

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

(Mark One)

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

**For the quarterly period ended: September 30, 2015**

**OR**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

Commission file number 1-8625



**READING INTERNATIONAL, INC.**

(Exact name of Registrant as specified in its charter)

**NEVADA**

(State or other jurisdiction of incorporation or organization)

**95-3885184**

(IRS Employer Identification No.)

**6100 Center Drive, Suite 900**

**Los Angeles, CA**

(Address of principal executive offices)

**90045**

(Zip Code)

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one): Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

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 November 6, 2015, there were 21,642,365 shares of Class A Nonvoting Common Stock, \$0.01 par value per share and 1,680,590 shares of Class B Voting Common Stock, \$0.01 par value per share outstanding.

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# PART 1 - Financial Information

## Item 1 - Financial Statements

### Reading International, Inc.

### Condensed Consolidated Balance Sheets

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

|  | September 30,<br>2015 | December 31,<br>2014 |
|--|-----------------------|----------------------|
| <b>ASSETS</b>  |                       |                      |
| <b>Current Assets:</b>   |                       |                      |
| Cash and cash equivalents  | \$ 62,081             | \$ 50,248            |
| Receivables  | 8,017                 | 11,348               |
| Inventory  | 818                   | 1,010                |
| Investment in marketable securities  | 43                    | 54                   |
| Restricted cash  | 175                   | 1,433                |
| Deferred tax asset, net  | 2,760                 | 6,300                |
| Prepaid and other current assets   | 3,273                 | 3,426                |
| Land held for sale   | 393                   | 10,112               |
| <b>Total current assets</b>  | <b>77,560</b>         | <b>83,931</b>        |
| Operating property, net  | 170,259               | 186,889              |
| Land held for sale   | 36,580                | 42,588               |
| Investment and development property, net   | 21,793                | 26,124               |
| Investment in unconsolidated joint ventures and entities   | 5,241                 | 6,169                |
| Investment in Reading International Trust I  | 838                   | 838                  |
| Goodwill   | 19,047                | 21,281               |
| Intangible assets, net   | 10,347                | 11,486               |
| Deferred tax asset, net  | 17,487                | 15,967               |
| Other assets   | 5,271                 | 6,313                |
| <b>Total assets</b>  | <b>\$ 364,423</b>     | <b>\$ 401,586</b>    |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                       |                      |
| <b>Current Liabilities:</b>  |                       |                      |
| Accounts payable and accrued liabilities   | \$ 19,653             | \$ 18,107            |
| Film rent payable  | 5,381                 | 9,328                |
| Notes payable – current  | 16,404                | 38,104               |
| Taxes payable - current  | 5,528                 | 6,003                |
| Deferred current revenue   | 12,290                | 14,239               |
| Other current liabilities  | 8,501                 | 6,969                |
| <b>Total current liabilities</b>   | <b>67,757</b>         | <b>92,750</b>        |
| Notes payable – long-term  | 101,401               | 98,019               |
| Subordinated debt  | 27,913                | 27,913               |
| Noncurrent tax liabilities   | 7,066                 | 10,029               |
| Other liabilities  | 39,108                | 40,577               |
| <b>Total liabilities</b>   | <b>243,245</b>        | <b>269,288</b>       |
| <b>Commitments and contingencies (Note 12)</b>   |                       |                      |
| <b>Stockholders' equity:</b>   |                       |                      |
| Class A non-voting common stock, par value \$0.01, 100,000,000 shares authorized,<br>32,794,718 issued and 21,617,910 outstanding at September 30, 2015 and 32,254,199<br>issued and 21,741,586 outstanding at December 31, 2014 | 229                   | 228                  |
| Class B voting common stock, par value \$0.01, 20,000,000 shares authorized and<br>1,680,590 issued and outstanding at September 30, 2015 and 1,495,490 issued and<br>outstanding at December 31, 2014                           | 17                    | 15                   |
| Nonvoting preferred stock, par value \$0.01, 12,000 shares authorized and no issued<br>or outstanding shares at September 30, 2015 and December 31, 2014   | --                    | --                   |
| Additional paid-in capital   | 142,476               | 140,237              |
| Accumulated deficit  | (12,755)              | (32,251)             |
| Treasury shares  | (13,524)              | (8,582)              |
| Accumulated other comprehensive income   | 364                   | 28,039               |
| <b>Total Reading International, Inc. stockholders' equity</b>  | <b>116,807</b>        | <b>127,686</b>       |
| Noncontrolling interests   | 4,371                 | 4,612                |
| <b>Total stockholders' equity</b>  | <b>121,178</b>        | <b>132,298</b>       |
| <b>Total liabilities and stockholders' equity</b>  | <b>\$ 364,423</b>     | <b>\$ 401,586</b>    |

See accompanying Notes to Consolidated Financial Statements.

**Reading International, Inc.**  
**Condensed Consolidated Statements of Operations**  
(Unaudited; U.S. dollars in thousands, except per share amounts)

|   | Quarter Ended         |                       | Nine Months Ended                    |                       |
|---|-----------------------|-----------------------|--------------------------------------|-----------------------|
|   | September 30,<br>2015 | September 30,<br>2014 | September 30,<br>2015 <sup>(1)</sup> | September 30,<br>2014 |
| <b>Operating revenue</b>  |                       |                       |                                      |                       |
| Cinema  | \$ 54,368             | \$ 60,947             | \$ 180,223                           | \$ 180,225            |
| Real estate   | 3,420                 | 4,084                 | 10,951                               | 12,781                |
| Total operating revenue   | 57,788                | 65,031                | 191,174                              | 193,006               |
| <b>Operating expense</b>  |                       |                       |                                      |                       |
| Cinema  | (44,463)              | (48,292)              | (140,825)                            | (142,016)             |
| Real estate   | (2,570)               | (2,289)               | (7,004)                              | (7,523)               |
| Depreciation and amortization   | (3,501)               | (3,821)               | (10,769)                             | (11,490)              |
| General and administrative  | (4,134)               | (4,456)               | (13,736)                             | (14,723)              |
| Total operating expense   | (54,668)              | (58,858)              | (172,334)                            | (175,752)             |
| <b>Operating income</b>   | 3,120                 | 6,173                 | 18,840                               | 17,254                |
| Interest income   | 485                   | 203                   | 1,007                                | 429                   |
| Interest expense  | (2,379)               | (1,614)               | (7,077)                              | (6,966)               |
| Net gain on sale of assets  | --                    | 25                    | 11,023                               | 25                    |
| Other (expense) income  | (577)                 | 242                   | (667)                                | 1,630                 |
| <b>Income before income tax expense and equity earnings of unconsolidated joint ventures and entities</b> | 649                   | 5,029                 | 23,126                               | 12,372                |
| Equity earnings of unconsolidated joint ventures and entities   | 195                   | 222                   | 915                                  | 833                   |
| <b>Income before income taxes</b>   | 844                   | 5,251                 | 24,041                               | 13,205                |
| Income tax expense  | (517)                 | (1,312)               | (4,605)                              | (4,747)               |
| <b>Net income</b>   | \$ 327                | \$ 3,939              | \$ 19,436                            | \$ 8,458              |
| Net loss attributable to noncontrolling interests   | 54                    | --                    | 60                                   | 23                    |
| <b>Net income attributable to Reading International, Inc. common stockholders</b>                         | \$ 381                | \$ 3,939              | \$ 19,496                            | \$ 8,481              |
| <b>Basic earnings per share attributable to Reading International, Inc. stockholders</b>                  | \$ 0.02               | \$ 0.17               | \$ 0.84                              | \$ 0.36               |
| <b>Diluted earnings per share attributable to Reading International, Inc. stockholders</b>                | \$ 0.02               | \$ 0.17               | \$ 0.83                              | \$ 0.36               |
| Weighted average number of shares outstanding—basic   | 23,287,449            | 23,380,728            | 23,283,405                           | 23,457,050            |
| Weighted average number of shares outstanding—diluted   | 23,482,262            | 23,678,223            | 23,478,218                           | 23,754,545            |

See accompanying Notes to Consolidated Financial Statements.

<sup>(1)</sup> Certain prior period amounts have been reclassified to conform to the current period presentation.

**Reading International, Inc.**  
**Condensed Consolidated Statements of Comprehensive Income**  
(Unaudited; U.S. dollars in thousands)

|   | Quarter Ended         |                       | Nine Months Ended     |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | September 30,<br>2015 | September 30,<br>2014 | September 30,<br>2015 | September 30,<br>2014 |
| Net income  | \$ 327                | \$ 3,939              | \$ 19,436             | \$ 8,458              |
| Foreign currency translation loss                                       | (13,741)              | (14,687)              | (27,769)              | (4,627)               |
| Unrealized loss on available for sale investments                       | (4)                   | (1)                   | (3)                   | (2)                   |
| Amortization of actuarial loss  | 51                    | 215                   | 155                   | 686                   |
| Comprehensive loss  | (13,367)              | (10,534)              | (8,181)               | 4,515                 |
| Net loss attributable to noncontrolling interests                       | 54                    | --                    | 60                    | 23                    |
| Comprehensive income attributable to noncontrolling interests           | (37)                  | (42)                  | (59)                  | (14)                  |
| Comprehensive (loss) income attributable to Reading International, Inc. | \$ (13,350)           | \$ (10,576)           | \$ (8,180)            | \$ 4,524              |

See accompanying Notes to Consolidated Financial Statements.

**Reading International, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
(Unaudited; U.S. dollars in thousands)

|  | Nine Months Ended     |                          |
|--|-----------------------|--------------------------|
|  | September 30,<br>2015 | September<br>30,<br>2014 |
| <b>Operating Activities</b>  |                       |                          |
| Net income   | \$ 19,436             | \$ 8,458                 |
| <i>Adjustments to reconcile net income to net cash provided by operating activities:</i> |                       |                          |
| Equity earnings of unconsolidated joint ventures and entities                            | (915)                 | (833)                    |
| Distributions of earnings from unconsolidated joint ventures and entities                | 901                   | 610                      |
| Gain on sale of property   | (11,023)              | (25)                     |
| Change in net deferred tax assets  | 1,405                 | 2,642                    |
| Depreciation and amortization  | 10,769                | 11,490                   |
| Amortization of actuarial loss   | 155                   | 686                      |
| Amortization of above and below market leases  | 344                   | 215                      |
| Amortization of deferred financing costs   | 706                   | 578                      |
| Amortization of straight-line rent   | (370)                 | 360                      |
| Stock based compensation expense   | 222                   | 86                       |
| <i>Net change in:</i>  |                       |                          |
| Receivables  | 2,492                 | 522                      |
| Prepaid and other assets   | (85)                  | (1,408)                  |
| Accounts payable and accrued expenses  | 2,905                 | (1,597)                  |
| Film rent payable  | (3,608)               | (96)                     |
| Taxes payable  | (314)                 | (5,168)                  |
| Deferred revenue and other liabilities   | (1,653)               | (1,706)                  |
| Net cash provided by operating activities  | 21,367                | 14,814                   |
| <b>Investing Activities</b>  |                       |                          |
| Purchases of and additions to property and equipment                                     | (14,411)              | (8,669)                  |
| Change in restricted cash  | 1,256                 | 27                       |
| Distributions of investment in unconsolidated joint ventures and entities                | --                    | 212                      |
| Proceeds from sale of property   | 21,889                | 5,390                    |
| Net cash provided (used) by investing activities   | 8,734                 | (3,040)                  |
| <b>Financing Activities</b>  |                       |                          |
| Repayment of long-term borrowings  | (7,347)               | (6,627)                  |
| Capitalized borrowing costs  | (191)                 | --                       |
| Repurchase of Class A Nonvoting Common Stock   | (3,109)               | (2,342)                  |
| Proceeds from the exercise of stock options  | 183                   | 975                      |
| Noncontrolling interest contributions  | 17                    | 327                      |
| Noncontrolling interest distributions  | (139)                 | (101)                    |
| Net cash used in financing activities  | (10,586)              | (7,768)                  |
| <b>Impact of exchange rate on cash</b>   | (7,682)               | (1,066)                  |
| <b>Increase in cash and cash equivalents</b>   | 11,833                | 2,940                    |
| <b>Cash and cash equivalents at the beginning of the period</b>                          | 50,248                | 37,696                   |
| <b>Cash and cash equivalents at the end of the period</b>                                | \$ 62,081             | \$ 40,636                |
| <b>Supplemental Disclosures</b>  |                       |                          |
| Interest paid  | \$ 6,582              | \$ 7,357                 |
| Income taxes paid  | 6,665                 | 5,178                    |

See accompanying Notes to Consolidated Financial Statements.

**Note 1 – Basis of Presentation**

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 founded in 1983 as a Delaware corporation and reincorporated in 1999 in Nevada. Our businesses consist primarily of:

- the development, ownership, and operation of multiplex cinemas in the United States, Australia, and New Zealand; and
- the development, ownership, and operation of retail and commercial real estate in Australia, New Zealand, and the United States.

The accompanying unaudited consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim reporting and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X of the Securities and Exchange Commission (“SEC”). As such, they do not include all information and footnotes required by U.S. GAAP for complete financial statements. We believe that we have included all normal recurring adjustments necessary for a fair presentation of the results for the interim period. Operating results for the quarter and nine months ended September 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

Please note that certain prior period amounts have been reclassified to conform to the current period presentation. These financial statements should be read in conjunction with the Company’s 2014 Annual Report on Form 10-K.

**Recently Issued and Recently Adopted Accounting Pronouncements**

Adopted:

On January 1, 2015, the Company adopted changes issued by the Financial Accounting Standards Board (FASB) to reporting discontinued operations and disclosures of disposals of components of an entity. These changes require a disposal of a component to meet a higher threshold in order to be reported as a discontinued operation in an entity’s financial statements. The threshold is defined as a strategic shift that has, or will have, a major effect on an entity’s operations and financial results such as a disposal of a major geographical area or a major line of business. In addition, the following two criteria have been removed from consideration of whether a component meets the requirements for discontinued operations presentation: (i) the operations and cash flows of a disposal component have been or will be eliminated from the ongoing operations of an entity as a result of the disposal transaction, and (ii) an entity will not have any significant continuing involvement in the operations of the disposal component after the disposal transaction. Furthermore, equity method investments now may qualify for discontinued operations presentation. The guidance applies prospectively to new disposals and new classifications of disposal groups as held for sale after the effective date. The adoption of these changes had no material impact on the Consolidated Financial Statements.

Issued:

In September 2015, the FASB issued Accounting Standards Update (“ASU”) 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments*, effective for the Company on January 1, 2016. Under the ASU, an acquirer in a business combination transaction must recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The effect on earnings of changes in depreciation or amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed as of the acquisition date, must be recorded in the reporting period in which the adjustment amounts are determined rather than retrospectively. The ASU also requires that the acquirer present separately on the face of the income statement, or disclose in the notes, the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date.

In April 2015, the FASB issued ASU 2015-03, *Interest- Imputation of Interest (Subtopic 835-03) - Simplifying the Presentation of Debt Issuance Costs* which requires unamortized debt issuance costs to be presented as a reduction of the corresponding debt liability rather than a separate asset. These changes become effective for the Company on January 1, 2016. The adoption of this standard is not expected to have a material impact on the Company’s financial statement disclosures.

In May 2014, the FASB issued a new standard to achieve a consistent application of revenue recognition within the U.S., resulting in a single revenue model to be applied by reporting companies under U.S. GAAP. Under the new model, recognition of revenues occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, the new standard requires that reporting companies disclose the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The new standard becomes effective for the Company on January 1, 2018. Early adoption is permitted but cannot be earlier than January 1, 2017. The new standard is required to be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying it recognized at the date of initial application. We have not yet selected a transition method nor have we determined the impact of the new standard on our consolidated condensed financial statements. While we believe the proposed guidance will not have a material impact on our business because our revenue predominantly comes from movie ticket sales and concession purchases, we plan to complete the analysis to ensure that we are in compliance prior to the effective date.

## Note 2 – Business Segments

Reported below are the operating segments of the Company for which separate financial information is available and for which segment results are evaluated regularly by the Chief Executive Officer. In addition to the cinema exhibition and real estate activities, we have acquired, and continue to hold, raw land in urban and suburban centers in Australia, New Zealand, and the United States, as part of our real estate activities.

The tables below summarize the results of operations for each of our business segments for the quarter and nine months ended September 30, 2015 and 2014, respectively. 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.

| (Dollars in thousands)           | Quarter Ended      |                    | Nine Months Ended  |                    |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                  | September 30, 2015 | September 30, 2014 | September 30, 2015 | September 30, 2014 |
| <b>Revenue:</b>                  |                    |                    |                    |                    |
| Cinema exhibition                | \$ 54,368          | \$ 60,947          | \$ 180,223         | \$ 180,225         |
| Real estate                      | 4,968              | 6,035              | 15,908             | 18,396             |
| Inter-segment elimination        | (1,548)            | (1,951)            | (4,957)            | (5,615)            |
|                                  | <u>\$ 57,788</u>   | <u>\$ 65,031</u>   | <u>\$ 191,174</u>  | <u>\$ 193,006</u>  |
| <b>Segment operating income:</b> |                    |                    |                    |                    |
| Cinema exhibition                | \$ 4,838           | \$ 7,136           | \$ 23,745          | \$ 21,313          |
| Real estate                      | 1,443              | 2,346              | 5,952              | 7,164              |
|                                  | <u>\$ 6,281</u>    | <u>\$ 9,482</u>    | <u>\$ 29,697</u>   | <u>\$ 28,477</u>   |

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

| (Dollars in thousands)  | Quarter Ended      |                    | Nine Months Ended  |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | September 30, 2015 | September 30, 2014 | September 30, 2015 | September 30, 2014 |
| <b>Segment operating income</b>                               | \$ 6,281           | \$ 9,482           | \$ 29,697          | \$ 28,477          |
| Unallocated corporate expense                                 |                    |                    |                    |                    |
| Depreciation and amortization expense                         | (86)               | (92)               | (220)              | (273)              |
| General and administrative expense                            | (3,075)            | (3,217)            | (10,637)           | (10,950)           |
| Interest expense, net   | (1,894)            | (1,411)            | (6,070)            | (6,537)            |
| Equity earnings of unconsolidated joint ventures and entities | 195                | 222                | 915                | 833                |
| Gain on sale of assets  | -                  | 25                 | 11,023             | 25                 |
| Other income (expense)  | (577)              | 242                | (667)              | 1,630              |
| <b>Income before income taxes</b>                             | <u>\$ 844</u>      | <u>\$ 5,251</u>    | <u>\$ 24,041</u>   | <u>\$ 13,205</u>   |



### Note 3 – Operations in Foreign Currency

We have significant assets in Australia and New Zealand. To the extent possible, we conduct our Australian and New Zealand operations (collectively “foreign operations”) on a self-funding basis where we use cash flows generated by foreign operations to pay for the expense of foreign operations. Our Australian and New Zealand assets and liabilities are translated from their functional currencies of Australian dollar (A\$) and New Zealand dollar (NZ\$), respectively to U.S. dollar based on the exchange rate as of September 30, 2015. The carrying value of the assets and liabilities of our foreign operations fluctuates as result of changes in the exchange rates between the functional currencies of the foreign operations and the U.S. dollar. The translation adjustments are accumulated in the Accumulated Other Comprehensive Income in the Consolidated Balance Sheets.

Because we intend to conduct business on a self-funding basis (except for funds used to pay on appropriate share of our domestic 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.

Presented in the table below are the currency exchange rates for Australia and New Zealand as of September 30, 2015, December 31, 2014 and September 30, 2014

|                    | Foreign Currency / USD |                   |                    |
|--------------------|------------------------|-------------------|--------------------|
|                    | September 30, 2015     | December 31, 2014 | September 30, 2014 |
| Australian Dollar  | 0.7020                 | 0.8173            | 0.8737             |
| New Zealand Dollar | 0.6390                 | 0.7796            | 0.7788             |

### Note 4 – Earnings Per Share

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

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

|  | Quarter Ended      |                    | Nine Months Ended  |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | September 30, 2015 | September 30, 2014 | September 30, 2015 | September 30, 2014 |
| (Dollars in thousands, except share data)                  |                    |                    |                    |                    |
| <b>Numerator:</b>  |                    |                    |                    |                    |
| Net income attributable to RDI common stockholders         | \$ 381             | \$ 3,939           | \$ 19,496          | \$ 8,481           |
| <b>Denominator:</b>  |                    |                    |                    |                    |
| Weighted average number of common stock – basic            | 23,287,449         | 23,380,728         | 23,283,405         | 23,457,050         |
| Weighted average dilutive impact of stock-based awards     | 194,813            | 297,495            | 194,813            | 297,495            |
| Weighted average number of common stock – diluted          | 23,482,262         | 23,678,223         | 23,478,218         | 23,754,545         |
| <b>Basic EPS</b> attributable to RDI common stockholders   | \$ 0.02            | \$ 0.17            | \$ 0.84            | \$ 0.36            |
| <b>Diluted EPS</b> attributable to RDI common stockholders | \$ 0.02            | \$ 0.17            | \$ 0.83            | \$ 0.36            |
| Awards excluded from diluted EPS                           | 100,000            | 218,750            | 100,000            | 248,750            |

## Note 5 – Property and Equipment

### Operating Property, net

As of September 30, 2015 and December 31, 2014, property associated with our operating activities is summarized as follows:

| (Dollars in thousands)                                    | September<br>30,<br>2015 | December 31,<br>2014 |
|---|--------------------------|----------------------|
| Land  | \$ 57,365                | \$ 62,024            |
| Building and improvements                                 | 104,050                  | 120,913              |
| Leasehold interests                                       | 45,675                   | 46,813               |
| Fixtures and equipment                                    | 98,249                   | 107,286              |
| Construction-in-progress (including capitalized interest) | 12,188                   | 4,681                |
| Total cost  | 317,527                  | 341,717              |
| Less: accumulated depreciation                            | (147,268)                | (154,828)            |
| Operating property, net                                   | \$ 170,259               | \$ 186,889           |

Depreciation expense for operating property was \$3.3 million and \$10.1 million for the quarter and nine months ended September 30, 2015 and \$3.7 million and \$10.7 million for the quarter and nine months ended September 30, 2014.

#### Operating Property – Taupo, New Zealand

On April 1, 2015, we entered into two definitive purchase and sale agreements to sell our properties at Taupo, New Zealand for a combined sales price of \$2.3 million (NZ\$3.4 million). The first agreement relates to a property with a sales price of \$1.49 million (NZ\$2.2 million) and a book value of \$1.3 million (NZ\$1.8 million), which closed on April 30, 2015 when we received the sales price in full. The other agreement relates to a property with a sales price of \$767,000 (NZ\$1.2 million) and a book value of \$393,000 (NZ\$615,000) with a closing date of March 31, 2016. This property is classified as held for sale as of September 30, 2015. While both transactions were treated as current sales for tax purposes, only the first transaction qualifies as a sale under U.S. GAAP.

#### Operating Property – Moonee Ponds, Australia

On October 15, 2013, we entered into a definitive purchase and sale agreement to sell this property for a sales price of \$17.5 million (A\$ 23.0 million) payable in full upon closing of the transaction on April 16, 2015. In accordance with the requirements under U.S. GAAP, we recognized a profit of \$8.0 million (A\$ 10.3 million) in the second quarter of 2015 upon the receipt of sale proceeds on April 16, 2015.

#### Operating Property – Burwood, Australia

On May 12, 2014, we entered into a contract to sell our undeveloped 50.6 acre parcel in Burwood, Victoria, Australia, to an affiliate of Australand Holdings Limited (now known as Frasers Property Australia) for a purchase price of \$47.0 million (A\$65.0 million).

We received \$5.9 million (A\$6.5 million) on May 23, 2014. The remaining purchase price of \$41.1 million (A\$58.5 million) is due on December 31, 2017. The agreement provides for mandatory pre-payments in the event that any of the land is sold by the buyer, any such prepayment being in an amount equal to the greater of (a) 90% of the net sales price or (b) the balance of the purchase price multiplied by a fraction the numerator of which is the square footage of property being sold by the buyer and the denominator of which is the original square footage of the property being sold to the buyer. The agreement does not provide for the payment of interest on the balance owed.

Our book value in the property is \$36.6 million (A\$52.1 million) and while the transaction was treated as a current sale for tax purposes in 2014, it does not qualify as a sale under U.S. GAAP until the receipt of the payment of the balance of the purchase price due on December 31, 2017 (or earlier depending upon whether any prepayment obligation is triggered). The asset is classified as long-term land held for sale on the Consolidated Balance Sheet as of September 30, 2015.

## Investment and Development Property

As of September 30, 2015 and December 31, 2014, our investment and development property is summarized below:

| (Dollars in thousands)                                    | September 30,<br>2015 | December 31,<br>2014 |
|---|-----------------------|----------------------|
| Land  | \$ 20,329             | \$ 23,833            |
| Construction-in-progress (including capitalized interest) | 1,464                 | 2,291                |
| Investment and development property                       | <u>\$ 21,793</u>      | <u>\$ 26,124</u>     |

## Note 6 – Investments in Unconsolidated Joint Ventures and Entities

Our investments in unconsolidated joint ventures and entities are accounted for under the equity method of accounting, except for Rialto Distribution, which is accounted for as a cost method investment. The table below summarizes our investments in unconsolidated joint ventures and entities as of September 30, 2015 and December 31, 2014:

| (Dollars in thousands) | Interest | September 30,<br>2015 | December 31,<br>2014 |
|------------------------|----------|-----------------------|----------------------|
| Rialto Distribution    | 33.3%    | \$ --                 | \$ --                |
| Rialto Cinemas         | 50.0%    | 1,183                 | 1,564                |
| Mt. Gravatt            | 33.3%    | 4,058                 | 4,605                |
| Total investments      |          | <u>\$ 5,241</u>       | <u>\$ 6,169</u>      |

For the quarter and nine months ended September 30, 2015 and 2014, we recorded our share of equity earnings from our investments in unconsolidated joint ventures and entities as follows:

| (Dollars in thousands) | Quarter Ended         |                       | Nine Months Ended     |                       |
|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                        | September 30,<br>2015 | September 30,<br>2014 | September 30,<br>2015 | September 30,<br>2014 |
| Rialto Distribution    | \$ 93                 | \$ --                 | \$ 115                | \$ 13                 |
| Rialto Cinemas         | (100)                 | 69                    | 35                    | 424                   |
| Mt. Gravatt            | 202                   | 153                   | 765                   | 396                   |
| Total equity earnings  | <u>\$ 195</u>         | <u>\$ 222</u>         | <u>\$ 915</u>         | <u>\$ 833</u>         |

## Note 7 – Goodwill and Intangible Assets

The table below summarizes goodwill by business segment as of September 30, 2015 and December 31, 2014.

| (Dollars in thousands)                  | Cinema           | Real Estate     | Total            |
|---|------------------|-----------------|------------------|
| Goodwill as of December 31, 2014        | \$ 16,057        | \$ 5,224        | \$ 21,281        |
| Foreign currency translation adjustment | (2,234)          | --              | (2,234)          |
| Goodwill at September 30, 2015          | <u>\$ 13,823</u> | <u>\$ 5,224</u> | <u>\$ 19,047</u> |

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. Our next annual evaluation of goodwill and other intangible assets is scheduled for the fourth quarter of 2015. 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. As of September 30, 2015, we were not aware of any events that made us believe potential impairment of goodwill had occurred.

The tables below summarize intangible assets other than goodwill as of September 30, 2015 and December 31, 2014, respectively.

| As of September 31, 2015       |                   |            |                         |           |
|--------------------------------|-------------------|------------|-------------------------|-----------|
| (Dollars in thousands)         | Beneficial Leases | Trade Name | Other Intangible Assets | Total     |
| Gross intangible assets        | \$ 26,738         | \$ 7,254   | \$ 692                  | \$ 34,684 |
| Less: Accumulated amortization | (19,687)          | (4,207)    | (443)                   | (24,337)  |
| Net intangible assets          | \$ 7,051          | \$ 3,047   | \$ 249                  | \$ 10,347 |

| As of December 31, 2014        |                   |            |                         |           |
|--------------------------------|-------------------|------------|-------------------------|-----------|
| (Dollars in thousands)         | Beneficial Leases | Trade Name | Other Intangible Assets | Total     |
| Gross intangible assets        | \$ 24,150         | \$ 7,254   | \$ 423                  | \$ 31,827 |
| Less: Accumulated amortization | (15,989)          | (3,929)    | (423)                   | (20,341)  |
| Net intangible assets          | \$ 8,161          | \$ 3,325   | \$ --                   | \$ 11,486 |

Beneficial leases are amortized over the life of the lease up to 30 years, trade names are amortized based on the accelerated amortization method over its estimated useful life of 45 years, and other intangible assets are amortized over 10 years. The table below summarizes the amortization expense of intangible assets for the quarter and nine months as of September 30, 2014 and September 30, 2015, respectively.

| (Dollars in thousands)               | Quarter Ended      |                    | Nine Months Ended  |                    |
|--------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                      | September 30, 2015 | September 30, 2014 | September 30, 2015 | September 30, 2014 |
| Beneficial lease amortization        | \$ 191             | \$ 187             | \$ 574             | \$ 633             |
| Other amortization                   | 207                | 158                | 649                | 767                |
| Total intangible assets amortization | \$ 398             | \$ 345             | \$ 1,223           | \$ 1,400           |

#### Note 8 – Prepaid and Other Assets

Prepaid and other assets are summarized as follows:

| (Dollars in thousands)                             | September 30, 2015 | December 31, 2014 |
|--|--------------------|-------------------|
| <b>Prepaid and other current assets</b>            |                    |                   |
| Prepaid expenses                                   | \$ 1,311           | \$ 1,166          |
| Prepaid taxes                                      | 688                | 855               |
| Prepaid rent                                       | 905                | 1,033             |
| Deposits   | 369                | 369               |
| Other  | --                 | 3                 |
| Total prepaid and other current assets             | \$ 3,273           | \$ 3,426          |
| <b>Other non-current assets</b>                    |                    |                   |
| Other non-cinema and non-rental real estate assets | \$ 1,134           | \$ 1,134          |
| Long-term deposits                                 | 69                 | 97                |
| Deferred financing costs, net                      | 1,967              | 2,515             |
| Straight-line rent                                 | 2,044              | 2,547             |
| Other  | 57                 | 20                |
| Total non-current assets                           | \$ 5,271           | \$ 6,313          |

#### Note 9 – Income Tax

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

| (Dollars in thousands)                                    | Quarter Ended         |                       | Nine Months Ended     |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | September 30,<br>2015 | September 30,<br>2014 | September 30,<br>2015 | September 30,<br>2014 |
| Expected tax provision                                    | \$ 315                | \$ 1,838              | \$ 8,436              | \$ 4,630              |
| <i>Increase (decrease) in tax expense resulting from:</i> |                       |                       |                       |                       |
| Change in valuation allowance, other                      | 810                   | (1,611)               | 38                    | (4,019)               |
| Foreign tax provision                                     | 42                    | 770                   | 117                   | 3,450                 |
| Foreign withholding tax provision                         | 156                   | 146                   | 492                   | 435                   |
| Reversal of tax expense on undistributed foreign earnings | --                    | --                    | (3,394)               | --                    |
| Tax effect of foreign tax rates on current income         | (741)                 | (227)                 | (1,035)               | (611)                 |
| State and local tax provision                             | (81)                  | 2                     | 265                   | 257                   |
| Tax litigation settlement                                 | 180                   | 394                   | 540                   | 605                   |
| Tax litigation settlement adjustment                      | (164)                 | --                    | (854)                 | --                    |
| Actual tax provision                                      | \$ 517                | \$ 1,312              | \$ 4,605              | \$ 4,747              |

Pursuant to ASC 740-10, *Income Taxes*, a provision should be made for the tax effect of earnings of foreign subsidiaries that are not permanently invested outside the United States. During the second quarter of 2015, we adjusted our capital allocation strategy to require that earnings available in Australia be reinvested in Australia. The adjustment was primarily supported by increased investment opportunities in Australia. Accordingly, as of June 30, 2015, our intent is that earnings of our Australian subsidiaries are indefinitely invested outside the United States.

We have accrued \$11.5 million in total income tax liabilities as of September 30, 2015, of which \$4.4 million has been classified as Taxes Payable – Current and \$7.1 million has been classified as Taxes Payable – Long-Term. As part of current tax liabilities, we have accrued \$2.7 million in connection with the settlement of the IRS claims against our subsidiary, Craig Corporation, relating to its 1996 tax year. This is an obligation of Craig Corporation, and not of Reading International, Inc. We believe that the \$11.5 million represents an adequate provision for our income tax exposures, including income tax contingencies related to foreign withholding taxes.

## Note 10 – Debt

The Company's borrowings at September 30, 2015 and December 31, 2014, including the impact of interest rate swaps, are summarized below:

| (Dollars in thousands)                 | As of September 30, 2015 |                      |                   |                      |  |
|--|--------------------------|----------------------|-------------------|----------------------|--|
|  | Maturity Date            | Contractual Facility | Balance           | Stated Interest Rate | Effective Interest Rate <sup>(1)</sup> |
| <b>Denominated in USD</b>              |                          |                      |                   |                      |  |
| Trust Preferred Securities (USA)       | April 30, 2027           | \$ 27,913            | \$ 27,913         | 4.30%                | 5.20%                                  |
| Bank of America Credit Facility (USA)  | November 28, 2019        | 55,000               | 29,750            | 2.69%                | 3.65%                                  |
| Bank of America Line of Credit (USA)   | October 31, 2017         | 5,000                | --                | 3.19%                | 3.19%                                  |
| Cinema 1, 2, 3 Term Loan (USA)         | July 1, 2016             | 15,000               | 15,000            | 3.75%                | 3.75%                                  |
| Cinema 1, 2, 3 Line of Credit (USA)    | July 1, 2016             | 6,000                | --                | 3.75%                | 3.69%                                  |
| Minetta & Orpheum Theatres Loan (USA)  | June 1, 2018             | 7,500                | 7,500             | 3.00%                | 3.00%                                  |
| Union Square Line of Credit (USA)      | June 2, 2017             | 8,000                | 8,000             | 3.28%                | 3.28%                                  |
| <b>Denominated in FC<sup>(2)</sup></b> |                          |                      |                   |                      |  |
| NAB Corporate Term Loan (AU)           | June 30, 2019            | 39,663               | 39,663            | 4.45%                | 7.85%                                  |
| NAB Corporate Credit Facility (AU)     | June 30, 2019            | 7,020                | --                | 4.45%                | 4.45%                                  |
| Westpac Corporate Credit Facility (NZ) | March 31, 2018           | 31,950               | 17,892            | 4.65%                | 4.65%                                  |
| <b>Total</b>                           |                          |                      | <b>\$ 145,718</b> |                      |  |

<sup>(1)</sup> Effective interest rate includes the impact of interest rate derivatives hedging the interest rate risk associated with Trust Preferred Securities, Bank of America Credit Facility and NAB Corporate Term Loan that were outstanding as of September 30, 2015

<sup>(2)</sup> The contractual facilities and outstanding balances of the FC-denominated borrowings were translated into U.S. dollars based on the applicable exchange rates as of September 30, 2015.

As of December 31, 2014

| (Dollars in thousands)                 | Maturity Date     | Contractual Facility | Balance           | Stated Interest Rate | Effective Interest Rate <sup>(1)</sup> |
|--|-------------------|----------------------|-------------------|----------------------|--|
| Denominated in USD                     |                   |                      |                   |                      |  |
| Trust Preferred Securities (USA)       | April 30, 2027    | \$ 27,913            | \$ 27,913         | 4.23%                | 5.20%                                  |
| Bank of America Credit Facility (USA)  | November 28, 2019 | 55,000               | 29,750            | 2.67%                | 3.65%                                  |
| Bank of America Line of Credit (USA)   | October 31, 2017  | 5,000                | --                | 3.17%                | 3.17%                                  |
| Cinema 1, 2, 3 Term Loan (USA)         | July 1, 2016      | 15,000               | 15,000            | 3.69%                | 3.69%                                  |
| Cinema 1, 2, 3 Line of Credit (USA)    | July 1, 2016      | 6,000                | --                | 3.69%                | 3.69%                                  |
| Minetta & Orpheum Theatres Loan (USA)  | June 1, 2018      | 7,500                | 7,500             | 2.94%                | 2.94%                                  |
| Union Square Theatre Term Loan (USA)   | May 1, 2015       | 7,500                | 6,468             | 5.92%                | 5.92%                                  |
| Denominated in FC <sup>(2)</sup>       |                   |                      |                   |                      |  |
| NAB Corporate Term Loan (AU)           | June 30, 2019     | 47,403               | 47,403            | 5.04%                | 7.85%                                  |
| NAB Corporate Credit Facility (AU)     | June 30, 2019     | 8,173                | 8,173             | 5.04%                | 5.04%                                  |
| Westpac Corporate Credit Facility (NZ) | March 31, 2015    | 21,829               | 21,829            | 5.80%                | 5.80%                                  |
| <b>Total</b>                           |                   |                      | <b>\$ 164,036</b> |                      |  |

<sup>(1)</sup> Effective interest rate includes the impact of interest rate derivatives hedging interest rate risk associated with Trust Preferred Securities, Bank of America Credit Facility and NAB Corporate Term Loan.

<sup>(2)</sup> The contractual facilities and outstanding balances of the FC-denominated borrowings were translated into U.S. dollar based on the applicable exchange rates as of December 31, 2014.

### ***New Zealand Corporate Credit Facility***

On May 21, 2015, we refinanced our existing New Zealand Corporate Credit Facility with a \$32.0 million (NZ\$50.0 million) facility with the same bank (Westpac Bank), bearing an interest rate of 1.75% above Bank Bill Bid Rate ("BBBR") and maturing on March 31, 2018. The facility is broken into two tranches, one a \$22.4 million (NZ\$35.0 million) credit facility and the second tranche for a \$9.6 million (NZ\$15.0 million) facility to be used for construction funding.

### ***US Union Square Non-Revolving Line of Credit***

On June 2, 2015, we replaced our US Union Square Term Loan with an \$8.0 million "non-revolving" line of credit with East West Bank, collateralized by our Union Square property. The line of credit bears an interest rate of 2.95% above the 90-day LIBOR and matures on June 2, 2017, with an option to extend for one additional year.

## Note 11 – Other Liabilities

Other liabilities are summarized as follows:

| (Dollars in thousands)         | September 30, 2015 | December 31, 2014 <sup>(1)</sup> |
|--------------------------------|--------------------|----------------------------------|
| <b>Current liabilities</b>     |                    |                                  |
| Lease liability                | \$ 5,900           | \$ 5,900                         |
| Security deposit payable       | 202                | 202                              |
| Accrued pension                | 1,368              | 855                              |
| Interest rate swap             | 962                | -                                |
| Other                          | 69                 | 12                               |
| Other current liabilities      | \$ 8,501           | \$ 6,969                         |
| <b>Other liabilities</b>       |                    |                                  |
| Straight-line rent liability   | 10,737             | 9,246                            |
| Foreign withholding taxes      | \$ 7,217           | \$ 7,016                         |
| Accrued pension                | 6,362              | 6,740                            |
| Lease make-good provision      | 4,201              | 4,977                            |
| Deferred revenue - real estate | 4,541              | 5,083                            |
| Environmental reserve          | 1,656              | 1,656                            |
| Interest rate swap             | 520                | 2,177                            |
| Acquired leases                | 959                | 1,265                            |
| Other                          | 2,915              | 2,417                            |
| Other liabilities              | \$ 39,108          | \$ 40,577                        |

<sup>(1)</sup> Certain prior period amounts have been reclassified to conform to the current period presentation

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 \$10.3 million discounted at a rate of 4.25% over a 15- year term, resulting in a monthly payment of \$56,944 payable to the estate of Jim Cotter Sr.. The discounted value of \$2.8 million (which is the difference between the estimated payout of \$10.3 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 \$7.7 million at September 30, 2015. The benefits of our pension plans are fully vested and therefore no service costs were recognized for the quarter and nine months ended September 30, 2015 and 2014. Our pension plans are unfunded. During the current quarter and nine month period ended September 30, 2015, interest cost totaled \$45,007 and \$135,020, respectively and amortized actuarial loss totaled \$51,000 and \$155,000, respectively. During the prior-year quarter and nine-month ended September 30, 2014, interest cost totaled \$52,000 and \$209,000, respectively and amortized actuarial loss totaled \$215,000 and \$686,000, respectively.

## Note 12 – Commitments and Contingencies

Total debt of unconsolidated joint ventures and entities was \$639,000 (NZ\$1.0 million) and \$592,000 (NZ\$ 760,000 ) as of September 30, 2015 and December 31, 2014, respectively. Our share of unconsolidated debt, based on our ownership percentage, was \$213,000 and \$197,000 as of September 30, 2015 and December 31, 2014, respectively. This debt is guaranteed by one of our subsidiaries to the extent of our ownership percentage.

## Note 13 – Non-controlling Interests

These are composed of the following enterprises:

- Australia Country Cinemas Pty Ltd. -- 25% noncontrolling interest owned by Panorama Cinemas for the 21st Century Pty Ltd.;
- Shadow View Land and Farming, LLC -- 50% noncontrolling membership interest owned by the estate of Mr. James J. Cotter, Sr.; and
- Sutton Hill Properties, LLC -- 25% noncontrolling interest owned by Sutton Hill Capital, LLC.

The components of noncontrolling interests are as follows:

| (Dollars in thousands)                                | September 30,<br>2015 | December 31,<br>2014 |
|---|-----------------------|----------------------|
| Australian Country Cinemas, Pty Ltd                   | \$ 344                | \$ 410               |
| Shadow View Land and Farming, LLC                     | 1,952                 | 2,000                |
| Sutton Hill Properties, LLC                           | 2,075                 | 2,202                |
| Noncontrolling interests in consolidated subsidiaries | <u>\$ 4,371</u>       | <u>\$ 4,612</u>      |

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

| (Dollars in thousands)                                    | Quarter Ended         |                       | Nine Months Ended     |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | September 30,<br>2015 | September 30,<br>2014 | September 30,<br>2015 | September 30,<br>2014 |
| Australian Country Cinemas, Pty Ltd                       | \$ 1                  | \$ 56                 | \$ 131                | \$ 128                |
| Shadow View Land and Farming, LLC                         | (9)                   | (22)                  | (66)                  | (49)                  |
| Sutton Hill Properties, LLC                               | (46)                  | (34)                  | (125)                 | (102)                 |
| Net income (loss) attributable to noncontrolling interest | <u>\$ (54)</u>        | <u>\$ --</u>          | <u>\$ (60)</u>        | <u>\$ (23)</u>        |



## Summary of Controlling and Noncontrolling Stockholders' Equity

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

| (Dollars in thousands)                               | Controlling<br>Stockholders' Equity | Noncontrolling<br>Stockholders' Equity | Total Stockholders'<br>Equity |
|--|-------------------------------------|--|-------------------------------|
| Equity at – January 1, 2015                          | \$ 127,686                          | \$ 4,612                               | \$ 132,298                    |
| Net income (loss)                                    | 19,496                              | (60)                                   | 19,436                        |
| Increase in additional paid in capital               | 2,242                               | --                                     | 2,242                         |
| Treasury stock purchased                             | (4,942)                             | --                                     | (4,942)                       |
| Contributions from noncontrolling stockholders - SHP | --                                  | 17                                     | 17                            |
| Distributions to noncontrolling stockholders         | --                                  | (139)                                  | (139)                         |
| Accumulated other comprehensive loss                 | (27,675)                            | (59)                                   | (27,734)                      |
| Equity at – September 30, 2015                       | <u>\$ 116,807</u>                   | <u>\$ 4,371</u>                        | <u>\$ 121,178</u>             |

| (Dollars in thousands)                               | Controlling<br>Stockholders' Equity | Noncontrolling<br>Stockholders' Equity | Total Stockholders'<br>Equity |
|--|-------------------------------------|--|-------------------------------|
| Equity at – January 1, 2014                          | \$ 117,140                          | \$ 4,607                               | \$ 121,747                    |
| Net income (loss)                                    | 8,481                               | (23)                                   | 8,458                         |
| Increase in additional paid in capital               | 1,062                               | --                                     | 1,062                         |
| Treasury stock purchased                             | (2,342)                             | --                                     | (2,342)                       |
| Contributions from noncontrolling stockholders - SHP | --                                  | 327                                    | 327                           |
| Distributions to noncontrolling stockholders         | --                                  | (101)                                  | (101)                         |
| Accumulated other comprehensive loss                 | (3,957)                             | (14)                                   | (3,971)                       |
| Equity at – September 30, 2014                       | <u>\$ 120,385</u>                   | <u>\$ 4,796</u>                        | <u>\$ 125,180</u>             |

### **Note 14 – Equity and Stock-Based Compensation**

#### ***Stock-Based Compensation***

During the first quarter of 2015 and 2014, we issued 160,643 and 125,209 shares, respectively, of Class A Nonvoting Common Stock to an executive employee associated with the vesting of his prior years' stock grants. No such grants were made during the second and third quarters of 2015 and 2014.

#### ***Employee/Director Stock Option Plan***

The Company may grant stock options and other share-based payment awards ("Awards") of our Class A Nonvoting Common Stock to eligible employees, directors, and consultants under the 2010 Stock Incentive Plan. The aggregate total number of shares of the Class A Nonvoting Common Stock authorized for issuance under our 2010 Stock Incentive Plan is 1,250,000. As of September 30, 2015, we had 663,800 shares remaining for future issuances.

#### **Number of securities remaining available for future issuance under equity compensation plans**

Stock options are generally granted at exercise prices equal to the grant-date market prices and expire no later than ten years from the grant date. In recent periods, we have typically limited the exercise period of granted options to five years. At the discretion of our Compensation and Stock Options Committee, the vesting period of stock options ranges from zero to four years.

We estimate the grant-date fair value of our 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.

For the nine months ended September 30, 2015 and 2014, respectively, the weighted average assumptions used in the option-valuation model were as follows:

|                               | 2015     | 2014    |
|-------------------------------|----------|---------|
| Stock option exercise price   | \$ 13.30 | \$ 7.40 |
| Risk-free interest rate       | 2.23%    | 2.88%   |
| Expected dividend yield       | --       | --      |
| Expected option life in years | 4        | 10      |
| Expected volatility           | 31.86%   | 30.65%  |
| Weighted average fair value   | \$ 3.82  | \$ 2.46 |

We recorded compensation expense of \$75,428 and \$208,831 for the quarter and nine months ended September 30, 2015, respectively, and \$34,000 and \$102,000 for the same periods ended September 30, 2014, respectively. At September 30, 2015, the total unrecognized estimated compensation cost related to non-vested stock options was \$653,626, which we expect to recognize over a weighted average vesting period of 1.86 years. 336,100 options were exercised during the nine months ended September 30, 2015 having an intrinsic value of \$1.7 million, for which we received \$2.7 million of cash and other consideration. The intrinsic, unrealized value of all options outstanding, vested and expected to vest, at September 30, 2015 was \$2.3 million, of which 58.3% are currently exercisable.

The following table summarizes the information of options outstanding and exercisable as of September 30, 2015 and December 31, 2014:

| (Shares in thousands)               | Options Outstanding |         |                                 |          |  | Exercisable Options |                      |                                 |          |  |
|-------------------------------------|---------------------|---------|---------------------------------|----------|--|---------------------|----------------------|---------------------------------|----------|--|
|                                     | Number of Options   |         | Weighted Average Exercise Price |          | Weighted Average Remaining Years of Contractual Life | Number of Options   |                      | Weighted Average Exercise Price |          | Weighted Average Remaining Years of Contractual Life |
|                                     | Class A             | Class B | Class A                         | Class B  |  | Class A             | Class B              | Class A                         | Class B  | Class A & B  |
| <b>Balance - December 31, 2014</b>  | 568                 | 185     | \$ 6.88                         | \$ 9.90  | 2.44   | 348                 | 185                  | \$ 6.82                         | \$ 9.90  | 3.11   |
| Granted                             | 12                  | --      | 12.34                           | --       |  | 13                  | --                   | --                              | --       |  |
| Exercised                           | (48)                | --      | 6.87                            | --       |  | (47)                | --                   | --                              | --       |  |
| <b>Balance - March 31, 2015</b>     | 532                 | 185     | \$ 7.01                         | \$ 9.90  | 3.05   | 314                 | 185                  | \$ 7.02                         | \$ 9.90  | 2.64   |
| Granted                             | 100                 | --      | 13.42                           | --       |  | 31                  | --                   | --                              | --       |  |
| Exercised                           | (90)                | (85)    | 5.29                            | 9.51     |  | (89)                | (85)                 | --                              | --       |  |
| Forfeited                           | (4)                 | --      | 6.23                            | --       |  | (3)                 | --                   | --                              | --       |  |
| <b>Balance - June 30, 2015</b>      | 538                 | 100     | \$ 8.49                         | \$ 10.24 | 3.23   | 253                 | 100                  | \$ 7.56                         | \$ 10.24 | 2.41   |
| Granted                             | -                   | -       | -                               | -        |  | 13                  | -                    | -                               | -        |  |
| Exercised                           | (10)                | (100)   | 8.35                            | 10.24    |  | (10)                | (100) <sup>(1)</sup> | -                               | -        |  |
| Forfeited                           | (4)                 | --      | 6.23                            | --       |  | (2)                 | --                   | --                              | --       |  |
| <b>Balance - September 30, 2015</b> | 524                 | --      | \$ 8.51                         | -        | 3.28   | 254                 | --                   | \$ 7.46                         | \$ --    | 2.65   |

<sup>(1)</sup> The 100,000 Class B common stock options were exercised by a trust owned by the beneficial owners of the Company.

### Common Stock Buyback

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 Reading's Common Stock. This approved stock repurchase plan supersedes and effectively cancels the program that was approved by the board on May 14, 2004, which allowed management to purchase up to 350,000 shares of Reading's Common Stock.

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

Under this approved buyback program, the Company has repurchased \$7.2 million worth of common stock at an average price of \$12.92 per share. This leaves \$2.8 million available for repurchase as of September 30, 2015.

## Note 15 – Derivative Instruments

We enter into interest rate derivative instruments to hedge the interest rate risk that results from the characteristics of our floating-rate borrowings. Our use of derivative transactions is intended to reduce long-term fluctuations in cash flows caused by market movements. All 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. As of September 30, 2015, we have not designated any of our derivatives as accounting hedges in accordance with ASC 815, *Derivatives and Hedging*. Please refer to our Form 10-K for 2014 for additional information.

The Company's derivative positions measured at fair value are summarized in the following tables:

| As of September 30, 2015 |            |                |              |                           |                             |
|--------------------------|------------|----------------|--------------|---------------------------|-----------------------------|
| (Dollars in thousands)   | Notional   | Current Assets | Other Assets | Other Current Liabilities | Other Long-Term Liabilities |
| Interest rate swap       | \$ 93,646  | \$ -           | \$ -         | \$ 962                    | \$ 520                      |
| Interest rate cap        | 7,500      | -              | 4            | -                         | -                           |
| Total                    | \$ 101,146 | \$ -           | \$ 4         | \$ 962                    | \$ 520                      |

| As of December 31, 2014 |            |                |              |                           |                             |
|-------------------------|------------|----------------|--------------|---------------------------|-----------------------------|
| (Dollars in thousands)  | Notional   | Current Assets | Other Assets | Other Current Liabilities | Other Long-Term Liabilities |
| Interest rate swap      | \$ 105,360 | \$ -           | \$ -         | \$ -                      | \$ 2,153                    |
| Interest rate cap       | 7,500      | -              | -            | -                         | 24                          |
| Total                   | \$ 112,860 | \$ -           | \$ -         | \$ -                      | \$ 2,177                    |

The following table summarizes the unrealized gains or losses due to changes in fair value of the derivatives that are recorded in interest expense in the Consolidated Statement of Operations, for the quarter and nine months ended September 30, 2015 and September 30, 2014.

| (Dollars in thousands)                            | Quarter Ended      |                    | Nine Months Ended  |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | September 30, 2015 | September 30, 2014 | September 30, 2015 | September 30, 2014 |
| Net unrealized gains on interest rate derivatives | \$ 239             | \$ 958             | \$ 698             | \$ 1,028           |

## Note 16 – Fair Value Measurements

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

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

The following tables summarize our financial assets and financial liabilities carried and measured at fair value on a recurring basis as of September 30, 2015 and December 31, 2014, by level within the fair value hierarchy.

| Fair Value Measurement at September 30, 2015 |         |            |         |            |
|--|---------|------------|---------|------------|
| (Dollars in thousands)                       | Level 1 | Level 2    | Level 3 | Total      |
| <b>Assets</b>                                |         |            |         |            |
| Investments                                  | \$ 43   | \$ -       | \$ -    | \$ 43      |
| Derivatives                                  | -       | 4          | -       | 4          |
| <b>Liabilities</b>                           |         |            |         |            |
| Derivatives                                  | -       | (1,482)    | -       | (1,482)    |
| Total recorded at fair value                 | \$ 43   | \$ (1,478) | \$ -    | \$ (1,435) |

| Fair Value Measurement at December 31, 2014 |         |            |         |            |
|---|---------|------------|---------|------------|
| (Dollars in thousands)                      | Level 1 | Level 2    | Level 3 | Total      |
| <b>Assets</b>                               |         |            |         |            |
| Investments                                 | \$ 54   | \$ -       | \$ -    | \$ 54      |
| Derivatives                                 | -       | -          | -       | -          |
| <b>Liabilities</b>                          |         |            |         |            |
| Derivatives                                 | -       | (2,177)    | -       | (2,177)    |
| Total recorded at fair value                | \$ 54   | \$ (2,177) | \$ -    | \$ (2,123) |

The following tables summarize our financial liabilities that are carried at cost and measured at fair value on a recurring basis as of September 30, 2015 and December 31, 2014, by level within the fair value hierarchy.

| Fair Value Measurement at September 30, 2015 |                |         |         |            |            |
|--|----------------|---------|---------|------------|------------|
| (Dollars in thousands)                       | Carrying Value | Level 1 | Level 2 | Level 3    | Total      |
| Notes payable                                | \$ 117,805     | \$ -    | \$ -    | \$ 116,740 | \$ 116,740 |
| Subordinated debt                            | 27,913         | -       | -       | 13,166     | 13,166     |
|  | \$ 145,718     | \$ -    | \$ -    | \$ 129,906 | \$ 129,906 |

| Fair Value Measurement at December 31, 2014 |                |         |         |            |            |
|---|----------------|---------|---------|------------|------------|
| (Dollars in thousands)                      | Carrying Value | Level 1 | Level 2 | Level 3    | Total      |
| Notes payable                               | \$ 136,123     | \$ -    | \$ -    | \$ 116,115 | \$ 116,115 |
| Subordinated debt                           | 27,913         | -       | -       | 10,196     | 10,196     |
|   | \$ 164,036     | \$ -    | \$ -    | \$ 126,311 | \$ 126,311 |

Following is a description of the valuation methodologies used to estimate the fair value of our financial assets and liabilities. There have been no changes in the methodologies used at September 30, 2015 and December 31, 2014.

Level 1 investments in marketable securities primarily consist of investments associated with the ownership of marketable securities in U.S. and New Zealand. These investments are valued based on observable market quotes on the last trading date of the reporting period.

Level 2 derivative financial instruments are valued based on discounted cash flow models that incorporate observable inputs such as interest rates and yield curves from the derivative counterparties. The credit valuation adjustments associated with our non-performance risk and counterparty credit risk are incorporated in the fair value estimates of our derivatives. As of September 30, 2015 and December 31, 2014, we concluded that the credit valuation adjustments were not significant to the overall valuation of our derivatives.

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

The Company's financial instruments also include cash, cash equivalents, receivables and account payable. The carrying values of these financial instruments approximate the fair values. Additionally, there were no transfers of assets and liabilities between levels 1, 2, or 3 during the nine months ended September 30, 2015 and September 30, 2014.

## **Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations**

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 58 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 manage our worldwide cinema exhibition businesses under various different brands:

- in the US, under the following brands: Reading Cinema, Angelika Film Center, Consolidated Theaters, and City Cinemas;
- in Australia, under the Reading Cinema brand; and
- in New Zealand, under the Reading Cinema and Rialto brands.

### **Cinema Activities**

We continue to (i) consider new opportunities to expand our international cinema circuit, (ii) evaluate our existing cinema portfolio to determine ways to maximize profitability through strategic renovations or programming adjustments, and (iii) determine the most efficient ways to dispose of cinemas carrying unacceptable risk profiles on a go-forward basis. To increase attendance and improve our cash flow, our operational strategy has focused on improving the overall experience of the cinema guest through (i) improving our interaction on social and electronic media, (ii) expanding the quality and variety of our food & drink menu, (iii) delivering a premium sight and sound presentation with a filmmaker focus, (iv) offer the most comfortable cinematic presentation, (iv) broaden the scope of our programming to increase attendance and box office, (v) deliver hospitality focused guest service and (vi) engage our guests through design of our cinema spaces. As we renovate and reposition our existing cinemas, we intended where practical to add beer and wine service and, at some locations, cocktail type beverages. We have obtained liquor licenses for both of our Texas locations, for four of our California locations, and for the Ward Theater in Hawaii. The latter is the first liquor license granted to a cinema on the island of Oahu.

### **US cinema activities**

In October 2015, we completed the renovation and re-branding of our former Reading Cinemas at Carmel Mountain Plaza in San Diego, California, which is now an Angelika Film Center & Café. Our efforts included (i) a complete lobby renovation now reflecting the signature sleek design of the Angelika brand, (ii) the installation of luxury electric recliner seating and state-of-the-art digital sound and projection in each auditorium and (iii) the installation of kitchen and bar facilities allowing for a more expanded food and drink menu. Like other Angelikas, this cinema will include (a) diverse quality film and event programming and (b) due to the obtaining of a full liquor license, a menu of craft beers, select wine and mixed drinks and a menu of hand prepared small bite meals.

The lease entered into on April 17, 2014 with an affiliate of Edens (“EDENS”) providing for the development of a new state-of-the art Angelika Film Center at Union Market in Washington DC has been terminated due to cost and feasibility issues. However, EDENS and the Company remain committed to the development of a state-of-the art Angelika Film Center as a part of Union Market, and are currently in lease negotiations with respect to an alternative site within the Union Market area.

Reflecting our dedication to providing our guests a premium presentation, the Company entered into its first license agreement with IMAX. The Company is in the process of converting one of its auditoriums at the cinema at the Valley Plaza Mall in Bakersfield, California to an IMAX presentation.

Currently, the Company offers beer, wine and/or cocktails at five of its US cinemas and has the license to begin selling beer, wine and mixed drinks at four other theaters in the US.

We completed an agreement with the property owners of the Reading Cinemas in the Gaslamp district of San Diego, California which allows us to surrender that lease on or after January 15, 2016 and pay an early termination fee to the landlord of \$1.0 million. This cinema was part of a group of cinemas acquired from Pacific Theaters in 2008 and, though we received a credit against the purchase price at the time of the acquisition, it has been unprofitable since the acquisition.

### **Australia cinema activities**

In September 2015, we completed a renovation of our 14 screen Reading Cinemas at Harbour Town Shopping Center on the Gold Coast in Queensland, Australia, which is the largest theater by screen count on the Gold Coast and is a key asset within the Group having entertained more than ten million customers over the past fifteen years. The highlight of this renovation was the inclusion of our premium large format auditorium, TITAN XC (Extreme Cinema), which features a 66-foot wide ‘wall-to-wall’ screen and Dolby Atmos, a fully immersive sound system. The renovation also included finish upgrades in the cinema’s affordable luxury ‘dine-in’ cinema combining a fully licensed lounge bar and full food menu.

During the third quarter of 2015, we have continued the Company wide initiative to work our assets harder with a view to driving higher customer volumes and a flow through to improved bottom line yields. August and September are typically our softest trading months of the year although, during the quarter, we achieved a 4.9% uplift in our per screen customer numbers over prior year.

Innovative value pricing, improved food and beverage offerings and proactive social media engagement with our customers was a primary focus and to that end social media has been a powerful tool for connecting with and marketing to customers in real time. Our consolidated Facebook data base ‘likes’ across 20 individual cinema business unit Facebook pages numbers 240,500 people who engage with us on a regular basis.

We have continued to focus upon our company wide customer service training program with a view to improving staff productivity, the quality of customer interactions and ultimately underpinning an improvement to our per capita transaction spend. Refining and remixing our food and beverage offer has been an ongoing initiative with a view to minimizing our cost of sales and improving the inventory blend of our over the counter customer offer.

### **New Zealand cinema activities**

In New Zealand, in the fourth quarter of 2015, we are scheduled to open a new state-of-the-art eight screen Reading Cinemas at the Lynn Mall in Auckland, which is operated by Kiwi Property. This new theater will feature a TITAN XC auditorium screen and two luxury dine- in auditoriums. Our two “Gold Lounge Cinemas” will feature electric recliner seating, a fully licensed lounge bar and full food menu, while charging our guests an affordable ticket price.

### **Real Estate Activities**

In recent periods we have focused our real estate development activities on (i) the disposal of certain assets (Moonee Ponds and Burwood that, we believe have achieved their full potential land value and Lake Taupo and the Doheny Condominium, which we determined to be non-core assets), (ii) the improvement and expansion of our shopping center assets including (a) an anchor grocery store tenancy and additional general retail for our Courtenay Central development at Wellington, New Zealand, (b) a multiplex cinema and additional general retail for our Newmarket Shopping Center in Brisbane, Australia and (c) additional general retail and restaurant space for our Auburn Shopping Center in Sydney, Australia, (iii) the redevelopment of our Union Square and Cinemas 1, 2, 3 properties in Manhattan and (iv) the procurement of land use entitlements for our landholdings in Coachella, California (202 acres) and Manukau, New Zealand (64 acres). In addition, we are under contract to acquire a parcel adjacent to our Newmarket Shopping Center currently improved with an office building. It is anticipated that this contract will close on November 30, 2015 and that this parcel will ultimately be integrated into our Newmarket Shopping Center.

Our business plan is to continue with the further development of our operating properties, such as our Wellington, New Zealand site, Brisbane, Australia site and Sydney, Australia site, to redevelop our Union Square and Cinemas 1, 2, 3 properties in New York, to continue to pursue the various land use entitlements needed for the development of our landholdings in New Zealand and California, and to seek out additional, profitable real estate development opportunities with an existing or potential entertainment focus, while continuing to use and judiciously expand our presence in the cinema exhibition business by identifying, developing, and acquiring cinema properties when and where we believe to be appropriate.

In the United States, we are continuing to progress the development of our Union Square and Cinemas 1, 2, 3 (“Cinemas”) properties, each located in Manhattan. The market for New York City property has continued to strengthen with comparable sales being reported in the range of \$1,100 per buildable square foot. With respect to our Union Square Property, (i) we have received authorization from the Landmarks Commission to redevelop the property, adding approximately 23,000 square footage of rentable space to the current 46,000 square foot building for a total of approximately 69,000 square feet of rentable space, (ii) entered into a Development Management Agreement with Edifice Real Estate Partners, LLC, to assist in the supervision and administration of the project, (iii) entered into a real estate brokerage agreement with Newmark Grubb Knight Frank to serve as our exclusive marketing agent, and (iv) retained Gensler to assist with space layout and interior design. We filed our application for a variance with the Board of Standards and Approvals and on October 8, 2015, the Manhattan Community Board 5 recommended approval of our variance application. While no assurances can be given, it is our current intention to commence pre-construction in the first quarter of 2016.

With respect to our Cinemas property, we have received the consent of our minority member to the redevelopment of the property. We are evaluating the potential to redevelop the property as a mixed use retail and residential and/or hotel property. We are currently working with the owners of the adjacent property (on the corner of 3<sup>rd</sup> Avenue and 60<sup>th</sup> Street) on a feasibility study (being prepared by Edifice Real Estate Partners, LLC) for the joint development of our properties as a mixed-use property.

In Australia, we received Brisbane City Planning Council approval in June 2015 for the design and construction of an eight-screen cinema complex with 10,000 square feet (950 square meters) of specialty retail to be located below the cinema and additional mezzanine level parking for an estimated total cost of \$24.6 million (A\$35.0 million) in our existing Newmarket (Brisbane, Australia) shopping center. Construction is expected to commence in the second quarter of 2016, with a projected opening in the fourth quarter of 2017. On March 6, 2015, we entered into an unconditional contract to acquire an adjoining property to our Newmarket, Australia site for \$5.2 million (A\$7.25 million) with \$4.6 million (A\$6.53 million) due on November 30, 2015. Under U.S. GAAP, we recorded the deposit of \$600,000 (A\$725,000) along with the relevant taxes paid as assets on our Consolidated Balance Sheet. The remaining balance due is not recorded as liability on our Consolidated Balance Sheet as of September 30, 2015. This property is currently improved with an office building.

In New Zealand, we received town planning approval in May 2015 from the City Council for a \$10.9 million (NZ\$17.0 million) supermarket development project at our Courtenay Central ETRC at Wellington, New Zealand. We are currently reviewing the supermarket design and construction costs and expect to advance negotiations with our lease in November 2015. In addition, we currently intend to add additional general retail within the existing ETRC shell.

Over the past 24 months, we have culled our real estate holdings to focus on those projects where we believe we can bring material value. In this process, we sold our property in Lake Taupo, New Zealand, for \$2.3 million (NZ\$3.4 million) which closes in two tranches with a balance of \$767,000 (NZ\$1.2 million) by the final close of March 31, 2016. We sold our land holdings in Moonee Ponds, Australia on April 15, 2015 for \$17.4 million (A\$22.6 million) and our land holdings in Burwood, Australia, for \$47.0 million (A\$65.0 million) on May 12, 2014 with a balance due of \$41.1 million (A\$58.5 million) that is scheduled to be paid at closing in December 2017. We sold the Doheny Condo for \$3.0 million, which closed on February 25, 2015. These sales were made based on our belief that the assets involved had reached the highest value that we could reasonably achieve without investing substantial additional sums for land use planning, construction, and marketing. We continue to evaluate new investment opportunities in this segment to deploy the net proceeds from these sales.

#### *Financing Activities*

On May 21, 2015, we refinanced our existing New Zealand Corporate Credit Facility with a \$32.0 million (NZ\$50.0 million) facility with the same bank (Westpac Bank), bearing an interest rate of 1.75% above BBBS and maturing on March 31, 2018. The facility is broken into two tranches, one a \$22.4 million (NZ\$ 35.0 million) credit facility and the second tranche for a \$9.6 million (NZ\$15.0 million) facility to be used for construction funding. Both tranches are collateralized by our New Zealand operations.

On June 2, 2015, we replaced our US Union Square Term Loan with an \$8.0 million "non-revolving" line of credit with East West Bank, collateralized by our Union Square property. The line of credit bears an interest rate of 2.95% above the 90-day LIBOR and matures on June 2, 2017, with an option to extend for one additional year.



## RESULTS OF OPERATIONS

The table below summarizes the results of operations for each of our principal business segments along with the non-segment information for the current quarter and current nine-month period ended September 30, 2015 and the prior-year quarter and prior-year nine-month period ended September 30, 2014, respectively:

| (Dollars in thousands)  | Quarter Ended      |                    |                         | Nine Months Ended  |                    |                         |
|---|--------------------|--------------------|-------------------------|--------------------|--------------------|-------------------------|
|   | September 30, 2015 | September 30, 2014 | % Change Better/(Worse) | September 30, 2015 | September 30, 2014 | % Change Better/(Worse) |
| <b>SEGMENT RESULTS</b>  |                    |                    |                         |                    |                    |                         |
| Revenue   |                    |                    |                         |                    |                    |                         |
| Cinema exhibition   | \$ 54,368          | \$ 60,947          | (11) %                  | \$ 180,223         | \$ 180,225         | - %                     |
| Real estate   | 4,968              | 6,035              | (18) %                  | 15,908             | 18,396             | (14) %                  |
| Inter-segment elimination                                     | (1,548)            | (1,951)            | 21 %                    | (4,957)            | (5,615)            | 12 %                    |
| Total revenue   | 57,788             | 65,031             | (11) %                  | 191,174            | 193,006            | (1) %                   |
| Operating expense   |                    |                    |                         |                    |                    |                         |
| Cinema exhibition   | (46,011)           | (50,243)           | 8 %                     | (145,782)          | (147,631)          | 1 %                     |
| Real estate   | (2,570)            | (2,289)            | (12) %                  | (7,004)            | (7,523)            | 7 %                     |
| Inter-segment elimination                                     | 1,548              | 1,951              | (21) %                  | 4,957              | 5,615              | (12) %                  |
| Total operating expense                                       | (47,033)           | (50,581)           | 7 %                     | (147,829)          | (149,539)          | 1 %                     |
| Depreciation and amortization                                 |                    |                    |                         |                    |                    |                         |
| Cinema exhibition   | (2,669)            | (2,765)            | 3 %                     | (8,133)            | (8,378)            | 3 %                     |
| Real estate   | (746)              | (964)              | 23 %                    | (2,416)            | (2,839)            | 15 %                    |
| Total depreciation and amortization                           | (3,415)            | (3,729)            | 8 %                     | (10,549)           | (11,217)           | 6 %                     |
| General and administrative expense                            |                    |                    |                         |                    |                    |                         |
| Cinema exhibition   | (850)              | (803)              | (6) %                   | (2,563)            | (2,903)            | 12 %                    |
| Real estate   | (209)              | (436)              | 52 %                    | (536)              | (870)              | 38 %                    |
| Total general and administrative expense                      | (1,059)            | (1,239)            | 15 %                    | (3,099)            | (3,773)            | 18 %                    |
| Segment operating income                                      |                    |                    |                         |                    |                    |                         |
| Cinema exhibition   | 4,838              | 7,136              | (32) %                  | 23,745             | 21,313             | 11 %                    |
| Real estate   | 1,443              | 2,346              | (38) %                  | 5,952              | 7,164              | (17) %                  |
| <b>Total segment operating income</b>                         | <b>\$ 6,281</b>    | <b>\$ 9,482</b>    | <b>(34) %</b>           | <b>\$ 29,697</b>   | <b>\$ 28,477</b>   | <b>4 %</b>              |
| <b>NON-SEGMENT RESULTS</b>                                    |                    |                    |                         |                    |                    |                         |
| Depreciation and amortization expense                         | (86)               | (92)               | 7 %                     | (220)              | (273)              | 19 %                    |
| General and administrative expense                            | (3,075)            | (3,217)            | 4 %                     | (10,637)           | (10,950)           | 3 %                     |
| Interest expense, net   | (1,894)            | (1,411)            | (34) %                  | (6,070)            | (6,537)            | 7 %                     |
| Equity earnings of unconsolidated joint ventures and entities | 195                | 222                | (12) %                  | 915                | 833                | 10 %                    |
| Gain on sale of assets  | --                 | 25                 | nm %                    | 11,023             | 25                 | > 100 %                 |
| Other income (expense)  | (577)              | 242                | (> 100) %               | (667)              | 1,630              | (> 100) %               |
| Income before income taxes                                    | 844                | 5,251              | (84) %                  | 24,041             | 13,205             | 82 %                    |
| Income tax expense  | (517)              | (1,312)            | 61 %                    | (4,605)            | (4,747)            | 3 %                     |
| Net income  | 327                | 3,939              | (92) %                  | 19,436             | 8,458              | > 100 %                 |
| Net loss attributable to noncontrolling interests             | 54                 | --                 | nm                      | 60                 | 23                 | > 100 %                 |
| Net income attributable to RDI common stockholders            | \$ 381             | \$ 3,939           | (90) %                  | \$ 19,496          | \$ 8,481           | > 100 %                 |
| Basic EPS   | \$ 0.02            | \$ 0.17            | (90) %                  | \$ 0.84            | \$ 0.36            | > 100 %                 |

## **Consolidated Results and Non-Segment Results**

### **Quarter Results**

Revenue for the quarter decreased by 11%, or \$7.2 million, to \$57.8 million, and net income attributable to RDI common stockholders decreased by \$3.6 million to \$381,000 as of September 30, 2015. EPS for the quarter decreased by \$0.15 to \$0.02 from \$0.17 in the prior-year quarter. Of this decrease, approximately \$0.09 resulted from weaker foreign exchange rates against the U.S. dollar and legal and insurance expenses. Operating earnings declined by \$0.06 based on a less favorable operating quarter, while higher interest expenses were offset by lower income tax expense. Refer to the explanation below for more details.

#### ***General and administrative expense***

General and administrative expense for the quarter decreased by 4%, or \$142,000, mainly due to lower payroll expenses and exchange rate movements resulting in lower Australia and New Zealand general and administration expense in U.S. dollars, partially offset by higher director and consulting fees and higher legal expenses. For more information about legal expenses, please refer to Item 1- Legal Proceedings.

#### ***Interest expense, net***

Interest expense, net represents interest expense less interest income. Net interest expense for the quarter increased by 34%, or \$483,000, mainly due to a \$719,000 increase in interest expense from less favorable derivatives revaluations compared to 2014, partially offset by higher interest income.

#### ***Income tax expense***

Income taxes decreased by \$795,000 compared to the prior-year quarter, mainly due to lower results of operations in the current quarter.

### **Nine-Month Results**

Revenue for the nine-month period decreased by 1%, or \$1.8 million, to \$191.2 million and net income attributable to RDI common stockholders increased by 130%, or \$11.0 million, to \$19.5 million. EPS for the nine months ended September 30, 2015 increased to \$0.84 from \$0.36 in the prior-year nine-month period, mainly attributable to gain on sale of assets and to higher earnings from increased attendance in Australia and New Zealand, partially offset by the \$0.11 impact from changing foreign exchange rates.

#### ***General and administrative expense***

General and administrative expense for the nine-month period decreased by 3%, or \$313,000, mainly due to lower payroll expenses and exchange rate movements resulting in lower Australia and New Zealand expense in U.S. dollars, partially offset by higher legal expense. For more information about the legal expense, please refer to Item 1- Legal Proceedings.

#### ***Interest expense, net***

Interest expense, net for the nine-month period decreased by 7%, or \$467,000, mainly due to foreign exchange rate movements which resulted in lower interest expense when converted to U.S. dollars, a lower debt balance and higher interest income, partially offset by unfavorable derivatives revaluation.

#### ***Gain on sale of assets***

Net gain on sale of assets for the nine-month period increased by \$11.0 million, primarily due to the sale of our property at Moonee Ponds site.

#### ***Income tax expense***

Income taxes decreased by \$142,000 compared to the prior-year nine-month period, mainly due to a current-period reversal of prior-year tax expense connected with the prior-year presumption (reversed in the current year) that Australian earnings were not indefinitely reinvested overseas, partially offset by additional tax expense from increased results of operations.

## Business Segment Results

At September 30, 2015, we owned and operated 54 cinemas with 443 screens, had interests in certain unconsolidated joint ventures and entities that own an additional 3 cinemas with 29 screens and managed 1 cinema with 4 screens. During the period, we also (i) owned and operated four Entertainment Themed Retail Centers (“ETRCs”) that we developed in Australia and New Zealand, (ii) owned the fee interests in four developed commercial properties in Manhattan and Chicago improved with live theaters comprising seven stages and ancillary retail and commercial space, (iii) owned the fee interests underlying one of our Manhattan cinemas, (iv) held for development an additional four parcels aggregating approximately 75 acres located principally in urbanized areas of Australia and New Zealand (calculated net of our Lake Taupo and Burwood Properties), and (v) owned 50% of a 202-acre property that is zoned for the development of over 500 single-family residential units in the U.S. In addition, we continue to hold various properties that had been previously used in our historic railroad operations.

The Company transacts business in Australia and New Zealand and is subject to risks associated with changing foreign currency exchange rates. During the current quarter compared to the prior-year quarter, the Australian dollar and New Zealand dollar weakened against the U.S. dollars by 22% and 23%, respectively. During the current nine months ended September 30, 2015 compared to the same period in 2014, the Australian dollar and the New Zealand dollar weakened against the U.S. dollar by 17% and 16%, respectively. Refer to Note 3 – Operations in Foreign Currency for further information.

## Cinema Exhibition

The following tables detail our cinema exhibition segment operating results for the quarter and nine months ended September 30, 2015 and 2014, respectively:

|   |                                    | Quarter Ended         |                       | Nine Months Ended     |                       | % Change<br>Fav / (Unfav) |                      |
|---|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------------------|----------------------|
| (Dollars in thousands)  |                                    | September<br>30, 2015 | September<br>30, 2014 | September 30,<br>2015 | September 30,<br>2014 | Quarter<br>Ended          | Nine Months<br>Ended |
| <b>REVENUE</b>  |                                    |                       |                       |                       |                       |                           |                      |
| <b>United States</b>  | Admissions revenue                 | \$ 19,965             | \$ 20,283             | \$ 62,198             | \$ 61,358             | (2)%                      | 1 %                  |
|   | Concessions revenue                | 8,967                 | 8,851                 | 27,668                | 26,515                | 1 %                       | 4 %                  |
|   | Advertising and other revenue      | 1,981                 | 1,690                 | 5,704                 | 5,021                 | 17 %                      | 14 %                 |
|   |                                    | <u>\$ 30,913</u>      | <u>\$ 30,824</u>      | <u>\$ 95,570</u>      | <u>\$ 92,894</u>      | <u>-%</u>                 | <u>3 %</u>           |
| <b>Australia</b>  | Admissions revenue                 | \$ 11,908             | \$ 15,606             | \$ 43,398             | \$ 46,078             | (24)%                     | (6)%                 |
|   | Concessions revenue                | 5,337                 | 6,657                 | 19,281                | 18,814                | (20)%                     | 2 %                  |
|   | Advertising and other revenue      | 1,278                 | 1,393                 | 4,495                 | 4,617                 | (8)%                      | (3)%                 |
|   |                                    | <u>\$ 18,523</u>      | <u>\$ 23,656</u>      | <u>\$ 67,174</u>      | <u>\$ 69,509</u>      | <u>(22)%</u>              | <u>(3)%</u>          |
| <b>New Zealand</b>  | Admissions revenue                 | \$ 3,303              | \$ 4,348              | \$ 11,806             | \$ 12,043             | (24)%                     | (2)%                 |
|   | Concessions revenue                | 1,374                 | 1,784                 | 4,840                 | 4,850                 | (23)%                     | -%                   |
|   | Advertising and other revenue      | 255                   | 335                   | 833                   | 929                   | (24)%                     | (10)%                |
|   |                                    | <u>\$ 4,932</u>       | <u>\$ 6,467</u>       | <u>\$ 17,479</u>      | <u>\$ 17,822</u>      | <u>(24)%</u>              | <u>(2)%</u>          |
| <b>Total revenue</b>  |                                    | <u>\$ 54,368</u>      | <u>\$ 60,947</u>      | <u>\$ 180,223</u>     | <u>\$ 180,225</u>     | <u>(11)%</u>              | <u>- %</u>           |
| <b>OPERATING EXPENSE</b>  |                                    |                       |                       |                       |                       |                           |                      |
| <b>United States</b>  | Film rent and advertising cost     | \$ (10,424)           | \$ (10,332)           | \$ (32,967)           | \$ (31,828)           | (1)%                      | (4)%                 |
|   | Concession cost                    | (1,569)               | (1,553)               | (4,646)               | (4,625)               | (1)%                      | -%                   |
|   | Occupancy expense                  | (6,759)               | (6,385)               | (20,184)              | (18,651)              | (6)%                      | (8)%                 |
|   | Other operating expense            | (9,161)               | (9,166)               | (26,140)              | (25,654)              | 0 %                       | (2)%                 |
|   |                                    | <u>\$ (27,913)</u>    | <u>\$ (27,436)</u>    | <u>\$ (83,937)</u>    | <u>\$ (80,758)</u>    | <u>(2)%</u>               | <u>(4)%</u>          |
| <b>Australia</b>  | Film rent and advertising cost     | \$ (5,303)            | \$ (7,108)            | \$ (19,950)           | \$ (21,219)           | 25 %                      | 6 %                  |
|   | Concession cost                    | (1,071)               | (1,333)               | (3,829)               | (3,724)               | 20 %                      | (3)%                 |
|   | Occupancy expense                  | (3,398)               | (4,383)               | (11,005)              | (13,034)              | 22 %                      | 16 %                 |
|   | Other operating expense            | (4,425)               | (4,671)               | (13,783)              | (14,608)              | 5 %                       | 6 %                  |
|   |                                    | <u>\$ (14,197)</u>    | <u>\$ (17,495)</u>    | <u>\$ (48,567)</u>    | <u>\$ (52,585)</u>    | <u>19 %</u>               | <u>8 %</u>           |
| <b>New Zealand</b>  | Film rent and advertising cost     | \$ (1,453)            | \$ (2,067)            | \$ (5,388)            | \$ (5,609)            | 30 %                      | 4 %                  |
|   | Concession cost                    | (322)                 | (467)                 | (1,120)               | (1,246)               | 31 %                      | 10 %                 |
|   | Occupancy expense                  | (914)                 | (1,186)               | (3,031)               | (3,298)               | 23 %                      | 8 %                  |
|   | Other operating expense            | (1,212)               | (1,592)               | (3,739)               | (4,135)               | 24 %                      | 10 %                 |
|   |                                    | <u>\$ (3,901)</u>     | <u>\$ (5,312)</u>     | <u>\$ (13,278)</u>    | <u>\$ (14,288)</u>    | <u>27 %</u>               | <u>7 %</u>           |
| <b>Total operating expense</b>  |                                    | <u>\$ (46,011)</u>    | <u>\$ (50,243)</u>    | <u>\$ (145,782)</u>   | <u>\$ (147,631)</u>   | <u>8 %</u>                | <u>1 %</u>           |
| <b>DEPRECIATION, AMORTIZATION, GENERAL AND ADMINISTRATIVE EXPENSE</b> |                                    |                       |                       |                       |                       |                           |                      |
| <b>United States</b>  | Depreciation and amortization      | \$ (1,338)            | \$ (1,218)            | \$ (3,839)            | \$ (3,907)            | (10)%                     | 2 %                  |
|   | General and administrative expense | (659)                 | (565)                 | (2,000)               | (2,111)               | (17)%                     | 5 %                  |
|   |                                    | <u>\$ (1,997)</u>     | <u>\$ (1,783)</u>     | <u>\$ (5,839)</u>     | <u>\$ (6,018)</u>     | <u>(12)%</u>              | <u>3 %</u>           |
| <b>Australia</b>  | Depreciation and amortization      | \$ (1,036)            | \$ (1,179)            | \$ (3,324)            | \$ (3,547)            | 12 %                      | 6 %                  |
|   | General and administrative expense | (226)                 | (231)                 | (581)                 | (756)                 | 2 %                       | 23 %                 |
|   |                                    | <u>\$ (1,262)</u>     | <u>\$ (1,410)</u>     | <u>\$ (3,905)</u>     | <u>\$ (4,303)</u>     | <u>10 %</u>               | <u>9 %</u>           |
| <b>New Zealand</b>  | Depreciation and amortization      | \$ (295)              | \$ (368)              | \$ (970)              | \$ (924)              | 20 %                      | (5)%                 |
|   | General and administrative expense | 35                    | (7)                   | 18                    | (36)                  | nm%                       | nm                   |
|   |                                    | <u>\$ (260)</u>       | <u>\$ (375)</u>       | <u>\$ (952)</u>       | <u>\$ (960)</u>       | <u>31 %</u>               | <u>1 %</u>           |

|  |            |            |             |             |       |      |
|--|------------|------------|-------------|-------------|-------|------|
| Total depreciation, amortization, general and administrative expense | \$ (3,519) | \$ (3,568) | \$ (10,696) | \$ (11,281) | (1)%  | 5 %  |
| <b>OPERATING INCOME - CINEMA</b>                                     |            |            |             |             |       |      |
| United States  | \$ 1,003   | \$ 1,605   | \$ 5,794    | \$ 6,118    | (38)% | (5)% |
| Australia  | 3,064      | 4,751      | 14,702      | 12,621      | (36)% | 16 % |
| New Zealand  | 771        | 780        | 3,249       | 2,574       | (1)%  | 26 % |
| Total Cinema operating income  | \$ 4,838   | \$ 7,136   | \$ 23,745   | \$ 21,313   | (32)% | 11 % |

The table below presents the operating results as a percentage of revenue for the quarter and nine months ended September 30, 2015 and 2014, respectively:

| (Dollars in thousands)   |                                | Quarter Ended      |                    | Nine Months Ended  |                    |
|--------------------------|--------------------------------|--------------------|--------------------|--------------------|--------------------|
|                          |                                | September 30, 2015 | September 30, 2014 | September 30, 2015 | September 30, 2014 |
| <b>REVENUE</b>           |                                |                    |                    |                    |                    |
| United States            | Admissions revenue             | 65%                | 66%                | 65%                | 66%                |
|                          | Concessions revenue            | 29%                | 29%                | 29%                | 29%                |
|                          | Advertising and other revenue  | 6%                 | 5%                 | 6%                 | 5%                 |
|                          |                                | <u>100%</u>        | <u>100%</u>        | <u>100%</u>        | <u>100%</u>        |
| Australia                | Admissions revenue             | 64%                | 66%                | 65%                | 66%                |
|                          | Concessions revenue            | 29%                | 28%                | 29%                | 27%                |
|                          | Advertising and other revenue  | 7%                 | 6%                 | 7%                 | 7%                 |
|                          |                                | <u>100%</u>        | <u>100%</u>        | <u>100%</u>        | <u>100%</u>        |
| New Zealand              | Admissions revenue             | 67%                | 67%                | 68%                | 68%                |
|                          | Concessions revenue            | 28%                | 28%                | 28%                | 27%                |
|                          | Advertising and other revenue  | 5%                 | 5%                 | 5%                 | 5%                 |
|                          |                                | <u>100%</u>        | <u>100%</u>        | <u>100%</u>        | <u>100%</u>        |
| Total revenue            |                                | <u>100%</u>        | <u>100%</u>        | <u>100%</u>        | <u>100%</u>        |
| <b>OPERATING EXPENSE</b> |                                |                    |                    |                    |                    |
| United States            | Film rent and advertising cost | 52%                | 51%                | 53%                | 52%                |
|                          | Concession cost                | 17%                | 18%                | 17%                | 17%                |
|                          | Occupancy expense              | 22%                | 21%                | 21%                | 20%                |
|                          | Other operating expense        | 30%                | 30%                | 27%                | 28%                |
|                          |                                | <u>90%</u>         | <u>89%</u>         | <u>88%</u>         | <u>87%</u>         |
| Australia                | Film rent and advertising cost | 45%                | 46%                | 46%                | 46%                |
|                          | Concession cost                | 20%                | 20%                | 20%                | 20%                |
|                          | Occupancy expense              | 18%                | 19%                | 16%                | 19%                |
|                          | Other operating expense        | 24%                | 20%                | 21%                | 21%                |
|                          |                                | <u>77%</u>         | <u>74%</u>         | <u>72%</u>         | <u>76%</u>         |
| New Zealand              | Film rent and advertising cost | 44%                | 48%                | 46%                | 47%                |
|                          | Concession cost                | 23%                | 26%                | 23%                | 26%                |
|                          | Occupancy expense              | 19%                | 18%                | 17%                | 19%                |
|                          | Other operating expense        | 25%                | 25%                | 21%                | 23%                |
|                          |                                | <u>79%</u>         | <u>82%</u>         | <u>76%</u>         | <u>80%</u>         |
| Total operating expense  |                                | <u>85%</u>         | <u>82%</u>         | <u>81%</u>         | <u>82%</u>         |

**DEPRECIATION, AMORTIZATION, GENERAL AND ADMINISTRATIVE EXPENSE**

|   |                                    |           |            |            |            |
|---|------------------------------------|-----------|------------|------------|------------|
| <b>United States</b>  | Depreciation and amortization      | 4%        | 4%         | 4%         | 4%         |
|   | General and administrative expense | 2%        | 2%         | 2%         | 2%         |
|   |                                    | <b>6%</b> | <b>6%</b>  | <b>6%</b>  | <b>6%</b>  |
| <b>Australia</b>  | Depreciation and amortization      | 6%        | 5%         | 5%         | 5%         |
|   | General and administrative expense | 1%        | 1%         | 1%         | 1%         |
|   |                                    | <b>7%</b> | <b>6%</b>  | <b>6%</b>  | <b>6%</b>  |
| <b>New Zealand</b>  | Depreciation and amortization      | 6%        | 6%         | 6%         | 5%         |
|   | General and administrative expense | -1%       | 0%         | 0%         | 0%         |
|   |                                    | <b>5%</b> | <b>6%</b>  | <b>5%</b>  | <b>5%</b>  |
| <b>Total depreciation, amortization, general and administrative expense</b> |                                    | <b>6%</b> | <b>6%</b>  | <b>6%</b>  | <b>6%</b>  |
| <b>OPERATING INCOME - CINEMA</b>  |                                    |           |            |            |            |
| <b>United States</b>  |                                    | 3%        | 5%         | 6%         | 7%         |
| <b>Australia</b>  |                                    | 17%       | 20%        | 22%        | 18%        |
| <b>New Zealand</b>  |                                    | 16%       | 12%        | 19%        | 14%        |
| <b>Total Cinema operating income</b>  |                                    | <b>9%</b> | <b>12%</b> | <b>13%</b> | <b>12%</b> |

### **Quarterly Results:**

#### **Segment operating income**

Cinema operating income decreased by 32%, or \$2.3 million, to \$4.8 million for the quarter ended September 30, 2015 compared to September 30, 2014, mainly due to 11% lower revenue and 6% higher general and administrative expense, partially offset by 8% lower operating expense. Refer below for further detailed explanation.

#### **Revenue**

Cinema revenue for the quarter decreased by 11%, or \$6.6 million, primarily due to unfavorable impact from foreign exchange rate movements of the Australian dollars and New Zealand dollars to U.S. dollars.

#### **Operating expense**

Operating expenses for the quarter decreased by 8%, or \$4.2 million, primarily driven by foreign exchange rate movements explained above. US Cinema operating expense increased slightly by 2%, or \$477,000, mainly due to higher occupancy expenses from higher performance-driven lease expense. Australia cinema operating expense decreased by 19%, or \$3.3 million, primarily due to foreign exchange rate movements, resulting in lower film rent and advertising cost and lower occupancy cost. In New Zealand, operating expenses decreased by 27%, or \$1.4 million, mainly due to foreign exchange rate movements.

Operating expense as a percentage of gross revenue increased from 82% to 85%, mainly due to higher expense explained previously.

### **Nine Months Results:**

#### **Segment operating income**

Cinema segment operating income increased by 11%, or \$2.4 million, to \$23.7 million for the nine-month period ended September 30, 2015 compared to September 30, 2014, primarily driven by 1% lower operating expense and 12% lower general and administrative expense. Refer below for further detailed explanation

#### **Revenue**

Cinema revenue for the nine-month period was consistent with the same period of 2014, primarily attributable to higher attendances in Australia and New Zealand, offset by the unfavorable impact from the foreign exchange movements. Comparing the nine months period of the current year and prior year, Australia dollars and New Zealand dollars weakened against U.S. dollars by 17% and 16%, respectively.

The nine-month revenue in the United States increased by 3%, or \$2.7 million, primarily driven by a higher average admission price. Australia cinema revenue decreased by 3%, or \$2.3 million, primarily due to higher admission revenue and higher concession revenue as result of higher attendance partially offset by unfavorable impact from foreign exchange rate movements. In New Zealand, cinema revenue decreased by 2%, or \$343,000, mainly due to unfavorable impact from foreign exchange rate movements, partially offset by higher admission revenue and higher concession revenue as result of higher attendance and the opening of our Dunedin cinema in the last week of June 2014.

***Operating expense***

Operating expense for the nine-month period decreased by 1%, or \$1.8 million, mainly attributable to foreign currency movements. U.S. operating expense increased by 4%, or \$3.2 million, mainly caused by higher occupancy cost. Australia and New Zealand cinema operating expense decreased by 8% and 7%, respectively, primarily due to favorable impact from foreign exchange rate movements.

Operating expense as a percentage of gross revenue improved by 1% to 81%, mainly attributable to the percentage of fixed costs compared to the increases in our revenue streams.

***Depreciation, amortization, general and administrative expense***

Depreciation, amortization, general and administrative expense for the nine-month period decreased by 5%, or \$585,000, primarily driven by lower general and administrative expense. General and administrative expense decreased by 12%, or \$340,000, mainly driven by cost reductions in the U.S. cinema segment and favorable currency effect for expenses in Australia and New Zealand, partially offset by higher payroll expense.

## Real Estate

The following tables detail our real estate segment operating results for the quarter and nine months ended September 30, 2015 and 2014, respectively:

|   |  | Quarter Ended         |                       | Nine Months Ended     |                       | % Change<br>Fav / (Unfav) |                         |
|---|--|-----------------------|-----------------------|-----------------------|-----------------------|---------------------------|-------------------------|
| (Dollars in thousands)  |  | September<br>30, 2015 | September<br>30, 2014 | September<br>30, 2015 | September<br>30, 2014 | Quarter<br>Ended          | Nine<br>Months<br>Ended |
| <b>REVENUE</b>  |  |                       |                       |                       |                       |                           |                         |
| <b>United States</b>  | Live theater rental and ancillary income | \$ 806                | \$ 670                | \$ 2,511              | \$ 2,541              | 20 %                      | (1)%                    |
|   | Property rental income                   | 388                   | 470                   | 1,277                 | 1,321                 | (17)%                     | (3)%                    |
|   |  | <u>1,194</u>          | <u>1,140</u>          | <u>3,788</u>          | <u>3,862</u>          | 5 %                       | (2)%                    |
| <b>Australia</b>  | Property rental income                   | 2,696                 | 3,512                 | 8,427                 | 10,377                | (23)%                     | (19)%                   |
| <b>New Zealand</b>  | Property rental income                   | 1,078                 | 1,383                 | 3,693                 | 4,157                 | (22)%                     | (11)%                   |
| <b>Total revenue</b>  |  | <u>\$ 4,968</u>       | <u>\$ 6,035</u>       | <u>\$ 15,908</u>      | <u>\$18,396</u>       | <b>(18)%</b>              | <b>(14)%</b>            |
| <b>OPERATING EXPENSE</b>  |  |                       |                       |                       |                       |                           |                         |
| <b>United States</b>  | Live theater cost                        | \$ (912)              | \$ (307)              | \$ (1,811)            | \$ (1,204)            | (197)%                    | (50)%                   |
|   | Property cost                            | (33)                  | (43)                  | (124)                 | 37                    | 23 %                      | 435 %                   |
|   | Occupancy expense                        | (265)                 | (235)                 | (758)                 | (730)                 | (13)%                     | (4)%                    |
|   |  | <u>(1,210)</u>        | <u>(585)</u>          | <u>(2,693)</u>        | <u>(1,897)</u>        | <b>(107)%</b>             | <b>(42)%</b>            |
| <b>Australia</b>  | Property cost                            | (466)                 | (500)                 | (1,355)               | (1,737)               | 7 %                       | 22 %                    |
|   | Occupancy expense                        | (404)                 | (563)                 | (1,339)               | (1,982)               | 28 %                      | 32 %                    |
|   |  | <u>(870)</u>          | <u>(1,063)</u>        | <u>(2,694)</u>        | <u>(3,719)</u>        | <b>18 %</b>               | <b>28 %</b>             |
| <b>New Zealand</b>  | Property cost                            | (332)                 | (439)                 | (1,115)               | (1,248)               | 24 %                      | 11 %                    |
|   | Occupancy expense                        | (158)                 | (202)                 | (502)                 | (659)                 | 22 %                      | 24 %                    |
|   |  | <u>(490)</u>          | <u>(641)</u>          | <u>(1,617)</u>        | <u>(1,907)</u>        | <b>24 %</b>               | <b>15 %</b>             |
| <b>Total operating expense</b>  |  | <u>\$ (2,570)</u>     | <u>\$ (2,289)</u>     | <u>\$ (7,004)</u>     | <u>\$ (7,523)</u>     | <b>(12)%</b>              | <b>7 %</b>              |
| <b>DEPRECIATION, AMORTIZATION, GENERAL AND ADMINISTRATIVE EXPENSE</b>       |  |                       |                       |                       |                       |                           |                         |
| <b>United States</b>  | Depreciation and amortization            | \$ (86)               | \$ (81)               | \$ (247)              | \$ (246)              | (6)%                      | -%                      |
|   | General and administrative expense       | (20)                  | (12)                  | 40                    | (34)                  | (67)%                     | 218 %                   |
|   |  | <u>(106)</u>          | <u>(93)</u>           | <u>(207)</u>          | <u>(280)</u>          | <b>(14)%</b>              | <b>26 %</b>             |
| <b>Australia</b>  | Depreciation and amortization            | \$ (447)              | \$ (642)              | \$ (1,458)            | \$ (1,893)            | 30 %                      | 23 %                    |
|   | General and administrative expense       | (178)                 | (409)                 | (534)                 | (794)                 | 56 %                      | 33 %                    |
|   |  | <u>(625)</u>          | <u>(1,051)</u>        | <u>(1,992)</u>        | <u>(2,687)</u>        | <b>41 %</b>               | <b>26 %</b>             |
| <b>New Zealand</b>  | Depreciation and amortization            | (213)                 | (241)                 | (711)                 | (700)                 | 12 %                      | (2)%                    |
|   | General and administrative expense       | (11)                  | (15)                  | (42)                  | (42)                  | 27 %                      | -%                      |
|   |  | <u>(224)</u>          | <u>(256)</u>          | <u>(753)</u>          | <u>(742)</u>          | <b>13 %</b>               | <b>(1)%</b>             |
| <b>Total depreciation, amortization, general and administrative expense</b> |  | <u>\$ (955)</u>       | <u>\$ (1,400)</u>     | <u>\$ (2,952)</u>     | <u>\$ (3,709)</u>     | <b>32 %</b>               | <b>20 %</b>             |
| <b>OPERATING INCOME - REAL ESTATE</b>                                       |  |                       |                       |                       |                       |                           |                         |
| <b>United States</b>  |  | \$ (122)              | \$ 462                | \$ 888                | \$ 1,685              | (126)%                    | (47)%                   |
| <b>Australia</b>  |  | 1,201                 | 1,398                 | 3,741                 | 3,971                 | (14)%                     | (6)%                    |
| <b>New Zealand</b>  |  | 364                   | 486                   | 1,323                 | 1,508                 | (25)%                     | (12)%                   |
| <b>Total real estate operating income</b>                                   |  | <u>\$ 1,443</u>       | <u>\$ 2,346</u>       | <u>\$ 5,952</u>       | <u>\$ 7,164</u>       | <b>(38)%</b>              | <b>(17)%</b>            |

The table below presents the operating results as a percentage of revenue for the quarter and nine months ended September 30, 2015 and 2014, respectively:



|   |   | Quarter Ended         |                       | Nine Months Ended     |                       |
|---|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   |   | September 30,<br>2015 | September 30,<br>2014 | September 30,<br>2015 | September 30,<br>2014 |
| (Dollars in thousands)  |   |                       |                       |                       |                       |
| <b>REVENUE</b>  |   |                       |                       |                       |                       |
| United States   | Live theater rental and ancillary income                                    | 68%                   | 59%                   | 66%                   | 66%                   |
|   | Property rental income  | 32%                   | 41%                   | 34%                   | 34%                   |
|   |   | <b>100%</b>           | <b>100%</b>           | <b>100%</b>           | <b>100%</b>           |
| Australia   | Property rental income  | 100%                  | 100%                  | 100%                  | 100%                  |
| New Zealand   | Property rental income  | 100%                  | 100%                  | 100%                  | 100%                  |
|   | <b>Total revenue</b>  | <b>100%</b>           | <b>100%</b>           | <b>100%</b>           | <b>100%</b>           |
| <b>OPERATING EXPENSE</b>  |   |                       |                       |                       |                       |
| United States   | Live theater cost   | 113%                  | 46%                   | 72%                   | 47%                   |
|   | Property cost   | 9%                    | 9%                    | 10%                   | -3%                   |
|   | Occupancy expense   | 22%                   | 21%                   | 20%                   | 19%                   |
|   |   | <b>101%</b>           | <b>51%</b>            | <b>71%</b>            | <b>49%</b>            |
| Australia   | Property cost   | 17%                   | 14%                   | 16%                   | 17%                   |
|   | Occupancy expense   | 15%                   | 16%                   | 16%                   | 19%                   |
|   |   | <b>32%</b>            | <b>30%</b>            | <b>32%</b>            | <b>36%</b>            |
| New Zealand   | Property cost   | 31%                   | 32%                   | 30%                   | 30%                   |
|   | Occupancy expense   | 15%                   | 15%                   | 14%                   | 16%                   |
|   |   | <b>45%</b>            | <b>46%</b>            | <b>44%</b>            | <b>46%</b>            |
|   | <b>Total operating expense</b>  | <b>52%</b>            | <b>38%</b>            | <b>44%</b>            | <b>41%</b>            |
| <b>DEPRECIATION, AMORTIZATION, GENERAL AND ADMINISTRATIVE EXPENSE</b> |   |                       |                       |                       |                       |
| United States   | Depreciation and amortization   | 7%                    | 7%                    | 7%                    | 6%                    |
|   | General and administrative expense  | 2%                    | 1%                    | -1%                   | 1%                    |
|   |   | <b>9%</b>             | <b>8%</b>             | <b>5%</b>             | <b>7%</b>             |
| Australia   | Depreciation and amortization   | 17%                   | 18%                   | 17%                   | 18%                   |
|   | General and administrative expense  | 7%                    | 12%                   | 6%                    | 8%                    |
|   |   | <b>23%</b>            | <b>30%</b>            | <b>24%</b>            | <b>26%</b>            |
| New Zealand   | Depreciation and amortization   | 20%                   | 17%                   | 19%                   | 17%                   |
|   | General and administrative expense  | 1%                    | 1%                    | 1%                    | 1%                    |
|   |   | <b>21%</b>            | <b>19%</b>            | <b>20%</b>            | <b>18%</b>            |
|   | <b>Total depreciation, amortization, general and administrative expense</b> | <b>19%</b>            | <b>23%</b>            | <b>19%</b>            | <b>20%</b>            |
| <b>OPERATING INCOME - REAL ESTATE</b>                                 |   |                       |                       |                       |                       |
| United States   |   | -10%                  | 41%                   | 23%                   | 44%                   |
| Australia   |   | 45%                   | 40%                   | 44%                   | 38%                   |
| New Zealand   |   | 34%                   | 35%                   | 36%                   | 36%                   |
|   | <b>Total real estate operating income</b>                                   | <b>29%</b>            | <b>39%</b>            | <b>37%</b>            | <b>39%</b>            |

**Quarterly Results:****Segment operating income**

Real estate segment operating income decreased by 38%, or \$903,000 to \$1.4 million for the quarter ended September 30, 2015 compared to September 30, 2014, mainly driven by 18% lower revenue, 12% higher operating expense, partially offset by 23% lower depreciation and amortization and 52% lower general and administrative expense. Refer below for further explanation.

**Revenue**

Real estate revenue for the quarter decreased by 18%, or \$1.1 million, mainly driven by lower property rental income from Australia and New Zealand caused by the weakening Australia dollar and New Zealand dollar compared to U.S. dollar.

**Operating expense**

Operating expense for the quarter increased by 12% or \$281,000, due to \$625,000 higher operating expense from U.S. mainly related to increased legal costs in the live theater business, partially offset by \$344,000 lower costs in Australia and New Zealand due to the foreign currency movements. The legal expenses relate to the costs (litigation and arbitration) associated with the prosecution of certain claims against the licensee of one of our Manhattan live theaters.

**Depreciation, amortization, general and administrative expense**

Depreciation, amortization, general and administrative expense decreased by 32%, or \$445,000, due to lower depreciation and amortization and lower general and administrative expense. Depreciation and amortization expense for the quarter decreased by 23%, or \$218,000, mainly due to foreign exchange rate movements. General and administration expense for the quarter decreased by 52%, or \$227,000, mainly attributable to \$162,000 in higher consulting fees in 2014.

**Nine Months Results:****Segment operating income**

Real estate segment operating income decreased by 17%, or \$1.2 million, to \$6.0 million for the nine-month period ended September 30, 2015 compared to September 30, 2014, primarily attributable to 14% lower revenue, partially offset by 7% lower operating expense, 15% lower depreciation and amortization and 38% lower general and administrative expense. Refer below for further explanation.

**Revenue**

Real estate revenue for the nine-month period decreased by 14%, or \$2.5 million, mainly driven by lower property rental income from Australia and New Zealand caused by the foreign exchange rate movements.

**Operating expense**

Operating expense for the nine-month period decreased by 7%, or \$519,000, mainly attributable to lowering of operating costs after the sale of our Burwood property and the appreciation of the U.S. dollar against New Zealand dollar and the Australian dollar, partially offset by higher legal costs in our live theater business. The legal expenses relate to the costs (litigation and arbitration) associated with the prosecution of certain claims against the licensee of one of our Manhattan live theaters.

**Depreciation, amortization, general and administrative expense**

Depreciation, amortization, general and administrative expense for the nine-month period decreased by 20%, or 757,000, primarily driven by lower depreciation and amortization expense and lower general and administrative expense. Depreciation and amortization expense for the nine-month period decreased by 15%, or \$423,000, mainly due to a number of new site upgrades and the appreciation of the U.S. dollar against the New Zealand dollar and Australian dollar. General and administrative expense for the nine-month period decreased by 38%, or \$334,000, mainly attributable to \$162,000 in higher consulting fees in 2014, in addition to the favorable impact from foreign exchange rate movements.

## BUSINESS PLAN, LIQUIDITY AND CAPITAL RESOURCES

### Business plan

Our cinema exhibition business plan is to continue to identify, develop, and acquire cinema properties, where reasonably available, that allow us to leverage our cinema expertise and technology over a larger operating base.

Our real estate business plan is to begin development of our existing land assets, to be sensitive to opportunities to convert our entertainment assets to higher and better uses, or, when appropriate, to dispose of such assets.

In addition, we review opportunities to monetize our assets where such action could lead to a financially acceptable outcome. We will also continue to investigate potential synergistic acquisitions that may not readily fall into either of our two cinema or real estate segments.

### Liquidity and capital resources

Liquidity risk is the risk relating to our ability to meet our financial obligations when they come due. In today's environment, 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 and/or to convert non-performing or non-strategic assets into cash.

The change in cash and cash equivalents is as follows.

| (Dollars in thousands)                           | Nine Months Ended  |                    | % Change |
|--|--------------------|--------------------|----------|
|  | September 30, 2015 | September 30, 2014 |          |
| Net cash provided by operating activities        | \$ 21,367          | \$ 14,814          | 44 %     |
| Net cash provided (used) by investing activities | 8,734              | (3,040)            | 387 %    |
| Net cash used in financing activities            | (10,586)           | (7,768)            | (36) %   |
| Impact of exchange rate on cash                  | (7,682)            | (1,066)            | (621) %  |
| Increase in cash and cash equivalents            | \$ 11,833          | \$ 2,940           | 302 %    |

### Operating activities

Cash provided by operating activities during the current nine-month period increased by 44%, or \$6.6 million, to \$21.4 million, primarily driven by an increase of \$9.2 million in changes in operating assets and liabilities, partially offset by a \$2.6 million decrease in operational cash flows.

### Investing activities

Cash provided by investing activities during the current nine-month period increased by \$11.8 million, to \$8.7 million, primarily generated by \$21.9 million of proceeds from the sale of our properties and \$1.3 million change in restricted cash, partially offset by \$14.4 million used for property enhancements to our existing properties.

### Financing Activities

The \$10.6 million cash used in the financing activities during the current nine-month period was primarily related to \$7.3 million loan repayments and \$3.1 million used to repurchase Class A non-voting stock.

The \$7.7 million of cash used in financing activities during the prior-year nine-month period was primarily attributable to \$6.6 million loan repayments and \$2.3 million used to repurchase Class A non-voting stock, partially offset by \$975,000 proceeds from the exercise of stock options.

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.

At September 30, 2015, our consolidated cash and cash equivalents totaled \$62.1 million. Of this amount, \$46.8 million and \$9.3 million was held by our Australia and New Zealand subsidiaries, respectively. Our intention is to indefinitely reinvest Australia earnings but not indefinitely reinvest New Zealand earnings. If these earnings were used to fund domestic operations, they would be subject to additional income taxes upon repatriation.

We have historically funded our working capital requirements, capital expenditures, investments in the acquisition of individual properties primarily from internally generated cash flows. The Company had \$41.7 million unused capacity of available corporate credit facilities at September 30, 2015. In addition, we have \$6.0 million and \$9.6 million unused capacity for Cinema 1,2,3 and construction funding for New Zealand, respectively.

We expect to refinance the \$15.0 million Cinema 1,2,3 Term Loan (USA) prior to the maturity date of July 1, 2016.

## 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 September 30, 2015:

| (Dollars in thousands)                    | 2015      | 2016      | 2017      | 2018      | 2019      | Thereafter | Total      |
|---|-----------|-----------|-----------|-----------|-----------|------------|------------|
| Notes payable                             | \$ 351    | \$ 16,404 | \$ 9,404  | \$ 26,796 | \$ 64,850 | \$ --      | \$ 117,805 |
| Subordinated debt                         | --        | --        | --        | --        | --        | 27,913     | 27,913     |
| Tax settlement liability                  | 364       | --        | --        | --        | --        | --         | 364        |
| Pension liability                         | 855       | 684       | 684       | 684       | 684       | 4,139      | 7,730      |
| Lease obligations                         | 7,717     | 28,289    | 25,892    | 19,733    | 17,416    | 71,470     | 170,517    |
| Estimated interest on debt <sup>(1)</sup> | 1,479     | 5,562     | 5,062     | 4,053     | 2,766     | 8,919      | 27,842     |
| Total                                     | \$ 10,766 | \$ 50,939 | \$ 41,042 | \$ 51,266 | \$ 85,716 | \$ 112,441 | \$ 352,171 |

<sup>(1)</sup> Estimated interest on debt is based on the anticipated loan balances for future periods and current applicable interest rates.

### Unconsolidated debt

Total debt of unconsolidated joint ventures and entities was \$678,000 (NZ\$1.0 million) and \$592,000 (NZ\$760,000) as of September 30, 2015 and December 31, 2014, respectively. Our share of unconsolidated debt, based on our ownership percentage, was \$226,000 and \$197,000 as of September 30, 2015 and December 31, 2014, respectively. This debt is guaranteed by one of our subsidiaries to the extent of our ownership percentage.

### Off balance sheet arrangements

On March 6, 2015, we entered into an unconditional contract to acquire an adjoining property to our Newmarket, Australia site for \$5.3 million (A\$7.5 million), with \$4.7 million (A\$6.75 million) due on November 30, 2015. Under U.S. GAAP, we recorded the deposit of \$600,000 (A\$750,000) along with the relevant taxes paid as assets on our Consolidated Balance Sheet. The remaining balance due is not recorded as liability on our Consolidated Balance Sheet as of September 30, 2015.

### 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.

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 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 Item 1 – Legal Proceedings in Part II – Other Information in this report and our 2014 Annual Report for more information. There have been no material changes to our litigation exposure since our 2014 Annual Report, except as set forth in Item 1 – Legal Proceedings.

## **CRITICAL ACCOUNTING POLICIES**

The SEC defines critical accounting policies as those that are, in management's view, most important to the portrayal of the company's financial condition and results of operations and the most demanding in their calls on judgment. We believe our most critical accounting policies relate to:

- impairment of long-lived assets, including goodwill and intangible assets,
- tax valuation allowance and obligations, and
- legal and environmental obligations.

We discuss these critical accounting policies in our 2014 Annual Report and advise you to refer to that discussion.

Refer to Note 1 – Basis of Presentation for more information regarding new and recently adopted accounting pronouncements.

## **FINANCIAL RISK MANAGEMENT**

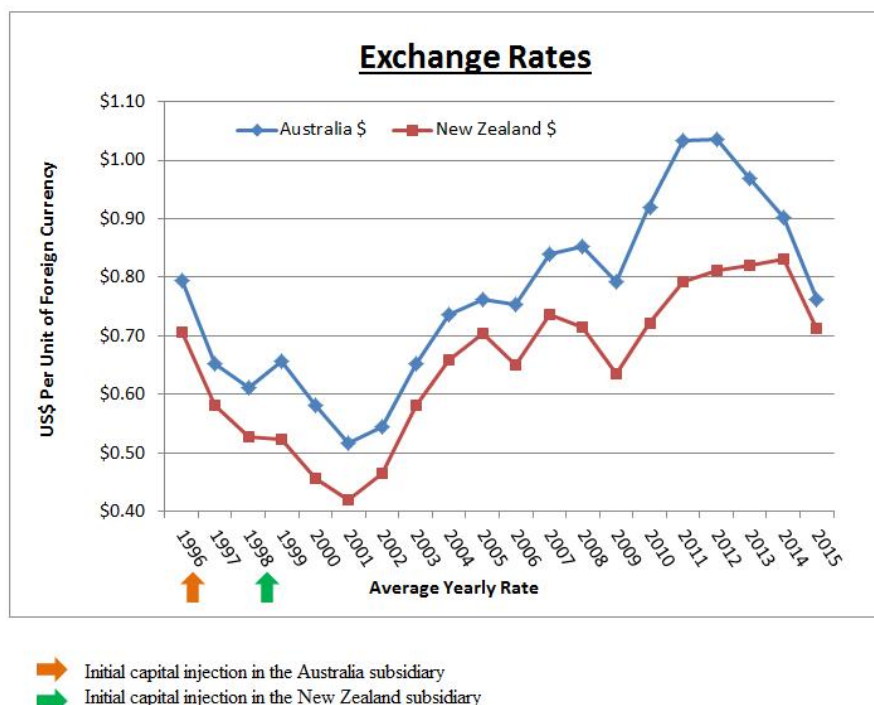
### **Currency and interest rate risk**

The 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 on appropriate share of our domestic corporate overhead), we do not believe the currency fluctuations presents 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 U.S. operations are funded in part by the operational results of Australia and New Zealand, fluctuations in these foreign currencies affect such funding. As we continue to progress with our acquisition and development activities in Australia and New Zealand, the effect of variations in currency values will likely increase.

Set forth below is a chart reflecting the currency trends for the Australian and New Zealand Dollars vis-à-vis the U.S. Dollars over the past 20 years.



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 the Company's policy to enter into interest rate derivative transactions only to the extent considered necessary to meet its objectives as stated above. The 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.

## FORWARD LOOKING STATEMENTS

Our statements in this interim quarterly report 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 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 DVD rentals and sales, and online streaming; 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;
  - 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; 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.
- 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 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;
  - 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;
  - 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 subject to influence by numerous factors outside of our control, such as changes in government regulation or policy, competition, interest rates, supply, technological innovation, changes in consumer taste and fancy, weather, and the extent to which consumers in our markets have the economic wherewithal to spend money on beyond-the-home entertainment.

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 interim quarterly report may contain “non-GAAP financial measures.” In such case, a reconciliation of this information to our GAAP financial statements will be made available in connection with such statements.

### **Item 3 – Quantitative and Qualitative Disclosure about Market Risk**

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

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

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

At September 30, 2015, approximately 48% and 19% of our assets were invested in assets denominated in Australian dollars (Reading Australia) and New Zealand dollars (Reading New Zealand), respectively, including approximately \$56.1 million in cash and cash equivalents. At December 31, 2014, approximately 44% and 20% of our assets were invested in assets denominated in Australian dollars (Reading Australia) and New Zealand dollars (Reading New Zealand), including approximately \$40.1 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. Due to the developing nature of our operations in Australia and New Zealand, our revenue is not yet significantly greater than our operating and interest expenses. 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 an decrease of \$13.7 million for the nine months ended September 30, 2015. As we continue to progress our acquisition and development activities in Australia and New Zealand, we cannot assure you that the foreign currency effect on our earnings will be negligible in the future.

Historically, our policy has been to borrow in local currencies to finance the development and construction of our long-term assets in Australia and New Zealand 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 68% and 48% of our Australian and New Zealand assets, respectively, remain subject to such exposure, unless we elect to hedge our foreign currency exchange between the US 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 be \$11.9 million and \$3.3 million, respectively, and the change in our quarterly net income would be \$1,377,000 and \$51,000, respectively. Presently, we have no plan to hedge such exposure.

We record unrealized foreign currency translation gains or losses that could materially affect our financial position. As of September 30, 2015 and December 31, 2014, the balance of cumulative foreign currency translation adjustments was approximately \$3.3 million gain and \$31.1 million gain, respectively.

Historically, we maintain most of our cash and cash equivalent balances in short-term money market instruments with original maturities of three months or less. Due to the short-term nature of such investments, a change of 1% in short-term interest rates would not have a material effect on our financial condition.

While we have typically used fixed rate financing (secured by first mortgages) in the U.S., fixed rate financing is typically not available to corporate borrowers in Australia and New Zealand. The majority of our Australian and New Zealand bank loans have variable rates. The Australian facility provides for floating interest rates, but we currently have swapped into fixed rate obligations (see Financial Risk Management above). Taking into consideration our interest rate derivatives, a 1% change in short-term interest rates would have resulted in approximately \$152,000 change in our current quarter interest expense.



#### **Item 4 – Controls and Procedures**

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

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

In 2014, we noted a material weakness regarding certain controls related to income tax. We anticipate that these controls will be updated and fully implemented during the fourth quarter of 2015. In this context, we have instituted additional processes to bolster these controls including strengthening the tax department and retaining a Big Four accounting firm to assist in the review of taxation matters on a quarterly and annual basis.

#### **Changes in Internal Control over Financial Reporting**

No change in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the quarter ended September 30, 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II – Other Information**

### **Item 1 – Legal Proceedings**

On June 12, 2015, the Board of Directors terminated James J. Cotter, Jr. as the President and Chief Executive Officer of our Company. That same day, Mr. Cotter, Jr. filed a lawsuit, styled as both an individual and a derivative action, and titled “James J. Cotter, Jr., individually and derivatively on behalf of Reading International, Inc. vs. Margaret Cotter, et al.” Case No.: A-15-719860-V, Dept XI (the “Cotter Jr. Derivative Action” and the “Cotter, Jr. Complaint,” respectively) against the Company and each of our other then sitting directors (Ellen Cotter, Margaret Cotter, Guy Adams, William Gould, Edward Kane, Douglas McEachern, and Tim Storey: the “Defendant Directors”) in the Eighth Judicial District Court of the State of Nevada for Clark County (the “Nevada District Court”). The lawsuit alleges, among other things, that the Defendant Directors breached their fiduciary duties in taking the actions to terminate Mr. Cotter, Jr. as President and Chief Executive Officer of the Company.

In a derivative action, the stockholder plaintiff seeks damages or other relief for the benefit of the corporation, and not for the stockholder plaintiff’s individual benefit. Accordingly, the Company is, at least in theory, only a nominal defendant in such a derivative action. However, as a practical matter, because Mr. Cotter, Jr. is also seeking an order that our board’s determination to terminate Mr. Cotter Jr. was ineffective and that he should be reinstated as the President and CEO of the Company (an injunctive remedy that would be binding on the Company), our Company is incurring significant cost and expense defending the decision to terminate Mr. Cotter, Jr. as President and Chief Executive Officer. Also, the Company continues to incur costs promulgating and responding to discovery demands and satisfying indemnity obligations to the Defendant Directors.

Our directors and officers liability insurer is providing insurance coverage, subject to a \$500,000 deductible and its standard reservation of rights, with respect to the defense of the Director Defendants. Our former director, Tim Storey, retired as a director on October 11, 2015, but continues to be a defendant in the Cotter, Jr. Derivative Action. Our new directors, Dr. Judy Coddington and Mr. Michael Wrotniak, are not named in the Cotter Jr. Derivative Action as they were not directors at the time of the breaches of fiduciary duty alleged by Mr. Cotter, Jr.

Pursuant to the terms of Mr. Cotter Jr.’s employment agreement with the Company, disputes relating to his employment are to be arbitrated. Accordingly, on July 14, 2015, the Company filed an arbitration demand with the American Arbitration Association against Mr. Cotter, Jr. The demand seeks declaratory relief, among other things, that Mr. Cotter, Jr.’s employment and employment agreement with the Company have been validly terminated and that the Board of Directors validly removed him from his positions as Chief Executive Officer and President of the Company and positions with the Company’s subsidiaries.

Mr. Cotter, Jr. has filed a counter-complaint in the arbitration, asserting claims for breach of his employment contract, declaratory relief, and contractual indemnification. On October 21, 2015, Mr. Cotter, Jr. clarified his counter-complaint, to state that he “is not presently seeking damages for the act of RDI’s purported termination of his employment agreement and for the act of RDI’s purporting to sever its employment relationship with James Jr. Rather, James Jr. is seeking damages for the cessation of severance payments and benefits, and damages on account of RDI’s failure to perform its indemnification obligations.” Accordingly, it is the Company’s understanding that Mr. Cotter, Jr. is conceding in the arbitration that the Company was within its legal rights to terminate Mr. Cotter, Jr. without establishing any cause for such termination. On October 16, 2015, Mr. Cotter, Jr. filed a motion to stay the arbitration pending the resolution of the Cotter Jr. Derivative Action. On October 30, 2015, the Company filed an opposition to Mr. Cotter, Jr.’s motion to stay. No hearing on this issue has been scheduled.

On August 6, 2015, the Company received notice that a Motion to Intervene in the Cotter Jr Derivative Action and that a proposed derivative complaint had been filed in the Nevada District Court captioned T2 Partners Management, LP, a Delaware limited partnership, doing business as Kase Capital Management; T2 Accredited Fund, LP, a Delaware limited partnership, doing business as Kase Fund; T2 Qualified Fund, LP, a Delaware limited partnership, doing business as Kase Qualified Fund; Tilson Offshore Fund, Ltd, a Cayman Islands exempted company; T2 Partners Management I, LLC, a Delaware limited liability company, doing business as Kase Management; T2 Partners Management Group, LLC, a Delaware limited liability company, doing business as Kase Group; JMG Capital Management, LLC, a Delaware limited liability company, Pacific Capital Management, LLC, a Delaware limited liability company, derivatively on behalf of Reading International, Inc. vs. Margaret Cotter, Ellen Cotter, Guy Adams, Edward Kane, Douglas McEachern, Timothy Storey, William Gould and Does 1 through 100, inclusive, as defendants, and, Reading International, Inc., a Nevada corporation, as Nominal Defendant (the “T2 Derivative Action”). On August 11, 2015, the Court granted the motion of T2 Partners Management, LP et. al. (the “T2 Plaintiffs”), allowing these plaintiffs to file their complaint (the “T2 Derivative Complaint”).

The T2 Plaintiffs allege various violations of fiduciary duty, abuse of control, gross mismanagement and corporate waste by the defendant directors. More specifically the T2 Derivative Complaint seeks certain monetary damages, as well as equitable and expedited injunctive relief, attorney fees and costs of suit. Once again, the Company has been named as a nominal defendant. However, because the T2 Derivative Complaint also seeks the reinstatement of Mr. Cotter, Jr., as our President and CEO, it is being defended by the Company. In addition, the Company continues to incur costs promulgating and responding to discovery demands and satisfying indemnity obligations to the Defendant Directors. The Defendant Directors are the same as named in the Cotter Jr. Derivative Action and the cost of their defense is likewise being covered by our directors and officer's liability insurance carrier with the same reservations of right as in the Cotter Jr. Derivative Action, but without any separate deductible.

On August 3, 2015, Mr. Cotter, Jr. filed a motion for preliminary injunction together with a motion to expedite discovery. The T2 Plaintiffs joined in this these motions. On August 11, 2015, the Court granted in part Mr. Cotter's Motion to Expedite Discovery.

On September 9, 2015, certain of the Defendant Director filed a Motion to Dismiss the T2 Derivative Complaint. The Company joined this Motion to Dismiss on September 14, 2015. The hearing on this Motion to Dismiss was vacated as the T2 Plaintiffs voluntarily withdrew the T2 Derivative Complaint, with the parties agreeing that T2 Plaintiffs would have leave to amend the Complaint. As of the date of this report, no amended complaint has been filed by the T2 Plaintiffs. Accordingly, at the present time, the Company is not certain as to what the amended complaint will allege or what remedies will be sought or even whether any amended complaint will be filed.

On October 22, 2015, Mr. Cotter, Jr. filed an amended complaint removing all of his individual claims, and purporting to be purely derivative in nature (the "Cotter, Jr. Amended Derivative Complaint"), and which included certain new allegations relating, among other things, to the exercise of stock options held by his father's estate to acquire additional shares of Class B Voting Stock, and certain alleged misrepresentations in the Company's proxy materials. The Cotter, Jr. Amended Derivative Complaint continues to seek reinstatement of Mr. Cotter, Jr. as the Company's President and Chief Executive Officer and to collect unspecified derivative damages. The Company anticipates filing a motion to dismiss the Cotter, Jr. Amended Derivative Complaint based on Mr. Cotter, Jr.'s failure to adequately plead damages.

On October 29, 2015, a status conference was held with respect to the derivative cases. Counsel for Mr. Cotter, Jr., represented in open court that the only claims he intended to pursue were derivative in nature. At the hearing, the Court terminated expedited discovery and took the request for injunctive relief by Mr. Cotter, Jr. and the T2 Plaintiff's off calendar. The Court ordered that discovery continue in the ordinary course and set a tentative trial date for November 2016.

In summary, with respect to the arbitration: Mr. Cotter, Jr. has withdrawn his claim that the Company had no right to terminate his employment without cause and seeks only recovery of his severance payments, performance of certain indemnification obligations and attorney's fees. The Company seeks a determination that it has no obligation to pay Mr. Cotter, Jr. any severance benefits and to recover attorney's fees and damages. With respect to the derivative cases, expedited discovery has been terminated and no preliminary injunction hearing is pending. Discovery is progressing in the ordinary course, and it is currently anticipated that the matter will not go to trial before late next year. Mr. Cotter, Jr. has filed an amended derivative complaint, removing all individual claims, but continues to seek reinstatement as the Company's president and chief executive officer. The T2 Plaintiffs have voluntarily withdrawn their complaint in the face of the then pending Motion to Dismiss, and have not refiled the complaint as of the date of this report.

The Company believes that the claims set forth in the Cotter Jr. Amended Derivative Complaint and in the now withdrawn T2 Complaint are entirely without merit and seek equitable remedies for which no relief can be given. The Company intends to defend vigorously against any attempt to reinstate Mr. Cotter, Jr. as President and Chief Executive Officer or to effect changes in the rights of our Company's stockholders, and the Defendant Directors intend to defend vigorously against any claims that they have breached any fiduciary duties or are liable to the Company for damages.

In April, 2015, Liberty Theatres, LLC, a wholly owned subsidiary of the Company ("Liberty") commenced an American Arbitration Association arbitration proceeding (Case No.:) against The Stomp Company Limited Partnership (the "Producers") in response to the Producers' purported termination of their license agreement with Liberty. Liberty seeks specific performance, injunctive and declaratory relief and damages. The Producers have counterclaimed for unspecified damages alleging that Liberty has interfered with the Producer's endeavors to move the show to another Off-Broadway theater. The arbitration is ongoing. The Company believes that Liberty's position is well-founded and that it should prevail.

For a description of other legal proceedings, please refer to Item 3 entitled Legal Proceedings contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

#### **Item 1A – Risk Factors**

There have been no material changes in risk factors as previously disclosed in our annual report on Form 10-K filed on March 16, 2015 with the SEC for the fiscal year ended December 31, 2014.

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

For a description of grants of stock to certain executives, see the Stock Based Compensation section under see Note 2 – *Equity and Stock-Based Compensation to our Condensed Consolidated Financial Statements*.

**Item 3 – Defaults upon Senior Securities**

None.

**Item 5 – Other Information**

On June 12, 2015, the Company announced the termination of James J. Cotter, Jr. as our President and Chief Executive Officer, effective immediately. Effective June 12, 2015, our Board of Directors has appointed Ellen M. Cotter as interim President and Chief Executive Officer, succeeding James J. Cotter, Jr. The Company has engaged the assistance of a leading executive search firm to identify a permanent President and Chief Executive Officer, which will consider both internal and external candidates.

**Item 6 – Exhibits**

|         |   |
|---------|---|
| 5.03    | Amendment to the Amended and Restated Bylaws of Reading International, Inc.                   |
| 10.1    | Employment Agreement between Reading International Inc. and William D. Ellis, General Counsel |
| 31.1    | Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.      |
| 31.2    | Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.      |
| 32      | Certifications Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.     |
| 101.INS | XBRL Instance Document  |
| 101.SCH | XBRL Taxonomy Extension Schema  |
| 101.CAL | XBRL Taxonomy Extension Calculation   |
| 101.DEF | XBRL Taxonomy Extension Definition  |
| 101.LAB | XBRL Taxonomy Extension Labels  |
| 101.PRE | XBRL Taxonomy Extension Presentation  |

**SIGNATURES**

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

**READING INTERNATIONAL, INC.**

Date: November 5, 2015

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

Date: November 5, 2015

By: /s/ Devasis Ghose  
Devasis Ghose  
Chief Financial Officer

READING INTERNATIONAL, INC.

AMENDMENT TO  
BYLAWS

October 5, 2015

This Amendment (this “**Amendment**”) to the Amended and Restated Bylaws (the “**Bylaws**”) of Reading International, Inc., a Nevada corporation (the “**Corporation**”), adopted as of the date first written above, hereby amends the Bylaws of the Corporation as follows:

1. Article II, Section 2 of the Bylaws is hereby deleted in its entirety and replaced with the following:

“The number of directors, which shall constitute the whole board, shall be nine (9). Thereafter, the number of directors may from time to time be increased or decreased to not less than one nor more than ten by action of the Board of Directors. The directors shall be elected by the holders of shares entitled to vote thereon at the annual meeting of stockholders, and except as provided in Section 4 of this Article, each director elected shall hold office until his successor is elected and qualified. Directors need not be stockholders.”

2. Except as amended hereby, all other terms and provisions of the Bylaws remain unchanged and in full force and effect.

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IN WITNESS WHEREOF, the undersigned Secretary of the Corporation certifies that the foregoing Amendment was duly adopted by the Board of Directors of the Corporation effective as of the date first set forth above.

By: /s/ William D. Ellis  
Name: William D. Ellis  
Title: General Counsel & Secretary

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## **EMPLOYMENT AGREEMENT**

EMPLOYMENT AGREEMENT, dated as of October 20, 2014 by and between Reading International, Inc., a Nevada corporation, (the "Company"), and William D. Ellis (the "Executive").

### **1. Term of Employment**

Subject to the provisions of Section 10 below, the Company shall employ the Executive, and the Executive shall serve the Company in the capacity of General Counsel for a three (3) year term commencing on October 20, 2014 and ending on October 19, 2017 (the "Term of Employment"). This Agreement shall thereafter be automatically renewed for successive one (1) year terms, unless notice is given by either party of the intent not to renew no less than ninety (90) days prior to the end of any term hereof ("Successive Term(s)").

### **2. Duties**

During the Term of Employment, the Executive will serve as the Company's General Counsel and will report directly to the Chief Executive Officer. The Executive shall perform his duties hereunder at the Company's main office during normal business hours and at all other times and locations necessary for the Executive to carry out his duties. The Executive shall devote all of his business time to the Company and shall perform such duties, consistent with his status as General Counsel of the Company, as he may be assigned from time to time by the Chief Executive Officer.

### **3. Compensation**

Upon execution hereof, the Company shall pay to the Executive a "sign-up" bonus of \$10,000.

During the Term of Employment, the Company shall pay to the Executive as compensation for the performance of his duties and obligations hereunder a salary at the rate of \$350,000 per annum. Such salary shall be paid in accordance with the Company's standard payment practices. The Executive's salary shall not be subject to decrease, but may be increased in the Chief Executive Officer's discretion based on his annual assessment of the Executive's performance and other factors.

In addition, and subject to the approval of the Chief Executive Officer, the Company shall pay to the Executive an annual target bonus ("Target Bonus") of at least \$60,000 in accordance with the Company's standard payment practices. Such Target Bonus shall be paid to the Executive within sixty-five (65) days of October 20th of each year of the Executive's employment, commencing 2015.

### **4. Expenses and Other Benefits**

All travel, entertainment and other reasonable business expenses (including professional dues and conferences) incident to the rendering of services by the Executive hereunder will be

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promptly paid or reimbursed by the Company subject to submission of receipts by the Executive in accordance with the Company's policies in effect from time to time. The Executive shall be entitled to a vehicle allowance of \$15,000, per annum, payable \$1,250 per month during the Term of Employment.

The Executive shall be entitled during the Term of Employment to participate in employee benefit and welfare plans and programs of the Company including, without any limitation, any key man or executive life and long term disability insurance, 401(k) or other retirement plans and employee stock option plans to the extent that any senior executives or officers of the Company or its subsidiaries are eligible to participate and subject to the provisions, rules, regulations, and laws applicable thereto. On October 20, 2014, the Executive shall be granted 60,000 employee stock options, which options shall vest in equal increments annually over a three (3) year period. The exercise price of such options shall be the closing price of the Class A Common Stock of the Company as reported on the NASDAQ Capital Market on October 20, 2014.

5. Death or Disability

This Agreement shall be terminated by the death of the Executive and also may be terminated by the Board of Directors of the Company if the Executive shall be rendered incapable by illness or any physical or mental disability (individually, a "disability") from substantially complying with the terms, conditions and provisions to be observed and performed on his part for a period in excess of three (3) months or ninety (90) days in the aggregate during any twelve (12) months during the Term of Employment. Notwithstanding the foregoing, the Company shall comply with all applicable disability and leave of absence laws, rules and regulations to the extent they apply to the Executive.

6. Disclosure of Information; Inventions and Discoveries

The Executive shall promptly disclose to the Company all processes, trademarks, inventions, improvements, discoveries and other information (collectively, "developments") directly related to the business of the Company conceived, developed or acquired by him alone or with others during the Term of Employment by the Company, whether or not during regular working hours or through the use of material or facilities of the Company. All such developments shall be the sole and exclusive property of the Company, and upon request the Executive shall deliver to the Company all drawings, sketches, models and other data and records relating to such development. In the event any such development shall be deemed by the Company to be patentable, the Executive shall, at the expense of the Company, assist the Company in obtaining a patent or patents thereon and execute all documents and do all other things necessary or proper to obtain letters patent and invest the Company with full title thereto.

7. Non-Competition

The Company and the Executive agree that the services rendered by the Executive hereunder are unique and irreplaceable. During his employment by the Company, the Executive shall not provide any type of services to any business that in the judgment of the Company is, or

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as a result of the Executive's engagement or participation would become, directly competitive with any aspect of the business of the Company.

8. Non-Disclosure

The Executive will not at any time after the date of this Employment Agreement divulge, furnish or make accessible to anyone (otherwise than in the regular course of business of the Company) any knowledge or information with respect to trade secrets (as defined in the Uniform Trade Secrets Act) of the Company, except to the extent such disclosure is (a) in the performance of his duties under this Agreement, (b) required by applicable law, (c) authorized in writing by the Company, or (d) when required to do so by legal process, that requires him to divulge, disclose or make accessible such information.

9. Remedies

The Company may pursue any appropriate legal, equitable or other remedy, including injunctive relief, in respect of any failure by the Executive to comply with the provisions of Sections 6 or 7 hereof, it being acknowledged by the Executive that the remedy at law for any such failure would be inadequate.

10. Termination

This Agreement and the Executive's employment with the Company may be terminated by the Company (i) in the event of the Executive's fraud, embezzlement or any other illegal act committed by Executive in connection with the Executive's duties as an executive of the Company or (ii) upon thirty (30) days' notice to the Executive if the Executive shall be in material breach of any fiduciary duty to the Company or any material provision of this Employment Agreement other than as provided in clause (i) above and shall have failed to cure such breach during such thirty (30) day period (the events in (i) and (ii) shall constitute "Cause"). Any such notice to the Executive shall specify with particularity the reason for termination or proposed termination. In the event of termination under this Section 10 or under Section 5 (except as provided therein), the Company's unaccrued obligations under this Agreement shall cease and the Executive shall forfeit all right to receive any unaccrued compensation (including, without limitation, salary and Target Bonus) or benefits hereunder but shall have the right to reimbursement of expenses already incurred.

If the Company terminates the Executive without Cause, the Executive shall, upon the Executive's execution of a Separation Agreement containing a general release of claims in a form reasonably acceptable to Employer and Executive, and the expiration of the revocation period with respect to such release, be entitled to compensation (salary and Target Bonus) and benefits which he was receiving for the greater of (x) the lesser of the remaining Term of Employment or a period of twenty four (24) months from such notice of termination and (y) a period of twelve (12) months from such notice of termination. In addition, all stock options granted to the Executive pursuant to Section 2 shall become immediately vested. In addition, if the Company terminates the Executive without Cause in connection with or within six (6) months following any Change of Control of the Company, then the Executive shall be entitled to compensation (salary and Target Bonus) for a period of twice the number of months remaining in the Term of

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Employment from such notice of termination. A Change of Control shall be deemed to have occurred upon the occurrence of any one (or more) of the following events: (i) a sale or disposition of all or substantially all of the assets, or a majority of the outstanding voting stock of the Company (other than to a member or members of the James C. Cotter, Sr. family), or (ii) as a result of, or in connection with, any cash tender offer, exchange offer, merger or other business combination or sale of assets in which the effective control of more than fifty percent (50%) of the voting securities of the Company is transferred to a party other than a member of the James C. Cotter, Sr. family. Notwithstanding any termination of the Agreement pursuant to this Section 10 or by reason of disability under Section 5, the Executive, in consideration of his employment hereunder to the date of such termination, shall remain bound by the provisions of Sections 6 and 7.

11. Resignation

In the event that the Executive's services hereunder are terminated under Section 5 or 10 of this Agreement (except by death), the Executive agrees that he will deliver his written resignation to the Chief Executive Officer of the Company, such resignation to become effective immediately.

12. Data

Upon expiration of the Term of Employment or termination pursuant to Section 5 or 10 hereof, the Executive or his personal representative shall promptly deliver to the Company all books, files, reports, computer databases and files, computers, memoranda, plans, records and written data of every kind relating to the business and affairs of the Company which are then in his possession on account of his employment hereunder, but excluding all such materials in the Executive's possession which are personal and not property of the Company.

13. Arbitration

Any dispute or controversy arising under this Agreement or relating to its interpretation or the breach hereof, including the arbitrability of any such dispute or controversy, shall be determined and settled by arbitration in Los Angeles, California pursuant to the Rules then obtaining of the American Arbitration Association. Any award rendered herein shall be final and binding on each and all of the parties, and judgment may be entered thereon in any court of competent jurisdiction.

14. Waiver of Breach

Any waiver of any breach of this Employment Agreement shall not be construed to be a continuing waiver or consent to any subsequent breach on the part either of the Executive or of the Company.

15. Assignment

Neither party hereto may assign his or its rights or delegate his or its duties under this Employment Agreement without the prior written consent of the other party; provided, however, that this Agreement shall inure to the benefit of and be binding upon the successors and assignees

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of the Company, upon (a) a sale of all or substantially all of the Company's assets, or upon merger or consolidation of the Company with or into any other corporation, and (b) upon delivery on the effective day of such sale, merger or consolidation to the Executive of a binding instrument of assumption by such successors and assigns of the rights and liabilities of the Company under this Agreement, provided, however, that no such assignment or transfer will relieve the Company from its payment obligations hereunder in the event the transferee or assignee fails to timely discharge them. No rights or obligations of the Executive under this Agreement may be assigned or transferred other than his rights to compensation and benefits, which may be transferred by will or operation of law or as otherwise specifically provided or permitted hereunder or under the terms of any applicable employee benefit plan.

16. Notices

Any notice required or desired to be given hereunder shall be in writing and shall be deemed sufficiently given when delivered or 3 days after mailing in United States certified or registered mail, postage prepaid, to the party for whom intended at the following address:

The Company:

Reading International, Inc.  
6100 Center Drive, Suite 900  
Los Angeles, CA 90045

The Executive:

William D. Ellis  
1995 Monte Vista Street  
Pasadena, CA 91107

or to such other address as either party may from time to time designate by like notice to the other.

17. General

The terms and provisions of this Agreement shall constitute the entire agreement by the Company and the Executive with respect to the subject matter hereof, and shall supersede any and all prior agreements or understandings between the Executive and the Company, whether written or oral. This Agreement may be amended or modified only by a written instrument executed by the Executive and the Company, and any such amendment or modification or any termination of this Agreement shall become effective only after written approval thereof has been received by the Executive. This Agreement shall be governed by and construed in accordance with California law. In the event that any terms or provisions of this Agreement shall be held to be invalid or unenforceable, such invalidity or unenforceability shall not affect the validity or enforceability of the remaining terms and provisions hereof. In the event of any judicial, arbitral or other proceeding between the parties hereto with respect to the subject matter hereof, the prevailing party shall be entitled, in addition to all other relief, to reasonable attorneys' fees and expenses and court costs.

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18. Indemnification

The Company shall indemnify the Executive to the fullest extent permitted by law in effect as of the date hereof, or as hereafter amended, against all costs, expenses, liabilities and losses (including, without limitation, attorneys' fees, judgments, fines, penalties and amounts paid in settlement) reasonably incurred by the Executive in connection with a Proceeding. For the purposes of this section, a "Proceeding" shall mean any action, arbitration, suit or proceeding, whether civil, criminal, administrative or investigative, in which the Executive is made, or is threatened to be made a party to, or a witness in, such action, arbitration, suit or proceeding by reason of the fact that he is or was an officer, director or employee of the Company or is or was serving as an officer, director, member, employee, trustee or agent of any other entity at the request of the Company.

19. Counterparts

This Agreement is being executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement. Delivery of an executed counterpart signature page of this Agreement by facsimile or by e-mail of a PDF document is as effective as executing and delivering this Agreement in the presence of the other party.

(Signatures on following page)

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IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

READING INTERNATIONAL, INC.

By: /s/ James J Cotter, Jr.  
James J Cotter, Jr., CEO

AGREED TO AND ACCEPTED:

By: /s/ William D. Ellis  
William D. Ellis

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**CERTIFICATIONS**  
**PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Ellen M. Cotter., certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Reading International, Inc.;
- 2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
- 3) Based on my knowledge, the financial statements and other financial information included in this quarterly report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - d) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
- 6) The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

By: /s/ Ellen M. Cotter  
Ellen M. Cotter  
Chief Executive Officer  
November 5, 2015

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**CERTIFICATIONS****PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Devasis Ghose, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Reading International, Inc.;
- 2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
- 3) Based on my knowledge, the financial statements and other financial information included in this quarterly report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - d) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
- 6) The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

By: /s/ Devasis Ghose  
Devasis Ghose  
Chief Financial Officer  
November 5, 2015

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

Each of the undersigned hereby certifies, in his or her capacity as an officer of Reading International, Inc. (the "Company"), for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his or her knowledge:

- The Quarterly Report of the Company on Form 10-Q for the period ended September 30, 2015 as filed with the Securities and Exchange Commission fully complies with the requirements of Section 13(a) and 15(d), as applicable, of the Securities Exchange Act of 1934; and
- The information contained in such report fairly presents, in all material respects, the financial condition and results of operation of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: November 5, 2015

/s/ Ellen M. Cotter

Name: Ellen M. Cotter  
Title: Chief Executive Officer

/s/ Devasis Ghose

Name: Devasis Ghose  
Title: Chief Financial Officer

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