READING INTERNATIONAL INC
Form 10-K
March 18, 2019
UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2018 or

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

For the transition period from _______ to ______

Commission File No. 1-8625

READING INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

NEVADA	95-3885184
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
5995 Sepulveda Boulevard, Suite 300	
Culver City, CA	90230

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including Area Code: (213) 235-2240

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

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

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

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

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

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

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

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

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of June 29, 2018 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates based on the closing price on that date as reported by the Nasdaq Stock Market was $383,954,817. As of March 15, 2019, there were 21,240,044 shares of class A non-voting common stock, par value $0.01 per share and 1,680,590 shares of class B voting common stock, par value $0.01 per share, outstanding.

Documents Incorporated by Reference

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

READING INTERNATIONAL, INC.

ANNUAL REPORT ON FORM 10-K

YEAR ENDED DECEMBER 31, 2018

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

PART I

Item 1 – Our Business

GENERAL

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

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

BUSINESS DESCRIPTION

Synergistic Diversification and Branding

We are a diversified company focused on the development, ownership and operation of entertainment and real property assets in three jurisdictions: (i) United States ("U.S."), (ii) Australia, and (iii) New Zealand. We group our businesses in two (2) operating segments:

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

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

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

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

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	New Zealand	Located in the heart of Wellington – New Zealand’s capital city – this center is comprised of 161,071 square feet of land situated proximate to the Te Papa Tongarewa Museum (attracting over 1.5 million visitors annually), across the street from the site of Wellington’s newly announced convention center (estimated to open its doors in 2022) and at a major public transit hub. Damage from the 2016 earthquake necessitated demolition of our nine-story parking garage at the site, and unrelated seismic issues have caused us to close portions of the existing cinema and retail structure while we reevaluate the center for redevelopment as an entertainment themed urban center with a major food and grocery component. Wellington continues to be rated as one of the top cities in the world in which to live, and we continue to believe that the Courtenay Central site is located in one of the most vibrant and growing commercial and entertainment sections of Wellington.	Courtenay Central
Real Estate / Live Theatre	United States	We continue to operate three (3) off-Broadway live theatres, one (1) in Chicago and two (2) in Manhattan, New York, under the Liberty Theatres tradename. In 2018, we entered into a license with Audible, a subsidiary of Amazon, pursuant to which our Minetta Lane Theatre serves as Audible’s live theatre home in New York City.	Liberty Theatres

We synergistically bring together cinema based entertainment and real estate and believe that these two business segments complement one another, as our cinemas have historically provided the steady cash flows that allow us to be opportunistic in acquiring and holding real estate assets (including non-income producing land) and support our real estate development activities. Our real estate allows us to develop an asset base that we believe will stand the test of time and one that is capable of providing financial leverage. More specifically, the combination of these two segments provides a variety of business advantages including the following:

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

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

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

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

Business Mix and Impact of Foreign Currency Fluctuations

We have worked to maintain a balance both between our cinema and real estate assets and between our U.S. and our Australian and New Zealand assets. In 2018, we invested approximately $40.6 million in our U.S. assets: $23.4 million for the development of our real estate assets (principally construction of our Union Square property) and $17.2 million for the improvements of our cinema assets (principally upgrading our offerings at our existing cinemas). We invested approximately $12.3 million in our Australian assets: $6.4 million for the development of our real estate assets (principally at our Auburn (Sydney) shopping centers), and $6.0 million for the development of our cinema assets (principally renovations of our cinemas at Auburn, Elizabeth, and Charlestown and the upgrade of certain other cinemas). We invested approximately $1.8 million in our New Zealand assets: $1.0 million for the development of real estate assets (principally towards the redevelopment of our Courtenay Central assets), and approximately $817,000 for the development of cinema assets (principally upgrades).

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

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

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

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

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

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

CINEMA EXHIBITION

Overall

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

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

Country	State / Territory / Region	Location Count	Screen Count	Interest in Asset Underlying the Cinema Leased	Owned	Operating Brands
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	44	4	2	Reading Cinemas
	Victoria	6	43	6		Reading Cinemas
	Queensland	5	48	2	3	Reading Cinemas, Event Cinemas(1)
	Western Australia	2	16	1	1	Reading Cinemas
	South Australia	2	15	2		Reading Cinemas
	Australia Total	21	166	15	6	
New Zealand	Wellington	2	15	1	1	Reading Cinemas
	Otago	3	15	2	1	Reading Cinemas
	Auckland	2	15	2		Reading Cinemas, Rialto Cinemas(2)
	Canterbury	1	8	1		Reading Cinemas
	Southland	1	5		1	Reading Cinemas
	Bay of Plenty	1	5		1	Reading Cinemas
	Hawke's Bay	1	4		1	Reading Cinemas

	New Zealand Total	11	67	6	5
GRAND TOTAL		59	478	47	12

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

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

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

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

Recognizing that the cinema exhibition business is considered a mature business, we continue to see growth opportunities in our cinema exhibition business principally from (i) the enhancement of our existing cinemas, (ii) the development in select markets of art and specialty cinemas, (iii) the development of new state-of-the-art cinemas on land that we already own or may in the future acquire, and (iv) the development of new mainstream cinemas in selected markets. While we continue to consider possible opportunities in third party developments, we prefer, where possible, to put our capital to work in properties that we own rather than take on potentially burdensome lease obligations with their built-in rent increases and pass-throughs and their dependence on third party shopping center operators.

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

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

Operating Information

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

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

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

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

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

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

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

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

Management of Cinemas

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

Licensing and Pricing

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

Competition

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

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

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

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

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

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

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

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

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

In-Home, Streaming and Mobile Device Competition

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

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

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

Seasonality

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

REAL ESTATE

Overall

We engage in real estate development and the ownership and rental or licensing to third parties of retail, commercial and live theater assets. We own the fee interests in all of our live theaters, and in 12 of our cinemas (as presented in the preceding table within the "Cinema Exhibition" section). Our real estate business creates long-term value for our stockholders through the continuous improvement and development of our investment and operating properties, including our ETCs.

Our real estate activities have historically consisted principally of:

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

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

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

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

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

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

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

All of our leasehold interests are cinema operating properties.

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

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

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

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

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

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

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

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

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

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

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

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

EMPLOYEES

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

FORWARD LOOKING STATEMENTS

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

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

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

- with respect to our cinema operations:
- the number and attractiveness to movie goers of the films released in future periods;
- the amount of money spent by film distributors to promote their motion pictures;
- the licensing fees and terms required by film distributors from motion picture exhibitors in order to exhibit their films;
- the comparative attractiveness of motion pictures as a source of entertainment and willingness and/or ability of consumers (i) to spend their dollars on entertainment and (ii) to spend their entertainment dollars on movies in an outside-the-home environment;
- the extent to which we encounter competition from other cinema exhibitors, from other sources of outside-the-home entertainment, and from inside-the-home entertainment options, such as "home theaters" and competitive film product distribution technology, such as, by way of example, cable, satellite broadcast and Blu-ray/DVD rentals and sales, and so called "movies on demand;"
- the cost and impact of improvements to our cinemas, such as improved seating, enhanced food and beverage offerings and other improvements;
- disruption from theater improvements; and
- the extent to, and the efficiency with, which we are able to integrate acquisitions of cinema circuits with our existing operations.
- with respect to our real estate development and operation activities:
- the rental rates and capitalization rates applicable to the markets in which we operate and the quality of properties that we own;
- the extent to which we can obtain on a timely basis the various land use approvals and entitlements needed to develop our properties;
- the risks and uncertainties associated with real estate development;
- the availability and cost of labor and materials;
- the ability to obtain all permits to construct improvements;
- the ability to finance improvements;
- the disruptions from construction;
- the possibility of construction delays, work stoppage and material shortage;
- competition for development sites and tenants;
- environmental remediation issues;
- the extent to which our cinemas can continue to serve as an anchor tenant that will, in turn, be influenced by the same factors as will influence generally the results of our cinema operations;
- the ability to negotiate and execute joint venture opportunities and relationships; and
- certain of our activities are in geologically active areas, creating a risk of damage and/or disruption of real estate and/or cinema businesses from earthquakes and related seismic conditions.
- with respect to our operations generally as an international company involved in both the development and operation of cinemas and the development and operation of real estate and previously engaged for many years in the railroad business in the United States:
- our ability to renew, extend or renegotiate our loans that mature in 2019;
- our ability to grow our Company and provide value to our stockholders;
- our ongoing access to borrowed funds and capital and the interest that must be paid on that debt and the returns that must be paid on such capital;
- expenses, management and Board distraction and other effects of the litigation efforts mounted by James Cotter, Jr. against the Company, including his efforts to cause a sale of voting control of the Company;
- the relative values of the currency used in the countries in which we operate;
- changes in government regulation, including by way of example, the costs resulting from the implementation of the requirements of Sarbanes-Oxley;

- our labor relations and costs of labor (including future government requirements with respect to pension liabilities, disability insurance and health coverage, and vacations and leave);
- our exposure from time-to-time to legal claims and to uninsurable risks, such as those related to our historic railroad operations, including potential environmental claims and health-related claims relating to alleged exposure to asbestos or other substances now or in the future recognized as being possible causes of cancer or other health related problems;
- our exposure to cyber-security risks, including misappropriation of customer information or other breaches of information security;
- changes in future effective tax rates and the results of currently ongoing and future potential audits by taxing authorities having jurisdiction over our various companies; and
- changes in applicable accounting policies and practices.

The above list is not necessarily exhaustive, as business is by definition unpredictable and risky, and it is subject to influence by numerous factors outside of our control, such as changes in government regulation or policy, competition, interest rates, supply, technological innovation, changes in consumer taste, the weather, and the extent to which consumers in our markets have the economic wherewithal to spend money on beyond-the-home entertainment. Refer to Item 1A Risk factors for more information.

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

Finally, we undertake no obligation to update publicly or to revise any of our forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable law. Accordingly, you should always note the date to which our forward-looking statements speak.

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

Item 1A – Risk Factors

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

BUSINESS RISK FACTORS

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

Cinema Exhibition and Live Theater Business Risk Factors

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

These larger competitors may also enjoy (i) greater cash flow, which can be used to develop additional cinemas, including cinemas that may be competitive with our existing cinemas, (ii) better access to equity capital and debt, (iii) better visibility to landlords and real estate developers, and (iv) better economies of scale than us.

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

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

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

There is the risk that, over time, distributors may move towards simultaneous release of motion picture product in multiple channels of distribution. Also, some traditional in-home and mobile distributors have begun the production of full-length movies, specifically for the purpose of direct or simultaneous release to the in-home and mobile markets. These factors may adversely affect the competitive advantage enjoyed by cinemas over “in-home” and mobile forms of entertainment, as it may be that the cinema market and the “in-home” and mobile markets will have simultaneous access to the same motion picture product. In recent times, a number of movies were released on a simultaneous basis to movie exhibitors and to in-home and mobile markets. It is likely that this trend will continue, making it, in our view, increasingly important for exhibitors to enhance the convenience and quality of the theater-going experience. This can require substantial capital outlays and increased labor expense, which exhibitors may not be able to fully pass on to their customers. Also, the amount of programming (including without limitation, the live streaming of sporting, theatrical and political events) available on an "in-home" and mobile basis continues to increase.

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

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

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

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

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

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

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

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

We face competition from competitors offering food and beverage and luxury seating as an integral part of their cinema offerings. A number of our competitors offering an expanded food and beverage menu (including the sale of alcoholic beverages) and luxury seating, have emerged in recent periods. In addition, some competitors such as AMC are converting existing cinemas to provide such expanded menu offerings and in-theater dining options. The existence of such cinemas may alter traditional cinema selection practices of moviegoers, as they seek out cinemas with such expanded offerings as a preferred alternative to traditional cinemas. In order to compete with these new cinemas, the Company has begun to materially increase its capital expenditures to add such features to many of our cinemas and to take on additional and more highly trained (and, consequently, compensated) staff. Also, the conversion to luxury seating typically requires a material reduction in the number of seats that an auditorium can accommodate which may translate into fewer movie tickets being sold.

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

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

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

Real Estate Development and Ownership Business Risks

We operate in a highly competitive environment in which we must compete against companies with much greater financial and human resources than we have. We have limited financial and human resources, compared to our principal real estate competitors. In recent periods, we have relied heavily on outside professionals in connection with our real estate development activities. Many of our competitors have significantly greater resources and may be able to achieve greater economies of scale than we can. Given our structure as a taxable corporation, our cost of capital is typically higher than other real estate investment vehicles such as real estate investment trusts.

Risks Related to the Real Estate Industry Generally

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

We may incur costs complying with the Americans with Disabilities Act and similar laws. Under the Americans with Disabilities Act and similar statutory regimes in Australia and New Zealand or under applicable state or local law, all places of public accommodation (including cinemas and theaters) are required to meet certain governmental requirements related to access and use by persons with disabilities. A determination that we are not in compliance with those governmental requirements with respect to any of our properties could result in the imposition of fines or an award of damages to private litigants. The cost of addressing these issues could be substantial.

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

Real estate development involves a variety of risks.

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

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

The ownership of properties involves risk. The ownership of investment properties involves risks, such as: (i) ongoing leasing and re-leasing risks, (ii) ongoing financing and re-financing risks, (iii) market risks as to the multiples offered by buyers of investment properties, (iv) risks related to the ongoing compliance with changing governmental regulation (including, without limitation, environmental laws and requirements to remediate environmental contamination that may exist on a property (such as, by way of example, asbestos), even though not deposited on the property by us), (v) relative illiquidity compared to some other types of assets, and (vi) susceptibility of assets to uninsurable risks, such as biological, chemical or nuclear terrorism, or risks that are subject to caps tied to the concentration of such assets in certain geographic areas, such as earthquakes. Furthermore, as our properties are typically developed around an entertainment use, the attractiveness of these properties to tenants, sources of finance and real estate investors will be influenced by market perceptions of the benefits and detriments of such entertainment-type properties.

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

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

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

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

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

International Business Risks

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

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

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

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

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

Risks Associated with Certain Discontinued Operations

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

Operating, Financial Structure and Borrowing Risk

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The California Superior Court, in the Trust Case, has jurisdiction over a potentially controlling block of our voting power. The Cotter Trust, which as described in more detail above, currently owns 41.4% of our Class B Stock, and, at such time as the Cotter Estate is probated, may receive up to an additional 25.5% of our Class B Stock, should the California Superior Court order the sale of the Trusts' Class B Stock and such sale be completed, then there may be a change of control of our Company (depending on, among other things, who the ultimate purchaser(s) of such shares might be, the number of shares of Voting Stock distributed by the Cotter Estate to the Cotter Trust, and whether the California Superior Court orders a sale of all or only some portion to the Class B Stock held by the Cotter Trust). We cannot predict what reactions, including appeals or other steps, might be taken by Ellen Cotter and Margaret Cotter in their respective capacities as Trustees under the Cotter Trust, or in other capacities (for example, as Co-Executors of the Cotter Estate or as stockholders acting in their own right), should the California Superior Court make such an order. We do note, however, that Ellen Cotter and Margaret Cotter have publicly stated that, if there is to be a sale of controlling shares, they intend to be the purchaser of such shares. We also cannot predict what action our Board of Directors would take in response, if any. However, our Board of Directors has an obligation to act in the best interest of our Company, and in the event the California Superior Court were to order a sale of the Class B Stock held by the Cotter Trust, our Board of Directors would be obligated to consider the interests of the Company and to act accordingly.

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

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

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

The interests of our controlling stockholder may conflict with your interests. As of December 31, 2018, the Cotter Estate and the Cotter Trust beneficially own 66.9% of our outstanding Class B Stock. At the present time, according to the books of the Company, Ellen Cotter and Margaret Cotter vote (including their direct holdings of 50,000 shares and 35,100 shares respectively of the Class B Stock), Class B Stock representing 71.9% of our outstanding Class B Stock. Our Class A Stock is non-voting, while our Class B Stock represents all of the voting power of our Company. For as long as the Cotter Estate, the Cotter Trust and/or the Cotter Voting Trust (referred to herein collectively as the “Cotter Entities”) continue to own shares of Class B Stock representing more than 50% of the voting power of our common stock, the Cotter Entities will be able to elect all of the members of our Board of Directors and determine the outcome of all matters submitted to a vote of our stockholders, including matters involving mergers or other business combinations, the acquisition or disposition of assets, the incurrence of indebtedness, the issuance of any additional shares of common stock or other equity securities and the payment of dividends on common stock. The Cotter Entities will also have the power to prevent or cause a change in control, and could take other actions that might be desirable to the Cotter Entities but not to other stockholders. To the extent that the Cotter Entities hold more than 2/3rds of our outstanding Class B Stock, the Cotter Entities will have the power at any time, with or without cause, to remove any one or more Directors (up to and including the entire board of directors) by written consent taken without a meeting of the stockholders.

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

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

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

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

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

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

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

Item 1B – Unresolved Staff Comments

None.

Item 2 – Properties

EXECUTIVE AND ADMINISTRATIVE OFFICES

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

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

ENTERTAINMENT PROPERTIES

Entertainment Use Leasehold Interests

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

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

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

REAL ESTATE INTERESTS

Fee Interests

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

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

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

Live Theaters

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

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

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

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

Joint Venture Interests

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

OPERATING PROPERTY

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

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

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

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

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

LONG-TERM LEASEHOLD OPERATING PROPERTY

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

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

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

INVESTMENT AND DEVELOPMENT PROPERTY

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

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

		have caused us to close portions of the existing cinema and retail structure while we reevaluate the center for redevelopment as an entertainment themed urban center with a major food and grocery component.
TOTAL	$ 86,804	

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

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

OTHER PROPERTY INTERESTS AND INVESTMENTS

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

Item 3 – Legal Proceedings

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

Item 4 – Mine Safety Disclosures

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

PART II

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

MARKET INFORMATION

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

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

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

Securities Authorized for Issuance Under Equity Compensation Plans

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

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

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

Performance Graph

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

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

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

None.

PURCHASE OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

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

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

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

Item 6 – Selected Financial Data

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

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

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

(2)

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

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

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

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

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

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

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

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

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

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

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

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BUSINESS OVERVIEW

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

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

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

We operate our worldwide cinema exhibition businesses under various brands:

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

Our Business Strategy: Applying a Synergistic Approach

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

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

Industry Outlook

Cinema Exhibition

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

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

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

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

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

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

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

Real Estate

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

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

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

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

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

RECENT DEVELOPMENTS

Recent developments in our two business segments are discussed below:

Cinema Exhibition

Our cinema revenue consists primarily of admissions, F&B, advertising and theater rentals. Cinema operating expense consists of the costs directly attributable to the operation of the cinemas, including film rent expense, operating costs, and occupancy costs. Cinema revenue and expense fluctuate with the availability of quality first run films and the numbers of weeks such first run films stay in the market. For a breakdown of our current cinema assets that we own and/or manage, please see Part I, Item 1 – Our Business of this 2018 Form 10-K.

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

Cinema Additions and Enhancements

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

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

Upgrades to our Film Exhibition Technology and Theatre Amenities

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

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

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

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

Plans for 2019 and Our Cinema Pipeline

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

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

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

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

Real Estate

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

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

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

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

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

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

Strategic Acquisitions

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

Opportunistic Sales

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

Value-creating Opportunities

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

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

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

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

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

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

Corporate Matters

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

Our Financing Strategy

Our treasury management is focused on concerted cash management using cash balances to reduce debt. We have used cash generated from operations and other excess cash, to the extent not needed for any capital expenditures, to pay down our loans and credit facilities providing us some flexibility on our available loan facilities for future use and thereby, reducing interest charges. On a periodic basis, we review the maturities of our borrowing arrangements and negotiate for renewals and extensions where necessary in the current circumstances.

In March 2019, we amended our Revolving Corporate Markets Loan Facility with National Australia Bank (“NAB) from a facility comprised of (i) a AU$66.5 million loan facility with an interest rate of 0.95% above the Bank Bill Swap Bid Rate (“BBSY) and a maturity date of June 30, 2019 and (ii) a bank guarantee of AUD$5.0 million at a rate of 1.90% per annum into a (i) AU$120.0 million Corporate Loan facility at a rate of 0.85% - 1.3% above BBSY, depending on certain ratios, with a due date of December 31, 2023, of which AU$80.0 million is revolving and AU$40.0 million is core and (ii) a Bank Guarantee Facility of AU$5.0 million at a rate of 1.85% per annum. Such modifications of this particular term loan were not considered to be substantial under US GAAP.

On December 20, 2018, we then restructured our Westpac Corporate Credit Facilities. The maturity of the 1st tranche (general/non-construction credit line) was extended to December 31, 2023, with the available facility being reduced from NZ$35.0 million to NZ$32.0 million. The facility bears an interest rate of 1.75% above the Bank Bill Bid Rate on the loan balance and a 1.1% line of credit charge on the full amount of the facility. The 2nd tranche (construction line) with a facility of NZ$18.0 million matured on December 31, 2018, and was not renewed.

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

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

OVERALL RESULTS OF OPERATIONS

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

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

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

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

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

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

"nm" – not meaningful for further analysis

CONSOLIDATED RESULTS

2018 vs. 2017

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

2017 vs. 2016

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

BUSINESS SEGMENT RESULTS – 2018 vs 2017

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

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

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

The discussion for each segments follows:

Cinema Exhibition – 2018 vs. 2017

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

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

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

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

United States	Depreciation and amortization	$ (2,569)	(7)	%	$ (1,831)	(5)	%	(40)	%
	General and administrative expense	(557)	(1)	%	(437)	(1)	%	(27)	%
		$ (3,126)	(8)	%	$ (2,268)	(6)	%	(38)	%
Australia	Depreciation and amortization	$ (1,191)	(5)	%	$ (1,073)	(5)	%	(11)	%
	General and administrative expense	(331)	(1)	%	(268)	(1)	%	(24)	%
		$ (1,522)	(6)	%	$ (1,341)	(6)	%	(13)	%
New						(7)			
Zealand	Depreciation and amortization	$ (356)	(5)	%	$ (441)		%	19	%
	General and administrative expense	(9)	—	%	(29)	—	%	69	%
		$ (365)	(5)	%	$ (470)				