SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended: September 30, 2005

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.)
500 Citadel Drive Suite 300, Commerce CA (Address of principal executive offices)	90040 (Zip Code)

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of November 7, 2005, there were 20,990,458 shares of Class A Nonvoting Common Stock, $0.01 par value per share and 1,495,490 shares of Class B Voting Common Stock, $0.01 par value per share outstanding.

READING INTERNATIONAL, INC. AND SUBSIDIARIES

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PART I – Financial Information

Item 1 – Financial Statements

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

	September 30, 2005	December 31, 2004
ASSETS		
Cash and cash equivalents	$ 10,202	$ 12,292
Receivables	6,217	7,162
Inventory	562	720
Investment in marketable securities, at cost	108	29
Restricted cash	3	815
Assets held for sale	--	10,931
Prepaid and other current assets	2,286	2,181
Total current assets	19,378	34,130
Property & equipment, net	190,130	131,672
Property held for development	6,771	27,346
Investments in unconsolidated joint ventures	8,462	7,352
Capitalized leasing costs, net	16	20
Goodwill	13,644	13,816
Intangible assets, net	9,986	11,957
Other assets	2,662	3,933
Total assets	$ 251,049	$ 230,226

See accompanying notes to consolidated financial statements.

Reading International, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets (Unaudited)
(dollars in thousands, except per share amounts)

	September 30, 2005	December 31, 2004
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued liabilities	$ 12,570	$ 12,335
Film rent payable	3,218	3,508
Notes payable – current portion	1,638	401
Income taxes payable	7,174	6,714
Deferred current revenue	2,092	2,177
Liabilities related to assets held for sale	--	15,210
Other current liabilities	69	599
Total current liabilities	26,761	40,944
Notes payable – long-term portion	90,552	67,664
Notes payable to related parties	14,000	5,000
Deferred non-current revenue	530	522
Other liabilities	11,079	10,615
Total liabilities	142,922	124,745
Commitments and contingencies	--	--
Minority interest in consolidated subsidiaries	3,470	3,470
Stockholders' equity		
Class A Nonvoting Common Stock, par value $0.01, 100,000,000 shares authorized, 35,461,983 issued and 20,983,708 outstanding at September 30, 2005 and 34,444,167 issued and 20,452,733 outstanding at December 31, 2004	210	205
Class B Voting Common Stock, par value $0.01, 20,000,000 shares authorized, 2,148,745 issued and 1,495,490 outstanding at September 30, 2005 and 2,198,761 shares issued and 1,545,506 outstanding at December 31, 2004	15	15
Nonvoting Preferred Stock, par value $0.01, 12,000 shares authorized	--	--
Additional paid-in capital	128,001	124,307
Accumulated deficit	(51,375)	(54,902)
Treasury shares	(3,515)	--
Accumulated other comprehensive income	31,321	32,386
Total stockholders' equity	104,657	102,011
Total liabilities and stockholders' equity	$ 251,049	$ 230,226

See accompanying notes to consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	**2004**	**2005**	**2004**
Revenue				
Cinema	$ 21,429	$ 20,919	$ 64,328	$ 54,934
Real estate	3,380	3,245	10,858	9,262
	24,809	24,164	75,186	64,196
Operating expense				
Cinema	17,140	16,327	52,375	43,842
Real estate	1,484	1,596	5,148	4,929
Depreciation and amortization	3,242	3,052	9,409	8,474
General and administrative	5,600	3,896	13,479	10,791
	27,466	24,871	80,411	68,036
Operating loss	(2,657)	(707)	(5,225)	(3,840)
Non-operating income (expense)				
Interest income	40	190	149	785
Interest expense	(1,783)	(881)	(3,465)	(2,559)
(Loss) gain on sale of assets	(2)	2	(5)	129
Other (loss) income	(263)	(64)	29	1,500
Loss before minority interest expense, discontinued operations, income tax expense, and equity earnings of unconsolidated joint ventures	(4,665)	(1,460)	(8,517)	(3,985)
Minority interest expense	140	135	559	245
Loss from continuing operations	(4,805)	(1,595)	(9,076)	(4,230)
Discontinued operations:				
Gain on disposal of business operations	--	--	13,610	--
Loss from discontinued operations	--	(533)	(1,379)	(461)
(Loss) income before income tax expense and equity earnings of unconsolidated joint ventures	(4,805)	(2,128)	3,155	(4,691)
Income tax expense	190	327	643	762
(Loss) income before equity earnings of unconsolidated joint ventures	(4,995)	(2,455)	2,512	(5,453)
Equity earnings of unconsolidated joint ventures	423	293	1,013	1,355
Net (loss) income	$ (4,572)	$ (2,162)	$ 3,525	$ (4,098)
(Loss) earnings per common share – basic:				
Loss from continuing operations	$ (0.20)	$ (0.08)	$ (0.39)	$ (0.17)
Income (loss) from discontinued operations, net	0.00	(0.02)	0.55	(0.02)
Basic (loss) earnings per share	$ (0.20)	$ (0.10)	$ 0.16	$ (0.19)
Weighted average number of shares outstanding – basic	22,437,569	21,899,290	22,168,652	21,899,290
(Loss) earnings per common share – diluted:				
Loss from continuing operations	$ (0.20)	$ (0.08)	$ (0.39)	$ (0.17)
Income (loss) from discontinued operations, net	0.00	(0.02)	0.55	(0.02)
Diluted (loss) earnings per share	$ (0.20)	$ (0.10)	$ 0.16	$ (0.19)
Weighted average number of shares outstanding – diluted	22,437,569	21,899,290	22,168,652	21,899,290

See accompanying notes to consolidated financial statements.

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

	Nine Months Ended September 30,	
	2005	**2004**
Operating Activities		
Net income (loss)	$ 3,525	$ (4,098)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Gain recognized on foreign currency transactions	(398)	(1,642)
Equity earnings of unconsolidated joint ventures	(1,013)	(1,355)
Distributions of earnings from joint ventures	754	943
Gain on sale Puerto Rico operations	(1,597)	--
Gain on sale of Glendale Building	(12,013)	--
Loss (gain) on disposal of assets	5	(129)
Depreciation and amortization	9,409	8,474
Other, net	--	83
Minority interest	559	245
Changes in operating assets and liabilities:		
Decrease (increase) in receivables	944	(2,520)
(Increase) decrease in assets held for sale	(229)	1,156
Decrease (increase) in prepaid and other assets	656	(1,765)
Decrease in accounts payable and accrued expenses	(1,011)	(1,164)
Decrease in film rent payable	(907)	(817)
(Decrease) increase in deferred revenues and other liabilities	(1,224)	3,173
Decrease in liabilities of assets held for sale	(335)	(39)
Net cash (used in) provided by operating activities	(2,875)	545
Investing activities		
Proceeds from sale of Puerto Rico	2,335	--
Proceeds from sale of Glendale Building	10,300	--
Acquisitions	(14,354)	(14,319)
Purchase of property and equipment	(23,244)	(617)
Increase in property held for development	--	(1,118)
Investment in joint venture	(905)	(2,433)
Change in restricted cash	1,020	(2,273)
(Purchase) sale of marketable securities	(79)	52
Repayment of loan receivable	--	13,000
Proceeds from disposal of assets	514	157
Net cash used in investing activities	(24,411)	(7,551)
Financing activities		
Repayment of long-term borrowings	(305)	(9,641)
Proceeds from borrowings	25,707	3,359
Proceeds from exercise of stock options	91	--
Minority interest distributions	(557)	(613)
Net cash provided by (used in) financing activities	24,936	(6,895)
Effect of exchange rate changes on cash and cash equivalents	260	85
Decrease in cash and cash equivalents	(2,090)	(13,816)
Cash and cash equivalents at beginning of period	12,292	21,735
Cash and cash equivalents at end of period	$ 10,202	$ 7,919
Supplemental Disclosures		
Interest paid	$ 4,411	$ 2,361
Income taxes paid	$ 254	$ 127
Non-cash transactions		
Common stock issued for note receivable (Note 2)	$ 55	$ --
Buyer assumption of note payable on Glendale Building	$ 10,103	$ --
Non-cash financing of acquisitions (Note 18)	$ 9,000	$ 9,572
Property addition from purchase option asset	$ 1,337	$ --
Treasury shares received	$ (3,515)	$ --
Stock options exercised in exchange for treasury shares received	$ 3,515	$ --

See accompanying notes to consolidated financial statements.

Note 1 – Basis of Presentation

Reading International, Inc., a Nevada corporation ("RII" and collectively with our consolidated subsidiaries and corporate predecessors, the "Company," "Reading" and "we," "us," or "our"), was incorporated in 1999 as Citadel Holding Corporation, a Nevada corporation ("CDL"), is the successor to Citadel Holding Corporation, a Delaware corporation incorporated in 1983 ("CDL Del") and was renamed Reading incident to the merger of CDL, Craig Corporation and Reading Entertainment, Inc. in 2001. The current company and its predecessors have been in business in the United States since 1831. Today, our businesses consist primarily of:

- the development, ownership and operation of multiplex cinemas in the United States, Australia and New Zealand; and
- the development, ownership and operation of retail and commercial real estate in Australia, New Zealand and the United States, including entertainment-themed retail centers ("ETRC") in Australia and New Zealand and live theater assets in Manhattan and Chicago in 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 for interim reporting. As such, certain information and footnote disclosures typically required by US GAAP for complete financial statements have been condensed or omitted. Other than the disclosure of discontinued operations, there have been no material changes in the information disclosed in the notes to the condensed consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2004 ("2004 Annual Report"). The financial information presented in this quarterly report on Form 10-Q for the period ended September 30, 2005 (the "September Report"), including the information under the heading, Management's Discussion and Analysis of Financial Condition and Results of Operations, should be read in conjunction with our 2004 Annual Report which contains the latest audited financial statements and related footnotes.

In the opinion of management, all adjustments of a normal recurring nature considered necessary to present fairly in all material respects our financial position, results of our operations and cash flows for the three months and nine months ended September 30, 2005 have been made. The results of operations for the nine months ended September 30, 2005 are not necessarily indicative of the results of operations to be expected for the entire year. Certain amounts in previously issued financial statements have been reclassified to conform to the 2005 presentation.

In our Consolidated Statement of Cash Flows for the nine months ended September 30, 2005, we changed the classification of equity earnings of unconsolidated joint ventures to present such returns as an operating activity. We previously presented such amounts as an investing activity. We reclassified distributions from unconsolidated joint ventures to be consistent with our 2005 presentation which resulted in a net decrease to investing cash flows for the nine months ended September 30, 2004 of approximately $943,000 and a corresponding net increase to operating cash flows from the amounts previously reported.

New Accounting and Tax Pronouncements

In May 2005, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 154, "Accounting Changes and Error Corrections" (SFAS 154). SFAS 154 requires retrospective application to prior periods' financial statements of voluntary changes in accounting principle. It also requires that the new accounting principle be applied to the balances of assets and liabilities as of the beginning of the earliest period for which retrospective application is practicable and that a corresponding adjustment be made to the opening balance of retained earnings for that period rather than being reported in an income statement. The statement will be effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. We do not expect the adoption of SFAS 154 to have a material effect on our consolidated financial position or results of operations.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets, an Amendment of APB Opinion No. 29" (SFAS 153). The guidance in APB Opinion No. 29, "Accounting for Nonmonetary Transactions", is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The guidance in APB Opinion No. 29, however, included certain exceptions to that principle. SFAS 153 amends APB Opinion No. 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS 153 is effective for nonmonetary asset exchanges in fiscal periods beginning after June 15, 2005. We do not believe that the adoption of SFAS 153 will have a material impact on our results of operations or financial position.

In December 2004, the FASB issued SFAS No. 123 – Revised, "Share Based Payment." The statement establishes the standards for the accounting for transactions in which an entity exchanges its equity instruments for goods and services. The statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. Public companies may apply the standard on a modified prospective method. Under this method, a company records compensation expense for all awards it grants after the date it adopts the standard. In addition, public companies are required to record compensation expense for the unvested portion of previously granted awards that remain outstanding at the date of adoption. During 2005, the Securities and Exchange Commission deferred the effective date of this statement until the first annual period beginning after June 15, 2005. The financial statement impact of adopting of this statement has not yet been estimated.

On October 22, 2004, the President signed the American Jobs Creation Act of 2004 (the Act). The Act creates a temporary incentive for U.S. corporations to repatriate accumulated income earned abroad by providing an 85 percent dividends received deduction for certain dividends from controlled foreign corporations. We do not expect to have material current or accumulated earnings in controlled foreign corporations at December 31 2005, and therefore expect no opportunity to make distributions that qualify for the tax benefits under the Act. Accordingly, we do not expect the Act to have a material impact on our financial position or results of operations.

Note 2 – Stock-Based Compensation

We have a stock based compensation plan for certain employees and non-employee directors which is fully described in the 2004 Annual Report. We account for the plan under the recognition and measurement principles of Accounting Principles Board Opinion ("APBO") No. 25, *Accounting for Stock Issued to Employees, and related Interpretations*. Under APBO No. 25, no stock-based employee compensation cost has been reflected in net income, as all options granted under the plan had an exercise price equal to the market value of the underlying common stock on the date of grant. APBO No. 25 does not apply to non-employees and would require that we record compensation expense for non-employees. However, APBO No. 25 applies

to non-employee directors when stock options are granted in connection with the non-employee directors' board services.

SFAS No. 123, *Accounting for Stock-Based Compensation,* as amended by SFAS No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure* ("SFAS Nos. 123 and 148") established disclosure requirements using the fair value basis method of accounting for stock-based compensation. As permitted by SFAS Nos. 123 and 148, we have elected to continue using the intrinsic value method of accounting prescribed under APBO No. 25. The following table illustrates the effect on net loss and loss per share as if we had applied the fair value provisions of SFAS Nos. 123 and 148 to measure stock-based compensation (dollars in thousands):

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2005	**2004**	**2005**	**2004**
Net (loss) income, as reported	$ (4,572)	$ (2,162)	$ 3,525	$ (4,098)
Add: Stock-based employee compensation expense included in reported net income	--	--	--	--
Less: Total stock-based employee compensation expense determined under fair value based method for all awards	20	47	61	140
Pro forma net (loss) income	$ (4,592)	$ (2,209)	$ 3,464	$ (4,238)
(Loss) earnings per share:				
Basic and diluted—as reported	$ (0.20)	$ (0.10)	$ 0.16	$ (0.19)
Basic and diluted—pro forma	$ (0.20)	$ (0.10)	$ 0.16	$ (0.19)

During the first quarter of 2005, we issued 20,000 shares of Class A Non-Voting Common Stock with an exercise price of $2.76 per share pursuant to the exercise by a former director of fully vested and then currently exercisable stock options. The exercise price was paid in the form of a promissory note in the amount of $55,000.

During the second quarter of 2005, we issued 5,850 shares and 5,000 shares of Class A Non-Voting Common Stock at exercise prices of $4.97 and $2.76 per share, respectively, to an employee of the corporation under our stock based compensation plan.

During the third quarter of 2005, we issued 925,000 shares of Class A Non-Voting Common Stock at an exercise price of $3.80 per share to Mr. James J. Cotter, our Chairman of the Board and Chief Executive Officer, in connection with options previously granted by our Board of Directors and issued to him as non-qualified stock options granted outside the Company's 1999 Stock Option Plan. Pursuant to the terms of the stock option award, Mr. Cotter paid the exercise price by surrendering 486,842 shares of Class A Non-Voting Common Stock to us as treasury stock, resulting in a net increase in the number of shares of Class A Non-Voting Common Stock outstanding of 438,158 shares. Additionally, we issued 12,000 shares Class A Non-Voting Common Stock at an exercise price of $4.01 per share to an employee of the corporation under our stock based compensation plan.

Note 3 – Business Segments

Our operations are organized into two reportable business segments within the meaning of SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*. Our reportable segments are: **(1)** cinema exhibition and **(2)** real estate. The cinema segment is engaged in the development, ownership and operation of multiplex cinemas. The real estate segment is engaged in the development, ownership and operation of commercial properties, including ETRC's in Australia and New Zealand and live theaters in the United States. Historically, our development projects have included a cinema component. Incident to our real estate operations we have acquired, and continue to hold, raw land in urban and suburban centers in Australia and New Zealand. As at September 30, 2005, we owned an aggregate of approximately 59 acres of undeveloped land in suburban areas of Melbourne and Sydney in Australia and in the central business district of Wellington, New Zealand.

Corporate results include interest income earned with respect to cash balances, interest expense, general and administrative expense (not directly attributable to another segment), minority interest income (expense) and other income (expense). All operating results from discontinued operations are included in "(Loss) income from discontinued operations." "(Loss) income from discontinued operations" from the Puerto Rico operations and the Glendale building is presented separately from "gain on disposal of business operations."

Information about our cinema and real estate segments operations for the three and nine months ended September 30, 2005 and 2004 is presented in the following tables (dollars in thousands):

Three Months Ended September 30, 2005	**Cinema**	**Real Estate**	**Corporate**	**Consolidated**
Revenue	$ 21,429	$ 3,380	$ --	$ 24,809
Operating expense	17,140	1,484	--	18,624
Depreciation & amortization expense	2,140	930	172	3,242
General & administrative expense	1,639	--	3,961	5,600
Operating income (loss)	510	966	(4,133)	(2,657)
Minority interest expense	--	--	140	140
Other expense	--	--	1,585	1,585
Income (loss) before income tax expense	510	966	(5,858)	(4,382)
Income tax expense	--	--	190	190
Net income (loss)	**$ 510**	**$ 966**	**$ (6,048)**	**$ (4,572)**

Three Months Ended September 30, 2004	**Cinema**	**Real Estate**	**Corporate**	**Consolidated**
Revenue	$ 20,919	$ 3,245	$ --	$ 24,164
Operating expense	16,327	1,596	--	17,923
Depreciation & amortization expense	1,722	1,284	46	3,052
General & administrative expense	350	181	3,365	3,896
Operating income (loss)	2,520	184	(3,411)	(707)
Minority interest expense	--	--	135	135
Other expense	--	--	460	460
Income (loss) before (loss) income from discontinued operations and income tax expense	2,520	184	(4,006)	(1,302)
(Loss) income from discontinued operations	(600)	67	--	(533)
Income tax expense	--	--	327	327
Net income (loss)	**$ 1,920**	**$ 251**	**$ (4,333)**	**$ (2,162)**

Nine Months Ended September 30, 2005	Cinema	Real Estate	Corporate	Consolidated
Revenue	$ 64,328	$ 10,858	$ --	$ 75,186
Operating expense	52,375	5,148	--	57,523
Depreciation & amortization expense	6,371	2,794	244	9,409
General & administrative expense	4,749	3	8,727	13,479
Operating income (loss)	833	2,913	(8,971)	(5,225)
Minority interest expense	--	--	559	559
Other expense	--	--	2,279	2,279
Income (loss) before discontinued operations and income tax expense	833	2,913	(11,809)	(8,063)
Discontinued operations				
Gain on disposal of business operations	1,597	12,013	--	13,610
(Loss) income from discontinued operations	(1,766)	387	--	(1,379)
Income tax expense	--	--	643	643
Net income (loss)	**$ 664**	**$ 15,313**	**$ (12,452)**	**$ 3,525**

Nine Months Ended September 30, 2004	Cinema	Real Estate	Corporate	Consolidated
Revenue	$ 54,934	$ 9,262	$ --	$ 64,196
Operating expense	43,842	4,929	--	48,771
Depreciation & amortization expense	4,912	3,448	114	8,474
General & administrative expense	2,850	274	7,667	10,791
Operating income (loss)	3,330	611	(7,781)	(3,840)
Minority interest expense	--	--	245	245
Other income	--	--	1,210	1,210
Income (loss) before (loss) income from discontinued operations and income tax expense	3,330	611	(6,816)	(2,875)
(Loss) income from discontinued operations	(714)	253	--	(461)
Income tax expense	--	--	762	762
Net income (loss)	**$ 2,616**	**$ 864**	**$ (7,578)**	**$ (4,098)**

Note 4 – Operation in Foreign Currency

As fully described in our 2004 Annual Report, we have cinema and real estate operations with significant assets in Australia and New Zealand. To the extent possible, we conduct our Australian and New Zealand operations on a self-funding basis. The carrying value of our Australian and New Zealand assets fluctuate due to changes in the exchange rates between the US dollar and the functional currency of Australia (Australian dollar) and New Zealand (New Zealand dollar). We have no derivative financial instruments to hedge foreign currency exposure.

Presented in the table below are the currency exchange rates for Australia and New Zealand as of September 30, 2005 and December 31, 2004.

	US Dollar	
	September 30, 2005	**December 31, 2004**
Australian Dollar	$ 0.7643	$ 0.7709
New Zealand Dollar	$ 0.6938	$ 0.7125

Note 5 – (Loss) Earnings Per Share

Basic (loss) earnings per share is computed by dividing net (loss) earnings to common stockholders by the weighted average number of common shares outstanding during the period. Diluted (loss) earnings per share is computed by dividing net (loss) earnings to common stockholders by the weighted average number of common shares outstanding during the period after giving effect to all potentially dilutive common shares that would have been outstanding if the dilutive common shares had been issued. Stock options give rise to potentially dilutive common shares.

	Stock Options					
	September 30, 2005			September 30, 2004		
Common Stock	Outstanding	Weighted Average Exercise Price	Exercisable	Outstanding	Weighted Average Exercise Price	Exercisable
Class A Nonvoting	539,850	$4.96	481,350	1,448,200	$4.14	1,181,700
Class B Voting	185,100	$9.90	185,100	185,100	$9.90	185,100

For the three and nine months ended September 30, 2005 and 2004, respectively, we recorded net operating losses. As such, the incremental shares of 215,056 and 648,414 in 2005 and 717,073 and 659,786 in 2004, respectively, from stock options to purchase shares of common stock were excluded from the computation of diluted loss per share because they were anti-dilutive in those periods.

Note 6 - Rental Property and Property and Equipment

As of September 30, 2005 and December 31, 2004, we had investments in rental property and property and equipment as follows (dollars in thousands):

	September 30, 2005	December 31, 2004
Property and equipment		
Land	$ 50,978	$ 29,579
Building	70,416	69,288
Leasehold interest	8,008	7,931
Construction-in-progress and property under development	48,652	6,485
Fixtures and equipment	50,777	48,948
	228,831	162,231
Less accumulated depreciation	(38,701)	(30,559)
Property and equipment, net	$ 190,130	$ 131,672

As part of construction-in-progress, we recorded $1.8 million in capitalized interest for the nine months period ended September 30, 2005. There was no capitalized interest during the period ended December 31, 2004.

Note 7 – Investments in Unconsolidated Joint Ventures

Investments in unconsolidated joint ventures are accounted for under the equity method of accounting, and as of September 30, 2005 and December 31, 2004 include the following (dollars in thousands):

	Interest	September 30, 2005	December 31, 2004
Mt. Gravatt Cinema Joint Venture	33.3 %	$ 3,901	$ 3,845
Berkeley Cinemas Joint Ventures	50.0 %	1,365	1,216
205-209 East 57th Street Associates, LLC	25.0 %	3,196	2,291
Total		$ 8,462	$ 7,352

Cinema Joint Ventures. For the three and nine months ending September 30, 2005, we recorded equity earnings from Mt. Gravatt of $92,000 and $311,000, respectively, and from Berkeley Cinemas of $330,000 and $702,000, respectively.

205-209 East 57th Street Associates, LLC. During the first quarter of 2005, we increased our investment by $905,000 in the 205-209 East 57th Street Associates, LLC, a limited liability company formed to redevelop our former cinema site at 205 East 57th Street in Manhattan, now known as "Place 57". This increase maintained our 25% equity ownership in the joint venture in light of increased budgeted construction costs.

Note 8 – Goodwill and Intangible Assets

As of January 1, 2002, in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*, we do not amortize goodwill. Instead we perform an annual impairment review of our goodwill and other intangible assets in the fourth quarter unless changes in circumstances indicate that an asset may be impaired. As of September 30, 2005 and December 31, 2004, we had goodwill consisting of the following (dollars in thousands):

	September 30, 2005	December 31, 2004
Segments		
Cinema	$ 9,268	$ 9,429
Real estate	4,376	4,387
Total	$ 13,644	$ 13,816

We have intangible assets other than goodwill which are subject to amortization and are being amortized over various periods. We amortize our beneficial lease over 20 years and our option fee and acquisition costs over 10 years. For the three and nine months ended September 30, 2005, the amortization expense totaled $297,000 and $909,000, respectively.

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

As of September 30, 2005	Beneficial Lease	Option Fee	Acquisition Costs	Total
Gross carrying amount	$ 11,370	$ 2,773	$ 1,158	$ 15,301
Less: Accumulated amortization	2,624	2,308	383	5,315
Total, net	$ 8,746	$ 465	$ 775	$ 9,986

	Beneficial		Acquisition	

As of December 31, 2004	Lease	Option Fee	Costs	Total
Gross carrying amount	$ 10,459	$ 4,110	$ 1,793	$ 16,362
Less: Accumulated amortization	2,041	2,033	331	4,405
Total, net	$ 8,418	$ 2,077	$ 1,462	$ 11,957

We amortize our beneficial leases over the lease terms of twenty years and our option fees and acquisition costs over 10 years. To recognize the exercise of a portion of the City Cinemas Master Lease Agreement in September 2005, we recorded $1.3 million of our option fees to the Cinemas 1, 2, 3 tenant's ground lease interest that we purchased on September 19, 2005 (see Note 18 - Acquisitions) thus reducing our option fee balance to $0.5 million.

Note 9 – Prepaid and Other Assets

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

	September 30, 2005	December 31, 2004
Prepaid and other current assets		
Prepaid expenses	$ 985	$ 292
Prepaid taxes	286	668
Deposits	858	830
Other	157	391
Total prepaid and other current assets	$ 2,286	$ 2,181
Other non-current assets		
Other non-cinema and non-rental real estate assets	$ 1,468	$ 2,073
Long-term restricted cash	208	399
Deferred financing costs, net	986	1,076
Deferred expense	--	353
Other	--	32
Total non-current assets	$ 2,662	$ 3,933

Note 10 – Income Tax

The income tax provision for the three and nine months ended September 30, 2005 and 2004 was composed of the following amounts (dollars in thousands), respectively:

	Three Months Ended September 30		Nine Months Ended September 30	
	2005	2004	2005	2004
Foreign income tax provision	$ 31	$ 131	$ 103	$ 300
Foreign withholding tax	126	124	371	381
Federal tax provision	--	--	51	--
Other income tax	33	72	118	81
Net tax provision	$ 190	$ 327	$ 643	$ 762

As of September 30 2005, approximately $11.8 million in taxable temporary differences exist from the sale of the Glendale office building and its replacement with the Cinemas 1, 2 & 3 fee interest. Any future taxable income which may be related to the transaction may be offset by approximately $22.8 million in future deductible

temporary differences arising from available U.S. operating loss carry forwards. Accordingly, no deferred tax provision has been recorded.

Note 11 – Notes Payable

During the first nine months of 2005, we drew down $25.6 million (AUS$33.4 million) on our Australian credit facilities consisting of $7.8 million (AUS$10.2 million) from our Australian Corporate Credit Facility, used in part to purchase an office building in Melbourne for $1.9 million (AUS$2.5 million) to be used as the headquarters for our Australian and New Zealand operations (which had previously been located in leased quarters) and to fit-out our new 8 screen cinema in Adelaide, Australia for $1.1 million (AUS$1.5 million) and $17.8 million (AUS$23.2 million) from our Newmarket Construction Loan, used to finance the construction of our Newmarket Shopping Centre development in Brisbane, Australia. These borrowings were partially offset by the assumption by the buyer of the Glendale Building of the $10.1 million mortgage loan on the property. Additionally, on September 19, 2005, we issued a $9.0 million promissory note bearing a fixed interest rate of 8.25% and maturing on December 31, 2010 to Sutton Hill Capital ("SHC") in exchange for the underlying tenant's ground lease interest of Cinemas 1, 2 & 3 (see Note 18 - Acquisitions). The estimated fair value of our notes payable at September 30, 2005 and December 31, 2004 were approximately $104.7 million and $73.0 million, respectively.

During the period we were able to increase our Australian Corporate Credit Facility from $42.0 million (AUS$55.0 million) to $51.5 million (AUS$67.4 million), of which $2.9 million (AUS$3.8 million) has been allocated to landlord guarantees, including a ($7.6 million AUS$10.0 million) working capital facility. This additional liquidity will allow us to continue to expand our operations in Australia.

Note 12 – Other Liabilities

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

	September 30, 2005	December 31, 2004
Current liabilities		
Deferred payables	$ --	$ 599
Other	69	--
	$ 69	$ 599
Non current liabilities		
Foreign withholding taxes	$ 4,888	$ 5,334
Straight-line rent liability	3,070	2,991
Other	3,121	2,290
	$11,079	$10,615

Note 13 – Commitments and Contingencies

The following is an update of our commitments and contingencies set forth in our 2004 Annual Report:

Whitehorse Litigation

On October 30, 2000, we commenced litigation in the Supreme Court of Victoria at Melbourne, Commercial and Equity Division, against our joint venture partner and the controlling stockholders of our joint venture partner in the Whitehorse Shopping Center. That action is entitled Reading Entertainment Australia PTY, LTD vs. Burstone Victoria PTY, LTD and May Way Khor and David Frederick Burr, and was brought to collect on a promissory note (the "K/B Promissory Note") evidencing a loan that we made to Ms. Khor and Mr. Burr and that was guaranteed by Burstone Victoria PTY, LTD ("Burstone" and collectively with Ms. Khor and Mr. Burr, the "Burstone Parties"). This loan balance has been previously written off and is no longer recorded on our books. The Burstone Parties asserted in defense certain set-offs and counterclaims, alleging, in essence, that we had breached our alleged obligations to proceed with the development of the Whitehorse Shopping Center, causing the Burstone Parties substantial damages. Following trial, the trial court not only affirmed the liability of the Burstone Parties on the K/B Promissory Note but also determined that we had breached certain obligations owed to WPG (the joint venture in which we own a 50% interest and in which Burstone owns the remaining 50% interest). The trial court did not, however, find us in breach of any direct obligations to any one or more of the Burstone Parties.

The trial court has entered judgment against us and in favor of WPG in the amount of \$3.4 million (AUS\$4.5 million). The trial court has also entered judgment against the Burstone Parties and in our favor in the amount of \$3.2 million (AUS\$4.2 million). Further, the trial court has found us responsible to reimburse the Burstone Parties for 65% of their out-of-pocket legal fees, an amount not yet determined but estimated at approximately \$764,000 (AUS\$1.0 million) . In addition, we have settled various ancillary claims against us for an additional \$306,000 (AUS\$400,000), which has now been paid to WPG.

As discussed in greater detail below, we have given timely notice of our intention to appeal the judgment entered against us by the trial court and intend to vigorously prosecute that appeal. The Burstone Parties have likewise appealed, arguing that the damages assessed in favor of WPG and against us should be higher.

A provisional liquidator has been appointed for WPG, and that company is now in the process of being wound up. As a consequence of our 50% interest in WPG, in the event that we are not successful in our appeal, we currently anticipate that we will ultimately receive liquidating distributions from WPG in an amount equal to approximately \$1.8 million (AUS\$2.3 million). During the third quarter, the Burstone Parties paid us \$229,000 (AUS\$300,000) against our judgment against them, and we have now entered into an agreement with the Burstone Parties, pursuant to which they have agreed to pay the balance of our judgment against them, together with ongoing interest, over time and have provided various undertakings and a guaranty to secure that obligation.

We are advised by senior Queen's Counsel after conducting an independent review of the evidence submitted at trial and the trial court's opinion that, in his opinion, the trial court erred in a number of critical aspects, and that we should have no liability to WPG or any of the Burstone Parties. Accordingly, we have appealed that part of the trial court's determination and have recorded no liability for potential loss as of September 30, 2005.

Cinemas 1, 2 & 3 Ground Lease

As part of the purchase of the Cinemas 1, 2, 3 tenant's ground lease interest, we have agreed in principal, as a part of our negotiations to acquire the land and the SHC interests in the Cinemas 1, 2 & 3, to grant an option to Messrs. Cotter and Forman to acquire, at cost, up to a 25% non-managing membership interest in the limited liability company that we formed to acquire these interests. That option has not yet been documented, as the final terms of that option have not yet been agreed.

Rialto Joint Venture

As of September 30, 2005, we were under contract to acquire 100% of the stock of Rialto Entertainment for $4.5 million (NZ$6.5 million). Rialto Entertainment is a 50% joint venture partner with Village Roadshow/SkyCity Cinemas in the largest art cinema circuit in New Zealand. The joint venture owns five cinemas with 22 screens in the New Zealand cities of Auckland, Christchurch, Wellington, Dunedin and Hamilton.

Also, as of September 30, 2005, we were under contract to acquire for $694,000 (NZ$1.0 million) a 1/3 interest in Rialto Distribution. Rialto Distribution, an unincorporated joint venture, is engaged in the business of distributing art film in New Zealand and Australia. (see Note 20 - Subsequent Events).

Note 14 – Minority Interest

Minority interest is composed of the following enterprises:

- 50% of membership interest in Angelika Film Center LLC ("AFC LLC") by a subsidiary of National Auto Credit, Inc.;
- 33% minority interest in the Elsternwick Joint Venture by Champion Pictures Pty Ltd.; and
- 25% minority interest in Australian Country Cinemas by Panorama Cinemas for the 21st Century Pty Ltd.

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

	September 30, 2005	**December 31, 2004**
AFC LLC	$ 3,146	$ 2,997
Australian Country Cinemas	212	295
Elsternwick Unincorporated Joint Venture	110	176
Others	2	2
Minority interest in consolidated affiliates	$ 3,470	$ 3,470

	(Income) expense for the Three Months Ended September 30		(Income) expense for the Nine Months Ended September 30	
	2005	2004	2005	2004
AFC LLC	$ 348	$ 165	$ 557	$ 330
Australian Country Cinemas	(126)	32	26	(18)
Elsternwick Unincorporated Joint Venture	(82)	(62)	(24)	(67)
Minority interest expense	$ 140	$ 135	$ 559	$ 245

Note 15 – Common Stock

During the third quarter of 2005, we issued 925,000 shares of Class A Non-Voting Common Stock at an exercise price of $3.80 per share to Mr. James J. Cotter, our Chairman of the Board and Chief Executive Officer, in connection with options issued to him under our stock based compensation plan. Pursuant to the terms of the stock option award, Mr. Cotter paid the exercise price by surrendering 486,842 shares of Class A Non-Voting Common Stock to us as treasury stock, resulting in a net increase in the number of shares of Class A Non-Voting Common Stock outstanding of 438,158 shares.

Also during the third quarter, we issued 12,000 shares Class A Non-Voting Common Stock at an exercise price of $4.01 per share for cash to an employee of the corporation under our stock based compensation plan.

During the second quarter of 2005, we issued 5,850 shares and 5,000 shares of Class A Non-Voting Common Stock at exercise prices of $4.97 and $2.76 per share, respectively, for cash to an employee of the corporation under our stock based compensation plan.

During the first quarter of 2005, we issued 20,000 shares of Class A Non-Voting Common Stock with an exercise price of $2.76 per share pursuant to the exercise by a former director of fully vested and then currently exercisable stock options. The exercise price was paid in the form of a promissory note in the amount of $55,000.

As noted in our 2004 Annual Report, the sellers of the Movieland Circuit were given non-transferable options to put to us the Class A Common Stock issued to them in connection with the acquisition of that circuit, at a put price of NZ$11.94 at any time through 2006. For the period ended September 30, 2005, the put option liability is on our books for $184,000. We remeasure this liability each period through the end of the option life in January 2006.

Note 16 - Comprehensive Income

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Net (loss) income	$ (4,572)	$(2,162)	$ 3,525	$ (4,098)
Foreign currency translation	460	2,758	(1,065)	(5,011)
Unrealized loss on AFS	--	1	--	(31)
Comprehensive income (loss)	$ (4,112)	$ 597	$ 2,460	$ (9,140)

Note 17 – Discontinued Operations and Assets Held For Sale

In accordance with SFAS 144 *Accounting for the Impairment or Disposal of Long-Lived Assets*, we report as discontinued operations real estate assets that meet the definition of a component of an entity and have been sold or meet the criteria to be classified as held for sale under SFAS 144. We included all results of these discontinued operations, less applicable income taxes, in a separate component of operations on the consolidated statements of operations under the heading "discontinued operations." This treatment resulted in reclassifications of the 2004 financial statement amounts to conform to the 2005 presentation.

Wilmington and Northern Property. On September 26, 2005, we sold a piece of property known as our Wilmington and Northern property for cash totaling $515,000. This property was one of several remaining tracks of railroad land, all of which are considered non-core assets under our current business plan. The sale resulted in a negligible loss during the third quarter and the property produced a nominal income per year.

Glendale Building. On May 17, 2005, we sold our Glendale office building in Glendale, California for $10.3 million cash and $10.1 million of assumed debt resulting in a $12.0 million gain. All the cash proceeds from the sale were used in the purchase for $12.2 million of the Cinemas 1, 2 & 3 fee interest and of the landlord's interest in the ground lease, encumbering that land, as part of a tax deferred exchange under Section 1031 of the Internal Revenue Code.

The assets and liabilities of the Glendale building were as follows:

	December 31, 2004
Assets	
Prepaid and other current assets	$ 717
Rental property, net of depreciation	7,396
Capitalized leasing costs	277
Other assets	200
Total assets held for sale	$ 8,590
Liabilities	
A/P and accrued expenses	$ 2,067
Property Taxes payable	67
Deferred revenue	211
Mortgage payable	10,188
Total liabilities related to assets held for sale	$ 12,533

The 2005 and 2004 quarterly results for the Glendale Property are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	**2004**	**2005**	**2004**
Revenue	$ --	$ 686	$ 1,103	$ 2059
Operating expense	--	255	355	721
Depreciation & amortization expense	--	150	51	451
General & administrative expense	--	4	1	4
Operating income	--	277	696	883
Interest income	--	--	3	1
Interest expense	--	210	312	631
Income from discontinued operations before gain on sale	--	67	387	253
Gain on sale	--	--	12,013	--
Total income from discontinued operations	$ --	$ 67	$ 12,400	$ 253

Puerto Rico Cinema Operations. On June 8, 2005, we sold our assets and certain liabilities associated with our Puerto Rico cinema operations for $2.3 million resulting in a $1.6 million gain. Net losses of $1.8 million and $714,000 were included in the loss from discontinued operations for the nine months ending 2005 and 2004, respectively, relating to these operations. No material income tax provision arises from this transaction.

The assets and liabilities of the Puerto Rico operations were as follows:

	December 31, 2004
Assets	
Other receivable	$ 84
Inventory	84
Prepaid and other assets	185
Rental property, net of depreciation	1,988
Total assets held for sale	$ 2,341
Liabilities	
A/P and accrued expenses	$ 1,572
Property Taxes payable	377
Deferred revenue	50
Other liabilities-Non current	678
Total liabilities related to assets held for sale	$ 2,677

The 2005 and 2004 quarterly results for the Puerto Rico discontinued operations are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Revenue	$ --	$ 3,249	$ 4,575	$ 10,248
Operating expense	--	3,468	5,752	10,070
Depreciation & amortization expense	--	117	206	352
General & administrative expense	--	264	383	540
Loss from discontinued operations before gain on sale	--	(600)	(1,766)	(714)
Gain on sale	--	--	1,597	--
Total loss from discontinued operations	$ --	$ (600)	$ (169)	$ (714)

Note 18 – Acquisitions

Melbourne Office Building.

On September 29, 2005, we purchased an office building in Melbourne, Australia for $1.9 million (AUS$2.5 million) to serve as our Australia headquarters. We fully financed this property by drawing on our Australian Corporate Credit Facility.

Cinemas 1, 2 & 3 Ground Lease.

On September 19, 2005, we acquired the tenant's interest in the ground lease estate that is currently between (i) our fee ownership of the underlying land and (ii) our current possessory interest as the tenant in the building and improvements constituting the Cinemas 1, 2 & 3 in Manhattan. This tenant's ground lease interest was purchased from Sutton Hill Capital LLC ("SHC") for a $9.0 million promissory note, bearing interest at a fixed rate of 8.25% and maturing on December 31, 2010. As SHC is a related party to our corporation, our Board's Audit and Conflicts Committee, comprised entirely of outside independent directors, and subsequently our entire Board of Directors unanimously approved the purchase of the property. The Cinemas 1, 2 & 3 is located on 3rd Avenue between 59th and 60th Streets.

The acquisition of the tenant's ground lease interest finalizes the acquisition side of a tax deferred exchange under Section 1031 of the Internal Revenue Code designed to exchange our interest in our only non-entertainment oriented fee property in the United States for the fee interest underlying our leasehold estate in the Cinemas 1, 2 & 3. The acquisition of this tenant's ground lease interest and the Cinemas 1, 2, 3 Fee Interest described below have resulted in a book value of approximately $22.9 million (which includes $1.3 million of option fees paid in 2000 as part of the City Cinemas Master Lease Agreement, see Note 8 – Goodwill and Intangible Assets) and a tax basis of $9.1 million.

Cinemas 1, 2 & 3 Fee Interest.

On June 1, 2005, we acquired for $12.6 million the fee interest and the landlord's ground lease interest underlying our Cinemas 1, 2 & 3 property in Manhattan, as a part of a tax deferred exchange under Section 1031 of the Internal Revenue Code. The funds used for the acquisition came primarily from the sale proceeds of our Glendale, California office building.

As a result of the acquisition of this fee interest, the landlord's interest in the ground lease and the tenant's interest in the ground lease, our effective rental expense with respect to the Cinemas 1, 2 & 3 and the Village East cinema has decreased by approximately $1.0 million annually beginning September 30, 2005.

Note 19 – Derivative Instruments

The following table sets forth the terms of our interest rate swap derivative instruments at September 30, 2005:

Type of Instrument	Notional Amount	Pay Fixed Rate	Receive Variable Rate	Maturity Date
Interest rate swap	$ 16,943,000	6.1800%	5.6517%	March 31, 2006
Interest rate swap	$ 12,477,000	6.6800%	n/a	December 31, 2008
Interest rate swap	$ 11,465,000	6.4400%	5.7167%	December 31, 2008
Interest rate swap	$ 9,554,000	5.7000%	5.7167%	December 31, 2007

In accordance with SFAS No. 133 *Accounting for Derivative Instruments and Hedging Activities*, we marked our Australian interest swap instruments to market on the consolidated balance sheet resulting in an $204,000 (AUS$271,000) decrease and $194,000 (AUS$244,000) decrease to interest expense during the three months and nine months ended September 30, 2005, respectively. We have recorded the fair market value of our interest rate swaps of $616,000 (AUS$806,000) as an other long-term liability. The swap with a notional amount of $12,477,000 does not have a "Receive Variable Rate" because the instrument will not be effective until March 31, 2006. In accordance with SFAS No. 133, we have not designated any of our current interest rate swap positions as financial reporting hedges.

Note 20 – Subsequent Events

Effective October 1, 2005, we purchased 100% of the stock of Rialto Entertainment for $4.5 million (NZ$6.5 million). Rialto Entertainment is a 50% joint venture partner with Village Roadshow/SkyCity Cinemas in the largest art cinema circuit in New Zealand. The joint venture owns five cinemas with 22 screens in the New Zealand cities of Auckland, Christchurch, Wellington, Dunedin and Hamilton.

Also, as of October 1, 2005, we purchased for $694,000 (NZ$1.0 million) a 1/3 interest in Rialto Distribution. Rialto Distribution, an unincorporated joint venture, is engaged in the business of distributing art film in New Zealand and Australia.

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

As Reading International, Inc. ("Reading" and "we," "us" or "our"), we consider ourselves to be essentially a cinema exhibition and live theater operating company with a strong focus on the development, operation and holding of commercial real estate assets. We believe that this strategic mix coupled with our management expertise allows us to bring value to developable land by providing our own "anchor tenant" and to realize the value in older cinema sites by developing them, on an opportunistic basis, to their highest and best use. This strategy allows us to use our available free cash flow to build assets, while freeing us, to some extent, from the volatility that can result from a focus on operating cinema assets in leased facilities.

Our fundamental business objective is to build value for our shareholders over time through the acquisition, development, and operation of tangible assets. Accordingly, we will from time to time trade off short term cash flow for longer term opportunities. For example:

- This year we made the strategic decision to sell our Glendale, California Office Building, a mature property producing cash flow of approximately $1.4 million per year (but 79% leased to a single tenant under a lease due to expire in 2007), to trade into various real property interests allowing us ultimately to assemble a 7,840 square foot site on 3rd Avenue between 59th and 60th Streets in Manhattan, commonly known as the Cinemas 1, 2 & 3. That property is currently zoned for development of up to 78,400 square feet of commercial and/or residential development.
- Last year we sold our Sutton Cinema, to permit the development of Place 57, a 67 unit residential condominium development on 57th Street in Manhattan just below 3rd Avenue. As we have no experience in residential condominium development, we have, in essence, teamed up with an affiliate of the Prudential Life Insurance Company to develop the project, in which we retain a 25% interest. We are advised by the developer that units representing approximately 90% of the square footage of the structure are now in escrow, at an aggregate sale price of approximately $123.7 million. The building has been topped out, and we anticipate a closing in the second quarter of next year. We have also retained the right to take, as a partial distribution of our interest, the approximately 3,800 square foot ground floor retail condominium unit in the project.
- We own approximately 57 acres of raw developable land in suburban and urban areas of Melbourne and Sydney in Australia and approximately one acre in the central business district of Wellington, New Zealand. Generally, none of this land is currently producing meaningful income. We believe that our patience with respect to these properties has, and will continue, to pay off, particularly given the recent designation of our 50 acre Burwood site in Melbourne as a "Major Activity Centre." In November 2005, we will be opening a 94,000 square foot shopping center on our Newmarket property in a suburb of Brisbane.

Our cash flow has in recent periods been adversely affected by various litigation costs. These costs related primarily to our antitrust litigation aimed at improving our access to film at our Village East Cinema in Manhattan and to litigation growing out of one of our initial joint venture development projects in Australia. Discovery is complete with respect to the antitrust litigation, and a hearing on the defendants' summary judgment motions is scheduled for January of next year. The joint venture litigation is on appeal. We believe that the significant cost of these two matters is substantially behind us.

Our business operations currently include:

- the development, ownership and operation of multiplex cinemas in the United States, Australia, and New Zealand;
- the development and operation of cinema-based entertainment-themed retail centers ("ETRC") in Australia and New Zealand;

- the ownership and operation, typically as a landlord, of "Off Broadway" style live theaters in Manhattan and Chicago; and
- the development, ownership and operation of commercial real estate in Australia, New Zealand and the United States typically as a business ancillary to the development and operation of cinemas, cinema-based ETRC's and live theaters.

We manage our worldwide cinema business under various different brands:

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

We currently operate 33 cinemas with 220 screens, have interests in certain unconsolidated joint ventures which own an additional eleven cinemas with 67 screens and manage three cinemas with 14 screens. On June 8, 2005, we completed the sale of our six cinemas with 48 screens in Puerto Rico for $2.3 million. The assets were previously operated by us under the Cine Vista brand. The sale of the CineVista circuit was the realization of a multi-year business goal, and reflects the poor competitive situation in that market, where one exhibiter controls in excess of 80% of the market, and has adopted a business plan of maintaining ticket prices at what we believe to be uncommercially low prices.

Our business plan going forward is to continue to identify, develop and acquire cinema and live theater properties, focusing on those opportunities where we can acquire either the fee interest underlying the operating assets, or long term leases, which we believe provide flexibility with respect to the usage of such leasehold assets and to focus on the development of our existing real estate. In the near term, we are focusing principally on the operation of our existing cinema assets and in the development of five parcels of undeveloped real estate in Melbourne, Brisbane, and Sydney in Australia and Wellington in New Zealand while taking advantage of those opportunities that may present themselves from time to time to strategically expand our existing cinema circuits. Consistent with that intention to be opportunistic in our acquisition of additional cinemas, during the second quarter we entered into a contract to acquire a 50% unconsolidated joint venture interest in 5 cinemas with 22 screens. That acquisition closed effective October 1, 2005 and those screens are included in the screen count set forth in the immediately preceding paragraph. Also, as of October 20, 2005, we have now opened a new 8 screen cinema in Adelaide, Australia.

During the third quarter, our efforts on the real estate side of our business were focused in large part on:

- the advancement of the entitlements process for our 51 acre Burwood site in suburban Melbourne, Australia as a "Major Activity Center" under Melbourne 2030, the Victoria government's strategic plan for the development of Melbourne. On July 18, 2005, the City Council voted unanimously to allow development on the site of a mixed-use retail, entertainment, commercial and residential development. That approval is now before the state government;
- the construction and finalization of the lease-up of our 4.1 acre Newmarket Shopping Center in Brisbane, Australia (due to open in November 2005 with 94,000 square feet of leased retail space); and
- completion of the assemblage of our Cinemas 1, 2, 3 site on 3rd Avenue in Manhattan, by acquiring the tenant's ground lease interest that is currently between (i) our fee ownership of the underlying land and (ii) our current possessory interest as the tenant in the building and improvements constituting the Cinemas 1, 2 & 3.

A significant portion of our business is conducted in Australia and New Zealand, and as such, we are subject to a certain degree of currency risk. We do not engage in currency hedging activities. Rather, to the extent possible, we operate our Australian and New Zealand operations on a self-funding basis. Our policy in Australia

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

We continue to acquire, to dispose of or to reposition assets in accordance with our business plan as follows:

- *Elizabeth Cinema*. On October 20, 2005, we opened a new 8 screen cinema in Adelaide, Australia.
- *Rialto Joint Venture Purchase*. Effective October 1, 2005, we purchased 100% of the stock of Rialto Entertainment for $4.5 million (NZ$6.5 million). Rialto Entertainment is a 50% joint venture partner with Village Roadshow/SkyCity Cinemas in the largest art cinema circuit in New Zealand. The joint venture owns five cinemas with 22 screens in the New Zealand cities of Auckland, Christchurch, Wellington, Dunedin and Hamilton. Also, as of October 1, 2005, we purchased for $694,000 (NZ$1.0 million) a 1/3 interest in Rialto Distribution. Rialto Distribution, an unincorporated joint venture, is engaged in the business of distributing art film in New Zealand and Australia.
- *Melbourne Office Building*. On September 29, 2005, we purchased an office building in Melbourne, Australia for $1.9 million (AUS$2.5 million) to serve as our Australia headquarters. We fully financed this property by drawing on our Australian Corporate Credit Facility. Previously, we operated in leased space.
- *Wilmington and Northern Property*. On September 26, 2005, we sold our Wilmington and Northern property for $515,000. This property was one of several remaining tracks of railroad land, all of which are considered non-core assets under our current business plan.
- *Cinemas 1, 2 & 3 Ground Lease*. On September 19, 2005, we acquired the tenant's ground lease interest that is currently between (i) our fee ownership of the underlying land and (ii) our current possessory interest as the tenant in the building and improvements constituting the Cinemas 1, 2 & 3 in Manhattan. This tenant's ground lease interest was purchased from Sutton Hill Capital LLC ("SHC") for a $9.0 million note payable. As SHC is a related party to our corporation, our Board's Audit and Conflicts Committee, comprised entirely of outside independent directors, and subsequently our entire Board of Directors unanimously approved the purchase of the property. The Cinemas 1, 2 & 3 is located on 3rd Avenue between 59th and 60th Streets.
- *Puerto Rico Cinema Operations*. As of June 8, 2005, we closed the sale of all of our cinema assets located in Puerto Rico for $2.3 million, resulting in a book gain of $1.6 million.
- *Cinemas 1, 2 & 3 Fee Interest*. On June 1, 2005, we purchased the approximately 7,840 square-foot fee interest and the landlord's interest in the ground lease underlying our current sub-leasehold interest in the Cinemas 1, 2 & 3 property located in Manhattan on 3rd Avenue between 59th Street and 60th Street for $12.6 million. Funding for this purchase came primarily from the net funds received from the sale of the Glendale office building.
- *Glendale Building.* On May 17, 2005, we closed the sale of our Glendale California office building for $21.0 resulting in a book gain of $12.0 million. At the closing, we received net cash of approximately $10.3 million and the buyer assumed our liability under the $10.1 million mortgage encumbering the property. This was our only domestic commercial property (other than our leasehold interest in our Los Angeles County headquarters and certain landholdings) that had no entertainment components.
- *205-209 East 57th Street Associates, LLC.* During the first quarter of 2005, we increased our investment by $905,000 to $3.2 million in the 205-209 East 57th Street Associates, LLC ("57th Street Associates"). The increase in investment maintained our 25% equity ownership in the joint venture, in light of certain

higher than initially budgeted construction costs. Construction is currently anticipated to be complete by mid-2006, and condominium units in the project are currently being offered for sale. The managing member of 57th Street Associates reports that it now has under contract 61 out of 67 units, at an average selling price of $1,321 per square foot an increase of $221 per square foot or 20.1% from the project's budget. We currently anticipate that construction will be completed and the sale of individual condominium units closed, during the second quarter of 2006.

Results of Operations

During the third quarter of 2005, we directly operated 32 cinemas with 212 screens, have interests in certain unconsolidated joint ventures in which we have varying interests, which own an additional six cinemas with 45 screens and managed three cinemas with 14 screens. Regarding real estate, we own and operated during the quarter three ETRC's that we developed in Australia and New Zealand; own the fee interests in four developed commercial properties in Manhattan and Chicago, all of which are improved with live theaters comprising seven stages and, in two cases, ancillary retail and commercial space; own the fee interests underlying one of our Manhattan cinemas and hold for development an additional five parcels (aggregating approximately 58 acres) in urbanized areas of Australia and New Zealand. Two of these parcels (comprising approximately 54 acres) are in areas designated by the provincial government of Victoria, Australia as "major activity centers," and we are currently in the land use planning phases of their development. In an effort to reduce general and administrative rental costs in Australia, during the third quarter of 2005, we purchased our Melbourne Office Building which we intend to use for our Australia headquarters.

The tables below summarize the results of operations for each of our principal business segments for the three ("2005 Quarter") and nine ("2005 Nine Months") months ended September 30, 2005 and the three ("2004 Quarter") and nine ("2004 Nine Months") months ended September 30, 2004, respectively. Operating expenses include costs associated with the day-to-day operations of the cinemas and live theaters and the management of rental properties. All operating results from discontinued operations are included in "(Loss) income from discontinued operations." "(Loss) income from discontinued operations" from the Puerto Rico operations and the Glendale building is presented separately from "gain on disposal of business operations."

Three Months Ended September 30, 2005	**Cinema**	**Real Estate**	**Corporate**	**Consolidated**
Revenue	$ 21,429	$ 3,380	$ --	$ 24,809
Operating expense	17,140	1,484	--	18,624
Depreciation & amortization expense	2,140	930	172	3,242
General & administrative expense	1,639	--	3,961	5,600
Operating income (loss)	510	966	(4,133)	(2,657)
Minority interest expense	--	--	140	140
Other expense	--	--	1,585	1,585
Income (loss) before income tax expense	510	966	(5,858)	(4,382)
Income tax expense	--	--	190	190
Net income (loss)	**$ 510**	**$ 966**	**$ (6,048)**	**$ (4,572)**

Three Months Ended September 30, 2004	Cinema	Real Estate	Corporate	Consolidated
Revenue	$ 20,919	$ 3,245	$ --	$ 24,164
Operating expense	16,327	1,596	--	17,923
Depreciation & amortization expense	1,722	1,284	46	3,052
General & administrative expense	350	181	3,365	3,896
Operating income (loss)	2,520	184	(3,411)	(707)
Minority interest expense	--	--	135	135
Other expense	--	--	460	460
Income (loss) before (loss) income from discontinued operations and income tax expense	2,520	184	(4,006)	(1,302)
(Loss) income from discontinued operations	(600)	67	--	(533)
Income tax expense	--	--	327	327
Net income (loss)	**$ 1,920**	**$ 251**	**$ (4,333)**	**$ (2,162)**

Nine Months Ended September 30, 2005	Cinema	Real Estate	Corporate	Consolidated
Revenue	$ 64,328	$ 10,858	$ --	$ 75,186
Operating expense	52,375	5,148	--	57,523
Depreciation & amortization expense	6,371	2,794	244	9,409
General & administrative expense	4,749	3	8,727	13,479
Operating income (loss)	833	2,913	(8,971)	(5,225)
Minority interest expense	--	--	559	559
Other expense	--	--	2,279	2,279
Income (loss) before discontinued operations and income tax expense	833	2,913	(11,809)	(8,063)
Discontinued operations				
Gain on disposal of business operations	1,597	12,013	--	13,610
(Loss) income from discontinued operations	(1,766)	387	--	(1,379)
Income tax expense	--	--	643	643
Net income (loss)	**$ 664**	**$ 15,313**	**$ (12,452)**	**$ 3,525**

Nine Months Ended September 30, 2004	Cinema	Real Estate	Corporate	Consolidated
Revenue	$ 54,934	$ 9,262	$ --	$ 64,196
Operating expense	43,842	4,929	--	48,771
Depreciation & amortization expense	4,912	3,448	114	8,474
General & administrative expense	2,850	274	7,667	10,791
Operating income (loss)	3,330	611	(7,781)	(3,840)
Minority interest expense	--	--	245	245
Other income	--	--	1,210	1,210
Income (loss) before (loss) income from discontinued operations and income tax expense	3,330	611	(6,816)	(2,875)
(Loss) income from discontinued operations	(714)	253	--	(461)
Income tax expense	--	--	762	762
Net income (loss)	**$ 2,616**	**$ 864**	**$ (7,578)**	**$ (4,098)**

Cinema

Included in the cinema segment above is revenue and expense from the operations of 32 cinema complexes with a total of 212 screens.

- Cinema revenue increased for the 2005 Quarter by $510,000 or 2% and by $9.4 million or 17% for the 2005 Nine Months when compared to the same periods in 2004. Approximately $8.3 million of the 2005 Nine Months increase was from the new operations in Australia and New Zealand. The remaining increase of $1.1 million was the result of an increase in our domestic theatre revenue.
- Operating expense increased for the 2005 Quarter by $813,000 or 5% and by $8.5 million or 19% for the 2005 Nine Months when compared to the same periods in 2004. Approximately $7.9 million of the 2005 Nine Months increase was from the newly acquired Anderson Cinemas in Australia and the Movieland Cinemas in New Zealand. The remaining increase of $600,000 was the result of increased theater film rental costs directly related to an increase in our domestic theatre revenue. Overall our operating expenses for nine months year-to-year were reasonably consistent at 81% of gross revenue for 2005 and 80% of gross revenue for 2004.
- Depreciation expense increased for the 2005 Quarter by $418,000 or 24% and increased by $1.5 million or 30% for the 2005 Nine Months when compared to the same periods in 2004. The 2005 Nine month increase was primarily from our late-year 2004 acquisitions of the Anderson and Movieland Circuits and the addition of two new Anderson circuit cinemas in December 2004.
- General and administrative expense increased for the 2005 Quarter by $1.3 million or 368% and by $1.9 million or 67% for the 2005 Nine Months when compared to the same periods in 2004. The increase was primarily related to legal services for our continuing anti-trust litigation with respect to the access of our Village East cinema to first run commercial film products.
- Gain on disposal of business operations was $1.6 million from the disposition of our Puerto Rico operations in June 2005.
- Loss from discontinued operations increased for the 2005 Nine Months by $1.0 million compared to the 2004 Nine months as a result of deteriorating operating results from our Puerto Rico operations in the first two quarters of 2005 when compared to the three quarters of 2005.
- As a result of the above, net income for the cinema segment decreased for the 2005 Quarter and 2005 Nine Months by $1.4 million and $2.0 million, respectively, when compared to the same periods in 2004.

Real Estate

For the three and nine months ended September 30, 2005, our rental generating real estate holdings consisted of:

- our Belmont, Perth ETRC, our Auburn, Sydney ETRC and our Wellington , New Zealand ETRC;
- three single auditorium live theaters in Manhattan (Minetta Lane, Orpheum, and Union Square) and a four auditorium live theater complex in Chicago (The Royal George) and, in the case of the Union Square and the Royal George their accompanying ancillary retail and commercial tenants;
- the ancillary retail and commercial tenants at some of our non-ETRC cinema locations;
- an office building located in Glendale, California (which we sold on May 17, 2005); and
- certain raw land, used in our historic activities.

For the three and nine months ended September 30, 2005, our real estate segment generated the following income statement activity:

- Revenue increased for the 2005 Quarter by $136,000 or 4% and by $1.6 million or 17% for the 2005 Nine Months when compared to the same periods in 2004. Of the 2005 Nine Months increase, approximately $827,000 was attributable to an increase in rent from our domestic live theaters and

$747,000 was from higher rental revenue and higher occupancy rates from our New Zealand ETRC's and domestic properties.

- Operating expense for the real estate segment decreased for the 2005 Quarter by $112,000 or 7% and increased by $219,000 or 4% for the 2005 Nine Months when compared to the same periods in 2004. This 2005 Quarter decrease was primarily related to reduced operating expenses in our New Zealand operations whereas the 2005 Nine Months change mostly relates to an increase in variable costs associated with our live theater facilities.
- Depreciation expense for the real estate segment decreased by $354,000 or 28% for the 2005 Quarter and by $654,000 or 19% for the 2005 Nine Months when compared to the same periods in 2004. The majority of this decrease was attributed to the sale of our Glendale office building.
- General and administrative expense decreased for the 2005 Quarter by $181,000 and by $271,000 for the 2005 Nine Months when compared to the same periods in 2004.
- Gain on disposal of business operations was $12.0 million from the disposition of our Glendale office building.
- Income from discontinued operations decreased for the 2005 Quarter by $67,000 and increased by $134,000 for the 2005 Nine Months when compared to the same periods in 2004. The increase in the year-to-date income was primarily related to the fact that the Glendale office building was held for sale from January 2005 to its sale date on May 17, 2005. As such, we did not record depreciation expense for the building for the five months in accordance with SFAS 144 *Accounting for the Impairment or Disposal of Long-Lived Assets.*
- As a result of the above, real estate net income increased for the 2005 Quarter by $715,000 and by $14.5 million for the 2005 Nine Months when compared to the same periods in 2004.

Corporate

General and administrative expense includes expenses that are not directly attributable to other operating segments. The increase in general and administrative expense of $1.1 million in the 2005 Nine Months when compared to the 2004 Nine Months was primarily due to additional bonus accrual of $1.1 million related to our Chief Executive Officer's new employment contract with the Company.

Corporate other expense (income) is primarily comprised of:

- interest expense/income;
- gain/loss on sale of assets;
- equity income (loss) of unconsolidated joint ventures;
- gain recognized on foreign currency translation; and
- other miscellaneous income and loss items.

Other expense for the 2005 Nine Months was $2.3 million compared to other income of $1.2 million for the same period in 2004. The change was primarily related to a decrease in income in equity earnings of unconsolidated joint ventures of $343,000, a decrease in interest income of $636,000, an increase in interest expense of $906,000, and a decrease in gains recognized for currency fluctuation of $1.2 million. Other income for the 2005 Quarter decreased by $1.1 million primarily due to a decrease of $150,000 in interest income and an increase interest expense of $902,000.

Acquisitions

Rialto Joint Venture Purchase

Effective October 1, 2005, we purchased 100% of the stock of Rialto Entertainment for $4.5 million (NZ$6.5 million). Rialto Entertainment is a 50% joint venture partner with Village Roadshow/SkyCity Cinemas in the largest art cinema circuit in New Zealand. The joint venture owns five cinemas with 22 screens in the New Zealand cities of Auckland, Christchurch, Wellington, Dunedin and Hamilton.

Also as of October 1, 2005, we purchased for $694,000 (NZ$1.0 million) a 1/3 interest in Rialto Distribution. Rialto Distribution, an unincorporated joint venture, is engaged in the business of distributing art film in New Zealand and Australia.

Melbourne Office Building

On September 29, 2005, we purchased an office building in Melbourne, Australia for $1.9 million (AUS$2.5 million) to serve as our Australia headquarters. We fully financed this property by drawing on our Australian Corporate Credit Facility.

Cinemas 1, 2 & 3 Ground Lease

On September 19, 2005, we acquired a tenant's ground lease interest that is currently between (i) our fee ownership of the underlying land and (ii) our current possessory interest as the tenant in the building and improvements constituting the Cinemas 1, 2 & 3 in Manhattan. This tenant's ground lease interest was purchased from Sutton Hill Capital LLC ("SHC") for a $9.0 million promissory note, bearing interest at a fixed rate of 8.25% and maturing on December 31, 2010. As SHC is a related party to our corporation, our Board's Audit and Conflicts Committee, comprised entirely of outside independent directors, and subsequently our entire Board of Directors unanimously approved the purchase of the property. The Cinemas 1, 2 & 3 is located on 3rd Avenue between 59th and 60th Streets.

The acquisition of the tenant's ground lease interest finalizes the acquisition side of a tax deferred exchange under Section 1031 of the Internal Revenue Code designed to exchange our interest in our only non-entertainment oriented fee property in the United States for the fee interest underlying our leasehold estate in the Cinemas 1, 2 & 3. The acquisition of this tenant's ground lease interest and the Cinemas 1, 2, 3 Fee Interest described below have resulted in a book value of approximately $22.9 million (which includes $1.3 million of option fees paid in 2000 as part of the City Cinemas Master Lease Agreement, see Note 8 – Goodwill and Intangible Assets) and a tax basis of $9.1 million as compared to an appraised value of the property of $27.5 million, based on an independent appraisal dated April 25, 2005.

For the time being, SHC will retain ownership of the building and improvements constituting the Cinemas and in which we hold a tenancy interest. However, as a part of the transaction, we have obtained the right to acquire these improvements for $100,000, in the event that we should decide to redevelop the property. Accordingly, upon the acquisition of SHC's interest in the ground lease we will have brought together under Reading the ownership interest of all of the interests necessary for Reading to be, on a consolidated basis, the absolute fee owner of the Cinemas property – subject only to SHC's interest in the building which we have an option to acquire for a further $100,000. Additionally, under the Master Operating Lease with SHC, the exercise price of the option to purchase all assets under that lease was reduced by $9.0 million resulting in a final option price of $6.0 million for the purchase of the Village East Cinema, certain theater management and real estate rental contracts, and a reduction in rent from $1.2 million to $495,000 annually.

Cinemas 1, 2 & 3 Fee Interest

On June 1, 2005, we acquired for $12.6 million the fee interest and the landlord's ground lease interest underlying our Cinemas 1, 2 & 3 property in Manhattan, as a part of a tax deferred exchange under Section 1031 of the Internal Revenue Code. The funds used for the acquisition came primarily from the sale proceeds of our Glendale, California office building.

As a result of the acquisition of this fee interest, the landlord's interest in the ground lease and the tenant's interest in the ground lease, our effective rental expense with respect to the Cinemas 1, 2 & 3 and the Village East cinema has decreased by approximately $1.0 million annually as of September 30, 2005.

Dispositions

Wilmington and Northern Property

On September 26, 2005, we sold our Wilmington and Northern property for a cash total of $515,000 resulting in a negligible loss on sale. This property was one of several remaining tracks of railroad land, all of which are considered non-core assets under our current business plan. The sale resulted in a negligible loss during the third quarter and the property produced a nominal income per year.

Puerto Rico Cinema Assets

As of June 8, 2005, we closed the sale of all of our cinema assets located in Puerto Rico for $2.3 million, resulting in a book gain of $1.6 million. This sale has likewise been booked as a discontinued operation, and the resulting gain appears under "gain on disposal of business operations." In connection with the sale, we have entered into a covenant not to compete, and do not currently intend to engage further in cinema operations in Puerto Rico.

The loss from discontinued operations of our Puerto Rico cinema operations was $1.8 million for the 2005 Nine Months and $714,000 for the 2004 Nine Months. These operations produced net losses of $338,000 and $1.7 million, respectively for the years ended December 31, 2004 and 2003.

Included in the sold assets were our litigation claims against Plaza Las Americas. However, we are continuing to pursue our antitrust action against the dominant exhibitor in Puerto Rico.

Glendale Office Building

On May 17, 2005, we closed the sale of our Glendale California office building for $21.0 million resulting in a book gain of $12.0 million. At the closing, we received net cash of approximately $10.3 million and the buyer assumed our liability under the $10.1 million mortgage encumbering the property. This sale has been booked as a discontinued operation, and the resultant gain appears under "gain on disposal of business operations."

This property was our only wholly owned property in the United States that was not used directly in connection with our cinema and live theater operations. It was sold as a part of a tax deferred exchange under Section 1031 of the Internal Revenue Code, with the intention of reinvesting the profit and basis in the fee and ground lease interests underlying our Cinema 1, 2 & 3 leasehold property in Manhattan. Any future taxable income which may be related to the transaction may be offset by approximately $22.8 million in future deductible temporary differences arising from available U.S. operating loss carry forwards.

The income from discontinued operations of our Glendale Property was $387,000 for the 2005 Nine Months and $253,000 for the 2004 Nine Months.

Business Plan, Capital Resources and Liquidity

Business Plan

Our cinema exhibition business plan is to continue to identify, develop and acquire cinema properties, focusing, where reasonably available, on those opportunities where we can acquire either the fee interest underlying such operating assets, or long term leases, which provide flexibility with respect to the usage of such leasehold estates. Our real estate business plan is to continue to develop our existing land assets, focusing principally on uses that incorporate entertainment elements such as cinemas, and to continue to be sensitive to opportunities to convert our entertainment assets to higher and better uses – such as the ongoing redevelopment of our Sutton Cinema property into residential and retail condominium units.

We are currently concentrating our acquisitions and development activities primarily in Australia and New Zealand, as we believe that there are currently better opportunities in these markets than domestically and have now disposed of our cinema assets in Puerto Rico. We continue to close under-performing cinema assets, or to sell or put to other purposes those cinema assets which have value as real estate significantly in excess of their value as cinemas.

Contractual Obligations

The following table provides information with respect to the maturities and scheduled principal repayments of our secured debt and lease obligations at September 30, 2005 (in thousands):

	2005	2006	2007	2008	2009	Thereafter
Long-term debt	$ 89	$ 1,849	$ 5,047	$ 3,368	$ 78,351	$ 3,486
Long-term debt to related parties	--	--	5,000	--	--	9,000
Lease obligations	2,838	11,350	11,513	10,964	10,842	75,172
Estimated interest on long-term debt	1,699	7,860	7,383	7,137	3,662	1,128
Total	$ 4,626	$ 21,059	$ 28,943	$ 21,469	$ 92,855	$ 88,786

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

Liquidity and Capital Resources

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

Currently, our liquidity needs arise mainly from:

- working capital requirements;
- debt servicing requirements; and
- capital expenditures.

Operating Activities

Cash used in operations was $2.9 million in the 2005 Nine Months compared to $545,000 of cash provided by operations in the 2004 Nine Months. The change in cash used in operations of $3.4 million is due primarily to:

- an increase of interest payments of $2.1 million primarily related to our increased borrowings in Australia for the Newmarket construction and our larger credit facility New Zealand and
- a decrease of $1.8 million in cash provided by discontinued operations.

Investing Activities

Cash used in investing activities for the first nine months of 2005 increased by $16.9 million compared to the same period in 2004. The 24.4 million cash used for the 2005 Nine Months was primarily related to:

- $12.6 million in net proceeds from the sales of our Glendale office building and Puerto Rico operations;
- $1.0 million cash provided by a decrease in restricted cash; and
- $515,000 in cash proceeds from the sale of our Wilmington and Northern property; offset by
- $14.4 million paid for acquisitions including $11.8 million for the acquisition of the fee interest and tenant's ground lease interest of the Cinemas 1, 2 & 3 property in New York City, $700,000 deposit paid to secure a contract to acquire a company whose sole assets is a 50% interest in an unincorporated joint venture that owns 20 screens, and $1.9 million (AUS$2.5 million) paid for our new Melbourne Office Building;
- $23.2 million in purchases of property and equipment related to approximately $21.4 million for the on-going construction work on our Newmarket development in Brisbane, Australia and the fit-out of our 8 screen Adelaide, Australia cinema which opened on October 20, 2005 and $1.8 million in purchases of equipment primarily related to our renovation of our New Zealand Movieland sites;
- $905,000 cash paid as additional capital contributions with respect to our investment in the 205-209 East 57th Street Associates, LLC.

The $7.6 million cash used for the 2004 Nine Months was primarily related to:

- $14.3 million of acquisition costs related to the Anderson Circuit acquisition, of $9.5 million (AUS$13.3 million) and the Movieland Circuit acquisition of $4.8 million (NZ$7.2 million);
- $617,000 in purchases of property and equipment in our US;
- $1.1 million (AUS$1.4 million) related to the purchase of additional land adjacent to our Newmarket Shopping Centre development;
- $2.3 million of restricted cash related to the purchase of the Anderson circuit;
- $2.4 million for the acquisition of our membership interest in 205-209 E. 57th Street Associates LLC (the developer of Place 57); offset by
- $13.0 million receivable payment on the Sutton Promissory Note.

Financing Activities

Cash provided by financing activities was $24.9 million for the first nine months of 2005 compared to cash used in financing activities of $6.9 million during the same period in 2004. This increase is attributable to our increase in borrowings of approximately $25.7 million primarily used to finance the on-going construction work on our Newmarket development in Brisbane, Australia.

During the period we were able to extend our Australian Corporate Credit Facility from $42.0 million (AUS$55.0 million) to $51.5 million (AUS$67.4 million) including a ($7.6 million AUS$10.0 million) working capital facility. This additional liquidity will allow us to continue to expand our operations in Australia.

Summary

Our cash position at September 30, 2005 was $10.2 million compared to $12.3 million at December 31, 2004. The majority of the $2.1 million change related to the following transactions:

- $10.3 million increase related to the sale of our Glendale Building;
- $2.3 million increase related to the sale of our Puerto Rico cinema operation;
- $515,000 increase in cash proceeds from the sale of our Wilmington and Northern property;
- $1.0 million cash provided by a decrease in restricted cash; and
- $25.7 million of new borrowings; offset by
- $21.4 million of capital expenditures related to the on-going construction work on our Newmarket development and the fit-out of our 8 screen Adelaide, Australia cinema which opened on October 20, 2005;
- $1.8 million related to the purchase of property and equipment in the U.S. and New Zealand;
- $2.1 million of additional interest payments;
- $905,000 additional capital contributions with respect to maintaining our 25% interest in 205-209 East 57th Street Associates, LLC; and
- $11.8 million paid for the fee interest in the Cinemas 1, 2, 3 property in New York City.

Critical Accounting Policies

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

These critical accounting policies are fully discussed in our 2004 Annual Report and you are advised to refer to that discussion.

Financial Risk Management

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

After the Consolidation on December 31, 2001, we began recognizing unrealized foreign currency translation gains and losses. 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 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. As detailed in our 2004 Annual Report, our Australian credit facilities provide for floating interest rates but require that not less than a certain percentage of the loans be swapped into fixed rate obligations using the derivative contracts.

In accordance with SFAS No. 133 *Accounting for Derivative Instruments and Hedging Activities*, we marked our Australian interest swap instruments to market on the consolidated balance sheet resulting in an $194,000 (AUS$281,000) decrease and $180,000 (AUS$254,000) decrease to interest expense during the three months and nine months ended September 30, 2005, respectively. We have recorded the fair market value of our interest rate swaps of $846,000 (AUS$1.1 million) as an other long-term liability. The swap with a notional amount of $12,477,000 does not have a "Receive Variable Rate" because the instrument will not be effective until March 31, 2006. In accordance with SFAS No. 133, we have not designated any of our current interest rate swap positions as financial reporting hedges.

Inflation

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

Litigation

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

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

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

Where we are the defendants, we accrue for probable damages, which may not be covered by insurance, as they become known and can be reasonably estimated. In our opinion, any claims and litigation in which we are currently involved are not reasonably likely to have a material adverse effect on our business, results of operations, financial position or liquidity. However, we do not give any assurance as to the ultimate outcome of such claims and litigation. The resolution of such claims and litigation could be material to our operating results for any particular period, depending on the level of income for such period. An update of our current litigation since our Company's 2004 Annual Report is described below.

Whitehorse Litigation

On October 30, 2000, we commenced litigation in the Supreme Court of Victoria at Melbourne, Commercial and Equity Division, against our joint venture partner and the controlling stockholders of our joint venture partner in the Whitehorse Shopping Center. That action is entitled Reading Entertainment Australia PTY, LTD vs. Burstone Victoria PTY, LTD and May Way Khor and David Frederick Burr, and was brought to collect on a promissory note (the "K/B Promissory Note") evidencing a loan that we made to Ms. Khor and Mr. Burr and that was guaranteed by Burstone Victoria PTY, LTD ("Burstone" and collectively with Ms. Khor and Mr. Burr, the "Burstone Parties"). This loan balance has been previously written off and is no longer recorded on our books. The Burstone Parties asserted in defense certain set-offs and counterclaims, alleging, in essence, that we had breached our alleged obligations to proceed with the development of the Whitehorse Shopping Center, causing the Burstone Parties substantial damages. Following trial, the trial court not only affirmed the liability of the Burstone Parties on the K/B Promissory Note but also determined that we had breached certain obligations owed to WPG (the joint venture in which we own a 50% interest and in which Burstone owns the remaining 50% interest). The trial court did not, however, find us in breach of any direct obligations to any one or more of the Burstone Parties.

The trial court has entered judgment against us and in favor of WPG in the amount of $3.4 million (AUS$4.5 million). The trial court has also entered judgment against the Burstone Parties and in our favor in the amount of $3.2 million (AUS$4.2 million). Further, the trial court has found us responsible to reimburse the Burstone Parties for 65% of their out-of-pocket legal fees, an amount not yet determined but estimated at approximately $764,000 (AUS$1.0 million) . In addition, we have settled various ancillary claims against us for an additional $306,000 (AUS$400,000), which has now been paid to WPG.

As discussed in greater detail below, we have given timely notice of our intention to appeal the judgment entered against us by the trial court and intend to vigorously prosecute that appeal. The Burstone Parties have likewise appealed, arguing that the damages assessed in favor of WPG and against us should be higher.

A provisional liquidator has been appointed for WPG, and that company is now in the process of being wound up. As a consequence of our 50% interest in WPG, in the event that we are not successful in our appeal, we currently anticipate that we will ultimately receive liquidating distributions from WPG in an amount equal to approximately $1.8 million (AUS$2.3 million). During the third quarter, the Burstone Parties paid us $229,000 (AUS$300,000) against our judgment against them, and we have now entered into an agreement with the Burstone Parties, pursuant to which they have agreed to pay the balance of our judgment against them, together with ongoing interest, over time and have provided various undertakings and a guaranty to secure that obligation. Accordingly, we believe that our judgment against the Burstone Parties is adequately secured and, even if we do not prevail on appeal, we will still net in the range of $1.2 million (AUS$1.6 million) from the litigation, less

such attorney's fees as may be assessed against us when the final accounting for such fees is made and our own costs of collection.

We are advised by senior Queen's Counsel after conducting an independent review of the evidence submitted at trial and the trial court's opinion that, in his opinion, the trial court erred in a number of critical aspects, and that we should have no liability to WPG or any of the Burstone Parties. Accordingly, we have appealed that part of the trial court's determination.

Forward-Looking Statements

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

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

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

- With respect to our cinema operations:
  - The number and attractiveness to movie goers of the films released in future periods;
  - The amount of money spent by film distributors to promote their motion pictures;
  - The licensing fees and terms required by film distributors from motion picture exhibitors in order to exhibit their films;
  - The comparative attractiveness of motion pictures as a source of entertainment and willingness and/or ability of consumers (i) to spend their dollars on entertainment and (ii) to spend their entertainment dollars on movies in an outside the home environment; and
  - The extent to which we encounter competition from other cinema exhibitors, from other sources of outside of the home entertainment, and from inside the home entertainment options, such as "home theaters" and competitive film product distribution technology such as, by way of example, cable, satellite broadcast, DVD and VHS rentals and sales, and so called "movies on demand;"
- With respect to our real estate development and operation activities:
  - The rental rates and capitalization rates applicable to the markets in which we operate and the quality of properties that we own;
  - The extent to which we can obtain on a timely basis the various land use approvals and entitlements needed to develop our properties;
  - The availability and cost of labor and materials;
  - Competition for development sites and tenants; and

  - The extent to which our cinemas can continue to serve as an anchor tenant which will, in turn, be influenced by the same factors as will influence generally the results of our cinema operations; and

- With respect to our operations generally as an international company involved in both the development and operation of cinemas and the development and operation of real estate; and previously engaged for many years in the railroad business in the United States:
  - Our ongoing access to borrowed funds and capital and the interest that must be paid on that debt and the returns that must be paid on such capital;
  - The relative values of the currency used in the countries in which we operate;
  - Changes in government regulation, including by way of example, the costs resulting from the implementation of the requirements of Sarbanes Oxley;
  - Our labor relations and costs of labor (including future government requirements with respect to pension liabilities, disability insurance and health coverage, and vacations and leave);
  - Our exposure from time to time to legal claims and to uninsurable risks such as those related to our historic railroad operations, including potential environmental claims and health related claims relating to alleged exposure to asbestos or other substances now or in the future recognized as being possible causes of cancer or other health related problems;
  - Changes in future effective tax rates and the results of currently ongoing and future potential audits by taxing authorities having jurisdiction over our various companies; and
  - Changes in applicable accounting policies and practices.

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

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

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

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

Item 3 – Quantitative and Qualitative Disclosure about Market Risk

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

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

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

At September 30, 2005, approximately 51% and 22% of our assets were invested in assets denominated in Australian dollars (Reading Australia) and New Zealand dollars (Reading New Zealand), respectively, including approximately $1.9 million in cash and cash equivalents. At December 31, 2004, approximately 48% and 25% of our assets were invested in assets denominated in Australian dollars (Reading Australia) and New Zealand dollars (Reading New Zealand) including approximately $9.3 million in cash and cash equivalents.

Our policy in Australia and New Zealand is to match revenues and expenses, whenever possible, in local currencies. As a result, a majority of our expenses in Australia and New Zealand have been procured in local currencies. Due to the developing nature of our operations in Australia and New Zealand, our revenue is not yet significantly greater than our operating expense. The resulting natural operating hedge has led to a somewhat negligible foreign currency effect on our earnings.

Our policy is to borrow in local currencies to finance the development and construction of our ETRC's in Australia and New Zealand whenever possible. As a result, the borrowings in local currencies have provided somewhat of a natural hedge against the foreign currency exchange exposure. Even so, approximately 53% and 32% 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. At the present time, we have no plan to hedge such exposure.

We recognize unrealized foreign currency translation gains or losses which could materially affect our financial position. As of September 30, 2005 and December 31, 2004, we have recorded a cumulative unrealized foreign currency translation gain of approximately $31.3 million and $32.4 million, respectively. A change of 10% in foreign currency rates would result in an approximately $73,000 increase or decrease in our 2005 Nine Months net income.

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

Item 3A – Quantitative and Qualitative Disclosure about Interest Risk

The majority of our U.S. bank loans have fixed interest rates; however, one of our domestic loans has a variable interest rate and a change of approximately 1% in short-term interest rates would have resulted in an approximately $20,000 increase or decrease in our 2005 Nine Months interest expense.

While we have typically used fixed rate financing (secured by first mortgages) in the U.S., fixed rate financing is typically not available to corporate borrowers in Australia and New Zealand. The majority of our Australian and New Zealand bank loans have variable rates. The Australian facilities provide for floating interest rates, but require that not less than a certain percentage of the loans be swapped into fixed rate obligations (see *Financial Risk Management* above). If we consider the interest rate swaps, a 1% increase in short-term interest rates would have resulted in approximately $617,000 increase in our 2005 Nine Months Australian and New Zealand interest expense while a 1% decrease in short-term interest rates would have resulted in approximately $609,000 decrease the 2005 Nine Months of Australian and New Zealand interest expense.

Item 4 – Controls and Procedures

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

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

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, 2004.

Item 2 - Change in Securities

Not applicable.

Item 3 - Defaults upon Senior Securities

Not applicable.

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

None

Item 5 - Other Information

Not applicable.

Item 6 - Exhibits

31.1 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
31.2 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
32 Certifications Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.

SIGNATURES

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

READING INTERNATIONAL, INC.

Date:	November 7, 2005	By:	/s/ James J. Cotter James J. Cotter Chief Executive Officer
Date:	November 7, 2005	By:	/s/ Andrzej Matyczynski Andrzej Matyczynski Chief Financial Officer

EXHIBIT 31.1

CERTIFICATIONS

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

I, James J. Cotter, certify that:

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

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

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

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

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

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

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

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

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

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

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

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

By: /s/ James J. Cotter
James J. Cotter
Chief Executive Officer
November 7, 2005

EXHIBIT 31.2

CERTIFICATIONS

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

I, Andrzej Matyczynski, certify that:

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

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

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

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

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

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

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

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

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

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

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

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

By: /s/ Andrzej Matyczynski
Andrzej Matyczynski
Chief Financial Officer
November 7, 2005

EXHIBIT 32

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

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

- The Quarterly Report of the Company on Form 10-Q for the period ended September 30, 2005 as filed with the Securities and Exchange Commission fully complies with the requirements of Section 13(a) and 15(d), as applicable, of the Securities Exchange Act of 1934; and
- The information contained in such report fairly presents, in all material respects, the financial condition and results of operation of the Company.

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

Dated: November 7, 2005

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

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