investing activities was mainly related to the \$65.9 million capital expenditures, which includes the redevelopment and expansion of our Newmarket Village ETC in Brisbane, Australia, the on-going development of our Union Square project, and as well as the upgrade of a number of our existing cinemas. We also used \$3.7 million towards the demolition of the Courtenay Central car parking structure in

Wellington, New Zealand. These are offset by the \$44.7 million received from the sale of our Burwood property as well as the \$18.4 million final insurance settlement on our Courtenay Central parking structure.

Financing activities

2018: The cash provided by financing activities of \$33.2 million in 2018 was primarily related to loan proceeds of \$36.5 million; offset by repurchase of stock of \$2.3 million as part of the 2017 \$25.0 million stock buyback program.

2017: The \$22.0 million of cash used in financing activities was primarily due to the \$15.4 million in loan repayments (net of \$91.0 million new loan advances), and \$6.5 million used as part of the 2017 \$25.0 million stock buyback program.

CONTRACTUAL OBLIGATIONS, COMMITMENTS AND CONTINGENCIES

The following table provides information with respect to the maturities and scheduled principal repayments of our recorded contractual obligations as of December 31, 2018:

(Dollars in thousands)	2019	2020	2021	2022	2023	Thereafter	Total
Debt - current and non-current portion(1)	\$ 30,393	\$ 43,960	\$ 258	\$ 270	\$ 56,045	\$ 8,204	\$ 139,130
Subordinated debt(1)	—	—	—	—	—	27,913	27,913
Pension liability	684	684	684	684	684	1,934	5,354
Village East purchase option(2)	5,900	—	—	—	—	—	5,900
Lease obligations	30,921	25,792	25,228	23,802	20,642	89,239	215,624
Estimated interest on debt(3)	9,584	6,146	5,281	5,282	5,261	7,417	38,971
Total	\$ 77,482	\$ 76,582	\$ 31,451	\$ 30,038	\$ 82,632	\$ 134,707	\$ 432,892

(1) Information is presented gross of deferred financing costs.

(2) Represents the lease liability of the option associated with the ground lease purchase of the Village East Cinema.

(3) Estimated interest on debt is based on the anticipated loan balances for future periods and current applicable interest rates.

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.

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Where we are the plaintiffs, we expense all legal fees 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 defendants, we accrue for probable damages that insurance may not cover as they become known and can be reasonably estimated. 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.

Please refer to Note 12 – Commitments and Contingencies to the Consolidated Financial Statements included herein in Part II, Item 8 (Financial Statements and Supplementary Data) on this report for more information.

Off-Balance Sheet Arrangements

Other than the operating lease arrangements detailed in Note 12 – Commitments and Contingencies to the Consolidated Financial Statements included herein in Part II, Item 8 (Financial Statements and Supplementary Data) on this report, 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.

FINANCIAL RISK MANAGEMENT

Currency and interest rate risk

Our Company's objective in managing exposure to foreign currency and interest rate fluctuations is to reduce volatility of earnings and cash flows in order to allow management to focus on core business issues and challenges.

We currently manage our currency exposure by creating, whenever possible, natural hedges in Australia and New Zealand. This involves local country sourcing of goods and services, as well as borrowing in local currencies to match revenues and expenses. Since we intend to conduct business on a self-funding basis (except for funds used to pay an appropriate share of our U.S. corporate overhead), we do not believe the currency fluctuations present a material risk to the Company. As such, we do not use derivative financial instruments to hedge against the risk of

foreign currency exposure.

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.

Inflation

We continually monitor inflation and the effects of changing prices. Inflation increases the cost of goods and services used. Competitive conditions in many of our markets restrict our ability to recover fully the higher costs of acquired goods and services through price increases. We attempt to mitigate the impact of inflation by implementing continuous process improvement solutions to enhance productivity and efficiency and, as a result, lower costs and operating expenses. In our opinion, we have managed the effects of inflation appropriately, and, as a result, it has not had a material impact on our operations and the resulting financial position or liquidity.

CRITICAL ACCOUNTING ESTIMATES

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:

Impairment of long-lived assets, including goodwill and intangible assets

We review long-lived assets, including goodwill and intangibles, for impairment as part of our annual budgeting process, at the beginning of the fourth quarter, and whenever events or changes in circumstances indicate that the carrying amount of the asset may not be fully recoverable.

- (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.

Besides the write-down of the carrying amount of our parking structure adjacent to our Courtenay Central ETC in Wellington, New Zealand due to earthquake damage during the 4th quarter of 2016, no other impairment losses were recorded for long-lived and finite-lived intangible assets for the three years ended December 31, 2018. Refer to Note 20 – Insurance Recoveries on Impairment and Related Losses due to Earthquake for further details.

- (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 three years ended December 31, 2018.

Business Combination

In recent years, our business acquisition efforts have been focused on our real estate segment. For real estate acquisitions meeting the definition of a “business” in accordance with ASC 805, Business Combinations, the assets acquired and the liabilities assumed are recorded at their fair values as of the acquisition date. To accomplish this, we typically obtain third party valuations to allocate the purchase price to the assets acquired and liabilities assumed, including both tangible and intangible components. The determination of the fair values of the acquisition components and its related determination of the estimated lives of depreciable tangible assets and amortizing intangible assets/liabilities require significant judgment and several considerations, as described in more detail in the section “Business Acquisition Valuation and Purchase Price Allocation” in Note 2 – Summary of Significant Accounting Policies to the Consolidated Financial Statements.

Recognition of Gift Card Breakage Income

Generally, our revenue recognition is not assessed as an area requiring significant judgment or estimation. Revenues from ticket and food and beverage sales are recognized when the service is provided – that is when the show has commenced, or the food provided. Transaction fees from online sales are recorded at the time of the online transaction. In regards our real estate business, we execute lease contracts for existing tenancies, but revenue is recognized on a straight-line basis over the lease term.

Prior to 2014, we recognized revenue for our gift cards and gift certificates issued in the U.S., which do not expire and have no dormancy fees, only when they were redeemed. At the end of fourth quarter of 2016, we determined that we have sufficient historical information to recognize breakage income on them. Based on our review of our own historical redemption patterns using company-wide data accumulated over many years, we considered it preferable to estimate a certain percentage of our gift card and gift certificate sales to be recorded as breakage income as it better reflects of our historical redemption patterns and our earnings process.

Subsequent to this, on January 1, 2018, we adopted the new accounting standard ASC 606 Revenue from Contracts with Customers using the modified retrospective method. This adoption changed our revenue recognition policies for gift card breakage revenue to conform to the requirements of the new accounting standard. This adoption is described in detail in the section Note 2 – Summary of Significant Accounting Policies – Accounting Changes.

Tax valuation allowance and deferred taxes We record our estimated future tax benefits and liabilities arising from the temporary differences between the tax bases of assets and liabilities and amounts reported in the accompanying consolidated balance sheets, as well as operating loss carry-forwards. We estimate the recoverability of any tax assets recorded on the balance sheet and provide any necessary allowances as required. As of December 31, 2018, we had recorded approximately \$32.9 million of deferred tax assets (net of \$1.6 million deferred tax liabilities) related to the temporary differences between the tax bases of assets and liabilities and amounts reported in the accompanying consolidated balance sheets, as well as operating loss carry-forwards and tax credit carry-forwards. These deferred tax assets were offset by a valuation allowance of \$6.7 million resulting in a net deferred tax asset of \$26.2 million. The recoverability of deferred tax assets is dependent upon our ability to generate future taxable income.

Contingencies

For loss contingencies, we record any loss contingencies when there is a “probable” likelihood that the liability had been incurred and the amount of the loss can be reasonably estimated.

For other contingencies,

- (i) for recoveries through an insurance claim, we record a recoverable asset (not to exceed the amount of the total losses incurred) only when the collectability of such claim is considered probable. To evaluate the probable collectability of an insurance claim, we consider communications with our insurance company.
- (ii) for gain contingencies resulting from legal settlements, we record those settlements in our consolidated statements of operations when cash or other forms of payments are received.

In regards to our significant contingencies during 2018:

Legal contingencies

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. 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 (either in cash or other forms of payments) are received by us. Please refer to Note 12 – Commitments and Contingencies to the Consolidated Financial Statements included herein in Part II, Item 8 (Financial Statements and Supplementary Data) on this report for more information on legal matters.

For a summary of our significant accounting policies, including the critical accounting estimates discussed above, see Note 2 to the Consolidated Financial Statements included herein in Part II, Item 8 (Financial Statements and Supplementary Data) on this report.

Item 7A – Quantitative and Qualitative Disclosure about Market Risk

The Securities and Exchange Commission requires that registrants include information about potential effects of changes in currency exchange and interest rates in their Form 10-K filings. Several alternatives, all with some limitations, have been offered. The following discussion is based on a sensitivity analysis, which 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.

At December 31, 2018, approximately 36% and 14% of our assets were invested in assets denominated in Australian dollars (Reading Australia) and New Zealand dollars (Reading New Zealand), respectively, including approximately \$5.5 million in cash and cash equivalents. At December 31, 2017, approximately 40% and 15% of our assets were invested in assets denominated in Australian and New Zealand dollars, respectively, including approximately \$4.5 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 in local currencies a majority of our expenses in Australia and New Zealand. Despite this natural hedge, recent movements in foreign currencies have had an effect on our current earnings. Although foreign currency has 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 \$14.9 million for the year ended December 31, 2018. As we continue to progress our acquisition and development activities in Australia and New Zealand, that the foreign currency effect on our earnings may be significant 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 the U.S., Australia and New Zealand whenever possible. As a result, the borrowings in local currencies have provided somewhat of a natural hedge against the foreign currency exchange exposure. Even so, and as a result of our issuance of fully subordinated Trust Preferred Securities in 2007, and their subsequent partial repayment, approximately 63% and 73% of our Australian and New Zealand assets, respectively, remain subject to such exposure, unless we elect to hedge our foreign currency exchange between the U.S. and Australian and New Zealand dollars. If the foreign currency rates were to fluctuate by 10%, the resulting change in Australian and New Zealand assets would result in an increase or decrease of \$9.9 million and \$4.5 million, respectively, and the change in our net income for the year would be \$1.4 million and \$43,000, respectively. Presently, we have no plan to hedge such exposure.

With changes in the tax landscape caused by the Tax Cuts and Jobs Act of 2017, we may reconsider our strategy for financing operations and redevelopment projects in the three countries we are invested in, which may include increased borrowings from banks in higher-tax countries, and dividends to the U.S. from foreign subsidiaries, being mindful of withholding taxes on interest, and thin capitalization limitations on interest deduction in Australia and New Zealand.

We record unrealized foreign currency translation gains or losses that could materially affect our financial position. We have accumulated unrealized foreign currency translation gains of approximately \$8.7 million and \$23.6 million as of December 31, 2018 and 2017, respectively.

Historically, we maintained most of our cash and cash equivalent balances in short-term money market instruments with original maturities of six months or less. Some of our money market investments may decline in value if interest rates increase. 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.

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 \$1.4 million increase or decrease in our 2018 interest expense.

Item 8 – Financial Statements and Supplementary Data

READING INTERNATIONAL, INC.

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Board of Directors and Stockholders

Reading International, Inc.

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Securities Exchange Act Rules 13a-15(f) and 15d-15(f). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with U.S. GAAP. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria established in 2013 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Based on this assessment, our management believes that the Company's internal control over financial reporting is effective as of December 31, 2018.

The effectiveness of our internal control over financial reporting as of December 31, 2018 has been audited by Grant Thornton LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

By: /s/ Ellen M. Cotter By: /s/Gilbert Avanes

Ellen M. Cotter Gilbert Avanes

Chief Executive Officer Interim Chief Financial Officer

March 18, 2019 March 18, 2019

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

(CONSOLIDATED FINANCIAL STATEMENTS)

Board of Directors and Stockholders

Reading International, Inc.

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of Reading International, Inc. and subsidiaries (the “Company”) as of December 31, 2018 and 2017, the related consolidated statements of comprehensive income, changes in shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and schedules (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2018, based on criteria established in the 2013 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), and our report dated March 18, 2019 expressed an unqualified opinion.

Basis for opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our

audits provide a reasonable basis for our opinion.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2011.

Los Angeles, CA

March 18, 2019

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

(INTERNAL CONTROL OVER FINANCIAL REPORTING)

Board of Directors and Stockholders

Reading International, Inc.

Opinion on internal control over financial reporting

We have audited the internal control over financial reporting of Reading International, Inc. and subsidiaries (the “Company”) as of December 31, 2018, based on criteria established in the 2013 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in the 2013 Internal Control—Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated financial statements of the Company as of and for the year ended December 31, 2018, and our report dated March 18, 2019 expressed unqualified opinion on those financial statements.

Basis for opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Discussion and Analysis Report of Reading International Inc. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and limitations of internal control over financial reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ GRANT THORNTON LLP

Los Angeles, California

March 18, 2019

READING INTERNATIONAL, INC. and SUBSIDIARIES

Consolidated Balance Sheets as of December 31, 2018 and 2017

(U.S. dollars in thousands, except share information)

	December 31,	
	2018	2017
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 13,127	\$ 13,668
Receivables	8,045	13,050
Inventories	1,419	1,432
Prepaid and other current assets	7,667	5,325
Total Current Assets	30,258	33,475
Operating properties, net	257,667	264,724
Investment and development properties, net	86,804	61,254
Investment in unconsolidated joint ventures	5,121	5,304
Goodwill	19,445	20,276
Intangible assets, net	7,369	8,542
Deferred tax assets, net	26,235	24,746
Other assets	6,129	5,082
Total Assets	\$ 439,028	\$ 423,403
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 26,154	\$ 34,359
Film rent payable	8,661	13,511
Debt – current portion	30,393	8,109
Derivative financial instruments - current portion	41	—
Taxes payable	1,710	2,938
Deferred current revenue	9,264	9,850
Other current liabilities	9,305	11,679
Total Current Liabilities	85,528	80,446
Debt – long-term portion	106,286	94,862
Derivative financial instruments - non-current portion	145	—
Subordinated debt	26,061	27,554
Noncurrent tax liabilities	11,530	12,274
Other liabilities	28,931	26,649
Total Liabilities	\$ 258,481	\$ 241,785
Commitments and Contingencies		
Stockholders' Equity:		
Class A non-voting common shares, par value \$0.01, 100,000,000 shares authorized, 33,112,337 issued and 21,194,748 outstanding at December 31, 2018 and 33,019,565 issued and 21,251,291 outstanding at December 31, 2017	\$ 232	\$ 231
Class B voting common shares, par value \$0.01, 20,000,000 shares authorized and		

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1,680,590 issued and outstanding at December 31, 2018 and 2017	17	17
Nonvoting preferred shares, par value \$0.01, 12,000 shares authorized and no issued or outstanding shares at December 31, 2018 and 2017	—	—
Additional paid-in capital	147,452	145,898
Retained earnings	47,616	33,056
Treasury shares, at cost	(25,222)	(22,906)
Accumulated other comprehensive income	6,115	20,991
Total Reading International, Inc. ("RDI") Stockholders' Equity	176,210	177,287
Noncontrolling Interests	4,337	4,331
Total Stockholders' Equity	\$ 180,547	\$ 181,618
Total Liabilities and Stockholders' Equity	\$ 439,028	\$ 423,403

The accompanying Notes are an integral part of the Consolidated Financial Statements.

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READING INTERNATIONAL, INC. and SUBSIDIARIES

Consolidated Statements of Operations for the Three Years Ended December 31, 2018

(U.S. dollars in thousands, except share and per share data)

	2018	2017	2016(1)
Revenues			
Cinema	\$ 294,177	\$ 263,464	\$ 256,922
Real estate	15,208	16,415	13,944
Total Revenues	309,385	279,879	270,866
Costs and Expenses			
Cinema	(225,791)	(207,447)	(198,523)
Real estate	(9,904)	(9,437)	(9,044)
Depreciation and amortization	(22,275)	(16,942)	(15,689)
General and administrative	(27,337)	(25,347)	(26,906)
Total Costs and Expenses	(285,307)	(259,173)	(250,162)
Operating Income	24,078	20,706	20,704
Interest expense, net	(6,837)	(6,194)	(6,782)
Casualty gain (loss)	—	9,217	(1,421)
Net (loss) / gain on sale of assets	(41)	9,360	393
Other income (expense)	(256)	588	(63)
Income before taxes and earnings of unconsolidated joint ventures	16,944	33,677	12,831
Equity earnings of unconsolidated joint ventures	974	815	999
Income before income taxes	17,918	34,492	13,830
Income tax expense	(3,420)	(3,380)	(4,138)
Net Income	\$ 14,498	\$ 31,112	\$ 9,692
Less: Net income attributable to noncontrolling interests	132	11	14
Net Income attributable to RDI controlling interests	\$ 14,366	\$ 31,101	\$ 9,678
Basic income per share attributable to RDI controlling interests	\$ 0.62	\$ 1.35	\$ 0.42
Diluted income per share attributable to RDI controlling interests	\$ 0.62	\$ 1.34	\$ 0.41
Weighted average number of shares outstanding—basic	22,991,277	23,041,190	23,320,048
Weighted average number of shares outstanding—diluted	23,208,991	23,247,969	23,521,157

The accompanying Notes are an integral part of the Consolidated Financial Statements.

(1) Certain prior year balances have been reclassified to conform to the 2017 presentation (see Note 2 – Summary of Significant Accounting Policies – Reclassifications).

READING INTERNATIONAL, INC. and SUBSIDIARIES

Consolidated Statements of Comprehensive Income for the Three Years Ended December 31, 2018

(U.S. dollars in thousands)

	2018	2017	2016(1)
Net income	\$ 14,498	\$ 31,112	\$ 9,692
Foreign currency translation gain (loss)	(14,903)	8,810	142
(Loss) on cash flow hedges	(137)	—	—
Others	149	125	127
Total Comprehensive Income (loss)	\$ (393)	\$ 40,047	\$ 9,961
Less: Net income attributable to noncontrolling interests	132	11	14
Less: Comprehensive income (loss) attributable to noncontrolling interests	(15)	19	(1)
Comprehensive (loss) income attributable to Reading International, Inc.	\$ (510)	\$ 40,017	\$ 9,948

The accompanying Notes are an integral part of the Consolidated Financial Statements.

(1) Certain prior year balances have been reclassified to conform to the 2017 presentation (see Note 2 – Summary of Significant Accounting Policies – Reclassifications).

READING INTERNATIONAL, INC. and SUBSIDIARIES

Consolidated Statements of Stockholders' Equity for the Three Years Ended December 31, 2018

(In thousands)

	Common Shares		Class B		Additional		Retained	Treasury	Accumulated	Reading	International Inc.	Total
	Class A	Class A	Class B	Class B	Paid-In	Earnings	Shares	Other	Comprehensive	Stockholder	Noncontrolling	Stockholders
	Non-Voting	Par	Voting	Par	Capital	(Accumulated	Shares	Income/(Loss)	Income/(Loss)	Equity	Interests	Equity
	Shares	Value	Shares	Value		Deficit)						
At January 1, 2016	21,654	\$ 229	1,680	\$ 17	\$ 143,815	\$ (7,723)	\$ (13,524)	\$ 11,806	\$ 134,620	\$ 4,331	\$ 138,951	
Net income	—	—	—	—	—	9,678	—	—	9,678	14	9,692	
Other comprehensive income (loss), net	—	—	—	—	—	—	—	269	269	(1)	268	
Share-based compensation expense	—	—	—	—	609	—	—	—	609	—	609	
Share repurchase plan (181)	—	—	—	—	—	—	(2,850)	—	(2,850)	—	(2,850)	
Class A common stock issued for share-based bonuses and options exercised	13	2	—	—	145	—	—	—	147	—	147	
In-kind exchange of shares for the exercise of options, net issued	12	(1)	—	—	—	—	—	—	(1)	—	(1)	
Contributions from noncontrolling shareholders	—	—	—	—	—	—	—	—	—	268	268	
Distributions to noncontrolling shareholders	—	—	—	—	—	—	—	—	—	(194)	(194)	
	21,498	\$ 230	1,680	\$ 17	\$ 144,569	\$ 1,955	\$ (16,374)	\$ 12,075	\$ 142,472	\$ 4,418	\$ 146,890	

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At December 31, 2016											
Net income	—	—	—	—	—	31,101	—	—	31,101	11	31,112
Other comprehensive income, net	—	—	—	—	—	—	—	8,916	8,916	19	8,935
Share-based compensation expense	—	—	—	—	1,000	—	—	—	1,000	—	1,000
Share repurchase plan(410)		—	—	—	—	—	(6,532)	—	(6,532)	—	(6,532)
Class A common stock issued for share-based bonuses and options exercised	90	1	—	—	329	—	—	—	330	—	330
In-kind exchange of share for the exercise of options, net issued	23	—	—	—	—	—	—	—	—	—	—
Restricted Stock Units Contributions from noncontrolling shareholders	50	—	—	—	—	—	—	—	—	—	—
Distributions to noncontrolling shareholders	—	—	—	—	—	—	—	—	—	193	193
At December 31, 2017	21,251	\$ 231	1,680	\$ 17	\$ 145,898	\$ 33,056	\$ (22,906)	\$ 20,991	\$ 177,287	\$ 4,331	\$ 181,618
Net income	—	—	—	—	—	14,366	—	—	14,366	132	14,498
Adjustments to opening retained earnings on adoption of ASC 606	—	—	—	—	—	194	—	—	194	(2)	192
Other comprehensive income, net	—	—	—	—	—	—	—	(14,876)	(14,876)	(15)	(14,891)
Share-based compensation expense	—	—	—	—	1,458	—	—	—	1,458	—	1,458
Share repurchase plan(149)		—	—	—	—	—	(2,316)	—	(2,316)	—	(2,316)
	35	—	—	—	219	—	—	—	219	—	219

Class A common stock issued for share-based bonuses and options exercised												
In-kind exchange of share for the exercise of options, net issued	13	1	—	—	(74)	—	—	—	(73)	—	(73)	
Restricted Stock Units	45	—	—	—	(49)	—	—	—	(49)	—	(49)	
Contributions from noncontrolling shareholders	—	—	—	—	—	—	—	—	—	82	82	
Distributions to noncontrolling shareholders	—	—	—	—	—	—	—	—	—	(191)	(191)	
At December 31, 2018	21,195	\$ 232	1,680	\$ 17	\$ 147,452	\$ 47,616	\$ (25,222)	\$ 6,115	\$ 176,210	\$ 4,337	\$ 180,547	

The accompanying Notes are an integral part of the Consolidated Financial Statements.

READING INTERNATIONAL, INC. and SUBSIDIARIES

Consolidated Statements of Cash Flows for the Three Years Ended December 31, 2018

(U.S. dollars in thousands)

	2018	2017	2016
Operating Activities			
Net income	\$ 14,498	\$ 31,112	\$ 9,692
Adjustments to reconcile net income to net cash flows from operating activities:			
Equity earnings of unconsolidated joint ventures	(974)	(815)	(999)
Distributions of earnings from unconsolidated joint ventures	670	798	1,004
Gain recognized on foreign currency transactions	—	(563)	—
Net loss (gain) on sale of assets	41	(9,360)	(393)
Interest on hedged derivatives	5	—	—
Change in net deferred tax assets	(1,719)	4,117	(4,942)
Depreciation and amortization	22,275	16,942	15,689
Other amortization	1,161	1,406	1,797
Casualty (gain) loss	—	(9,217)	1,421
Share-based compensation expense	1,458	1,000	609
Net changes in operating assets and liabilities:			
Receivables	2,868	(3,093)	1,296
Prepaid and other assets	(2,761)	350	(992)
Payments for accrued pension	(2,961)	—	—
Accounts payable and accrued expenses	2,107	(3,740)	2,843
Film rent payable	(4,525)	2,764	1,244
Taxes payable	(994)	(839)	(1,707)
Deferred revenue and other liabilities	1,496	(7,011)	3,626
Net cash provided by operating activities	32,645	23,851	30,188
Investing Activities			
Purchases of and additions to operating and investment properties	(63,529)	(65,903)	(49,166)
Change in restricted cash	(1,326)	33	178
Demolition costs of operating property	—	(3,700)	—
Disposal of investment in unconsolidated joint ventures	—	(432)	—
Distributions from unconsolidated joint ventures	—	124	296
Cash settlement on insurance claim	—	18,415	5,000
Proceeds from sale of properties	—	44,677	831
Net cash used in investing activities	(64,855)	(6,786)	(42,861)
Financing Activities			
Repayment of long-term borrowings	(54,374)	(106,449)	(63,748)
Proceeds from borrowings	90,895	91,030	81,616
Capitalized borrowing costs	(1,230)	(39)	(3,992)

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Repurchase of Class A nonvoting common stock	(2,316)	(6,532)	(2,850)
Proceeds from stock option exercises	344	52	146
Noncontrolling interest contributions	82	193	268
Noncontrolling interest distributions	(191)	(310)	(194)
Net cash provided by/ (used in) financing activities	33,210	(22,055)	11,246
Effect of exchange rate on cash	(1,541)	(359)	742
Net (decrease) in cash and cash equivalents	(541)	(5,349)	(685)
Cash and cash equivalents at the beginning of the year	13,668	19,017	19,702
Cash and cash equivalents at the end of the year	\$ 13,127	\$ 13,668	\$ 19,017
Supplemental Disclosures			
Interest paid	\$ 8,035	\$ 4,880	\$ 5,948
Income taxes paid, net	8,941	9,245	6,607
Non-Cash Transactions			
Lease make-good accrual	\$ —	\$ —	\$ 35
In-kind exchange of stock for the exercise of options, net	—	788	—
Additions to operating and investing properties through accrued expenses	3,969	10,804	—
The accompanying Notes are an integral part of the Consolidated Financial Statements.			

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READING INTERNATIONAL, INC. and SUBSIDIARIES

Notes to Consolidated Financial Statements

As of and for Three Years Ended December 31, 2018

NOTE 1 – DESCRIPTION OF BUSINESS AND SEGMENT REPORTING

The 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 consist primarily of:

- the operation, development and ownership of multiplex 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

Our business is comprised of two operating segments, as follows: (i) cinema exhibition and (ii) real estate. Each of these segments has discrete and separate financial information and for which operating results are evaluated regularly by our Chief Executive Officer, the chief operating decision-maker of the Company. As part of our real estate segment, we have acquired, and continue to hold, raw land in urban and suburban centers in New Zealand, Australia and the United States.

The tables below summarize the results of operations for each of our business segments. Operating expense includes costs associated with the day-to-day operations of the cinemas and the management of rental properties, including our live theater assets.

2018

2017

2016

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(Dollars in thousands)	Cinema	Real Estate	Total	Cinema	Real Estate	Total	Cinema	Real Estate	Total
Revenue -									
Third party	\$ 294,177	\$ 15,208	\$ 309,385	\$ 263,464	\$ 16,415	\$ 279,879	\$ 256,922	\$ 13,944	\$ 270,866
Inter-segment Revenue (1)	—	9,027	9,027	—	7,573	7,573	—	7,366	7,366
Total Segment Revenue	294,177	24,235	318,412	263,464	23,988	287,452	256,922	21,310	278,232
Operating expense									
Cost of services and products -									
Third party	(225,791)	(9,904)	(235,695)	(207,447)	(9,436)	(216,883)	(198,523)	(9,044)	(207,527)
Inter-segment Cost of services (1)	(9,027)	—	(9,027)	(7,573)	—	(7,573)	(7,366)	—	(7,366)
Total of services and products (excluding depreciation and amortization)	(234,818)	(9,904)	(244,722)	(215,020)	(9,436)	(224,456)	(205,889)	(9,044)	(214,933)
Depreciation and amortization	(16,314)	(5,567)	(21,881)	(12,213)	(4,256)	(16,469)	(11,772)	(3,522)	(15,295)
General and administrative expense	(3,724)	(2,326)	(6,050)	(3,261)	(2,140)	(5,401)	(3,763)	(1,422)	(5,185)
Total operating expense	(254,856)	(17,797)	(272,653)	(230,494)	(15,832)	(246,326)	(221,424)	(13,988)	(235,312)
Segment operating income	\$ 39,321	\$ 6,438	\$ 45,759	\$ 32,970	\$ 8,156	\$ 41,126	\$ 35,498	\$ 7,322	\$ 42,820

(1) Inter-segment Revenues and Cost of services relates to the internal charge between the two segments where the cinema operates within real estate owned within the group.

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

(Dollars in thousands)

	2018	2017	2016
--	------	------	------

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Segment operating income	\$ 45,759	\$ 41,126	\$ 42,820
Unallocated corporate expense:			
Depreciation and amortization expense	(394)	(473)	(395)
General and administrative expense	(21,287)	(19,947)	(21,721)
Interest expense, net	(6,837)	(6,194)	(6,782)
Equity earnings of unconsolidated joint ventures	974	815	999
(Loss) gain on sale of assets	(41)	9,360	393
Casualty gain (loss)	—	9,217	(1,421)
Other (expense) income	(256)	588	(63)
Income before income taxes	\$ 17,918	\$ 34,492	\$ 13,830

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Assuming cash and cash equivalents are accounted for as corporate assets, total assets by business segment and by country are presented as follows:

(Dollars in thousands)	December 31,	
	2018	2017
By segment:		
Cinema	\$ 138,850	\$ 135,184
Real estate	263,783	249,622
Corporate (1)	36,395	38,597
Total assets	\$ 439,028	\$ 423,403
By country:		
United States	\$ 220,777	\$ 188,639
Australia	156,768	169,412
New Zealand	61,483	65,352
Total assets	\$ 439,028	\$ 423,403

(1) Corporate Assets includes cash and cash equivalents of \$13.1 million and \$13.7 million as of December 31, 2018 and 2017, respectively.

The following table sets forth our operating properties by country:

(Dollars in thousands)	December 31,	
	2018	2017
United States	\$ 95,710	\$ 89,183
Australia	132,624	143,200
New Zealand	29,333	32,341
Total operating property	\$ 257,667	\$ 264,724

The table below summarizes capital expenditures for the three years ended December 31, 2018:

(Dollars in thousands)	2018	2017	2016
Segment capital expenditures	\$ 56,795	\$ 76,300	\$ 49,023
Corporate capital expenditures	32	408	143
Total capital expenditures	\$ 56,827	\$ 76,708	\$ 49,166

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant Accounting Policies

Basis of Consolidation

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). These consolidated financial statements include the accounts of our wholly-owned subsidiaries, which are RDGE, CRG, and CDL. We have also consolidated the following entities that are not wholly-owned for which we have control:

- Australia Country Cinemas Pty, Limited, a company in which we own a 75% interest and whose only assets are our leasehold cinemas in Townsville and Dubbo, Australia;
- Sutton Hill Properties, LLC (“SHP”), a company based in New York in which we own a 75% interest and whose only asset is the fee interest in the Cinemas 1,2,3; and,
- Shadow View Land and Farming, LLC in which we own a 50% controlling membership interest and whose only asset is a 202-acre land parcel in Coachella, California.

Our investment interests in certain joint venture arrangements, for which we own between 20% to 50% and for which we have no control over the operations, are accounted for as unconsolidated joint ventures, and hence, recorded in the consolidated financial statements under the equity method. These investment interests include our:

- 33.3% undivided interest in the unincorporated joint venture that owns the Mt. Gravatt cinema in a suburb of Brisbane, Australia;
- 50% undivided interest in the unincorporated joint venture that owns Rialto Cinemas.

We consider that we have control over our partially-owned subsidiaries and joint venture interests (collectively “investee”) when these conditions exist:

- (i) we own a majority of the voting rights or interests of the investee (typically above 50%), or
- (ii) in the case when we own less than the majority voting rights or interests, we have the power over the investee when the voting rights or interests are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Company considers all relevant facts and circumstances in assessing whether or not our voting rights in the investee are sufficient to give it power, including:

- (i) the size of our voting rights and interests relative to the size and dispersion of holdings of other vote holders;
- (ii) potential voting rights and interests held by us;
- (iii) rights and interests arising from other contractual arrangements; and,
- (iv) any additional other relevant facts.

All significant intercompany balances and transactions have been eliminated in the consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and footnotes thereto. Hence, actual results may differ from those estimates. Significant estimates and assumptions include, but are not limited to:

- (i) projections we make regarding the recoverability and impairment of our assets (including goodwill and intangibles);
- (ii) valuations of our derivative instruments;
- (iii) allocation of insurance proceeds to various recoverable components;
- (iv) recoverability of our deferred tax; and,
- (v) estimation of gift card and gift certificate breakage where we have concluded that the likelihood of redemption is remote.

Revenue Recognition

(i) Cinema Exhibition Segment (all net of related taxes):

- Sales of Cinema ticket (excluding bulk and advanced ticket sales) and food and beverage (“F&B”) sales – recognized when sold and collected, either in cash or credit card at our theatre locations and through our online selling channels;
- Sales of Bulk and Advanced Cinema Ticket Sales – deferred and recognized as revenue when the promised performance or movie that the ticket has been purchased for is shown;
- Gift Cards and Gift Certificate Sales – deferred and recognized as revenue when redeemed, except for the breakage portion, as described below;
- Breakage Income – recognized for unredeemed cards and certificates using the proportional method, whereby breakage revenue is recognized in proportion to the pattern of rights exercised by the customer when the Company expects that it is probable that a significant revenue reversal would not occur for any estimated breakage amounts. This is based on a breakage ‘experience rate’ which is determined by historical redemption data;
- Loyalty Income - a component of revenue from members of our loyalty programs relating to the earning of loyalty rewards is deferred until such a time as members redeem rewards, or until we believe the likelihood of redemption by the member is remote. Deferral is based on the progress made toward the next reward, the fair value of that reward, and the likelihood of redemption, determined by historical redemption data, and;
- Advertising Revenues – recognized based on contractual arrangements or relevant admissions information, as appropriate, when the related performance obligation is satisfied.

(ii) Real Estate Segment:

- Property Rentals –we contractually retain substantially all of the risks and benefits of ownership of our real estate properties and therefore, we account for our tenant leases as operating leases. Accordingly, rental revenue is recognized on a straight-line basis over the lease term; and,
- Live Theatre License Fees – we have real property interest in and license theatre space to third parties for the presentation of theatrical productions. Revenue is recognized in accordance with the license agreement, and is typically recorded on a weekly basis after the performance of a show has occurred.

Cash and Cash Equivalents

We consider all highly liquid investments with original maturities of three months or less at the time of purchase as cash equivalents for which cost approximates fair value.

Receivables

Our receivables balance is composed primarily of credit card receivables, representing the purchase price of tickets, food & beverage items, or coupon books sold at our various businesses. Sales charged on customer credit cards are collected when the credit card transactions are processed. The remaining receivables balance is primarily made up of the sales tax refund receivable from our Australian taxing authorities and the management fee receivable from the managed cinemas and property damage insurance recovery proceeds. We have no history of significant bad debt losses and we have established an allowance for accounts that we deem uncollectible.

Inventory

Inventory is composed of food and beverage items in our theater operations and is stated at the lower of cost (first-in, first-out method) or net realizable value.

Restricted Cash

Restricted cash includes those cash accounts for which the use of funds is restricted by any contract or bank covenant. At December 31, 2018 and 2017, our restricted cash balance, included as part of prepaid and other current assets, was \$1.3 million and \$17,000, respectively.

Derivative Financial Instruments

From time-to-time, we purchase interest rate derivative instruments to hedge the interest rate risk that results from the variability of our floating-rate borrowings. Our use of derivative transactions is intended to reduce long-term fluctuations in cash flows caused by market movements. Derivative instruments are recorded on the balance sheet at fair value with changes in fair value through interest expense in the Consolidated Statement of Operations or, in the

case of accounting hedges, in Other Comprehensive Income and then reclassified into interest expense in the same period(s) during which the hedged transactions affect earnings. The cash flows from interest rate derivatives are classified as cashflows provided by operating activities in the Consolidated Cashflow Statement, as are the hedged transactions. As of December 31, 2018 and 2017 we have unfavorable derivative positions designated as accounting hedges of \$186,000 and \$nil, respectively.

Operating Properties, net

Our Operating Properties consist of land, buildings and improvements, leasehold improvements, fixtures and equipment, which we use to derive operating income associated with our two business segments, cinema exhibition and real estate. Buildings and improvements, leasehold improvements, fixtures and equipment are initially recorded at the lower of cost or fair market value and depreciated over the useful lives of the related assets. Land is not depreciated. Expenditures relating to renovations, betterments or improvements to existing assets are capitalized if it improves or extends the lives of the respective assets and/or provides long-term future net cash inflows, including the potential for cost savings.

Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are generally as follows:

Building and improvements	15 – 60 years
Leasehold improvements	Shorter of the lease term or useful life of the improvement
Theater equipment	7 years
Furniture and fixtures	3 – 10 years

Investment and Development Properties, net

Investment and Development Properties consist of land, buildings and improvements under development, and their associated capitalized interest and other development costs that we are either holding for development, currently developing, or holding for investment appreciation purposes. These properties are initially recorded at the lower of cost or fair market value. Within this category are building and improvement costs directly associated with the development of potential cinemas (whether for sale or lease), the development of entertainment-themed centers (“ETCs”), or other improvements to real property. As incurred, we expense start-up costs (such as pre-opening cinema advertising and training expense) and other costs not directly related to the acquisition and development of long-term assets. We cease cost capitalization (including interest) on a development property when the property is complete and ready for its intended use, or if activities necessary to get the property ready for its intended use have been substantially

curtailed. However, we do not suspend cost capitalization for brief interruptions and interruptions that are externally imposed, such as mandates from governmental authorities.

Impairment of Long-Lived Assets

We review long-lived assets, including goodwill and intangibles, for impairment as part of our annual budgeting process, at the beginning of the fourth quarter, and whenever events or changes in circumstances indicate that the carrying amount of the asset may not be fully recoverable.

We review internal management reports on a monthly basis as well as monitor current and potential future competition in film markets for indications of potential impairment.

- (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 three years ended December 31, 2018, based on historical information and projected cash flow. We recorded a write-down of the carrying amount of our parking structure adjacent to our Courtenay Central ETC in Wellington, New Zealand due to earthquake damage during the Fourth Quarter of 2016, which was subsequently fully recovered through the final insurance settlement in May 2017. Refer to Note 20 – Insurance Recoveries on Impairment and Related Losses due to Earthquake for further details.

- (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 the segment 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 three years ended December 31, 2018.

Variable Interest Entity

The Company enters into relationships or investments with other entities that may be a variable interest entity (“VIE”). A VIE is consolidated in the financial statements if the Company has the power to direct activities that most significantly impact the economic performance of the VIE and has the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

Reading International Trust I is a VIE. It is not consolidated in our financial statements because we are not the primary beneficiary. We carry our investment in the Reading International Trust I, recorded under “Other Assets”, using the equity method of accounting because we have the ability to exercise significant influence (but not control) over operating and financial policies of the entity. We eliminate transactions with an equity method entity to the extent of our ownership in such an entity. Accordingly, our share of net income/(loss) of this equity method entity is included in consolidated net income/(loss). We have no implicit or explicit obligation to further fund our investment in Reading International Trust I.

Property Held for Sale

When a property is classified as held for sale, we present the respective assets and liabilities related to the property held for sale separately on the balance sheet and cease to record depreciation and amortization expense. Properties held for sale are reported at the lower of their carrying value or their estimated fair value less the estimated costs to sell. As of December 31, 2016, we classified our landholding in Burwood, Australia as land held for sale as a result of a sale transaction on May 12, 2014, this transaction closed during December 2017. Refer to Note 4 – Real Estate Transactions for details.

Deferred Leasing/Financing Costs

Direct costs incurred in connection with obtaining tenants and or financing are amortized over the respective term of the loan utilizing the effective interest method, or straight-line method if the result is not materially different. In addition, interest on loans with increasing interest rates and scheduled principal pre-payments are also recognized on the effective interest method. Net deferred financing costs are presented as a reduction in the associated debt account (see Note 10 – Borrowings) in line with our adoption of ASU 2015-03, which became effective since January 1, 2016.

Film Rental Costs

Film rental costs are accrued based on the applicable box office receipts and estimates of the final settlement to the film licensors.

Advertising Expense

We expense our advertising as incurred. The amount of our advertising expense was \$2.4 million, \$2.3 million, and \$2.3 million 2018, 2017, and 2016, respectively.

Operating Leases

A majority of our cinema operations are conducted in premises under non-cancellable lease arrangements with initial base terms generally ranging between 5 to 15 years, with certain leases containing renewal options to extend the lease term to an additional term of up to 20 years. We evaluated the classification of our leases and concluded all of these arrangements as operating leases. Lease expense is recorded on a straight-line basis over the initial base terms, taking into effect any rate change clauses. Any subsequent increases or decreases in rental payments that result from factors not anticipated during lease inception or factors that are based on meeting future targets, other than indexation factors, represent contingent rentals and are fully accruable at the period the trigger event occurs.

Share-based Compensation

The determination of the compensation cost for our share-based awards (primarily in the form of stock options or restricted stock units) is made at the grant date based on the estimated fair value of the award, and such cost is recognized over the grantee's requisite service period (which typically equates to our vesting term). Previously recognized compensation cost shall be reversed for any forfeited award to the extent unvested at the time of forfeiture. Refer to Note 14 – Share-based Compensation and Repurchase Plans for further details.

Treasury Shares

In recent years, we repurchased our own Class A common shares as part of a publicly announced stock repurchase plan with no current intent for retiring those reacquired shares. We account for these repurchases using the cost method and present these as a separate line within the Stockholders' Equity section in our consolidated balance sheets. Refer to Note 14 – Share-based Compensation and Repurchase Plans for further details of our stock buyback plan.

Insurance Recoveries and Other Contingency Matters

(i) Loss contingencies – we record any loss contingencies if there is a “probable” likelihood that the liability had been incurred, and the amount of the loss can be reasonably estimated.

(ii) Gain contingencies:

- Insurance recoveries – in the event we incur a loss attributable to an impairment of an asset or incurrence of a liability that is recoverable, in whole or in part, through an insurance claim, we record an insurance recoverable (not to exceed the amount of the total losses incurred) only when the collectability of such claim is probable. To evaluate the probable collectability of an insurance claim, we consider communications with third parties (such as with our insurance company), in addition to advice from legal counsel.
- Others – other gain contingencies typically result from legal settlements and we record those settlements in income when cash or other forms of payments are received.

Legal costs relating to our litigation matters, whether we are the plaintiff or the defendant, are recorded when incurred. For the years ended December 31, 2018, 2017, and 2016, we recorded gains/(losses) relating to litigation settlement of \$nil, \$1.8 million, and \$415,000, respectively.

Translation Policy

The financial statements and transactions of our Australian and New Zealand cinema and real estate operations are recorded in their functional currencies, namely Australian and New Zealand dollars, respectively, and are then translated into U.S. dollars. Assets and liabilities of these operations are denominated in their functional currencies and are then translated at exchange rates in effect at the balance sheet date. Revenue and expenses are translated at the average exchange rate for the reporting period. Translation adjustments are reported in “Accumulated Other Comprehensive Income,” a component of Stockholders’ Equity.

The carrying values of our Australian and New Zealand assets fluctuate due to changes in the exchange rate between the U.S. dollar and the Australian and New Zealand dollars. Presented in the table below are the currency exchange rates for Australia and New Zealand as of and for the three years ended December 31, 2018:

	As of and for the year ended December 31, 2018	As of and for the year ended December 31, 2017	As of and for the year ended December 31, 2016
Spot Rate			
Australian Dollar	0.7046	0.7815	0.7230
New Zealand Dollar	0.6711	0.7100	0.6958
Average Rate			
Australian Dollar	0.7479	0.7670	0.7440
New Zealand Dollar	0.6930	0.7111	0.6973

Income Taxes

We account for income taxes under an asset and liability approach. Under the asset and liability method, deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and the respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled, and are classified as noncurrent on the balance sheets in accordance with current US GAAP. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. Income tax expense (benefit) is the tax payable (refundable) for the period and the change during the period in deferred tax assets and liabilities. The effect of a change in tax rates or law on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

We recognize deferred tax assets to the extent that we believe that these assets are more likely than not to be realized. In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations.

A tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits.

We recognize tax liabilities for uncertain tax positions and adjust these liabilities when our judgment changes as a result of the evaluation of new information not previously available. We record interest and penalties related to income tax matters as part of income tax expense and in income tax related balance sheet accounts. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which it is determined a change in recognition or measurement is appropriate.

The Tax Act creates a new requirement for U.S. corporations to include in U.S. taxable income certain earnings of their foreign subsidiaries, effective beginning tax year 2018. The Global Intangible Low Taxed Income (“GILTI”) framework introduces a new tax on foreign earnings of U.S. based consolidated groups. We record taxes related to GILTI as a current-period expense when incurred.

Earnings Per Share

The Company presents both basic and diluted earnings per share amounts. Basic EPS is calculated by dividing net income attributable to the Company by the weighted average number of common shares outstanding during the year. Diluted EPS is based upon the weighted average number of common and common equivalent shares outstanding during the year, which is calculated using the treasury-stock method for equity-based awards. Common equivalent shares are excluded from the computation of diluted EPS in periods for which they have an anti-dilutive effect. Stock options for which the exercise price exceeds the average market price over the period are anti-dilutive and, accordingly, are excluded from the calculation.

Business Acquisition Valuation and Purchase Price Allocation

In recent years, our business acquisition efforts have been focused on our real estate segment. For real estate acquisitions meeting the definition of a “business” in accordance with ASC 805, Business Combinations, the assets acquired and the liabilities assumed are recorded at their fair values as of the acquisition date. To accomplish this, we typically obtain third party valuations to allocate the purchase price to the assets acquired and liabilities assumed, including both tangible and intangible components. The determination of the fair values of the acquisition components and its related determination of the estimated lives of depreciable tangible assets and amortizing intangible assets/liabilities require significant judgment and several considerations, described as follows:

- (i) Tangible assets – we allocate the purchase price to the tangible assets of an acquired property (which typically includes land, building and site/tenant improvements) based on the estimated fair values of those tangible assets assuming the building was vacant. Estimates of fair value for land are based on factors such as comparisons to other properties sold in the same geographic area adjusted for unique characteristics. Estimates of fair values of buildings and site/tenant improvements are based on present values determined based upon the application of hypothetical leases with market rates and terms. Building and site improvements are depreciated over their remaining economic lives, while tenant improvements are depreciated over the remaining non-cancelable terms of the respective leases.
- (ii) Intangible assets and liabilities – the valuation of the intangible assets and liabilities in a typical real estate acquisition is described below:
 - Above-market and below-market leases – we record above-market and below-market in-place lease values for acquired properties based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management’s estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease. We amortize any capitalized above-market lease values (an intangible asset) and capitalized below-market lease values (an intangible liability) over the remaining non-cancelable terms of the respective leases.
 - Benefit of avoided costs due to existing tenancies – this typically includes (i) in-place leases (the value of avoided lease-up costs) and (ii) leasing commissions and legal/marketing costs avoided with the leases in place. We measure the fair values of the in-place leases based on the difference between (i) the property valued with existing in-place leases adjusted to market rental rates and (ii) the property valued as if vacant. Factors considered in the fair value determination include an estimate of carrying costs during hypothetical expected lease-up periods considering current market conditions, and costs to execute similar leases. We also consider information obtained about each property as a result of our pre-acquisition due diligence, marketing, and leasing activities in estimating the fair value of the intangible assets acquired. In estimating carrying costs, management includes real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods. Management also estimates costs to execute similar leases including leasing commissions, legal, and other related expenses to the extent that such costs are not already incurred in connection with a new lease origination as part of the transaction.

We amortize the value of in-place leases and unamortized leasing origination costs to expense over the remaining term of the respective leases. Should a tenant terminate its lease, the unamortized portion of the in-place lease values and leasing origination costs will be charged to expense.

These assessments have a direct impact on revenue and net income, particularly on the depreciable base of the allocated assets which will impact the timing of expense allocation. In accordance with our adoption of ASU 2015-16, we record the changes in depreciation and amortization in the period we finalized our purchase price allocation.

Accounting Changes

Recently Adopted and Issued Accounting Pronouncements

Adopted:

On January 1, 2018, we adopted the new accounting standard ASC 606 Revenue from Contracts with Customers using the modified retrospective method. We recognized the cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of retained earnings. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. We expect the impact of the adoption of the new standard to be immaterial to our net income and cash flows from operations on an ongoing basis.

Our cinema and food and beverage revenue continues to be recognized upon sale and completion of the provision of the movie or performance, or delivery of food and beverage items. Where necessary, revenue is deferred until these obligations are discharged. Property rentals continue to be recognized on a straight line basis, and live theatre license fees continue to be based on a percentage of weekly ticket sales. Under the new standard, rewards owed to and points accrued by members of our customer loyalty programs are held as deferred revenue. Revenue from unredeemed gift cards and certificates (known as “breakage” in our industry) is recognized in

proportion to the pattern of rights exercised by the customer, when the Company expects that it is probable that a significant revenue reversal would not occur for any estimated breakage amounts.

The cumulative effect of the changes made to our consolidated January 1, 2018 balance sheet for the adoption of ASU 2014-09 Revenue from Contracts with Customers were as follows:

(Dollars in thousands)	Balance at December 31, 2017	Adjustments due to ASU 2014-09	Balance at January 1, 2018
Assets			
Deferred income taxes	\$ 24,746	\$ (161)	\$ 24,585
Liabilities			
Deferred current revenue	\$ 9,850	\$ (355)	\$ 9,495
Stockholders' Equity			
Retained earnings	\$ 33,056	\$ 194	\$ 33,250

In accordance with the new revenue standard requirements, the disclosure of the impact of adoption on our consolidated income statement and balance sheet was as follows:

(Dollars in thousands)	Year Ended December 31, 2018		
	As Reported, December 31, 2018	Balances Without Adoption of ASC 606	Effect of change Higher / (Lower)
Revenues			
Cinema	\$ 294,177	\$ 293,970	\$ 207
Income tax expense	(3,420)	(3,356)	64
Net income	\$ 14,498	\$ 14,641	\$ 143

	As Reported, December 31, 2018	Balances Without Adoption of ASC 606	Effect of change Higher / (Lower)
(Dollars in thousands)			
Assets			
Deferred income taxes	\$ 26,235	\$ 26,299	\$ (64)
Liabilities			
Deferred current revenue	\$ 9,264	\$ 9,471	\$ (207)
Stockholders' Equity			
Retained earnings	\$ 47,616	\$ 47,473	\$ 143

Refer to Note 2 – Summary of Significant Accounting Policies for a description of our new revenue recognition policies, and to Note 1- Description of Business and Segment Reporting for a disaggregation of our revenue sources.

On January 1, 2018, the Company adopted ASU 2016-18, Statement of Cash Flows, Topic 230: Restricted Cash, a consensus of the FASB Emerging Issues Task Force. This standard requires that amounts generally described as restricted cash and cash equivalents should be combined with unrestricted cash and cash equivalents when reconciling the beginning and end of period balances on the statement of cash flows. The adoption of ASU 2016-18 did not have a material effect on our consolidated statement of cash flows.

On January 1, 2018, the Company adopted ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. The standard applies to eight (8) specific cash flow classification issues, reducing the current and potential future diversity in the presentation of certain cash flows. The adoption of ASU 2016-15 did not have a material effect on our consolidated statement of cash flows.

On January 1, 2018, the Company adopted ASU 2017-07, Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. This standard (i) requires that an employer disaggregate the service cost component from the other components of net benefit cost, and (ii) specifies how to present the service cost component and the other components of net benefit cost in the income statement and (iii) allows only the service cost component of net benefit cost to be eligible for capitalization. The adoption of ASU 2017-07 did not have a material effect on our consolidated financial statements.

On January 1, 2018, the Company adopted ASU 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. This ASU provides that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the asset is not a “business”, thus reducing the number of transactions that need further evaluation for business combination. The adoption of ASU 2017-01 did not have a material effect on our current consolidated financial statements, and we do not expect it to be applicable to our consolidated financial statements in the near term unless we enter into a definitive business acquisition transaction.

On January 1, 2017, the Company adopted ASU 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. This new guidance, which became effective for fiscal years beginning after December 15, 2016, provides for the simplification of several aspects of the accounting for share-based payment transactions, including (i) accounting for tax benefits in excess of compensation cost and tax deficiencies, (ii) accounting for forfeitures, and (iii) classification on the statement of cash flows. The only significant impact of the adoption of this new guidance to us is the immediate recognition of excess tax benefits (or “windfalls”) and tax deficiencies (or “shortfalls”) in the consolidated statement of operations. Previously, (i) tax windfalls were recorded in additional paid-in capital (“APIC”) in the consolidated statement of stockholders’ equity and (ii) tax shortfalls were recorded in APIC to the extent of previous windfalls and then to the consolidated statement of operations. The adoption of ASU 2016-09 did not have a material impact on the consolidated financial statements and related disclosures.

Further, in March 2016, the FASB issued ASU 2016-07, Investments—Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting. This new guidance effectively removes the retroactive application imposed in current guidance when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence. The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor’s previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. The new standard became effective for the Company on January 1, 2017. The adoption of ASU 2016-07 did not have a material impact on the consolidated financial statements and related disclosures.

In October 2016, the FASB issued ASU 2016-17, Consolidation (Topic 810): Interests Held through Related Parties that are under Common Control. This new guidance alters how a decision maker needs to consider interests in a variable interest entity (“VIE”) held through an entity under common control and amends the previously issued ASU 2015-02. Under the new ASU, if a decision maker is required to evaluate whether it is the primary beneficiary of a VIE, it will need to consider only its proportionate indirect interest in the VIE held through a common control party. The new standard became effective for the Company on January 1, 2017. The adoption of ASU 2016-17 did not have a material impact on the consolidated financial statements and related disclosures.

Issued:

- v ASUs Effective 2019 and Beyond
- New Lease Accounting Model (ASU 2016-02, Leases: Topic 842)

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among organizations by requiring the recognition of right-of-use (“ROU”) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. We will be required to recognize and measure leases existing at, or entered into after, the beginning of the earliest comparative period presented using a modified retrospective approach, with certain practical expedients available.

The standard is effective for us beginning January 1, 2019, with early adoption permitted. We have not elected to early adopt this standard, and instead are adopting this standard on its effective date. Our implementation project is substantially complete. In preparation for adoption of the standard, we have implemented internal controls and key system functionality to enable the preparation of financial information. We are electing all available practical expedients, and transitioning using the modified retrospective approach.

The standard will have a material impact on our consolidated balance sheets, but will not have a material impact on our consolidated income statements. The most significant impact will be the recognition of ROU assets and lease liabilities for operating leases, while our accounting for capital leases remains substantially unchanged. Adoption of the standard will result in the recognition of additional ROU assets and lease liabilities for operating leases of approximately \$250.0 million as of January 1, 2019.

- Goodwill Impairment Simplification (ASU 2017-04, Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment)

Issued by FASB in January 2017, this new guidance removes the second step of the two-step impairment test for measuring goodwill and is to be applied on a prospective basis only. The new guidance is effective for the Company on January 1, 2020, including interim periods within the year of adoption. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We do not anticipate the adoption of ASU 2017-04 will have a material impact on our consolidated financial statements.

Prior period financial statement correction of immaterial errors

During the third quarter of 2018, we identified immaterial errors related to the accounting for straight line rent receivable from tenants in our real estate operations dating back to 2015. These errors resulted in an understatement of real estate revenue for certain prior periods.

We assessed the materiality of these errors on our financial statements for prior periods in accordance with the SEC Staff Accounting Bulletin (SAB) No. 99, Materiality, codified in Accounting Standards Codification (ASC) 250, Presentation of Financial Statements, and concluded that they were not material to any prior annual or interim periods. However, the aggregate amount of \$440,000 related to the prior period immaterial errors through June 30, 2018, would have been material to the quarterly accounts within our three months to September 30, 2018, Consolidated Statements of Income. Consequently, in accordance with ASC 250 (specifically SAB No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements), we have corrected these errors for all prior periods presented by revising the consolidated financial statements and other financial information included herein.

The following is a summary of the previously issued financial statement line items for all periods and statements included in this Form 10-K report.

Consolidated Statements of Income:

	Year Ended December 31, 2017			Year Ended December 31, 2016		
	As Reported	As Adjusted	As Revised	As Reported	As Adjusted	As Revised
(Dollars in thousands)						

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Real estate revenue	\$ 16,270	145	16,415	\$ 13,551	393	13,944
Total revenue	279,734	145	279,879	270,473	393	270,866
Operating income	20,561	145	20,706	20,311	393	20,704
Income before income taxes	34,347	145	34,492	13,437	393	13,830
Income tax expense	(3,337)	(43)	(3,380)	(4,020)	(118)	(4,138)
Net income	31,010	102	31,112	9,417	275	9,692
Net income attributable to Reading International, Inc. common shareholders	30,999	102	31,101	9,403	275	9,678
Basic earnings per share	\$ 1.35	—	1.35	\$ 0.40	0.02	0.42
Diluted earnings per share	1.33	0.01	1.34	0.40	0.01	0.41

Consolidated Balance Sheets:

(Dollars in thousands)	Summary of Equity		
	As Reported	Adjustment	As Revised
Equity at January 1, 2016	\$ 138,951	—	138,951
Net income	9,403	275	9,678
Equity at December 31, 2016	146,615	275	146,890
Equity at January 1, 2017	146,615	275	146,890
Net income	30,999	102	31,101
Equity at December 31, 2017	181,241	377	181,618

	As at December 31, 2017		
	As		As
(Dollars in thousands)	Reported	Adjustment	Revised
Deferred tax assets	\$ 24,908	(162)	24,746
Other assets	4,543	539	5,082
Total assets	423,026	377	423,403
Retained earnings	\$ 32,679	377	33,056
Total stockholders' equity	181,241	377	181,618

Consolidated Statements of Cash Flows:

	Year Ended December 31, 2017			Year Ended December 31, 2016		
	As		As	As		As
(Dollars in thousands)	Reported	Adjustment	Revised	Reported	Adjustment	Revised
Net income	\$ 31,010	102	31,112	\$ 9,417	275	9,692
Change in net deferred tax assets	4,073	44	4,117	(5,060)	118	(4,942)
Prepaid and other assets	496	(146)	350	(599)	(393)	(992)
Net cash provided by operating activities	23,851	—	23,851	30,188	—	30,188

Change in Accounting Principle during the fourth quarter of fiscal year 2016

Prior to 2014, we recognized revenue for our gift cards and gift certificates issued in the U.S., which do not expire and have no dormancy fees, only when they were redeemed. At the end of the fourth quarter of 2016, we determined that we have sufficient historical information to recognize breakage income on them. Based on our review of our own historical redemption patterns using company-wide data accumulated over many years, we considered it preferable to estimate and record a certain percentage of our gift card and gift certificate sales as breakage income as it better reflects of our historical redemption patterns and our earnings process. Effectively, we concluded that a portion of these sales may have a remote likelihood of redemption based on our own historical redemption patterns and thus de-recognized the liability associated with them. The adoption of ASC 606 in 2018, as described in “Recently Adopted and Issued Accounting Pronouncements,” has superseded this change.

Out-of-Period Adjustment during the fourth quarter of fiscal year 2017:

In the fourth quarter of fiscal year 2017, we recorded out-of-period adjustments of \$544,000 to increase our occupancy cost expense in our consolidated statements of operations. The adjustments were made to correct our rent expense account under the straight line method of expense recognition. We determined that the adjustments did not have a material impact to our current or prior period consolidated financial statements.

Out-of-Period Adjustment during the fourth quarter of fiscal year 2016

In the fourth quarter of fiscal year 2016, we recorded out-of-period adjustments of \$611,000 to decrease our income tax expenses in our consolidated statements of operations. The adjustments, which increased deferred tax asset by \$611,000, were made to correct our income tax and related deferred tax asset accounts. We determined that the adjustments did not have a material impact to our current or prior period consolidated financial statements.

NOTE 3 – EARNINGS PER SHARE

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 for the three years ended December 31, 2018:

(Dollars in thousands, except share and per share data)	2018	2017	2016
Numerator:			
Net income attributable to RDI common stockholders	\$ 14,366	\$ 31,101	\$ 9,678
Denominator:			
Weighted average shares of common stock – basic	22,991,277	23,041,190	23,320,048
Weighted average dilutive impact of stock-based awards	217,714	206,779	201,109
Weighted average shares of common stock – diluted	23,208,991	23,247,969	23,521,157
Basic EPS attributable to RDI common stockholders	\$ 0.62	\$ 1.35	\$ 0.42
Diluted EPS attributable to RDI common stockholders	\$ 0.62	\$ 1.34	\$ 0.41
Awards excluded from diluted EPS	276,681	149,841	92,500

NOTE 4 – REAL ESTATE TRANSACTIONS

Discussed below are the real estate transactions affecting the presentation in our consolidated balance sheets as of December 31, 2018 and 2017, and the profitability determination in our consolidated statements of income for the three years ended December 31, 2018:

Real Estate Sales

Landholding in Burwood, Australia (Initiated 2015, Settled 2017)

On May 12, 2014, we entered into a contract to sell our undeveloped 50.6 acre parcel in Burwood, Victoria, Australia, to Australand Holdings Limited (now known as Frasers Property Australia, “Frasers”) for a purchase price of \$50.6 million (AU\$65.0 million). We received \$5.9 million (AU\$6.5 million) on May 23, 2014, \$16.6 million (AU\$21.8 million) on June 19, 2017 and final settlement on December 14, 2017 of \$28.1 million (AU\$36.6 million).

The final sale price was adjusted by \$56,000 (AU\$75,000) due to an early settlement agreed between both parties. The final transaction gain is determined as follows:

(Dollars in thousands)	In AU\$
Selling price	\$ 64,925
Less: Property book value	(52,108)
Total transaction gain, gross	12,817
Less: Direct costs incurred(1)	(439)
Total transaction gain, net	\$ 12,378

(1) Represents commissions and legal expenses incurred in connection with this transaction.

Real Estate Acquisitions

Building & Landholding in Auburn, Australia (Asset Acquisition, 2018)

On June 29, 2018, we purchased a property for \$3.5 million (AU\$4.5 million) in Auburn (Sydney area), Australia. Final settlement was made on October 11, 2018. The property which borders our Redyard ETC in Auburn on three sides and consists of an approximately 16,830 square foot building located on an estimated 20,870 square foot lot, is subject to a lease to Telstra Corporation through July 2022. This will allow us time to plan for its efficient integration into our ETC. Including this acquisition, our Redyard ETC represents approximately 519,992 square feet (48,309 square meters) of land, with approximately 1,620 feet (498 meters) of uninterrupted frontage to Parramatta Road, a major Sydney arterial motorway and approximately 147,000 square feet of net rentable area.

Landholding Acquisition in Townsville, Australia (Asset Acquisition, 2018)

On June 13, 2018, we acquired a 163,000 square foot (15,150 square meter) parcel of land at our Cannon Park ETC, in connection with the restructuring of our relationship with the adjacent landowner. Prior to the restructuring, this parcel was commonly owned by us and the adjoining landowner. In the restructuring, the adjoining landowner conveyed to us its interest in the parcel for AU\$1. Incident to that transaction, we granted the adjoining landowner certain access rights with respect to that parcel.

NOTE 5 – PROPERTIES AND EQUIPMENTS

Operating Property, Net

Property associated with our operating activities is summarized as follows:

(Dollars in thousands)	December 31,	
	2018	2017
Land	\$ 75,689	\$ 76,457
Building and improvements	149,734	153,232
Leasehold improvements	55,299	48,481
Fixtures and equipment	167,943	145,033
Construction-in-progress	3,478	26,000
Total cost	452,143	449,203
Less: accumulated depreciation	(194,476)	(184,479)
Operating Properties, net	\$ 257,667	\$ 264,724

Of our total operating properties as disclosed above, the gross and carrying amounts of the portion of our properties currently on lease or held for leasing as of December 31, 2018 and 2017 are as follows:

(Dollars in thousands)	December 31,	
	2018	2017
Building and improvements		
Gross balance	\$ 67,887	\$ 71,749
Accumulated depreciation	17,709	17,585
Net Book Value	\$ 50,178	\$ 54,164

Depreciation expense for operating property was \$19.5 million, \$14.0 million, and \$15.1 million for the year ended December 31, 2018, 2017 and 2016, respectively.

Investment and Development Property

Investment and development property is summarized as follows:

(Dollars in thousands)	December 31,	
	2018	2017
Land	\$ 24,371	\$ 25,025
Building	1,900	1,900
Construction-in-progress (including capitalized interest)	60,533	34,329
Investment and development property, net	\$ 86,804	\$ 61,254

For the year ended December 31, 2018 and 2017, we capitalized interest charges of \$3.3 million and \$1.2 million pertaining to our on-going development projects.

NOTE 6 – 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 unconsolidated joint ventures:

(Dollars in thousands)	Interest	December 31,	
		2018	2017
Mt. Gravatt	33.3%	\$ 3,861	\$ 4,118
Rialto Cinemas	50.0%	1,260	1,186
Total Joint Ventures		\$ 5,121	\$ 5,304

Our recorded share of equity earnings from our investments in unconsolidated joint ventures are as follows:

(Dollars in thousands)	2018	2017	2016
Mt. Gravatt	\$ 690	\$ 726	\$ 805
Rialto Cinemas	284	89	194
Rialto Distribution	—	—	—
Total equity earnings	\$ 974	\$ 815	\$ 999

Mt. Gravatt

We own an undivided 33.3% interest in Mt. Gravatt, an unincorporated joint venture that owns and operates a sixteen-screen multiplex cinema in Australia.

Rialto Cinemas

We own an undivided 50.0% interest in the assets and liabilities of the Rialto Entertainment joint venture that owns and operates two (2) movie theaters, with 13 screens in New Zealand.

Rialto Distribution

During 2017, this investment was transferred to our previous business partners. We paid an amount lower than the accrual we had taken for our debt obligation in the joint venture. Consequently, we recognized a gain of \$15,000 (NZ\$21,000) during the quarter ended June 30, 2017.

NOTE 7 – GOODWILL AND INTANGIBLE ASSETS

The table below summarizes goodwill by business segment:

(Dollars in thousands)	Real		
	Cinema	Estate	Total
Balance at January 1, 2017	\$ 14,604	\$ 5,224	\$ 19,828
Foreign currency translation adjustment	448	—	448
Balance at December 31, 2017	\$ 15,052	\$ 5,224	\$ 20,276
Foreign currency translation adjustment	(831)	—	(831)
Balance at December 31, 2018	\$ 14,221	\$ 5,224	\$ 19,445

The 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. To test the impairment of goodwill, the 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. The most recent annual assessment occurred in the fourth quarter of 2018. The assessment results indicated that there is no impairment to our goodwill as of December 31, 2018.

The tables below summarize intangible assets other than goodwill:

(Dollars in thousands)	December 31, 2018			Total
	Beneficial	Trade	Other	
	Leases	Name	Intangible Assets	
Gross carrying amount	\$ 28,592	\$ 7,254	\$ 1,951	\$ 37,797
Less: Accumulated amortization	(24,145)	(5,207)	(1,076)	(30,428)
Net intangible assets other than goodwill	\$ 4,447	\$ 2,047	\$ 875	\$ 7,369

(Dollars in thousands)	December 31, 2017			Total
	Beneficial	Trade	Other	
	Leases	Name	Intangible Assets	
Gross carrying amount	\$ 28,860	\$ 7,254	\$ 1,139	\$ 37,253
Less: Accumulated amortization	(23,292)	(4,936)	(483)	(28,711)
Net intangible assets other than goodwill	\$ 5,568	\$ 2,318	\$ 656	\$ 8,542

We amortize our beneficial leases over the lease period, the longest of which is approximately 30 years; our trade name using an accelerated amortization method over its estimated useful life of 30 years; and other intangible assets over their estimated useful life of up to 30 years (except for transferrable liquor licenses, which are indefinite-lived assets, with a balance of \$496,000 and \$421,000 as

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of December 31, 2018 and 2017). For the years ended December 31, 2018, 2017, and 2016, our amortization expense was \$1.9 million, \$1.7 million, and \$1.9 million, respectively.

As of December 31, 2018, the estimated amortization expense for our amortizable intangibles, in the five succeeding years and thereafter is as follows:

(Dollars in thousands)	Estimated Future Amortization Expense
2019	\$ 1,342
2020	979
2021	840
2022	750
2023	729
Thereafter	2,233
Total future amortization expense	\$ 6,873

NOTE 8 – PREPAID AND OTHER ASSETS

Prepaid and other assets are summarized as follows:

(Dollars in thousands)	December 31,	
	2018	2017
Prepaid and other current assets		
Prepaid expenses	\$ 1,761	\$ 1,625
Prepaid taxes	646	653
Income taxes receivable	2,704	1,686
Prepaid rent	930	1,055
Deposits	242	243
Restricted cash	1,342	17
Investments in marketable securities	42	46

Total prepaid and other current assets	\$ 7,667	\$ 5,325
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	4,150	3,103
Long-term deposits	7	7
Total non-current assets	\$ 6,129	\$ 5,082

NOTE 9 - INCOME TAXES

On December 22, 2017, the U.S. Tax Cuts and Jobs Act of 2017 (the "Tax Act") was signed into law. The Tax Act significantly changed the U.S. corporate income tax law by lowering the statutory corporate tax rate from 35% to 21%, imposed a one-time mandatory repatriation tax on deferred earnings of foreign subsidiaries, and changed how foreign earnings are subject to U.S. tax. As the result of the Tax Act and under the guidance of the U.S. Securities and Exchange Commission Staff Accounting Bulletin No. 118, we recorded a provisional tax expense of approximately \$13.0 million for the impact of the Tax Act in the fourth quarter of 2017. During the fourth quarter of 2018, upon finalizing the analysis of the impact from the Tax Act, we recorded a tax benefit of \$2.3 million as an adjustment to the provisional estimate, for a net tax impact of \$10.7 million. The \$2.3 million is comprised of an adjustment of \$1.2 million to the impact of the one-time mandatory repatriation tax on previously undistributed earnings of our foreign subsidiaries and \$1.1 million from the re-measurement of federal net deferred tax liabilities resulting from the reduction in the U.S. statutory corporate tax rate.

Income before income taxes includes the following:

(Dollars in thousands)	2018	2017	2016
United States	\$ (3,039)	\$ (5,143)	\$ (1,886)
Foreign	19,983	38,820	14,717
Income before income taxes and equity earnings of unconsolidated joint ventures	\$ 16,944	\$ 33,677	\$ 12,831
Equity earnings of unconsolidated joint ventures:			
United States	—	—	—
Foreign	974	815	999
Income before income taxes	\$ 17,918	\$ 34,492	\$ 13,830

Significant components of the provision for income taxes are as follows:

(Dollars in thousands)	2018	2017	2016
Current income tax expense (benefit)			
Federal (1)	\$ 297	\$ (7,846)	\$ 2,982
State	382	775	675
Foreign	6,158	7,079	4,685
Total	6,837	8	8,342
Deferred income tax expense (benefit)			
Federal	(3,869)	3,654	(4,197)
State	22	(2,351)	(422)
Foreign	430	2,069	415
Total	(3,417)	3,372	(4,204)
Total income tax expense	\$ 3,420	\$ 3,380	\$ 4,138

(1) The 2017 amount includes a federal tax benefit of \$7,785 related to changes in unrecognized tax benefits and related interest.

Deferred income taxes reflect the “temporary differences” between the financial statement carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, adjusted by the relevant tax rate. The components of the deferred tax assets and liabilities are as follows:

(Dollars in thousands)	December 31,	
	2018	2017
Deferred Tax Assets:		
Net operating loss carry-forwards	\$ 8,199	\$ 8,579
Alternative minimum tax credit carry-forwards	1,117	939
Foreign Tax Credit	2,715	—
Compensation and employee benefits	3,906	4,146
Deferred revenue	2,266	2,500
Accrued expenses	6,916	6,017
Accrued taxes	2,086	2,440
Land and property	7,373	8,457
Other	—	106
Total Deferred Tax Assets	34,578	33,184
Deferred Tax Liabilities:		
Intangibles	(1,256)	(1,087)
Cancellation of indebtedness	—	(481)
Other	(367)	—
Total Deferred Tax Liabilities	(1,623)	(1,568)
Net deferred tax assets before valuation allowance	32,955	31,616
Valuation allowance	(6,720)	(6,870)
Net deferred tax asset	\$ 26,235	\$ 24,746

We record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making such determination, we considered all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial performance. We believe the evidence connected with

New Zealand loss carryforwards and certain US state loss carryforwards do not support a conclusion of being more-likely-than-not to be realized. Accordingly as of December 31, 2018, we recorded a valuation allowance of \$6.7 million.

As of December 31, 2018, we had the following carry-forwards:

- approximately \$2.2 million in U.S. alternative minimum tax credit carry-forwards with no expiration date and \$1.1 million is refundable beginning tax year 2018;
- approximately \$11.7 million in Federal loss carryforwards expiring in 2037;
- approximately \$4.9 million in California loss carryforwards expiring in 2037;
- approximately \$1.8 million in Hawaii loss carryforwards expiring in 2037;
- approximately \$43.3 million in New York state loss carryforwards expiring in 2034;
- approximately \$43.3 million in New York city loss carryforwards expiring in 2034; and,
- approximately \$8.1 million in available New Zealand loss carry-forwards with no expiration date.

We expect no substantial limitations on the future use of U.S. or foreign loss carry-forwards.

The provision for income taxes is different from amounts computed by applying U.S. statutory rates to consolidated losses before taxes. The significant reason for these differences is as follows:

(Dollars in thousands)	2018	2017	2016
Expected tax provision	\$ 3,763	\$ 12,073	\$ 4,704
Increase (decrease) in tax expense resulting from:			
Foreign tax rate differential	1,874	(2,160)	(668)
Change in valuation allowance	(451)	(905)	129
State and local tax provision	405	(541)	307
Prior year adjustments	41	(79)	(954)
Unrecognized tax benefits	438	(8,498)	262
Advance to Overseas Subsidiary	—	(7,620)	—
Impact of Tax Act	(2,265)	13,018	—
Non-taxable insurance proceeds	—	(1,871)	—
GILTI	193	—	—
Foreign Tax Credit	(846)	—	—
Other	268	(37)	358
Total income tax expense	\$ 3,420	\$ 3,380	\$ 4,138

The undistributed earnings of the Company's Australian subsidiaries are considered to be indefinitely reinvested. Accordingly, no provision for state income taxes has been provided on such undistributed earnings. Due to the 2017 enactment of the Tax Act, future repatriations of foreign earnings will generally not be subject to U.S. federal taxation

but may incur minimal state taxes.

The following table is a summary of the activity related to unrecognized tax benefits, excluding interest and penalties, for the years ended December 31, 2018, 2017, and 2016:

(Dollars in thousands)	2018	2017	2016
Unrecognized tax benefits – gross beginning balance	\$ 3,123	\$ 11,480	\$ 11,022
Gross increase (decrease) - prior year tax positions	2,304	(7,905)	133
Gross increase (decrease) - current period tax positions	—	—	325
Settlements	(718)	(452)	—
Unrecognized tax benefits – gross ending balance	\$ 4,709	\$ 3,123	\$ 11,480

As of December 31, 2018 and 2017, if recognized, \$4.7 million and \$3.1 million respectively, of the unrecognized tax benefits would impact the Company's effective tax rate.

We record interest and penalties related to income tax matters as part of income tax expense. During the year ended December 31, 2017, we recorded an increase to tax interest of \$203,000, resulting in a total \$9.1 million in interest. During the year ended December 31, 2018, we recorded an increase to tax interest of \$430,000, resulting in a total \$9.5 million in interest.

It is difficult to predict the timing and resolution of uncertain tax positions. Based upon the Company's assessment of many factors, including past experience and judgments about future events, it is probable that within the next 12 months the reserve for uncertain tax

positions will increase within a range of \$500,000 to \$1.5 million. The reasons for such change include but are not limited to tax positions expected to be taken during 2018, revaluation of current uncertain tax positions, and expiring statutes of limitations.

Generally, changes to our federal and most state income tax returns for the calendar year 2014 and earlier are barred by statutes of limitations. Certain U.S. subsidiaries filed federal and state tax returns for periods before these entities became consolidated with us. These subsidiaries were examined by IRS for the years 1996 to 1999 and significant tax deficiencies were assessed for those years. Those deficiencies have been settled, as discussed in “Tax Audit/Litigation,” Note 12 – Commitments and Contingencies.

As of December 31, 2018, federal income tax returns for 2015 and after are open for examination, with the 2015 return being currently under examination. California worldwide unitary income tax returns for 2014 and after are open for examination, but an examination of 2013 through 2015 has been completed. Income tax returns filed in Puerto Rico for 2014 and after are open for examination. Australia income tax returns for calendar years 2013 and after are open for examination. A review of returns for 2014 and 2015 has been completed with final terms under negotiation. Generally, New Zealand returns for 2015 and after remain open for examination. An examination of New Zealand income tax returns for calendar year 2009 and after have been completed with one issue remaining unsettled, for which a litigation claim has been filed.

NOTE 10 – BORROWINGS

The Company’s borrowings at December 31, 2018 and 2017, net of deferred financing costs and incorporating the impact of interest rate swaps on our effective interest rates, are summarized below:

As of December 31, 2018						
(Dollars in thousands)	Maturity Date	Contractual Facility	Balance, Gross	Balance, Net(3)	Stated Interest Rate	Effective Interest Rate (1)
Denominated in USD						
Trust Preferred Securities (USA)	April 30, 2027	\$ 27,913	\$ 27,913	\$ 26,061	6.52%	6.52%
Bank of America Credit Facility (USA)	May 1, 2020	55,000	25,000	25,000	5.02%	5.02%
Bank of America Line of Credit (USA)	October 31, 2019	5,000	—	—	5.48%	5.48%

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Banc of America digital projector loan (USA)	December 28, 2019	2,604	2,604	2,604	5.00%	5.00%
Cinema 1, 2, 3 Term Loan (USA)	September 1, 2019	19,086	19,086	18,838	3.25%	3.25%
Minetta & Orpheum Theatres Loan (USA)	November 1, 2023	8,000	8,000	7,857	4.88%	4.88%
U.S. Corporate Office Term Loan (USA)	January 1, 2027	9,495	9,495	9,373	4.64% / 4.44%	4.61%
Union Square Construction Financing (USA)	December 29, 2019	57,500	27,182	25,280	6.76% / 12.51%	8.35%
Denominated in foreign currency ("FC")(2)						
NAB Corporate Loan Facility (AU)	December 31, 2023	46,856	37,696	37,660	3.05%	3.05%
Westpac Corporate Credit Facility (NZ)	December 31, 2023	21,475	10,067	10,067	3.80%	3.80%
Total		\$ 252,929	\$ 167,043	\$ 162,740		

- (1) Both interest rate derivatives associated with the Trust Preferred Securities and Bank of America Credit Facility expired in October 2017 so the effective interest rate no longer applies as of December 31, 2018.
- (2) The contractual facilities and outstanding balances of the FC-denominated borrowings were translated into U.S. dollars based on exchange rates as of December 31, 2018.
- (3) Net of deferred financing costs amounting to \$4.3 million.

As of December 31, 2017						
(Dollars in thousands)	Maturity Date	Contractual Facility	Balance, Gross	Balance, Net(3)	Stated Interest Rate	Effective Interest Rate (1)
Denominated in USD						
Trust Preferred Securities (USA)	April 30, 2027	\$ 27,913	\$ 27,913	\$ 27,554	5.38%	5.38%
Bank of America Credit Facility (USA)	November 28, 2019	55,000	31,000	31,000	4.57%	4.57%
Bank of America Line of Credit (USA)	October 31, 2019	5,000	—	—	4.57%	4.57%
Cinema 1, 2, 3 Term Loan (USA)	September 1, 2019	19,500	19,500	19,105	3.25%	3.25%
Minetta & Orpheum Theatres Loan (USA)	June 1, 2018	7,500	7,500	7,470	4.13%	4.13%
U.S. Corporate Office Term Loan (USA)	January 1, 2027	9,719	9,719	9,582	4.64%/4.44%	4.61%
Union Square Construction Financing (USA)	December 29, 2019	57,500	8,000	5,033	5.81%	5.81%
Denominated in FC (2)						
NAB Corporate Loan Facility (AU)	June 30, 2019	51,970	30,869	30,781	3.66%	3.66%
Westpac Bank Corporate (general/non-construction) Credit Facility (NZ)	December 31, 2019	24,850	—	—	3.70%	3.70%
Westpac Bank Corporate (-construction) Credit Facility (NZ)	December 31, 2019	12,780	—	—	3.70%	3.70%
Total		\$ 271,732	\$ 134,501	\$ 130,525		

- (1) Both interest rate derivatives associated with the Trust Preferred Securities and Bank of America Credit Facility expired in October 2017 so the effective interest rate no longer applies as of December 31, 2017.
- (2) The contractual facilities and outstanding balances of the FC-denominated borrowings were translated into U.S. dollar based on exchange rates as of December 31, 2017.
- (3) Net of deferred financing costs amounting to \$4.0 million.

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

(Dollars in thousands) December 31,

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Balance Sheet Caption	2018	2017
Debt - current portion	\$ 30,393	\$ 8,109
Debt - long-term portion	106,286	94,862
Subordinated debt	26,061	27,554
Total borrowings	\$ 162,740	\$ 130,525

Debt denominated in USD

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 Theaters, with a loan for a five year term of \$8.0 million. Such modification was not considered to be substantial under US GAAP.

Banc of America Digital Projector Loan

On February 5, 2018, we purchased our U.S. digital cinema projectors, which had previously been held on operating leases, using a \$4.6 million loan from Banc of America. We made further U.S. digital cinema projector purchases, of projectors similarly held on other operating leases, in March and April 2018, increasing this loan to \$4.9 million. This loan carries an interest rate of 5% and is due and payable on December 28, 2019.

Union Square Construction Financing

On December 29, 2016, we closed our new 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 combined facilities consist of \$50.0 million in aggregate loans (comprised of three loan tranches) from Bank of the Ozarks ("BOTO"), and a \$7.5 million mezzanine loan from Tammany Mezz Investor, LLC, an affiliate of Fisher Brothers. As of December 31, 2016, Bank of the Ozarks advanced \$8.0 million to repay the existing \$8.0 million loan with East West Bank.

Presented in the table below is the breakdown of the Union Square construction financing as of December 31, 2018:

(Dollars in thousands)		Facility Limits and Advances			Interest Rate(1)	Maturity Date(2)
Financing Component	Lender	Facility Limit	Advanced -to-Date	Remaining Facility		
Mezzanine loan	Tammany Mezz Investor LLC	\$ 7,500	\$ 7,500	\$ —	Greater of (i) 10.50% and (ii) Adjusted LIBOR + 10%	December 29, 2019
Senior loan	Bank of the Ozarks	8,000	8,000	—	Greater of (i) 4.75% and (ii) Adjusted LIBOR + 4.25%	December 29, 2019
Building loan	Bank of the Ozarks	31,130	10,603	20,527	Greater of (i) 4.75% and (ii) Adjusted LIBOR + 4.25%	December 29, 2019
Project loan	Bank of the Ozarks	10,870	1,079	9,791	Greater of (i) 4.75% and (ii) Adjusted LIBOR + 4.25%	December 29, 2019
Total Union Square Financing		\$ 57,500	\$ 27,182	\$ 30,318		

(1) Not to exceed the New York State maximum lawful borrowing rate, which typically is 16%.

(2) Allowable for up to two (2) extension request options, one (1) year for each extension request.

U.S. Corporate Office Term Loan

On December 13, 2016, we obtained a ten-year \$8.4 million mortgage loan on our new Los Angeles Corporate Headquarters 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%.

Bank of America Line of Credit

In October 2016, the term of this \$5.0 million line of credit was extended for another two (2) years until October 31, 2019. Such modification was not considered to be substantial under US GAAP.

Cinemas 1,2,3 Term Loan and Line of Credit

On August 31, 2016, Sutton Hill Properties LLC (“SHP”), a 75% subsidiary of RDI, refinanced its \$15 million Santander Bank term loan with a new lender, Valley National Bank. This new \$20.0 million loan is collateralized by our Cinema 1,2,3 property and bears an interest rate of 3.25% per annum, with principal installments and accruing interest paid monthly. The new loan matures on September 1, 2019, with a one-time option to extend maturity date for another year. The Company presently intends to exercise that option and to extend the maturity date until September 1, 2020.

Bank of America Credit Facility

On March 3, 2016, we amended our \$55.0 million credit facility with Bank of America to permit real property acquisition loans. This amendment reduces the applicable consolidated leverage ratio covenant by 0.25% and modifies the term of the facility based on the earlier of the eighteen months from the date of such borrowing or the maturity date of the credit agreement. Such modification was not considered substantial in accordance with U.S. GAAP. On March 5, 2019, this Credit Facility was extended for six (6) months to May 1, 2020.

Trust Preferred Securities (“TPS”)

On February 5, 2007, we issued \$51.5 million in 20-year fully subordinated notes to a trust over which we have significant influence, which in turn issued \$51.5 million in securities. Of the \$51.5 million, \$50.0 million in TPS were issued to unrelated investors in a private placement and \$1.5 million of common trust securities were issued by the trust to Reading called “Investment in Reading International Trust I” on our balance sheets. Effective May 1, 2012, the interest rate on our Trust Preferred Securities changed from a fixed rate of 9.22%, which was in effect for five years, to a variable rate of three month LIBOR plus 4.00%, which will reset each quarter through the end of the loan unless we exercise our right to re-fix the rate at the current market rate at that time. There are no principal payments due until maturity in 2027 when the notes and the trust securities are scheduled to be paid in full. We may pay off the debt after the first five years at 100% of the principal amount without any penalty. The trust is essentially a pass through, and the transaction is accounted for on our books as the issuance of fully subordinated notes. The credit facility includes a number of affirmative and negative covenants designed to monitor our ability to service the debt. The most restrictive covenant of the facility requires that we must maintain a fixed charge coverage ratio at a certain level. However, on December 31, 2008, we secured a waiver of all financial covenants with respect to our TPS for a period of nine years (through December 31, 2017), in consideration of the payment of \$1.6 million, consisting of an initial payment of \$1.1 million, a payment of \$270,000 made in December 2011, and a payment of \$270,000 in December 2014. The covenant waiver expired January 1, 2018, after which a further covenant waiver was secured on October 11, 2018 for the remaining term of the loan, in consideration of payments totaling \$1.6 million, consisting of an

initial payment of \$1.1 million paid on October 31, 2018, and a further contractual obligation to pay \$270,000 in October 2021 and \$225,000 in October 2025.

During the first quarter of 2009, we took advantage of the then current market illiquidity for securities such as our TPS to repurchase \$22.9 million in face value of those securities through an exchange of \$11.5 million worth of marketable securities purchased during the period for the express purpose of executing this exchange transaction with the third party holder of these TPS. During the twelve months ended 2009, we amortized \$106,000 of discount to interest income associated with the holding of these securities prior to their extinguishment. On April 30, 2009, we extinguished \$22.9 million of these TPS, which resulted in a gain on retirement of subordinated debt (TPS) of \$10.7 million net of loss on the associated write-off of deferred loan costs of \$749,000 and a reduction in our Investment in Reading International Trust I from \$1.5 million to \$838,000.

During the three years ended December 31, 2018, we paid \$1.4 million in 2016 and 2017 and \$1.6 million in 2018 in preferred dividends to unrelated investors that are included in interest expense. At December 31, 2018 and 2017, we had preferred dividends payable of \$299,000 and \$250,000, respectively. Interest payments for this loan are required every three months.

Debt denominated in foreign currencies

Australian NAB Corporate Loan Facility

On March 15, 2019, we amended our Revolving Corporate Markets Loan Facility with National Australia Bank (“NAB”) from a facility comprised of (i) a 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%-1.3% 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. Prior to this, on June 12, 2018, we had extended the maturity of these facilities from June 30, 2019, to December 31, 2019. Such modifications of this particular term loan were not considered to be substantial under US GAAP.

New Zealand Westpac Bank Corporate Credit Facility

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.

As of December 31, 2018, our aggregate amount of future principal debt payments is estimated as follows:

(Dollars in thousands)	Future Principal Debt Payments
2019	\$ 30,393
2020	43,960
2021	258
2022	270
2023	56,045
Thereafter	36,117
Total future principal debt payments	\$ 167,043

The estimated amount of future principal payments in U.S. dollars is subject to change because the payments in U.S. dollars on the debt denominated in foreign currencies, which represents a significant portion of our total outstanding debt balance, will fluctuate based on the applicable foreign currency exchange rates.

NOTE 11 – PENSION AND OTHER LIABILITIES

Other liabilities including pension are summarized as follows:

(Dollars in thousands)	December 31,	
	2018	2017
Current liabilities		
Liability for demolition and remediation costs(1)	\$ 2,630	\$ 2,781
Lease liability(2)	5,900	5,900
Accrued pension(3)	684	2,907
Security deposit payable	84	91
Other	7	—
Other current liabilities	\$ 9,305	\$ 11,679
Other liabilities		
Straight-line rent liability	\$ 16,362	\$ 13,444
Accrued pension(3)	4,670	5,228
Lease make-good provision	5,614	5,648
Environmental reserve	1,656	1,656
Deferred Revenue - Real Estate	32	18
Acquired leases	91	186
Other	506	469
Other liabilities	\$ 28,931	\$ 26,649

- (1) Refer to Note 20 – Insurance Recoveries on Impairment and Related Losses due to Earthquake for details on the estimation of the demolition costs for our Courtenay Central parking structure.
- (2) Represents the lease liability of the option associated with the ground lease purchase of the Village East Cinema. See below for more information.
- (3) Represents the pension liability associated with the Supplemental Executive Retirement Plan explained below.

Lease Liability - Village East Purchase Option

Our Village East lease includes a call option pursuant to which we may purchase the cinema ground lease for \$5.9 million at the end of the lease term in June 2020. Additionally, our lease has a put option pursuant to which SHC may require our Company to purchase all or a portion of SHC's interest in the existing cinema lease and the cinema ground lease at any time between July 1, 2013 and December 4, 2019. SHC's put option may be exercised on one or more occasions in increments of not less than \$100,000 each. Because our late Chairman, Chief Executive Officer, and controlling shareholder, Mr. James J. Cotter, Sr. was also the managing member of SHC, RDI and SHC are considered entities under common control. As a result, we have recorded the Village East Cinema building as a property asset of \$4.7 million on our balance sheet based on the cost carry-over basis from an entity under common

control with a corresponding lease liability of \$5.9 million presented under other liabilities which accreted up to the \$5.9 million liability through July 1, 2013 (see Note 19 – Related Parties). As the put option has been exercisable by SHC since July 1, 2013, the lease liability has been classified as part of other current liabilities.

Pension Liability - Supplemental Executive Retirement Plan

On August 29, 2014, the Supplemental Executive Retirement Plan (“SERP”) that was effective since March 1, 2007, was ended and replaced with a new 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 a new pension annuity liability of \$7.5 million. The valuation of the liability is based on the present value of \$10.2 million discounted at 4.25% over a 15-year term, resulting in a monthly payment of \$56,944 payable to the estate of Mr. James J. Cotter, Sr. The discount rate of 4.25% has been applied since 2014 to determine the net periodic benefit cost and plan benefit obligation and is expected to be used in future years. 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) 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.

As a result of the above, included in our other current and non-current liabilities are accrued pension costs of \$5.4 million and \$8.1 million as of December 31, 2018 and 2017, respectively. The benefits of our pension plans are fully vested and therefore no service costs were recognized 2018 and 2017. Our pension plans are unfunded.

The change in the SERP pension benefit obligation and the funded status are as follows:

(Dollars in thousands)	December 31,	
	2018	2017
Benefit obligation at January 1	\$ 8,135	\$ 7,955
Interest cost	180	180
Payments made	(2,961)	—
Actuarial gain	—	—
Benefit obligation at December 31	\$ 5,354	\$ 8,135
Funded status at December 31	\$ (5,354)	\$ (8,135)

Amounts recognized in the balance sheet consists of:

(Dollars in thousands)	December 31,	
	2018	2017
Current liabilities	\$ 684	\$ 2,907
Other liabilities - Non current	4,670	5,228
Total pension liability	\$ 5,354	\$ 8,135

The components of the net periodic benefit cost and other amounts recognized in other comprehensive income are as follows:

(Dollars in thousands)	December 31,	
	2018	2017
Net periodic benefit cost		
Interest cost	\$ 180	\$ 180
Amortization of prior service costs	—	—
Amortization of net actuarial gain	154	127
Net periodic benefit cost	\$ 334	\$ 307
Items recognized in other comprehensive income		
Amortization of net loss	(154)	(127)
Total recognized in other comprehensive income	\$ (154)	\$ (127)
Total recognized in net periodic benefit cost and other comprehensive income	\$ 180	\$ 180

Items not yet recognized as a component of net periodic pension cost consist of the following:

(Dollars in thousands)	December 31,	
	2018	2017
Unamortized actuarial loss	\$ 2,438	\$ 2,592
Accumulated other comprehensive loss	\$ 2,438	\$ 2,592

The estimated unamortized actuarial loss for the defined benefit pension plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year will be \$207,000 (gross of any tax effects).

The following table presents estimated future benefit payments for the next five years and thereafter as of December 31, 2018:

(Dollars in thousands)	Estimated Future Pension Payments
2019	\$ 684
2020	684
2021	684
2022	684
2023	684
Thereafter	1,934
Total pension payments	\$ 5,354

Lease Make-Good Provision

We recognize obligations for future leasehold restoration costs relating to properties that we use mostly on our cinema operations under operating lease arrangements. Each lease is unique to the negotiated conditions with the lessor, but in general most leases require for the removal of cinema-related assets and improvements. There are no assets specifically restricted to settle this obligation.

A reconciliation of the beginning and ending carrying amounts of the lease make-good provision is presented in the following table:

	As of and for	As of and for
	the year ended	the year ended
	December 31,	December 31,
(Dollars in thousands)	2018	2017
Lease make-good provision, at January 1	\$ 5,648	\$ 5,146
Liabilities incurred during the year	—	—
Liabilities settled during the year	—	—
Accretion expense	292	282
Effect of changes in foreign currency	(326)	220
Lease make-good provision, at December 31	\$ 5,614	\$ 5,648

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Insofar as our Company is aware, there are no claims, arbitration proceedings, or litigation proceedings that constitute potentially material contingent liabilities of our Company. Discussed below are certain matters which, however, have been significant to our Company and/or which may, depending upon the outcome of certain appeals, be significant to our Company.

The following table identifies our known commitments and contingencies as of December 31, 2018:

Categories	Nature; Company Policy on Recognition and/or Disclosure(2)	Discussion Reference
COMMITMENTS		
Lease commitments(1)	Off-balance sheet disclosures relating to future minimum lease payments, mostly related to our operating cinemas on leased-facility models.	Refer to Note 18 - Leases
CONTINGENCIES		
Insurance gain contingencies and derivative loss contingencies on demolition costs relating to recent earthquake incident	Gain contingencies relating to an insurance claim are recognized once collectability is probable; related loss contingencies is recognized when there are probable likelihood of incurrence and amount is reasonably estimable.	Refer to Note 20 – Insurance Recoveries on Impairment and Related Losses Recoverable due to Earthquake.
Other Litigation matters, notably Derivative Litigation involving James J. Cotter Jr.	Similar policies for gain and loss contingencies as noted above.	Refer below for further discussion.
<p>(1) Starting January 1, 2019, lease commitments relating to our operating cinema leases will be brought forward to our Consolidated Balance Sheet, as required by the new lease accounting model.</p> <p>(2) Consistent with our accounting policy for loss and gain contingencies discussed in Note 2 – Summary of Significant Accounting Policies and further discussed in more details below.</p>		

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 plaintiffs, 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 defendants, we accrue for probable damages that insurance may not cover as they become known and can be reasonably estimated. 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.

All of these 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.

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 unanticipated environmental conditions at properties that we have acquired for development. 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 of our railroad operations to asbestos and 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 our employees and who may claim 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.

Tax Audit/Litigation

The Internal Revenue Service (the "IRS") examined the tax return of Craig Corporation ("CRG") for its tax year ended June 30, 1997. CRG was a stand-alone entity in the year of audit but is now a wholly-owned subsidiary of the Company. In Tax Court, CRG and the IRS agreed to compromise the claims made by the IRS against CRG, and the court order was entered on January 6, 2011. As of December 31, 2018, the remaining federal tax obligation was \$3.0 million. For additional information, see Note 9 – Income Taxes.

Cotter Jr. Related Litigation Matters

The following table provides a list of legal matters and current status relating to the termination of James J. Cotter, Jr.'s ("Cotter, Jr.") as our Company's president and chief executive officer, to Cotter, Jr.'s subsequent derivative action brought against the Company and our directors alleging, among other things, that such termination violated the fiduciary duties of such directors, and to Cotter, Jr.'s efforts to cause a change of control of the Company.

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Description	Plaintiff	Filed with	Current Status
Cotter, Jr. Derivative Litigation against all Director: James J. Cotter, Jr., individually and derivatively on behalf of Reading International, Inc. vs. Margaret Cotter, et al.” Case No.: A-15-719860-V	Cotter, Jr.	Nevada District Court	Summary judgment has been entered against Cotter, Jr., and in favor of all defendants and a \$1.55 million cost judgment has been entered against Cotter, Jr., and in favor of our Company. Cotter, Jr. has appealed both judgements. Our application for \$5.9 million in attorneys fees was denied, and we have appealed that determination. The issues on appeal are currently being briefed. No date for oral argument has been set. It is unlikely that any hearing will be held this year.
Employment Agreement Arbitration: Reading International, Inc. v. James J. Cotter, AAA Case No. 01-15-0004-2384, filed July 2015	RDI	American Arbitration Association	While our Company is the named claimant, this matter relates essentially to Cotter, Jr.’s claims for compensation and damages related to his termination as our Company’s president and chief executive officer. The Arbitrator has determined that, while Cotter, Jr. had breached his obligations under his Employment Agreement with our Company, Cotter, Jr.’s failure to resign as an officer and/director of our Company was not sufficiently material to allow our Company relief from its obligations under the Employment Agreement to pay certain specified separation amounts, totaling \$313,000 (the “Separation Payment Amount”) plus interest at the rate of 10% from June 12, 2016, until the award was paid in full on March 6, 2019.

The Arbitrator denied on substantive grounds Cotter, Jr.’s claims for consequential damages and for damages based on various tort theories and/or upon wrongful termination claims and, denied on jurisdictional grounds, Cotter Jr’s claims that the unvested stock options granted to him under his Employment Agreement did not expire upon his termination and continued to be exercisable by him so long as he continued as a director of our Company.

Determining that Cotter, Jr. was the prevailing party, the Arbitrator has awarded Cotter, Jr. \$443,000 of his requested \$787,769 in attorney’s fees and costs. The Arbitrator also assessed the costs of the arbitration against our Company and ordered a reimbursement of such costs paid to date by Cotter Jr. in the amount of \$19,250.

The determinations of the Arbitrator are final and binding on the parties, and not subject to appeal.

The interest and any cost reimbursements awarded to Cotter, Jr., was approximately \$86,000.

Direct Case against the Company Cotter, Nevada
seeking reimbursement and Jr. District
advancement of attorney's fees incurred Court
with respect to the Employment
Agreement Arbitration: James J.
Cotter, Jr. v. Reading International,
Inc., a Nevada corporation; Does
1-100 and Roe Entities, 1-100,
inclusive, Case No. A-16-735305-B

Summary judgment entered in favor of the Company on October 3, 2016. The period for appeal of this judgment has now lapsed.

<p>Cotter Trust Litigation: Ellen Determination of Status of Cotter and Cotter, Jr., as Trustee: In Margaret re James J. Cotter Living Cotter, as Trust dated August 1, Trustees 2000 (Case No. BP159755)</p>	<p>California Superior Court</p>	<p>The California Superior Court has ruled that Cotter, Jr., is not a trustee of either the James J. Cotter Living Trust (the “Cotter Living Trust”) or of the voting trust established under the Living Trust (the “Cotter Voting Trust”) to eventually hold the Class B Voting Common Stock beneficially owned by Mr. Cotter, Sr., at the time of his passing. The California Superior Court further determined that Ellen Cotter and Margaret Cotter are the sole trustees of the Cotter Living Trust and that Margaret Cotter is the sole trustee of the Cotter Voting Trust. Accordingly, Cotter, Jr., has neither dispositive power nor voting power over any of the Class B Voting Common Stock currently held by the Cotter Estate or the Cotter Living Trust, or which it is anticipated will be held by the Cotter Voting Trust. The time to appeal that ruling has now lapsed.</p>
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At December 31, 2018, the Cotter Estate held 427,808 shares of Class B Voting Stock, representing 25.5% of the voting power of such class. The Cotter Living Trust held 696,080 shares of Class B Voting Stock at such date, representing 41.4% of the voting power of such class. It is anticipated that, when funded, the Cotter Voting Trust will own 1,123,888 shares of Class B Voting Stock, representing 66.9% of the voting power of such class (the “Cotter Voting Stock”).

<p>Cotter Trust Litigation: Cotter, Jr. Ex Parte motion seeking appointment of a Trustee Ad Litem to Solicit Offers to Purchase Cotter Voting Stock: In re James J. Cotter Living Trust dated August 1, 2000 (Case No. BP159755)</p>	<p>California Superior Court</p>	<p>In response to the ex parte petition of Cotter, Jr. filed on March 23, 2016, the California Superior Court on March 23, 2018 directed that an unnamed temporary trustee ad litem be appointed to solicit offers to purchase the Cotter Voting Stock. Ellen Cotter and Margaret Cotter appealed that March 23, 2018 order of the California Superior Court with a writ application filed as Trustees of the Cotter Living Trust, and Margaret Cotter, as Trustee of the Cotter Voting Trust. In response to their writ application, the California Court of Appeals on April 12, 2018 stayed the California Superior Court’s order and issued its own order to show cause why the Superior Court’s direction should not be vacated and a new and different order denying the appointment of such a trustee ad litem be issued.</p>
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The positions of the parties have been briefed, but no hearing date has been set. Our Company is not a party to this matter, and no remedy or relief is sought against our Company in this matter.

As the Directors and Officers Liability Insurance Policy covering Cotter, Jr.'s claims in the Derivative Case (\$10.0 million) has been exhausted, the financial burden of defending our Directors against these claims, as required by applicable Nevada Law, has fallen upon our Company. During 2018, out-of-pocket third party costs in the amount of approximately \$3.5 million were incurred by our Company in defending against these claims.

The STOMP Arbitration

In April 2015, Liberty Theatres, LLC ("Liberty"), a wholly owned subsidiary of our Company, commenced an American Arbitration Association arbitration proceeding against The Stomp Company Limited Partnership ("Stomp"), the producer of the show STOMP, in response to Stomp's purported termination of their license agreement with Liberty relating to such show. Later that year, the Arbitrator issued his Partial Final Award of Arbitration, providing for, among other things (i) the issuance of a permanent injunction prohibiting Stomp from "transferring or taking actions to market, promote, or otherwise facilitate any transfer of, STOMP to another theatre in New York City having fewer than 500 seats without Liberty's prior written consent", (ii) the Stomp's Notice of Termination purportedly terminating the parties' license agreement was invalid, null and void and the License Agreement remains in full force and effect, and (iii) the award to Liberty of its reasonable attorneys' fees in an amount to be determined by the Arbitrator. In April 2016, we were awarded \$2.3 million in attorney's fees and costs and thereafter entered into a settlement agreement with the defendants providing, among other things, for the payment of the award over time and the continued performance of STOMP at our Orpheum Theatre.

NOTE 13 – NON-CONTROLLING INTERESTS

As of December 31, 2018, the non-controlling interests in our consolidated subsidiaries are comprised of the following:

- Australia Country Cinemas Pty Ltd. -- 25% non-controlling interest owned by Panorama Cinemas for the 21st Century Pty Ltd.;
- Shadow View Land and Farming, LLC -- 50% non-controlling membership interest owned by either the estate of Mr. James J. Cotter, Sr. (the “Cotter Estate”) or the James J. Cotter Sr. Living Trust (the “Cotter Trust”); and,
- Sutton Hill Properties, LLC -- 25% non-controlling interest owned by Sutton Hill Capital, LLC (which in turn is 50% owned by the Cotter Estate and/or the Cotter Trust).

The components of non-controlling interest are as follows:

(Dollars in thousands)	December 31,	
	2018	2017
Australian Country Cinemas, Pty Ltd	\$ 89	\$ 138
Shadow View Land and Farming, LLC	2,153	2,127
Sutton Hill Properties, LLC	2,095	2,066
Non-controlling interests in consolidated subsidiaries	\$ 4,337	\$ 4,331

The components of income/(loss) attributable to non-controlling interests are as follows:

(Dollars in thousands)	2018	2017	2016
Australian Country Cinemas, Pty Ltd	\$ 157	\$ 164	\$ 140
Shadow View Land and Farming, LLC	(56)	(45)	(58)
Sutton Hill Properties, LLC	31	(108)	(68)
Net income attributable to non-controlling interests in consolidated subsidiaries	\$ 132	\$ 11	\$ 14

Shadow View Land and Farming, LLC

Our Coachella Valley land is held in Shadow View Land and Farming, LLC, in which the Cotter Estate or the Cotter Trust now owns a 50% interest. We are the managing member of Shadow View Land and Farming, LLC. We consolidate the Cotter Estate’s and/or the Cotter Trust’s interest in the property and its expenses with that of our interest

and show their interest as a non-controlling interest.

NOTE 14 – SHARE-BASED COMPENSATION AND SHARE REPURCHASE PLANS

2010 Stock Incentive Plan

The Company may grant stock options and other share-based payment awards of our Class A Stock to eligible employees, directors, and consultants under the 2010 Stock Incentive Plan (the “2010 Plan”), which originally allows for an aggregate total number of 1,250,000 shares of Class A Nonvoting Common Stock authorized for issuance under the 2010 Plan. As of September 30, 2017, there were 302,540 shares authorized for issuance under the 2010 Plan and available for future grants or awards.

During the Company’s 2017 Annual Stockholders’ Meeting held on November 7, 2017, the Company’s stockholders, upon recommendation of the Board of Directors, approved an amendment to the Company’s 2010 Plan to increase the number of shares of common stock issuable under such plan by an additional 947,460 shares. The effect of the increase is to restore the amount of shares of Class A Common Stock available under the 2010 Stock Incentive Plan from the 302,540 shares available as of September 30, 2017, back up to its original reserve of 1,250,000 shares. There were no new grants during the 4th quarter of 2017. During 2018 option grants of 126,840 were issued, and restricted stock units of 97,600 issued. Accordingly, as of December 31, 2018, we had 1,031,970 shares remaining for future issuances.

Since the adoption of the 2010 Plan, the Company has granted awards primarily in the form of stock options or stock grants. In the first quarter of 2016, the Company started to award restricted stock units (“RSUs”) to directors and certain members of management. Stock options are generally 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 the Company’s share at an exercise price determined on grant date, an RSU entitles the grantee to receive one share for every RSU based on a vesting plan. At the discretion of our Compensation and Stock Options Committee, the vesting period of stock options and RSUs ranges from zero to four years. At the time the options are exercised or RSUs vest, 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 estimate 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 expense the estimated grant-date fair values of options over the vesting period on a straight-line basis. Based on our historical experience and the relative market price to strike price of the options, we have not hereto estimated any forfeitures of vested or unvested options.

The weighted average assumptions used in the option-valuation model for the years 2018, 2017 and 2016 were as follows:

	2018	2017	2016
Stock option exercise price	\$ 16.40	\$ 15.94	\$ 11.87
Risk-free interest rate	2.56%	1.66%	1.20%
Expected dividend yield	—	—	—
Expected option life in years	3.75	3.75	3.75
Expected volatility	24.99%	24.95%	25.01%
Weighted average fair value	\$ 3.80	\$ 3.45	\$ 2.49

We recorded compensation expense of \$425,000, \$310,000, and \$284,000 for 2018, 2017, and 2016, respectively. At December 31, 2018, the total unrecognized estimated compensation cost related to non-vested stock options was \$881,000 which is expected to be recognized over a weighted average vesting period of 1.81 years. Cash and other consideration received from option exercises during 2018, 2017, and 2016 totaled \$361,000, \$574,000 and \$146,000 respectively.

The following is a summary of the status of RDI's outstanding stock options for the three years ended December 31, 2018:

Outstanding Stock Options					
Number of Options		Weighted Average Exercise Price		Weighted Average Remaining Years of Contractual Life	Aggregate Intrinsic Value
Class A	Class B	Class A	Class B	Class A&B	Class A&B

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Outstanding - January 1, 2016	486,565	—	\$ 8.68	\$ —2.89	\$ 2,188,011
Granted	169,327	—	11.87	—	
Exercised	(46,815)	—	9.50	—	220,002
Expired	(74,000)	—	7.02	—	
Outstanding - December 31, 2016	535,077	—	\$ 9.84	\$ —2.61	\$ 3,615,191
Granted	169,762	—	15.94	—	
Exercised	(177,750)	—	7.85	—	702,840
Expired	(2,500)	—	6.23	—	
Outstanding - December 31, 2017	524,589	—	\$ 12.50	\$ —3.15	\$ 3,054,325
Granted	126,840	—	16.40	—	
Exercised	(60,000)	—	6.02	—	610,249
Expired	(4,960)	—	12.08	—	
Outstanding - December 31, 2018	586,469	—	\$ 14.01	\$ —2.88	\$ 1,530,528

The following is a summary of the status of RDI's vested and unvested stock options as of December 31, 2018, 2017 and 2016:

Vested and Unvested Stock Options

	Number of Options		Weighted Average Exercise Price		Weighted Average Remaining Years of Contractual Life	Aggregate Intrinsic Value
	Class A	Class B	Class A	Class B	Class A&B	Class A&B
Vested						
December 31, 2018	231,124	—	\$ 12.38	\$ —	2.28	\$ 1,306,643
December 31, 2017	186,832	—	9.84	—	2.30	2,202,772
December 31, 2016	296,500	—	7.88	—	1.59	2,584,500
Unvested						
December 31, 2018	355,345	—	\$ 15.07	\$ —	3.27	\$ 223,885
December 31, 2017	337,757	—	13.86	—	3.62	851,552
December 31, 2016	238,577	—	12.28	—	3.87	1,030,691

Termination of Previous President's Unvested Stock Options

Mr. James Cotter, Jr. has asserted in past communications with the Company that options to acquire 50,000 shares of Class A Stock, issued to him in connection with his retention as the President of our Company, survived his termination as President. On August 3, 2016, our Compensation and Stock Options Committee met, reviewed the issue and determined that such 50,000 options had in fact terminated with the termination of Mr. Cotter, Jr.'s employment as President. Accordingly, these options are not, and have not been outstanding since the effective date of Mr. Cotter, Jr.'s termination. This was recorded as a forfeiture during the quarter ended September 30, 2016. Mr. Cotter, Jr., attempted to assert his claims with respect to such shares in the arbitration related to the payment of his severance benefits. The arbitrator determined that such claims were beyond the scope of the arbitration, and made no substantive determination with respect to Mr. Cotter, Jr.'s claims.

Restricted Stock Units

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. During 2018 and 2017, RSU awards were granted to both our directors and certain members of management. These RSU awards vest 25% at the end of each year for 4 years (in the case of members of management) and vest 100% at the end of one year (in the case of directors). During the years ended December 31, 2018 and December 31, 2017, we recognized compensation expense of \$1.0 million and \$668,000 respectively. The total unrecognized compensation expense related to these unvested RSUs was \$1.4 million as of December 31, 2018.

Below is a table that shows the restricted stock units that have been issued and vested during the years ending December 31, 2018 along with the dollar value of these awards:

	Number of RSUs			\$ value of RSUs		
	Granted	Vesting	Unvested	Granted	Vesting	Unvested
2016	68,153	51,650	16,503	\$ 815,160	\$ 613,208	\$ 201,952
2017	70,538	40,645	29,893	1,124,348	648,569	475,779
2018	97,600	—	97,600	1,567,171	—	1,567,171
Total	236,291	92,295	143,996	\$ 3,506,679	\$ 1,261,777	\$ 2,244,902

2017 Stock Repurchase Plan

On March 14, 2019, the Board of Directors extended our Company's stock buy-back program for two years, through March 2, 2021. The Board did not increase the authorized amount, which was initially fixed at \$25.0 million. At the present time, \$16.2 million of that authorization remains available to repurchase Class A Common Stock.

2014 Stock Repurchase Plan

On May 16, 2014, the Company's Board of Directors authorized management, at its discretion, to spend up to an aggregate of \$10.0 million to acquire shares of the Company's common stock. This approved stock repurchase plan supersedes and effectively cancels the program that was approved by the Board of Directors on May 14, 2004, which allowed management to purchase up to 350,000 shares of the Company's common stock. As of December 31, 2016, we have fully spent the \$10.0 million budget at an average price of \$11.74.

NOTE 15 – 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(1)	Unrealized Gain (Losses) on Available- for-Sale Investments	Accrued Pension Service Costs(2)	Hedge Accounting Reserve(3)	Total
Balance at January 1, 2018	\$ 23,575	\$ 8	\$ (2,592)	\$ —	\$ 20,991
Change related to derivatives					
Total change in hedge fair value recorded in Other Comprehensive Income	—	—	—	(151)	(151)
Amounts reclassified from accumulated other comprehensive income	—	—	—	14	14
Net change related to derivatives	—	—	—	(137)	(137)
Net current-period other comprehensive income	(14,888)	(5)	154	(137)	(14,876)
Balance at December 31, 2018	\$ 8,687	\$ 3	\$ (2,438)	\$ (137)	\$ 6,115

(1) Net of income tax expense of \$389,000.

(2) Net of income tax expense of \$54,000.

(3) Net of income tax benefit of \$48,000

NOTE 16 – FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. If quoted prices in an active market are available, fair value is determined by reference to these prices. If quoted prices are not available, fair value is determined by valuation models that primarily use, as inputs, market-based or independently sourced parameters, including but not limited to interest rates, volatilities, and credit curves. Additionally, we may reference prices for similar instruments, quoted prices or recent transactions in less active markets. We use prices and inputs that are current as of the measurement date. Assets and liabilities that are carried at fair value (either recurring or non-recurring basis) are classified and disclosed in one of the following categories:

- Level 1: Quoted (unadjusted) prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. This consist primarily of investments in marketable securities which are our

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: Quoted prices in active markets for similar assets and liabilities, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability. This category includes our derivative financial instruments which 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 December 31, 2018 and 2017, we concluded that the credit valuation adjustments were not significant to the overall valuation of our derivatives.
- Level 3: Unobservable inputs that are supported by little or no market activity may require significant judgment in order to determine the fair value of the assets and liabilities. This category includes:
 - i. Debt – includes 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.
 - ii. Goodwill, Other Intangibles and Other Long-lived Assets - refer to the “Impairment of Long-Lived Assets” section in Note 2 – Summary of Significant Accounting Policies for a description of valuation methodology used for fair value measurements of goodwill, intangible assets and long-lived assets. Given this category represents several lines in our Consolidated Balance Sheet and since the recorded values agree to fair values, we did not include this in the subsequent tables presented.

Also, our Level 1 financial instruments include cash and cash equivalents, receivables, and accounts payable and accrued liabilities. The carrying values of these financial instruments approximate the fair values due to their short maturities. There have been no

changes in the methodologies used at December 31, 2018 and 2017. Additionally, there were no transfers of assets and liabilities between Levels 1, 2, or 3 during the three years ended December 31, 2018.

Recurring Fair Value Measurements

As of December 31, 2018 and 2017, we do not have material financial assets and liabilities carried and measured at fair value on a recurring basis.

Nonrecurring Fair Value Measurements

The following tables provide information about financial assets and liabilities not carried at fair value on a nonrecurring basis in our consolidated balance sheets:

(Dollars in thousands)	Balance Sheet Location	Carrying Value(1)	Fair Value Measurements at December 31, 2018			Total
			Level 1	Level 2	Level 3	
Financial liabilities						
Notes payable	Debt - current and long-term portion	\$ 139,130	\$ —	\$ —	\$ 143,564	\$ 143,564
Subordinated debt	Subordinated debt	27,913	—	—	18,895	18,895
Total		\$ 167,043	\$ —	\$ —	\$ 162,459	\$ 162,459

(Dollars in thousands)	Balance Sheet Location	Carrying Value(1)	Fair Value Measurements at December 31, 2017			Total
			Level 1	Level 2	Level 3	
Financial liabilities						
Notes payable	Debt - current and long-term portion	\$ 106,588	\$ —	\$ —	\$ 106,894	\$ 106,894
Subordinated debt	Subordinated debt	27,913	—	—	16,088	16,088
Total		\$ 134,501	\$ —	\$ —	\$ 122,982	\$ 122,982

(1) These balances are presented gross of deferred financing costs.

NOTE 17 – HEDGE ACCOUNTING

As of December 31, 2018 and 2017, the Company held interest rate derivatives in the total notional amount of \$8.0 million and \$nil, respectively.

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

(Dollars in thousands)	Liability Derivatives	Fair value	2017	Fair value
	December 31, 2018		Balance sheet location	
	Balance sheet location			
Interest rate contracts	Derivative financial instruments - current portion	\$ 41	—	\$ —
	Derivative financial instruments - non-current portion	145	—	—
Total derivatives designated as hedging instruments		\$ 186		\$ —
Total derivatives		\$ 186		\$ —

We have no derivatives designated as hedging instruments which are in asset positions.

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 2018 and 2017, 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	
		2018	2017
Interest rate contracts	Interest expense, net	14	—
Total		\$ 14	\$ —

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(Dollars in thousands)	Loss Recognized in OCI on Derivatives (Effective Portion)		Loss Reclassified from OCI into Income (Effective Portion) Line Item	Loss Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
	Amount			Amount	
	2018	2017		2018	2017
Interest rate contracts	\$ 200	\$ —	Interest expense, net	\$ 14	\$ —
Total	\$ 200	\$ —		\$ 14	\$ —

In 2019, the Company expects to release \$45,000 to earnings.

NOTE 18 – LEASES

Our leasing business consists of various arrangements, where we act either (i) as the lessor (for our owned properties rented to third parties), or (ii) as the lessee (mostly our cinema locations on leased-facility models). Below are the rental commitments for these various lease arrangements:

As Lessor – Future Rental Commitments from our Tenants

Real estate revenue amounted to \$15.2 million, \$16.4 million, and \$13.9 million, for the fiscal years ended December 31, 2018, 2017, and 2016, respectively. Also, there were no material contingent rentals recognized for the three years then ended December 31, 2018. As of December 31, 2018, the minimum future rentals on our real estate properties currently leased to third parties under non-cancellable operating lease arrangements for the next five years are summarized as follows:

(Dollars in thousands)	Future Minimum Rentals
2019	\$ 7,964
2020	6,807
2021	6,190

2022	5,337
2023	4,714
Thereafter	9,632
Total	\$ 40,644

As Lessee – Future Lease Commitments to our Landlords

The Company has entered into various leases for our cinema exhibition segment. We also lease office space and equipment under non-cancelable operating leases. As of December 31, 2018, the remaining terms of these leases, inclusive of renewal options, range from 1 to 35 years. All of our leases are accounted for as operating leases and we do not have any capital leases as of December 31, 2018.

We determine the annual base rent expense of our cinemas by amortizing total minimum lease obligations on a straight-line basis over the lease terms. Certain of our cinema leases provide for both base and in addition contingent rentals based upon a specified percentage of cinema revenue with a guaranteed minimum. Substantially all of our leases require the payment of property taxes, insurance, and other costs applicable to the property. The base rent and contingent rental expenses are summarized as follows:

(Dollars in thousands)	2018	2017	2016
Base rent expense	\$ 32,281	\$ 31,630	\$ 29,824
Contingent rental expense	1,774	2,505	1,484
Total cinema rent expense	\$ 34,055	\$ 34,135	\$ 31,308

Future minimum lease payments by year and, in the aggregate, under non-cancelable operating leases consisted of the following:

(Dollars in thousands)	Minimum Lease Payments at December 31, 2018		
	Ground Lease	Premises Lease	Total
2019	\$ 3,717	\$ 27,204	\$ 30,921
2020	1,922	23,870	25,792
2021	1,860	23,368	25,228
2022	1,901	21,901	23,802
2023	1,905	18,737	20,642
Thereafter	10,498	78,741	89,239
Total	\$ 21,803	\$ 193,821	\$ 215,624

We expect the amount of minimum lease payments will fluctuate depending on the foreign currency exchange rates of the Australian dollar to the U.S. dollar and the New Zealand dollar to the U.S. dollar, mainly because a significant portion of our cinema exhibition business is conducted in Australia and New Zealand. See Note 19 – Related Parties for the amount of leases associated with any related party leases.

NOTE 19 – RELATED PARTIES

The following table identifies our related parties as of December 31, 2018, in accordance with ASC 850, Related Party Transactions:

Categories	Related Parties	Discussion Notes
Principal Owners and immediate families	Cotter Family's Estate and Living Trust (controlling family)	The Cotter Family is involved in certain litigation matters. Refer to Note 12 – Commitments and Contingencies for further details.
Key Executive Officers and immediate families	Mark Cuban (above 10% voting ownership)	.
	Ellen M. Cotter	.
	Margaret Cotter	Chief Executive Officer & President
	Gilbert Avanes	.
	Andrzej J. Matyczynski	EVP Real Estate Development & Management (NY)
	S Craig Tompkins	.
	Robert F. Smerling	Interim Chief Financial Officer & Treasurer
	Mark Douglas	.
	Matthew Bourke	EVP Global Operations
		.
	.	President - U.S. Cinemas
	.	Managing Director, Cinemas, Australia & New Zealand
	.	Managing Director, Real Estate, Australia & New Zealand
Investments in Joint Ventures accounted for under equity method	Rialto Cinemas	Refer to Note 6 – Investment in Joint Ventures
Other Affiliates	Mt. Gravatt Entities under common control	Refer to Exhibit 21 of this 2018 Form 10-K filing for the complete list of subsidiaries. Refer below for further discussions on certain key transactions with related parties, including those with minority interests.
	All subsidiaries of RDI	

Sutton Hill Capital

In 2001, we entered into a transaction with Sutton Hill Capital, LLC (“SHC”) regarding the master leasing, with an option to purchase, of certain cinemas located in Manhattan including our Village East and Cinemas 1,2,3 theaters. In connection with that transaction, we also agreed (i) to lend certain amounts to SHC, to provide liquidity in its investment, pending our determination whether or not to exercise our option to purchase and (ii) to manage the 86th Street Cinema on a fee basis. SHC is a limited liability company owned in equal shares by the Cotter Estate or the Cotter Trust and a third party.

As previously reported, over the years, two of the cinemas subject to the master leasing agreement have been redeveloped and one (the Cinemas 1,2,3 discussed below) has been acquired. The Village East is the only cinema that remains subject to this master lease. We paid an annual rent of \$590,000 for this cinema to SHC in each of 2018, 2017 and 2016. During this same period, we received management fees from the 86th Street Cinema of \$172,000, \$141,000 and \$150,000 during the years ended December 31, 2018, 2017 and 2016, respectively.

In 2005, we acquired (i) from a third party the fee interest underlying the Cinemas 1,2,3 and (ii) from SHC its interest in the ground lease estate underlying and the improvements constituting the Cinemas 1,2,3. The ground lease estate and the improvements acquired from SHC were originally a part of the master lease transaction, discussed above. In connection with that transaction, we granted to

SHC an option to acquire at cost a 25% interest in the special purpose entity (Sutton Hill Properties, LLC) formed to acquire these fee, leasehold and improvements interests. On June 28, 2007, SHC exercised this option, paying \$3.0 million and assuming a proportionate share of SHP's liabilities. At the time of the option exercise and the closing of the acquisition of the 25% interest, SHP had debt of \$26.9 million, including a \$2.9 million, non-interest bearing intercompany loan from the Company. Since the acquisition by SHC of its 25% interest, SHP has covered its operating costs and debt service through cash flow from the Cinema 1,2,3, (ii) borrowings from third parties, and (iii) pro-rata contributions from the members. We receive an annual management fee equal to 5% of SHP's gross income for managing the cinema and the property, amounting to \$177,000 during 2015. This management fee was modified in 2015, as discussed below, retroactive to December 1, 2014.

On June 29, 2010, we agreed to extend our existing lease from SHC of the Village East Cinema by 10 years, with a new termination date of June 30, 2020. This amendment was reviewed and approved by our Audit and Conflicts Committee. The Village East lease includes a sub-lease of the ground underlying the cinema that is subject to a longer-term ground lease between SHC and an unrelated third party that expires in June 2031 (the "cinema ground lease"). The extended lease provides for a call option pursuant to which Reading may purchase the cinema ground lease for \$5.9 million at the end of the lease term. Additionally, the lease has a put option pursuant to which SHC may require Reading to purchase all or a portion of SHC's interest in the existing cinema lease and the cinema ground lease at any time between July 1, 2013 and December 4, 2019. SHC's put option may be exercised on one or more occasions in increments of not less than \$100,000 each. We recorded the Village East Cinema building as a property asset of \$4.7 million on our balance sheet based on the cost carry-over basis from an entity under common control with a corresponding capital lease liability of \$5.9 million presented under other liabilities (see Note 11 – Pension and Other Liabilities).

In February 2015, we and SHP entered into an amendment to the management agreement dated as of June 27, 2007 between us and SHP. The amendment, which was retroactive to December 1, 2014, memorialized our undertaking to SHP with respect to \$750,000 (the "Renovation Funding Amount") of renovations to Cinemas 1,2,3 funded or to be funded by us. In consideration of our funding of the renovations, our annual management fee under the management agreement was increased commencing January 1, 2015 by an amount equivalent to 100% of any incremental positive cash flow of Cinemas 1,2,3 over the average annual positive cash flow of the Cinemas 1,2,3 over the three-year period ended December 31, 2014 (not to exceed a cumulative aggregate amount equal to the Renovation Funding Amount), plus a 15% annual cash-on-cash return on the balance outstanding from time to time of the Renovation Funding Amount, payable at the time of the payment of the annual management fee (the "Improvements Fee"). Under the amended management agreement, we are entitled to retain ownership of (and any right to depreciate) any furniture, fixtures and equipment purchased by us in connection with such renovation and have the right (but not the obligation) to remove all such furniture, fixtures and equipment (at our own cost and expense) from the Cinemas upon the termination of the management agreement. The amendment also provides that, during the term of the management agreement, SHP will be responsible for the cost of repair and maintenance of the renovations. In 2018 we charged an Improvements Fee of \$528,000. In 2017 and 2016, we received no Improvements Fee. This amendment was approved by SHC and by the Audit and Conflicts Committee of our Board of Directors.

On August 31, 2016, we refinanced the debt of Cinemas 1, 2, 3, pursuant to a \$20.0 million loan from Valley National Bank. Refer to Note 10 – Borrowings for further details on this loan transaction. The proceeds from the loan were used to retire an existing \$15.0 million first mortgage loan and the above referenced \$2.9 million intercompany loan,

with the remainder to be used for working capital and to cover cash flow shortfalls. Since the cash flow from the Cinemas 1, 2, 3 is not sufficient to service this loan, it is anticipated that the members of SHP (our Company and SHC) will ultimately need to make periodic contributions to the capital of SHP in order to avoid dilution of their respective interests in SHP. In 2016, our Company and SHC funded capital calls of \$506,000 and \$169,000, respectively. No capital contributions were called or made in 2017 or 2018.

The Valley National Loan has been guaranteed by our Company and an environmental indemnity has been provided by our Company. SHC has agreed to indemnify our Company to the extent of 25% of any loss incurred by our Company with respect to any such guarantee and/or indemnity (a percentage reflecting SHC's membership interest in SHP). The refinancing transaction, including the guarantee and indemnity, were review and approved by the Audit and Conflicts Committee of our Board of Directors. The Valley National loan matures on September 1, 2019, however the loan includes an option to extend the maturity date to September 1, 2020, which we currently intend to exercise.

OBI Management Agreement

Pursuant to a Theater Management Agreement (the "Management Agreement"), our live theater operations were, until March 2016, managed by Off-Broadway Investments, LLC ("OBI Management"), which is wholly owned by Ms. Margaret Cotter who is the daughter of the late Mr. James J. Cotter, Sr., the sister of Ellen Cotter and James Cotter, Jr., and a member of our Board of Directors. That Management Agreement was terminated effective March 10, 2016 in connection with the retention by our Company of Margaret Cotter as a full time employee.

The Theater Management Agreement generally provided for the payment of a combination of fixed and incentive fees for the management of our four live theaters that were operating during this time. Historically, these fees have equated to approximately 21% of the net cash flow generated by these properties. The fee to be paid to OBI for 2016 was \$79,000. We also reimbursed OBI for certain travel expenses, shared the cost of an administrative assistant and provided office space at our New York offices.

OBI Management historically conducted its operations from our office facilities on a rent-free basis, and we shared the cost of one administrative employee of OBI Management. We reimbursed travel related expenses for OBI Management personnel with respect to travel between New York City and Chicago in connection with the management of the Royal George complex. Other than these expenses, OBI Management was responsible for all of its costs and expenses related to the performance of its management functions.

Live Theater Play Investment

From time to time, our officers and Directors may invest in plays that lease our live theaters. The play STOMP has been playing in our Orpheum Theatre since prior to the time we acquired the theatre in 2001. The Cotter Estate or the Cotter Trust and a third party own an approximately 5% interest in that play, an interest that they have held since prior to our acquisition of the theater. Refer to Note 12 – Commitments and Contingencies for more information about the show STOMP.

Shadow View Land and Farming LLC

During 2012, Mr. James J. Cotter, Sr., our then Chairman, Chief Executive Officer and controlling stockholder, contributed \$2.5 million cash and \$255,000 of his 2011 bonus as his 50% share of the purchase price of a land parcel in Coachella, California and to cover his 50% share of certain costs associated with that acquisition. This land is held in Shadow View Land and Farming, LLC, in which the Cotter Estate or the Cotter Trust owns a 50% interest. We are the managing member of Shadow View Land and Farming, LLC (See Note 13 – Non-Controlling Interests). The property is held debt free, and operating and holding costs are covered by member contributions. The Audit and Conflicts Committee of the Board of Directors is charged with responsibility for oversight of our management of Shadow View.

NOTE 20 – INSURANCE RECOVERIES ON IMPAIRMENT AND RELATED LOSSES DUE TO EARTHQUAKE

On November 14, 2016, we filed an initial insurance claim with our Insurer with respect to earthquake damage to our parking building adjacent to our Courtenay Central entertainment-themed center (“ETC”) in Wellington, New Zealand and to the ETC itself. Also, we filed a separate business interruption claim to recover lost profits as a result of the earthquake. As of December 31, 2016, we recorded a recoverable asset to the extent of our incurred losses that we deemed probable of recoverability under our insurance claim, consisting of the (i) written down carrying value of the damaged parking building and (ii) a significant portion of the derivative loss contingencies on demolition activities. We received an initial settlement from our Insurer in December 2016 amounting to \$5.0 million (NZ\$7.1 million). In April 2017, our insurance company concluded that our losses exceeded the earthquake coverage policy limit of

\$25.0 million (NZ\$36.0 million) and thus paid a final settlement of US\$20.0 million (NZ\$28.9 million) in May 2017, taking us to the policy limit.

We are currently litigating our claim against QBE Insurance (Australia) Limited (“QBE”) for an additional NZ\$5.0 million in recoveries with respect to earthquake damage to our car park under an insurance policy acquired for our benefit by the general contractor working on the seismic strengthening of our car park at the time of the earthquake. No assurances can be given as to the outcome of that litigation.

Over the course of assessing the total magnitude of earthquake damage up to the point of final insurance settlement, we determined our incurred losses and lost profits as follows:

Covered Risks	Basis for Allocation (Dollars in thousands)	Commentary	% Allocation	Allocation of Insurance Proceeds (Dollars in thousands)
Property damage	NZ\$ 44,808	Estimated replacement cost for Courtenay Central parking building, as determined by an independent construction cost consultant.	81%	NZ\$ 29,093
Demolition costs	7,276	Actual costs incurred and best estimates of remaining costs to complete the demolition activities of Courtenay Central parking building	13%	4,724
Business interruption	3,415	Estimated lost profits during the closure period relating to our various revenue-generating components within Courtenay Central ETC (including our cinema and property operations)	6%	2,217
Total	NZ\$ 55,499		100%	NZ\$ 36,034

As a result of the final settlement, we recorded total insurance gain of \$10.7 million (NZ\$14.8 million) during the quarter ended June 30, 2017, determined as follows:

(mainly in New Zealand Dollars in thousands, unless otherwise stated)	f	Recoverable Components Non-Operating Income			Operating Income		Grand Total
		Property Damage(1)	Demolition Costs(1)	Total	Business Interruption(2)		
Insurance Proceed Allocation	A	\$ 29,093	\$ 4,724	\$ 33,817	\$ 2,217	\$ 36,034	
Movements in Recoverable Components							
Total expected incurred losses, November 30, 2016	B	14,246	8,500	22,746	—	22,746	
Less: Casualty Losses recorded in 2016 Earnings(3) - in NZ\$	C	(795)	(1,224)	(2,019)	—	(2,019)	
- in US\$	D	US\$ (560)	US\$ (861)	US\$ (1,421)	US\$ —	US\$ (1,421)	
Recoverable Assets, December 31, 2016(4)	E=B-C	\$ 13,451	\$ 7,276	\$ 20,727	\$ —	\$ 20,727	
Add: Upward changes in estimates and others	F	347	—	347	111	458	
Net recoverable balances charged against proceeds	G=E+F	13,798	7,276	21,074	111	21,185	
Casualty gain, recorded in 2017 Earnings- in NZ\$	H=A-G	\$ 15,295	\$ (2,552)	\$ 12,743	\$ 2,106	\$ 14,849	
Casualty gain, recorded in 2017 Earnings - in US\$	I	US\$ 11,063	US\$ (1,846)	US\$ 9,217	US\$ 1,523	US\$ 10,740	
Net Casualty gain for 2016 and 2017 Earnings - in US\$	Σ(D+I)	US\$ 10,503	US\$ (2,707)	US\$ 7,796	US\$ 1,523	US\$ 9,319	

- (1) The net impact to 2017 earnings of \$9.2 million (NZ\$12.7 million) is recorded as “Casualty gain” in our Consolidated Statement of Operations.
- (2) The impact to 2017 operating earnings of \$1.5 million (NZ\$2.1 million) is recorded as part of the applicable segment revenues in our Consolidated Statement of Operations.
- (3) The casualty losses recorded in 2016 as a separate line in our Consolidated Statement of Operations is made up the following: (i) 5% deductible of \$795,000 (NZ\$560,000) calculated based on the estimated value of the insured damaged parking structure for insurance purposes, and (ii) \$862,000 (NZ\$1.2 million) of total estimated demolition costs was preliminarily assessed as expenses not reimbursable under our insurance policy and hence, we recorded in profit and loss.
- (4) The recoverable asset of \$9.5 million (NZ\$13.6 million), net of advance payment of \$5.0 million (NZ\$7.1 million), as of December 31, 2016 was presented as part of “Other non-current assets” as the timing of the insurance claim receipt was not fixed nor reliably determinable as of the time of our initial assessment.

NOTE 21 – UNAUDITED QUARTERLY FINANCIAL INFORMATION

(Dollars in thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter(1)
2018				
Revenue	\$ 75,872	84,262	74,261	\$ 74,990
Net income	3,104	4,129	1,259	6,006
Net income attributable to RDI shareholders	3,082	5,027	1,297	4,960
Basic earnings per share	0.13	0.22	0.06	0.21
Diluted earnings per share	0.13	0.22	0.06	0.21
2017				
Revenue	\$ 69,481	\$ 72,440	\$ 66,116	\$ 71,841
Net income	3,060	19,071	1,478	7,503
Net income attributable to RDI shareholders	3,048	19,051	1,576	7,426
Basic earnings per share	0.13	0.82	0.07	0.33
Diluted earnings per share	0.13	0.81	0.07	0.32

(1) Net income for the 4th quarter of 2017 includes approximately \$2.5 million net tax benefit from non-recurring items of tax benefit and expense related to the Tax Cuts and Jobs Act enacted December 2017 and dissolution of a non-operating foreign subsidiary.

NOTE 22 – SUBSEQUENT EVENTS

New cinema location, Devonport, Australia

On January 30, 2019, we purchased the tenant's interest and other operating assets of an established four-screen cinema in Devonport, Australia, for \$1.4 million (AU\$2.0 million). We commenced trading from this new cinema site on January 30, 2019.

The purchase will be accounted for as a business combination in the first quarter of 2019 under ASC 805, Business Combinations. As of the date of issue of these Consolidated Financial Statements, we are in the process of engaging third party advisors to complete the fair value assessments required to be able to account for this transaction under ASC 805.

Temporary Closure of Courtenay Central Cinema

In light of recently discovered seismic issues pertaining to the cinema structure at our Courtenay Central ETC, in January 2019 we closed the cinema portion and certain interior retail spaces at that center while we reevaluate the center for redevelopment as an entertainment themed urban center with a major food and grocery component.

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Schedule II – Valuation and Qualifying Accounts

	Balance at January 1	Additions	Deductions	Balance at December 31
Allowance for doubtful accounts				
2018	\$ 1,088	\$ 658	\$ 698	\$ 1,048
2017	\$ 828	\$ 320	60	\$ 1,088
2016	\$ 426	\$ 1,010	608	\$ 828
Tax valuation allowance				
2018	\$ 6,870	\$ —	150	\$ 6,720
2017	\$ 10,593	\$ —	3,723	\$ 6,870
2016	\$ 11,530	\$ —	937	\$ 10,593

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Item 9 – Change in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A – Controls and Procedures

Management’s Report on Internal Control Over Financial Reporting and Attestation of Registered Public Accounting Firm

Our management’s report on internal control over financial reporting and our registered public accounting firm’s audit report on the effectiveness of our internal control over financial reporting are included in Part II, Item 8 (Financial Statements and Supplementary Data) of this Form 10-K.

Evaluation of Disclosure Controls and Procedures

We have formally adopted a policy for disclosure controls and procedures that provides guidance on the evaluation of disclosure controls and procedures and is designed to ensure that all corporate disclosure is complete and accurate in all material respects and that all information required to be disclosed in the periodic reports submitted by us under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods and in the manner specified in the Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures. A disclosure committee consisting of the principal accounting officer, and senior officers of each significant business line and other select employees assisted the Chief Executive Officer and the Chief Financial Officer in this evaluation. Based upon our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as required by the Securities Exchange Act Rule 13a-15(e) and 15d – 15(e) as of the end of the period covered by this report.

Changes in Internal Controls Over Financial Reporting

There were no 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 since December 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Securities Exchange Act Rules 13a-15(f) and 15d-15(f), including maintenance of (i) records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets, and (ii) policies and procedures that provide reasonable assurance that (a) transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, (b) our receipts and expenditures are being made only in accordance with authorizations of management and our Board of Directors and (c) we will prevent or timely detect unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of the inherent limitations of any system of internal control. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses of judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper overriding of controls. As a result of such limitations, there is risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

PART III

Item 10, 11, 12, 13 and 14

Information required by Part III (Items 10, 11, 12, 13 and 14) of this Form 10-K is hereby incorporated by reference from Reading International, Inc.'s definitive Proxy Statement for its 2019 Annual Meeting of Stockholders, which the company intends to be filed with the Securities and Exchange Commission, pursuant to Regulation 14A, not later than 120 days after the end of the fiscal year. The Board of Directors has set the 2019 Annual Meeting of Stockholders for May 7, 2019, and fixed the record date as April 12, 2019.

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PART IV

Item 15 – Exhibits, Financial Statement Schedules

(a) The following documents are filed as a part of this report:

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1. Financial Statements

The following financial statements are filed as part of Part II, Item 8 – Financial Statements and Supplementary Data in this Annual Report on Form 10-K, as summarized below:

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Description	Page
<u>Management's Report on Internal Control over Financial Reporting</u>	67
<u>Report of Independent Registered Public Accounting Firm (Consolidated Financial Statements)</u>	68
<u>Report of Independent Registered Public Accounting Firm (Internal Control over Financial Reporting)</u>	69
<u>Consolidated Balance Sheets as of December 31, 2018 and 2017</u>	70
<u>Consolidated Statements of Income for the Three Years Ended December 31, 2018</u>	71

<u>Consolidated Statements of Comprehensive Income for the Three Years Ended December 31, 2018</u>	72
<u>Consolidated Statements of Stockholders' Equity for the Three Years Ended December 31, 2018</u>	73
<u>Consolidated Statements of Cash Flows for the Three Years Ended December 31, 2018</u>	74
<u>Notes to Consolidated Financial Statements</u>	75

2. Financial Statements and Schedules for the years ended December 31, 2018, 2017, and 2016

Description	Page
<u>Schedule II – Valuation and Qualifying Accounts</u>	112

3. Exhibits

(b) Exhibits

See Item (a) 3. above.

(c) Financial Statement Schedule

See Item (a) 2. above.

EXHIBITS

* These exhibits constitute the executive compensation plans and arrangements of the Company.

+ These exhibits are filed as part of this Form 10-K Filing. Links are included within the “Description” column.

¹ Included is the amended and restated version of this exhibit, redlined to show the amendment adopted on November 7, 2017

Exhibit

No.	Description	Links for Exhibits Incorporated by Reference
3.1	Amended and Restated Articles of Incorporation of Reading International, Inc., a Nevada corporation, effective as of August 6, 2014	Filed as Exhibit 3.1 to the Company’s Annual Report on Form 10-K for the year ended December 31, 2015 , filed on April 29, 2016 and incorporated herein by reference.
3.2+	Amended and Restated Bylaws of Reading International, Inc., a Nevada corporation, effective as of November 7, 2017(1)	Filed as Exhibit 3.2 to the Company’s Annual Report on Form 10-K for the year ended December 31, 2017 , filed on March 16, 2018 and incorporated herein by reference.
4.1	Form of Preferred Securities Certificate evidencing the preferred securities of Reading International Trust I	Filed as Exhibit 4.1 to the Company’s report on Form 8-K filed on February 9, 2007 , and incorporated herein by reference.
4.2	Form of Common Securities Certificate evidencing common securities of Reading International Trust I	Filed as Exhibit 4.2 to the Company’s report on Form 8-K filed on February 9, 2007 , and incorporated herein by reference.
4.3	Form of Reading International, Inc. and Reading New Zealand, Limited, Junior Subordinated Note due 2027	Filed as Exhibit 4.3 to the Company’s report on Form 8-K filed on February 9, 2007 , and incorporated herein by reference.
4.4	Indenture among Reading International, Inc., Reading New Zealand Limited, and Wells Fargo Bank, N.A., as indenture trustee.	Filed as Exhibit 10.4 to the Company’s report on Form 8-K dated February 5, 2007 , and incorporated herein by reference.
4.5	Form of Indenture	Filed as Exhibit 4.4 to the Company’s report on Form S-3 on October 20, 2009 , and incorporated herein by reference.
10.1*+	Restated 2010 Stock Incentive Plan, as of November 7, 2017	Filed as Exhibit 10.1 to the Company’s Annual Report on Form 10-K for the year ended December 31, 2017 , filed on March 16, 2018 and incorporated herein by reference.
10.2*	1999 Stock Option Plan of Reading International, Inc., as amended on December 31, 2001	Filed as Exhibit 4.1 to the Company’s Registration Statement on Form S-8 , filed on January 21, 2004, and incorporated herein by reference.
10.3*+	Form of Restricted Stock Unit Agreement (Non-Employee Director) under the 2010 Stock Incentive Plan	N/A
10.5*	Award forms under the 2010 Stock Incentive Plan (i) Stock Option Agreement, (ii) Stock Bonus Agreement, (iii) Restricted Stock Unit Agreement, and (iv) Stock Appreciation Right Agreement	Filed as Exhibits 4.2 , 4.3 , 4.4 and 4.5 , respectively, to the Company’s report on Form S-8 on May 26, 2010, and incorporated herein by reference.

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- 10.6 Amended and Restated Lease Agreement, dated as of July 28, 2000, as amended and restated as of January 29, 2002, between Sutton Hill Capital, L.L.C. and Citadel Cinemas, Inc. Filed as Exhibit 10.40 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference.
- 10.7 Second Amendment to Amended and Restated Master Operating Lease dated as of September 1, 2005 Filed as Exhibit 10.58 to the Company's report on Form 8-K filed on September 21, 2005, and incorporated herein by reference.
- 10.8 Assignment and Assumption of Lease between Sutton Hill Capital L.L.C. and Sutton Hill Properties, LLC dated as of September 19, 2005 Filed as Exhibit 10.56 to the Company's report on Form 8-K filed on September 21, 2005, and incorporated herein by reference.
- 10.9 Third Amendment to Amended and Restated Master Operating Lease Agreement, dated June 29, 2010, between Sutton Hill Capital, L.L.C. and Citadel Cinemas, Inc. Filed as Exhibit 10.21 to the Company's report on Form 10-K for the year ended December 31, 2010, and incorporated herein by reference.

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- 10.10 Omnibus Amendment Agreement, dated as of October 22, 2003, Filed as Exhibit 10.49 to the Company's report on Form 10-Q for the period ended September 30, 2003, and incorporated herein by reference.
- 10.11 Theater Management Agreement, effective as January 1, 2002, Filed as Exhibit 10.47 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference.
- 10.12 Amended and Restated Declaration of Trust, dated February 5, 2007, among Reading International Inc., as sponsor, the Administrators named therein, and Wells Fargo Bank, N.A., as property trustee, and Wells Fargo Delaware Trust Company as Delaware trustee Filed as Exhibit 10.2 to the Company's report on Form 8-K dated February 5, 2007, and incorporated herein by reference.
- 10.13 Amended and Restated Corporate Markets Loan & Bank Guarantee Facility Agreement dated December 23, 2015, among Reading Entertainment Australia Pty Ltd and National Australia Bank Limited Filed as Exhibit 10.9 to the Company's Annual Report on Form 10-K for the year ended December 31, 2015, filed on April 29, 2016 and incorporated herein by reference.
- 10.14 Wholesale Term Loan Facility dated May 21, 2015, among Reading Courtenay Central Limited and Westpac New Zealand Limited Filed as Exhibit 10.10 to the Company's Annual Report on Form 10-K for the year ended December 31, 2015, filed on April 29, 2016 and incorporated herein by reference.
- 10.15 Master Lease Agreement dated October 26, 2012, between Consolidated Cinema Services LLC and Banc of America Leasing & Capital, LLC Filed as Exhibit 10.31 to the Company's report on Form 10-K for the year ended December 31, 2013, and incorporated herein by reference.
- 10.16 Amendment dated October 31, 2012 to the Master Lease Agreement dated October 26, 2012, between Consolidated Cinema Services LLC and Banc of America Leasing & Capital, LLC Filed as Exhibit 10.32 to the Company's report on Form 10-K for the year ended December 31, 2013, and incorporated herein by reference.
- 10.17* Form of Indemnification Agreement, as routinely granted to the Company's Officers and Directors Filed as Exhibit 10.77 to the Company's report on Form 10-Q for the period ended September 30, 2008, and incorporated herein by reference.
- 10.18* Employment Agreement between Reading International, Inc. and Devasis Ghose, Chief Financial Officer Filed as Exhibit 10.1 to the Company's report on Form 10-Q for the period ended March 31, 2015, and incorporated herein by reference.
- 10.19* Separation and Release Agreement dated May 30, 2014 between Reading International, Inc. and Andrzej Matyczynski Filed as Exhibit 10.19 to the Company's Annual Report on Form 10-K for the year ended December 31, 2015, filed on April 29, 2016 and incorporated herein by reference.
- 10.20* First Amendment to the Separation and Release Agreement between Reading International, Inc. and Andrzej Matyczynski, effective as of August 6, 2014 Filed as Exhibit 10.20 to the Company's Annual Report on Form 10-K for the year ended December 31, 2015, filed on April 29, 2016 and incorporated herein by reference.
- 10.21* Second Amendment to the Separation and Release Agreement between Reading International, Inc. and Andrzej Matyczynski, effective as of November 26, 2014 Filed as Exhibit 10.21 to the Company's Annual Report on Form 10-K for the year ended December 31, 2015, filed on April 29, 2016 and incorporated herein by reference.
- 10.22*

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- Third Amendment to the Separation and Release Agreement between Reading International, Inc. and Andrzej Matyczynski, effective as of May 1, 2015
- 10.23* Amended and Restated Compensatory Arrangements for Executive and Management Employees dated as of March 28, 2016
- 10.24 OBI Termination Agreement and Release
- 10.25 Form of Stock Option Agreement (Non-Director)
- 18 Preferability Letter from Independent Registered Public Accounting Firm, Grant Thornton LLP.
- Filed as Exhibit 10.22 to the Company's Annual Report on Form 10-K for the year ended December 31, 2015, filed on April 29, 2016 and incorporated herein by reference.
- Filed as Exhibit 10.23 to the Company's Annual Report on Form 10-K for the year ended December 31, 2015, filed on April 29, 2016 and incorporated herein by reference.
- Filed as Exhibit 10.24 to the Company's Annual Report on Form 10-K for the year ended December 31, 2015, filed on April 29, 2016 and incorporated herein by reference.
- Filed as Exhibit 10.25 to the Company's Annual Report on Form 10-K/A for the year ended December 31, 2016, filed on May 5, 2017 and incorporated herein by reference.
- Filed as Exhibit 18 to the Company's Annual Report on Form 10-K for the year ended December 31, 2016 filed on March 13, 2017 and incorporated herein by reference

21+	<u>List of Subsidiaries,</u>	N/A
23.1+	<u>Consent of Independent Registered Public Accounting Firm, Grant Thornton LLP.</u>	N/A
31.1+	<u>Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002,</u>	N/A
31.2+	<u>Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002,</u>	N/A
32.1+	<u>Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>	N/A
32.2+	<u>Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>	N/A
101.INS+	XBRL Instance Document	N/A
101.SCH+	XBRL Taxonomy Extension Schema	N/A
101.CAL+	XBRL Taxonomy Extension Calculation	N/A
101.DEF+	XBRL Taxonomy Extension Definition	N/A
101.LAB+	XBRL Taxonomy Extension Labels	N/A
101.PRE+	XBRL Taxonomy Extension Presentation	N/A

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

(Registrant)

Date: March 18, 2019 By: /s/ Gilbert Avanes
Gilbert Avanes
Interim Chief Financial Officer and Treasurer
(Principal Financial Officer)

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of Registrant and in capacities and on dates indicated.

Signature	Title(s)	Date
/s/ Ellen M. Cotter Ellen M. Cotter	President, Chief Executive Officer and Chairman of the Board and Director (Principal Executive Officer)	March 18, 2019
/s/ Gilbert Avanes Gilbert Avanes	Interim Chief Financial Officer and Treasurer (Principal Financial Officer)	March 18, 2019
/s/ Steve Lucas Steve Lucas	Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)	March 18, 2019
/s/ Margaret Cotter Margaret Cotter	Vice Chairman of the Board and Director	March 18, 2019
/s/ Guy W. Adams Guy W. Adams	Director	March 18, 2019

/s/ Edward L. Kane Edward L Kane	Director	March 18, 2019
/s/ Douglas J. McEachern Douglas J. McEachern	Director	March 18, 2019
/s/ Dr. Judy Coddling Dr. Judy Coddling	Director	March 18, 2019
/s/ Michael Wrotniak Michael Wrotniak	Director	March 18, 2019