**SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

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**FORM 10-Q**

(Mark One)

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

For the quarterly period ended: March 31, 2007

OR

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

For the transition period from _____________ to ___________

Commission file number 1-8625

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

| | |
|---|---|
| **NEVADA**<br>(State or other jurisdiction of incorporation or organization) | **95-3885184**<br>(IRS Employer Identification No.) |
| 500 Citadel Drive, Suite 300<br>Commerce CA<br>(Address of principal executive offices) | 90040<br>(Zip Code) |

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of May 8, 2007, there were 20,992,453 shares of Class A Nonvoting Common Stock, $0.01 par value per share and 1,495,490 shares of Class B Voting Common Stock, $0.01 par value per share outstanding.

**READING INTERNATIONAL, INC. AND SUBSIDIARIES**

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## PART I - Financial Information

### Item 1 - Financial Statements

**Reading International, Inc. and Subsidiaries**
**Consolidated Balance Sheets (Unaudited)**
**(U.S. dollars in thousands)**

| | March 31, 2007 | December 31, 2006 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets:** | | |
| Cash and cash equivalents | $ 9,023 | $ 11,008 |
| Receivables | 5,731 | 6,612 |
| Inventory | 457 | 606 |
| Investment in marketable securities | 20,063 | 8,436 |
| Restricted cash | 842 | 1,040 |
| Prepaid and other current assets | 2,219 | 2,589 |
| **Total current assets** | 38,335 | 30,291 |
| Land held for sale | 1,809 | -- |
| Property held for development | 1,643 | 1,598 |
| Property under development | 45,585 | 38,876 |
| Property & equipment, net | 171,192 | 170,667 |
| Investment in unconsolidated joint ventures and entities | 15,799 | 19,067 |
| Investment in Reading International Trust I | 1,547 | -- |
| Goodwill | 18,158 | 17,919 |
| Intangible assets, net | 8,194 | 7,954 |
| Other assets | 4,387 | 2,859 |
| **Total assets** | $ 306,649 | $ 289,231 |
| | | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| **Current Liabilities:** | | |
| Accounts payable and accrued liabilities | $ 12,817 | $ 13,539 |
| Film rent payable | 2,494 | 4,642 |
| Notes payable - current portion | 5,271 | 2,237 |
| Notes payable to related parties - current portion | 5,000 | 5,000 |
| Current tax liabilities | 4,928 | 9,128 |
| Deferred current revenue | 2,420 | 2,565 |
| Other current liabilities | 241 | 177 |
| **Total current liabilities** | 33,171 | 37,288 |
| Notes payable - long-term portion | 74,616 | 113,975 |
| Notes payable to related parties | 9,000 | 9,000 |
| Subordinated debt | 51,547 | -- |
| Noncurrent tax liabilities | 4,890 | -- |
| Deferred non-current revenue | 552 | 528 |
| Other liabilities | 22,095 | 18,178 |
| **Total liabilities** | 195,871 | 178,969 |
| **Commitments and contingencies** | -- | -- |
| **Minority interest in consolidated affiliates** | 2,375 | 2,603 |
| **Stockholders' equity:** | | |
| Class A Nonvoting Common Stock, par value $0.01, 100,000,000 shares authorized, 35,495,729 issued and 20,992,453 outstanding at March 31, 2007 and 35,468,733 issued and 20,980,865 outstanding at December 31, 2006 | 216 | 216 |
| Class B Voting Common Stock, par value $0.01, 20,000,000 shares authorized and 1,495,490 issued and outstanding at March 31, 2006 and December 31, 2006 | 15 | 15 |
| Nonvoting Preferred Stock, par value $0.01, 12,000 shares authorized and no outstanding shares | -- | -- |
| Additional paid-in capital | 128,786 | 128,399 |
| Accumulated deficit | (51,213) | (50,058) |
| Treasury shares | (4,306) | (4,306) |
| Accumulated other comprehensive income | 34,905 | 33,393 |
| **Total stockholders' equity** | 108,403 | 107,659 |
| **Total liabilities and stockholders' equity** | $ 306,649 | $ 289,231 |

See accompanying notes to consolidated financial statements.

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

| | Three Months Ended March 31, | |
|---|---|---|
| | **2007** | **2006** |
| **Revenue** | | |
| Cinema | $ 24,506 | $ 22,509 |
| Real estate | 3,469 | 2,734 |
| | 27,975 | 25,243 |
| **Operating expense** | | |
| Cinema | 18,120 | 17,182 |
| Real estate | 2,002 | 1,711 |
| Depreciation and amortization | 2,968 | 3,240 |
| General and administrative | 3,675 | 3,367 |
| | 26,765 | 25,500 |
| **Operating income (loss)** | 1,210 | (257) |
| **Non-operating income (expense)** | | |
| Interest income | 145 | 61 |
| Interest expense | (1,895) | (1,845) |
| Net gain (loss)on sale of assets | (185) | 3 |
| Other expense | (736) | (1,159) |
| **Loss before minority interest expense, income tax expense, and equity earnings of unconsolidated joint ventures and entities** | (1,461) | (3,197) |
| Minority interest expense | (342) | (80) |
| **Loss before income tax expense and equity earnings of unconsolidated joint ventures and entities** | (1,803) | (3,277) |
| Income tax expense | (499) | (337) |
| **Loss before equity earnings of unconsolidated joint ventures and entities** | (2,302) | (3,614) |
| Equity earnings of unconsolidated joint ventures and entities | 1,656 | 467 |
| **Net loss** | $ (646) | $ (3,147) |
| **Basic and diluted loss per share** | $ (0.03) | $ (0.14) |
| **Weighted average number of shares outstanding - basic and diluted** | 22,482,804 | 22,450,007 |

See accompanying notes to consolidated financial statements.

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

| | Three Months Ended March 31, | |
|---|---|---|
| | **2007** | **2006** |
| **Operating Activities** | | |
| Net loss | $ (646) | $ (3,147) |
| *Adjustments to reconcile net loss to net cash used in (provided by) operating activities:* | | |
| Gain recognized on foreign currency transactions | (22) | (24) |
| Equity earnings of unconsolidated joint ventures and entities | (1,656) | (467) |
| Distributions of earnings from unconsolidated joint ventures and entities | 4,034 | 332 |
| Loss (gain) on disposal of assets | 185 | (3) |
| Loss on extinguishment of debt | 94 | -- |
| Depreciation and amortization | 2,968 | 3,240 |
| Stock based compensation expense | 387 | 21 |
| Minority interest | 342 | 80 |
| *Changes in operating assets and liabilities:* | | |
| Decrease in receivables | 1,548 | 1,846 |
| Decrease (increase) in prepaid and other assets | 641 | (1,530) |
| Decrease in accounts payable and accrued expenses | (881) | (961) |
| Decrease in film rent payable | (2,172) | (1,042) |
| Increase in deferred revenues and other liabilities | 1,075 | 1,120 |
| Net cash provided by (used in) operating activities | 5,897 | (535) |
| **Investing activities** | | |
| Acquisitions | (5,471) | (939) |
| Purchase of property and equipment | (2,774) | (2,695) |
| Change in restricted cash | 199 | 191 |
| Investment in Reading International Trust I | (1,547) | -- |
| Distributions of investment in unconsolidated joint ventures | 926 | -- |
| Purchase of marketable securities | (11,258) | (184) |
| Net cash used in investing activities | (19,925) | (3,627) |
| **Financing activities** | | |
| Repayment of long-term borrowings | (40,311) | (604) |
| Proceeds from borrowings | 54,628 | 2,273 |
| Capitalized borrowing costs | (1,633) | -- |
| Proceeds from exercise of stock options | -- | 87 |
| Repurchase of Class A Nonvoting Common Stock | -- | (792) |
| Minority interest distributions | (579) | (285) |
| Net cash provided by financing activities | 12,105 | 679 |
| **Effect of exchange rate changes on cash and cash equivalents** | (62) | (430) |
| | | |
| **Decrease in cash and cash equivalents** | (1,985) | (3,913) |
| **Cash and cash equivalents at beginning of period** | 11,008 | 8,548 |
| | | |
| **Cash and cash equivalents at end of period** | $ 9,023 | $ 4,635 |
| | | |
| **Supplemental Disclosures** | | |
| Interest paid | $ 2,244 | $ 1,597 |
| Income taxes paid | $ 44 | $ 134 |
| **Non-cash transactions** | | |
| Increase in cost basis of Cinemas 1, 2, & 3 related to the purchase price adjustment of the purchase option liability to related party | $ -- | $ 1,087 |
| Adjustment to accumulated deficit related to adoption of FIN 48 (Note 10) | $ 509 | $ -- |
| Accrued obligation related to lease acquisition | $ 250 | $ -- |

See accompanying notes to consolidated financial statements.

**Reading International, Inc. and Subsidiaries**
**Notes to Consolidated Financial Statements (Unaudited)**
**For the Three Months Ended March 31, 2007**

**Note 1 - Basis of Presentation**

Reading International, Inc., a Nevada corporation ("RDI" and collectively with our consolidated subsidiaries and corporate predecessors, the "Company," "Reading" and "we," "us," or "our"), was founded in 1983 as a Delaware corporation and reincorporated in 1999 in Nevada. Our businesses consist primarily of:

- the development, ownership and operation of multiplex cinemas in the United States, Australia, and New Zealand and

- the development, ownership, and operation of retail and commercial real estate in Australia, New Zealand, and the United States, including entertainment-themed retail centers ("ETRC") in Australia and New Zealand and live theatre assets in Manhattan and Chicago in the United States.

The accompanying unaudited consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") for interim reporting and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X of the Securities and Exchange Commission for interim reporting. As such, certain information and footnote disclosures typically required by US GAAP for complete financial statements have been condensed or omitted. There have been no material changes in the information disclosed in the notes to the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2006 ("2006 Annual Report"). The financial information presented in this quarterly report on Form 10-Q for the period ended March 31, 2007 (the "March Report"), including the information under the heading, Management's Discussion and Analysis of Financial Condition and Results of Operations, should be read in conjunction with our 2006 Annual Report which contains the latest audited financial statements and related footnotes.

In the opinion of management, all adjustments of a normal recurring nature considered necessary to present fairly in all material respects our financial position, results of our operations and cash flows as of and for the three months ended March 31, 2007 have been made. The results of operations for the three months ended March 31, 2007 are not necessarily indicative of the results of operations to be expected for the entire year.

Marketable Securities

We have investments in marketable securities of $20.1 million at March 31, 2007. These investments are accounted for as available for sale investments in accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, "*Accounting for Certain Investments in Debt and Equity Securities*." In accordance with EITF 03-1, "*The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments*," assessments of potential impairment for these investments are performed for each applicable reporting period. We have determined that there was no impairment for these investments at March 31, 2007. These investments have a cumulative unrealized gain of $253,000 included in accumulated other comprehensive income at March 31, 2007. For the three months ended March 31, 2007, our net unrealized gain on marketable securities was $352,000.

Adjustments

Subsequent to the issuance of our March 31, 2006 consolidated financial statements, we discovered that we had overstated our real estate revenue and cinema operating expense by $694,000 due to an error in the elimination of intercompany rental charges among our Australian subsidiaries. We have adjusted our consolidated statements of operations for the three months ending March 31, 2006 to correctly present consolidated real estate revenue and cinema operating expenses. The effects of the adjustment on our originally reported statements of operations are summarized below (dollars in thousands):

| | 2006 | |
|---|---|---|
| | Real Estate Revenue | Cinema Expense |
| As originally reported | $ 3,428 | $ 17,876 |
| Australia intercompany eliminations | (694) | (694) |
| As adjusted | $ 2,734 | $ 17,182 |

This adjustment had no impact on our operating losses, on our losses from continuing operations, or on our net loss for the three months ended March 31, 2006. These adjustments were not material to the presentation of our consolidated financial statements for the three months ended March 31, 2006.

Changes in Accounting Policies

In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 158, "*Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R) (SFAS No. 158)*." SFAS No. 158 requires an employer to recognize the funded status of each pension and other postretirement benefit plan as an asset or liability on their balance sheet with all unrecognized amounts to be recorded in other comprehensive income. As required, we adopted this provision of SFAS No. 158 and initially applied it to the funded status of our defined benefit pension plans as of March 1, 2007 (the inception date of the pension plan). The adoption of SFAS No. 158 had no effect on net earnings or cash flows.

SFAS No. 158 also ultimately requires an employer to measure the funded status of a plan as of the date of the employer's fiscal year-end statement of financial position. As required, we will adopt the provisions of SFAS No. 158 relative to the measurement date in our fiscal year ending December 31, 2007. We are currently evaluating the impact, if any, that the full adoption of SFAS No. 158 will have on our consolidated financial position and results of operations.

New Accounting Pronouncements

*Statement of Financial Accounting Standards No. 157*

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurement* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with Generally Accepted Accounting Principles (GAAP), and expands disclosures about fair value measurements. The provisions of SFAS 157 are effective for fiscal years beginning after November 15, 2007. We do not anticipate the application of this pronouncement will have a material impact on our results of operations or financial condition.

*Statement of Financial Accounting Standards No. 159*

In February 2007, the FASB issued SFAS No. 159 - *The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115*. This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement, which is consistent with the Board's long-term measurement objectives for accounting for financial instruments. The provisions of SFAS 159 are effective at the beginning of each reporting entity's first fiscal year that begins after November 15, 2007. If adopted, we do not anticipate the application of this pronouncement will have a material impact on our results of operations or financial condition.

In June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109" (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". FIN 48 prescribes rules for financial statement recognition and measurement of a tax positions taken or expected to be taken in a tax return. We adopted FIN 48 on January 1, 2007. As a result, we recognized a $509,000 cumulative increase to reserves for uncertain tax positions, which was accounted for as an adjustment to the beginning balance of accumulated deficit in 2007. Overall we had approximately $12.5 million of gross tax benefits unrecognized on the financial statements as of the date of adoption.

**Note 2 - Stock Based Compensation and Employee Stock Option Plan**

Stock Based Compensation

As part of his compensation package, Mr. John Hunter, our Chief Operating Officer, was granted $100,000 of restricted Class A Non-Voting Common Stock on February 12, 2007. This stock grant has a vesting period of two years and a stock grant price of $8.63. During the period ended March 31, 2007, we recorded compensation expense of $59,000 for the vesting of restricted stock grants. The following table details the grants and vesting of restricted stock to our employees (dollars in thousands):

| | Non-Vested Restricted Stock | Weighted Average Share Price at Grant Date |
|---|---|---|
| Outstanding - December 31, 2006 | 46,313 | $ 8.10 |
| Granted | 11,587 | $ 8.63 |
| Outstanding - March 31, 2007 | 57,900 | $ 8.20 |

As fully described in our 2006 Annual Report, we have an agreement with Mr. Doug Osborne in which he shares an equity interest in property trusts, owned by Landplan Property Partners, Ltd, of 27.5% to 15%. In February 2007, Landplan acquired the Lake Taupo property (see Note 18 - *Acquisitions and Dispositions*). With the purchase of Lake Taupo, based on SFAS 123(R), we calculated the fair value of Mr. Osborne's equity interest in Lake Taupo at the grant date was $171,000. This interest is subject to the repayment of all third party indebtedness and the repayment of all equity, debt, operating, and/or non-operating advances made by Reading and after an 11% preferred rate of return to Reading on such advances. During the three months ended March 31, 2007, we expensed $28,000 associated with Mr. Osborne's trust interests in Indooroopilly and Lake Taupo.

Employee Stock Option Plan

We have a long-term incentive stock option plan that provides for the grant to eligible employees and non-employee directors of incentive stock options and non-qualified stock options to purchase shares of the Company's Class A Nonvoting Common Stock.

When the Company's tax deduction from an option exercise exceeds the compensation cost resulting from the option, a tax benefit is created. SFAS 123(R) requires that excess tax benefits related to stock option exercises be reflected as financing cash inflows instead of operating cash inflows. For the three months ended March 31, 2007 and 2006, there was no impact to the consolidated statement of cash flows because there were no recognized tax benefits from stock option exercises during these periods.

SFAS No. 123(R) requires Companies to estimate forfeitures. Based on our historical experience and the relative market price to strike price of the options, we do not currently estimate any forfeitures of vested or unvested options.

In accordance with SFAS No. 123(R), we estimate the fair value of our options using the Black-Scholes option-pricing model, which takes into account assumptions such as the dividend yield, the risk-free interest rate, the expected stock price volatility, and the expected life of the options. The dividend yield is excluded from the calculation, as it is our present intention to retain all earnings. We expense the estimated grant date fair values of options issued on a straight-line basis over the vesting period.

There were 70,000 fully vested options granted to our directors during the three months ended March 31, 2007 and there were no options granted during the three months ended March 31, 2006. We estimated the fair value of these options at the date of grant using a Black-Scholes option-pricing model with the following weighted average assumptions:

| | 2007 |
|---|---|
| Stock option exercise price | $ 8.35 |
| Risk-free interest rate | 4.824% |
| Expected dividend yield | -- |
| Expected option life | 9.96 yrs |
| Expected volatility | 33.74% |
| Weighted average fair value | $ 4.82 |

Using the above assumptions and in accordance with the SFAS No. 123(R) modified prospective method, we recorded $327,000 and $21,000 in compensation expense for the total estimated grant date fair value of stock options that vested during the three months ended March 31, 2007 and 2006, respectively. At March 31, 2007, the total unrecognized estimated compensation cost related to non-vested stock options granted was $82,000, which is expected to be recognized over a weighted average vesting period of 1.93 years. We recorded cash received from stock options exercised of $88,000 for the three months ended March 31, 2006 and the total realized value of these exercised stock options was $131,000. No options were exercised during the three months ended March 31, 2007; therefore, no cash was received from the exercising of stock options and no value was realized from the exercise of options during the period. Except for the 70,000 fully vested options granted during the three months ended March 31, 2007, no other options vested during either of the three months ended March 31, 2007 or 2006; therefore, there was no grant date fair value of options vesting during either period. The intrinsic, unrealized value of all options outstanding, vested and expected to vest, at March 31, 2007 was $2.0 million of which 99.8% are currently exercisable.

All stock options granted have a contractual life of 10 years at the grant date. The aggregate total number of shares of Class A Nonvoting Common Stock and Class B Voting Common Stock authorized for issuance under our 1999 Stock Option Plan is 1,293,400. At the time that options are exercised, at the discretion of management, we will either issue treasury shares or make a new issuance of shares to the employee or board member. Dependent on the grant letter to the employee or board member, the required service period for option vesting is between zero and four years.

We had the following stock options outstanding and exercisable as of March 31, 2007 and December 31, 2006:

| | Common Stock Options Outstanding | | Weighted Average Exercise Price of Options Outstanding | | Common Stock Exercisable Options | | Weighted Average Price of Exercisable Options | |
|---|---|---|---|---|---|---|---|---|
| | Class A | Class B | Class A | Class B | Class A | Class B | Class A | Class B |
| Outstanding-January 1, 2006 | 521,100 | 185,100 | $ 5.00 | $ 9.90 | 474,600 | 185,100 | $ 5.04 | $ 9.90 |
| Exercised | (27,000) | -- | $ 3.22 | $ -- | | | | |
| Granted | 20,000 | -- | $ 8.10 | $ -- | | | | |
| Outstanding-December 31, 2006 | 514,100 | 185,100 | $ 5.21 | $ 9.90 | 488,475 | 185,100 | $ 5.06 | $ 9.90 |
| Granted | 70,000 | -- | $ 8.35 | $ -- | | | | |
| Outstanding-March 31, 2007 | 584,100 | 185,100 | $ 5.40 | $ 9.90 | 558,475 | 185,100 | $ 5.28 | $ 9.90 |

The weighted average remaining contractual life of all options outstanding, vested and expected to vest, at March 31, 2007 and December 31, 2006 was approximately 3.94 and 3.60 years, respectively. The weighted average remaining contractual life of the exercisable options outstanding at March 31, 2007 and December 31, 2006 was approximately 3.77 and 3.39 years, respectively.

**Note 3 - Business Segments**

Our operations are organized into two reportable business segments within the meaning of SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*. Our reportable segments are **(1)** cinema exhibition and **(2)** real estate. The cinema segment is engaged in the development, ownership, and operation of multiplex cinemas. The real estate segment is engaged in the development, ownership, and operation of commercial properties, including ETRC's in Australia and New Zealand and live theatres in the United States. Historically, our development projects have included a cinema component. Incident to our real estate operations we have acquired, and continue to hold, raw land in urban and suburban centers in Australia and New Zealand.

Effective the fourth quarter of 2006, we changed the presentation of our segment reporting such that our intersegment revenues and expenses are reported separately from our segments' operating activity. The effect of this change is to include intercompany rent revenues and rent expenses into their respective cinema and real estate business segments. The revenues and expenses for the three months ending March 31, 2006 have been adjusted to conform to the current year presentation. We believe that this presentation more accurately portrays how our operating decision makers' view the operations, how they assess segment performance, and how they make decisions about allocating resources to the segments.

The tables below summarize the results of operations for each of our principal business segments for the three months ended March 31, 2007 and 2006, respectively. Operating expenses include costs associated with the day-to-day operations of the cinemas and live theatres and the management of rental properties (dollars in thousands):

| Three months ended March 31, 2007 | Cinema | Real Estate | Intersegment Eliminations | Total |
|---|---|---|---|---|
| Revenue | $ 24,506 | $ 4,841 | $ (1,372) | $ 27,975 |
| Operating expense | 19,492 | 2,002 | (1,372) | 20,122 |
| Depreciation & amortization | 1,794 | 1,037 | -- | 2,831 |
| General & administrative expense | 763 | 187 | -- | 950 |
| Segment operating income | $ 2,457 | $ 1,615 | $ -- | $ 4,072 |

| Three months ended March 31, 2006 | Cinema | Real Estate | Intersegment Eliminations | Total |
|---|---|---|---|---|
| Revenue[1] | $ 22,509 | $ 4,001 | $ (1,267) | $ 25,243 |
| Operating expense[1] | 18,449 | 1,711 | (1,267) | 18,893 |
| Depreciation & amortization | 2,085 | 1,020 | -- | 3,105 |
| General & administrative expense | 1,168 | 100 | -- | 1,268 |
| Segment operating income | $ 807 | $ 1,170 | $ -- | $ 1,977 |

[1]For the three months ended March 31, 2006, the real estate revenues and cinema operating expenses have been adjusted from the amounts previously reported. See Note 1 - Basis of Presentation.

| Reconciliation to net loss: | 2007 | 2006 |
|---|---|---|
| Total segment operating income | $ 4,072 | $ 1,977 |
| Non-segment: | | |
| Depreciation and amortization expense | 137 | 135 |
| General and administrative expense | 2,725 | 2,099 |
| Operating income (loss) | 1,210 | (257) |
| Interest expense, net | (1,750) | (1,784) |
| Other expense | (921) | (1,156) |
| Minority interest | (342) | (80) |
| Income tax expense | (499) | (337) |
| Equity earnings of unconsolidated joint ventures and entities | 1,656 | 467 |
| Net loss | $ (646) | $ (3,147) |

**Note 4 - Operations in Foreign Currency**

We have significant assets in Australia and New Zealand. To the extent possible, we conduct our Australian and New Zealand operations on a self-funding basis. The carrying value of our Australian and New Zealand assets fluctuate due to changes in the exchange rates between the US dollar and the functional currency of Australia (Australian dollar) and New Zealand (New Zealand dollar). We have no derivative financial instruments to hedge foreign currency exposure.

Presented in the table below are the currency exchange rates for Australia and New Zealand as of March 31, 2007 and December 31, 2006:

| | US Dollar | |
|---|---|---|
| | March 31, 2007 | December 31, 2006 |
| Australian Dollar | $ 0.8104 | $ 0.7884 |
| New Zealand Dollar | $ 0.7158 | $ 0.7046 |

**Note 5 - Loss Per Share**

Basic loss per share is computed by dividing the net loss to common stockholders by the weighted average number of common shares outstanding during the period. Diluted loss per share is computed by dividing the net loss to common stockholders by the weighted average number of common shares outstanding during the period after giving effect to all potentially dilutive common shares that would have been outstanding if the dilutive common shares had been issued. Stock options give rise to potentially dilutive common shares. In accordance with SFAS No. 128, "*Earnings Per Share*," these shares are included in the dilutive loss per share calculation under the treasury stock method. The following is a calculation of earnings per share (dollars in thousands, except share data):

| | Three Months Ended March 31, | |
|---|---|---|
| | 2007 | 2006 |
| Net loss | $ (646) | $ (3,147) |
| Loss from continuing operations - basic and diluted | $ (0.03) | $ (0.14) |
| Weighted average shares of common stock - dilutive | 22,482,804 | 22,450,007 |

For the three months ended March 31, 2007 and 2006, we recorded losses from continuing operations. As such, the incremental shares of 228,048 and 203,787 in 2007 and 2006, respectively, from stock options to purchase shares of common stock were excluded from the computation of diluted loss per share because they were anti-dilutive in those periods.

**Note 6 - Property Under Development and Property and Equipment**

As of March 31, 2007 and December 31, 2006, we owned property under development summarized as follows (dollars in thousands):

| Property Under Development | March 31, 2007 | December 31, 2006 |
|---|---|---|
| Land | $ 34,218 | $ 30,296 |
| Construction-in-progress (including capitalized interest) | 11,367 | 8,580 |
| Property Under Development | $ 45,585 | $ 38,876 |

We recorded capitalized interest related to our properties under development for the three months ended March 31, 2007 and 2006 of $1.0 million and $351,000, respectively.

Incident to the development of our Burwood property, in late 2006, we began various fill and earth moving operations. In late February 2007, it became apparent that our cost estimates with respect to site preparation were low, as the extent of the contaminated soil present at the site - a former brickworks - was greater than we had originally believed. Our previous estimated cost of $500 million included the approximately $1.4 million (AUS$1.8 million) of estimated cost to remove the contaminated soil. As we were not the source of this contamination, we are not currently under any legal obligation to remove this contaminated soil from the site. However, as a practical matter we intend to address these issues in connection with our planned redevelopment of the site as a mixed-use retail, entertainment, commercial and residential complex. We continue to evaluate the additional site preparation costs likely to be associated with the removal of this contaminated soil. In accordance with EITF 90-8 *Capitalization of Costs to Treat Environmental Contamination*, contamination clean up costs that improve the property from its original acquisition state will be capitalized as part of the property's overall development costs.

As of March 31, 2007 and December 31, 2006, we owned investments in property and equipment as follows (dollars in thousands):

| **Property and equipment** | **March 31, 2007** | **December 31, 2006** |
|---|---|---|
| Land | $ 57,376 | $ 56,830 |
| Building | 101,491 | 99,285 |
| Leasehold interest | 11,262 | 11,138 |
| Construction-in-progress | 563 | 425 |
| Fixtures and equipment | 59,686 | 58,164 |
| | 230,378 | 225,842 |
| Less: accumulated depreciation | (59,186) | (55,175) |
| Property and equipment, net | $ 171,192 | $ 170,667 |

Depreciation expense for property and equipment was $2.7 million and $2.9 million for the three months ended March 31, 2007 and 2006, respectively.

**Note 7 - Investments in Unconsolidated Joint Ventures and Entities**

Except as noted below regarding our investment in Malulani Investments, Limited, investments in unconsolidated joint ventures and entities are accounted for under the equity method of accounting, and, as of March 31, 2007 and December 31, 2006, include the following (dollars in thousands):

| | **Interest** | **March 31, 2007** | **December 31, 2006** |
|---|---|---|---|
| Malulani Investments, Limited | 18.4% | $ 1,800 | $ 1,800 |
| Rialto Film Distribution | 33.3% | 821 | 782 |
| Rialto Cinemas | 50.0% | 5,673 | 5,608 |
| 205-209 East 57th Street Associates, LLC | 25.0% | 2,026 | 5,557 |
| Mt. Gravatt Cinema | 33.3% | 4,946 | 4,713 |
| Berkeley Cinemas - Botany | 50.0% | 533 | 607 |
| Total | | $ 15,799 | $ 19,067 |

For the three months ended March 31, 2007 and 2006, we recorded our share of equity earnings (loss) from our investments in unconsolidated joint ventures and entities as follows:

| | Three Months Ended March 31, 2007 | Three Months Ended March 31, 2006 |
|---|---|---|
| Malulani Investments, Limited | $ -- | $ -- |
| Rialto Film Distribution | 25 | -- |
| Rialto Cinemas | (23) | -- |
| 205-209 East 57th Street Associates, LLC | 1,309 | -- |
| Mt. Gravatt Cinema | 216 | 188 |
| Berkeley Cinema - Group & Palms | -- | 197 |
| Berkeley Cinemas -Botany | 129 | 82 |
| Total | $ 1,656 | $ 467 |

Malulani Investments, Limited

In accordance with our disclosure of this investment noted in our 2006 Annual Report, we continue to treat this investment on a cost basis by recognizing earnings as they are distributed to us.

205-209 East 57th Street Associates, LLC

During 2007, this joint venture has been in the process of completing the development of a residential condominium complex in midtown Manhattan called Place 57. During the 2007 Quarter, the partnership closed on the sale of six of its remaining condominiums resulting in gross sales of $20.3 million which resulted in equity earnings from unconsolidated joint ventures and entities to us of $1.3 million. The condensed statement of operations for 205-209 East 57th Street Associates, LLC (Unaudited) is as follows:

| | 2007 Three Months |
|---|---|
| Net revenue | $ 20,251 |
| Operating expense | 14,640 |
| Net income | $ 5,611 |

**Note 8 - Goodwill and Intangible Assets**

Subsequent to January 1, 2002, in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*, we do not amortize goodwill. Instead, we perform an annual impairment review of our goodwill and other intangible assets in the fourth quarter unless changes in circumstances indicate that an asset may be impaired. As of March 31, 2007 and December 31, 2006, we had goodwill consisting of the following (dollars in thousands):

| | Cinema | Real Estate | Total |
|---|---|---|---|
| Balance as of January 1, 2007 | $ 12,713 | $ 5,206 | $ 17,919 |
| Goodwill acquired during 2007 | -- | -- | -- |
| Foreign currency translation adjustment | 227 | 12 | 239 |
| Balance at March 31, 2007 | $ 12,940 | $ 5,218 | $ 18,158 |

We have intangible assets other than goodwill that are subject to amortization and are being amortized over various periods. We amortize our beneficial leases over the lease period, the longest of which is 20 years, and our option fee and other intangible assets over 10 years. For the three months ended March 31, 2007 and 2006, amortization expense totaled $227,000 and $196,000, respectively.

Intangible assets subject to amortization consist of the following (dollars in thousands):

| As of March 31, 2007 | Beneficial Leases | Option Fee | Other Intangible Assets | Total |
|---|---|---|---|---|
| Gross carrying amount | $ 11,448 | $ 2,773 | $ 222 | $ 14,443 |
| Less: Accumulated amortization | 3,779 | 2,450 | 20 | 6,249 |
| Total, net | $ 7,669 | $ 323 | $ 202 | $ 8,194 |

| As of December 31, 2006 | Beneficial Leases | Option Fee | Other Intangible Assets | Total |
|---|---|---|---|---|
| Gross carrying amount | $ 10,984 | $ 2,773 | $ 219 | $ 13,976 |
| Less: Accumulated amortization | 3,577 | 2,426 | 19 | 6,022 |
| Total, net | $ 7,407 | $ 347 | $ 200 | $ 7,954 |

**Note 9 - Prepaid and Other Assets**

Prepaid and other assets are summarized as follows (dollars in thousands):

| | March 31, 2007 | December 31, 2006 |
|---|---|---|
| **Prepaid and other current assets** | | |
| Prepaid expenses | $ 1,377 | $ 1,214 |
| Prepaid taxes | 483 | 552 |
| Deposits | 147 | 534 |
| Other | 212 | 289 |
| Total prepaid and other current assets | $ 2,219 | $ 2,589 |
| **Other non-current assets** | | |
| Other non-cinema and non-rental real estate assets | $ 1,270 | $ 1,270 |
| Deferred financing costs, net | 2,355 | 898 |
| Interest rate swap | 243 | 206 |
| Other | 519 | 485 |
| Total other non-current assets | $ 4,387 | $ 2,859 |

**Note 10 - Income Tax**

The income tax expense for the three months ended March 31, 2007 and 2006 was composed of the following amounts (dollars in thousands):

| | Three Months Ended March 31 | |
|---|---|---|
| | 2007 | 2006 |
| Foreign income tax provision | $ 87 | $ 29 |
| Foreign withholding tax | 140 | 136 |
| Federal tax expense | 127 | 127 |
| Other tax | 145 | 45 |
| Net income tax provision | $ 499 | $ 337 |

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109" (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". FIN 48 prescribes rules for financial statement recognition and measurement of a tax positions taken or expected to be taken in a tax return.

The incremental effects of applying FIN 48 on line items in the accompanying consolidated balance sheet at January 1, 2007 was as follows (dollars in thousands):

| | Before Application of FIN 48 on January 1, 2007 | FIN 48 Adjustments as of January 1, 2007 | After Application of FIN 48 on January 1, 2007 |
|---|---|---|---|
| Current tax liabilities | $ 9,128 | $ (4,000) | $ 5,128 |
| Noncurrent tax liabilities | $ -- | $ 4,509 | $ 4,509 |
| Accumulated deficit | $ (50,058) | $ (509) | $ (50,567) |

We adopted FIN 48 on January 1, 2007. As a result, we recognized a $509,000 cumulative increase to reserves for uncertain tax positions, which was accounted for as an adjustment to the beginning balance of accumulated deficit in 2007. As of that date, we also reclassified approximately $4.0 million in reserves from current taxes liabilities to noncurrent tax liabilities. We had approximately $12.5 million of gross tax benefits unrecognized on the financial statements as of the date of adoption, mostly reflecting operating loss carry forwards and the IRS litigation matter below. Of the $12.5 million total gross unrecognized tax benefits at January 1, 2007, $4.5 million would impact the effective tax rate if recognized. The remaining balance consists primarily of loss carry forwards that would not impact the effective tax rate due to the existence of the valuation allowance. We recorded an increase to our gross unrecognized tax benefits of approximately $380,000 during the current quarter, and the total balance at March 31, 2007 was approximately $12.9 million.

Interest and/or penalty related to income tax matters are recorded as part of income tax expense. We had approximately $1.7 million accrued for interest and penalty included in our reserve for uncertain tax positions as of the date of adoption, and approximately $230,000 additional accrual accrued for the period January 1, 2007 to March 31, 2007, mostly related to the IRS assessment described below.

Our company and subsidiaries are subject to U.S. federal income tax, income tax in various U.S. states, and income tax in Australia, New Zealand, and Puerto Rico.

Generally, changes to our federal and most state income tax returns for the calendar year 2002 and earlier are barred by statutes of limitations. Certain domestic subsidiaries filed federal and state tax returns for periods before these entities became consolidated with us. These subsidiaries were examined by IRS for the years 1996 to 1999 and significant tax deficiencies were assessed for those years. We are contesting these deficiencies in Tax Court, as more fully described in our 2006 Annual Report. Our income tax returns of Australia filed since inception in 1995 are currently open for examination. The income tax returns filed in New Zealand and Puerto Rico for calendar year 2002 and afterward are also currently open for examination.

We do not anticipate within 12 months following March 31, 2007, our total unrecognized tax benefits will change significantly because of settlement of audits and expiration of statutes of limitations.

**Note 11 - Notes Payable**

Notes payable are summarized as follows (dollars in thousands):

| Name of Note Payable or Security | Interest Rates as of March 31, 2007 | Interest Rates as of December 31, 2006 | Maturity Date | Balance as of March 31, 2007 | Balance as of December 31, 2006 |
|---|---|---|---|---|---|
| Australian Corporate Credit Facility | 7.35% | 7.33% | January 1, 2009 | $ 66,453 | $ 70,516 |
| Australian Shopping Center Loans | -- | -- | 2007-2013 | 1,106 | 1,147 |
| New Zealand Corporate Credit Facility | -- | 9.15% | November 23, 2009 | -- | 35,230 |
| Trust Preferred Securities | 9.22% | -- | April 30, 2027 | 51,547 | -- |
| UBS Line of Credit | 7.25% | -- | N/A | 3,082 | -- |
| US Sutton Hill Capital Note 1 - Related Party | 9.69% | 9.69% | July 28, 2007 | 5,000 | 5,000 |
| US Royal George Theatre Term Loan | 7.85% | 7.86% | November 29, 2007 | 1,778 | 1,819 |
| US Sutton Hill Capital Note 2 - Related Party | 8.25% | 8.25% | December 31, 2010 | 9,000 | 9,000 |
| US Union Square Theatre Term Loan | 6.26% | 6.26% | January 1, 2010 | 7,468 | 7,500 |
| Total | | | | $ 145,434 | $ 130,212 |

Notes Payable

During the first three months of 2007, we retired all of our bank indebtedness in New Zealand of $34.4 million (NZ$50.0 million) and retired a portion of our bank indebtedness in Australia of $5.8 million (AUS$7.4 million). These two credit facilities remain available to us in full to draw on when needed either for additional working capital or for acquisitions.

UBS Financial Services Line of Credit

In order to finance a portion of our purchases of marketable securities, we have arranged a line of credit (a broker margin account) with UBS Financial Services, Inc. which carries an interest rate of 7.25%. The line of credit is secured by the marketable securities which we have purchased on the account. Under the line of credit, we are able to borrow approximately 50% of the market value of our securities in our UBS account.

Subordinated Notes - Reading International Trust I

On February 5, 2007, we issued $51.5 million in 20-year fully subordinated notes to a trust which we control, and which in turn issued $51.5 million in securities. Of the $51.5 million, $50.0 million in trust preferred securities were issued to unrelated investors in a private placement and $1.5 million of common trust securities were issued by the trust to Reading. The interest on the notes is fixed for five years at 9.22% after which the interest will be based on an adjustable rate of LIBOR plus 4.00% unless we exercise our right to refix the rate at the current market rate at that time. There are no principal payments until maturity in 2027 when the notes are scheduled to be paid in full. We may pay off the debt after the first five years at 100.0% of the principal amount without any penalty. The trust is essentially a pass through, and the transaction is accounted for on our books as the issuance of fully subordinated notes. The credit facility includes a number of affirmative and negative covenants designed to monitor our ability to service the debt. Currently, the most restrictive covenant of the facility requires that we must maintain a fixed charge coverage ratio at a certain level. The placement generated $49.9 million in net proceeds, which were used principally to make our investment in the common trust securities of $1.5 million, to retire all of our bank indebtedness in New Zealand of $34.4 million (NZ$50.0 million) and to retire a portion of our bank indebtedness in Australia of $5.8 million (AUS$7.4 million).

**Note 12 - Other Liabilities**

Other liabilities are summarized as follows (dollars in thousands):

| | March 31, 2007 | December 31, 2006 |
|---|---|---|
| **Current liabilities** | | |
| Security deposit payable | $ 240 | $ 177 |
| Other | 1 | -- |
| Other current liabilities | $ 241 | $ 177 |
| **Other liabilities** | | |
| Foreign withholding taxes | $ 5,279 | $ 5,212 |
| Straight-line rent liability | 3,717 | 3,693 |
| Purchase option liability | 4,631 | 3,681 |
| Environmental reserve | 1,656 | 1,656 |
| Executive pension plans | 2,895 | -- |
| Option deposit | 3,000 | 3,000 |
| Other | 917 | 936 |
| Other liabilities | $ 22,095 | $ 18,178 |

Executive Pension Plans

On March 15, 2007, the Board of Directors of Reading International, Inc. (“Reading”) approved a Supplemental Executive Retirement Plan (“SERP”) pursuant to which Reading has agreed to provide James J. Cotter, its Chief Executive Officer and Chairman of the Board of Directors, supplemental retirement benefits effective March 1, 2007. Under the SERP, Mr. Cotter will receive a monthly payment of the greater of (i) 40% of the average monthly earnings over the highest consecutive 36-month period of earnings prior to Mr. Cotter’s separation from service with Reading or (ii) $25,000 per month for the remainder of his life, with a guarantee of 180 monthly payments following his separation from service with Reading or following his death. The beneficiaries under the SERP may be designated by Mr. Cotter or by his beneficiary following his or his beneficiary’s death. The benefits under SERP are fully vested as of March 1, 2007.

The SERP initially will be unfunded, but Reading may choose to establish one or more grantor trusts from which to pay the SERP benefits. As such, the SERP benefits are unsecured, general obligations of Reading. The SERP is administered by the Compensation Committee of the Board of Directors of Reading. In accordance with SFAS 158 - *Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)*, the initial pension benefit obligation of $2.7 million is included in our other liabilities with a corresponding amount of unrecognized prior service cost included in accumulated other comprehensive income (see Note 16 - *Comprehensive Income*). The $2.7 million will be amortized as a prior service cost over the estimated service period of 10 years combined with an annual interest cost. For the three months ended March 31, 2007, we recognized $13,000 of interest cost and $25,000 of amortized prior service cost. The balance of the other liability for this pension plan is $2.7 million at March 31, 2007. The value of the SERP is based on a discount rate of 5.75% and an annual compensation growth rate of 3.5%.

In addition to the aforementioned SERP, Mr. S. Craig Tompkins has a vested interest in the pension plan originally established by Craig Corporation prior to its merger with our company of $181,000, which amount accrues interest at 30 day LIBOR.

Sutton Hill Capital - Cinemas 1, 2, & 3 Purchase Option

As part of the purchase of the real property underlying our leasehold interest in the Cinemas 1, 2, & 3 we granted a purchase option to Sutton Hill Capital, LLC, a limited liability company beneficially owned in equal 50/50 shares by Messrs. James J. Cotter and Michael Forman, to acquire, at cost, up to a 25% non-managing membership interest in the limited liability company that we formed to acquire these interests. That limited liability company is called Sutton Hill Properties LLC, a subsidiary of Reading International, Inc. In relation to this option, we estimate, based on a March 2007 property appraisal, that the value of the underlying real property assets increased during the first three months of 2007 such that the value of the purchase option liability at March 31, 2007 increased to $4.6 million, resulting in a charge for the three months ended March 31, 2007 of $950,000. As we carry our assets at the lower of cost or market, this increase in the value of the underling property is not reflected on our balance sheet. However, we base the calculation of this purchase option liability on the change in the fair market value of the property compared to its net book value.

**Note 13 - Commitments and Contingencies**

Unconsolidated Debt

Total debt of unconsolidated joint ventures and entities was $4.9 million and $4.8 million as of March 31, 2007 and December 31, 2006, respectively. Our share of unconsolidated debt, based on our ownership percentage, was $2.3 million and $2.2 million as of March 31, 2007 and December 31, 2006, respectively.

Litigation

There have not been any material changes to our litigation exposure since our Company’s 2006 Annual Report.

**Note 14 - Minority Interest**

Minority interest is composed of the following enterprises:

- 50% of membership interest in Angelika Film Center LLC (“AFC LLC”) owned by a subsidiary of National Auto Credit, Inc.;
- 25% minority interest in Australia Country Cinemas Pty Ltd (“ACC”) owned by Panorama Cinemas for the 21st Century Pty Ltd.;
- 33% minority interest in the Elsternwick Joint Venture owned by Champion Pictures Pty Ltd.;
- Up to 27.5% minority interest in the Landplan Property Partners, Ltd by Landplan Property Group, Ltd; and
- 20% minority interest in Big 4 Farming LLC by Cecelia Packing Corporation

The components of minority interest are as follows (dollars in thousands):

| | March 31, 2007 | December 31, 2006 |
|---|---|---|
| AFC | $ 2,032 | $ 2,264 |
| Australian Country Cinemas | 133 | 174 |
| Elsternwick Unincorporated Joint Venture | 158 | 151 |
| Landplan Property Partners | 51 | 13 |
| Other | 1 | 1 |
| Minority interest in consolidated affiliates | $ 2,375 | $ 2,603 |

| | Expense for the Three Months Ended March 31, 2007 | 2006 |
|---|---|---|
| AFC | $ 268 | $ 70 |
| Australian Country Cinemas | 26 | 3 |
| Elsternwick Unincorporated Joint Venture | 37 | 7 |
| Landplan Property Partners | 11 | -- |
| Minority interest expense | $ 342 | $ 80 |

Landplan Property Partners

As fully described in our 2006 Annual Report, we have an agreement with Mr. Doug Osborne in which he shares an equity interest in property trusts, owned by Landplan Property Partners, Ltd, of 27.5% to 15%. In February 2007, Landplan acquired the Lake Taupo property (see Note 18 - *Acquisitions and Dispositions*). With the purchase of Lake Taupo, based on SFAS 123(R), we calculated the fair value of Mr. Osborne’s equity interest in Lake Taupo at the grant date was $171,000. This interest is subject to the repayment of all third party indebtedness and the repayment of all equity, debt, operating, and/or non-operating advances made by Reading and after an 11% preferred rate of return to Reading on such advances. During the three months ended March 31, 2007, we expensed $28,000 associated with Mr. Osborne’s trust interests in Indooroopilly and Lake Taupo.

Big 4 Farming LLC

The Big 4 Farming entity that is subject to this minority interest is not an operating company.

**Note 15 - Common Stock**

As part of his compensation package, Mr. John Hunter, our Chief Operating Officer, was granted $100,000 of restricted Class A Non-Voting Common Stock on February 12, 2007. This stock grant has a vesting period of two years and a stock grant price of $8.63.

**Note 16 - Comprehensive Income**

U.S. GAAP requires that the effect of foreign currency translation adjustments, unfunded pension service obligations, and unrealized gains and/or losses on securities that are available-for-sale (“AFS”) be classified as comprehensive income. The following table sets forth our comprehensive income for the periods indicated (dollars in thousands):

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2007 | | 2006 | |
| Net income (loss) | $ | (646) | $ | (3,147) |
| Foreign currency translation gain (loss) | | 3,836 | | (3,496) |
| Supplemental Executive Retirement Plan - pension liability adjustment | | (2,676) | | -- |
| Unrealized gain on AFS | | 352 | | 7 |
| Comprehensive income (loss) | $ | 866 | $ | (6,636) |

**Note 17 - Acquisitions and Assets Held for Sale**

On February 8, 2007, we purchased the tenant interest in the ground lease underlying the building lease for one of our domestic cinemas. The purchase price of $493,000 is to be paid in two installments of $243,000 that was paid on February 8, 2007 and $250,000 due on July 1, 2007. On February 14, 2007, we acquired through Landplan Property Partners New Zealand, a 1.0 acre parcel of commercial real estate for approximately $5.3 million (NZ$7.7 million). The property's primary business is that of a motel and will be discontinued as we renovate the motel and sell the units as condominiums. A portion of this property includes unimproved land that we do not intend to develop. The land has a book value of $1.8 million (NZ$2.6 million) and is included in land held for sale. We have not yet completed our allocation of the purchase price to the assets purchased for this property in accordance with SFAS 141 - *Business Combinations*.

**Note 18 - Derivative Instruments**

The following table sets forth the terms of our interest rate swap derivative instruments at March 31, 2007:

| Type of Instrument | Notional Amount | Pay Fixed Rate | Receive Variable Rate | Maturity Date |
|---|---|---|---|---|
| Interest rate swap | $8,914,000 | 5.7000% | 6.4917% | December 31, 2007 |
| Interest rate swap | $13,371,000 | 6.4400% | 6.4917% | December 31, 2008 |
| Interest rate swap | $13,230,000 | 6.6800% | 6.4917% | December 31, 2008 |
| Interest rate swap | $9,867,000 | 5.8800% | 6.4917% | December 31, 2008 |
| Interest rate swap | $2,836,000 | 6.3600% | 6.4917% | December 31, 2008 |

In accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, we marked our Australian interest swap instruments to market on the consolidated balance sheet resulting in an $37,000 (AUS$39,000) decrease and $111,000 (AUS$134,000) decrease to interest expense during the three months ended March 31, 2007 and 2006, respectively. At March 31, 2007 and December 31, 2006, we recorded the fair market value of our interest rate swaps of $243,000 (AUS$300,000) and $206,000 (AUS$261,000), respectively, as an other long-term asset. In accordance with SFAS No. 133, we have not designated any of our current interest rate swap positions as financial reporting hedges.

**Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations**

As Reading International, Inc. (RDI and collectively with our consolidated subsidiaries, "Reading" and "we," "us" or "our"), our businesses consist primarily of:

- the development, ownership, and operation of multiplex cinemas in the United States, Australia, and New Zealand; and
- the development, ownership, and operation of retail and commercial real estate in Australia, New Zealand, and the United States, including entertainment-themed retail centers ("ETRCs") in Australia and New Zealand and live theater assets in Manhattan and Chicago in the United States.

We believe cinema exhibition to be a business that will likely continue to generate fairly consistent cash flows in the years ahead. This is based on our belief that people will continue to spend some reasonable portion of their entertainment dollar 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. While we intend to be opportunistic in adding to our existing cinema portfolio, we believe it is likely that, going forward, we will be reinvesting the majority our free cash flow more in our general real estate development activities. Over time, we anticipate that our cinema operations will become increasingly a source of cash flow to support our real estate oriented activities, rather than a focus of growth, and that our real estate activities will become the principal thrust of our business.

In short, while we do have operating company attributes, we see ourselves principally as a hard asset company and intend to add to shareholder value by building the value of our portfolio of tangible assets.

In addition, we may from time to time identify opportunities to expand our existing businesses and asset base, or to otherwise profit, through the acquisition of interests in other publicly traded companies, both in the United States and in the overseas jurisdictions in which we do business. At March 31, 2007, our investments in the securities of other public companies aggregated $20.1 million, based on the closing price of such securities on that date.

We manage our worldwide cinema business under various different brands:

- in the US, under the *Reading*, *Angelika Film Center* and *City Cinemas* brands;
- in Australia, under the *Reading* brand; and
- in New Zealand, under the *Reading*, *Berkeley Cinemas* and *Rialto* brands.

At March 31, 2007, we owned and operated 35 cinemas with 231 screens, had interests in certain unconsolidated joint ventures and entities that own an additional 7 cinemas with 46 screens and managed 2 cinemas with 9 screens.

Our business plan going forward is to build-out our existing development properties and to seek out additional real estate development opportunities while continuing to use our presence in the cinema exhibition and live theatre business, to identify, develop and acquire cinema and live theatre properties.

A significant portion of our business is conducted in Australia and New Zealand, and as such, we are subject to a certain degree of currency risk. We do not engage in currency hedging activities. Rather, to the extent possible, we operate our Australian and New Zealand operations on a self-funding basis. Our policy in Australia and New Zealand is to match revenues and expenses, whenever possible, in local currencies. As a result, the majority of our expenses in Australia and New Zealand have been procured in local currencies. Due to the developing nature of our operations in Australia and New Zealand, our revenues are not yet significantly greater than our operating expenses. The resulting natural operating hedge has led to a negligible foreign currency effect on our net earnings. However, with the recent reduction in our New Zealand and Australia debt, foreign currency can have a significant effect on the value of assets and liabilities with fluctuations noted in other comprehensive income. On February 5, 2007, we issued $51.5 million in 20-year fully subordinated notes and paid off our bank indebtedness in New Zealand $34.4 million (NZ$50.0 million) and retired a portion of our bank indebtedness in Australia $5.8 million (AUS$7.4 million). By paying off our New Zealand debt and paying down on our Australia debt with the proceeds of our Trust Preferred Securities, we have added an increased element of currency risk to our Company. We believe that this currency risk is mitigated by the comparatively favorable interest rate and the long-term nature of the fully subordinated notes. As we continue to progress with our acquisition and development activities in Australia and New Zealand, we cannot assure you that the foreign currency effect on our earnings will be insignificant in the future.

We continue to acquire, to dispose of, or to reposition assets in accordance with our business plan. For a description of our acquisitions so far in 2007, see Note 18 - *Acquisitions and Dispositions* to our March 31, 2007 Consolidated Financial Statements.

**Results of Operations**

At March 31, 2007, we owned and operated 35 cinemas with 231 screens, had interests in certain unconsolidated joint ventures and entities that own an additional 7 cinemas with 46 screens and managed 2 cinemas with 9 screens. Regarding real estate, we owned and operated during the period four ETRC's that we have developed in Australia and New Zealand; owned the fee interests in four developed commercial properties in Manhattan and Chicago, all of which are improved with live theatres, which together comprise seven stages and, in two cases, ancillary retail and commercial space; owned the fee interests underlying one of our Manhattan cinemas and hold for development an additional seven parcels (aggregating approximately 59 acres) located principally in urbanized areas of Australia and New Zealand. Two of these parcels, Burwood and Moonee Ponds, comprise approximately 54 acres, and are in areas designated by the provincial government of Victoria, Australia as "major or principal activity centres," and we are currently in the planning phases of their development.

Operating expenses include costs associated with the day-to-day operations of the cinemas and live theatres and the management of rental properties. Our year-to-year results of operation were principally impacted by the following:

- the opening in the fourth quarter of 2005 and the occupancy of the majority of tenancies during first and second quarters of 2006 of our Newmarket Shopping Center, a 100,000 square foot retail center in a suburb of Brisbane, Australia;
- the acquisition of a cinema in Queenstown, New Zealand effective February 23, 2006;
- the purchase of the 50% share that we did not already own of the Palms 8-screen, leasehold cinema located in Christchurch, New Zealand effective April 1, 2006;
- the sale of our 50% share of the cinemas at Whangaparaoa, Takapuna and Mission Bay, New Zealand formerly part of the Berkeley Cinemas Group effective August 28, 2006; and
- the increase in the value of the Australian and New Zealand dollars vis-à-vis the US dollar from $0.7165 and $0.6164, respectively, as of March 31, 2006 to $0.8104 and $0.7158, respectively, as of March 31, 2007.

The tables below summarize the results of operations for each of our principal business segments for the three (“2007 Quarter”) months ended March 31, 2007 and the three (“2006 Quarter”) months ended March 31, 2006. Effective the fourth quarter of 2006, we changed the presentation of our segment reporting such that our intersegment revenues and expenses are reported separately from our segments’ operating activity. The effect of this change is to include intercompany rent revenues and rent expenses into their respective cinema and real estate business segments. The revenues and expenses for the three months ending March 31, 2006 have been adjusted to conform to the current year presentation. We believe that this presentation more accurately portrays how our operating decision makers’ view the operations, how they assess segment performance, and how they make decisions about allocating resources to the segments (dollars in thousands):

| **Three months ended March 31, 2007** | **Cinema** | **Real Estate** | **Intersegment Eliminations** | **Total** |
|---|---|---|---|---|
| Revenue | $ 24,506 | $ 4,841 | $ (1,372) | $ 27,975 |
| Operating expense | 19,492 | 2,002 | (1,372) | 20,122 |
| Depreciation & amortization | 1,794 | 1,037 | -- | 2,831 |
| General & administrative expense | 763 | 187 | -- | 950 |
| Segment operating income | $ 2,457 | $ 1,615 | $ -- | $ 4,072 |

| **Three months ended March 31, 2006** | **Cinema** | **Real Estate** | **Intersegment Eliminations** | **Total** |
|---|---|---|---|---|
| Revenue[1] | $ 22,509 | $ 4,001 | $ (1,267) | $ 25,243 |
| Operating expense[1] | 18,449 | 1,711 | (1,267) | 18,893 |
| Depreciation & amortization | 2,085 | 1,020 | -- | 3,105 |
| General & administrative expense | 1,168 | 100 | -- | 1,268 |
| Segment operating income | $ 807 | $ 1,170 | $ -- | $ 1,977 |

[1] For the three months ended March 31, 2006, the real estate revenues and cinema operating expenses have been adjusted from the amounts previously reported. See Note 1 - Basis of Presentation.

| **Reconciliation to net loss:** | **2007** | **2006** |
|---|---|---|
| Total segment operating income | $ 4,072 | $ 1,977 |
| Non-segment: | | |
| Depreciation and amortization expense | 137 | 135 |
| General and administrative expense | 2,725 | 2,099 |
| Operating income (loss) | 1,210 | (257) |
| Interest expense, net | (1,750) | (1,784) |
| Other expense | (921) | (1,156) |
| Minority interest | (342) | (80) |
| Income tax expense | (499) | (337) |
| Equity earnings of unconsolidated joint ventures and entities | 1,656 | 467 |
| Net loss | $ (646) | $ (3,147) |

Cinema

Included in the cinema segment above is revenue and expense from the operations of 35 cinema complexes with 231 screens during the 2007 Quarter compared to 34 cinema complexes with 223 screens during the 2006 Quarter. The following tables detail our cinema segment operating results for the three months ended March 31, 2007 and 2006, respectively (dollars in thousands):

| **Three Months Ended March 31, 2007** | **United States** | **Australia** | **New Zealand** | **Total** |
|---|---|---|---|---|
| Admissions revenue | $ 5,191 | $ 9,630 | $ 3,284 | $ 18,105 |
| Concessions revenue | 1,373 | 2,864 | 992 | 5,229 |
| Advertising and other revenues | 456 | 486 | 230 | 1,172 |
| Total revenues | 7,020 | 12,980 | 4,506 | 24,506 |
| | | | | |
| Cinema costs | 4,726 | 10,170 | 3,452 | 18,348 |
| Concession costs | 258 | 629 | 257 | 1,144 |
| Total operating expense | 4,984 | 10,799 | 3,709 | 19,492 |
| | | | | |
| Depreciation and amortization | 487 | 901 | 406 | 1,794 |
| General & administrative expense | 539 | 223 | 1 | 763 |
| Segment operating income | $ 1,010 | $ 1,057 | $ 390 | $ 2,457 |

| **Three Months Ended March 31, 2006** | **United States** | **Australia** | **New Zealand** | **Total** |
|---|---|---|---|---|
| Admissions revenue | $ 4,286 | $ 9,383 | $ 2,818 | $ 16,487 |
| Concessions revenue | 1,319 | 2,918 | 860 | 5,097 |
| Advertising and other revenues | 283 | 467 | 175 | 925 |
| Total revenues | 5,888 | 12,768 | 3,853 | 22,509 |
| | | | | |
| Cinema costs[1] | 4,652 | 9,813 | 2,813 | 17,278 |
| Concession costs | 259 | 656 | 256 | 1,171 |
| Total operating expense | 4,911 | 10,469 | 3,069 | 18,449 |
| | | | | |
| Depreciation and amortization | 446 | 1,367 | 272 | 2,085 |
| General & administrative expense | 935 | 196 | 37 | 1,168 |
| Segment operating income (loss) | $ (404) | $ 736 | $ 475 | $ 807 |

[1] For the three months ended March 31, 2006, the cinema costs have been adjusted from the amounts previously reported. See Note 1 - *Basis of Presentation*.

- Cinema revenue increased for the 2007 Quarter by $2.0 million or 8.9% compared to the same period in 2006. The 2007 Quarter increase was from improved attendance at our New Zealand and United States cinemas.

- Operating expense increased for the 2007 Quarter by $1.0 million or 5.7% compared to the same period in 2006. This increase was primarily related to increased film rent, staffing costs and concession costs associated with increased attendance at our New Zealand and United States cinemas offset in part by improved cost management in our United States operations. Although our occupancy cost increased in the 2007 Quarter compared to 2006, we noted an overall reduction in our operating expense percentage from 82% to 80% of gross revenue for the 2006 and 2007 Quarters, respectively.

- Depreciation and amortization expense decreased for the 2007 Quarter by $291,000 or 14.0% compared to the same period in 2006 primarily related to several Australia cinema assets reaching their useful depreciable life as of December 31, 2006 partially offset by an increase in depreciation from our April 2006 acquisition of the New Zealand Palms cinema.

- General and administrative expense decreased for the 2007 Quarter by $405,000 or 34.7% compared to the same period in 2006. The decrease was due to a drop in legal costs, primarily as a result of the termination of certain anti-trust litigation.

- As a result of the above, cinema segment income increased for the 2007 Quarter by $1.7 million compared to the same period in 2006.

Real Estate

For the three months ended March 31, 2007, our third party, rental generating real estate holdings consisted of:

- ETRCs at Belmont in Perth; at Auburn in Sydney; and at Newmarket in Brisbane in Australia; and Courtenay Central in Wellington, New Zealand;

- three single auditorium live theatres in Manhattan (Minetta Lane, Orpheum, and Union Square) and a four auditorium live theatre complex in Chicago (The Royal George) and, in the case of the Union Square and the Royal George their accompanying ancillary retail and commercial tenants;

- the ancillary retail and commercial tenants at some of our non-ETRC cinema locations; and

- certain unimproved land, used in our historic activities.

The following tables detail our real estate segment operating results for the three months ended March 31, 2007 and 2006, respectively (dollars in thousands):

| **Three Months Ended March 31, 2007** | **United States** | **Australia** | **New Zealand** | **Total** |
|---|---|---|---|---|
| Live theatre rental and ancillary income | $ 732 | $ -- | $ -- | $ 732 |
| Property rental income | 538 | 2,038 | 1,533 | 4,109 |
| Total revenues | 1,270 | 2,038 | 1,533 | 4,841 |
| | | | | |
| Live theatre costs | 484 | -- | -- | 484 |
| Property rental cost | 351 | 725 | 442 | 1,518 |
| Total operating expense | 835 | 725 | 442 | 2,002 |
| | | | | |
| Depreciation and amortization | 95 | 558 | 384 | 1,037 |
| General & administrative expense | 12 | 145 | 30 | 187 |
| Segment operating income | $ 328 | $ 610 | $ 677 | $ 1,615 |

| Three Months Ended March 31, 2006 | United States | Australia | New Zealand | Total |
|---|---|---|---|---|
| Live theatre rental and ancillary income | $ 1,036 | $ -- | $ -- | $ 1,036 |
| Property rental income[1] | 433 | 1,166 | 1,366 | 2,965 |
| Total revenues | 1,469 | 1,166 | 1,366 | 4,001 |
| | | | | |
| Live theatre costs | 656 | -- | -- | 656 |
| Property rental cost | 190 | 531 | 334 | 1,055 |
| Total operating expense | 846 | 531 | 334 | 1,711 |
| | | | | |
| Depreciation and amortization | 106 | 525 | 389 | 1,020 |
| General & administrative expense | -- | 100 | -- | 100 |
| Segment operating income | $ 517 | $ 10 | $ 643 | $ 1,170 |

[1] For the three months ended March 31, 2006, the property rental income has been adjusted from the amounts previously reported. See Note 1 - *Basis of Presentation*.

- Revenue increased for the 2007 Quarter by $840,000 or 21.0% compared to the same period in 2006. The increase was primarily related to additional property revenues from our newly constructed Australia Newmarket shopping centre in Brisbane, Australia offset by a drop in rents from our domestic live theatres due to fewer shows during 2007 compared to 2006.

- Operating expense for the real estate segment increased for the 2007 Quarter by $291,000 or 17.0% compared to the same period in 2006. This increase in expense was primarily related to our newly constructed Newmarket shopping centre, our newly acquired Lake Taupo motel and an increase in property taxes related to our domestic properties, offset by decreased live theatre costs.

- Depreciation expense for the real estate segment increased by $17,000 or 1.7% for the 2007 Quarter compared to the same period in 2006.

- General and administrative expense increased for the 2007 Quarter by $87,000 compared to the same period in 2006.

- As a result of the above, real estate segment income increased for the 2007 Quarter by $445,000 compared to the same period in 2006.

Corporate

General and administrative expense includes expenses that are not directly attributable to other operating segments. General and administrative expense increased by $626,000 in the 2007 Quarter compared to the 2006 Quarter. The increase was primarily related increases in our corporate compensation expense related to the granting of 70,000 fully vested options to our directors coupled with an increase in director fees; to compensation for our newly appointed Chief Operating Officer; to sundry legal expenses; and to a newly adopted Supplemental Executive Retirement Plan.

Net interest expense decreased by $34,000 in the 2007 Quarter compared to the same period last year primarily related to higher capitalized interest which was offset by increased interest expense due to higher outstanding loan balances during the 2007 Quarter compared to the 2006 Quarter. Additionally, this 2007 Quarter interest increase was also affected by a lower offset to interest expense related to the mark-to-market adjustment of our interest rate swaps compared to the adjustment for the 2006 Quarter.

During the 2007 Quarter, other expense decreased by $235,000. This was due to a lower mark-to-market expense in the 2007 Quarter than that recorded in the 2006 Quarter. This related to our option liability for the option held by Sutton Hill Capital, LLC to acquire a 25% non-managing membership interest in our Cinemas 1, 2 & 3 property.

Equity earnings of unconsolidated joint ventures and entities increased by approximately $1.2 million for the 2007 Quarter compared to last year. The increase was primarily related to the *205-209 East 57th Street Associates, LLC*, that has been developing a residential condominium complex in midtown Manhattan called Place 57. During the 2007 Quarter, the partnership closed on the sale of six of its remaining condominiums resulting in gross sales of $20.3 million and equity earnings from unconsolidated joint ventures and entities to us of $1.3 million.

Consolidated Net Income (Losses)

During 2007, we recorded a net loss of $646,000 for the 2007 Quarter compared to $3.1 million for the 2006 Quarter. The reduced loss is primarily related to improved operating results from both our cinema and our real estate segments and to the equity earnings from *205-209 East 57th Street Associates, LLC*.

Acquisitions

On February 8, 2007, we purchased the tenants interest in the ground lease underlying the building lease for one of our domestic cinemas. The purchase price of $493,000 is to be paid in two installments of $243,000 that was paid on February 8, 2007 and $250,000 due on July 1, 2007. On February 14, 2007, we acquired through Landplan Property Partners New Zealand, a 1.0 acre parcel of commercial real estate for approximately $5.3 million (NZ$7.7 million).

**Business Plan, Capital Resources, and Liquidity**

Business Plan

Our cinema exhibition business plan is to continue to identify, develop, and acquire cinema properties, where reasonably available, that allow us to leverage our cinema expertise and technology over a larger operating base. Our real estate business plan is to continue to develop our existing land assets, focusing principally on uses that incorporate entertainment elements such as cinemas, and to continue to be sensitive to opportunities to convert our entertainment assets to higher and better uses. In addition, we will actively seek out potential real estate sites in Australia and New Zealand that show profitable redevelopment opportunities.

Contractual Obligations

The following table provides information with respect to the maturities and scheduled principal repayments of our secured debt and lease obligations at March 31, 2007 (in thousands):

| | 2007 | 2008 | 2009 | 2010 | 2011 | Thereafter |
|---|---|---|---|---|---|---|
| Long-term debt | $ 5,271 | $ 368 | $ 66,834 | $ 7,009 | $ 162 | $ 243 |
| Notes payable to related parties | 5,000 | -- | -- | 9,000 | -- | -- |
| Subordinated notes | -- | -- | -- | -- | -- | 51,547 |
| Lease obligations | 8,760 | 10,918 | 10,951 | 10,731 | 10,053 | 66,420 |
| Estimated interest on long-term debt | 9,264 | 10,537 | 5,791 | 5,353 | 4,610 | 70,680 |
| Total | $ 28,295 | $ 21,823 | $ 83,576 | $ 32,093 | $ 14,825 | $ 188,890 |

Estimated interest on long-term debt is based on the anticipated loan balances for future periods calculated against current fixed and variable interest rates.

We adopted FIN 48, "Accounting for Uncertainty in Income Taxes" on January 1, 2007. As of adoption, the total amount of gross unrecognized tax benefits for uncertain tax positions was $12.5 million increasing to $12.9 million as of March 31, 2007. The determination of actual amounts and timing of payments will depend on the activity of tax authorities with respect to the contested tax issues disclosed in Note 10 - *Income Tax*. We do not expect a significant tax payment related to these obligations within the 12 months.

Unconsolidated Debt

Total debt of unconsolidated joint ventures and entities was $4.9 million and $4.8 million as of March 31, 2007 and December 31, 2006, respectively. Our share of unconsolidated debt, based on our ownership percentage, was $2.3 million and $2.2 million as of March 31, 2007 and December 31, 2006, respectively.

Off-Balance Sheet Arrangements

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

Liquidity and Capital Resources

Our ability to generate sufficient cash flows from operating activities in order to meet our obligations and commitments drives our liquidity position. This is further affected by our ability to obtain adequate, reasonable financing and/or to convert non-performing or non-strategic assets into cash. We cannot separate liquidity from capital resources in achieving our long-term goals in order to meet our debt servicing requirements.

Currently, our liquidity needs arise mainly from:

- working capital requirements;
- debt servicing requirements; and
- capital expenditures, centered on obtaining the right financing for the development of our Burwood property.

*Operating Activities*

Cash provided by operations was $5.9 million in the 2007 Quarter compared to $535,000 of cash used in operations for the 2006 Quarter. The increase in cash provided by operations of $6.4 million is due primarily to:

- increased cinema operational cash flow from our domestic and New Zealand operations;
- increased real estate operational cash flow from our Australia and New Zealand operations. This increase was particularly attributed to our Newmarket ETRC in Brisbane, Australia; and
- an increase in distributions from unconsolidated joint ventures and entities of $3.7 million.

*Investing Activities*

Cash used in investing activities for the 2007 Quarter increased by $16.3 million to $19.9 million from $3.6 million compared to the same period in 2006. The $19.9 million cash used for the 2007 Quarter was primarily related to:

- $11.3 million to purchase marketable securities;

- $5.5 million to purchase real estate assets;
- $2.8 million in property enhancements to our Australia, New Zealand, and U.S. properties; and
- $1.5 million in our investment in the Reading International Trust I securities;

offset by

- $926,000 in distributions from our investment in Place 57.

The $3.6 million cash used for the 2006 Quarter was primarily related to:

- $939,000 in cash used to purchase a cinema in New Zealand and
- $2.7 million in cash used to complete the Newmarket property and for property enhancements to our U.S. properties.

*Financing Activities*

Cash provided by financing activities for the 2007 Quarter increased by $11.4 million to $12.1 million from $679,000 compared to the same period in 2006. The $12.1 million in cash provided in the 2007 Quarter was primarily related to:

- $49.9 million of net proceeds from our new Trust Preferred Securities and
- $3.1 million of net proceeds from our broker margin account used to purchase marketable securities;

offset by

- $40.3 million of cash used to retire our New Zealand bank indebtedness of $34.4 million (NZ$50.0 million) and to retire a portion of our bank indebtedness in Australia of $5.8 million (AUS$7.4 million); and
- $579,000 in distributions to minority interests.

The $679,000 in cash provided in the 2006 Quarter was primarily related to:

- $2.3 million of new borrowings on our Newmarket credit facility;

offset by

- $604,000 of cash used to pay down long-term debt which was primarily related the final payoff of the Movieland purchase note payable of approximately $512,000;
- $792,000 of cash used to repurchase the Class A Nonvoting Common Stock (these shares were previously issued to the Movieland sellers who exercised their put option during the 2006 Quarter to sell back to us the shares they had received in partial consideration for the sale of the Movieland cinemas); and
- $285,000 in distributions to minority interests.

*Summary*

Our cash position at March 31, 2007 was $9.0 million compared to $11.0 million at December 31, 2006. The majority of the $2.0 million reduction in cash related to the following transactions:

- $5.9 million net cash provided by operating activities;
- $49.9 million of net proceeds from our new Trust Preferred Securities;
- $3.1 million of net proceeds from our broker margin account used to purchase marketable securities;
- $926,000 in distributions from our investment in Place 57;

offset by

- $11.3 million in cash used to purchase marketable securities;

- $5.5 million to purchase certain real estate assets;
- $2.8 million in property enhancements to our Australia, New Zealand and U.S. properties;
- $40.3 million of cash used to retire our New Zealand bank indebtedness of $34.4 million (NZ$50.0 million) and to retire a portion of our bank indebtedness in Australia of $5.8 million (AUS$7.4 million);
- $1.5 million in our investment in the Reading International Trust I securities; and
- $579,000 in distributions to minority interests.

Critical Accounting Policies

The Securities and Exchange Commission defines critical accounting policies as those that are, in management's view, most important to the portrayal of the company's financial condition and results of operations and the most demanding in their calls on judgment. Although accounting for our core business of cinema and live theatre exhibition with a real estate focus is relatively straightforward, we believe our most critical accounting policies relate to:

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

These critical accounting policies are fully discussed in our 2006 Annual Report and you are advised to refer to that discussion.

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109" (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". FIN 48 prescribes rules for financial statement recognition and measurement of a tax positions taken or expected to be taken in a tax return. We adopted FIN 48 on January 1, 2007. As a result, we recognized a $509,000 cumulative increase to reserves for uncertain tax positions, which was accounted for as an adjustment to the beginning balance of accumulated deficit in 2007. Overall we had approximately $12.5 million of gross tax benefits unrecognized on the financial statements as of the date of adoption.

Financial Risk Management

Our internally developed risk management procedure, seeks to minimize the potentially negative effects of changes in foreign exchange rates and interest rates on the results of operations. Our primary exposure to fluctuations in the financial markets is currently due to changes in foreign exchange rates between U.S and Australia and New Zealand, and interest rates.

As our operational focus continues to shift to Australia and New Zealand, unrealized foreign currency translation gains and losses could materially affect our financial position. We currently manage our currency exposure by creating, whenever possible, natural hedges in Australia and New Zealand. This involves local country sourcing of goods and services as well as borrowing in local currencies. On February 5, 2007, we issued $51.5 million in 20-year fully subordinated notes and paid off our bank indebtedness in New Zealand $34.4 million (NZ$50.0 million) and retired a portion of our bank indebtedness in Australia $5.8 million (AUS$7.4 million). By paying off our New Zealand debt and paying down on our Australia debt with the proceeds of our Trust Preferred Securities, we have added an increased element of currency risk to our Company. We believe that this currency risk is mitigated by the comparatively favorable interest rate and the long-term nature of the fully subordinated notes.

Our exposure to interest rate risk arises out of our long-term debt obligations. Consistent with our internally developed guidelines, we seek to reduce the negative effects of changes in interest rates by changing the character of the interest rate on our long-term debt, converting a variable rate into a fixed rate. Our internal procedures allow us to enter into derivative contracts on certain borrowing transactions to achieve this goal. Our Australian credit facilities provide for floating interest rates but require that not less than a certain percentage of the loans be swapped into fixed rate obligations using the derivative contracts.

In accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, we marked our Australian interest swap instruments to market on the consolidated balance sheet resulting in an $37,000 (AUS$39,000) decrease and $111,000 (AUS$134,000) decrease to interest expense during the three months ended March 31, 2007 and 2006, respectively. At March 31, 2007 and December 31, 2006, we recorded the fair market value of our interest rate swaps of $243,000 (AUS$300,000) and $206,000 (AUS$261,000), respectively, as an other long-term liability. In accordance with SFAS No. 133, we have not designated any of our current interest rate swap positions as financial reporting hedges.

Inflation

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

Litigation

We are currently, and are from time to time, involved with claims and lawsuits arising in the ordinary course of our business. Some examples of the types of claims are:

- contractual obligations;
- insurance claims;
- IRS claims;
- employment matters; and
- anti-trust issues.

Where we are the plaintiffs, we expense all legal fees on an on-going basis and make no provision for any potential settlement amounts until received. In Australia, the prevailing party is entitled to recover its attorneys fees, which typically works out to be approximately 60% of the amounts actually spent where first class legal counsel is engaged at customary rates. Where we are a plaintiff, we have likewise made no provision for the liability for the defendant's attorneys' fees in the event we were determined not to be the prevailing party.

Where we are the defendants, we accrue for probable damages, which may not be covered by insurance, as they become known and can be reasonably estimated. In our opinion, any claims and litigation in which we are currently involved are not reasonably likely to have a material adverse effect on our business, results of operations, financial position, or liquidity. However, we do not give any assurance as to the ultimate outcome of such claims and litigation. The resolution of such claims and litigation could be material to our operating results for any particular period, depending on the level of income for such period. There have been no material changes to our litigation exposure since our Company's 2006 Annual Report.

There have not been any material changes to our litigation exposure since our Company's 2006 Annual Report.

**Forward-Looking Statements**

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

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

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

- With respect to our cinema operations:
  - The number and attractiveness to movie goers of the films released in future periods;
  - The amount of money spent by film distributors to promote their motion pictures;
  - The licensing fees and terms required by film distributors from motion picture exhibitors in order to exhibit their films;
  - The comparative attractiveness of motion pictures as a source of entertainment and willingness and/or ability of consumers (i) to spend their dollars on entertainment and (ii) to spend their entertainment dollars on movies in an outside the home environment; and
  - The extent to which we encounter competition from other cinema exhibitors, from other sources of outside of 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, DVD and VHS rentals and sales, and so called “movies on demand;”
- With respect to our real estate development and operation activities:
  - The rental rates and capitalization rates applicable to the markets in which we operate and the quality of properties that we own;
  - The extent to which we can obtain on a timely basis the various land use approvals and entitlements needed to develop our properties;
  - The risks and uncertainties associated with real estate development;
  - The availability and cost of labor and materials;
  - Competition for development sites and tenants; and
  - The extent to which our cinemas can continue to serve as an anchor tenant which will, in turn, be influenced by the same factors as will influence generally the results of our cinema operations; and
- With respect to our operations generally as an international company involved in both the development and operation of cinemas and the development and operation of real estate; and previously engaged for many years in the railroad business in the United States:
  - Our ongoing access to borrowed funds and capital and the interest that must be paid on that debt and the returns that must be paid on such capital;

- o The relative values of the currency used in the countries in which we operate;
- o Changes in government regulation, including by way of example, the costs resulting from the implementation of the requirements of Sarbanes-Oxley;
- o 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);
- o 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;
- o 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
- o Changes in applicable accounting policies and practices.

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

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

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

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

**Item 3 - Quantitative and Qualitative Disclosure about Market Risk**

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

- It is based on a single point in time.

- It does not include the effects of other complex market reactions that would arise from the changes modeled.

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

At March 31, 2007, approximately 48% and 22% of our assets were invested in assets denominated in Australian dollars (Reading Australia) and New Zealand dollars (Reading New Zealand), respectively, including approximately $4.7 million in cash and cash equivalents. At December 31, 2006, approximately 49% and 23% of our assets were invested in assets denominated in Australian dollars (Reading Australia) and New Zealand dollars (Reading New Zealand) including approximately $9.3 million in cash and cash equivalents.

Our policy in Australia and New Zealand is to match revenues and expenses, whenever possible, in local currencies. As a result, a majority of our expenses in Australia and New Zealand have been procured in local currencies. Due to the developing nature of our operations in Australia and New Zealand, our revenue is not yet significantly greater than our operating expense. The resulting natural operating hedge has led to a somewhat negligible foreign currency effect on our earnings. As we continue to progress our acquisition and development activities in Australia and New Zealand, we cannot assure you that the foreign currency effect on our earnings will be insignificant in the future.

Historically, our policy has been to borrow in local currencies to finance the development and construction of our ETRC's in Australia and New Zealand whenever possible. As a result, the borrowings in local currencies have provided somewhat of a natural hedge against the foreign currency exchange exposure. Even so, and as a result of our issuance of fully subordinated notes described below, approximately 50% and 82% of our Australian and New Zealand assets, respectively, remain subject to such exposure unless we elect to hedge our foreign currency exchange between the US and Australian and New Zealand dollars. If the foreign currency rates were to fluctuate by 10% the resulting change in Australian and New Zealand assets would be $7.3 million and $5.5 million, respectively, and the change in our quarterly net income would be $24,000 and $25,000, respectively. At the present time, we have no plan to hedge such exposure. On February 5, 2007, we issued $51.5 million in 20-year fully subordinated notes and paid off our bank indebtedness in New Zealand $34.4 million (NZ$50.0 million) and retired a portion of our bank indebtedness in Australia $5.8 million (AUS$7.4 million). By paying off our New Zealand debt and paying down on our Australia debt with the proceeds of our Trust Preferred Securities, we have added an increased element of currency risk to our Company. We believe that this currency risk is mitigated by the comparatively favorable interest rate and the long-term nature of the fully subordinated notes.

We record unrealized foreign currency translation gains or losses that could materially affect our financial position. As of March 31, 2007 and December 31, 2006, we have recorded a cumulative unrealized foreign currency translation gain of approximately $37.3 million and $33.4 million, respectively.

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

**Item 3A - Quantitative and Qualitative Disclosure about Interest Risk**

The majority of our U.S. loans have fixed interest rates; however, one of our domestic loans has a variable interest rate and a change of approximately 1% in short-term interest rates would have resulted in an approximately $4,000 increase or decrease in our 2007 Quarter interest expense.

While we have typically used fixed rate financing (secured by first mortgages) in the U.S., fixed rate financing is typically not available to corporate borrowers in Australia and New Zealand. The majority of our Australian and New Zealand bank loans have variable rates. The Australian facilities provide for floating interest rates, but require that not less than a certain percentage of the loans be swapped into fixed rate obligations (see *Financial Risk Management* above). If we consider the interest rate swaps, a 1% increase in short-term interest rates would have resulted in approximately $83,000 increase in our 2007 Quarter Australian and New Zealand interest expense while a 1% decrease in short-term interest rates would have resulted in approximately $86,000 decrease the 2007 Quarter of Australian and New Zealand interest expense.

## Item 4 - Controls and Procedures

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

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were ineffective as of the end of the period covered by this quarterly report.

The disclosure controls and procedures were ineffective because of a material weakness in controls related to the preparation of the statement of cash flows, which were operating ineffectively as of the reporting date of the consolidated financial statements and failed to prevent or detect errors in our consolidated financial statements.

We concluded that this weakness resulted in an actual material misstatement between operating and investing activities on our interim consolidated statement of cash flows. Specifically the weakness related to distributions of earnings from unconsolidated joint ventures and entities, decrease in receivables, distributions of investment in unconsolidated joint ventures, and acquisitions that was not prevented or detected by our internal control over financial reporting. Such actual material misstatement has been corrected in the accompanying consolidated financial statements.

### Changes in Internal Control Over Financial Reporting

Except as noted below, no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the quarter ended March 31, 2007 that has materially affected, or is reasonable likely to materially affect, our internal control over financial reporting.

Subsequent to December 31, 2006, we determined that a material control weakness existed at December 31, 2006 relating to the timely cut-off of cinema operating revenue and cinema operating expense general ledger accounts as of the reporting date of the consolidated financial statements. As a result of identifying this control weakness, we materially changed our system of internal controls over financial reporting. This change of internal controls involves a more complete general ledger account reconciliation process surrounding our reporting period cut-off of cinema operating revenue and cinema operating expense general ledger accounts. This process has been supplemented by an additional management review of the general ledger account reconciliations as of the reporting period end dates. We believe that these enhanced procedures provide additional internal controls over financial reporting and improve our ability to identify potential accounting issues prior to and during the comprehensive review of our consolidated financial statements. Management believes these changes, which were implemented during the three months ending March 31, 2007, have remediated the control weakness that led to the 2006 adjustment discussed above. Such remediation was completed and tested by us and such enhanced internal controls over financial reporting were subject to our management's assessment of the effectiveness of our internal control over financial reporting as of March 31, 2007.

## PART II - Other Information

### Item 1 - Legal Proceedings

For a description of legal proceedings, please refer to Item 3 entitled Legal Proceedings contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

### Item 2 - Change in Securities

Not applicable.

### Item 3 - Defaults upon Senior Securities

Not applicable.

### Item 4 - Submission of Matters to a Vote of Securities Holders

None

### Item 5 - Other Information

Not applicable.

### Item 6 - Exhibits

| | |
|---|---|
| 10.67 | Reading International Supplemental Executive Retirement Plan effective March 1, 2007, filed herewith. |
| 31.1 | Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith. |
| 31.2 | Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith. |
| 32 | Certifications Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith. |

## SIGNATURES

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

**READING INTERNATIONAL, INC.**

| | | | |
|---|---|---|---|
| Date: | May 8, 2007 | By: | /s/ James J. Cotter<br>James J. Cotter<br>Chief Executive Officer |
| Date: | May 8, 2007 | By: | /s/ Andrzej Matyczynski<br>Andrzej Matyczynski<br>Chief Financial Officer |

**READING INTERNATIONAL**

**SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN (SERP)**

(Effective March 1, 2007)

**READING INTERNATIONAL**

**SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN (SERP)**

**READING INTERNATIONAL**
**SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN (SERP)**

(Effective March 1, 2007)

ARTICLE I
INTRODUCTION

1.1. Name. The name of the Plan is the Reading International Supplemental Executive Retirement Plan (SERP).

1.2. Effective Date. The effective date of the Plan is March 1, 2007.

1.3. Purpose. This Plan is established for the purpose of providing supplemental retirement benefits to James J. Cotter, Chief Executive Officer and Chairman of the Board of Directors of the Company to reward him for his more than 15 years of service to the Company and its predecessors.

1.4. Legal Status. The Plan is an unfunded plan of deferred compensation subject to Internal Revenue Code Section 409A, is subject to FICA taxes in accordance with the non-account balance provisions of Internal Revenue Code Section 3121, and is an unfunded, nonqualified plan of deferred compensation for a select group of management or highly compensated employees for purposes of Title I of ERISA.

ARTICLE II
DEFINITIONS

Whenever the following initially capitalized words and phrases are used in the Plan, they shall have the meanings specified below unless the context clearly indicates a different meaning:

2.1. "Administrator" shall mean the Compensation Committee of the Board of Directors of the Company, and any successor thereto. In the absence of such committee, the Board of Directors of the Company shall be the Administrator.

2.2. "Beneficiary" shall mean such person(s) or legal entity as may be designated by a Participant or by a Beneficiary receiving SERP Benefits to receive any SERP Benefits due from the Plan following the Participant's or Beneficiary's death. Any contingent Beneficiary shall be the Beneficiary only after the death of all primary Beneficiaries. Any restrictions on payment to a minor beneficiary shall be determined by the Administrator in its reasonable discretion. In the event a Beneficiary has not been designated or no Beneficiary survives, the Beneficiary shall be deemed to be the estate of the Participant if the Participant dies while in receipt of SERP Benefits or the estate of the Beneficiary if the Beneficiary dies while in receipt of SERP Benefits. A designation of a Beneficiary must be made, changed and/or revoked, prior to the Participant or Beneficiary's death, as applicable, on a form provided by and filed with the Administrator and shall not be effective until received by the Administrator. The administration of this provision shall be subject to the terms of the last beneficiary designation form on file with the Administrator. Attached hereto is an acceptable form of Beneficiary Designation.

2.3. "Board of Directors" shall mean the Company's Board of Directors.

2.4. "Company" shall mean Reading International, Inc. or its successor.

2.5. "Earnings" shall mean the total base pay and cash bonus paid by the Company to an Eligible Employee as and when paid during any calendar month on or after January 1, 2004.

2.6. "Eligible Employee" shall mean James J. Cotter, Chairman of the Board and Chief Executive Officer of the Company on the Effective Date.

2.7. "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

2.8. "15-Year Certain and Life Annuity" shall mean monthly payments of the SERP Benefit to the Participant for his life with a guarantee of at least 180 monthly payments. In the event of the Participant's death prior to receiving at least 180 monthly payments, the remaining payments will be paid on a monthly basis to the Participant's Beneficiary.

2.9. "15-Year Certain Only Annuity" shall mean monthly payments to the Beneficiary of the SERP Benefit for 180 months.

2.10. "Final Average Earnings" shall mean the sum of the highest 36 consecutive calendar months of Earnings prior to Separation from Service, divided by 36.

2.11. "Internal Revenue Code" shall mean the Internal Revenue Code of 1986, as amended.

2.12. "Participant" shall mean an Eligible Employee but only for the period in which he is an Eligible Employee or has a benefit payable to or with respect to him from the Plan.

2.13. "Plan" shall mean the Reading International SERP effective March 1, 2007, as set forth herein and as may be amended from time to time in accordance with the terms of the Plan.

2.14. "Plan Year" shall mean the calendar year beginning with the 2006 calendar year.

2.15. "Separation from Service" shall mean a separation from service with the Company and all controlled group members within the meaning of Section 409A of the Internal Revenue Code as reasonably determined by the Administrator.

2.16. "SERP Benefit" shall mean a Participant's Benefit determined pursuant to Article IV.

2.17. "Vested Percentage" shall mean the percentage of the Participant's vesting in the SERP Benefit determined according to Section 4.2.

ARTICLE III
PARTICIPATION IN THE PLAN

3.1. Eligibility and Participation. An Eligible Employee shall become a Participant on the later of March 1, 2007 or the date he first becomes an Eligible Employee. A Participant shall cease to be a Participant when all benefits payable from the Plan to or with respect to him have been fully paid by the Company.

ARTICLE IV
SERP BENEFIT

4.1. SERP Benefit. The monthly SERP Benefit is equal to the greater of:

(a) 40% of Final Average Earnings, or

(b) $25,000,

multiplied by the Vested Percentage.

4.2. Vested Percentage. The Vested Percentage is 100% at all times.

4.3. Distribution of SERP Benefit. Following Separation from Service for reasons other than death, a Participant shall receive the SERP Benefit in the form of a 15-Year Certain and Life Annuity. The first payment of the SERP Benefits will be delayed until the beginning of the $7^{th}$ month following the month of the Participant's Separation from Service and will be equal the sum of 7 monthly payments (the six payments delayed plus the payment due at the beginning of the 7th month, all without interest).

4.4. Death Benefits. If a Participant has a Separation from Service due to death, the Participant's Beneficiary shall receive the SERP Benefit that would have been payable to the Participant if he had survived and had a Separation from Service on the same day as his death, except that the 6-month delay set forth in Section 4.3 shall not apply and the form of payment shall be a 15-year Certain Only Annuity.

## ARTICLE V
## FUNDING AND PARTICIPANT'S INTEREST

5.1. Unfunded SERP. The Plan shall be unfunded and no trust is created by the existence of the Plan. There will be no funding of any SERP Benefit; provided, however, that nothing herein shall prevent the Company from establishing one or more grantor trusts from which SERP Benefits may be paid. All SERP Benefits shall be paid from (a) the general assets of the Company and/or (b) a grantor trust established by the Company for this purpose. The Plan constitutes an unsecured contractual obligation by the Company to make benefit payments in the future.

5.2. Participant's Interest in Plan. A Participant has an interest only in the SERP Benefits to the extent of his vested percentage determined under Article IV. A Participant has no rights or interests in any specific funds, stock or securities of the Company by reason of participation in the Plan and entitlement to a SERP Benefit. Nothing in the Plan shall be interpreted as a guaranty that any funds in a grantor trust or the assets of the Company will be sufficient to pay the SERP Benefit. The right of any Participant or Beneficiary to a SERP Benefit shall be no greater than the right of any unsecured general creditor of the Company.

## ARTICLE VI
## ADMINISTRATION AND INTERPRETATION

6.1. Administration. The Administrator shall be in charge of the overall operation and administration of the Plan. The Administrator has, to the extent appropriate and in addition to the powers described elsewhere in this Plan, reasonable discretionary authority to construe and interpret the terms and provisions of the Plan; to adopt, alter and repeal administrative rules, guidelines and practices governing the Plan; to perform all acts, including the delegation of its administrative responsibilities to advisors or other persons who may or may not be employees of the Company; and to rely upon the information or opinions of legal counsel or experts selected to render advice with respect to the Plan, as it shall reasonably deem advisable, with respect to the administration of the Plan.

6.2. Interpretation. The Administrator may reasonably take any action, correct any defect, supply any omission or reconcile any inconsistency in the Plan, or in any Beneficiary designation under the Plan, in the manner and to the extent it shall deem necessary to carry this Plan into effect or to carry out the Company's intent and purposes in adopting the Plan. Any decision, interpretation or other action made or taken in good faith by the Administrator arising out of or in connection with the Plan, shall be within its reasonable discretion, and shall be final, binding and conclusive on the Company and all Participants and Beneficiaries and their respective heirs, executors, administrators, successors and assigns, except as otherwise provided in this Article VI. The Administrator's determinations hereunder need not be uniform or consistent.

6.3. Records and Reports. The Administrator shall keep a record of proceedings and actions and shall maintain or cause to be maintained all such books of account, records, and other data as shall be necessary for the proper administration of the Plan. Such records shall contain all relevant data pertaining to Participants and their rights under this Plan. The Administrator shall have the duty to carry into effect all rights or benefits provided under the Plan to the extent assets of the Company are properly available.

6.4. Payment of Expenses. The Company shall bear all expenses incurred by the Administrator in administering this Plan. If a claim or dispute arises concerning the rights of a Participant or Beneficiary to a SERP Benefit, regardless of the party by whom such claim or dispute is initiated, the Company shall, upon presentation of appropriate vouchers, pay all legal expenses, including reasonable attorneys' fees, court costs, and ordinary and necessary out-of-pocket costs of attorneys, billed to and payable by the Participant or by anyone claiming under or through the Participant (such person being hereinafter referred to as the "Participant's Claimant"), in connection with the bringing, prosecuting, defending, litigating, negotiating, or settling of such claim or dispute; provided, that:

(a) The Participant or the Participant's Claimant shall sign an agreement to repay to the Company any such expenses theretofore paid or advanced by the Company if and to the extent that the party disputing the Participant's rights obtains a judgment in its favor from a court of competent jurisdiction from which no appeal may be taken, whether because the time to do so has expired or otherwise, and it is determined by the court that such expenses were not incurred by the Participant or the Participant's Claimant while acting in good faith; provided further, that

(b) In the case of any claim or dispute initiated by the Participant or the Participant's Claimant, such claim shall be made, or notice of such dispute given, with specific reference to the provisions of this Plan, to the Administrator within two (2) years after the occurrence of the event giving rise to such claim or dispute.

(c) Any payment under this Section 6.4 shall be made not later than March 15 of the Plan Year following the Plan Year in which the expense was incurred by the Participant or Participant's Claimant to the extent such payments would otherwise be subject to Section 409A of the Internal Revenue Code, and only if documentation required by the Administrator is timely received from the Participant or the Participant's Claimant.

6.5. Indemnification for Liability. The Company shall indemnify the Administrator and the employees of the Company to whom the Administrator delegates duties under this Plan, against any and all claims, losses, damages, expenses and liabilities arising from their responsibilities in connection with this Plan, unless the same is determined to be due to gross negligence or willful misconduct.

6.6. Claims Procedure. If a written claim by a Participant or Beneficiary or duly authorized representative of either of them ("Claimant") to the Administrator for a SERP Benefit or for participation in the Plan is denied in whole or in part, the Claimant will receive written notification within 90 days after receipt of the claim, or within 180 days if special circumstances require an extension of time, in which event the Claimant will be notified in writing of the delay during the initial 90-day period and the notice will indicate the special circumstances requiring an extension of time and the date by which the Administrator expects to render the decision. The notification will include specific reasons for the denial, specific reference to pertinent provisions of the Plan on which the denial is based, a description of any additional material or information necessary for the Claimant to perfect the claim and why such material or information is necessary, an explanation of the claims review procedure, the time limits applicable under the claims review procedure, and a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA following any adverse determination on review.

6.7. Review Procedure. The Claimant shall have 60 days after the written notice of denial is received to apply to the Administrator in writing for a full and fair review of the initial claim denial. In connection with the review, the Claimant shall be afforded reasonable opportunity to review pertinent Plan documents and may submit issues and comments in writing. In addition, the Claimant shall have the right to submit documents, records and other information relating to the claim, and shall be provided, upon request and free of charge, reasonable access to and copies of all documents, records, and other information relevant to the claim (as defined in applicable regulations under ERISA Section 503).

The Administrator will issue its decision on review within 60 days after receipt of the request for review or within 120 days if special circumstances require an extension of time to reply. Written notice of any extension will b provided to the Claimant before any extension begins, and the notice will indicate the special circumstance requiring the extension as well as the time and date by which the Administrator expects to render the determination on review. The decision will be in writing, will set forth specific reasons for the decision and specific references to the pertinent Plan provisions on which the decision is based. In addition, the written notice of any decision denying the claim on appeal will include a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information relevant to the Claimant's claim for benefits, and a statement of the Claimant's right to bring an action under Section 502(a) of ERISA.

6.8. Incompetency of Participant or Beneficiary. The Administrator may from time to time establish reasonable rules and procedures for the proper administration of the Plan and the benefits payable to an individual in the event that the individual is declared incompetent and a conservator or other person legally charged with such individual's care is appointed. Any payment made to the conservator or any other person the Administrator determines should receive the SERP Benefit shall constitute a complete discharge of any liability of the Company, the Administrator and the Plan with respect to the Participant or Beneficiary and no person or entity shall have standing to challenge such decision.

## ARTICLE VII
## AMENDMENT, TERMINATION AND CONTINUATION

7.1. Amendment and Termination. The Administrator shall have the right, at any time, to amend or terminate the Plan in whole or in part; provided, however, that no amendment or termination shall be permissible if it would reduce the amount of the SERP benefit to which the Participant would have been entitled if he terminated employment on the effective date of the amendment or termination. The Company, upon review of the effectiveness of the Plan, may at any time recommend amendments to or termination of the Plan to the Administrator. The Administrator reserves the right, in its reasonable discretion, to completely terminate the Plan at any time, provided, however, that termination of the Plan shall not be a distribution event unless otherwise permitted under Section 409A or other applicable law, as determined by the Administrator.

7.2. Continuation. The Plan shall be continued by any successor of the Company pursuant to a sale of the assets of the Company, or a merger or consolidation of the Company into or with another corporation or entity.

ARTICLE VIII
MISCELLANEOUS PROVISIONS

8.1. Alienation or Assignment of Benefits. A Participant's rights and interest under the Plan shall not be assigned or transferred except as otherwise provided herein, and the Participant's rights to a SERP Benefit shall not be subject to alienation, pledge or garnishment by or on behalf of creditors (including heirs, beneficiaries, or dependents) of the Participant or of a Beneficiary, except to the extent provided in a domestic relations court order issued to a spouse or former spouse of a Participant in connection with a divorce if the order is determined by the Administrator to be proper under the Internal Revenue Code to transfer tax liability to such spouse or former spouse and not violative of the terms of applicable law including Internal Revenue Code Section 409A.

8.2. Right to Withhold. To the extent required by law at the time of any vesting or distribution of a SERP Benefit, required taxes shall be collected from the Participant or Beneficiary or withheld from any payment of the SERP Benefits to the extent required by and in compliance with applicable federal, state or local laws.

8.3. Construction. All legal questions pertaining to the Plan shall be determined in accordance with the laws of the State of California, to the extent such laws are not preempted or superseded by the Internal Revenue Code, ERISA or any successor, replacement or other applicable federal law.

8.4. Headings. The headings of the Articles and Sections of the Plan are for reference only. In the event of a conflict between a heading and the contents of an Article or Section, the contents of the Article or Section shall control.

8.5. Number and Gender. Whenever any words used herein are in the singular form, they shall be construed as though they were also used in the plural form in all cases where they would so apply, and references to the male gender shall be construed as applicable to the female gender where applicable, and vice versa.

8.6. Limitation of Liability. Notwithstanding any provision herein to the contrary, the Company, nor any individual acting as employee or agent of the Company, shall be liable to any Participant, former Participant, Beneficiary, or any other person for any claim, loss, liability or expense incurred in connection with the Plan, unless attributable to fraud or willful misconduct on the part of the Company or any such agent of the Company, or a breach by the Company of any provision of the SERP that results in a reduction of the SERP benefit.

* * * *

IN WITNESS WHEREOF, the Company has caused this Plan to be executed by its duly authorized officer on date of signature set forth below.

READING INTERNATIONAL, INC.

By: ______________________________

Alfred Villaseñor, Jr., Chairman, Compensation Committee of Board of Directors

Date Signed: ______________________________

**EXHIBIT 31.1**

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

I, James J. Cotter, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Reading International Inc.;

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

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

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

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with general accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   d) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6) The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

By: /s/ James J. Cotter
James J. Cotter
Chief Executive Officer
May 8, 2007

EXHIBIT 31.2

**CERTIFICATIONS**

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

I, Andrzej Matyczynski, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Reading International Inc.;

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

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

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

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with general accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   d) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6) The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

| | |
|---|---|
| By: | /s/ Andrzej Matyczynski |
| | Andrzej Matyczynski |
| | Chief Financial Officer |
| | May 8, 2007 |

**EXHIBIT 32**

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

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

- The Quarterly Report of the Company on Form 10-Q for the period ended September 30, 2006 as filed with the Securities and Exchange Commission fully complies with the requirements of Section 13(a) and 15(d), as applicable, of the Securities Exchange Act of 1934; and

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

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

Dated: May 8, 2007

/s/ James J. Cotter
Name: James J. Cotter
Title Chief Executive Officer

/s/ Andrzej Matyczynski
Name: Andrzej Matyczynski
Title: Chief Financial Officer