READING INTERNATIONAL INC
Form 10-Q
May 09, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended: March 31, 2012

OR

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

For the transition period from ___________ to ___________

Commission file number 1-8625

READING INTERNATIONAL, INC.

(Exact name of Registrant as specified in its charter)

NEVADA (State or other jurisdiction of incorporation or organization)	95-3885184 (IRS Employer Identification No.)
6100 Center Drive, Suite 900 Los Angeles, CA (Address of principal executive offices)	90045 (Zip Code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ 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 þ 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 þ

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, 2012, there were 21,507,273 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 1 - Financial Information

Item 1 - Financial Statements

Reading International, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(U.S. dollars in thousands)

	March 31, 2012	December 31, 2011
ASSETS		
Current Assets:		
Cash and cash equivalents	$29,097	$31,597
Receivables	6,391	6,973
Inventory	769	1,035
Investment in marketable securities	45	2,874
Restricted cash	2,404	2,379
Deferred tax asset	3,560	1,985
Prepaid and other current assets	6,091	3,781
Assets held for sale	--	1,848
Total current assets	48,357	52,472
Property held for and under development	99,203	91,698
Property & equipment, net	215,523	215,428
Investment in unconsolidated joint ventures and entities	7,766	7,839
Investment in Reading International Trust I	838	838
Goodwill	22,805	22,277
Intangible assets, net	17,417	17,999
Deferred tax asset, net	10,171	12,399
Other assets	9,444	9,814
Total assets	$431,524	$430,764
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	$16,071	$16,905
Film rent payable	6,225	6,162
Notes payable – current portion	29,888	29,630
Taxes payable	14,235	14,858
Deferred current revenue	9,147	10,271
Other current liabilities	172	137
Total current liabilities	75,738	77,963
Notes payable – long-term portion	140,661	143,071
Notes payable to related party – long-term portion	9,000	9,000
Subordinated debt	27,913	27,913
Noncurrent tax liabilities	11,293	12,191

Other liabilities	35,045	35,639
Total liabilities	299,650	305,777
Commitments and contingencies (Note 19)		
Stockholders' equity:		
Class A non-voting common stock, par value $0.01, 100,000,000 shares authorized, 31,887,536 issued and 21,507,273 outstanding at March 31, 2012 and 31,675,518 issued and 21,311,348 outstanding at December 31, 2011	220	220
Class B voting common stock, par value $0.01, 20,000,000 shares authorized and 1,495,490 issued and outstanding at March 31, 2012 and at December 31, 2011	15	15
Nonvoting preferred stock, par value $0.01, 12,000 shares authorized and no issued or outstanding shares at March 31, 2011 and December 31, 2011	--	--
Additional paid-in capital	135,351	135,171
Accumulated deficit	(66,318)	(66,079)
Treasury shares	(4,512)	(4,512)
Accumulated other comprehensive income	62,993	58,937
Total Reading International, Inc. stockholders' equity	127,749	123,752
Noncontrolling interests	4,125	1,235
Total stockholders' equity	131,874	124,987
Total liabilities and stockholders' equity	$431,524	$430,764

See accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Operating revenue		
Cinema	$57,402	$49,473
Real estate	5,250	4,769
Total operating revenue	62,652	54,242
Operating expense		
Cinema	46,333	41,473
Real estate	2,795	2,431
Depreciation and amortization	4,197	4,129
General and administrative	4,420	4,235
Total operating expense	57,745	52,268
Operating income	4,907	1,974
Interest income	201	433
Interest expense	(3,960)	(4,363)
Other expense	(45)	(19)
Income (loss) before income tax expense and equity earnings of unconsolidated joint ventures and entities	1,103	(1,975)
Income tax expense	(1,625)	(636)
Loss before equity earnings of unconsolidated joint ventures and entities	(522)	(2,611)
Equity earnings of unconsolidated joint ventures and entities	413	364
Net loss	$(109)	$(2,247)
Net income attributable to noncontrolling interests	(130)	(233)
Net loss attributable to Reading International, Inc. common shareholders	$(239)	$(2,480)
Basic and diluted loss per share attributable to Reading International, Inc. shareholders	$(0.01)	$(0.11)
Weighted average number of shares outstanding – basic	22,710,713	22,709,672
Weighted average number of shares outstanding – diluted	22,710,713	22,709,672

See accompanying notes to consolidated financial statements.

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Reading International, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income
(U.S. dollars in thousands)

	Three Months Ended March 31,	
	2012	2011
Net loss	$(109)	$(2,247)
Foreign currency translation gain	3,997	2,656
Realized (gain) loss on available for sale investments	(111)	--
Unrealized gain (loss) on available for sale investments	99	325
Amortization of pension prior service costs	76	82
Comprehensive income	3,952	816
Net income attributable to noncontrolling interest	(130)	(233)
Comprehensive income attributable to noncontrolling interest	(5)	(7)
Comprehensive income attributable to Reading International, Inc.	$3,817	$576

See accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31, 2012	2011
Operating Activities		
Net loss	$(109)	$(2,247)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Loss recognized on foreign currency transactions	(1)	(3)
Equity earnings of unconsolidated joint ventures and entities	(413)	(364)
Distributions of earnings from unconsolidated joint ventures and entities	642	57
Change in valuation allowance on net deferred tax assets	831	--
Gain on sale of marketable securities	(111)	--
Depreciation and amortization	4,197	4,129
Amortization of prior service costs	76	82
Amortization of above and below market leases	102	312
Amortization of deferred financing costs	335	351
Amortization of straight-line rent	190	257
Stock based compensation expense	80	47
Changes in assets and liabilities:		
Decrease in receivables	667	1,299
(Increase) decrease in prepaid and other assets	(196)	201
Decrease in accounts payable and accrued expenses	(755)	(1,558)
Increase (decrease) in film rent payable	14	(1,424)
Increase (decrease) in taxes payable	(1,557)	451
Decrease in deferred revenue and other liabilities	(1,767)	(1,139)
Net cash provided by operating activities	2,225	451
Investing Activities		
Acquisition of property	(5,510)	--
Acquisition deposit paid	--	181
Purchases of and additions to property and equipment	(1,054)	(1,534)
Change in restricted cash	16	(85)
Purchase of notes receivable	(1,800)	(2,784)
Sale of marketable securities	2,974	--
Proceeds from sale of property	1,903	--
Net cash used in investing activities	(3,471)	(4,222)
Financing Activities		
Repayment of long-term borrowings	(4,329)	(5,518)
Proceeds from borrowings	--	1,133
Proceeds from the exercise of stock options	100	--
Noncontrolling interest contributions	2,500	--
Noncontrolling interest distributions	--	(141)
Net cash used in financing activities	(1,729)	(4,526)
Effect of exchange rate on cash	475	562
Decrease in cash and cash equivalents	(2,500)	(7,735)
Cash and cash equivalents at the beginning of the period	31,597	34,568
Cash and cash equivalents at the end of the period	$29,097	$26,833

Supplemental Disclosures		
Cash paid during the period for:		
Interest on borrowings, net of amounts capitalized	$3,910	$4,328
Income taxes	$2,571	$250
Non-Cash Transactions		
Foreclosure of a mortgage note to obtain title of the underlying property	--	1,125
Noncontrolling interest contribution from bonus accrual	255	--

See accompanying notes to consolidated financial statements.

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Reading International, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
For the Three Months Ended March 31, 2012

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 corporati and reincorporated in 1999 in Nevada. Our businesses consist primarily of:

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

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

The accompanying unaudited condensed 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 ("SEC") for interim reporting. As such, certain information and disclosures typically required by US GAAP for complete financial statements have been condensed or omitted. The financial information presented in this quarterly report on Form 10-Q for the period ended March 31, 2012 (the "March Report") should be read in conjunction with our Annual Report filed on Form 10-K for the year ended December 31, 2011 (our "2011 Annual Report") which contains the latest audited financial statements and related notes. The periods presented in this document are the three ("2012 Quarter") months ended March 31, 2012 and the three ("2011 Quarter") months ended March 31, 2011.

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, 2012 and 2011 have been made. The results of operations for the three months ended March 31, 2012 and 2011 are not necessarily indicative of the results of operations to be expected for the entire year.

Liquidity Requirements

Cinemas 1, 2, 3 Term Loan

As our Cinemas 1, 2, 3 loan is due to mature on July 1, 2012, the March 31, 2012 outstanding balance of this debt of $15.0 million is classified as current on our balance sheet. We intend to either refinance the property's debt with similar financing or a bridge loan until we have secured an agreement to sell the property.

Tax Settlement Liability

As indicated in our 2011 Annual Report, in accordance with the agreement between the U.S. Internal Revenue Service and our subsidiary, Craig Corporation, we are obligated to pay $290,000 per month, $3.5 million per year, in settlement for our tax liability for tax year ending June 30, 1997.

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For the abovementioned liabilities, we believe that we have sufficient borrowing capacity under our various credit facilities, together with our $29.1 million cash balance, to meet our anticipated short-term working capital requirements for the next twelve months.

Marketable Securities

We had investments in marketable securities of $45,000 and $2.9 million at March 31, 2012 and December 31, 2011, respectively. We account for these investments as available for sale investments. We assess our investment in marketable securities for other-than-temporary impairments in accordance with Accounting Standards Codification ("ASC") 320-10 for each applicable reporting period. These investments have a cumulative loss of $1,000 and $11,000 included in accumulated other comprehensive income at March 31, 2012 and December 31, 2011, respectively. For the three months ended March 31, 2012, our net unrealized loss on marketable securities was $12,000. For the three months ended March 31, 2011, our net unrealized loss on marketable securities was $325,000. During the three months ended March 31, 2012, we sold $3.0 million of our marketable securities with a realized gain of $111,000.

Deferred Leasing Costs

We amortize direct costs incurred in connection with obtaining tenants over the respective term of the lease on a straight-line basis.

Deferred Financing Costs

We amortize direct costs incurred in connection with obtaining financing over the term of the loan using the effective interest method, or the straight-line method, if the result is not materially different. In addition, interest on loans with increasing interest rates and scheduled principal pre-payments, is also recognized using the effective interest method.

Accounting Pronouncements Adopted During 2012

FASB ASU No. 2011-05 - Comprehensive Income (Topic 220): Presentation of Comprehensive Income

ASU No. 2011-05 requires that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements, eliminating the option to present other comprehensive income in the statement of changes in equity. Under either choice, items that are reclassified from other comprehensive income to net income are required to be presented on the face of the financial statements where the components of net income and the components of other comprehensive income are presented. This amendment is effective for our Company in 2012 and will be applied retrospectively. This amendment changes the manner in which the Company presents comprehensive income but will not change any of the balances or activity.

FASB ASU No. 2011-08 - Intangibles—Goodwill and Other

ASU No. 2011-08 relates to a change in the annual test of goodwill for impairment. The statement permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350. This amendment is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. This amendment changes the manner in which the Company performs its goodwill impairment test.

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New Accounting Pronouncements

No new pronouncements were made pertaining to our Company's accounting during the 2012 Quarter.

Note 2 – Equity and Stock Based Compensation

Stock-Based Compensation

During the three months ended March 31, 2012 and 2011, we issued 155,925 and 174,825, respectively, of Class A Nonvoting shares to certain executive employees associated with the vesting of their prior years' stock grants. During the three months ended March 31, 2012 and 2011, we accrued $238,000 and $188,000, respectively, in compensation expense associated with the vesting of executive employee stock grants.

Employee/Director Stock Option Plan

We have a long-term incentive stock option plan that provides for the grant to eligible employees, directors, and consultants of incentive or nonstatutory options to purchase shares of our Class A Nonvoting Common Stock and Class B Voting Common Stock. Our 1999 Stock Option Plan expired in November 2009, and was replaced by our new 2010 Stock Incentive Plan, which was approved by the holders of our Class B Voting Common Stock in May 2010.

When the Company's tax deduction from an option exercise exceeds the compensation cost resulting from the option, a tax benefit is created. FASB ASC 718-20 relating to Stock-Based Compensation ("FASB ASC 718-20"), 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, 2012 and 2011, there was no impact to the unaudited condensed consolidated statement of cash flows because there were no recognized tax benefits from stock option exercises during these periods.

FASB ASC 718-20 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 FASB ASC 718-20, 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. As we intend to retain all earnings, we exclude the dividend yield from the calculation. We expense the estimated grant date fair values of options issued on a straight-line basis over the vesting period.

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For the 20,000 options granted during 2012, 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:

	2012
Stock option exercise price	$4.44
Risk-free interest rate	1.830%
Expected dividend yield	--
Expected option life	10 yrs
Expected volatility	31.88%
Weighted average fair value	$1.96

We did not grant any options during the three months ended March 31, 2011.

Based on prior years' assumptions, and, in accordance with the FASB ASC 718-20, we recorded compensation expense for the total estimated grant date fair value of stock options that vested of $80,000 for the three months ended March 31, 2012 and $47,000 for the three months ended March 31, 2011. At March 31, 2012, the total unrecognized estimated compensation cost related to non-vested stock options granted was $109,000, which we expect to recognize over a weighted average vesting period of 0.67 years. 40,000 options were exercised during the three months ended March 31, 2012 having a realized value of $179,000 for which we received $100,000 of cash. There were no options exercised during the three months ended March 31, 2011. The grant date fair value of options vesting during the three months ended March 31, 2012 and 2011 was $80,000 and $47,000, respectively. The intrinsic, unrealized value of all options outstanding, vested and expected to vest, at March 31, 2012 was $248,000 of which 81.7% are currently exercisable.

Pursuant to both our 1999 Stock Option Plan and our 2010 Stock Incentive Plan, all stock options expire within ten years of their 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 2010 Stock Incentive Plan is 1,250,000. At the discretion of our Compensation and Stock Options Committee, the vesting period of stock options is usually between zero and four years.

We had the following stock options outstanding and exercisable as of March 31, 2012 and December 31, 2011:

	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, 2011	622,350	185,100	$5.65	$9.90	449,750	150,000	$6.22	$10.24
No activity during the period	--	--	$--	$--				
Outstanding-December 31, 2011	622,350	185,100	$5.65	$9.90	544,383	167,550	$5.86	$10.05
Granted	20,000	--	$4.44	$--				
Exercised	(40,000)	--	$2.50	$--				
Outstanding-March 31, 2012	602,350	185,100	$5.82	$9.90	524,383	167,550	$6.06	$10.05

The weighted average remaining contractual life of all options outstanding, vested, and expected to vest at March 31, 2012 and December 31, 2011 was approximately 4.22 and 4.13 years, respectively. The weighted average remaining contractual life of the exercisable options outstanding at March 31, 2012 and December 31, 2011 was approximately 3.99 and 3.85 years, respectively.

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Note 3 – Business Segments

We organize our operations into two reportable business segments within the meaning of FASB ASC 280-10 - Segment Reporting. Our reportable segments are (1) cinema exhibition and (2) real estate. The cinema exhibition 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. 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.

The tables below summarize the results of operations for each of our principal business segments for the three months ended March 31, 2012 and 2011, respectively. Operating expense includes costs associated with the day-to-day operations of the cinemas and the management of rental properties including our live theater assets (dollars in thousands):

Three Months Ended March 31, 2012	Cinema Exhibition	Real Estate	Intersegment Eliminations	Total
Revenue	$57,402	$7,132	$ (1,882)	$62,652
Operating expense	48,215	2,795	(1,882)	49,128
Depreciation & amortization	2,830	1,228	--	4,058
General & administrative expense	702	179	--	881
Segment operating income	$5,655	$2,930	$ --	$8,585

Three Months Ended March 31, 2011	Cinema Exhibition	Real Estate	Intersegment Eliminations	Total
Revenue	$49,473	$6,436	$ (1,667)	$54,242
Operating expense	43,140	2,431	(1,667)	43,904
Depreciation & amortization	2,904	1,222	--	4,126
General & administrative expense	612	187	--	799
Segment operating income	$2,817	$2,596	$ --	$5,413

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Reconciliation to net loss attributable to Reading International, Inc. shareholders:	2012 Quarter	2011 Quarter
Total segment operating income	$8,585	$5,413
Non-segment:		
Depreciation and amortization expense	139	3
General and administrative expense	3,539	3,436
Operating income	4,907	1,974
Interest expense, net	(3,759)	(3,930)
Other expense	(45)	(19)
Income tax expense	(1,625)	(636)
Equity earnings of unconsolidated joint ventures and entities	413	364
Net loss	$(109)	$(2,247)
Net income attributable to noncontrolling interests	(130)	(233)
Net loss attributable to Reading International, Inc. common shareholders	$(239)	$(2,480)

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 and liabilities 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 against the risk of foreign currency exposure.

Presented in the table below are the currency exchange rates for Australia and New Zealand as of March 31, 2012 and December 31, 2011:

	US Dollar	
	March 31, 2012	December 31, 2011
Australian Dollar	$1.0367	$1.0251
New Zealand Dollar	$0.8200	$0.7805

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Note 5 – Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing the net income (loss) attributable to Reading International, Inc. common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is computed by dividing the net income (loss) attributable to Reading International, Inc. common shareholders 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 and non-vested stock awards give rise to potentially dilutive common shares. In accordance with FASB ASC 260-10 - Earnings Per Share, these shares are included in the diluted earnings per share calculation under the treasury stock method. As noted in the table below, due to the small difference between the basic and diluted weighted average common shares, the basic and the diluted earnings (loss) per share are the same for each of the periods presented. The following is a calculation of earnings (loss) per share (dollars in thousands, except share data):

	Three Months Ended March 31,	
	2012	2011
Net loss attributable to Reading International, Inc. common shareholders	$(239)	$(2,480)
Basic and diluted loss per share attributable to Reading International, Inc. common shareholders	$(0.01)	$(0.11)
Weighted average shares of common stock – basic	22,710,713	22,709,672
Weighted average shares of common stock – diluted	22,710,713	22,709,672

For the three months ended March 31, 2012 and 2011, we recorded losses from continuing operations; therefore, we excluded 99,285 and 98,738, respectively, of in-the-money incremental stock options from the computation of diluted loss per share because they were anti-dilutive. In addition, 742,638 of out-of-the-money stock options were excluded from the computation of diluted earnings (loss) per share for the three months ended March 31, 2012, and 708,712 of out-of-the-money stock options were excluded from the computation of diluted earnings (loss) per share for the three months ended March 31, 2011.

Note 6 – Property Acquired, Property Sold, Property Held for Sale, Property Held For and Under Development, and Property and Equipment

Acquisitions

Coachella, California Land Acquisition

On January 10, 2012, Shadow View Land and Farming, LLC, a limited liability company owned by our Company, acquired a 202-acre property, zoned for the development of up to 843 single-family residential units, located in the City of Coachella, California. The property was acquired at a foreclosure auction for $5.5 million. The property was acquired as a long-term investment in developable land with the intention of using it in the interim for agricultural purposes. Half of the funds used to acquire the land were provided by Mr. James J. Cotter, our Chairman, Chief Executive Officer and controlling shareholder. Upon the approval of our Conflicts Committee, these funds were converted on January 18, 2012 into a 50% interest. The limited liability company is administratively managed by our Company. See Note 14 – Noncontrolling Interests.

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Disposals

Taringa

On February 21, 2012, we sold our three properties in the Taringa area of Brisbane, Australia consisting of approximately 1.1 acres for $1.9 million (AUS$1.8 million).

Property Held For and Under Development

As of March 31, 2012 and December 31, 2011, we owned property held for and under development summarized as follows (dollars in thousands):

Property Held For and Under Development	March 31, 2012	December 31, 2011
Land	$93,904	$86,667
Construction-in-progress (including capitalized interest)	5,299	5,031
Property Held For and Under Development	$99,203	$91,698

At the beginning of 2010, we curtailed the development activities of our properties under development and are not currently capitalizing interest expense. As a result, we did not capitalize any interest during the three months ended March 31, 2012 or 2011.

Property and Equipment

As of March 31, 2012 and December 31, 2011, we owned investments in property and equipment as follows (dollars in thousands):

Property and Equipment	March 31, 2012	December 31, 2011
Land	$65,982	$65,281
Building and improvements	147,168	144,155
Leasehold interests	41,076	40,855
Construction-in-progress	957	525
Fixtures and equipment	106,568	104,804
Total cost	361,751	355,620
Less: accumulated depreciation	(146,228)	(140,192)
Property and equipment, net	$215,523	$215,428

Depreciation expense for property and equipment was $3.8 million and $3.5 million for the three months ended March 31, 2012 and 2011, respectively.

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Note 7 – Investments in Unconsolidated Joint Ventures and Entities

Our investments in unconsolidated joint ventures and entities are accounted for under the equity method of accounting except for Rialto Distribution, which is accounted for as a cost method investment, and, as of March 31, 2012 and December 31, 2011, included the following (dollars in thousands):

	Interest	March 31, 2012	December 31, 2011
Rialto Distribution	33.3%	$--	$--
Rialto Cinemas	50.0%	1,697	1,586
205-209 East 57th Street Associates, LLC	25.0%	33	33
Mt. Gravatt	33.3%	6,036	6,220
Total investments		$7,766	$7,839

For the three months ended March 31, 2012 and 2011, we recorded our share of equity earnings from our investments in unconsolidated joint ventures and entities as follows (dollars in thousands):

	Three Months Ended March 31,	
	2012	2011
Rialto Distribution	$61	$57
Rialto Cinemas	31	12
205-209 East 57th Street Associates, LLC	--	33
Mt. Gravatt	321	262
Total equity earnings	$413	$364

Note 8 – Goodwill and Intangible Assets

In accordance with FASB ASC 350-20-35, Goodwill - Subsequent Measurement and Impairment, we perform an annual impairment review in the fourth quarter of our goodwill and other intangible assets on a reporting unit basis, or earlier if changes in circumstances indicate an asset may be impaired. No such circumstances existed during the 2012 Quarter. As of March 31, 2012 and December 31, 2011, we had goodwill consisting of the following (dollars in thousands):

	Cinema	Real Estate	Total
Balance as of December 31, 2011	$17,053	$5,224	$22,277
Foreign currency translation adjustment	528	--	528
Balance at March 31, 2012	$17,581	$5,224	$22,805

We have intangible assets other than goodwill that are subject to amortization, which we amortize over various periods. We amortize our beneficial leases over the lease period, the longest of which is 30 years; our trade name using an accelerated amortization method over its estimated useful life of 45 years; and our other intangible assets over 10 years. For the three months ended March 31, 2012 and 2011, the amortization expense of intangibles totaled $639,000 and $608,000, respectively. The accumulated amortization of intangibles includes $270,000 and $277,000 of the amortization of acquired leases which are recorded in operating expense for the three months ended March 31, 2012 and 2011, respectively.

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

As of March 31, 2012	Beneficial Leases	Trade name	Other Intangible Assets	Total
Gross carrying amount	$24,527	$7,220	$458	$32,205
Less: Accumulated amortization	11,729	2,678	381	14,788
Total, net	$12,798	$4,542	$77	$17,417

As of December 31, 2011	Beneficial Leases	Trade name	Other Intangible Assets	Total
Gross carrying amount	$24,471	$7,220	$456	$32,147
Less: Accumulated amortization	11,238	2,553	357	14,148
Total, net	$13,233	$4,667	$99	$17,999

Note 9 – Prepaid and Other Assets

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

	March 31, 2012	December 31, 2011
Prepaid and other current assets		
Prepaid expenses	$1,389	$1,168
Prepaid taxes	1,059	781
Deposits	605	605
Note receivable	1,800	--
Other	1,238	1,227
Total prepaid and other current assets	$6,091	$3,781
Other non-current assets		
Other non-cinema and non-rental real estate assets	$1,134	$1,134
Long-term deposits	245	264
Deferred financing costs, net	3,399	3,725
Tenant inducement asset	976	1,064
Straight-line rent asset	2,795	2,776
Mortgage notes receivable	895	851
Total non-current assets	$9,444	$9,814

Short Term Note Receivable

On February 29, 2012, we acquired for $1.8 million from the original lender a promissory note which is currently in default and which we believe to be indirectly secured by the 50% membership interest in the Angelika Film Center, LLC not already owned by our Company. The note was acquired in order to protect our interest in the Angelika Film Center, LLC, with the intention of providing for an orderly satisfaction of the debt evidenced by that promissory note.

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Note 10 – Income Tax

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

	Three Months Ended March 31,	
	2012	2011
Expected tax provision (benefit)	$(27)	$(781)
Reduction (increase) in taxes resulting from:		
Change in valuation allowance, other	(483)	909
Foreign income tax provision	904	100
Foreign withholding tax provision	367	103
Tax effect of foreign tax rates on current income	511	(129)
State and local tax provision	113	125
Reserve for federal tax litigation	240	309
Actual tax provision	$1,625	$636

Pursuant to ASC 740-10, a provision should be made for the tax effect of earnings of foreign subsidiaries that are not permanently invested outside the United States. Our intent is that earnings of our foreign subsidiaries are not permanently invested outside the United States. Current earnings were available for distribution in the Reading Australia consolidated group of subsidiaries as of March 31, 2012. There is no withholding tax on dividends paid by an Australian company to its 80% or more U.S. public company shareholder, thus we have not provided foreign withholding taxes for these current retained earnings. We believe the U.S. tax impact of a dividend from our Australian subsidiary, net of loss carry forward and potential foreign tax credits, would not have a material effect on the tax provision as of March 31, 2012.

Deferred income taxes reflect the “temporary differences” between the financial statement carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, adjusted by the relevant tax rate. In accordance with FASB ASC 740-10 – Income Taxes (“ASC 740-10”), we record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making such determination, we consider all available positive and negative evidence, including scheduled reversals of deferred tax assets and liabilities, projected future taxable income, tax planning strategies, and recent financial performance. ASC 740-10 presumes that a valuation allowance is required when there is substantial negative evidence about realization of deferred tax assets, such as a pattern of losses in recent years, coupled with facts that suggest such losses may continue.

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In the period ending June 30, 2011, the Company determined that substantial negative evidence regarding the realizable nature of deferred tax assets continues to exist in the U.S., New Zealand, and Puerto Rico subsidiaries, arising from ongoing pre-tax financial losses. Accordingly, the Company continues to record a full valuation allowance for net deferred tax assets available in these subsidiaries. After consideration of a number of factors for the Reading Australia group, including its recent history of pretax financial income, its expected future earnings, the increase in market value of its real estate assets, which would cause taxable gain if sold, and having executed in June 2011 a credit facility of over $100.0 million to resolve potential liquidity issues, the Company determined that it is more likely than not that deferred tax assets in Reading Australia will be realized. Accordingly, during 2011, Reading Australia reversed $13.8 million of the valuation allowance previously recorded against its net deferred tax, which mainly reflects the loss carryforwards available to offset future taxable income in Australia.

We have accrued $25.5 million in income tax liabilities as of March 31, 2012, of which $14.2 million has been classified as income taxes payable and $11.3 million have been classified as non-current tax liabilities. As part of current tax liabilities, we have accrued $3.5 million in connection with the negotiated Tax Court judgment, dated January 6, 2011, implementing our agreement with the IRS as to the final disposition of the 1996 tax litigation matter. We believe these amounts represent an adequate provision for our income tax exposures, including income tax contingencies related to foreign withholding taxes.

In accordance with FASB ASC 740-10-25 – Income Taxes - Uncertain Tax Positions (“ASC 740-10-25”), we record interest and penalties related to income tax matters as part of income tax expense.

The following table is a summary of the activity related to unrecognized tax benefits, excluding interest and penalties, for the periods ending March 31, 2012 and December 31, 2011, and December 31, 2010 (dollars in thousands):

	Three Months Ended March 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2010
Unrecognized tax benefits – gross beginning balance	$1,974	$8,058	$11,412
Gross increases – prior period tax provisions	95	--	--
Gross increases – current period tax positions	--	151	405
Settlements	--	(6,235)	(3,189)
Statute of limitations lapse	--	--	(570)
Unrecognized tax benefits – gross ending balance	$2,069	$1,974	$8,058

For the three months ending March 31, 2012 we recorded an increase to our gross unrecognized tax benefits of $0.1 million and an increase to tax interest of $0.6 million. The net tax balance is approximately $2.1 million, of which $1.0 million would impact the effective rate if recognized.

It is difficult to predict the timing and resolution of uncertain tax positions. Based upon the Company’s assessment of many factors, including past experience and judgments about future events, it is probable that within the next 12 months the reserve for uncertain tax positions will increase within a range of $0.9 million to $1.8 million. The reasons for such changes include but are not limited to tax positions expected to be taken during the next twelve months, reevaluation of current uncertain tax positions, expiring statutes of limitations, and interest related to the ”Tax Audit/Litigation” settlement which occurred January 6, 2011.

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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 2007 and earlier are barred by statutes of limitations. Our income tax returns of Australia filed since inception in 1995 are generally open for examination because of operating losses. The income tax returns filed in New Zealand and Puerto Rico for calendar year 2006 and afterward generally remain open for examination as of March 31, 2012.

Note 11 – Notes Payable

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

Name of Note Payable or Security	March 31, 2012 Interest Rate	December 31, 2011 Interest Rate	Maturity Date	March 31, 2012 Balance	December 31, 2011 Balance
NAB Australian Corporate Term Loan	7.04%	7.20%	June 30, 2014	$ 87,860	$ 88,671
NAB Australian Corporate Revolver	7.04%	7.20%	June 30, 2014	--	--
Australian Shopping Center Loans	-	-	2012-2014	389	384
New Zealand Corporate Credit Facility	4.80%	4.15%	March 31, 2015	22,960	21,854
Trust Preferred Securities	9.22%	9.22%	April 30, 2027	27,913	27,913
US Cinema 1, 2, 3 Term Loan	6.73%	6.73%	July 1, 2012	15,000	15,000
US GE Capital Term Loan	5.50%	5.50%	December 1, 2015	30,078	32,188
US Liberty Theaters Term Loans	6.20%	6.20%	April 1, 2013	6,545	6,583
US Nationwide Loan 1	8.50%	8.50%	February 21, 2013	596	597
US Sanborn Note	-	7.00%	January 31, 2012	--	250
US Sutton Hill Capital Note – Related Party	8.25%	8.25%	December 31, 2013	9,000	9,000
US Union Square Theatre Term Loan	5.92%	5.92%	May 1, 2015	7,121	7,174
Total				$ 207,462	$ 209,614

Derivative Instruments

As indicated in Note 17 – Derivative Instruments, for our NAB Australian Corporate Credit Facility (“NAB Loan”) and GE Capital Term Loan (“GE Loan”), we have entered into interest rate swap agreements for all or part of these facilities. These swap agreements result in us paying a total fixed interest rate of 8.15% (5.50% swap contract rate plus a 2.65% margin) for our NAB Loan and a total fixed interest rate of 5.84% (1.34% swap contract rate plus a 4.50% margin) for our GE Loan instead of the above indicated 7.04% and 5.50%, respectively, the obligatorily disclosed loan rates.

Renewed New Zealand Credit Facility

On February 8, 2012, we received an approved amendment from Westpac renewing our existing $36.9 million (NZ$45.0 million) New Zealand credit facility with a 3-year credit facility. The renewed facility calls for a decrease in the overall facility by $4.1 million ($5.0 million) to $32.8 million (NZ$40.0 million) and an increase in the facility margin of 0.55% to 2.0%. No other significant changes to the facility were made.

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Note 12 – Other Liabilities

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

	March 31, 2012	December 31, 2011
Current liabilities		
Security deposit payable	$134	$137
Other	38	--
Other current liabilities	$172	$137
Other liabilities		
Foreign withholding taxes	$6,279	$6,212
Straight-line rent liability	8,153	8,067
Lease liability	5,773	5,746
Environmental reserve	1,656	1,656
Accrued pension	4,379	4,289
Interest rate swap	4,391	4,722
Acquired leases	2,581	2,742
Other payable	1,192	1,243
Other	641	962
Other liabilities	$35,045	$35,639

Included in our other liabilities are accrued pension costs of $4.4 million at March 31, 2012. The benefits of our pension plans are fully vested, and, as such, no service costs were recognized for the three months ended March 31, 2012 and 2011. Our pension plans are unfunded; therefore, the actuarial assumptions do not include an estimate for expected return on plan assets. For the three months ended March 31, 2012, we recognized $89,000 of interest cost and $76,000 of amortized prior service cost. For the three months ended March 31, 2011, we recognized $82,000 of interest cost and $82,000 of amortized prior service cost.

Note 13 – Commitments and Contingencies

Unconsolidated Debt

Total debt of unconsolidated joint ventures and entities was $1.0 million and $663,000 as of March 31, 2012 and December 31, 2011. Our share of unconsolidated debt, based on our ownership percentage, was $340,000 and $221,000 as of March 31, 2012 and December 31, 2011. This debt is guaranteed by one of our subsidiaries to the extent of our ownership percentage.

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Note 14 – Noncontrolling interests

Noncontrolling interests are composed of the following enterprises:

- 50% membership interest in Angelika Film Centers LLC ("AFC LLC") owned by a subsidiary of iDNA, Inc.;
- 25% noncontrolling interest in Australia Country Cinemas Pty Ltd ("ACC") owned by Panorama Cinemas for the 21st Century Pty Ltd.;
- 50% interest in the Coachella Land purchase owned by Mr. James J. Cotter, Sr.; and
- 25% noncontrolling interest in the Sutton Hill Properties, LLC owned by SHC.

The components of noncontrolling interests are as follows (dollars in thousands):

	March 31, 2012	December 31, 2011
AFC LLC	$ 1,303	$ 1,125
Australian Country Cinemas	427	360
Coachella Land	2,734	--
Sutton Hill Properties	(339)	(250)
Noncontrolling interests in consolidated subsidiaries	$ 4,125	$ 1,235

The components of income attributable to noncontrolling interests are as follows (dollars in thousands):

	Three Months Ended March 31,	
	2012	2011
AFC LLC	$ 178	$ 192
Australian Country Cinemas	63	74
Elsternwick unincorporated joint venture	--	24
Coachella Land	(21)	--
Sutton Hill Properties	(90)	(57)
Net income attributable to noncontrolling interest	$ 130	$ 233

Coachella Land Purchase

During the 2012 Quarter, Mr. James J. Cotter, our Chairman, Chief Executive Officer and controlling shareholder contributed $2.5 million of cash and $255,000 of his 2011 bonus as his 50% share of the purchase price of a land parcel in Coachella, California. Pursuant to FASB ASC 810-10-05, we have consolidated Mr. Cotter's interest in the property and its expenses with that of our interest and shown his interest as a noncontrolling interest. See Note 6 – Property Acquired, Property Sold, Property Held for Sale, Property Held For and Under Development, and Property and Equipment.

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

	Controlling Stockholders' Equity	Noncontrolling Stockholders' Equity	Total Stockholders' Equity
Equity at – January 1, 2012	$ 123,752	$ 1,235	$ 124,987
Net loss	(239)	130	(109)
Increase in additional paid in capital	180	--	180
Contributions from noncontrolling stockholders	--	2,755	2,755
Accumulated other comprehensive income	4,056	5	4,061
Equity at – March 31, 2012	$ 127,749	$ 4,125	$ 131,874

	Controlling Stockholders' Equity	Noncontrolling Stockholders' Equity	Total Stockholders' Equity
Equity at – January 1, 2011	$ 111,787	$ 852	$ 112,639
Net loss	(2,480)	233	(2,247)
Increase in additional paid in capital	47	--	47
Distributions to noncontrolling stockholders	--	(141)	(141)
Accumulated other comprehensive income	3,056	7	3,063
Equity at – March 31, 2011	$ 112,410	$ 951	$ 113,361

Note 15 – Common Stock

Common Stock Issuance

During the three months ended March 31, 2012 and 2011, we issued 155,925 and 174,825, respectively, of Class A Nonvoting shares to an executive employee associated with his prior years' stock grant.

For the stock options exercised during the 2012 Quarter, we issued in exchange for cash 40,000 shares of Class A Nonvoting Common Stock at an exercise price of $2.50 per share to employees of the corporation under our employee stock option plan. No stock options were exercised during the 2011 Quarter.

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Note 16 – Derivative Instruments

We are exposed to interest rate changes from our outstanding floating rate borrowings. We manage our fixed to floating rate debt mix to mitigate the impact of adverse changes in interest rates on earnings and cash flows and on the market value of our borrowings. From time to time, we may enter into interest rate hedging contracts, which effectively convert a portion of our variable rate debt to a fixed rate over the term of the interest rate swap. In the case of our Australian borrowings, we are presently required to swap no less than 75% of our drawdowns under our Australian Corporate Credit Facility into fixed interest rate obligations. In conjunction with this NAB Credit Facility, we entered into a five-year interest swap agreement, which swaps 100% of our variable rate loan based on BBSY for a 5.50% fixed rate loan, and we have contracted for balance step-downs that correspond with the loan's principal payments through the termination of the loan. Under our GE Capital Term Loan, we are required to swap no less than 50% of our variable rate drawdowns for the first three years of the loan agreement. We elected to swap 100% of the original loan balance on the GE Capital Term Loan and have contracted for balance step-downs that correspond with the loan's principal payments through December 31, 2013. For an explanation of the impact of these swaps on our interest paid for the periods, see Note 11 – Notes Payable.

The following table sets forth the terms of our interest rate swap derivative instruments at March 31, 2012:

Type of Instrument		Notional Amount	Pay Fixed Rate	Receive Variable Rate	Maturity Date
Interest rate swap	$	32,578,000	1.340%	0.470%	December 31, 2013
Interest rate swap	$	87,860,000	5.500%	4.388%	June 30, 2016

In accordance with FASB ASC 815-10-35, Subsequent Valuation of Derivative Instruments and Hedging Instruments ("FASB ASC 815-10-35"), we marked our interest rate swap instruments to market on the consolidated balance sheet resulting in an decrease in interest expense of $331,000 during the three months ended March 31, 2012, and a $149,000 increase in interest expense during the three months ended March 31, 2011. At March 31, 2012 and December 31, 2011, we recorded the fair market value of our interest rate swaps of $4.4 million and $4.7 million, respectively, as other long-term liabilities. In accordance with FASB ASC 815-10-35, we have not designated any of our current interest rate swap positions as financial reporting hedges.

Note 17 – Fair Value of Financial Instruments

We measure the following assets at fair value on a recurring basis subject to the disclosure requirements of FASB ASC 820-20, Fair Value of Financial Instruments (dollars in thousands):

		Book Value		Fair Value	
Financial Instrument	Level	2012	2011	2012	2011
Cash and cash equivalents	1	$29,097	$31,597	$29,097	$31,597
Investment in marketable securities	1	$45	$2,874	$45	$2,874
Interest rate swaps liability	2	$4,391	$4,722	$4,391	$4,722

ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.

- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

- Level 3: Unobservable inputs that are not corroborated by market data (were not used to value any of our assets requiring recurring measurements of fair value).

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We used the following methods and assumptions to estimate the fair values of the assets and liabilities:

Level 1 Fair Value Measurements – are based on market quotes of our marketable securities.

Level 2 Fair Value Measurements – Interest Rate Swaps – The fair value of interest rate swaps are estimated based on market data and quotes from counter parties to the agreements which are corroborated by market data.

Level 3 Fair Value Measurements – we do not have any assets or liabilities that fall into this category for assets measured at fair value on a recurring basis.

Impaired Property - For assets measured on a non-recurring basis, such as real estate assets that are required to be recorded at fair value as a result of an impairment, our estimates of fair value are based on management's best estimate derived from evaluating market sales data for comparable properties developed by a third party appraiser and arriving at management's estimate of fair value based on such comparable data primarily based on properties with similar characteristics.

As of March 31, 2012 and December 31, 2011, we held certain items that are required to be measured at fair value on a recurring basis. These included cash equivalents, available for sale securities, and interest rate derivative contracts. Cash equivalents consist of short-term, highly liquid, income-producing investments, all of which have maturities of 90 days or less. Our available-for-sale securities primarily consist of investments associated with the ownership of marketable securities in New Zealand and the U.S. Derivative instruments are related to our economic hedge of interest rates.

The fair values of the interest rate swap agreements are determined using the market standard methodology of discounting the future cash payments and cash receipts on the pay and receive legs of the interest swap agreements that have the net effect of swapping the estimated variable rate note payment stream for a fixed rate payment stream over the period of the swap. The variable interest rates used in the calculation of projected receipts on the interest rate swap agreements are based on an expectation of future interest rates derived from observable market interest rate curves and volatilities. To comply with the provisions of ASC 820-10, we incorporate credit valuation adjustments to reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. Although we have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by our counterparties and us. However, as of March 31, 2012 and December 31, 2011, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation and determined that the credit valuation adjustments are not significant to the overall valuation of our derivatives. As a result, we have determined that our derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy. The nature of our interest rate swap derivative instruments is described in Note 17 – Derivative Instruments.

We have consistently applied these valuation techniques in all periods presented and believe we have obtained the most accurate information available for the types of derivative contracts we hold. Additionally, there were no transfers of assets and liabilities between levels 1, 2, or 3 during the three months ended March 31, 2012.

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We measure the following liabilities at fair value on a recurring basis subject to the disclosure requirements of FASB ASC 820-20, Fair Value of Financial Instruments (dollars in thousands):

	Book Value		Fair Value	
Financial Instrument	2012	2011	2012	2011
Notes payable	$170,549	$172,701	$163,189	$166,152
Notes payable to related party	$9,000	$9,000	$N/A	$N/A
Subordinated debt	$27,913	$27,913	$19,957	$20,544

The fair value of notes payable to related party cannot be determined due to the related party nature of the terms of the notes payable.

We estimated the fair value of our secured mortgage notes payable, our unsecured notes payable, trust preferred securities, and other debt instruments by performing discounted cash flow analyses using an appropriate market discount rate. We calculated the market discount rate by obtaining period-end treasury rates for fixed-rate debt, or LIBOR rates for variable-rate debt, for maturities that correspond to the maturities of our debt, adding appropriate credit spreads derived from information obtained from third-party financial institutions. These credit spreads take into account factors such as our credit standing, the maturity of the debt, whether the debt is secured or unsecured, and the loan-to-value ratios of the debt.

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

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

- cinema exhibition, through our 56 multiplex cinemas; and
- real estate, including real estate development and the rental of retail, commercial and live theater assets.

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

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

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

We continue to consider opportunities to expand our cinema operations, while at the same time continuing to cull those cinema assets which are underperforming or have unacceptable risk profiles on a go forward basis.

Although we have curtailed our real estate development activities, we remain opportunistic in our acquisitions of both cinema and real estate assets. Our business plan going forward is to continue the build-out of our existing development properties and to seek out additional, profitable real estate development opportunities while continuing to use and judiciously expand our presence in the cinema exhibition business by identifying, developing, and acquiring cinema properties when and where appropriate. In addition, we will continue to investigate potential synergistic acquisitions that may not readily fall into either of our two currently identified segments.

On January 10, 2012, Shadow View Land and Farming, LLC, a limited liability company owned by our Company, acquired a 202-acre property, zoned for the development of up to 843 single-family residential units, located in the City of Coachella, California. The property was acquired at a foreclosure auction for $5.5 million. The property was acquired as a long-term investment in developable land with the intention of using it in the interim for agricultural purposes. Half of the funds used to acquire the land were provided by James J. Cotter, our Chairman, Chief Executive Officer and controlling shareholder. Upon the approval of our Conflicts Committee, these funds were converted on January 18, 2012 into a 50% interest. The limited liability company is administratively managed by our Company.

We continue to consider the potential sale of certain of our real estate assets. As part of this business strategy, on February 21, 2012, we sold the three properties in the Taringa area of Brisbane, Australia of approximately 1.1 acres for $1.9 million (AUS$1.8 million). Also, we continue to consider various methods to monetize all or at least the residential portion of our Burwood development site and our Lake Taupo properties even though they cannot be classified as a property held for sale pursuant to ASC 360-10-45.

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Results of Operations

At March 31, 2012, we owned and operated 51 cinemas with 429 screens, had interests in certain unconsolidated joint ventures and entities that own an additional 3 cinemas with 29 screens and managed 2 cinemas with 9 screens. In real estate during the period, we (i) owned and operated four Entertainment Themed Retail Centers ("ETRCs") that we developed in Australia and New Zealand, (ii) owned the fee interests in four developed commercial properties in Manhattan and Chicago improved with live theaters comprising seven stages and ancillary retail and commercial space, (iii) owned the fee interests underlying one of our Manhattan cinemas, (iv) held for development an additional seven parcels aggregating approximately 129 acres located principally in urbanized areas of Australia and New Zealand, and (v) owned 50% of a 202-acre property, zoned for the development of up to 843 single-family residential units in Coachella, California.

Operating expense includes costs associated with the day-to-day operations of the cinemas and the management of rental properties, including our live theater assets. Our year-to-year results of operations were impacted by the fluctuation in the value of the Australian and New Zealand dollars vis-à-vis the US dollar resulting in an increase in results of operations for our foreign operations for 2012 compared to 2011.

The tables below summarize the results of operations for each of our principal business segments for the three ("2012 Quarter") months ended March 31, 2012 and the three ("2011 Quarter") months ended March 31, 2012, respectively (dollars in thousands):

Three Months Ended March 31, 2012	Cinema Exhibition	Real Estate	Intersegment Eliminations	Total
Revenue	$57,402	$7,132	$ (1,882)	$62,652
Operating expense	48,215	2,795	(1,882)	49,128
Depreciation & amortization	2,830	1,228	--	4,058
General & administrative expense	702	179	--	881
Segment operating income	$5,655	$2,930	$ --	$8,585

Three Months Ended March 31, 2011	Cinema Exhibition	Real Estate	Intersegment Eliminations	Total
Revenue	$49,473	$6,436	$ (1,667)	$54,242
Operating expense	43,140	2,431	(1,667)	43,904
Depreciation & amortization	2,904	1,222	--	4,126
General & administrative expense	612	187	--	799
Segment operating income	$2,817	$2,596	$ --	$5,413

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Reconciliation to net loss attributable to Reading International, Inc. shareholders:	2012 Quarter	2011 Quarter
Total segment operating income	$8,585	$5,413
Non-segment:		
Depreciation and amortization expense	139	3
General and administrative expense	3,539	3,436
Operating income	4,907	1,974
Interest expense, net	(3,759)	(3,930)
Other expense	(45)	(19)
Income tax expense	(1,625)	(636)
Equity earnings of unconsolidated joint ventures and entities	413	364
Net loss	$(109)	$(2,247)
Net income attributable to noncontrolling interests	(130)	(233)
Net loss attributable to Reading International, Inc. common shareholders	$(239)	$(2,480)

Cinema Exhibition Segment

Included in the cinema exhibition segment above is revenue and expense from the operations of 51 cinema complexes with 429 screens during the 2012 Quarter and 52 cinema complexes with 421 screens during the 2011 Quarter and management fee income from 2 cinemas with 9 screens in both years reflecting the purchase of our CalOaks Cinema in Marietta, California cinema with 17 screens in August 2011, the sale of our Elsternwick cinema in Australia with 5 screens in April 2011, and the closing of our Hastings, New Zealand cinema with 4 screens in January 2012. The following tables detail our cinema exhibition segment operating results for the three months ended March 31, 2012 and 2011, respectively (dollars in thousands):

Three Months Ended March 31, 2012	United States	Australia	New Zealand	Total
Admissions revenue	$19,523	$17,418	$3,163	$40,104
Concessions revenue	7,648	5,972	875	14,495
Advertising and other revenues	1,250	1,386	167	2,803
Total revenues	28,421	24,776	4,205	57,402
Cinema costs	23,221	18,804	3,530	45,555
Concession costs	1,243	1,200	217	2,660
Total operating expense	24,464	20,004	3,747	48,215
Depreciation and amortization	1,650	926	254	2,830
General & administrative expense	518	184	--	702
Segment operating income	$1,789	$3,662	$204	$5,655

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Three Months Ended March 31, 2011	United States	Australia	New Zealand	Total
Admissions revenue	$15,348	$16,819	$2,991	$35,158
Concessions revenue	5,793	5,186	741	11,720
Advertising and other revenues	1,095	1,341	159	2,595
Total revenues	22,236	23,346	3,891	49,473
Cinema costs	20,078	17,582	3,290	40,950
Concession costs	888	1,128	174	2,190
Total operating expense	20,966	18,710	3,464	43,140
Depreciation and amortization	1,620	1,009	275	2,904
General & administrative expense	469	143	--	612
Segment operating income (loss)	$(819)	$3,484	$152	$2,817

- Cinema revenue increased for the 2012 Quarter by $7.9 million or 16.0% compared to the same period in 2011. The 2012 Quarter increase was primarily from an increase in U.S. box office attendance of 518,000 from improved film product compared to the same period in 2011 resulting in an increase in box office revenue of $4.2 million and an increase in concessions and other revenue of $2.0 million. Our Australia and New Zealand admissions were relatively flat but our revenue increased from these regions due to an increase in the value of the Australia and New Zealand dollars compared to the U.S. dollar (see below).

- Operating expense increased for the 2012 Quarter by $5.1 million or 11.8% compared to the same period in 2011. This increase followed the increased revenues noted above primarily relating to the improved film product in 2012 compared to 2011. The increase in expense was also as a result of an increase in the value of the Australia and New Zealand dollars compared to the U.S. dollar (see below). Overall, our operating expense as a percent of gross revenue decreased from 87.2% to 84.0% primarily resulting from an increase in admissions which drove down our labor per admit costs and from our fixed rent costs relative to the aforementioned increase in revenue.

- General and administrative costs increased for the 2012 Quarter by $90,000 or 14.7% compared to the same period in 2011 due to an increase in payroll and related costs for our U.S. and Australia cinema circuits.

- For our statement of operations, Australia and New Zealand quarterly average exchange rates have increased by 5.0% and 8.2%, respectively, since the 2011 Quarter, which had an impact on the individual components of our income statement.

- Because of the above, and driven by the increased revenue, the cinema exhibition segment income increased for the 2012 Quarter by $2.8 million compared to the same period in 2011, a 100.7% increase.

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Real Estate Segment

The following tables detail our real estate segment operating results for the three months ended March 31, 2012 and 2011, respectively (dollars in thousands):

Three Months Ended March 31, 2012	United States	Australia	New Zealand	Total
Live theater rental and ancillary income	$899	$--	$--	$899
Property rental income	419	3,858	1,956	6,233
Total revenues	1,318	3,858	1,956	7,132
Live theater costs	515	--	--	515
Property rental cost	300	1,449	531	2,280
Total operating expense	815	1,449	531	2,795
Depreciation and amortization	78	817	333	1,228
General & administrative expense	9	157	13	179
Segment operating income	$416	$1,435	$1,079	$2,930

Three Months Ended March 31, 2011	United States	Australia	New Zealand	Total
Live theater rental and ancillary income	$853	$--	$--	$853
Property rental income	470	3,319	1,794	5,583
Total revenues	1,323	3,319	1,794	6,436
Live theater costs	500	--	--	500
Property rental cost	142	1,352	437	1,931
Total operating expense	642	1,352	437	2,431
Depreciation and amortization	82	783	357	1,222
General & administrative expense	9	157	21	187
Segment operating income	$590	$1,027	$979	$2,596

- Real estate revenue increased for the 2012 Quarter by $696,000 or 10.8% compared to the same period in 2011. Our Australia and New Zealand revenue increased primarily due to higher rents in 2012 compared to the same period in 2011 coupled with a year over year increase in the value of the Australia and New Zealand dollars compared to the U.S. dollar. This increase translated to higher Australian and New Zealand revenues for the 2012 Quarter compared to the 2011 Quarter (see below). The change in our U.S. real estate revenues from the 2012 Quarter to the 2011 Quarter was relatively flat.

- Operating expense for the real estate segment increased for the 2012 Quarter by $364,000 or 15.0% compared to the same period in 2011. This increase resulted from higher repairs, maintenance, and insurance costs for our operating properties and from legal costs incurred in 2012 associated with our old railroad properties.

- For our statement of operations, Australia and New Zealand quarterly average exchange rates have increased by 5.0% and 8.2%, respectively, since the 2011 Quarter, which had an impact on the individual components of our income statement.

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As a result of the above, real estate segment income increased for the 2012 Quarter by $334,000 or 12.9% compared to the same period in 2011.

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Corporate

Quarterly Results

General and administrative expense includes expenses that are not directly attributable to other operating segments. General and administrative expense increased by $103,000 in the 2012 Quarter compared to the 2011 Quarter primarily related to an increase in compensation expense; an increase in litigation related legal costs in Australia and in the U.S.; an increase in professional fees in Australia for information systems and tax consulting; and additional costs associated with relocating our office in Los Angeles, California; offset by, cost savings relating to the transfer of our accounting department from Australia and the U.S. to New Zealand.

Net interest expense decreased by $171,000 for the 2012 Quarter compared to the 2011 Quarter. The decrease in interest expense during the 2012 Quarter was primarily due to the change in fair value of our interest rate swaps in 2012 resulting in a net decrease in interest expense compared to a net increase for the same period in 2011.

For the 2012 Quarter, we recorded an other expense of $45,000 compared to an other expense of $19,000 for the 2011 Quarter. The 2012 Quarter other expense was primarily related to a litigation loss associated with our former Houston cinema lease offset by a gain on sale of marketable securities and the 2011 Quarter other expense was primarily related to the write off of certain long-term assets.

For the 2012 Quarter, income tax expense increased by $989,000 primarily relating to taxable income generated by our Australia group of subsidiaries.

For the 2012 Quarter, we recorded an increase in our equity earnings of unconsolidated joint ventures and entities of $49,000 primarily due to improved earnings from our Mt. Gravatt investment.

Net Loss Attributable to Reading International, Inc. Common Shareholders

We recorded a net loss attributable to Reading International, Inc. common shareholders of $239,000 for the 2012 Quarter compared to a net loss of $2.5 million for the 2011 Quarter. As described above, the $2.2 million change in net loss from 2011 to 2012 related to a $2.8 million increase in operating income offset by a $989,000 increase in tax expense. The increase in operating income was primarily from our cinema operations driven by a worldwide cinema attendance increase of 544,000.

Acquisition

Coachella, California Land Acquisition

On January 10, 2012, Shadow View Land and Farming, LLC, a limited liability company owned by our Company, acquired a 202-acre property, zoned for the development of up to 843 single-family residential units, located in the City of Coachella, California. The property was acquired at a foreclosure auction for $5.5 million. The property was acquired as a long-term investment in developable land with the intention of using it in the interim for agricultural purposes. Half of the funds used to acquire the land were provided by Mr. James J. Cotter, our Chairman, Chief Executive Officer and controlling shareholder. Upon the approval of our Conflicts Committee, these funds were converted on January 18, 2012 into a 50% interest. The limited liability company is administratively managed by our Company.

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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 development of our existing land assets to be sensitive to opportunities to convert our entertainment assets to higher and better uses, or, when appropriate, dispose of such assets. Because we believe that current economic conditions are not conducive to obtaining the pre-construction leasing commitments necessary to justify commencement of construction, we currently focus our development efforts on improving and enhancing land entitlements and negotiating with end users for build to suit projects. In addition, we review opportunities to monetize our assets where such action leads to a financially acceptable outcome. We will also continue to investigate potential synergistic acquisitions that may not readily fall into either of our two currently identified segments.

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, 2012 (in thousands):

	2012	2013	2014	2015	2016	Thereafter	Total
Debt	$ 25,459	$ 31,320	$ 69,967	$ 43,803	$ --	$ --	$ 170,549
Notes payable to related parties	--	9,000	--	--	--	--	9,000
Subordinated notes (trust preferred securities)	--	--	--	--	--	27,913	27,913
Pension liability	7	20	30	40	50	4,232	4,379
Lease obligations	23,804	28,687	25,309	21,264	19,769	77,699	196,532
Estimated interest on debt	9,869	11,260	6,927	2,609	1,568	16,460	48,693
Total	$ 59,139	$ 80,287	$ 102,233	$ 67,716	$ 21,387	$ 126,304	$ 457,066

We base estimated interest on long-term debt on the anticipated loan balances for future periods calculated against current fixed and variable interest rates.

We adopted FASB ASC 740-10-25, Income Taxes – Uncertain Tax Positions on January 1, 2007. As of adoption, the total amount of gross unrecognized tax benefits for uncertain tax positions was $12.5 million decreasing to $2.1 million as of March 31, 2012 mainly as a result of the settlement on January 6, 2011 of the Tax Audit/Litigation matter.

Unconsolidated Debt

Total debt of unconsolidated joint ventures and entities was $1.0 million and $663,000 as of March 31, 2012 and December 31, 2011. Our share of unconsolidated debt, based on our ownership percentage, was $340,000 and $221,000 as of March 31, 2012 and December 31, 2011. This debt is guaranteed by one of our subsidiaries to the extent of our ownership percentage.

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.

Currency Risk

We are subject to currency risk because we conduct a significant portion of our business in Australia and New Zealand. Set forth below is a chart indicating the various exchange rates at certain points in time for the Australian and New Zealand Dollar vis-à-vis the US Dollar over the past 20 years.

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, we have procured in local currencies the majority of our expenses in Australia and New Zealand. Due to the developing nature of our operations in Australia and New Zealand and our historic practice of funding our asset growth through local borrowings, our revenues are not yet significantly greater than our operating expenses and interest charges in these countries. As we continue to progress with our acquisition and development activities in Australia and New Zealand, the effect of variations in currency values will likely increase.

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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.

Currently, our liquidity needs arise primarily from:

- capital expenditure needs for our expanding digital and 3D implementations;
- working capital requirements; and
- debt servicing requirements.

Long-Term Debt

Renewed New Zealand Credit Facility

On February 8, 2012, we received an approved amendment from Westpac renewing our existing $36.9 million (NZ$45.0 million) New Zealand credit facility with a 3-year credit facility. The renewed facility calls for a decrease in the overall facility by $4.1 million ($5.0 million) to $32.8 million (NZ$40.0 million) and an increase in the facility margin of 0.55% to 2.0%. No other significant changes to the facility were made.

Liquidity Requirements

Cinemas 1, 2, 3 Term Loan

As our Cinemas 1, 2, 3 loan is due to mature on July 1, 2012, the March 31, 2012 outstanding balance of this debt of $15.0 million is classified as current on our balance sheet. We intend to either refinance the property's debt with similar financing or a bridge loan until we have secured an agreement to sell the property.

Tax Settlement Liability

As indicated in our 2011 Annual Report, in accordance with the agreement between the U.S. Internal Revenue Service and our subsidiary, Craig Corporation, we are obligated to pay $290,000 per month, $3.5 million per year, in settlement for our tax liability for tax year ending June 30, 1997.

For the abovementioned liabilities, we believe that we have sufficient borrowing capacity under our various credit facilities, together with our $29.1 million cash balance, to meet our anticipated short-term working capital requirements for the next twelve months.

Operating Activities

Cash provided by operations was $2.2 million in the 2012 Quarter compared to $451,000 in the 2011 Quarter. The year-to-year increase in cash provided by operations of $1.8 million was due primarily to a $3.2 million increase of operational cash flows offset by a $1.4 million change in operating assets and liabilities.

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Investing Activities

Cash used in investing activities for the 2012 Quarter was $3.5 million compared to $4.2 million from the same period in 2011, a change of $0.8 million. The $3.5 million of cash used in investing activities for the 2012 Quarter was primarily related to:

- $1.1 million in property enhancements to our existing properties;
- $1.8 million to purchase a note receivable; and
- $5.5 million for the purchase of the Coachella land acquisition;

offset by

- $16,000 of a change in restricted cash;
- $1.9 million of proceeds from the sale of our Taringa properties; and
- $3.0 million of proceeds from the sale of marketable securities.

The $4.2 million cash used for the 2011 Quarter was primarily related to:

- $1.5 million in property enhancements to our existing properties;
- $2.8 million for the purchase of mortgage notes receivable; and
- $85,000 of a change in restricted cash;

offset by

- $181,000 of a property sale deposit.

Financing Activities

Cash used in financing activities for the 2012 Quarter was $1.7 million compared to $4.5 million for the same period in 2011 resulting in a change of $2.8 million. The $1.7 million in cash used in financing activities during the 2012 Quarter was primarily related to:

- $2.5 million in noncontrolling interests' contributions;

offset by

- $4.3 million of loan repayments including $2.1 million in payments on our GE Capital Loan and $1.8 million in payments on our NAB term debt.

The $4.5 million in cash used in financing activities during the 2011 Quarter was primarily related to:

- $1.1 million of borrowing on our New Zealand credit facility;

offset by

- $5.5 million of loan repayments including a $3.4 million pay down of our GE Capital Loan and $2.0 million pay down of our Nationwide Notes; and
- $141,000 in noncontrolling interests' distributions.

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Critical Accounting Policies

The SEC defines critical accounting policies as those that are, in management's view, most important to the portrayal of the company's financial condition and results of operations and the most demanding in their calls on judgment. Although accounting for our core business of cinema and live theater 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.

We discuss these critical accounting policies in our 2011 Annual Report and advise you to refer to that discussion.

Financial Risk Management

Our internally developed risk management procedure, seeks to minimize the potentially negative effects of changes in currency 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 currency 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.

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 derivative contracts.

In accordance with FASB ASC 815-10-35, Subsequent Valuation of Derivative Instruments and Hedging Instruments ("FASB ASC 815-10-35"), we marked our interest rate swap instruments to market on the consolidated balance sheet resulting in an decrease in interest expense of $331,000 during the three months ended March 31, 2012, and a $149,000 increase in interest expense during the three months ended March 31, 2011. At March 31, 2012 and December 31, 2011, we recorded the fair market value of our interest rate swaps of $4.4 million and $4.7 million, respectively, as other long-term liabilities. In accordance with FASB ASC 815-10-35, 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, we have managed the effects of inflation appropriately, and, as a result, it has not had a material impact on our operations and the resulting financial position or liquidity.

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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;
- environmental 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 work out to be approximately 60% of the amounts actually spent where first class legal counsel is engaged at customary rates. Where we are a plaintiff, we have likewise made no provision for the liability for the defendant's attorneys' fees in the event we are determined not to be the prevailing party.

Where we are the defendants, we accrue for probable damages, which insurance may not cover, as they become known and can be reasonably estimated. In our opinion, any claims and litigation in which we are currently involved are not reasonably likely to have a material adverse effect on our business, results of operations, financial position, or liquidity. 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 2011 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 simi 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 views as to the risks and uncertainties involved, and may have different views as to future events or our operating performance.

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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 continued willingness of moviegoers to spend money on our concession items;
  - The comparative attractiveness of motion pictures as a source of entertainment and willingness and/or ability of consumers (i) to spend their dollars on entertainment and (ii) to spend their entertainment dollars on movies in an outside the home environment;
  - The extent to which we encounter competition from other cinema exhibitors, from other sources of outside 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”;
  - the extent to which we can digitalize our cinema circuit compared to our competitors; and
  - The extent to and the efficiency with which, we are able to integrate acquisitions of cinema circuits with our existing operations.

- With respect to our real estate development and operation activities:

  - The rental rates and capitalization rates applicable to the markets in which we operate and the quality of properties that we own;
  - The extent to which we can obtain on a timely basis the various land use approvals and entitlements needed to develop our properties;
  - The risks and uncertainties associated with real estate development;
  - The availability and cost of labor and materials;
  - Competition for development sites and tenants;
  - Environmental remediation issues; and
  - The extent to which our cinemas can continue to serve as an anchor tenant who will, in turn, be influenced by the same factors as will influence generally the results of our cinema operations.

- With respect to our operations generally as an international company involved in both the development and operation of cinemas and the development and operation of real estate; and previously engaged for many years in the railroad business in the United States:

- Our ongoing access to borrowed funds and capital and the interest that must be paid on that debt and the returns that must be paid on such capital;
- The relative values of the currency used in the countries in which we operate;
- Changes in government regulation;

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- Our labor relations and costs of labor (including future government requirements with respect to pension liabilities, disability insurance and health coverage, and vacations and leave);

- Our exposure from time to time to legal claims and to uninsurable risks such as those related to our historic railroad operations, including potential environmental claims and health related claims relating to alleged exposure to asbestos or other substances now or in the future, recognized as being possible causes of cancer or other health related problems;

- Changes in future effective tax rates and the results of currently ongoing and future potential audits by taxing authorities having jurisdiction over our various companies; and

- Changes in applicable accounting policies and practices.

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

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

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

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

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Item 3 – Quantitative and Qualitative Disclosure about Market Risk

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

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

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

At March 31, 2012, approximately 56% and 17% of our assets were invested in assets denominated in Australian dollars (Reading Australia) and New Zealand dollars (Reading New Zealand), respectively, including approximately $19.9 million in cash and cash equivalents. At December 31, 2011, approximately 57% and 16% of our assets were invested in assets denominated in Australian dollars (Reading Australia) and New Zealand dollars (Reading New Zealand) including approximately $19.8 million in cash and cash equivalents.

Our policy in Australia and New Zealand is to match revenues and expenses, whenever possible, in local currencies. As a result, we have procured in local currencies a majority of our expenses in Australia and New Zealand. Due to the developing nature of our operations in Australia and New Zealand, our revenue is not yet significantly greater than our operating and interest expenses. Despite this natural hedge, recent movements in foreign currencies have had an effect on our current earnings. Although foreign currency has had a nominal effect on our current earnings, the effect of the translation adjustment on our assets and liabilities noted in our other comprehensive income was an increase of $4.0 million for the three months ended March 31, 2012, respectively. As we continue to progress our acquisition and development activities in Australia and New Zealand, we cannot assure you that the foreign currency effect on our earnings will be negligible in the future.

Historically, our policy has been to borrow in local currencies to finance the development and construction of our ETRCs 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 (TPS) in 2007, and their subsequent partial repayment, approximately 58% and 47% 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 $14.2 million and $3.5 million, respectively, and the change in our quarterly net income (loss) would be $115,000 and $63,000, respectively. Presently, we have no plan to hedge such exposure.

We record unrealized foreign currency translation gains or losses that could materially affect our financial position. As of March 31, 2012 and December 31, 2011, we have recorded a cumulative unrealized foreign currency translation gain of approximately $64.1 million and $60.1 million, respectively.

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

While we have typically used fixed rate financing (secured by first mortgages) in the U.S., fixed rate financing is typically not available to corporate borrowers in Australia and New Zealand. The majority of our Australian and New Zealand bank loans have variable rates. The Australian facility provides for floating interest rates, but requires that not less than a certain percentage of the loan be swapped into fixed rate obligations (see Financial Risk Management above). If we consider the interest rate swaps, a 1% increase or decrease in short-term interest rates would have resulted in approximately $70,000 increase or decrease in our 2012 Quarter’s Australian and New Zealand interest expense.

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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 SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such, term is defined under Rule 13a-15(e) promulgated under the 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 effective as of the end of the period covered by this quarterly report.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the quarter ended March 31, 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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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, 2011.

Item 1A – Risk Factors

There have been no material changes in risk factors as previously disclosed in our annual report on Form 10-K filed on March 15, 2012 with the SEC for the fiscal year ended December 31, December 31, 2011.

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

For a description of grants of stock to certain executives, see the Stock Based Compensation section under see Note 2 – Equity and Stock-Based Compensation, above.

Item 3 – Defaults upon Senior Securities

None.

Item 5 – Other Information

None.

Item 6 - Exhibits

31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
32	Certifications Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation
101.DEF	XBRL Taxonomy Extension Definition
101.LAB	XBRL Taxonomy Extension Labels
101.PRE	XBRL Taxonomy Extension Presentation

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SIGNATURES

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

READING INTERNATIONAL, INC.

Date:	May 9, 2012	By:	/s/ James J. Cotter James J. Cotter Chief Executive Officer
Date:	May 9, 2012	By:	/s/ Andrzej Matyczynski Andrzej Matyczynski Chief Financial Officer

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