# 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: March 31, 2017**

**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** | **95-3885184** |
| (State or other jurisdiction of incorporation or organization) | (IRS Employer Identification No.) |
| **5995 Sepulveda Boulevard, Suite 300**<br>**Culver City, CA** | **90230** |
| (Address of principal executive offices) | (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, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer", "accelerated filer", "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

(Check one): Large accelerated filer ☐ Accelerated filer ☑ Non-accelerated filer ☐ Smaller reporting company ☐
Emerging growth company ☐

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of May 5, 2017, there were 21,503,376 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.**
**CONSOLIDATED BALANCE SHEETS**
*(U.S. dollars in thousands, except share information)*

| | March 31, 2017 | December 31, 2016[1] |
|---|---|---|
| **ASSETS** | **(Unaudited)** | |
| **Current Assets:** | | |
| Cash and cash equivalents | $ 11,031 | $ 19,017 |
| Receivables | 6,700 | 8,772 |
| Inventory | 1,326 | 1,391 |
| Prepaid and other current assets | 17,052 | 5,787 |
| Land held for sale | 39,800 | 37,674 |
| **Total current assets** | 75,909 | 72,641 |
| Operating property, net | 216,358 | 211,886 |
| Investment and development property, net | 50,231 | 43,687 |
| Investment in unconsolidated joint ventures | 5,259 | 5,071 |
| Goodwill | 20,073 | 19,828 |
| Intangible assets, net | 9,710 | 10,037 |
| Deferred tax asset, net | 28,336 | 28,667 |
| Other assets | 4,547 | 13,949 |
| **Total assets** | $ 410,423 | $ 405,766 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| **Current Liabilities:** | | |
| Accounts payable and accrued liabilities | $ 21,412 | $ 26,479 |
| Film rent payable | 8,952 | 10,528 |
| Debt – current portion | 587 | 567 |
| Taxes payable – current | 3,758 | 3,523 |
| Deferred current revenue | 9,791 | 10,758 |
| Other current liabilities | 11,978 | 14,131 |
| **Total current liabilities** | 56,478 | 65,986 |
| Debt – long-term portion | 120,829 | 115,707 |
| Subordinated debt, net | 27,393 | 27,340 |
| Noncurrent tax liabilities | 20,084 | 19,953 |
| Other liabilities | 30,648 | 30,165 |
| **Total liabilities** | 255,432 | 259,151 |
| **Commitments and contingencies (Note 13)** | | |
| **Stockholders' equity:** | | |
| Class A non-voting common stock, par value $0.01, 100,000,000 shares authorized, 32,903,825 issued and 21,503,376 outstanding at March 31, 2017, and 32,856,267 issued and 21,497,717 outstanding at December 31, 2016 | 230 | 230 |
| Class B voting common stock, par value $0.01, 20,000,000 shares authorized and 1,680,590 issued and outstanding at March 31, 2017 and December 31, 2016 | 17 | 17 |
| Nonvoting preferred stock, par value $0.01, 12,000 shares authorized and no issued or outstanding shares at March 31, 2017 and December 31, 2016 | -- | -- |
| Additional paid-in capital | 144,737 | 144,569 |
| Retained earnings | 4,709 | 1,680 |
| Treasury shares | (17,045) | (16,374) |
| Accumulated other comprehensive income | 17,936 | 12,075 |
| **Total Reading International, Inc. stockholders' equity** | 150,584 | 142,197 |
| Noncontrolling interests | 4,407 | 4,418 |
| **Total stockholders' equity** | 154,991 | 146,615 |
| **Total liabilities and stockholders' equity** | $ 410,423 | $ 405,766 |

*See accompanying Notes to Unaudited Consolidated Financial Statements.*
*[1] Certain 2016 balances have been reclassified to conform to the 2017 presentation (see Note 2 – Summary of Significant Accounting Policies – Reclassifications).*

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

| | Three Months Ended | |
|---|---|---|
| | March 31, 2017 | March 31, 2016 |
| **Revenue** | | |
| Cinema | $ 66,560 | $ 61,315 |
| Real estate | 2,894 | 3,474 |
| Total revenue | 69,454 | 64,789 |
| **Costs and expenses** | | |
| Cinema | (51,782) | (47,957) |
| Real estate | (2,036) | (2,141) |
| Depreciation and amortization | (3,934) | (3,808) |
| General and administrative | (6,174) | (6,191) |
| Total costs and expenses | (63,926) | (60,097) |
| **Operating income** | 5,528 | 4,692 |
| Interest income | 20 | 37 |
| Interest expense | (1,880) | (1,912) |
| Net gain on sale of assets | -- | 393 |
| Other income (expense) | 821 | (57) |
| **Income before income tax expense and equity earnings of unconsolidated joint ventures** | 4,489 | 3,153 |
| Equity earnings of unconsolidated joint ventures | 255 | 302 |
| **Income before income taxes** | 4,744 | 3,455 |
| Income tax expense | (1,703) | (1,231) |
| **Net income** | $ 3,041 | $ 2,224 |
| Less: net income (loss) attributable to noncontrolling interests | 12 | (2) |
| **Net income attributable to Reading International, Inc. common shareholders** | $ 3,029 | $ 2,226 |
| **Basic earnings per share attributable to Reading International, Inc. shareholders** | $ 0.13 | $ 0.10 |
| **Diluted earnings per share attributable to Reading International, Inc. shareholders** | $ 0.13 | $ 0.09 |
| Weighted average number of shares outstanding–basic | 23,168,351 | 23,334,892 |
| Weighted average number of shares outstanding–diluted | 23,465,176 | 23,532,858 |

*See accompanying Notes to Unaudited Consolidated Financial Statements*.

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

| | Three Months Ended | |
|---|---|---|
| | **March 31, 2017** | **March 31, 2016** |
| Net income | $ 3,041 | $ 2,224 |
| Foreign currency translation gain | 5,826 | 6,323 |
| Unrealized loss on available for sale investments | (4) | -- |
| Accrued pension service benefit | 52 | 32 |
| Comprehensive income | 8,915 | 8,579 |
| Less: net income (loss) attributable to noncontrolling interests | 12 | (2) |
| Less: comprehensive income attributable to noncontrolling interests | 13 | 16 |
| **Comprehensive income attributable to Reading International, Inc.** | **$ 8,890** | **$ 8,565** |

*See accompanying Notes to Unaudited Consolidated Financial Statements*.

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

| | Three Months Ended | |
|---|---|---|
| | **March 31, 2017** | **March 31, 2016[1]** |
| **Operating Activities** | | |
| Net income | $ 3,041 | $ 2,224 |
| *Adjustments to reconcile net income to net cash provided by operating activities:* | | |
| Equity earnings of unconsolidated joint ventures | (255) | (302) |
| Distributions of earnings from unconsolidated joint ventures | 220 | 253 |
| Gain recognized on foreign currency transactions | (825) | -- |
| Net gain on sale of assets | -- | (393) |
| Change in net deferred tax assets | 577 | (631) |
| Depreciation and amortization | 3,934 | 3,808 |
| Other amortization | 532 | 405 |
| Stock based compensation expense | 166 | 143 |
| *Net changes in operating assets and liabilities:* | | |
| Receivables | 2,215 | (1,157) |
| Prepaid and other assets | (1,504) | 1,420 |
| Accounts payable and accrued expenses | (5,426) | (29) |
| Film rent payable | (1,710) | (220) |
| Taxes payable | 44 | 1,489 |
| Deferred revenue and other liabilities | (698) | (2,592) |
| Net cash provided by operating activities | 311 | 4,418 |
| **Investing Activities** | | |
| Demolition costs of Courtenay Central parking building | (2,458) | -- |
| Purchases of and additions to operating and investment properties | (8,478) | (4,184) |
| Change in restricted cash | 12 | 147 |
| Proceeds from sale of property | -- | 831 |
| Net cash used in investing activities | (10,924) | (3,206) |
| **Financing Activities** | | |
| Repayment of long-term borrowings | (12,875) | (6,847) |
| Proceeds from borrowings | 16,119 | 2,250 |
| Capitalized borrowing costs | -- | (12) |
| Repurchase of Class A Nonvoting Common Stock | (671) | -- |
| Proceeds from the exercise of stock options | 3 | -- |
| Noncontrolling interest contributions | 41 | -- |
| Noncontrolling interest distributions | (77) | (55) |
| Net cash provided by/(used in) financing activities | 2,540 | (4,664) |
| **Effect of exchange rate changes on cash and cash equivalents** | 87 | 80 |
| **Net decrease in cash and cash equivalents** | (7,986) | (3,372) |
| **Cash and cash equivalents at the beginning of the period** | 19,017 | 19,702 |
| **Cash and cash equivalents at the end of the period** | $ 11,031 | $ 16,330 |
| **Supplemental Disclosures** | | |
| Interest paid | $ 1,658 | $ 1,453 |
| Income taxes paid | 1,408 | 188 |

*See accompanying Notes to Unaudited Consolidated Financial Statements.*
[1] *Certain 2016 balances have been reclassified to conform to the 2017 presentation (see Note 2 – Summary of Significant Accounting Policies – Reclassifications).*

## Note 1 – Description of Business and Segment Reporting

***The Company***

Reading International, Inc., a Nevada corporation ("RDI" and collectively with our consolidated subsidiaries and corporate predecessors, the "Company," "Reading" and "we," "us," or "our"), was incorporated in 1999, and, following the consummation of a consolidation transaction on December 31, 2001, is now the owner of the consolidated businesses and assets of Reading Entertainment, Inc. ("RDGE"), Craig Corporation ("CRG") and Citadel Holding Corporation ("CDL"). 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.

***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, the chief operating decision-maker of the Company. As part of our 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.

The tables below summarize the results of operations for each of our business segments for the three months ended March 31, 2017 and 2016, 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.

| | Three Months Ended | | | |
|---|---|---|---|---|
| (Dollars in thousands) | March 31, 2017 | | March 31, 2016 | |
| **Revenue:** | | | | |
| Cinema exhibition | $ | 66,560 | $ | 61,315 |
| Real estate | | 4,497 | | 5,250 |
| Inter-segment elimination | | (1,603) | | (1,776) |
| | $ | 69,454 | $ | 64,789 |
| **Segment operating income:** | | | | |
| Cinema exhibition | $ | 9,093 | $ | 7,690 |
| Real estate | | 1,294 | | 2,089 |
| | $ | 10,387 | $ | 9,779 |

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

| | Three Months Ended | | | |
|---|---|---|---|---|
| (Dollars in thousands) | March 31, 2017 | | March 31, 2016 | |
| **Segment operating income** | $ | 10,387 | $ | 9,779 |
| Unallocated corporate expense | | | | |
| Depreciation and amortization expense | | (106) | | (96) |
| General and administrative expense | | (4,753) | | (4,991) |
| Interest expense, net | | (1,860) | | (1,875) |
| Equity earnings of unconsolidated joint ventures | | 255 | | 302 |
| Gain on sale of assets | | -- | | 393 |
| Other income (expense) | | 821 | | (57) |
| **Income before income tax expense** | **$** | **4,744** | **$** | **3,455** |

**Note 2 – Summary of Significant Accounting Policies**

***<u>Basis of Consolidation</u>***

The accompanying consolidated financial statements include the accounts of the Company's wholly-owned subsidiaries as well as majority-owned subsidiaries that the Company controls, and should be read in conjunction with the Company's Annual Report on Form 10-K as of and for the year-ended December 31, 2016 ("2016 Form 10-K"). All significant intercompany balances and transactions have been eliminated in consolidation. These were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim reporting with the instructions for Form 10-Q and Rule 10-01 of Regulation S-X of the Securities and Exchange Commission ("SEC"). As such, they do not include all information and footnotes required by U.S. GAAP for complete financial statements. We believe that we have included all normal and recurring adjustments necessary for a fair presentation of the results for the interim period. Operating results for the three months ended March 31, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017.

***<u>Use of Estimates</u>***

The preparation of consolidated financial statements in conformity with U.S. GAAP that requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and footnotes thereto. Significant estimates include (i) projections we make regarding the recoverability and impairment of our assets (including goodwill and intangibles), (ii) valuations of our derivative instruments, (iii) recoverability of our deferred tax assets and (iv) estimation of gift card and gift certificate breakage which we concluded to have remote likelihood of redemption. Actual results may differ from those estimates.

***<u>Reclassifications</u>***

Certain reclassifications have been made in the 2016 comparative information in the consolidated balance sheets, statement of cash flows and notes to conform to the 2017 presentation. These reclassifications relate to the following, for which we assessed to be allowable under Regulation S-X, Rule 10.01 due to immaterial balances:

(i) reclassification of Investment in Reading International Trust I as part of "Other assets" line in our consolidated balance sheets; and,
(ii) combination of certain amortization items in our consolidated statement of cash flows (under Operating Activities section) into one line, called "Other amortization".

***<u>Recently Adopted and Issued Accounting Pronouncements</u>***

***Adopted:***

On January 1, 2017, the Company adopted *ASU 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. This new guidance, which became effective for fiscal years beginning after December 15, 2016, provided simplifications to several aspects of the accounting for share-based payment transactions, including (i) accounting for tax benefits in excess of compensation cost and tax deficiencies, (ii) accounting for forfeitures, and (iii) classification on the statement of cash flows. The significant impact of the adoption of this new guidance to us is the immediate recognition of excess tax benefits (or "windfalls") and tax deficiencies (or "shortfalls") in the consolidated statement of income. Previously, (i) tax windfalls were recorded in additional paid-in capital ("APIC") in the consolidated statement of stockholder's equity and (ii) tax shortfalls were recorded in APIC to the extent of previous windfalls and then to the consolidated statement of income. This simplification eliminated the administrative complexity of tracking the "windfall pool".

***Issued:***

In March 2017, the FASB issued *ASU 2017-07, Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The amendments in this Update (i) require that an employer disaggregate the service cost component from the other components of net benefit cost, and (ii) provide explicit guidance on how to present the service cost component and the other components of net benefit cost in the income statement and allow only the service cost component of net benefit cost to be eligible for capitalization. The new guidance is effective for the Company on January 1, 2018. Early adoption is permitted as of the beginning of an annual period for which financial statements (interim or annual) have not been issued or made available for issuance. As our existing pension annuity (replacing the supplemental executive retirement plan) for our now deceased former Chairman of the Board and Chief Executive Officer does not include any service cost component, we do not anticipate the adoption of ASU 2017-07 to have a material impact on our consolidated financial statements.

In January 2017, the FASB issued *ASU 2017-04, Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. This new guidance simplifies the subsequent measurement of goodwill by removing the second step of the two-step impairment test. The amendment requires an entity to perform its annual, or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The amendment should be applied on a prospective basis. The new guidance is effective for the Company on January 1, 2020, including interim periods within the year of adoption. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We do not anticipate the adoption of ASU 2017-04 to have a material impact on our consolidated financial statements.

Also, in January 2017, the FASB issued *ASU 2017-01, Business Combination (Topic 805): Clarifying the Definition of a Business*. This ASU provides additional guidance in regards evaluating whether a transaction should be treated as an asset acquisition (or disposal) or a business combination. Particularly, the amendments to this ASU provide that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. This clarification reduces the number of transactions that needs further evaluation for business combination. This becomes effective for the Company on January 1, 2018. As there are no anticipated acquisitions for 2017, we do not anticipate the ASU 2017-01 to be applicable on our 2017 consolidated financial statements.

Further, in January 2017, the FASB issued *ASU 2017-03, Accounting Changes and Error Corrections (Topic 250) and Investments—Equity Method and Joint Ventures (Topic 323): Amendments to SEC Paragraphs Pursuant to Staff Announcements at the September 22, 2016 and November 17, 2016 EITF Meetings*. This ASU incorporates into the Codification the SEC Staff announcements made at previous EITF meetings expressing its expectations about the extent of disclosures issuers should make about the effects of the recently issued FASB guidance (including any amendments issued prior to adoption) on (i) revenue from contract with customers (ASU 2016-13), (ii) leases (ASU 2016-02) and (iii) credit losses on financial instruments (ASU 2016-13) in accordance with Staff Accounting Bulletin (“SAB”) Topic 11.M. SAB 11.M requires issuers to disclose the effect that recently issued accounting standards will have on their financial statements when adopted in a future period. ASU 2017-03 incorporates these SEC staff views into ASC 250 and adds references to that guidance in the transition paragraphs of each of the three new standards. In accordance with this disclosure requirement, we provide below our initial analysis of the impact of the following recently issued standards (including any amendments prior to adoption) that are effective in future periods:

1. *ASU 2014-09, Revenue from Contracts with Customers (Topic 606)* – FASB issued this new guidance, which becomes effective to us and for which we plan to adopt by January 1, 2018, 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 this 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. This new standard is required to be applied either: (i) retrospectively to each prior reporting period presented, or (ii) 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 fully determined the impact of this new standard on our consolidated financial statements. However, we believe the proposed guidance will not have a material impact to our cinema exhibition business given revenues from movie ticket and food and beverage sales are not contractually-driven (rather, based on published rates) and are principally collected in cash or credit cards at our theatre locations and through our online selling channels. 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. As a result, there might be incremental disclosures in our future filings once this guidance is adopted. We are in the process of completing an analysis to ensure full compliance prior to the effective date. In regards to ASUs subsequently issued that amends or are related to ASU 2014-09, we disclose our initial analysis as follows:

   - *ASU 2016-04, Recognition of Breakage for Certain Prepaid Stored-Value Products (Subtopic 405-20)* – FASB issued this new guidance on extinguishment of liabilities, which becomes effective to us and for which we plan to adopt by January 1, 2018, related to prepaid stored-value products (such as our gift cards and gift certificates) based on the same breakage model required by Topic 606, Revenue from Contracts with Customers. Accordingly, issuers will be required to recognize the expected breakage amount (i.e., derecognize the liability) either (1) proportionally in earnings as redemptions occur, or (2) when redemption is remote. While this guidance is not adopted until 2018, we have effectively applied this through our recording of the gift card breakage income as a change in accounting policy in our 2016 Form 10-K with retrospective application to January 1, 2014. As a result, the Company does not anticipate the adoption of ASU 2016-04 to have a material impact on the consolidated financial statements and related disclosures when it becomes effective in 2018.

   - *ASU 2016-08, Principal vs Agent Considerations (Reporting Revenue Gross versus Net) (Topic 606)* – FASB issued this amendment to the principal versus agent guidance in the new revenue standard to clarify that the analysis must focus on whether the entity has control of the goods or services before they are transferred to the customer. If control is not certain, the reporting company would need to evaluate three indicators that control has been obtained before the entity transfers the goods or services to a customer: (a) entity is primary responsible for fulfilment, (b) entity has inventory risk before or after the good or service is transferred to the customer, and (c) entity has discretion to establish pricing. In regards our live theatre business, we provide administrative support, including collection of ticket sales, as part of our license agreement with the production companies. We recognize revenues on a weekly basis after performance of a show occurs based on fixed and variable fees (as a percentage of ticket sales) pursuant to such license agreement. Given our involvement is to provide only administrative support and control over the "performance of the show" to the ultimate customers (that is, the spectators) is held by the production companies, we believe we mainly act as an agent. Accordingly, reporting revenues net (that is, record only the fixed and variable fees per the license agreement rather than the gross collections) continues to be appropriate.

2.*ASU 2016-02, Leases (Topic 842)* – This new guidance, which becomes effective to us and for which we plan to adopt by January 1, 2019, establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. A modified retrospective transition approach is required for lessees with capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. While we are still evaluating the impact of our pending adoption of this new standard on our consolidated financial statements, we expect that upon adoption we will recognize ROU assets and lease liabilities and that the amounts could be material since a majority of our operating cinemas are on leased-facility model. We are in the process of developing an implementation plan and significant implementation matters yet to be addressed include (i) determination of appropriate discount rate to use and (ii) assessment of renewal options to include in the initial lease term.

## 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 our 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 ("AU$") and New Zealand dollar ("NZ$"), respectively, to the U.S. dollar based on the exchange rate as of March 31, 2017. The carrying value of the assets and liabilities of our foreign operations fluctuates as a result of changes in the exchange rates between the functional currencies of the foreign operations and the U.S. dollar. The translation adjustments are accumulated in the Accumulated Other Comprehensive Income in the Consolidated Balance Sheets.

As indicated previously, our overall operating strategy is to conduct business mostly on a self-funding basis (except for funds used to pay an appropriate share of our U.S. corporate overhead). As such, we do not use derivative financial instruments to hedge against the risk of foreign currency exposure. However, in certain circumstances, we may decide to move funds between jurisdictions where circumstances encouraged us to do so from an overall economic standpoint. As of December 31, 2016, we reassessed our assertion in regards intercompany advances from the U.S. Parent Company to our Australian subsidiary that we previously deemed to be of long-term investment in nature. Given the interest savings that will be generated from using funds through the repayments of intercompany loans by our Australian subsidiary to finance a portion of our Union Square redevelopment project rather than paying up for high interest mezzanine loans (which will yield overall notional all-in interest savings of approximately 10.0%), we changed our assertion for a portion of these intercompany loans to short-term. As a result, we recognized a gain of $825,000 representing the foreign currency movement on the intercompany advances based on the relative strengthening of the Australian dollar to the U.S. dollar for the quarter ended March 31, 2017.

Presented in the table below are the currency exchange rates for Australia and New Zealand as of and for the period-ended March 31, 2017, December 31, 2016 and March 31, 2016:

| | Foreign Currency / USD | | |
|---|---|---|---|
| | **As of and for the Three Months Ended March 31, 2017** | **As of and for the Twelve Months Ended December 31, 2016** | **As of and for the Three Months Ended March 31, 2016** |
| **Spot Rate** | | | |
| Australian Dollar | 0.7638 | 0.7230 | 0.7677 |
| New Zealand Dollar | 0.7001 | 0.6958 | 0.6926 |
| **Average Rate** | | | |
| Australian Dollar | 0.7584 | 0.7440 | 0.7216 |
| New Zealand Dollar | 0.7122 | 0.6973 | 0.6637 |

## 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:

| | Three Months Ended | |
|---|---|---|
| *(Dollars in thousands, except share data)* | **March 31, 2017** | **March 31, 2016** |
| **Numerator:** | | |
| Net income attributable to RDI common stockholders | $ 3,029 | $ 2,226 |
| **Denominator:** | | |
| Weighted average number of common stock – basic | 23,168,351 | 23,334,892 |
| Weighted average dilutive impact of awards | 296,825 | 197,966 |
| Weighted average number of common stock – diluted | 23,465,176 | 23,532,858 |
| **Basic EPS** attributable to RDI common stockholders | $ 0.13 | $ 0.10 |
| **Diluted EPS** attributable to RDI common stockholders | $ 0.13 | $ 0.09 |
| Awards excluded from diluted EPS | -- | -- |

## Note 5 – Property and Equipment

### *Operating Property, net*

As of March 31, 2017 and December 31, 2016, property associated with our operating activities is summarized as follows:

| *(Dollars in thousands)* | **March 31, 2017** | **December 31, 2016** |
|---|---|---|
| Land | $ 75,577 | $ 73,803 |
| Building and improvements | 127,273 | 122,863 |
| Leasehold improvements | 48,171 | 46,902 |
| Fixtures and equipment | 122,963 | 118,180 |
| Construction-in-progress | 11,805 | 11,517 |
| Total cost | 385,789 | 373,265 |
| Less: accumulated depreciation | (169,431) | (161,379) |
| **Operating property, net** | **$ 216,358** | **$ 211,886** |

Depreciation expense for operating property was both $3.5 million for the quarter ended March 31, 2017 and March 31, 2016.

### *Investment and Development Property*

As of March 31, 2017 and December 31, 2016, our investment and development property is summarized below:

| *(Dollars in thousands)* | **March 31, 2017** | **December 31, 2016** |
|---|---|---|
| Land | $ 24,791 | $ 24,616 |
| Building | 1,900 | 1,900 |
| Construction-in-progress (including capitalized interest) | 23,540 | 17,171 |
| **Investment and development property** | **$ 50,231** | **$ 43,687** |

***Construction-in-Progress – Operating and Investing Properties***

Construction-in-Progress balances are included in both our operating and development properties. The balances of our major projects along with the movements for the quarter ended March 31, 2017 are shown below:

| *(Dollars in thousands)* | **Balance, December 31, 2016** | **Additions during the quarter[1]** | **Completed during the quarter** | **Foreign currency movements** | **Balance, March 31, 2017** |
|---|---|---|---|---|---|
| Union Square development | $11,412 | $4,259 | $ | -- | $15,671 |
| Newmarket Property development | 2,106 | 1,714 | -- | 131 | $3,951 |
| Courtenay Central development | 3,510 | 232 | -- | 20 | $3,762 |
| Cinema developments and improvements | 7,796 | 87 | (959) | 20 | $6,944 |
| Other real estate projects | 3,864 | 1,461 | (383) | 75 | $5,017 |
| **Total** | **$28,688** | **$7,753** | **$ (1,342)** | **$246** | **$35,345** |

[1] Includes capitalized interest of $155,000 for the quarter ended March 31, 2017.

***Real Estate Transactions***

New Corporate Headquarters in Los Angeles

On April 11, 2016, we purchased a 24,000 square foot office building with 72 parking spaces located at 5995 Sepulveda Boulevard in Culver City, California for $11.2 million. The terms and circumstances of this acquisition were not considered to meet the definition of a business combination in accordance with U.S. GAAP. We currently use approximately 50% of the leasable area for our headquarters offices and intend to lease, over time, the remainder to unaffiliated third parties.

Sale of Landholding in Burwood, Australia

On May 12, 2014, we entered into a contract to sell our undeveloped 50.6 acre parcel in Burwood, Victoria, Australia, to Australand Holdings Limited (now known as Frasers Property Australia) for a purchase price of $50.6 million (AU$65.0 million). We received $5.9 million (AU$6.5 million) on May 23, 2014. The remaining purchase price of $44.7 million (AU$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 $39.8 million (AU$52.1 million) and $37.7 million (AU$52.1 million) as of March 31, 2017 and December 31, 2016, respectively (the difference being attributable solely to currency fluctuations). While the transaction was treated as a sale for tax purposes in 2014, it does not qualify as a sale under US 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 land held for sale (current) on our consolidated balance sheets both as of March 31, 2017 and December 31, 2016.

Sale of Properties in 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 $2.4 million (NZ$3.4 million). The first agreement related to a property with a sales price of $1.6 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 related to a property with a sales price of $831,000 (NZ$1.2 million) and a book value of $426,000 (NZ$615,000) which was completed and for which we received cash settlement representing the full sales price on March 31, 2016. The first transaction qualified as a sale under both U.S. GAAP and tax purposes during the year-ended December 31, 2015. The second transaction was recorded as a sale during the quarter ended March 31, 2016.

### Note 6 – Investments in Unconsolidated Joint Ventures

Our investments in unconsolidated joint ventures are accounted for under the equity method of accounting. Our investment in Rialto Distribution was fully written off since 2010 (refer to further discussion below). The table below summarizes our investments in unconsolidated joint ventures as of March 31, 2017 and December 31, 2016:

| *(Dollars in thousands)* | Interest | March 31, 2017 | December 31, 2016 |
|---|---|---|---|
| Rialto Distribution | 33.3% | $ -- | $ -- |
| Rialto Cinemas | 50.0% | $ 1,173 | $ 1,197 |
| Mt. Gravatt | 33.3% | 4,086 | 3,874 |
| Total investments | | $ 5,259 | $ 5,071 |

For the three months ended March 31, 2017 and 2016, we recorded our share of equity earnings from our investments in unconsolidated joint ventures as follows:

| | Three Months Ended | |
|---|---|---|
| *(Dollars in thousands)* | March 31, 2017 | March 31, 2016 |
| Rialto Distribution | $ -- | $ -- |
| Rialto Cinemas | $ 39 | $ 76 |
| Mt. Gravatt | 216 | 226 |
| Total equity earnings | $ 255 | $ 302 |

***Rialto Distribution***

Due to significant losses in years past, we determined that our investment in Rialto Distribution was fully impaired. As a result of these losses, as of January 1, 2010, we treat our interest as a cost method interest in an unconsolidated joint venture, and record income based on the distributions we receive. We have also fully provided for any losses that may result from the bank guarantee that had been given on behalf of Rialto Distribution (refer to *Note 13 – Commitments and Contingencies – Debt Guarantee*).

### Note 7 – Goodwill and Intangible Assets

The table below summarizes goodwill by business segment as of March 31, 2017 and December 31, 2016.

| *(Dollars in thousands)* | Cinema | Real Estate | Total |
|---|---|---|---|
| Balance at December 31, 2016 | $ 14,604 | $ 5,224 | $ 19,828 |
| Foreign currency translation adjustment | 245 | -- | 245 |
| Balance at March 31, 2017 | $ 14,849 | $ 5,224 | $ 20,073 |

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 2017. 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 March 31, 2017, we were not aware of any events indicating potential impairment of goodwill had occurred.

The tables below summarize intangible assets other than goodwill as of March 31, 2017 and December 31, 2016, respectively.

| | As of March 31, 2017 | | | |
|---|---|---|---|---|
| *(Dollars in thousands)* | Beneficial Leases | Trade Name | Other Intangible Assets | Total |
| Gross carrying amount | $ 28,797 | $ 7,254 | $ 1,085 | $ 37,136 |
| Less: Accumulated amortization | (22,243) | (4,710) | (473) | (27,426) |
| **Net intangible assets other than goodwill** | **$ 6,554** | **$ 2,544** | **$ 612** | **$ 9,710** |

| | As of December 31, 2016 | | | |
|---|---|---|---|---|
| *(Dollars in thousands)* | Beneficial Leases | Trade Name | Other Intangible Assets | Total |
| Gross carrying amount | $ 28,671 | $ 7,254 | $ 1,084 | $ 37,009 |
| Less: Accumulated amortization | (21,870) | (4,634) | (468) | (26,972) |
| **Net intangible assets other than goodwill** | **$ 6,801** | **$ 2,620** | **$ 616** | **$ 10,037** |

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 their estimated useful lives of up to 30 years (except for transferrable liquor licenses, which are indefinite-lived assets). The table below summarizes the amortization expense of intangible assets for the quarter ended March 31, 2017.

| | Three Months Ended | |
|---|---|---|
| *(Dollars in thousands)* | March 31, 2017 | March 31, 2016 |
| Beneficial lease amortization | $ 304 | $ 365 |
| Other amortization | 102 | 96 |
| **Total intangible assets amortization** | **$ 406** | **$ 461** |

## Note 8 – Prepaid and Other Assets

Prepaid and other assets are summarized as follows:

| *(Dollars in thousands)* | March 31, 2017 | December 31, 2016 |
|---|---|---|
| **Prepaid and other current assets** | | |
| Insurance receivable[1] | $ 9,839 | $ -- |
| Prepaid expenses | 2,088 | 981 |
| Prepaid taxes | 3,042 | 3,098 |
| Prepaid rent | 1,616 | 1,237 |
| Deposits | 404 | 404 |
| Investment in marketable securities | 46 | 50 |
| Restricted cash | 17 | 17 |
| Total prepaid and other current assets | $ 17,052 | $ 5,787 |
| **Other non-current assets** | | |
| Insurance receivable[1] | $ -- | $ 9,480 |
| Other non-cinema and non-rental real estate assets | 1,134 | 1,134 |
| Investment in Reading International Trust I | 838 | 838 |
| Interest rate cap at fair value | 10 | 1 |
| Straight-line rent | 2,537 | 2,457 |
| Long-term deposits | 28 | 39 |
| Total other non-current assets | $ 4,547 | $ 13,949 |

[1] Refer to *Note 18 – Insurance Recoverable* for further discussion on this item.

## Note 9 – Income Taxes

The provision for income taxes is different from the amount determined by applying the U.S. federal statutory rate to consolidated income before taxes. The differences are attributable to earnings considered indefinitely reinvested in foreign operations, change in valuation allowance, state taxes, unrecognized tax benefits, and foreign withholding tax on interest. Our effective tax rate was 35.9% and 35.6% for the three months ended March 31, 2017 and 2016, respectively.

**Note 10 – Debt**

The Company's borrowings at March 31, 2017 and December 31, 2016, net of deferred financing costs and including the impact of interest rate derivatives on effective interest rates, are summarized below:

| | As of March 31, 2017 | | | | | |
|---|---|---|---|---|---|---|
| *(Dollars in thousands)* | Maturity Date | Contractual Facility | Balance, Gross | Balance, Net[3] | Stated Interest Rate | Effective Interest Rate [1] |
| Denominated in USD | | | | | | |
| Trust Preferred Securities (USA) | April 30, 2027 | $ 27,913 | $ 27,913 | $ 27,393 | 5.04% | 5.20% |
| Bank of America Credit Facility (USA) | November 28, 2019 | 55,000 | 39,000 | 38,866 | 3.48% | 3.65% |
| Bank of America Line of Credit (USA) | October 31, 2019 | 5,000 | 1,000 | 1,000 | 3.98% | 3.98% |
| Cinema 1, 2, 3 Term Loan (USA) | September 1, 2019 | 19,800 | 19,800 | 19,293 | 3.25% | 3.25% |
| Minetta & Orpheum Theatres Loan (USA) | June 1, 2018 | 7,500 | 7,500 | 7,416 | 3.56% | 3.56% |
| U.S. Corporate Office Term Loan (USA) | January 1, 2027 | 8,333 | 8,333 | 8,212 | 4.64% | 4.64% |
| Union Square Construction Financing (USA) | December 29, 2019 | 57,500 | 8,000 | 4,942 | 5.24% | 5.24% |
| Denominated in foreign currency ("FC") [2] | | | | | | |
| NAB Corporate Term Loan (AU) | June 28, 2019 | 50,793 | 31,316 | 31,185 | 2.63% | 2.63% |
| Westpac Corporate Credit Facility (NZ) | December 31, 2018 | 37,105 | 10,502 | 10,502 | 3.70% | 3.70% |
| | | $ 268,944 | 153,364 | 148,809 | | |

[1] Effective interest rate includes the impact of interest rate derivatives hedging the interest rate risk associated with Trust Preferred Securities and Bank of America Credit Facility that were outstanding as of March 31, 2017.

[2] 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 March 31, 2017.

[3] Net of deferred financing costs amounting to $4.6 million.

[4] The loan for our Minetta & Orpheum Theatres was obtained from Santander Bank. The term loan for our Cinema 1,2,3 Theatre was refinanced during the third quarter of 2016 with Valley National Bank. The term loan, which is collateralized by our new U.S Corporate Headquarters office building, was obtained with Citizens Asset Finance, Inc. during the fourth quarter of 2016. In December 2016, we successfully negotiated the construction financing for our Union Square redevelopment project, $8.0 million of which was advanced from the total construction loan limit of $57.5 million.

| | As of December 31, 2016 | | | | | |
|---|---|---|---|---|---|---|
| *(Dollars in thousands)* | Maturity Date | Contractual Facility | Balance, Gross | Balance, Net[3] | Stated Interest Rate | Effective Interest Rate [1] |
| Denominated in USD | | | | | | |
| Trust Preferred Securities (USA) | April 30, 2027 | $ 27,913 | $ 27,913 | $ 27,340 | 4.89% | 5.20% |
| Bank of America Credit Facility (USA) | November 28, 2019 | 55,000 | 39,950 | 39,759 | 3.27% | 3.90% |
| Bank of America Line of Credit (USA) | October 31, 2019 | 5,000 | -- | -- | 3.77% | 3.77% |
| Cinema 1, 2, 3 Term Loan (USA)[4] | September 1, 2019 | 19,901 | 19,901 | 19,356 | 3.25% | 3.25% |
| Minetta & Orpheum Theatres Loan (USA)[4] | June 1, 2018 | 7,500 | 7,500 | 7,398 | 3.38% | 3.38% |
| U.S. Corporate Office Term Loan (USA)[4] | January 1, 2027 | 8,363 | 8,363 | 8,239 | 4.64% | 4.64% |
| Union Square Construction Financing (USA)[4] | December 29, 2019 | 57,500 | 8,000 | 4,751 | 4.52% | 4.52% |
| Denominated in FC [2] | | | | | | |
| NAB Corporate Term Loan (AU) | June 30, 2019 | 48,080 | 28,558 | 28,421 | 2.64% | 2.64% |
| Westpac Corporate Credit Facility (NZ) | March 31, 2018 | 36,877 | 8,350 | 8,350 | 3.80% | 3.80% |
| | | $ 266,134 | $ 148,535 | $ 143,614 | | |

[1] Effective interest rate includes the impact of interest rate derivatives hedging the interest rate risk associated with Trust Preferred Securities and Bank of America Credit Facility that were outstanding as of December 31, 2016.

[2] 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 December 31, 2016.

[3] Net of deferred financing costs amounting to $4.9 million.

[4] The loan for our Minetta & Orpheum Theatres was obtained from Santander Bank. The term loan for our Cinema 1,2,3 Theatre was refinanced during the third quarter of 2016 with Valley National Bank. The term loan, which is collateralized by our new U.S Corporate Headquarters office building, was obtained with Citizens Asset Finance, Inc. during the fourth quarter of 2016. In December 2016, we successfully negotiated the construction financing for our Union Square redevelopment project, $8.0 million of which was advanced from the total construction loan limit of $57.5 million.

***Union Square Construction Financing***

On December 29, 2016, we closed our new construction finance facilities totaling $57.5 million to fund the non-equity portion of the anticipated construction costs of the redevelopment of our property at 44 Union Square in New York City. The combined facilities consist of $50 million in aggregate loans (comprised of three loan tranches) from Bank of the Ozarks ("BOTO"), and a $7.5 million mezzanine loan from Tammany Mezz Investor, LLC, an affiliate of Fisher Brothers. As of December 31, 2016, BOTO advanced $8.0

million to repay the existing $8.0 million loan with East West Bank.

Presented in the table below is the breakdown of the Union Square construction financing as of March 31, 2017:

| *(Dollars in thousands)* | | Facility Limits and Advances | | | | |
|---|---|---|---|---|---|---|
| **Financing Component** | **Lender** | **Facility Limit** | **Advanced-to- Date** | **Remaining Facility** | **Interest Rate[1]** | **Maturity Date[2]** |
| Mezzanine loan | Tammany Mezz Investor LLC | $ 7,500 | $ -- | $ 7,500 | Greater of (i) 10.50% and (ii) Adjusted LIBOR + 10% | December 29, 2019 |
| Senior loan | Bank of the Ozarks | 8,000 | 8,000 | -- | Greater of (i) 4.75% and (ii) Adjusted LIBOR + 4.25% | December 29, 2019 |
| Building loan | Bank of the Ozarks | 31,130 | -- | 31,130 | Greater of (i) 4.75% and (ii) Adjusted LIBOR + 4.25% | December 29, 2019 |
| Project loan | Bank of the Ozarks | 10,870 | -- | 10,870 | Greater of (i) 4.75% and (ii) Adjusted LIBOR + 4.25% | December 29, 2019 |
| **Total Union Square Financing** | | **$ 57,500** | **$8,000** | **$ 49,500** | | |

[1] *Not to exceed the New York State maximum lawful borrowing rate, which typically is 16%.*
[2] *Allowable for up to two (2) extension request options, one (1) year for each extension request.*

***Cinema 1,2,3 Term Loan***

On August 31, 2016, Sutton Hill Properties LLC ("SHP"), a 75% subsidiary of RDI, refinanced its $15 million Santander Bank term loan with a different lender, Valley National Bank. This new $20 million loan is collateralized by our Cinema 1,2,3 property and bears an interest rate of 3.25% per annum, with principal installments and accruing interest paid monthly. The new loan matures on September 1, 2019, with a one-time option to extend maturity date for another year.

***Bank of America Credit Facility***

On March 3, 2016, we amended our $55.0 million credit facility with Bank of America to permit real property acquisition loans. This amendment was subject to the provision that the consolidated leverage ratio would be reduced by 0.25% from the established levels in the credit facility during the period of such borrowing subject further to a repayment of such borrowings on the earlier of the eighteen months from the date of such borrowing or the maturity date of the credit agreement. Such modification was not considered substantial in accordance with U.S. GAAP.

## Note 11 – Other Liabilities

Other liabilities are summarized as follows:

| *(Dollars in thousands)* | **March 31, 2017** | **December 31, 2016** |
|---|---|---|
| **Current liabilities** | | |
| Liability for demolition costs | $ 3,534 | $ 5,914 |
| Lease liability | $ 5,900 | $ 5,900 |
| Accrued pension | 2,394 | 2,223 |
| Security deposit payable | 87 | 77 |
| Other | 63 | 17 |
| **Other current liabilities** | **$ 11,978** | **$ 14,131** |
| **Other liabilities** | | |
| Straight-line rent liability | $ 12,556 | $ 12,413 |
| Accrued pension | 5,606 | 5,732 |
| Lease make-good provision | 5,363 | 5,146 |
| Deferred revenue - real estate | 4,716 | 4,398 |
| Environmental reserve | 1,656 | 1,656 |
| Interest rate swap | 4 | 58 |
| Acquired leases | 250 | 267 |
| Other | 497 | 495 |
| **Other liabilities** | **$ 30,648** | **$ 30,165** |

On August 29, 2014, the Supplemental Executive Retirement Plan ("SERP") that was effective since March 1, 2007, was ended and replaced with a new pension annuity. As a result of the termination of the SERP program, the accrued pension liability of $7.6 million was reversed and replaced with a new pension annuity liability of $7.5 million. The valuation of the liability is based on the present value of $10.2 million discounted at a rate of 4.25% over a 15- year term, resulting in a monthly payment of $57,000 payable to the Cotter Estate or Cotter Trust (as defined herein). The discount rate of 4.25% has been applied since 2014 to determine the net periodic benefit cost and plan benefit obligation and is expected to be used in future years. The discounted value of $2.7 million (which is the difference between the estimated payout of $10.2 million and the present value of $7.5 million) as of August 29, 2014 will be amortized and expensed based on the 15-year term. In addition, the accumulated actuarial loss of $3.1 million recorded, as part of other comprehensive income will also be amortized based on the 15-year term.

As a result of the above, included in our current and non-current liabilities are accrued pension costs of $8.0 million at March 31, 2017. The benefits of our pension plans are fully vested and therefore no service costs were recognized for the three months ended March 31, 2017 and 2016. Our pension plans are unfunded. During the three months ended March 31, 2017, the interest cost was $45,000, and actuarial loss was $52,000. During the three months ended March 31, 2016, the interest cost was $45,000, and actuarial loss was $32,000.

## Note 12 – Accumulated Other Comprehensive Income

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

| *(Dollars in thousands)* | Foreign Currency Items | Unrealized Gain (Losses) on Available-for-Sale Investments | Accrued Pension Service Costs | Total |
|---|---|---|---|---|
| Balance at January 1, 2017 | $ 14,784 | $ 10 | $ (2,719) | $ 12,075 |
| Net current-period other comprehensive income | 5,813 | (4) | 52 | 5,861 |
| **Balance at March 31, 2017** | **$ 20,597** | **$ 6** | **$ (2,667)** | **$ 17,936** |

## Note 13 – Commitments and Contingencies

**Debt Guarantee**

The total estimated debt of unconsolidated joint ventures, consisting solely of Rialto Distribution (see *Note 6 – Investments in Unconsolidated Joint Ventures*), was $1.1 million (NZ$1.5 million) as of March 31, 2017 and $1.0 million (NZ$1.5 million) as of December 31, 2016. Our share of the unconsolidated debt, based on our ownership percentage, was NZ$500,000 as of March 31, 2017 and December 31, 2016, respectively. This debt is guaranteed by one of our subsidiaries to the extent of our proportionate ownership. Based on the financial position of Rialto Distribution and in consideration of this debt guarantee, we accrued $350,000 (NZ$500,000) and $348,000 (NZ$500,000) as of March 31, 2017 and December 31, 2016, recorded as part of Accounts payable and accrued liabilities.

**Litigation**

***Derivative Litigation and James J. Cotter, Jr. Employment Arbitration***

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, against our Company and each of our then sitting Directors (Ellen Cotter, Margaret Cotter, Guy Adams, William Gould, Edward Kane, Douglas McEachern, and Tim Storey) in the Eighth Judicial District Court of the State of Nevada for Clark County (the "Nevada District Court"). Since that date, our Company has been engaged in ongoing litigation with Mr. Cotter, Jr. with respect to his claims against our Directors. Mr. Cotter, Jr. has over this period of time twice amended his complaint, removing his individual claims and withdrawing his claims against Tim Storey (but reserving the right to reinstitute such claims), adding claims relating to actions taken by our Board since the filing of his original complaint and adding as defendants two of our directors who were not on our Board at the time of his termination: Judy Codding and Michael Wrotniak. Mr. Cotter, Jr.'s lawsuit, as amended from time to time, is referred to herein as the "Cotter Jr. Derivative Action" and his complaint, as amended from time to time, is referred to herein as the "Cotter Jr. Derivative Complaint." The defendant directors named in the Cotter Jr. Derivative Complaint, from time to time, are referred to herein as the "Defendant Directors."

The Cotter Jr. Derivative Complaint alleges among other things, that the Defendant Directors breached their fiduciary duties to the Company by terminating Mr. Cotter, Jr. as President and Chief Executive Officer, continuing to make use of the Executive Committee that has been in place for more than the past ten years (but which no longer includes Mr. Cotter, Jr. as a member), making allegedly potentially misleading statements in our Company's press releases and filings with the Securities and Exchange Commission (the "SEC"), paying certain compensation to Ellen Cotter, allowing the Cotter Estate to make use of Class A Common Stock to pay for the exercise of certain long outstanding stock options to acquire 100,000 shares of Class B Common Stock held of record by the Cotter Estate and determined by the Nevada District Court to be assets of the Cotter Estate, and allowing Ellen Cotter and Margaret Cotter to vote the 100,000 shares of Class B Common Stock issued upon the exercise of such options, appointing Ellen Cotter as President and Chief Executive Officer, appointing Margaret Cotter as Executive Vice President, and the way in which the Board handled an unsolicited indication of interest made by a third party to acquire all of the stock of our Company. In the lawsuit, Mr. Cotter, Jr. seeks reinstatement as President and CEO, a declaration that Ellen Cotter and Margaret Cotter may not vote the above referenced 100,000 shares of Class B Stock, and alleges as damages fluctuations in the price for our Company's shares after the announcement of his termination as President and CEO and certain unspecified damages to our Company's reputation.

In addition, our Company is in arbitration with Mr. Cotter, Jr. (Reading International, Inc. v. James J. Cotter, AAA Case No. 01-15-0004-2384, filed July 2015)( the "Cotter Jr. Employment Arbitration") seeking declaratory relief and defending claims asserted by Mr. Cotter, Jr. On January 20, 2017, Mr. Cotter Jr. filed a First Amended Counter-Complaint which includes claims of breach of contract, contractual indemnification, retaliation, wrongful termination in violation of California Labor Code Section 1102.5, wrongful discharge, and violations of California Code of Procedure Section 1060 based on allegations of unlawful and unfair conduct. Mr. Cotter, Jr. seeks compensatory damages estimated by his counsel at more than $1.2 million, plus unquantified special and punitive damages, penalties, interest and attorney's fees. On April 9, 2017, the Arbitrator granted without leave to amend the Company's motion to dismiss Mr. Cotter, Jr.'s claims for retaliation, violation of labor code §1102.5 and wrongful discharge in violation of public policy.

Mr. Cotter, Jr. also brought a direct action in the Nevada District Court (*James J. Cotter, Jr. v. Reading International, Inc, a Nevada corporation; Does 1-100 and Roe Entities, 1-100, inclusive, Case No. A-16-735305-B*) seeking advancement of attorney's fees incurred in the Cotter Jr. Employment Arbitration. Summary judgment was entered against Mr. Cotter, Jr. with respect to that direct action on October 3, 2016.

For a period of approximately 12 months, between August 6, 2015 and August 4, 2016, our Company and our directors other than Mr. Cotter, Jr. were subject to a derivative lawsuit 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 (the "T2 Plaintiffs), 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. That complaint was subsequently amended (as amended the "T2 Derivative Complaint") to add as defendants Directors Judy Codding and Michael Wrotniak (collectively with the directors initially named the "T2 Defendant Directors") and S. Craig Tompkins, our Company's legal counsel (collectively with the T2 Defendant Directors, the "T2 Defendants"). The T2 Derivative Action was settled pursuant to a Settlement Agreement between the parties dated August 4, 2016, which as modified was approved by the Nevada District Court on October 6, 2016. The District Court's Order provided for the dismissal with prejudice of all claims contained in the T2 Plaintiffs' First Amended Complaint and provide that each side would be responsible for its own attorneys' fees.

In the joint press release issued by our Company and the T2 Plaintiffs on July 13, 2016, representatives of the T2 Plaintiffs stated as follows: *"We are pleased with the conclusions reached by our investigations as Plaintiff Stockholders and now firmly believe that the Reading Board of Directors has and will continue to protect stockholder interests and will continue to work to maximize shareholder value over the long-term. We appreciate the Company's willingness to engage in open dialogue and are excited about the Company's prospects. Our questions about the termination of James Cotter, Jr., and various transactions between Reading and members of the Cotter family-or entities they control-have been definitively addressed and put to rest. We are impressed by measures the Reading Board has made over the past year to further strengthen corporate governance. We fully support the Reading Board and management team and their strategy to create stockholder value."*

The T2 Plaintiffs alleged in their T2 Derivative Complaint various violations of fiduciary duty, abuse of control, gross mismanagement and corporate waste by the T2 Defendant Directors. More specifically the T2 Derivative Complaint sought the reinstatement of James J. Cotter, Jr. as President and Chief Executive Officer, an order setting aside the election results from the 2015 Annual Meeting of Stockholders, based on an allegation that Ellen Cotter and Margaret Cotter were not entitled to vote the shares of Class B Common Stock held by the Cotter Estate and the Cotter Trust, and certain monetary damages, as well as equitable injunctive relief, attorney fees and costs of suit. In May 2016, the T2 Plaintiffs unsuccessfully sought a preliminary injunction (1) enjoining the Inspector of Elections from counting at our 2016 Annual Meeting of Stockholders any proxies purporting to vote either the 327,808 Class B shares held of record by the Cotter Estate or the 696,080 Class B shares held of record by the Cotter Trust, and (2) enjoining Ellen Cotter, Margaret Cotter and James J. Cotter, Jr. from voting the above referenced shares at the 2016 Annual Meeting of

Stockholders. This request for preliminary injunctive relief was denied by the Nevada District Court after a hearing on May 26, 2016.

With respect to the Cotter, Jr. Derivative Action, discovery is substantially complete. However, due to the pendency of various appeals to the Nevada Supreme Court, no trial date has been calendared.

On September 15, 2016, Mr. Cotter, Jr. filed a writ with the Nevada Supreme Court seeking a determination that the Nevada District Court erred in its determination that, by communicating his thoughts about the Cotter Jr. Derivate Action with counsel for the T2 Plaintiffs without any confidentiality or joint representation agreement, Mr. Cotter, Jr's counsel waived any attorney work product privilege that might otherwise have been applicable to such communication. The Company is of the view that any privilege was waived by the unprotected communication of such thoughts to a third party such as counsel to the T2 Plaintiffs. On March 23, 2017, the Nevada Supreme Court set oral argument on the matter for the next available calendar.

On February 14, 2017 the Company filed a writ with the Nevada Supreme Court seeking a determination that the Nevada District Court erred in its decision to allow Mr. Cotter, Jr. access to certain communications between the Defendant Directors and Company counsel, which the Defendant Directors and our Company believe to be subject to the attorney-client communication privilege. Certain of the Defendant Directors joined in this writ. The Nevada Supreme Court has discretion in deciding whether to consider the writ, and the Company expects the Court to decide whether to consider the writ in the near future.

Activities in the Cotter Jr. Derivative Action, other than certain limited discovery, have been suspended pending determination of the above referenced writs. No assurances can be given as to how or when the Nevada Supreme Court will rule on the writs. At the present time, we believe that it unlikely that the issues set forth in the writs will be resolved in the near term.

The Cotter Jr., Employment Arbitration is also in the discovery phase.

Our Company is and was legally obligated to cover the costs and expenses incurred by our Defendant Directors in defending the Cotter Jr. Derivative Action and the T2 Derivative Action. Furthermore, although in a derivative action, the stockholder plaintiff seeks damages or other relief for the benefit of the Company, and not for the stockholder plaintiff's individual benefit and, accordingly, the Company is, at least in theory, only a nominal defendant, as a practical matter, because Mr. Cotter, Jr. is also seeking, among other things, an order that our Board's determination to terminate Mr. Cotter Jr. was ineffective and that he be reinstated as the President and CEO of our Company and also limiting the use of our Board's Executive Committee, and as he asserts potentially misleading statements in certain press releases and filings with the SEC, our Company is also incurring on its own account significant cost and expense defending the decision to terminate Mr. Cotter, Jr. as President and Chief Executive Officer, its board committee structure, and the adequacy of those press releases and filings, in addition to its costs incurred in responding to discovery demands and satisfying indemnity obligations to the Defendant Directors. Likewise, in connection with the T2 Derivative Action, our Company incurred substantial costs defending claims related to the defense of claims relating to the termination of Mr. Cotter, Jr., opposing his reinstatement, and defending the conduct of its annual meetings. Cost incurred in the Cotter Jr. Employment Arbitration and in the defense of the Cotter Jr. Attorney's fees case were direct costs of our Company.

The Directors and Officer's Insurance Policy, in the amount of $10 million, being used to cover a portion of the costs of defending the Cotter Jr. Derivative Action, has been exhausted. The Company is now covering the defense costs of the Defendant Directors, in addition to its own costs incurred in connection with the Cotter Jr. Derivative Action. During the first quarter, costs incurred with respect to the Cotter, Jr. Derivative Action and the Employment Arbitration aggregated $645,000.

***The STOMP Arbitration***

In April 2015, Liberty Theatres, LLC ("Liberty"), a wholly owned subsidiary of the Company, commenced an American Arbitration Association arbitration proceeding (Case No.:01-15-0003-3728) against The Stomp Company Limited Partnership ("Stomp"), the producer of the show STOMP, in response to Stomp's purported termination of their license agreement with Liberty relating to such show. STOMP has been playing at our Orpheum Theatre in New York City for 20 years and still continues to play to date. Liberty sought specific performance, injunctive and declaratory relief and damages. Stomp counterclaimed for unspecified damages, alleging that Liberty has interfered with the Stomp's endeavors to move the show to another Off-Broadway theater. Stomp based its purported termination of the license agreement upon the alleged deficient condition of the Orpheum Theater.

On December 18, 2015, the Arbitrator issued his Partial Final Award of Arbitration, providing for, among other things (i) the issuance of a permanent injunction prohibiting Stomp from "transferring or taking actions to market, promote, or otherwise facilitate any transfer of, STOMP to another theatre in New York City having fewer than 500 seats without Liberty's prior written consent", (ii) the Stomp's Notice of Termination purportedly terminating the parties' license agreement was invalid, null and void and the License Agreement remains in full force and effect, and (iii) the award to Liberty of its reasonable attorneys' fees in an amount to be determined by the Arbitrator.

In explaining his decision to award Liberty its reasonable attorneys' fees, the Arbitrator stated as follows: "Liberty is entitled to such an award [of attorneys' fees] not only because it is the prevailing party in this proceeding, but because [the Producer] unfairly disparaged the Orpheum and caused Liberty to incur attorneys' fees in order to address and resolve [the Producer's] groundless and frivolous allegations with respect to the Orpheum's condition, Liberty's performance under the License Agreement, and Stomp's reasons for seeking to transfer STOMP to a larger theatre."

In April 2016, we received a Final Award in our arbitration with Stomp. The Final Award awards us $2.3 million in attorney's fees and costs. In September 2016, the parties agreed on the payment terms of the Final Award ("Payment Agreement"), on a basis that is intended to allow recovery by Liberty of the entire Final Award (plus interest at 4%), while at the same time allowing the show to continue playing at our Orpheum Theater. Under the Payment Agreement, Stomp paid a total of $475,000 through March 31, 2017, and the remaining amount to be paid over time, with final payment due and payable in June 2019. We have filed a judgment of the arbitral award against Stomp with the New York Supreme Court to protect Liberty in the event Stomp defaults on the Payment Agreement. STOMP continues to play at our Orpheum Theater under a license agreement that was amended by the Payment Agreement.

**Note 14 – 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 either the estate of Mr. James J. Cotter, Sr. (the "Cotter Estate") or the James J. Cotter, Sr. Living Trust (the "Cotter Trust"); and,
- Sutton Hill Properties, LLC -- 25% noncontrolling interest owned by Sutton Hill Capital, LLC (which in turn is 50% owned by Cotter Estate and/or the Cotter Trust).

The components of noncontrolling interests are as follows:

| *(Dollars in thousands)* | March 31, 2017 | December 31, 2016 |
|---|---|---|
| Australian Country Cinemas, Pty Ltd | $ 244 | $ 264 |
| Shadow View Land and Farming, LLC | 2,005 | 1,980 |
| Sutton Hill Properties, LLC | 2,158 | 2,174 |
| Noncontrolling interests in consolidated subsidiaries | $ 4,407 | $ 4,418 |

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

| | Three Months Ended | |
|---|---|---|
| *(Dollars in thousands)* | March 31, 2017 | March 31, 2016 |
| Australian Country Cinemas, Pty Ltd | $ 44 | $ 34 |
| Shadow View Land and Farming, LLC | (16) | (10) |
| Sutton Hill Properties, LLC | (16) | (26) |
| **Net income (loss) attributable to noncontrolling interests in consolidated subsidiaries** | **$ 12** | **$ (2)** |

<u>Summary of Controlling and Noncontrolling Stockholders' Equity</u>

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

| *(Dollars in thousands)* | Controlling Stockholders' Equity | Noncontrolling Stockholders' Equity | Total Stockholders' Equity |
|---|---|---|---|
| Equity at January 1, 2017 | $ 142,197 | $ 4,418 | $ 146,615 |
| Net income | 3,029 | 12 | 3,041 |
| Increase in additional paid in capital | 169 | -- | 169 |
| Treasury stock purchased | (672) | -- | (672) |
| Contributions from noncontrolling stockholders - SHP | -- | 41 | 41 |
| Distributions to noncontrolling stockholders | -- | (77) | (77) |
| Accumulated other comprehensive income | 5,861 | 13 | 5,874 |
| **Equity at March 31, 2017** | **$ 150,584** | **$ 4,407** | **$ 154,991** |

| (Dollars in thousands) | Controlling Stockholders' Equity | Noncontrolling Stockholders' Equity | Total Stockholders' Equity |
|---|---|---|---|
| Equity at January 1, 2016 | $ 132,865 | $ 4,331 | $ 137,196 |
| Net income (loss) | 2,226 | (2) | 2,224 |
| Increase in additional paid in capital | 143 | -- | 143 |
| Distributions to noncontrolling stockholders | -- | (55) | (55) |
| Accumulated other comprehensive loss | 6,340 | 16 | 6,356 |
| **Equity at March 31, 2016** | **$ 141,574** | **$ 4,290** | **$ 145,864** |

**Note 15 – Stock-Based Compensation and Stock Repurchases**

***Employee and Director Stock Option Plan***

The Company may grant stock options and other share-based payment awards of our Class A Stock to eligible employees, directors, and consultants under the 2010 Stock Incentive Plan (the "Plan"). The aggregate total number of shares of the Class A Nonvoting Common Stock authorized for issuance under the Plan is 1,250,000.

Since the adoption of the Plan in 2010, the Company has granted awards primarily in the form of stock options. In the 1st quarter of 2016, the Company started to award restricted stock units ("RSUs") to directors and certain members of management. Stock options are generally granted at exercise prices equal to the grant-date market prices and typically expire no later than five years from the grant date. In contrast to a stock option where the grantee buys the Company's share at an exercise price determined on grant date, an RSU entitles the grantee to receive one share for every RSU based on a vesting plan. At the discretion of our Compensation and Stock Options Committee, the vesting period of stock options and RSUs granted to employees ranges from zero to four years. Grants to directors and certain executive officers are subject to Board approval. At the time the options are exercised or RSUs vest, at the discretion of management, we will issue treasury shares or make a new issuance of shares to the option or RSU holder.

Stock Options

We estimate the grant-date fair value of our stock options using the Black-Scholes option-valuation model, which takes into account assumptions such as the dividend yield, the risk-free interest rate, the expected stock price volatility, and the expected life of the options. We expense the estimated grant-date fair values of options over the vesting period on a straight-line basis. Based on our historical experience, the "deemed exercise" of expiring in-the-money options 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 three months ended March 31, 2017 and 2016, respectively, the weighted average assumptions used in the option-valuation model were as follows:

| | Three Months Ended March 31 | |
|---|---|---|
| | **2017** | **2016** |
| Stock option exercise price | $ 15.97 | $ 11.83 |
| Risk-free interest rate | 1.68% | 1.24% |
| Expected dividend yield | -- | -- |
| Expected option life in years | 3.75 | 3.75 |
| Expected volatility | 24.92% | 24.94% |
| Weighted average fair value | $ 3.46 | $ 2.48 |

For the three months ended March 30, 2017 and 2016, we recorded compensation expense of $53,000 and $98,000. At March 31, 2017, the total unrecognized estimated compensation expense related to non-vested stock options was $1.1 million, which we expect to recognize over a weighted average vesting period of 2.20 years. The intrinsic, unrealized value of all options outstanding, vested and expected to vest, at March 31, 2017 was $3.6 million, of which 81.7% are currently exercisable.

The following table summarizes the information of options outstanding and exercisable as of March 31, 2017 and December 31, 2016:

| | Outstanding Stock Options | | | |
|---|---|---|---|---|
| | Number of Options | Weighted Average Exercise Price | Weighted Average Remaining Years of Contractual | Aggregate Intrinsic Value |
| | Class A | Class A | Class A | Class A |
| **Balance - December 31, 2015** | 486,565 | $ 8.68 | 2.89 | $ 2,188,011 |
| Granted | 169,327 | 11.87 | | |
| Exercised | (46,815) | 9.50 | | $ 220,002 |
| Forfeited | (74,000) | 7.02 | | |
| **Balance - December 31, 2016** | 535,077 | $ 9.84 | 2.61 | $ 3,615,191 |
| Granted | 149,841 | 15.97 | | |
| Exercised | (10,500) | 8.25 | | $ 91,020 |
| Forfeited | (2,500) | 6.23 | | |
| **Balance - March 31, 2017** | 671,918 | $ 11.25 | 1.88 | $ 3,608,972 |

Restricted Stock Units

We estimate the grant-date fair values of our RSUs using the Company's stock price at grant-date and record such fair values as compensation expense over the vesting period on a straight-line basis. The following table summarizes the status of the RSUs granted to-date as of March 31, 2017:

| | Outstanding Restricted Stock Units | | | | |
|---|---|---|---|---|---|
| | RSU Grants (in units) | | | | |
| Grant Date | Directors | Management | Total Grants | Vested, March 31, 2017 | Unvested, March 31, 2017 |
| March 10, 2016 | 35,147 | 27,381 | 62,528 | 41,993 | 20,535 |
| April 11, 2016 | -- | 5,625 | 5,625 | -- | 5,625 |
| March 23, 2017 | 30,681 | 32,463 | 63,144 | -- | 63,144 |
| **Total** | **65,828** | **65,469** | **131,297** | **41,993** | **89,304** |

These RSU awards vest 25% at the end of each year for 4 years (in the case of members of management) and vest 100% on the first business day of the year following in which such RSUs were granted (in the case of directors). During the three months ended March 31, 2017 and 2016, we recognized compensation expense of $120,000 and $31,000, respectively. The total unrecognized compensation expense related to the unvested RSUs was $1.3 million as of March 31, 2017.

***Stock Repurchase Plan***

On March 2, 2017, the Company's Board of Directors authorized management, at its discretion, to spend up to an aggregate of $25.0 million to acquire shares of Reading's Non-Voting Common Stock. The previously approved stock repurchase program, which allowed management to spend up to an aggregate of $10.0 million to acquire shares of Reading's Non-Voting Common Stock, was fully spent as of December 31, 2016.

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 stock repurchase program, the Company has reacquired $671,000 worth of common stock at an average price of $15.99 per share (excluding transaction costs) during March 2017. This leaves $24.3 million available under the March 2, 2017 program for repurchase as of March 31, 2017.

**Note 16 – 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 Income. As of March 31, 2017, we have not designated any of our derivatives as accounting hedges.

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

| (Dollars in thousands) | Hedged Exposure | As of March 31, 2017 Notional | Other Assets | Other Current Liabilities |
|---|---|---|---|---|
| Interest rate swap | Interest rate variability - Bank of America Credit Facility | $ 21,000 | $ - | $ 4 |
| Interest rate swap | Interest rate variability - Trust Preferred Debt Securities | 27,913 | 10 | - |
| Interest rate cap | Interest rate variability - Mezzanine loan tranche of Union Square construction financing | 7,500 | - | - |
| Interest rate cap | Interest rate variability - Minetta and Orpheum Theatres Term Loan | 7,500 | - | - |
| Total | | $ 63,913 | $ 10 | $ 4 |

| (Dollars in thousands) | Hedged Exposure | As of December 31, 2016 Notional | Other Assets | Other Current Liabilities |
|---|---|---|---|---|
| Interest rate swap | Interest rate variability - Bank of America Credit Facility | $ 21,000 | $ - | $ 40 |
| Interest rate swap | Interest rate variability - Trust Preferred Debt Securities | 27,913 | - | 18 |
| Interest rate cap | Interest rate variability - Mezzanine loan tranche of Union Square construction financing | 7,500 | 1 | - |
| Interest rate cap | Interest rate variability - Minetta and Orpheum Theatres Term Loan | 7,500 | - | - |
| Total | | $ 63,913 | $ 1 | $ 58 |

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 Income for the three months ended March 31, 2017 and March 31, 2016.

| | Three Months Ended | |
|---|---|---|
| (Dollars in thousands) | March 31, 2017 | March 31, 2016 |
| Net unrealized income/(losses) on interest rate derivatives | $ 63 | $ (219) |

**Note 17 – Fair Value Measurements**

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

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

The following tables summarize our financial assets and financial liabilities carried and measured at fair value on a recurring basis as of March 31, 2017 and December 31, 2016, by level within the fair value hierarchy.

| | Fair Value Measurement at March 31, 2017 | | | |
|---|---|---|---|---|
| (Dollars in thousands) | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Investments | $ 46 | $ - | $ - | $ 46 |
| Derivatives | - | 10 | - | 10 |
| Liabilities | | | | |
| Derivatives | - | (4) | - | (4) |
| Total recorded at fair value | $ 46 | $ 6 | $ - | $ 52 |

| | Fair Value Measurement at December 31, 2016 | | | |
|---|---|---|---|---|
| (Dollars in thousands) | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Investments | $ 49 | $ - | $ - | $ 49 |
| Derivatives | - | 1 | - | 1 |
| Liabilities | | | | |
| Derivatives | - | (58) | | (58) |
| Total recorded at fair value | $ 49 | $ (57) | $ - | $ (8) |

The following tables summarize our financial liabilities that are carried at cost and measured at fair value on a non-recurring basis as of March 31, 2017 and December 31, 2016, by level within the fair value hierarchy.

| | | Fair Value Measurement at March 31, 2017 | | | |
|---|---|---|---|---|---|
| (Dollars in thousands) | Carrying Value[1] | Level 1 | Level 2 | Level 3 | Total |
| Notes payable | $ 125,451 | $ - | $ - | $ 126,176 | $ 126,176 |
| Subordinated debt | 27,913 | - | - | 15,461 | 15,461 |
| | $ 153,364 | $ - | $ - | $ 141,637 | $ 141,637 |

| | | Fair Value Measurement at December 31, 2016 | | | |
|---|---|---|---|---|---|
| *(Dollars in thousands)* | Carrying Value[1] | Level 1 | Level 2 | Level 3 | Total |
| Notes payable | $ 120,622 | $ - | $ - | $ 121,204 | $ 121,204 |
| Subordinated debt | 27,913 | - | - | 15,247 | 15,247 |
| | $ 148,535 | $ - | $ - | $ 136,451 | $ 136,451 |

[1] These balances are presented before any deduction for deferred financing costs.

Following is a description of the valuation methodologies used to estimate the fair value of our financial assets and liabilities. There have been no changes in the methodologies used at March 31, 2017 and December 31, 2016.

- **Level 1** investments in marketable securities primarily consist of investments associated with the ownership of marketable securities in U.S. and New Zealand. These investments are valued based on observable market quotes on the last trading date of the reporting period.
- **Level 2** derivative financial instruments are valued based on discounted cash flow models that incorporate observable inputs such as interest rates and yield curves from the derivative counterparties. The credit valuation adjustments associated with our non-performance risk and counterparty credit risk are incorporated in the fair value estimates of our derivatives. As of March 31, 2017 and December 31, 2016, 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 due to their short maturities. Additionally, there were no transfers of assets and liabilities between levels 1, 2, or 3 during the three months ended March 31, 2017 and March 31, 2016.

**Note 18 – Insurance Recoverable**

We have filed an insurance claim with our Insurer with respect to earthquake damage to our parking building adjacent to our Courtenay Central entertainment-themed center (“ETC”) in Wellington, New Zealand and to Courtenay Central itself. Our accounting policy allows us to record a recoverable asset (to the extent of incurred losses) only when we determined that the collectability is deemed probable. We have concluded that the total incurred losses, consisting of the (i) written down carrying value of the damaged parking building and (ii) a significant portion of the derivative loss contingencies on demolition activities, to have probable likelihood of recovery.

The table below provides the determination of the recoverable amounts under our insurance claim:

| | Determination of Insurance Recoverable | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| *(mainly New Zealand Dollars in thousands, unless otherwise noted)* | **December 31, 2016[5]** | | | **Changes in Estimate** | | | **March 31, 2017[5]** | | |
| Written down value of parking building[1] | NZ | $ | 13,451 | NZ | $ | 347 | NZ | $ | 13,798 |
| Estimated demolition costs and others[2] | | | 7,276 | | | 82 | | | 7,358 |
| Total expected incurred losses | | | 20,727 | | | 429 | | | 21,156 |
| Less: advance payment from Insurer[3][4] | | | (7,103) | | | -- | | | (7,103) |
| **Insurance Recoverable for Incurred Losses (in local currency)** | **NZ** | **$** | **13,624** | **NZ** | **$** | **429** | **NZ** | **$** | **14,053** |
| **Insurance Recoverable for Incurred Losses (in U.S. Dollars)[4]** | **US** | **$** | **9,480** | **US** | **$** | **306** | **US** | **$** | **9,839** |

[1] Recorded land value was excluded in the impairment determination.

[2] $306,000 (NZ$429,000) represents changes in our initial estimates for demolition costs, which are allowable to be recorded in the period of change. Also, this amount included legal costs incurred during the insurance claim process which are reimbursable under our insurance policy.

[3] This represents the advance claims settlement from the Insurer of $5.0 million (NZ$7.1 million).

[4] In line with our standard translation policy, balance sheet items were translated into U.S. dollars based on the spot exchange rate as of March 31, 2017 and December 31, 2016, while the impact on our statement of income was translated using the average exchange rate for the current quarter.

[5] The insurance recoverable of $9.5 million (NZ$13.6 million) as of December 31, 2016 was presented as part of "*Other non-current assets*" as the timing of the insurance claim receipt is not fixed nor reliably determinable at the time of issuance of the 2016 Form 10-K. Subsequently, we reclassified the insurance recoverable of $9.8 million (NZ$14.1 million) as of March 31, 2017 to a current asset category as part of "*Prepaid and other current assets*" based on latest developments on our insurance claim, where we expect to receive the final settlement in less than a year. Refer to further details in ***Note 19 – Subsequent Events***.

## Note 19 – Subsequent Events

***Term Extension of Westpac Bank Corporate Credit Facility***

On April 26, 2017, we extended the maturity of the 1st tranche (general/non-construction credit line) of our Westpac Corporate Credit Facility, $24.5 million (NZ$35.0 million) to December 31, 2018, from March 31, 2018. During 2017, we will work on a longer-term renewal of our Westpac Corporate Credit Facility which will replace the current facility.

***Updates to our Insurance Claim regarding our Courtenay Central Parking Building Earthquake Damage (Wellington, New Zealand)***

In April 2017, our Insurer completed examination of our insurance claim with respect to the parking building earthquake damage and related business interruption, and informed us that a final settlement of US$20.0 million (which would bring total recovery to US$25.0 million) may be received during the 2nd quarter of 2017.

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

### BUSINESS OVERVIEW

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

- Cinema exhibition, through our 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.

### *Cinema Exhibition*

We manage our worldwide cinema exhibition businesses under various brands:

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

Shown in the following table are the number of locations and theatre screens in our theatre circuit in each country, by state/territory/ region and indicating our cinema brands and our interest in the underlying asset as of March 31, 2017:

| Country | State / Territory / Region | Location Count | Screen Count | Interest in Asset Underlying the Cinema | | Operating Brands |
|---|---|---|---|---|---|---|
| | | | | Leased | Owned | |
| **United States** | Hawaii | 9 | 98 | 9 | | Consolidated Theatres |
| | California | 7 | 88 | 7 | | Reading Cinemas, Angelika Film Center |
| | New York[3] | 6 | 23 | 5 | 1 | Angelika Film Center, City Cinemas |
| | Texas | 2 | 13 | 2 | | Angelika Film Center |
| | New Jersey | 1 | 12 | 1 | | Reading Cinemas |
| | Virginia | 1 | 8 | 1 | | Angelika Film Center |
| | Washington DC | 1 | 3 | 1 | | Angelika Film Center |
| | ***U.S. Total*** | **27** | **245** | **26** | **1** | |
| **Australia** | New South Wales | 6 | 43 | 4 | 2 | Reading Cinemas |
| | Victoria | 6 | 43 | 6 | | Reading Cinemas |
| | Queensland | 4 | 40 | 2 | 2 | Reading Cinemas, Event Cinemas[1] |
| | Western Australia | 2 | 16 | 1 | 1 | Reading Cinemas |
| | South Australia | 2 | 15 | 2 | | Reading Cinemas |
| | ***Australia Total*** | **20** | **157** | **15** | **5** | |
| **New Zealand** | Wellington | 2 | 15 | 1 | 1 | Reading Cinemas |
| | Otago | 3 | 15 | 2 | 1 | Reading Cinemas, Rialto Cinemas[2] |
| | Auckland | 2 | 15 | 2 | | Reading Cinemas, Rialto Cinemas[2] |
| | Canterbury | 1 | 8 | 1 | | Reading Cinemas |
| | Southland | 1 | 5 | | 1 | Reading Cinemas |
| | Bay of Plenty | 1 | 5 | | 1 | Reading Cinemas |
| | Hawke's Bay | 1 | 4 | | 1 | Reading Cinemas |
| | ***New Zealand Total*** | **11** | **67** | **6** | **5** | |
| **GRAND TOTAL** | | **58** | **469** | **47** | **11** | |

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

***Real Estate***
We engage in real estate development and the ownership and rental or licensing to third parties of retail, commercial and live theater assets. We own the fee interests in all of our live theaters, and in 11 of our cinemas (as presented in the preceding table). Our real estate business creates long-term value for our stockholders through the continuous improvement and development of our investment and operating properties, including our ETCs.

Our real estate activities have historically consisted principally of:

- the ownership of fee or long-term leasehold interests in properties used in our cinema exhibition activities or which were acquired for the development of cinemas or cinema-based real estate development projects;
- the acquisition of fee interests in land for general real estate development;
- the licensing to production companies of our live theaters; and,
- the redevelopment of our existing fee-owned cinema or live theater sites to their highest and best use.

**RECENT DEVELOPMENTS**

Recent developments in our two business segments, as well as corporate matters and changes in borrowing arrangements, are discussed below:

***Cinema Exhibition***
We continue to grow our worldwide cinema circuit. On October 21, 2016, we opened Olino by Consolidated Theatres, our ninth theatre in Hawaii and our first to open in the state since 2001.

In March 2017, we entered into an agreement to lease for an 8-screen complex with an initial term of 15 years. Located in the city of Brisbane, 7 minutes from the Central Business District and South of the Brisbane River, South City Square is a 5.1-acre (2.1-hectare) former industrial site which is being redeveloped into a major residential, hotel, retail and entertainment lifestyle complex by Pellicano Property and Perri Projects. Our cinema complex in this location will be one of two major anchor tenants for that approximately AU$600 million project and we anticipate this to come on line in 2019.

In addition, our Board has approved the development of two (2) more new leasehold cinemas in Australia and one (1) in New Zealand, which are anticipated to commence operations during 2019 and 2020.

We continue to execute our strategic priority of upgrading F&B offerings, having obtained liquor licenses for 24 of our current cinema locations in the U.S., Australia and New Zealand.

We continue to focus in areas of the matured cinema business where we believe we have growth potential and ultimately, provide long-term value to our stockholders. These are the (i) upgrading of our existing cinemas and (ii) developing new cinemas to provide our customers with premium offerings, including state-of-the-art presentation (including sound, lounges and bar service) and luxury seating. As of March 31, 2017, the upgrades to our theater circuit's film exhibition technology and amenities (including upgraded F&B offerings) are summarized in the following table (excluding our managed cinema):

| | Location Count | Screen Count |
|---|---|---|
| *Screen Format* | | |
| Digital (all cinemas in our theatre circuit) | 57 | 465 |
| IMAX | 1 | 1 |
| Titan XC and LUXE, with Dolby Atmos sound system | 10 | 11 |
| *Dine-in Service* (for international operations) | | |
| Gold Lounge[(1)] | 8 | 20 |
| Premium[(2)] | 5 | 10 |
| *Upgraded Food & Beverage menu* (for U.S. operations)[(3)] | 9 | *n/a* |
| *Premium Seating* (recliner seating features) | 15 | 58 |
| *Liquor Licenses Obtained*[(4)] | 24 | *n/a* |

(1) **Gold Lounge**: This is our "*First Class Full Dine-in Service*" in our Australian and New Zealand cinemas, which includes upgraded F&B menu (with alcoholic beverages), luxury recliner seating features (intimate 30-40 seat cinemas) and waiter service.
(2) **Premium Service**: This is our "*Business Class Dine-in Service*" in our Australian and New Zealand cinemas, which includes upgraded F&B menu (with alcoholic beverages) and luxury recliner seating features (less intimate 80-seat cinemas), but no waiter service.
(3) **Upgraded Food & Beverage Menu:** Contrary to our offerings in Australia and New Zealand, our upgraded F&B offerings in the U.S. cinemas are available in a common counter in each of our cinema locations rather than a dine-in service at each auditorium. We have worked with renowned former Food Network executive and chefs to curate a menu of locally inspired and freshly prepared items.
(4) **Liquor Licenses:** Licenses are applicable at each cinema location, rather than each theatre room (except for our Hawaii licenses, where we are licensed for particular auditoriums). For the U.S. alone, we obtained six new liquor licenses in 2016 of the eleven existing at December 31, 2016. For accounting purposes, we have capitalized the costs of successfully purchasing or applying for liquor licenses meeting certain thresholds as an intangible asset due to long-term economic benefits derived on future sales of alcoholic beverages.

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. 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, enhancing and remixing our food and beverage offerings 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 offerings.

***Real Estate***

Over the past 36 months, we have culled our real estate holdings to focus on those projects which we believe offer more upside potential to us. Also, certain uncontrollable events caused some disruption in our real estate business. Here are the more recent developments in our real estate segment:

· *Updates to Insurance Claim relating to the Earthquake Damage on our Courtenay Central Parking Building (Wellington, New Zealand)* – in April 2017, our Insurer completed examination of our insurance claim with respect to the parking building and shopping center earthquake damage and related business interruption, and informed us that a final settlement of US$20.0 million will be made, effectively reaching the policy maximum of US$25.0 million for the loss event. As we expect that our incurred losses will be substantially recovered by the impending final insurance settlement, this provided us the basis to reclassify our recorded insurance recoverable asset from a non-current to current category in our consolidated balance sheet.

· *Union Square Redevelopment* – we secured construction financing for our Union Square property in December 2016 and entered into a guaranteed maximum price construction management agreement with an affiliate of CNY. Construction is now underway. We anticipate the re-developed property will be ready for retail fit-out by the end of the second quarter of 2018. Retail and office leasing interest to date has been strong. This redevelopment will add approximately 23,000 square footage of rentable space to the current square footage of the building for an approximate total of 73,322 square feet of rentable space, inclusive of anticipated BOMA adjustments and subject to lease negotiations and the final tenant mix.

· *Courtenay Central Redesign/Expansion/Temporary Closure and the related demolition of adjacent parking building* – while we continued to make progress throughout 2016 on our supermarket development project at our Courtenay Central shopping center in Wellington, New Zealand, on November 14, 2016, Wellington experienced a severe 7.8 magnitude earthquake. That earthquake rendered our parking building unsafe and ultimately led to the demolition of that building and temporary closure of our adjacent ETC, which reopened on March 29, 2017. Our supermarket tenant remains committed to the site but has delayed commencement of construction in order to upgrade its supermarket to a "premium" offering. Under the agreement to lease, our tenant is responsible for any increase in our costs resulting from those design changes. In light of the demolition of the existing parking building (most of the cost of which is covered by insurance), we are undertaking a comprehensive redesign analysis, intended to increase the amount of retail leasable space at the center and to better coordinate the interface between the parking building and the remainder of the center.

The total closure of our Courtenay Central, Wellington, New Zealand location had a significant impact on the performance of both our Cinema and Real Estate divisions during the three months March 31, 2017. Courtenay Central reopened for business on March 29, 2017. The adjacent parking building in Tory Street is completely demolished, and we are working through a detailed redesign process for the site.

In the quarter ended March 31, 2016 and 2017, these operations contributed to consolidated performance as follows:

| *(NZ Dollars in thousands unless stated)* | Quarter ended March 31, 2017 | Quarter ended March 31, 2016 | Change |
|---|---|---|---|
| Cinema | $ (455) | $ 236 | $ (691) |
| Real Estate | (525) | 305 | (830) |
| **Income (loss) before income taxes** | **(980)** | **541** | **(1,521)** |
| Income tax expense [(1)] | - | - | - |
| **Net income (loss)** | **(980)** | **541** | **(1,521)** |
| **Net income (loss) in U.S. Dollars** | **$ (698)** | **$ 359** | **$ (1,057)** |
| **Impact to Basic EPS** | **(0.03)** | **0.02** | **(0.05)** |

[(1)] *The Effective Tax Rate for New Zealand is 0% due to sufficient previously unrecognized tax benefits related to prior year carried forward losses.*

· *Newmarket Expansion* – in the third quarter of 2016, we commenced the construction on our expansion project at our Newmarket shopping center in Brisbane, Australia, with a projected opening in the fourth quarter of 2017. This expansion project includes the addition of an eight-screen Reading Cinemas and approximately 10,297 square feet of additional retail space and 142 car parks. We have entered into heads-of agreement for approximately 3,315 square feet of this new space.

·*Updates to Sale of Burwood Landholding in Australia* – the buyer of our Burwood Property, Frasers, informed us that it is under contract to sell a portion of this property. Upon closing of that sale, a potential prepayment of $16.7 million (AU$21.8 million), representing 90% of the net sales price, becomes payable to Reading.

·*Manukau Land Rezoning*: In August 2016, the Auckland City Council re-zoned 64.0 acres of our 70.4 acre property in Manukau from agricultural to light industrial use. The remaining 6.4 acres were already zoned for heavy industrial use. Now that our zoning enhancement goal is achieved, we are reviewing our options with respect to the value realization opportunities and commercial exploitation of this asset. We see this property as a future value realization opportunity to us. This tract is adjacent to the Auckland Airport which has recently been expanding towards our property.

·*Occupancy of New Headquarters Building* – During February 2017, we relocated our corporate headquarters into the 24,000 square foot Culver City office building that we purchased in April 2016. We currently use approximately 50% of the leasable area for our corporate headquarters and intend to lease, over time, the remainder to unaffiliated third parties. We purchased the property for $11.2 million in cash, financing the property in December 2016 with an $8.4 million 10-year, fixed-rate mortgage at 4.64%.

***Corporate Matters***
On March 2, 2017, our Board of Directors approved the following:

·*Three Year Business Strategy*, which focuses on the continued development of new cinemas in the United States, Australia and New Zealand, the continued improvement of our existing cinemas to elevate the guest experience, presentation and food and beverage program, and the continued re-development of our various real estate assets (including our Union Square and Cinemas 1, 2 & 3 properties in New York City and our Australia and New Zealand ETCs).

·*$25-million Stock Repurchase Program*. The prior repurchase program was completed at the end of 2016. The newly approved repurchase program will allow Reading to repurchase its Class A Common Shares from time to time in accordance with the requirements of the Securities and Exchange Commission on the open market, in block trades and in privately negotiated transactions, depending on market conditions and other factors. The Board's authorization is for a two-year period, expiring March 1, 2019, or earlier should the full repurchase authorization be expended.

***Changes in our Financing Strategy***
In recent years, our treasury management has been focused on more concerted cash management using cash balances to reduce debt. In earlier years, we maintained significant cash balances in our bank accounts. We have used cash generated from operations and other excess cash, to the extent not needed for any capital expenditures, to paydown our loans and credit facilities providing us some flexibility on our available loan facilities for future use and thereby, reducing interest charges. On a periodic basis, we review the maturities of our borrowing arrangements and negotiate for renewals and extensions where necessary in the current circumstances.

Over the past twelve months, we:

(i) extended the maturity, in April 2017, of the NZ$35.0 million (US$24.5 million) general/non-construction credit line of our Westpac Corporate Credit Facility to December 31, 2018, from March 31, 2018. During 2017, we will work on a longer-term renewal of our Westpac Corporate Credit Facility which will replace the current facility;
(ii) refinanced the $15.0 million loan with Santander Bank, with a 3-year $20.0 million term loan through a new lender (Valley National Bank) in August 2016;
(iii) extended the maturity date of our $5.0 million Bank of America line of credit for two years in October 2016;
(iv) replaced the funding that we used to purchase the new U.S. Corporate Headquarters in Los Angeles through a new $8.4 million loan with 10-year repayment term in December 2016; and,
(v) closed in December 2016 the $57.5 million 3-year term construction financing for our Union Square redevelopment project, $8.0 million of which was advanced before year-end to repay the existing $8.0 million Union Square mortgage loan with East West Bank, originally scheduled to mature in July 2017.

Refer to our Form 10-K for the year ended December 31, 2016 for more details on our cinema and real estate segments.

## RESULTS OF OPERATIONS

The table below summarizes the results of operations for each of our principal business segments along with the non-segment information for the three months ended March 31, 2017 and March 31, 2016:

| | Three Months Ended | | % Change |
|---|---|---|---|
| *(Dollars in thousands)* | **March 31, 2017** | **March 31, 2016** | Favorable/(Unfavorable) |
| **SEGMENT RESULTS** | | | |
| **Revenue** | | | |
| Cinema exhibition | $ **66,560** | $ 61,315 | 9 % |
| Real estate | **4,497** | 5,250 | (14) % |
| Inter-segment elimination | **(1,603)** | (1,776) | 10 % |
| Total revenue | **69,454** | 64,789 | 7 % |
| **Operating expense** | | | |
| Cinema exhibition | **(53,385)** | (49,732) | (7) % |
| Real estate | **(2,036)** | (2,141) | 5 % |
| Inter-segment elimination | **1,603** | 1,776 | (10) % |
| Total operating expense | **(53,818)** | (50,097) | (7) % |
| **Depreciation and amortization** | | | |
| Cinema exhibition | **(2,932)** | (2,894) | (1) % |
| Real estate | **(897)** | (818) | (10) % |
| Total depreciation and amortization | **(3,829)** | (3,712) | (3) % |
| **General and administrative expense** | | | |
| Cinema exhibition | **(1,150)** | (999) | (15) % |
| Real estate | **(270)** | (202) | (34) % |
| Total general and administrative expense | **(1,420)** | (1,201) | (18) % |
| **Segment operating income** | | | |
| Cinema exhibition | **9,093** | 7,690 | 18 % |
| Real estate | **1,294** | 2,089 | (38) % |
| **Total segment operating income** | $ **10,387** | $ 9,779 | 6 % |
| **NON-SEGMENT RESULTS** | | | |
| Depreciation and amortization expense | **(106)** | (96) | (10) % |
| General and administrative expense | **(4,753)** | (4,991) | 5 % |
| Interest expense, net | **(1,860)** | (1,875) | 1 % |
| Equity earnings of unconsolidated joint ventures and entities | **255** | 302 | (16) % |
| Gain on sale of assets | **--** | 393 | (100) % |
| Other income/(expense) | **821** | (57) | (> 100) % |
| Income before income taxes | **4,744** | 3,455 | 37 % |
| Income tax expense | **(1,703)** | (1,231) | (38) % |
| **Net income** | **3,041** | **2,224** | **37 %** |
| Less: net income/(loss) attributable to noncontrolling interests | **12** | **(2)** | (> 100) % |
| **Net income attributable to RDI common stockholders** | **$ 3,029** | **$ 2,226** | **36 %** |
| **Basic EPS** | **$ 0.13** | **$ 0.10** | **30 %** |

### Consolidated Results and Non-Segment Results:

***1st Quarter Results:***

Revenue for the three months ended March 31, 2017 increased by 7%, or $4.7 million, to $69.5 million and net income attributable to RDI common stockholders increased by 36%, or $803,000 to $3.0 million. Q1 2017 Revenues represented the highest level achieved for any First Quarter in the history of the Company. EPS for the three months ended March 31, 2017 increased by $0.03 to $0.13 from the prior-year three-month period, mainly attributable to higher earnings in 2017 resulting from increased attendance in our cinema businesses in the U.S. and Australia, offset by the lost revenue from the closure of our Courtenay Central cinema as a result of the November 2016 earthquake.

***General and administrative expense (non-segment)***

General and administrative expense for the three months ended March 31, 2017 compared to the same period of the prior year decreased by 5%, or $238,000. This decrease mainly relates to the additional expenses paid in 2016 in connection with the 2015 year-end audit ($500,000). Legal expenses incurred on the Derivative Litigation and the Cotter Employment Arbitration during the quarter ended March 31, 2017 totaled $645,000. In the same quarter of 2016, expense related to the defense of the Derivative Litigation was reimbursed from the Company's Directors and Officers' ("D&O") Insurance Program.

***Gain on sale of assets***

Net gain on sale of assets for the three-month period March 31, 2016 represents the gain from the final closing of the second sale agreement of the Taupo property in New Zealand in the amount of $393,000 (NZ$585,000).

***Other income/(expense)***

The other income for the three months ended March 31, 2017 increased by $878,000 compared to prior-year three-month period mainly due to foreign currency gain recognized on short-term intercompany loans.

***Income tax expense***
Income tax expense for the three months ended March 31, 2017 increased by $472,000 or 38% compared to prior-year three-month period mainly due to significant increase in pre-tax income.

**Business Segment Results**

At March 31, 2017, we owned and operated 54 cinemas with 436 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 ETCs located in Belmont (a suburb of Perth), Auburn (a suburb of Sydney) and Townsville in Australia and Wellington in New Zealand, (ii) owned the fee interests in three developed commercial properties in Manhattan and Chicago improved with live theaters comprising six stages and ancillary retail and commercial space (plus our fourth live theatre that was closed at the end of 2015 as part of the Union Square property redevelopment), (iii) owned a 75% managing member interest in a limited liability company which in turn owns the fee interest in Cinemas 1,2,3, (iv) held for development an additional four parcels aggregating approximately 70.4 acres located in New Zealand, and (v) owned a 50% managing member interest in a limited liability company which in turn owns a 202-acre property that is zoned approximately 150 acres for single-family residential use (maximum of 550 homes) and approximately 50 acres for high density mixed use 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. The Australian and New Zealand dollar both strengthened against US Dollar by 5.1% and 7.3%, respectively, comparing the average exchange rate movements during the first quarter of 2017 to those during the same period of 2016. This had the effect of increasing the value of our Australian and New Zealand assets, liabilities, revenues and expenses. 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 ended March 31, 2017 and 2016, respectively:

| *(Dollars in thousands)* | | Three Months Ended March 31, 2017 | *% of Revenue* | Three Months Ended March 31, 2016 | *% of Revenue* | % Change Fav / (Unfav) |
|---|---|---|---|---|---|---|
| **REVENUE** | | | | | | |
| **United States** | Admissions revenue | $ 23,226 | *35%* | $ 21,795 | *36%* | 7 % |
| | Concessions revenue | 10,735 | *16%* | 10,132 | *17%* | 6 % |
| | Advertising and other revenue | 2,274 | *3%* | 2,131 | *3%* | 7 % |
| | | **$ 36,235** | *54%* | **$ 34,058** | *56%* | **6 %** |
| **Australia** | Admissions revenue | $ 15,974 | *24%* | $ 13,298 | *22%* | 20 % |
| | Concessions revenue | 7,264 | *11%* | 6,166 | *10%* | 18 % |
| | Advertising and other revenue | 1,719 | *3%* | 1,540 | *3%* | 12 % |
| | | **$ 24,957** | *37%* | **$ 21,004** | *34%* | **19 %** |
| **New Zealand** | Admissions revenue | $ 3,666 | *6%* | $ 4,229 | *7%* | (13)% |
| | Concessions revenue | 1,417 | *2%* | 1,694 | *3%* | (16)% |
| | Advertising and other revenue | 285 | *0%* | 330 | *1%* | (14)% |
| | | **$ 5,368** | *8%* | **$ 6,253** | *10%* | **(14)%** |
| **Total revenue** | | **$ 66,560** | *100%* | **$ 61,315** | *100%* | **9 %** |
| **OPERATING EXPENSE** | | | | | | |
| **United States** | Film rent and advertising cost | $ (12,182) | *-18%* | $ (11,716) | *-19%* | (4)% |
| | Concession cost | (2,027) | *-3%* | (1,720) | *-3%* | (18)% |
| | Occupancy expense | (6,929) | *-10%* | (6,494) | *-11%* | (7)% |
| | Other operating expense | (10,358) | *-16%* | (9,389) | *-15%* | (10)% |
| | | **$ (31,496)** | *-47%* | **$ (29,319)** | *-48%* | **(7)%** |
| **Australia** | Film rent and advertising cost | $ (7,306) | *-11%* | $ (6,177) | *-10%* | (18)% |
| | Concession cost | (1,592) | *-2%* | (1,245) | *-2%* | (28)% |
| | Occupancy expense | (3,687) | *-6%* | (3,376) | *-6%* | (9)% |
| | Other operating expense | (5,022) | *-8%* | (4,818) | *-8%* | (4)% |
| | | **$ (17,607)** | *-26%* | **$ (15,616)** | *-25%* | **(13)%** |
| **New Zealand** | Film rent and advertising cost | $ (1,634) | *-2%* | $ (1,833) | *-3%* | 11 % |
| | Concession cost | (298) | *0%* | (411) | *-1%* | 27 % |
| | Occupancy expense | (875) | *-1%* | (1,129) | *-2%* | 22 % |
| | Other operating expense | (1,475) | *-2%* | (1,424) | *-2%* | (4)% |
| | | **$ (4,282)** | *-6%* | **$ (4,797)** | *-8%* | **11 %** |
| **Total operating expense** | | **$ (53,385)** | *-80%* | **$ (49,732)** | *-81%* | **(7)%** |
| **DEPRECIATION, AMORTIZATION, GENERAL AND ADMINISTRATIVE EXPENSE** | | | | | | |
| **United States** | Depreciation and amortization | $ (1,410) | *-2%* | $ (1,470) | *-2%* | 4 % |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | General and administrative expense | (822) | -1% | (714) | -1% | (15)% |
| | | **$ (2,232)** | -3% | **$ (2,184)** | -4% | **(2)%** |
| **Australia** | Depreciation and amortization | $ (1,081) | -2% | $ (1,020) | -2% | (6)% |
| | General and administrative expense | (324) | 0% | (304) | 0% | (7)% |
| | | **$ (1,405)** | -2% | **$ (1,324)** | -2% | **(6)%** |
| **New Zealand** | Depreciation and amortization | $ (441) | -1% | $ (404) | -1% | (9)% |
| | General and administrative expense | (4) | 0% | 19 | 0% | nm |
| | | **$ (445)** | -1% | **$ (385)** | -1% | **(16)%** |
| | | | | | | |
| **Total depreciation, amortization, general and administrative expense** | | **$ (4,082)** | -6% | **$ (3,893)** | -6% | **(5)%** |
| **OPERATING INCOME - CINEMA** | | | | | | |
| **United States** | | $ 2,507 | 4% | $ 2,555 | 4% | (2)% |
| **Australia** | | 5,945 | 9% | 4,064 | 7% | 46 % |
| **New Zealand** | | 641 | 1% | 1,071 | 2% | (40)% |
| **Total Cinema operating income** | | **$ 9,093** | 14% | **$ 7,690** | 13% | **18 %** |

***Segment operating income***
Cinema segment operating income increased 18%, or $1.4 million, to $9.1 million for the three months ended March 31, 2017 compared to March 31, 2016, primarily driven by higher admissions and concessions revenues and favorable foreign currency movements for our Australian and New Zealand operations. These were offset by the temporary closure of our Courtenay Central Cinema in Wellington, New Zealand. Please refer below for further detailed explanation.

***Revenue***
Cinema revenue increased by 9%, or $5.2 million, to $66.6 million for the three months ended March 31, 2017 compared to March 31, 2016, primarily attributable to higher attendance in the United States and Australia and a positive impact from stronger foreign exchange rates. Comparing the three months period of the current year and prior year, Australian dollars and New Zealand dollars strengthened against U.S. dollars by 5.1% and 7.3% (on average rates), respectively. This was offset by a reduction in Revenue in New Zealand due to the temporary closure of our Courtenay Central Cinema in Wellington, New Zealand resulting from the November 2106 earthquake. Courtenay Central re-opened on March 29, 2017.

The three-month revenue in the United States increased by 6%, or $2.2 million, primarily driven by higher attendance (including impact of the opening of our Olino by Consolidated Theatres in Hawaii in October 2016) and increase in average ticket prices. Similarly, Australia's cinema revenue increased by 19%, or $4.0 million, primarily due to significant increase in attendance, more appealing film slate and the favorable impact of stronger foreign exchange rates. In New Zealand, cinema revenue significantly decreased by 14%, or $885,000, mainly due to lower attendance as a result of the temporary closure of Courtenay Central Cinemas, offset by the favorable impact from stronger foreign exchange rates.

***Operating expense***
Operating expense for the three months ended March 31, 2017 increased by 7%, or $3.7 million, mainly attributable to higher film rent, higher advertising costs and higher concession costs, in addition to unfavorable impact of foreign currency movements.

Operating expense as a percentage of gross revenue improved by 1% to 80%, mainly attributable to the change in the increases in revenue and operating expenses discussed above.

***Depreciation, amortization, general and administrative expense***
Depreciation, amortization, general and administrative expense for the three months ended March 31, 2017 increased by 5%, or $190,000, primarily driven by an increase in general and administrative costs in the United States and the unfavorable impact of foreign currency movements for Australia and New Zealand.

***Real Estate***

The following tables detail our real estate segment operating results for the quarter ended March 31, 2017 and 2016, respectively:

| (Dollars in thousands) | | Three Months Ended March 31, 2017 | % of Revenue | March 31, 2016 | % of Revenue | % Change Fav / (Unfav) |
|---|---|---|---|---|---|---|
| **REVENUE** | | | | | | |
| **United States** | Live theater rental and ancillary income | $ 492 | 11% | $ 766 | 15% | (36)% |
| | Property rental income | 94 | 2% | 93 | 2% | 1 % |
| | | **586** | 13% | **859** | 16% | **(32)%** |
| **Australia** | Property rental income | 3,586 | 80% | 3,311 | 63% | 8 % |
| **New Zealand** | Property rental income | 325 | 7% | 1,080 | 21% | (70)% |
| **Total revenue** | | **$ 4,497** | 100% | **$ 5,250** | 100% | **(14)%** |
| **OPERATING EXPENSE** | | | | | | |
| **United States** | Live theater cost | $ (209) | -5% | $ (547) | -10% | 62 % |
| | Property cost | (110) | -2% | (83) | -2% | (33)% |
| | Occupancy expense | (147) | -3% | (104) | -2% | (41)% |
| | | **(466)** | -10% | **(734)** | -14% | **37 %** |
| **Australia** | Property cost | (761) | -17% | (481) | -9% | (58)% |
| | Occupancy expense | (537) | -12% | (511) | -10% | (5)% |
| | | **(1,298)** | -29% | **(992)** | -19% | **(31)%** |
| **New Zealand** | Property cost | (129) | -3% | (240) | -5% | 46 % |
| | Occupancy expense | (143) | -3% | (174) | -3% | 18 % |
| | | **(272)** | -6% | **(414)** | -8% | **34 %** |
| **Total operating expense** | | **$ (2,036)** | -45% | **$ (2,140)** | -41% | **5 %** |
| **DEPRECIATION, AMORTIZATION, GENERAL AND ADMINISTRATIVE EXPENSE** | | | | | | |
| **United States** | Depreciation and amortization | $ (90) | -2% | $ (85) | -2% | (6)% |
| | General and administrative expense | (1) | 0% | 30 | 1% | 103 % |
| | | **(91)** | -2% | **(55)** | -1% | **(65)%** |
| **Australia** | Depreciation and amortization | $ (619) | -14% | $ (504) | -10% | (23)% |
| | General and administrative expense | (261) | -6% | (224) | -4% | (17)% |
| | | **(880)** | -20% | **(728)** | -14% | **(21)%** |
| **New Zealand** | Depreciation and amortization | (188) | -4% | (229) | -4% | 18 % |
| | General and administrative expense | (8) | 0% | (9) | 0% | 11 % |
| | | **(196)** | -4% | **(238)** | -5% | **18 %** |
| **Total depreciation, amortization, general and administrative expense** | | **$ (1,167)** | -26% | **$ (1,021)** | -19% | **(14)%** |
| **OPERATING INCOME - REAL ESTATE** | | | | | | |
| **United States** | | $ 29 | 1% | $ 70 | 1% | (59)% |
| **Australia** | | 1,408 | 31% | 1,591 | 30% | (12)% |
| **New Zealand** | | (143) | -3% | 428 | 8% | (133)% |
| **Total real estate operating income** | | **$ 1,294** | 29% | **$ 2,089** | 40% | **(38)%** |

***Segment operating income***

Real estate segment operating income decreased by 38%, or $796,000, to $1.3 million for the three months ended March 31, 2017 compared to March 31, 2016, primarily attributable to the decrease in property revenue in New Zealand due to the closure of our Courtenay Central ETC for most of the quarter. Please refer below for further explanation.

***Revenue***

Real estate revenue for the three-month period decreased 14%, or $753,000, mainly driven by the decrease in property rental income in New Zealand due to the temporary closure of our Courtenay Central ETC and the demolition of the adjacent parking building. This was partially offset due to the favorable impact of foreign currency movements on our Australia and New Zealand operations.

***Operating expense***

Operating expense for the three months ended March 31, 2017 decreased by 5%, or $104,000, mainly as a result of the reduction in legal fees. Higher legal fees in 2016 were pertaining the STOMP Arbitration, for which a settlement agreement was reached by both parties in September 2016.

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

Depreciation, amortization, general and administrative expense for the three months ended March 31, 2017 increased by 14%, or $147,000, primarily driven by (i) increased depreciation expense due to recent acquisitions and property enhancements and (ii) increased salary costs due to staff expansion as we continue to develop our Real Estate capacity.

## LIQUIDITY AND CAPITAL RESOURCES

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. In addition, we are refurbishing our cinema properties where feasible, and adding (1) premium projection and sound presentation, (2) recliner seating when appropriate, and (3) enhanced food and beverage options when possible. Our real estate business plan is to re-develop our existing property 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 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 changes in cash and cash equivalents are discussed as follows:

| | Three Months Ended | | |
|---|---|---|---|
| *(Dollars in thousands)* | **March 31, 2017** | **March 31, 2016** | **% Change** |
| Net cash provided by operating activities | $ 311 | $ 4,418 | (93) % |
| Net cash used in investing activities | (10,924) | (3,206) | > 100 % |
| Net cash provided by/(used in) financing activities | 2,540 | (4,664) | 154 % |
| Effect of exchange rate changes on cash and cash equivalents | 87 | 80 | 9 % |
| Decrease in cash and cash equivalents | $ (7,986) | $ (3,372) | 137 % |

***Operating activities***

Cash provided by operating activities during the current three-month period decreased by $4.1 million, to $311,000, primarily driven by a decrease of $6.0 million in changes in operating assets and liabilities, which are due to higher cash outflows during the quarter relating to certain expenses already accrued in 2016 including: (i) litigation costs and (ii) film rent payables. These were offset by a $1.9 million increase in operational cash flows due to higher operating results.

***Investing activities***

Cash used in investing activities during the quarter ended March 31, 2017 increased by $7.7 million compared to same period of 2016, to net cash used of $10.9 million, primarily due to an increase in capital expenditures as part of our real estate development program and enhancements to our existing cinemas ($8.5 million) and partial payment towards the demolition and disposal of the Courtney parking building adjacent to our Courtney central ETC in Wellington, New Zealand ($2.5 million).

***Financing Activities***

The $2.5 million net cash provided by financing activities during the current quarter was primarily related to $16.1 million proceeds from borrowings, offset by $12.9 million in loan repayments and $671,000 in stock repurchases.

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 March 31, 2017, our consolidated cash and cash equivalents totaled $11.0 million. Of this amount, $2.6 million and $1.2 million were held by our Australian and New Zealand subsidiaries, respectively. Our intention is to indefinitely reinvest Australian earnings but not indefinitely reinvest New Zealand earnings. If the Australian earnings were used to fund U.S. 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 and lines of credit. As noted in the succeeding table, we have $53.7 million unused/unrestricted capacity of credit facilities at March 31, 2017. In addition, we have $49.5 million and $12.6 million (NZ$18.0 million) unused capacity for Union Square development uses and construction funding for New Zealand, respectively.

The table below presents the changes in our total available resources (cash and borrowings), debt-to-equity ratio, working capital and other relevant information addressing our liquidity for quarter ended March 31, 2017 and preceding four years:

| | First Quarter | Year Ended December 31 | | | |
|---|---|---|---|---|---|
| *($ in thousands)* | 2017 | 2016 | 2015 | 2014 | 2013 |
| ***Total Resources (cash and borrowings)*** | | | | | |
| Cash and cash equivalents (unrestricted) | $ 11,031 | $ 19,017 | $ 19,702 | $ 50,248 | $ 37,696 |
| Unused borrowing facility | 115,580 | 117,599 | 70,134 | 45,700 | 19,400 |
| Restricted for capital projects[1] | 62,102 | 62,024 | 10,263 | -- | -- |
| Unrestricted capacity | 53,478 | 55,575 | 59,871 | 45,700 | 19,400 |
| Total resources at period end | 126,611 | 136,616 | 89,836 | 95,948 | 57,096 |
| Total unrestricted resources at period end | 64,509 | 74,592 | 79,573 | 95,948 | 57,096 |
| ***Debt-to-Equity Ratio*** | | | | | |
| Total contractual facility | $ 268,944 | $ 266,233 | $ 207,075 | $ 201,318 | $ 187,860 |
| Total debt (gross of deferred financing costs) | 153,364 | 148,535 | 130,941 | 164,036 | 168,460 |
| Current | 587 | 567 | 15,000 | 38,104 | 75,538 |
| Non-current | 152,777 | 147,968 | 115,941 | 125,932 | 92,922 |
| Total book equity | 154,991 | 146,615 | 138,951 | 133,716 | 123,531 |
| Debt-to-equity ratio | 0.99 | 1.01 | 0.94 | 1.23 | 1.36 |
| ***Changes in Working Capital*** | | | | | |
| Working capital (deficit) | $ 19,431 | $ 6,655 | $ (35,581) | $ (15,119) | $ (75,067) |
| Current ratio | 1.34 | 1.10 | 0.51 | 0.84 | 0.43 |
| ***Capital Expenditures (including acquisitions)*** | $ 8,478 | $ 49,166 | $ 53,119 | $ 14,914 | $ 20,082 |

*[1] This relates to the construction facilities specifically negotiated for: (i) Union Square redevelopment project, obtained in December 2016, and (ii) New Zealand construction projects, obtained in May 2015.*

## CONTRACTUAL OBLIGATIONS, COMMITMENTS AND CONTINGENCIES

The following table provides information with respect to the maturities and scheduled principal repayments of our recorded contractual obligations and certain of our commitments and contingencies, either recorded or off-balance sheet, as of March 31, 2017:

| *(Dollars in thousands)* | 2017 | 2018 | 2019 | 2020 | 2021 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| Debt[1] | $ 436 | $ 19,605 | $ 97,600 | $ 208 | $ 218 | $ 7,384 | $ 125,451 |
| Subordinated debt[1] | -- | -- | -- | -- | -- | 27,913 | 27,913 |
| Tax settlement liability | -- | -- | -- | -- | 2,686 | -- | 2,686 |
| Pension liability | 2,221 | 684 | 684 | 684 | 684 | 3,043 | 8,000 |
| Village East purchase option[3] | -- | -- | -- | -- | 5,900 | -- | 5,900 |
| Lease obligations | 23,358 | 27,148 | 24,776 | 18,136 | 14,348 | 253,355 | 361,121 |
| Estimated interest on debt [2] | 4,662 | 6,029 | 4,507 | 1,722 | 1,712 | 9,103 | 27,735 |
| Total | $ 30,677 | $ 53,466 | $ 127,567 | $ 20,750 | $ 25,548 | $ 300,798 | $ 558,806 |

[1] Information is presented exclusive of deferred financing costs.
[2] Estimated interest on debt is based on the anticipated loan balances for future periods and current applicable interest rates.
[3] Represents the lease liability of the option associated with the purchase of our interest in the underlying ground lease of the Village East cinema.

Refer to *Note 13 – Commitments and Contingencies* for additional information.

### 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 3 – Legal Proceedings* in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 for more information. There have been no material changes to our litigation exposure since our 2016 Annual Report, except as set forth in *Note 13 – Commitments and Contingencies* in the accompanying consolidated financial statements include in this Form 10-Q.

**Off-Balance Sheet Arrangements**
Other than the operating lease arrangements mostly relating to our operating cinemas, there are no off-balance sheet arrangements or obligations (including contingent obligations) that have, or are reasonably likely to have, a current or future material effect on our financial condition, changes in the financial condition, revenue or expense, results of operations, liquidity, capital expenditures or capital resources.

## CRITICAL ACCOUNTING POLICIES

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;
- recognition of gift card and gift certificate breakage income;
- tax valuation allowance and obligations, and,
- contingencies (including the insurance recoverability of losses incurred as a result of the recent earthquake in New Zealand).

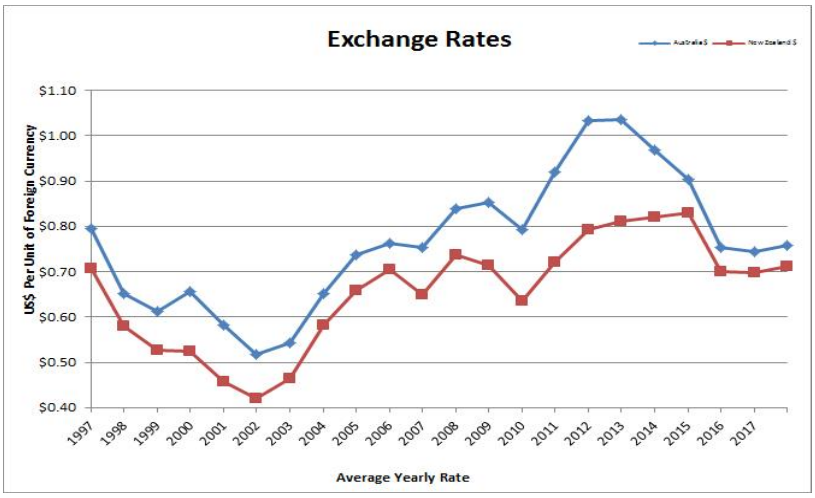
We provided detailed discussed regarding these critical accounting policies in our 2016 Form 10-K and advise you to refer to that discussion.  Refer to *Note 2 – Summary of Significant Accounting Policies –  Recently Adopted and Issued Accounting Pronouncements* for more information regarding recently adopted and issued 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 mostly on a self-funding basis, except for funds used to pay an 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.

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 intermediate 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;
  - the cost and impact of improvements to our cinemas, such as improve seating, enhanced food and beverage offerings and other improvements;
  - disruptions from theater improvements; and
  - the extent to and the efficiency with which we are able to integrate acquisitions of cinema circuits with our existing operations.
- with respect to our real estate development and operation activities:
  - the rental rates and capitalization rates applicable to the markets in which we operate and the quality of properties that we own;
  - the extent to which we can obtain on a timely basis the various land use approvals and entitlements needed to develop our properties;
  - the risks and uncertainties associated with real estate development;
  - the availability and cost of labor and materials;
  - the ability to obtain all permits to construct improvements;
  - the ability to finance improvements;
  - the disruptions from construction;
  - the possibility of construction delays, work stoppage and material shortage;
  - competition for development sites and tenants;
  - environmental remediation issues;
  - the extent to which our cinemas can continue to serve as an anchor tenant that will, in turn, be influenced by the same factors as will influence generally the results of our cinema operations; 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 March 31, 2017, approximately 43% and 18% of our assets were invested in assets denominated in Australian dollars (Reading Australia) and New Zealand dollars (Reading New Zealand), respectively, including approximately $3.8 million in cash and cash equivalents. At December 31, 2016, approximately 42% and 18% of our assets were invested in assets denominated in Australian dollars (Reading Australia) and New Zealand dollars (Reading New Zealand), including approximately $8.5 million in cash and cash equivalents.

Our policy in Australia and New Zealand is to match revenues and expenses, whenever possible, in local currencies. As a result, we have procured a majority of our expenses in Australia and New Zealand in local currencies. 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 increase of $5.8 million for the nine months ended March 31, 2017. 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 not be material in the future.

Historically, our policy has been to borrow in local currencies to finance the development and construction of our long-term assets in Australia and New Zealand 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 75% and 52% 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 $13.3 million and $3.8 million, respectively, and the change in our quarterly net income would be $387,000 million and $93,000, 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 March 31, 2017 and December 31, 2016, the balance of cumulative foreign currency translation adjustments was approximately $20.6 million gain and $14.8 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.

We have a combination of fixed and variable interest rate loans. In connection with our variable interest rate loans, a change of approximately 1% in short-term interest rates would have resulted in approximately $216,000 increase or decrease in our quarterly 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.  Based upon that evaluation, we concluded that, as of March 31, 2017, our disclosure controls and procedures were effective.

**Changes in Internal Control over Financial Reporting**

There were  no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II – Other Information

### Item 1 – Legal Proceedings

The information required under Part II, Item 1 (*Legal Proceedings*) is incorporated by reference to the information contained in *Note 13 – Commitments and Contingencies* to the Consolidated Financial Statements included herein in Part I, Item 1 (*Financial Statements*) on this Quarterly Report on Form 10-Q.

For further details on our legal proceedings, please refer to Item 3, *Legal Proceedings,* contained in our 2016 Form 10-K.

### Item 1A – Risk Factors

There have been no material changes in risk factors as previously disclosed in our 2016 Form 10-K, other than the below.

As previously disclosed, on February 23, 2017, the California Superior Court heard argument on James J. Cotter, Jr.'s Ex Parte Petition for Appointment of a trustee ad litem and of a guardian ad litem for the benefit of Cotter, Sr.'s, minor grandchildren (two of whom are the children of Margaret Cotter and three of whom are the children of James Cotter, Jr., and who are referred to herein as the "Cotter Grandchildren"), in the case of the trustee ad litem, to evaluate the indication of interest sent by Patton Vision, LLC, to the Trustees of the Cotter Trust to acquire the RDI shares held by the Cotter Trust at $18.50 per share (referred to in Mr. Cotter, Jr's pleadings as the "Offer") and to take reasonable steps to act on the Offer in the trustee's sole discretion. Specifically, Mr. Cotter Jr. sought an order "granting the trustee ad litem with full power, authority, and protections under the Cotter Trust and California trust law, as any other named trustee would have, to evaluate the Offer, conduct due diligence, negotiate with Patton Vision or any other potential offerors, and take all actions necessary or appropriate to consummate the sale of the Cotter Trust's RDI shares, including but not limited to:

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

The Court determined not to appoint a trustee to oversee a sales process of the RDI shares held by the Cotter Trust but instead, on March 7, 2017, appointed a Section 730 Expert to advise the Court on what should be done, if anything, in light of the recent Patton Vision indication of interest addressed to the Trustees of the Cotter Trust. This Expert has no authority to negotiate with Patton Vision or any other person, or to make any decisions as to the sale of the RDI shares held by the Cotter Trust. The Court also appointed a guardian ad litem (the "GAL") for the Cotter Grandchildren. Our Company is advised that this is not unusual in the case where there is disagreement between the trustees as to the administration of a trust whose beneficiaries include minor children, and that nothing more should be read into this action than recognition of the fact that Ellen Cotter, Margaret Cotter and Mr. James Cotter, Jr. are in dispute as to what should be done with the RDI shares held by the Trust.

The Expert and the GAL have prepared reports relating, which have been filed under seal with the Court. The Company has reviewed the reports, but is under a confidentiality order as to their contents. A hearing has been scheduled for May 15, 2017 to consider the reports and any action that should be taken with respect thereto.

We are advised that Margaret Cotter and Ellen Cotter are opposed to any sale at this time of any of the Company securities owned by the Cotter Living Trust. They believe that a sale of the Class B Stock owned by the Cotter Living Trust would be inconsistent with the applicable trust documents and the intentions of their father, James J. Cotter, Sr.

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

The following table summarizes our repurchases under the March 2, 2017 stock repurchase program for the quarter ended March 31, 2017:

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as part of our Stock Buy-Back Program | Approximate Dollar Value of Shares that may yet be Purchased under the Stock Buy-Back Program |
|---|---|---|---|---|
| March 2017 | 41,899 | $ 15.99 | 41,899 | $ 24,330,149 |
| **Total** | **41,899** | **$ 15.99** | **41,899** | **$ 24,330,149** |

For a description of grants of stock to certain executives, see the Stock Based Compensation section under see Note 15 – *Equity and Stock-Based Compensation to our Consolidated Financial Statements*.

**Item 3 – Defaults upon Senior Securities**

None.

**Item 5 – Other Information**

Please refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2016 for details.

**Item 6 – Exhibits**

| | |
|---|---|
| 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: May 9, 2017

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

Date: May 9, 2017

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

**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
May 9, 2017

**Exhibit 31.2**

**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
May 9, 2017

**EXHIBIT 32**

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 quarter ended March 31, 2017 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: May 9, 2017

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

/s/ Devasis Ghose
Name: Devasis Ghose
Title: Chief Financial Officer