READING INTERNATIONAL INC
Form 10-K
March 12, 2010

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2009

or

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

For the transition period from _______ to ______

Commission File No. 1-8625

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

NEVADA	95-3885184
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
500 Citadel Drive, Suite 300 Commerce, CA	90040
(Address of principal executive offices)	(Zip Code)

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

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

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

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

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer ¨ Accelerated filer þ Non-accelerated filer ¨ Smaller reporting company ¨

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of March 11, 2010, there were 21,213,669 shares of class A non-voting common stock, par value $0.01 per share and 1,495,490 shares of class B voting common stock, par value $0.01 per share, outstanding. The aggregate market value of voting and nonvoting stock held by non-affiliates of the Registrant was $82,713,669 as of June 30, 2009.

READING INTERNATIONAL, INC.

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PART I

Item 1 – Our Business

General Description of Our Business

Reading International, Inc., a Nevada corporation ("RDI"), was incorporated in 1999 incident to our reincorporation in Nevada. Our class A non-voting common stock ("Class A Stock") and class B voting common stock ("Class B Stock") are listed for trading on the NASDAQ under the symbols RDI and RDIB. Our principal executive offices are located at 500 Citadel Drive, Suite 300, Commerce, California 90040. Our general telephone number is (213) 235-2240 and our website is www.readingrdi.com. It is our practice to make available free of charge on our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Sections 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we have electronically filed such material with or furnished it to the Securities and Exchange Commission. In this Annual Report, we from time to time use terms such as the "Company," "Reading" and "we," "us," or "our" to refer collectiv to RDI and our various consolidated subsidiaries and corporate predecessors.

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

(1) Cinema Exhibition, through our 59 multiplex theaters, and

(2) Real Estate, including real estate development and the rental of retail, commercial and live theater assets.

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

At December 31, 2009, the book value of our assets was approximately $406.4 million; and as of that same date, we had a consolidated stockholders' book equity of approximately $110.3 million. Calculated based on book value, approximately $178.1 million of our assets relate to our cinema activities and approximately $197.5 million of our assets relate to our real estate activities. At December 31, 2009, the allocation between our cinema assets and our non-cinema assets was approximately 44% and 56%, respectively.

For additional segment financial information, please see Note 22 – Business Segments and Geographic Area Information to our 2009 Consolidated Financial Statements.

Recognizing that we are part of a world economy, we have diversified our assets among three countries: the United States, Australia, and New Zealand. We currently have approximately 34% of our assets (based on net book value) in the United States, 50% in Australia and 16% in New Zealand compared to 38%, 44%, and 18% at the end of 2008. For 2009, our gross revenue in these jurisdictions was $113.4 million, $80.8 million, and $22.8 million, respectively, compared to $99.8 million, $73.5 million, and $23.7 million for 2008.

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For additional financial information concerning the geographic distribution of our business, please see Note 22 – Business Segments and Geographic Area Information to our 2009 Consolidated Financial Statements.

While we do not believe the cinema exhibition business to be a growth business, we do believe it to be a business that will likely continue to generate fairly consistent cash flows in the years ahead even in recessionary or inflationary environment. This is based on our belief that people will continue to spend some reasonable portion of their entertainment dollar on entertainment outside of the home and that, when compared to other forms of outside the home entertainment, movies continue to be a popular, and competitively priced option. However, since we believe the cinema exhibition business to be a mature business with most markets either adequately screened or over-screened, we see our future asset growth coming more from our real estate development activities and from the acquisition of existing cinemas rather than from the development of new cinemas. Over time, we anticipate that our cinema operations will become increasingly a source of cash flow to support our real estate oriented activities, rather than a focus of growth, and that our real estate activities will, again, over time become the principal thrust of our business. We also, from time to time, invest in the shares of other companies, where we believe the business or assets of those companies to be attractive or to offer synergies to our existing entertainment and real estate businesses. Also, in the current environment, we intend to be opportunistic in identifying and endeavoring to acquire undervalued assets, particularly assets with proven cash flow and which we believe to be resistant to current recessionary trends.

During the second half of 2008, and for most of 2009, the current market value of most commercial real estate has seen a significant decline. While this decline has been, in our view, less pronounced in Australia and New Zealand than in the United States (and while the impact of the declines in Australia and New Zealand have been somewhat mitigated by renewed strength of the Australian and New Zealand dollar as compared to the US dollar during the later portions of 2009), values today are clearly less than they were at the end of 2007. This has affected a few of our development projects resulting in impairment losses. We believe, however, that the impact on us of this overall decline in real estate values has, in certain cases, been beneficial to us as we renegotiate lease terms for our existing cinemas and new lease terms for our cinemas in development. The practical impact on our real estate holdings has been minimal, as we have continued to enjoy increases in rentals from the tenants in our retail holdings, and as our business plan generally calls for development of our raw land holdings over time for long-term development. Of greater impact is the current lack of liquidity in the lending markets for real estate development, which may in certain cases delay our plans for development of certain properties, or necessitate the involvement of money partners in such developments.

Consistent with our philosophy of acquiring proven cash-flowing cinemas, on February 22, 2008 we acquired fifteen leasehold cinemas in Hawaii and California representing 181 screens for $70.2 million. These cinemas are located in Hawaii and California and since the acquisition date through to December 31, 2008 and for the full year ended December 31, 2009 produced gross revenue of $66.9 million and $77.5 million, respectively. This acquisition was financed, principally with a combination of institutional and seller financing totaling $71.0 million. The purchase price is subject to downward adjustment depending upon future circumstances, up to a maximum possible downward adjustment of $21.0 million (the full amount of the seller financing). As of December 31, 2009, we have reduced the acquisition debt to $52.7 million, through a combination of purchase price adjustments to the seller financing and amortization of the institutional financing. On February 12, 2010, the parties agreed to a further $4.2 million adjustment to the seller financing reducing the amount owed to $48.5 million. As a result of the adjustments to date to the seller financing, the effective purchase price for these cinema assets has been reduced to $59.5 million as of February 12, 2010.

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On September 16, 2008, we entered into an option agreement to sell our Auburn property for $28.5 million (AUS$36.0 million) as we believed that there were better opportunities for the deployment of such cash proceeds. The holder of the option paid us $1.5 million (AUS$2.0 million) in fees with respect to that option, but in May 2009, elected not to proceed further. Consequently, the option having terminated unexercised, we booked this $1.5 million in option fees as income for the quarter ended June 30, 2009. Since the expiration of that option, the area in which our Auburn Property is located has received a vote in favor by Auburn Council for re-zoning to a new retail precinct. This proposal is currently under consideration by the NSW planning ministry (the relevant authority) and if formalized will permit a variety of retail uses not previously permitted in the area. In light of this development, we have determined not to sell our Auburn Property, but rather to proceed with the further development of that site, including the development of the currently vacant 2.1-acre parcel adjacent to the existing cinema/retail complex on the site as well as redevelopment of sectors within the already constructed centre to improve returns.

During 2008, we acquired or entered into agreements to acquire four contiguous properties in Brisbane, Australia, of approximately 50,000 square feet, which we intend to develop or gain entitlements that will effectively add value to the properties for an eventual sale. The aggregate purchase price of these properties is $12.3 million (AUS$13.7 million), of which $2.5 million (AUS$2.8 million) relates to the three properties that have been acquired and $9.8 million (AUS$10.9 million) relates to the one property that is under contract to be acquired. Our obligation to close on the fourth property is subject to certain conditions (which we may waive) including a rezoning of certain of the four properties. We are currently in the process of pursuing an upgrade of the zoning of these properties to allow more intensive use. This is a long-term development project.

On April 30, 2009, we entered into an agreement to purchase for $3.8 million (NZ$5.2 million) a key property adjacent to our Manukau property in New Zealand, which provides a direct linkage between our Manukau property and a principal road servicing the area. Through December 31, 2009, we had deposited a total of $706,000 (NZ$1.1 million) toward that purchase price, the balance being due on the settlement date of March 31, 2010. We continue to progress the rezoning of this property from agricultural to industrial and warehouse uses. This too is a long-term development project.

Historically, we have endeavored to match the currency in which we have financed our development with the jurisdiction within which these developments are located. However, in February 2007 we broke with this policy and privately placed $50.0 million of 20-year trust preferred securities ("TPS"), with dividends fixed at 9.22% for the first five years, to serve as a long-term financing foundation for our real estate assets and to pay down our New Zealand and a portion of our Australia dollar denominated debt. Although structured as the issuance of TPS by a related trust, the financing is essentially the same as an issuance of fully subordinated debt: the payments are tax deductible to us and the default remedies are the same as debt. During the first quarter of 2009, we returned somewhat to our debt-to-local-currency matching policy by taking advantage of the then current market illiquidity for TPS to repurchase $22.9 million in face value of our TPS for $11.5 million. In addition, in December 2008 we secured a waiver of all financial covenants with respect to our TPS for a period of nine years, in consideration of the payment of $1.6 million, consisting of an initial payment of $1.1 million and a contractual obligation to pay $270,000 in December 2011 and $270,000 in December 2014. In the event that the remaining payments are not made, the only remedy is the termination of the waiver. As a result of this transaction, in 2009, we enjoyed a $10.7 million gain on retirement of subordinated debt.

In summary, while we do have operating company attributes, we see ourselves principally as a geographically diversified company and intend to add to shareholder value by building the value of our portfolio of tangible assets including both entertainment and other types of land, brick, and mortar assets. We endeavor to maintain a reasonable asset allocation between our domestic and overseas assets and operations, and between our cash generating cinema operations and our cash consuming real estate development activities. We believe that by blending the cash generating capabilities of a cinema company with the investment and development opportunities of a real estate development company, we are unique among public companies with our business plan.

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At December 31, 2009, our principal assets included:

- interests in 57 cinemas comprising some 457 screens;
- fee interests in four live theaters (the Union Square, the Orpheum and Minetta Lane in Manhattan and the Royal George in Chicago);
- fee ownership of approximately 1.2 million square feet of developed commercial real estate, and approximately 15.3 million square feet of land; and
- cash, cash equivalents, and investments in marketable securities aggregating $27.7 million.

Our Cinema Exhibition Activities and Business

General

We conduct our cinema operations on four basic and rather simple premises:

- first, notwithstanding the enormous advances that have been made in home entertainment technology, humans are essentially social beings, and will continue to want to go beyond the home for their entertainment, provided that they are offered clean, comfortable and convenient facilities, with state of the art technology;
- second, cinemas can be used as anchors for larger retail developments and our involvement in the cinema business can give us an advantage over other real estate developers or redevelopers who must identify and negotiate exclusively with third party anchor tenants;
- third, pure cinema operators can get themselves into financial difficulty as demands upon them to produce cinema based earnings growth tempt them into reinvesting their cash flow into increasingly marginal cinema sites. While we believe that there will continue to be attractive cinema acquisition opportunities in the future, and believe that we have taken advantage of one such opportunity through our purchase of Consolidated Cinemas, we do not feel pressure to build or acquire cinemas for the sake of simply adding on units. We intend to focus our cash flow on our real estate development and operating activities, to the extent that attractive cinema opportunities are not available to us; and
- fourth, we are always open to the idea of converting an entertainment property to another use, if there is a higher and better use for the property, or to sell individual assets, if we are presented with an attractive opportunity.

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Our current cinema assets that we own and/or manage are as set forth in the following chart:

	Wholly Owned	Consolidated1	Unconsolidated2	Managed3	Totals
Australia	17 cinemas 130 screens	3 cinemas 16 screens	1 cinema4 16 screens	None	21 cinemas 162 screens
New Zealand	9 cinemas 48 screens	None	3 cinemas5 16 screens	None	12 cinemas 64 screens
United States	23 cinemas 225 screens	1 cinema6 6 screens	None	2 cinemas 9 screens	26 cinemas 240 screens
Totals	49 cinemas 403 screens	4 cinemas 22 screens	4 cinemas 32 screens	2 cinemas 9 screens	59 cinemas 466 screens

1 Cinemas owned and operated through consolidated, but not wholly owned subsidiaries.
2 Cinemas owned and operated through unconsolidated subsidiaries.
3 Cinemas in which we have no ownership interest, but which are operated by us under management agreements.
4 33.3% unincorporated joint venture interest.
5 50% unincorporated joint venture interests.
6 The Angelika Film Center and Café in Manhattan is owned by a limited liability company in which we own a 50% interest with rights to manage.

We focus on the ownership and operation of three categories of cinemas:

- first, modern stadium seating multiplex cinemas featuring conventional film product;
- second, specialty and art cinemas, such as our Angelika Film Centers in Manhattan and Dallas and the Rialto cinema chain in New Zealand; and
- third, in some markets, particularly small town markets that will not support the development of a modern stadium design multiplex cinema, conventional sloped floor cinemas.

We also offer premium class seating and amenities in certain of our cinemas and are in the process of converting certain of our exiting cinemas to provide this premium offering.

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

Our cinemas derived approximately 71% of their 2009 revenue from box office receipts. Ticket prices vary by location, and provide for reduced rates for senior citizens and children.

Show times and features are placed in advertisements in local newspapers and on our various websites. In the United States, film distributors may also advertise certain feature films in various print, radio and television media, as well as on the internet and those costs are generally paid by distributors. In Australia and New Zealand, the exhibitor typically pays the costs of local newspaper film advertisements, while the distributors are responsible for the cost of any national advertising campaign.

Concession sales accounted for approximately 25% of our total 2009 revenue. Although certain cinemas have licenses for the sale and consumption of alcoholic beverages, concession products primarily include popcorn, candy, and soda.

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Screen advertising and other revenue contribute approximately 4% of our total 2009 revenue. With the exception of certain rights that we have retained to sell to local advertisers, generally speaking, we are not in the screen advertising business and have contracted with a national screen advertising company to provide such advertising for us.

In New Zealand, we also own a one-third interest in Rialto Distribution. Rialto Distribution, an unincorporated joint venture, is engaged in the business of distributing art film in New Zealand and Australia. The remaining 2/3 interest is owned by the founders of the company, who have been in the art film distribution business since 1993.

Management of Cinemas

With two exceptions, we manage all of our cinemas ourselves with executives located in Los Angeles, Manhattan, Melbourne, Australia, and Wellington, New Zealand. Approximately 2,207 individuals were employed (on a full time or part time basis) in our cinema operations in 2009. Our three New Zealand Rialto cinemas are owned by a joint venture in which Reading New Zealand is a 50% joint venture partner. While we are principally responsible for the booking of the cinemas, our joint venture partner, Greater Union, manages the day-to-day operations of these cinemas. In addition, we have a 1/3 interest in a 16-screen Brisbane cinema. Greater Union manages that cinema as well.

Licensing/Pricing

Film product is available from a variety of sources ranging from the major film distributors such as Columbia, Disney, Buena Vista, DreamWorks, Fox, MGM, Paramount, Warner Bros, and Universal, to a variety of smaller independent film distributors such as Miramax. In Australia and New Zealand, some of those major distributors distribute through local unaffiliated distributors. The major film distributors dominate the market for mainstream conventional films. Similarly, most art and specialty films come from the art and specialty divisions of these major distributors, such as Fox's Searchlight and Miramax. Generally speaking, film payment terms are based upon an agreed upon percentage of box office receipts which will vary from film to film as films are licensed in Australia, New Zealand and the United States on a film-by-film, theater by theater basis.

While in certain markets film may be allocated by the distributor among competitive cinemas, typically in the markets in which we operate, we have access to all conventional film products. In the art and specialty markets, due to the limited number of prints available, we from time to time are unable to license all of the films that we might desire to play. In summary, while in some markets we are subject to film allocation, on the whole, access to film product has not in recent periods been a major impediment to our operations.

Competition

In each of the United States, Australia, and New Zealand, film patrons typically select the cinema that they are going to go to first by selecting the film they want to see, and then by selecting the cinema in which they would prefer to see it. Accordingly, the principal factor in the success or failure of a particular cinema is access to popular film products. If a particular film is only offered at one cinema in a given market, then customers wishing to see that film will, of necessity, go to that cinema. If two or more cinemas in the same market offer the same film, then customers will typically take into account factors such as the relative convenience and quality of the various cinemas. In many markets, the number of prints in distribution is less than the number of exhibitors seeking that film for that market, and distributors typically take the position that they are free to provide or not provide their films to particular exhibitors, at their complete and absolute discretion.

Competition for films can be intense, depending upon the number of cinemas in a particular market. Our ability to obtain top grossing first run feature films may be adversely impacted by our comparatively small size, and the limited number of screens we can supply to distributors. Moreover, because of the dramatic consolidation of screens into the hands of a few very large and powerful exhibitors such as Regal and AMC, these mega exhibition companies are in a position to offer distributors access to many more screens in major markets than we can. Accordingly, distributors may decide to give preferences to these mega exhibitors when it comes to licensing top grossing films, rather than deal with independents such as ourselves. The situation is different in Australia and New Zealand where typically every major multiplex cinema has access to all of the film currently in distribution, regardless of the ownership of that multiplex cinema.

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Once a patron has selected the film, the choice of cinema is typically impacted by the quality of the cinema experience offered weighed against convenience and cost. For example, most cinema patrons seem to prefer a modern stadium design multiplex, to an older sloped floor cinema, and to prefer a cinema that either offers convenient access to free parking (or public transport) over a cinema that does not. However, if the film they desire to see is only available at a limited number of locations, they will typically chose the film over the quality of the cinema and/or the convenience of the cinema. Generally speaking, our cinemas are modern multiplex cinemas with good and convenient parking. As discussed further below, the availability of 3D or digital technology and/or premium class seating can also be a factor in the preference of one cinema over another.

The film exhibition markets in the United States, Australia, and New Zealand are to a certain extent dominated by a limited number of major exhibition companies. The principal exhibiters in the United States are Regal (with 6,768 screens in 548 cinemas), AMC (with 4,574 screens in 304 cinemas), Cinemark (with 4,908 screens in 426 cinemas), and Carmike (with 2,285 screens in 247 cinemas). At the present time, we are the 12th largest exhibitor with 1% of the box office in the United States with 231 screens in 24 cinemas.

The principal exhibitors in Australia include a joint venture of Greater Union and Village (GUV) in certain suburban multiplexes. The major exhibitors control approximately 68% of the total cinema box office: Village/Greater Union/Birch Carroll and Coyle 47% and Hoyts Cinemas ("Hoyts") 21%. Greater Union has 239 screens nationally; Village 217 screens; Birch Carroll & Coyle (a subsidiary of Greater Union) 230 screens and Hoyts 319 screens. By comparison, our 146 screens represent approximately 7% of the total box office.

The major players in New Zealand are Sky Cinemas with 106 screens nationally, Hoyts with 49 screens, and Reading with 48 screens (not including partnerships). The major exhibitors in New Zealand control approximately 67% of the total box office: Sky Cinemas 36%, Hoyts 16%, and Reading 15% (Sky and Reading market share figures again do not include any partnership theaters). In February 2010, Greater Union acquired Sky Cinemas resulting in a greater concentration of cinema assets in Australia and New Zealand.

Greater Union is the owner of Birch Carroll & Coyle in Australia and Sky Cinemas in New Zealand. In addition, generally speaking, all new multiplex cinema projects announced by Village are being jointly developed by a joint venture comprised of Greater Union and Village. These companies have substantial capital resources. Village had a publicly reported consolidated net worth of approximately $608.6 million (AUS$755.6 million) at June 30, 2009. The Greater Union organization does not separately publish financial reports, but its parent, Amalgamated Holdings, had a publicly reported consolidated net worth of approximately $482.6 million (AUS$599.1 million) at June 30, 2009. Hoyts is privately held and does not publish financial reports. Hoyts is currently owned by Pacific Equity Partners.

In Australia, the industry is also somewhat vertically integrated in that Roadshow Film Distributors, a subsidiary of Village, serves as a distributor of film in Australia and New Zealand for Warner Brothers and New Line Cinema. Films produced or distributed by the majority of the local international independent producers are also distributed by Roadshow Film Distributors. Hoyts is also involved in film production and distribution.

Digital and 3D

After years of uncertainty as to the future of digital and 3D exhibition and the impact of these technologies on cinema exhibition, it now appears that the industry is going digital, and that the major exhibitors are in the process of equipping at least one auditorium in each of their significant locations with 3D capability. In 2009, cinemagoers demonstrated a strong appetite for and a willingness to pay premium prices for 3D movies. The release schedule for 2010 lists 17 titles for 3D release, compared to 14 titles for 2009.

By mid-year, we anticipate that we will have 3D projectors in not less than 28 out of the 53 cinema locations that we either wholly own or consolidate. We believe that the transition from film to digital projectors, while likely inevitable, will take some time to roll out and our business plan is to be selective in our selection of auditoriums to be fitted out with such technology, identifying those situations where premiums can best be achieved by having such projection capabilities.

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In-Home Competition

In the case of "in-home" entertainment alternatives, the industry is faced with the significant leaps achieved in recent periods in both the quality and affordability of in-home entertainment systems and in the accessibility to entertainment programming through cable, satellite, and DVD distribution channels. These alternative distribution channels are putting pressure on cinema exhibitors to reduce the time period between theatrical and secondary release dates, and certain distributors are talking about possible simultaneous or near simultaneous releases in multiple channels of distribution. These are issues common to both our domestic and international cinema operations.

Competitive issues are discussed in greater detail above under the caption, Competition, and under the caption, Item 1A - Risk Factors.

Seasonality

Major films are generally released to coincide with holidays. With the exception of Christmas and New Years, this fact provides some balancing of our revenue because there is no material overlap between holidays in the United States and those in Australia and New Zealand. Distributors will delay, in certain cases, releases in Australia and New Zealand to take advantage of Australia and New Zealand holidays that are not celebrated in the United States.

Employees

We have 60 full time executive and administrative employees and approximately 2,147 cinema employees. Our cinema employees in Wellington, New Zealand and our projectionists in Hawaii are unionized. None of our other employees is subject to union contracts. Our one union contract with respect to our projectionists in Hawaii expires on March 31, 2012. Our union contracts with respect to Wellington, New Zealand expired in January 2010. We are currently in the process of renegotiating these contracts. None of our Australia based employees is unionized. Overall, we are of the view that the existence of these contracts does not materially increase our costs of labor or our ability to compete. We believe our relations with our employees to be generally good.

Our Real Estate Activities

Our real estate activities have historically consisted principally of:

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

While we report our real estate as a separate segment, it has historically operated as an integral portion of our overall business and, again historically, has principally been in support of that business. In recent periods, however, we have acquired or developed properties which do not have any cinema or other entertainment component. As opportunities for cinema development become more limited, it is likely that our real estate activities will continue to expand beyond the development of entertainment-oriented properties. Our senior executives oversee and participate in both the cinema and real estate aspects of our business. We also employ a number of full time real estate professionals to assist us in our non-cinema real estate development activities and non-cinema property management activities.

Our real estate activities, holdings and developments are described in greater detail in Item 2 – Properties, and that discussion is not repeated here.

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Item 1A – Risk Factors

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

Business Risk Factors

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

Cinema Exhibition and Live Theater Business Risk Factors

We operate in a highly competitive environment, with many competitors who are significantly larger and may have significantly better access to funds than do we.

We are a comparatively small cinema operator and face competition from much larger cinema exhibitors. These larger circuits are able to offer distributors more screens in more markets – including markets where they may be the exclusive exhibitor – than can we. In some cases, faced with such competition, we may not be able to get access to all of the films we want, which may adversely affect our revenue and profitability.

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

In the case of our live theaters, we compete for shows not only with other "for profit" off-Broadway theaters, but also with not-for-profit operators and, increasingly, with Broadway theaters. We believe our live theaters are generally competitive with other off-Broadway venues. However, due to the increased cost of staging live theater productions, we are seeing an increasing tendency for plays that would historically have been staged in an off-Broadway theater, moving directly to larger Broadway venues.

We face competition from other sources of entertainment and other entertainment delivery systems.

Both our cinema and live theater operations face competition from developing "in-home" sources of entertainment. These include competition from DVDs, pay television, cable and satellite television, the internet and other sources of entertainment, and video games. The quality of in-house entertainment systems has increased while the cost of such systems has decreased in recent periods, and some consumers may prefer the security of an "in-home" entertainment experience to the more public experience offered by our cinemas and live theaters. The movie distributors have been responding to these developments by, in some cases, decreasing the period of time between cinema release and the date such product is made available to "in-home" forms of distribution.

The narrowing of this so-called “window” for cinema exhibition may be problematic since film-licensing fees have historically been front end loaded. On the other hand, the significant quantity of films produced in recent periods has probably had more to do, at least to date, with the shortening of the time most movies play in the cinemas, than any shortening of the cinema exhibition window. In recent periods, there has been discussion about the possibility of eliminating the cinema window altogether for certain films, in favor of a simultaneous release in multiple channels of distribution, such as theaters, pay-per-view, and DVD. However, again to date, this move has been strenuously resisted by the cinema exhibition industry and we view the total elimination of the cinema exhibition window, while theoretically possible, to be unlikely.

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However, there is the risk that, over time, distributors may move towards simultaneous release of motion picture product in multiple channels of distribution. This would adversely affect the competitive advantage enjoyed by cinemas over “in-home” forms of entertainment, as it may be that both the cinema market and the “in-home” market will have simultaneous access to motion picture product.

We also face competition from various other forms of “beyond-the-home” entertainment, including sporting events, concerts, restaurants, casinos, video game arcades, and nightclubs. Our cinemas also face competition from live theaters and vice versa.

Competition from less expensive “in-home” entertainment alternatives may be intensified as a result of the current economic recession.

Our cinemas operations depend upon access to film that is attractive to our patrons and our live theater operations depend upon the continued attractiveness of our theaters to producers.

Our ability to generate revenue and profits is largely dependent on factors outside of our control, specifically, the continued ability of motion picture and live theater producers to produce films and plays that are attractive to audiences, and the willingness of these producers to license their films to our cinemas and to rent our theaters for the presentation of their plays. To the extent that popular movies and plays are produced, our cinema and live theater activities are ultimately dependent upon our ability, in the face of competition from other cinema and live theater operators, to book these movies and plays into our facilities.

Adverse economic conditions could materially affect our business by reducing discretionary income and by limiting or reducing sources of film and live theater funding.

Cinema and live theater attendance is a luxury, not a necessity. Accordingly, a decline in the economy resulting in a decrease in discretionary income, or a perception of such a decline, may result in decreased discretionary spending, which could adversely affect our cinema and live theater businesses. Adverse economic conditions can also affect the supply side of our business, as reduced liquidity can adversely affect the availability of funding for movies and plays. This is particularly true in the case of Off-Broadway plays, which are often times financed by high net worth individuals or groups of such individuals and which are very risky due to the absence of any ability to recoup investment in secondary markets like DVD or cable.

Our screen advertising revenue may decline.

Over the past several years, cinema exhibitors have been looking increasingly to screen advertising as a way to boost income. No assurances can be given that this source of income will be continuing or that the use of such advertising will not ultimately prove to be counterproductive by giving consumers a disincentive to choose going to the movies over “in-home” entertainment alternatives.

We face uncertainty as to the timing and direction of technological innovations in the cinema exhibition business and as to our access to those technologies.

It is generally assumed that eventually, and perhaps in the relatively near future, cinema exhibition will change over from film projection to digital projection technology. Such technology offers various cost benefits to both distributors and exhibitors. While the cost of such a conversion could be substantial, it is presently difficult to forecast the costs of such conversion or how these costs will be shared. Also, we anticipate that, as with most technologies, the cost of the equipment will decline significantly over time. As technologies are always evolving, it is, of course, also possible that other new technologies may evolve that will adversely affect the competitiveness of current cinema exhibition technology. In recent periods, the major exhibitors both in the United States and in Australia have made significant commitments to move to digital equipment. It is likely that, in order to keep pace, we will be required in the near future to invest significant funds to move to a digital circuit. Our larger and better-capitalized competitors may have an advantage, due to, among other things, their ability to negotiate for volume discounts and to preempt access to such equipment. These same considerations generally apply also to the installation of 3D cinema projection capability.

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Real Estate Development and Ownership Business Risks

We operate in a highly competitive environment, in which we must compete against companies with much greater financial and human resources than we have.

We have limited financial and human resources, compared to our principal real estate competitors. In recent periods, we have relied heavily on outside professionals in connection with our real estate development activities. Many of our competitors have significantly greater resources than do we and may be able to achieve greater economies of scale than can we.

Risks Related to the Real Estate Industry Generally

Our financial performance will be affected by risks associated with the real estate industry generally.

Events and conditions generally applicable to developers, owners, and operators of real property will affect our performance as well. These include (i) changes in the national, regional and local economic climate, (ii) local conditions such as an oversupply of, or a reduction in demand for commercial space and/or entertainment oriented properties, (iii) reduced attractiveness of our properties to tenants; (iv) competition from other properties, (v) inability to collect rent from tenants, (vi) increased operating costs, including real estate taxes, insurance premiums and utilities, (vii) costs of complying with changes in government regulations, (viii) the relative illiquidity of real estate investments and (ix) decreases in sources of both construction and long-term lending as traditional sources of such funding leave or reduce their commitments to real estate based lending. In addition, periods of economic slowdown or recession, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in declining rents or increased lease defaults.

We may incur costs complying with the Americans with Disabilities Act and similar laws.

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

Illiquidity of real estate investments could impede our ability to respond to adverse changes in the performance of our properties.

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

Real estate development involves a variety of risks.

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

- The identification and acquisition of suitable development properties. Competition for suitable development properties is intense. Our ability to identify and acquire development properties may be limited by our size and resources. Also, as we and our affiliates are considered to be "foreign owned" for purposes of certain Australia and New Zealand statutes, we have been in the past, and may in the future be, subject to regulations that are not applicable to other persons doing business in those countries.

- The procurement of necessary land use entitlements for the project. This process can take many years, particularly if opposed by competing interests. Competitors and community groups (sometimes funded by such competitors) may object based on various factors including, for example, impacts on density, parking, traffic, noise levels and the historic or architectural nature of the building being replaced. If they are unsuccessful at the local governmental level, they may seek recourse to the courts or other tribunals. This can delay projects and increase costs.

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- The construction of the project on time and on budget. Construction risks include the availability and cost of finance; the availability and costs of material and labor; the costs of dealing with unknown site conditions (including addressing pollution or environmental wastes deposited upon the property by prior owners); inclement weather conditions; and the ever-present potential for labor related disruptions.

- The leasing or sell-out of the project. Ultimately, there are risks involved in the leasing of a rental property or the sale of a condominium or built-for-sale property. Leasing or sale can be influenced by economic factors that are neither known nor knowable at the commencement of the development process and by local, national, and even international economic conditions, both real and perceived.

- The refinancing of completed properties. Properties are often developed using relatively short-term loans. Upon completion of the project, it may be necessary to find replacement financing for these loans. This process involves risk as to the availability of such permanent or other take-out financing, the interest rates, and the payment terms applicable to such financing, which may be adversely influenced by local, national, or international factors. To date, we have been successful in negotiating development loans with roll over or other provisions mitigating our need to refinance immediately upon completion of construction.

The ownership of properties involves risk.

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

International Business Risks

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

- Risk of currency fluctuations. While we report our earnings and assets in US dollars, substantial portions of our revenue and of our obligations are denominated in either Australian or New Zealand dollars. The value of these currencies can vary significantly compared to the US dollar and compared to each other. We typically have not hedged against these currency fluctuations, but rather have relied upon the natural hedges that exist as a result of the fact that our film costs are typically fixed as a percentage of the box office, and our local operating costs and obligations are likewise typically denominated in local currencies. However, we do have debt at our parent company level that is serviced by our overseas cash flow and our ability to service this debt could be adversely impacted by declines in the relative value of the Australian and New Zealand dollar compared to the US dollar. Set forth below is a chart of the exchange ratios between these three currencies over the past twenty years:

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- Risk of adverse government regulation. At the present time, we believe that relations between the United States, Australia, and New Zealand are good. However, no assurances can be given that this relationship will continue and that Australia and New Zealand will not in the future seek to regulate more highly the business done by US companies in their countries.

Risks Associated with Certain Discontinued Operations

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

Operating Results, Financial Structure and Certain Tax Matters

From time to time, we may have negative working capital.

In recent years, as we have invested our cash in new acquisitions and the development of our existing properties, we have from time to time had negative working capital. This negative working capital, which we consider to be akin to an interest free loan, is typical in the cinema exhibition industry, since revenue are received in advance of our obligation to pay film licensing fees, rent and other costs.

We have substantial short to medium term debt.

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

In February 2007, we issued $50.0 million in 20-year TPS, and utilized the net proceeds principally to retire short-term bank debt in New Zealand and Australia. However, the interest rate on our TPS is only fixed for five years, and since we have used US dollar denominated obligations to retire debt denominated in New Zealand and Australian dollars, this transaction and use of net proceeds has increased our exposure to currency risk. In the first quarter of 2009, we repurchased $22.9 million of our TPS at a 50% discount.

In connection with the financing of 15 additional cinemas in 2008, we have taken on substantial additional debt. This transaction was, in essence, 100% financed, resulting in an increase in our debt for book purposes from $177.2 million at December 31, 2007 to $248.2 million as of February 22, 2008. As of December 31, 2009, this total debt had been reduced to $227.0 million.

At the present time, corporate borrowers both domestically and internationally are facing a severe shortage of liquidity. No assurances can be given that we will be able to refinance our debt as it becomes due.

We have substantial lease liabilities.

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

The Internal Revenue Service has given us notice of a claimed liability of $20.9 million in income taxes, plus interest of $25.5 million as of December 31, 2009.

While we believe that we have good defenses to this liability, the claimed exposure is substantial compared to our net worth, and significantly in excess of our current or anticipated near term liquidity. This contingent liability is discussed in greater detail under Item 3 – Legal Proceedings: Tax Audit Litigation. If we were to lose on this matter, we would also be confronted with a potential additional $5.4 million in taxes to the California Franchise Tax Board, plus interest of approximately $7.3 million.

Our stock is thinly traded.

Our stock is thinly traded, with an average daily volume in 2009 of only approximately 31,000 shares. This can result in significant volatility, as demand by buyers and sellers can easily get out of balance.

Ownership Structure, Corporate Governance, and Change of Control Risks

The interests of our controlling stockholder may conflict with your interests.

Mr. James J. Cotter beneficially owns 70.4% of our outstanding Class B Stock. Our Class A Stock is essentially non-voting, while our Class B Stock represents all of the voting power of our Company. As a result, as of December 31, 2009, Mr. Cotter controlled 70.4% of the voting power of all of our outstanding common stock. For as long as Mr. Cotter continues to own shares of common stock representing more than 50% of the voting power of our common stock, he will be able to elect all of the members of our board of directors and determine the outcome of all matters submitted to a vote of our stockholders, including matters involving mergers or other business combinations, the acquisition or disposition of assets, the incurrence of indebtedness, the issuance of any additional shares of common stock or other equity securities and the payment of dividends on common stock. Mr. Cotter will also have the power to prevent or cause a change in control, and could take other actions that might be desirable to Mr. Cotter but not to other stockholders. In addition, Mr. Cotter and his affiliates have controlling interests in companies in related and unrelated industries. In the future, we may participate in transactions with these companies (see Note 26 – Related Parties and Transactions).

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Since we are a Controlled Company, our Directors have determined to take advantage of certain exemptions provide by the NASDAQ from the corporate governance rules adopted by that Exchange.

Generally speaking, the NASDAQ requires listed companies to meet certain minimum corporate governance provisions. However, a Controlled Corporation, such as we, may elect not to be governed by certain of these provisions. Our board of directors has elected to exempt our Company from requirements that (i) at least a majority of our directors be independent, (ii) nominees to our board of directors be nominated by a committee comprised entirely of independent directors or by a majority of our Company's independent directors, and (iii) the compensation of our chief executive officer be determined or recommended to our board of directors by a compensation committee comprised entirely of independent directors or by a majority of our Company's independent directors. Notwithstanding the determination by our board of directors to opt-out of these NASDAQ requirements, a majority of our board of directors is nevertheless currently comprised of independent directors, and our compensation committee is nevertheless currently comprised entirely of independent directors.

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Item 1B - Unresolved Staff Comments

None.

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Item 2 – Properties

Executive and Administrative Offices

We lease approximately 8,582 square feet of office space in Commerce, California to serve as our executive headquarters. We own an 8,783 square foot office building in Melbourne, Australia, approximately 4,500 square feet of which serves as the headquarters for our Australia and New Zealand operations (the remainder being leased to an unrelated third party). We occupy approximately 2,000 square feet at our Village East leasehold property for administrative purposes. We also own a residential condominium unit in Los Angeles, used as executive office and residential space by our Chairman and Chief Executive Officer.

Entertainment Properties

Entertainment Use Leasehold Interests

As of December 31, 2009, we lease approximately 2.15 million square feet of completed cinema space in the United States, Australia, and New Zealand as follows:

	Aggregate Square Footage	Approximate Range of Remaining Lease Terms (including renewals)
United States	988,013	2010 – 2049
Australia	817,820	2016 – 2049
New Zealand	340,000	2023 – 2034

On February 22, 2008, we acquired 15 pre-existing cinemas from a third party, comprising approximately 727,000 square feet of cinema improvements in the United States. This space is reflected in the above table.

On February 12, 2010, we entered into a lease for an approximately 33,000 8-screen art cinema to be built as a part of the Mosaic District in the Greater Washington DC area. This lease is not reflected in the above table.

Entertainment Use Fee Interests

In Australia, we own as of December 31, 2009 approximately 3.2 million square feet of land at eight locations plus one strata title estate consisting of 22,000 square feet. Most of this land is located in the greater metropolitan areas of Brisbane, Melbourne, Perth, and Sydney, including the 50.6-acre Burwood site in suburban Melbourne that we are holding for development and which is anticipated to include a cinema component. Of these fee interests, approximately 860,000 square feet is currently improved with cinemas.

In New Zealand, we own as of December 31, 2009 a 152,000 square foot site, which includes an existing 335,000 square foot, nine-level parking structure in the heart of Wellington, the capital of New Zealand. All but 38,000 square feet of the Wellington site has been developed as an ETRC that incorporates the existing parking garage. The remaining land is currently leased and is slated for development as phase two of our Wellington ETRC. We own the fee interests underlying four additional cinemas in New Zealand, which properties include approximately 12,000 square feet of ancillary retail space.

In the United States, we own as of December 31, 2009, approximately 128,000 square feet of improved real estate comprised of four live theater buildings which include approximately 58,000 square feet of leasable space, the fee interest in our Cinemas 1, 2 & 3 in Manhattan (held through a limited liability company in which we have a 75% managing member interest).

Live Theaters (Liberty Theaters)

Included among our real estate holdings are four “Off Broadway” style live theaters, operated through our Liberty Theaters subsidiary. We lease theater auditoriums to the producers of “Off Broadway” theatrical productions and provide various box office and concession services. The terms of our leases are, naturally, principally dependent upon the commercial success of our tenants. STOMP has been playing at our Orpheum Theatre in excess of 10 years. While we attempt to choose productions that we believe will be successful, we have no control over the production itself. At the current time, we have three single auditorium theaters in Manhattan:

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- the Minetta Lane (399 seats);
- the Orpheum (347 seats); and
- the Union Square (499 seats).

We also own a four-auditorium theater complex, the Royal George in Chicago (main stage 452 seats, cabaret 199 seats, great room 100 seats and gallery 60 seats). We own the fee interest in each of these theaters. Two of the properties, the Union Square and the Royal George, have ancillary retail and office space.

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

Joint Venture Cinema Interests

We also hold real estate through several unincorporated joint ventures, two 75% owned subsidiaries, and one majority-owned subsidiary, as described below:

- in Australia, we own a 66% unincorporated joint venture interest in a leased 5-screen multiplex cinema in Melbourne, a 75% interest in a subsidiary company that leases two cinemas with eleven screens in two Australian country towns, and a 33% unincorporated joint venture interest in a 16-screen leasehold cinema in a suburb of Brisbane.

- in New Zealand, we own a 50% unincorporated joint venture interest in three cinemas with 16 screens in the New Zealand cities of Auckland, Christchurch, and Dunedin.

- in the United States, we own a 50% membership interest in Angelika Film Center, LLC, which holds the lease to the approximately 17,000 square foot Angelika Film Center & Café in the Soho district of Manhattan. We also hold the management rights with respect to this asset. We also own a 75% managing member interest in the limited liability company that owns our Cinemas 1, 2 & 3 property.

Income Producing Real Estate Holdings

We own, as of December 31, 2009 fee interests in approximately 935,000 square feet of income producing properties (including certain properties principally occupied by our cinemas). In the case of properties leased to our cinema operations, these numbers include an internal allocation of "rent" for such facilities.

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Property7	Square Feet of Improvements (rental/entertainment)	Percentage Leased	Gross Book Value (in U.S. Dollars)
Auburn 100 Parramatta Road Auburn, NSW, Australia	57,000 / 57,000 Plus an 871-space subterranean parking structure	81%	$ 32,149,000
Belmont Knutsford Ave and Fulham St Belmont, WA, Australia	19,000 / 49,000	93%	$ 13,892,000
Cinemas 1, 2 & 38 1003 Third Avenue Manhattan, NY, USA	0 / 24,000	N/A	$ 23,389,000
Courtenay Central 100 Courtenay Place Wellington, New Zealand	38,000 / 68,000 Plus a 245,000 square foot parking structure	77%	$ 23,025,000
Indooroopilly, 70 Station Road Brisbane, Australia	28,000/0	100%	$ 11,838,000
Invercargill Cinema 29 Dee Street Invercargill, New Zealand	7,000 / 20,000	80%	$ 2,853,000
Lake Taupo Motel 138-140 Lake Terrace Road Taupo, New Zealand	22,000 / 0	Short-term rentals	$ 2,002,000
Maitland Cinema Ken Tubman Drive Maitland, NSW, Australia	0 / 22,000	N/A	$ 2,136,000
Minetta Lane Theatre 18-22 Minetta Lane Manhattan, NY, USA	0 / 9,000	N/A	$ 8,299,000
Napier Cinema 154 Station Street Napier, New Zealand	5,000 / 18,000	100%	$ 2,931,000
Newmarket Newmarket, QLD, Australia	93,000 / 0	100%	$ 38,861,000
Orpheum Theatre 126 2nd Street Manhattan, NY, USA	0 / 5,000	N/A	$ 3,349,000
Royal George 1633 N. Halsted Street Chicago, IL, USA	37,000 / 23,000 Plus 21,000 square feet of parking	91%	$ 3,438,000
Rotorua Cinema	0 / 19,000	N/A	$ 2,672,000

1281 Eruera Street Rotorua, New Zealand			
Union Square Theatre 100 E. 17th Street Manhattan, NY, USA	21,000 / 17,000	100%	$ 9,050,000

7 Rental square footage refers to the amount of area available to be rented to third parties and the percentage leased is the amount of rental square footage currently leased to third parties. A number of our real estate holdings include entertainment components rented to one or more of our subsidiaries. The rental area to such subsidiaries is noted under the entertainment square footage. The gross book value refers to the gross carrying cost of the land and buildings of the property. Book value and rental information are as of December 31, 2009.

8 This property is owned by a limited liability company in which we hold a 75% managing interest. The remaining 25% is owned by Sutton Hill Investments, LLC, a company owned in equal parts by our Chairman and Chief Executive Officer, Mr. James J. Cotter, and Michael Forman, a major shareholder in our Company.

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Long-Term Leasehold Real Estate Holdings

In addition, in certain cases we have long-term leases that we view more akin to real estate investments than cinema leases. As of December 31, 2009, we had approximately 179,000 square foot of space subject to such long-term leases.

Property[9]	Square Footage (rental/entertainment)	Percentage Leased	Gross Book Value (in U.S. Dollars)
Manville	0 / 46,000	N/A	$ 1,928,000
Tower	0 / 16,000	N/A	$ 260,000
Village East	5,000 / 37,000	100%	$ 4,476,000
Waurn Ponds	6,000 / 52,000	100%	$ 6,320,000

9 Rental square footage refers to the amount of area available to be rented to third parties, and the percentage leased is the amount of rental square footage currently leased to third parties. A number of our long-term leasehold real estate properties include entertainment components rented to one or more of our subsidiaries. The rental area to such subsidiaries is noted under the entertainment square footage. Book value includes the entire investment in the leased property, including any cinema fit-out. Rental and book value information is as of December 31, 2009.

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Real Estate Development Properties

We are engaged in several real estate development projects:

Property10	Square Footage/ Acreage	Gross Book Value (in U.S. Dollars)		Status
Auburn, Sydney, Australia Land adjacent to our existing development	2.1 acres	$	1,820,000	No longer held for sale. Buyer has elected not to proceed with its option to acquire this property, and we have elected to continue to hold the property for development for the foreseeable future.
Burwood, Victoria, Australia	50.6 acres	$	46,707,000	Development Overlay Plan approved in December 2008 for 394,000 sq ft retail, 211,000 sq ft service/ noncore retail, 215,000 sq ft Commercial office, 700 dwellings. Next steps are determining staging and Town planning applications. Land filling works on hold.
Courtenay Central, Wellington, New Zealand Land adjacent to our existing development	0.9 acre	$	3,138,000	Have regulatory approval for expansion; we are in the preliminary stages of developing this property.
Moonee Ponds, Victoria, Australia	3.3 acres	$	10,864,000	In planning stages of determining best use depending on factors including development of adjacent properties. Zoned for high-density as a "Principal Activity Area."
Taringa, Queensland, Australia	Own 0.54 acres, and under contract for a further 1.5 acres	$	4,030,000	Working on plans to develop 225,000 to 350,000 square feet of a commercial, retail, and residential development conditional upon obtaining a rezoning approval.
Newmarket, Queensland, Australia Land adjacent to our existing development	13,390 sq. ft.	$	2,429,000	Analyzing if plans for cinema should be replaced with plans for additional retail space.
Lake Taupo, Taupo, New Zealand Land adjacent to our existing development	0.5 acre	$	726,000	A 20,000 square foot residential development site that is currently subject to development review.
Manakau, Auckland, New Zealand	64.0 acres zoned agricultural 6.4 acres zoned industrial (currently under contract)	$	9,293,000	The bulk of the land is zoned for agriculture and currently used for horticulture commercial purposes. We are currently working in cooperation with adjoining landowners to complete a master plan to rezone our land and the neighbors' lands into a distribution and manufacturing industrial park. The remainder of the land (currently under contract) is zoned industrial, but is currently unimproved. The property is adjacent to our larger parcel and links our existing parcel with the existing road network. The contract is scheduled to close on March 31, 2010.

10 A number of our real estate holdings include additional land held for development. In addition, we have acquired certain parcels for future development. The gross book value includes, as applicable, the land, building, development costs, and capitalized interest.

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Other Property Interests and Investments

Place 57, Manhattan

We own a 25% membership interest in the limited liability company that has developed the site of our former Sutton Cinema on 57th Street just east of 3rd Avenue in Manhattan, as a 143,000 square foot residential condominium tower, with a ground floor retail unit and a resident manager's apartment. The project is now sold out as the remaining commercial unit was sold in February 2009 for approximately $3.8 million. At December 31, 2009, all debt on the project had been repaid, and we had received distributions totaling $12.8 million from this project, on an investment of $3.0 million made in 2004.

Landplan Property Partners, Ltd

In 2006, we formed Landplan Property Partners, Ltd ("Reading Landplan") to identify, acquire, develop, or redevelop properties on an opportunistic basis in Australia and New Zealand. These properties are held in separate special purpose entities, which are collectively referred to as "Reading Landplan." The Chief Executive Officer of Reading Landplan has, as a part of his compensation arrangement, what is now a 15% incentive interest in each of the various special purpose entities. That incentive interest is (i) subordinated to our right to receive an 11% compounded return on investment and (ii) calculated on a aggregate or pooled basis taking into account the performance of all of the properties held by these special purpose entities. The properties held through Landplan currently consist of the holdings described above as being located at Indooroopilly, Taringa, Lake Taupo (including the adjacent undeveloped parcel), and Manukau.

Non-operating Properties

We own the fee interest in 25 parcels comprising 195 acres in Pennsylvania and Delaware. These acres consist primarily of vacant land. We believe the value of these properties to be immaterial to our asset base, and while they are available for sale, we are not actively involved in the marketing of such properties. With the exception of certain properties located in Philadelphia (including the raised railroad bed leading to the old Reading Railroad Station), the properties are principally located in rural areas of Pennsylvania and Delaware. Additionally, we own a condominium in the Los Angeles, California area that is used for offsite corporate meetings and by our Chief Executive Officer when he is in town. These properties are unencumbered with any debt and lien free.

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Item 3 – Legal Proceedings

Tax Audit/Litigation

The Internal Revenue Service (the "IRS") completed its audits of the tax return of Reading Entertainment Inc. ("RDGE") for its tax years ended December 31, 1996 through December 31, 1999 and the tax return of Craig Corporation ("CRG") for its tax year ended June 30, 1997. These companies are each now wholly owned subsidiaries of RDI, but for the time periods under audit, were not consolidated with RDI for tax purposes. With respect to both of these companies, the principal focus of these audits was the treatment of the contribution by RDGE to our wholly owned subsidiary, Reading Australia, and thereafter the subsequent repurchase by Stater Bros. Inc. from Reading Australia, of certain preferred stock in Stater Bros. Inc. (the "Stater Stock"). The Stater Stock was received by RDGE from CRG as a part of a private placement of securities by RDGE, which closed in October 1996. A second issue involving an equipment-leasing transaction entered into by RDGE (discussed below) has been conceded by RDGE resulting in a net tax refund.

By letters dated November 9, 2001, the IRS issued reports of examination proposing changes to the tax returns of RDGE and CRG for the years in question (the "Examination Reports"). The Examination Report for each of RDGE and CRG proposed that the gains on the disposition by RDGE of Stater Stock, reported as taxable on the RDGE return, should be allocated to CRG. As reported, the gain resulted in no additional tax to RDGE inasmuch as the gain was entirely offset by a net operating loss carry forward of RDGE. This proposed change would result in an additional tax liability for CRG of approximately $20.9 million plus interest of approximately $25.5 million as of December 31, 2009. In addition, this proposal would result in California tax liability of approximately $5.4 million plus interest of approximately $7.3 million as of December 31, 2009. Accordingly, this proposed change represented, as of December 31, 2009, an exposure of approximately $59.1 million.

Moreover, California has "amnesty" provisions imposing additional liability on taxpayers who are determined to have materially underreported their taxable income. While these provisions have been criticized by a number of corporate taxpayers to the extent that they apply to tax liabilities that are being contested in good faith, no assurances can be given that these new provisions will be applied in a manner that would mitigate the impact on such taxpayers. Accordingly, these provisions may cause an additional $4.0 million exposure to CRG, for a total exposure of approximately $63.1 million. We have accrued $6.1 million in accordance with the cumulative probability approach prescribed in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740-10-25 – Income Taxes in relation to this exposure and believe that the possible total settlement amount will be between $6.1 million and $63.1 million.

In early February 2005, we had a mediation conference with the IRS concerning this proposed change. The mediation was conducted by two mediators, one of whom was selected by the taxpayer from the private sector and one of whom was an employee of the IRS. In connection with this mediation, we and the IRS each prepared written submissions to the mediators setting forth our respective cases. In its written submission, the IRS noted that it had offered to settle its claims against us at 30% of the proposed change, and reiterated this offer at the mediation. This offer constituted, in effect, an offer to settle for a payment of $5.0 million federal tax, plus interest, for an aggregate settlement amount of approximately $8.0 million. Based on advice of counsel given after reviewing the materials submitted by the IRS to the mediation panel, and the oral presentation made by the IRS to the mediation panel and the comments of the mediators (including the IRS mediator), we determined not to accept this offer.

Notices of deficiency ("N/D") dated June 29, 2006 were received with respect to each of RDGE and CRG determining proposed deficiencies of $20.9 million for CRG and a total of $349,000 for RDGE for the tax years 1997, 1998 and 1999.

We intend to litigate aggressively the Stater matter in the U.S. Tax Court. A case was filed with the court on September 26, 2006 for each respective N/D. While there are always risks in litigation, we believe that a settlement at the level currently offered by the IRS would substantially understate the strength of our position and the likelihood that we would prevail in a trial of these matters. We have filed a motion for summary judgment in the matter. The trial previously scheduled for March 2010 has been postponed, pending the outcome of our summary judgment motion, and as of this date, no new trial date has been fixed. It is assumed, however, that if our summary judgment motion is not granted, the case will go to trial in midyear.

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Since these tax liabilities relate to time periods prior to the Consolidation of CDL, RDGE, and CRG into Reading International, Inc. and since RDGE and CRG continue to exist as wholly owned subsidiaries of RDI, it is expected that any adverse determination would be limited in recourse to the assets of RDGE or CRG, as the case may be, and not to the general assets of RDI. At the present time, the assets of these subsidiaries are comprised principally of RDI securities. Accordingly, we do not anticipate, even if there were to be an adverse judgment in favor of the IRS that the satisfaction of that judgment would interfere with the internal operation or result in any levy upon or loss of any of our material operating assets. However, the satisfaction of any such adverse judgment would result in a material dilution to existing stockholder interests.

The N/D issued to RDGE was conceded by RDGE in August 2008. The net result related to the equipment leasing transaction entered into by RDGE is expected to be a refund of approximately $750,000 in federal alternative minimum tax for the year 1996, offset by a payment of approximately $600,000 in federal and state income taxes, for the years 1997-99, plus interest.

Environmental and Asbestos Claims

Certain of our subsidiaries were historically involved in railroad operations, coal mining, and manufacturing. Also, certain of these subsidiaries appear in the chain of title of properties that may suffer from pollution. Accordingly, certain of these subsidiaries have, from time to time, been named in and may in the future be named in various actions brought under applicable environmental laws. Also, we are in the real estate development business and may encounter from time to time unanticipated environmental conditions at properties that we have acquired for development. These environmental conditions can increase the cost of such projects, and adversely affect the value and potential for profit of such projects. We do not currently believe that our exposure under applicable environmental laws is material in amount.

From time to time, we have claims brought against us relating to the exposure of former employees of our railroad operations to asbestos and coal dust. These are generally covered by an insurance settlement reached in September 1990 with our insurance carriers. However, this insurance settlement does not cover litigation by people who were not our employees and who may claim second hand exposure to asbestos, coal dust and/or other chemicals or elements now recognized as potentially causing cancer in humans.

We are in the process of remediating certain environmental issues with respect to our 50-acre Burwood site in Melbourne. That property was at one time used as a brickworks and we have discovered petroleum and asbestos at the site. During 2007, we developed a plan for the remediation of these materials, in some cases through removal and in other cases through encapsulation. As of December 31, 2009, we estimate that the total site preparation costs associated with the removal of this contaminated soil will be $8.6 million (AUS$9.6 million) and as of that date we had incurred a total of $6.6 million (AUS$7.4 million) of these costs. We do not believe that this has added materially to the overall development cost of the site, as much of the work is being done in connection with the excavation and other development activity already contemplated for the property.

Whitehorse Center 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”). 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 damages. On May 10, 2005, a mixed judgment was entered by the trial court. Appeal rights have been exhausted and the net result of that judgment has been the payment to us by the defendants during the 2008 first quarter of $830,000 (AUS$901,000) and $314,000 (AUS$333,000) during the 2008 second quarter that are included in other income. Additionally, this net result requires us to be responsible to reimburse the Burstone Parties for 60% of their out-of-pocket legal fees.

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Mackie Litigation

On November 7, 2005, we were sued in the Supreme Court of Victoria at Melbourne by a former construction contractor with respect to the discontinued development of an ETRC at Frankston, Victoria. The action is entitled Mackie Group Pty Ltd v. Reading Properties Pty Ltd, and in it the former contractor seeks payment of a claimed fee in the amount of $898,000 (AUS$1.0 million). We do not believe that any such fee is owed, and are contesting the claim. Discovery has now been completed by both parties. We have offered in settlement an amount of $781,000 (AUS$870,000) and they have countered with an amount of $1.1 million (AUS$1.2 million). In relation to this claim, we have accrued a litigation related loss of $781,000 (AUS$870,000) at December 31, 2009.

In a hearing conducted on November 22 and 29, 2006, we successfully defended an application for summary judgment brought by Mackie and were awarded costs for part of the preparation of our defense to the application. A bill of costs has been prepared by a cost consultant in the sum of $20,000 (AUS$25,000) (including disbursements). On April 27, 2007, we received payment for those costs in the sum of $17,000 (AUS$19,000).

Attempts to mediate the dispute have not been successful. The trial date on this matter is set for March 17, 2010. We believe that we have adequate support for our position and that a reserve for these claims is not required as the likelihood of an unfavorable outcome is not probable and reasonably capable of being estimated.

Malulani Investments Litigation

In December 2006, we and Magoon Acquisition and Development, LLC, another noncontrolling shareholder in Malulani Investments, Limited ("MIL") commenced a lawsuit against certain officers and directors of MIL alleging various direct and derivative claims for breach of fiduciary duty and waste and seeking, among other things, access to various company books and records. As certain of these claims were brought derivatively, MIL was also named as a defendant in that litigation. That case was brought in the Circuit Court of the First Circuit Hawaii, in Honolulu, and is called Magoon Acquisition & Development, LLC; a California limited liability company, Reading International, Inc.; a Nevada corporation, and James J. Cotter vs. Malulani Investments, Limited, a Hawaii Corporation, Easton T. Mason; John R. Dwyer, Jr.; Philip Gray; Kenwei Chong (Civil No. 06-1-2156-12 (GWBC).

On July 2, 2009, Magoon LLC and we entered into a settlement agreement (the "Settlement Terms") with respect to the MIL Litigation. Under the Settlement Terms, Magoon LLC and we received $2.5 million in cash, a $6.75 million three-year 6.25% secured promissory note issued by The Malulani Group ("TMG"), the parent company of MIL, and a ten-year "tail interest" in MIL and TMG in exchange for the transfer of all ownership interests in MIL and TMG held by both Magoon, LLC and RDI and for the release of all claims against the defendants in this matter. The tail interest allows us to participate in certain distributions made by MIL or TMG, and in certain cases, the distributions received by shareholders of MIL or TMG. The tail interest, however, continues only for a period of ten years and we cannot assure that we will in fact receive any distributions from this tail interest.

Pursuant to the Settlement Terms, we transferred all of our interests in MIL to TMG and Magoon LLC transferred all of its interest in MIL and TMG to TMG, and there was a mutual release of claims. Mr. Cotter, our Chairman, Chief Executive Officer and principal shareholder and a director of MIL, simultaneously settled his related claims for mutual general releases and resigned from the Board of Directors of MIL.

Under the terms of our Amended and Restated Shareholder Agreement with Magoon LLC, we are entitled to receive, on a priority basis, 100% of any proceeds from any disposition of the shares in MIL and TMG held by us or Magoon LLC until we (Reading) have recouped substantially all of our litigation costs and the cost of our investment in MIL. Accordingly, we were entitled to all of the cash proceeds of the settlement, plus all distribution with respect to the promissory note until we have recouped both our litigation costs and the cost of our investment. Thereafter, Magoon LLC will receive some distributions under the promissory note and the tail interest (if any) until it has recouped its investment in MIL and TMG. Thereafter, any distributions under the tail interest, if any, we will share with Magoon LLC in accordance with the sharing formula set forth in the Amended and Restated Shareholder Agreement between ourselves and Magoon LLC.

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Item 4 – [Reserved.]

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PART II

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

(a) Market Price of and Dividends on the Registrant’s Common Equity and Related Stockholder Matters

Market Information

Reading International, Inc., a Nevada corporation (“RDI” and collectively with our consolidated subsidiaries and corporate predecessors, the “Company,” “Reading” and “we,” “us,” or “our”), was incorporated in 1999. Historically, we ha been listed on the AMEX and due to the 2008 purchase of the AMEX by the NYSE Alternext US, we were listed on that exchange at December 31, 2008. During July 2009, we moved our listing from NYSE Alternext to NASDAQ.

The following table sets forth the high and low closing prices of the RDI and RDIB common stock for each of the quarters in 2009 and 2008 as reported by NASDAQ:

		Class A Stock		Class B Stock	
		High	Low	High	Low
2009:	Fourth Quarter	$4.60	$3.80	$9.50	$5.00
	Third Quarter	$4.69	$3.70	$7.78	$5.14
	Second Quarter	$4.96	$3.25	$7.00	$4.06
	First Quarter	$4.00	$2.90	$4.25	$3.52
2008:	Fourth Quarter	$6.90	$3.70	$8.00	$3.90
	Third Quarter	$8.00	$6.55	$9.25	$7.90
	Second Quarter	$9.70	$7.75	$10.50	$9.25
	First Quarter	$10.00	$9.34	$10.50	$10.00

Holders of Record

The number of holders of record of our Class A Stock and Class B Stock in 2009 was approximately 3,500 and 300, respectively. On March 11, 2010, the closing price per share of our Class A Stock was $4.45, and the closing price per share of our Class B Stock was $8.55.

Dividends on Common Stock

We have never declared a cash dividend on our common stock and we have no current plans to declare a dividend; however, we review this matter on an ongoing basis.

(b) Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities

None.

(c) Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

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Item 6 – Selected Financial Data

The table below sets forth certain historical financial data regarding our Company. This information is derived in part from, and should be read in conjunction with our consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for the year ended December 31, 2009 (the "2009 Annual Report"), and the related notes to the consolidated financial statements (dollars in thousands, except per share amounts).

	As of or for the Year Ended December 31,				
	2009	2008	2007	2006	2005
Revenue	$217,014	$197,054	$119,235	$106,125	$98,105
Operating income (loss)	$13,922	$(2,288)	$5,149	$2,415	$(6,372)
Gain from discontinued operations	$--	$--	$1,912	$--	$12,231
Net income (loss)	$6,482	$(16,189)	$(1,100)	$4,528	$1,568
Net income (loss) attributable to Reading International, Inc. shareholders	$6,094	$(16,809)	$(2,103)	$3,856	$989
Basic earnings (loss) per share – continuing operations	$0.27	$(0.75)	$(0.18)	$0.17	$(0.51)
Basic earnings (loss) per share – discontinued operations	$--	$--	$0.09	$--	$0.55
Basic earnings (loss) per share	$0.27	$(0.75)	$(0.09)	$0.17	$0.04
Diluted earnings (loss) per share – continuing operations	$0.27	$(0.75)	$(0.18)	$0.17	$(0.51)
Diluted earnings per share – discontinued operations	$--	$--	$0.09	$--	$0.55
Diluted earnings (loss) per share	$0.27	$(0.75)	$(0.09)	$0.17	$0.04

Other Information:

Shares outstanding	22,588,403	22,482,605	22,482,605	22,476,355	22,485,948
Weighted average shares outstanding	22,580,942	22,477,471	22,478,145	22,425,941	22,249,967
Weighted average dilutive shares outstanding	22,767,735	22,477,471	22,478,145	22,674,818	22,249,967
Total assets	$406,417	$371,870	$346,071	$289,231	$253,057
Total debt	$226,993	$239,162	$177,195	$130,212	$109,320
Working capital (deficit)	$(16,229)	$12,516	$6,345	$(6,997)	$(14,282)
Total stockholders' equity	$110,263	$69,447	$124,197	$110,262	$102,483
EBIT	$22,618	$1,030	$8,098	$12,734	$6,671
Depreciation and amortization	$15,168	$18,558	$11,921	$13,212	$12,384
Add: Adjustments for discontinued operations	$--	$--	$--	$--	$567
EBITDA	$37,786	$19,588	$20,019	$25,946	$19,622
Debt to EBITDA	6.01	12.21	8.85	5.02	5.57
Capital expenditure (including acquisitions)	$5,686	$75,167	$42,414	$16,389	$53,954
Number of employees at 12/31	2,207	1,986	1,383	1,451	1,523

EBIT presented above represents net income (loss) adjusted for interest expense (calculated net of interest income) and income tax expense. EBIT is presented for informational purposes to show the significance of depreciation and amortization in the calculation of EBITDA. We use EBIT in our evaluation of our operating results since we believe that it is useful as a measure of financial performance, particularly for us as a multinational company. We believe it is a useful measure of financial performance principally for the following reasons:

- since we operate in multiple tax jurisdictions, we find EBIT removes the impact of the varying tax rates and tax regimes in the jurisdictions in which we operate.

- in addition, we find EBIT useful as a financial measure that removes the impact from our effective tax rate of factors not directly related to our business operations, such as, whether we have acquired operating assets by purchasing those assets directly, or indirectly by purchasing the stock of a company that might hold such operating assets.

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- the use of EBIT as a financial measure also (i) removes the impact of tax timing differences which may vary from time to time and from jurisdiction to jurisdiction, (ii) allows us to compare our performance to that achieved by other companies, and (iii) is useful as a financial measure that removes the impact of our historically significant net loss carry forwards.

- the elimination of net interest expense helps us to compare our operating performance to those companies that may have more or less debt than we do.

EBITDA presented above is net income (loss) adjusted for interest expense (again, calculated net of interest income), income tax expense, and in addition depreciation and amortization expense. We use EBITDA in our evaluation of our performance since we believe that EBITDA provides a useful measure of financial performance and value. We believe this principally for the following reasons:

- we believe that EBITDA is an industry comparative measure of financial performance. It is, in our experience, a measure commonly used by analysts and financial commentators who report on the cinema exhibition and real estate industries and a measure used by financial institutions in underwriting the creditworthiness of companies in these industries. Accordingly, our management monitors this calculation as a method of judging our performance against our peers and market expectations and our creditworthiness.

- also, analysts, financial commentators, and persons active in the cinema exhibition and real estate industries typically value enterprises engaged in these businesses at various multiples of EBITDA. Accordingly, we find EBITDA valuable as an indicator of the underlying value of our businesses.

We expect that investors may use EBITDA to judge our ability to generate cash, as a basis of comparison to other companies engaged in the cinema exhibition and real estate businesses and as a basis to value our company against such other companies.

Neither EBIT nor EBITDA is a measurement of financial performance under accounting principles generally accepted in the United States of America and should not be considered in isolation or construed as a substitute for net income or other operations data or cash flow data prepared in accordance with accounting principles generally accepted in the United States for purposes of analyzing our profitability. The exclusion of various components such as interest, taxes, depreciation, and amortization necessarily limit the usefulness of these measures when assessing our financial performance, as not all funds depicted by EBITDA are available for management's discretionary use. For example, a substantial portion of such funds are subject to contractual restrictions and functional requirements to service debt, to fund necessary capital expenditures and to meet other commitments from time to time as described in more detail in this Annual Report on Form 10-K.

EBIT and EBITDA also fail to take into account the cost of interest and taxes. Interest is clearly a real cost that for us is paid periodically as accrued. Taxes may or may not be a current cash item but are nevertheless real costs that, in most situations, must eventually be paid. A company that realizes taxable earnings in high tax jurisdictions may be ultimately less valuable than a company that realizes the same amount of taxable earnings in a low tax jurisdiction. EBITDA fails to take into account the cost of depreciation and amortization and the fact that assets will eventually wear out and have to be replaced.

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EBITDA, as calculated by us, may not be comparable to similarly titled measures reported by other companies. A reconciliation of net income (loss) to EBIT and EBITDA is presented below (dollars in thousands):

	2009	2008	2007	2006	2005
Net income (loss) attributable to Reading International, Inc. shareholders	$6,094	$(16,809)	$(2,103)	$3,856	$989
Add: Interest expense, net	14,572	15,740	8,163	6,608	4,473
Add: Income tax expense	1,952	2,099	2,038	2,270	1,209
EBIT	$22,618	$1,030	$8,098	$12,734	$6,671
Add: Depreciation and amortization	15,168	18,558	11,921	13,212	12,384
Adjustments for discontinued operations:					
Add: Interest expense, net	--	--	--	--	310
Add: Depreciation and amortization	--	--	--	--	257
EBITDA	$37,786	$19,588	$20,019	$25,946	$19,622

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Item 7 – Management's Discussions and Analysis of Financial Condition and Results of Operations

The following review should be read in conjunction with the consolidated financial statements and related notes included in our 2009 Annual Report. Historical results and percentage relationships do not necessarily indicate operating results for any future periods.

Overview

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

- Cinema Exhibition, through our 59 multiplex theaters, and
- Real Estate, including real estate development and the rental of retail, commercial and live theater assets.

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

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

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

While we do not believe the cinema exhibition business to be a growth business, we do believe it to be a business that will likely continue to generate fairly consistent cash flows in the years ahead even in recessionary or inflationary environment. This is based on our belief that people will continue to spend some reasonable portion of their entertainment dollar on entertainment outside of the home and that, when compared to other forms of outside the home entertainment, movies continue to be a popular, and competitively priced option. However, since we believe the cinema exhibition business to be a mature business with most markets either adequately screened or over-screened, we see our future asset growth coming more from our real estate development activities and from the acquisition of existing cinemas rather than from the development of new cinemas. Over time, we anticipate that our cinema operations will become increasingly a source of cash flow to support our real estate oriented activities, rather than a focus of growth, and that our real estate activities will, again, over time become the principal thrust of our business. We also, from time to time, invest in the shares of other companies, where we believe the business or assets of those companies to be attractive or to offer synergies to our existing entertainment and real estate businesses. Also, in the current environment, we intend to be opportunistic in identifying and endeavoring to acquire undervalued assets, particularly assets with proven cash flow and which we believe to be resistant to current recessionary trends.

Business Climate

Cinema Exhibition - General

After years of uncertainty as to the future of digital and 3D exhibition and the impact of these technologies on cinema exhibition, it now appears that the industry is going digital, and that the major exhibitors are in the process of equipping at least one auditorium in each of their significant locations with 3D capability. In 2009, cinemagoers demonstrated a strong appetite for and a willingness to pay premium prices for 3D movies. The release schedule for 2010 lists 17 titles for 3D release, compared to 14 titles for 2009.

By mid-year, we anticipate that we will have 3D projectors in not less than 28 out of the 53 cinema locations that we either wholly own or consolidate. We believe that the transition from film to digital projectors, while likely inevitable, will take some time to roll out and our business plan is to be selective in our selection of auditoriums to be fitted out with such technology, identifying those situations where premiums can best be achieved by having such projection capabilities.

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In the case of "in-home" entertainment alternatives, the industry is faced with the significant leaps achieved in recent periods in both the quality and affordability of in-home entertainment systems and in the accessibility to entertainment programming through cable, satellite, and DVD distribution channels. These alternative distribution channels are putting pressure on cinema exhibitors to reduce the time period between theatrical and secondary release dates, and certain distributors are talking about possible simultaneous or near simultaneous releases in multiple channels of distribution. These are issues common to both our domestic and international cinema operations.

Cinema Exhibition – Australia / New Zealand

The film exhibition industry in Australia and New Zealand is highly concentrated in that Village, Greater Union, Birch Carroll, and Coyle and Hoyts (the "Major Exhibitors") control approximately 68% of the cinema box office in Australia. Following Greater Union's acquisition of the Sky Cinemas circuit in New Zealand, they also control approximately 52% of that country's cinema box office. The industry is also vertically integrated in that one of the Major Exhibitors, Roadshow Film Distributors (part of Village), also serves as a distributor of film in Australia and New Zealand for Warner Bros. and New Line. Films produced or distributed by the majority of the local international independent producers are also distributed by Roadshow. Typically, the Major Exhibitors own the newer multiplex and megaplex cinemas, while the independent exhibitors typically have older and smaller cinemas. In addition, the Major Exhibitors have in recent periods built a number of new multiplexes as joint venture partners or under-shared facility arrangements, and have historically not engaged in head-to-head competition.

Cinema Exhibition – North America

In North America, distributors may find it more commercially appealing to deal with major exhibitors, rather than to deal with independents like us, which tends to suppress the supply of screens in a very limited number of markets. This competitive disadvantage has increased significantly in recent periods with the development of mega circuits like Regal and AMC, who are able to offer distributors access to screens on a truly nationwide basis, or on the other hand, to deny access if their desires with respect to film supply are not satisfied.

These consolidations have adversely affected our ability to get film in certain domestic markets where we compete against major exhibitors. With the restructuring and consolidation undertaken in the industry, and the emergence of increasingly attractive "in-home" entertainment alternatives, strategic cinema acquisitions by our North American operation have and can continue to be a way to combat such a competitive disadvantage.

Real Estate – Australia and New Zealand

Although there has been a noted decrease in real estate market activity, commercial and retail property values have remained somewhat stable in Australia and mildly affected the market in New Zealand. Both countries have relatively stable economies with varying degrees of economic growth that are mostly influenced by global trends. During the latter half of 2008 and into early 2009 interest rates materially decreased to 40-year lows in Australia and New Zealand. Up until recently, New Zealand has had consistent growth in rentals and values although project commencements have slowed. New Zealand values have softened through early 2009 but in the latter part of 2009, there was a firming of values in residential. Commercial and industrial values remain under pressure.

Although the Australian property market softened in the first half of 2009, there are signs of improvement in the latter half of the year. An improved sentiment in retail and residential sectors has provided an improved outlook. These factors and an improving economy are putting upward pressure on interest rates. The Australian commercial sector has however continued to soften in Australia during 2009.

The large institutional funds are still seeking out prime assets with premium prices being paid for good retail and commercial investments and development opportunities. Residential projects are in high demand.

Sydney and Melbourne residential values have improved. The national average residential values was up in excess of 11% for the year assisted by the first home buyers grant and unsatisfied demand from a growing population.

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Real Estate – North America

The commercial real estate market has followed the larger economy into a downturn that is likely to last through 2010. We believe that as our real estate is well located in large urban environments, it will be the first to see signs of recovery when the U.S. economy starts to recover.

Business Segments

As indicated above, our two primary business segments are cinema exhibition and real estate. These segments are summarized as follows:

Cinema Exhibition

One of our primary businesses consists of the ownership and operation of cinemas. At December 31, 2009 we:

- owned and operated 53 cinemas with 425 screens;
- had interests in certain unconsolidated joint ventures in which we have varying interests, which own an additional 4 cinemas with 32 screens; and
- managed 2 cinemas with 9 screens.

On February 22, 2008, we acquired from two related companies, Pacific Theatres and Consolidated Amusement Theatres, substantially all of their cinema assets in Hawaii (consisting of nine complexes with 98 screens), San Diego County (consisting of four complexes with 51 screens), and Northern California (consisting of two complexes with 32 screens) for $70.2 million subject to certain purchase price adjustments. We refer to these cinemas from time to time in this report as Consolidated Entertainment cinemas. In addition, during 2008, we opened our Rouse Hill and Dandenong leasehold cinemas in Australia that collectively have 15 screens. During the third quarter of 2009, we leased two existing cinemas in New York City with 3 screens but elected not to renew the lease of our 5-screen cinema in Market City, Australia. On February 12, 2010, we entered in to a lease for an approximately 33,000 square foot 8-screen art cinema being built as a part of the Mosaic District in the greater Washington D.C. metropolitan area.

Our cinema revenue consists of admissions, concessions, and advertising. The cinema operating expense consists of the costs directly attributable to the operation of the cinemas including employee-related, occupancy, and operating costs and film rent expense. Cinema revenue and expense fluctuates with the availability of quality first-run films and the numbers of weeks the first–run films stay in the market.

Real Estate

For fiscal 2009, our rental generating real estate holdings consisted of the following properties:

- our Belmont, Western Australia ETRC, our Auburn, New South Wales ETRC and our Wellington, New Zealand ETRC;
- our Newmarket shopping center in Newmarket, Queensland, a suburb of Brisbane;
- 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;

- a New Zealand commercial property and an Australian commercial property rented to an unrelated third party, to be held for current income and long-term appreciation;

- our Lake Taupo property in New Zealand that is currently improved with a motel that we renovated to be condominiums. A portion of this property includes unimproved land for which we have no development plans at present; and

  - the ancillary retail and commercial tenants at some of our non-ETRC cinema properties.

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In addition, we have approximately 5.3 million square feet of unimproved real estate held for development in Australia and New Zealand, discussed in greater detail below, and certain unimproved land in the United States that was used in our historic activities. We also own an 8,783 square foot commercial building in Melbourne, which serves as our administrative headquarters for Australia and New Zealand, approximately 50% of which is leased to an unrelated third party.

On September 16, 2008, we entered into an option agreement to sell our Auburn property for $28.5 million (AUS$36.0 million). The option agreement called for an initial option payment of $948,000 (AUS$1.2 million), received on the agreement date, and four option installment payments of $316,000 (AUS$400,000), $316,000 (AUS$400,000), $316,000 (AUS$400,000), and $948,000 (AUS$1.2 million) payable over the subsequent 9 months. As of December 31, 2008, we had received $1.3 million (AUS$1.6 million) in payments associated with this option agreement, and, during the first quarter of 2009, we received the second installment of $265,000 (AUS$400,000). In May 2009, the buyer elected not to proceed further. As a result, the buyer lost the benefit of its previously paid $1.5 million (AUS$2.0 million) in option fees, and no longer has any right to acquire our Auburn property.

In 2009, we acquired the following real property interests:

- Additional Manukau Land Purchase. On April 30, 2009, we entered into an agreement to purchase for $3.8 million (NZ$5.2 million) a property adjacent to our Manukau property. An initial deposit of $26,000 (NZ$50,000) was paid upon signing of the agreement, a second deposit of $175,000 (NZ$258,000) was paid in the second quarter of 2009 and a third deposit of $531,000 (NZ$773,000) was paid in August 2009. The remaining balance is due on the settlement date of March 31, 2010.

In 2008, we acquired the following real property interests:

- Taringa Land. During the first quarter of 2008, we acquired or entered into agreements to acquire four contiguous properties of approximately 50,000 square feet, for which we are in the planning stages for a mixed-use development project. The aggregate purchase price of these properties is $12.3 million (AUS$13.7 million), of which $2.5 million (AUS$2.8 million) relates to the three properties that have been acquired and $9.8 million (AUS$10.9 million) relates to the one property that is under contract to be acquired. Our obligation to close on the fourth property is subject to certain conditions (which we may waive) including a rezoning condition. We have made a $209,000 (AUS$300,000) deposit on this property.

Property Held For or Under Development

For fiscal 2009, our investments in property held for or under development consisted of:

- an approximately 50.6 acre property located in the Burwood area of Melbourne, Australia, rezoned from an essentially industrial zone to a priority zone allowing a variety of retail, entertainment, commercial and residential uses and currently in the planning stages of development;

- we acquired or entered into agreements to acquire four contiguous properties in the Taringa area of Brisbane, Australia of approximately 50,000 square feet, for which we are in the planning stages for a mixed-use development project;

- an approximately 3.3 acre property located in the Moonee Ponds area of Melbourne, Australia. We are currently working to finalize plans for the development of this property into a mixed use entertainment based retail and commercial complex;

- an approximately 0.9 acre property located adjacent to the Courtenay Central ETRC in Wellington, New Zealand. We have received all necessary governmental approvals to develop the site for retail, commercial and entertainment purposes as Phase II of our existing ETRC. We anticipate the construction of an approximately 162,000 square foot retail project which, when completed, will be integrated into the common areas of our existing ETRC;

- a 25% interest, representing an investment of $3.0 million, in the company redeveloping the site of our old Sutton Cinema site in Manhattan, New York. The property has been redeveloped as an approximately 143,000 square foot residential condominium project with ground floor retail and marketed under the name "Place 57." As of December 31, 2009, all of the units had been sold except for the manager's unit and we had received distributions totaling $12.8 million including $3.0 million of return of capital investment;

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- the Manukau land parcel purchased in 2007, consisting of a 64.0-acre parcel of undeveloped agricultural real estate. Additionally, on April 30, 2009, we entered into an agreement to purchase for $3.8 million (NZ$5.2 million) a property adjacent to this existing property. This additional property was acquired to improve the access of our larger parcel to the existing road network servicing the area. We intend to rezone the larger parcel from its current agricultural use to commercial use, and thereafter to redevelop the properties in accordance with its new zoning. The smaller parcel is already zoned for industrial use. No assurances can be given that such rezoning will be achieved, or if achieved, that it will occur in the near term; and

- a 1.0-acre parcel of commercial real estate located in Lake Taupo, New Zealand. A portion of this property was improved with a motel in which we recently renovated the property's units to be condominiums. We have enhanced the property value with residential apartment entitlements for the adjoining vacant land.

Property Developed During 2009

During the second quarter of 2009, we completed the construction of our office building development on our Indooroopilly, Brisbane, Australia property. On July 24, 2009, we signed a lease with the City of Brisbane to lease our entire Indooroopilly building to them for an initial three-year period with two three-year options.

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. We believe our most critical accounting policies relate to:

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

We review long-lived assets, including goodwill and intangibles, for impairment as part of our annual budgeting process, at the end of the third quarter, and whenever events or changes in circumstances indicate that the carrying amount of the asset may not be fully recoverable. We review internal management reports on a monthly basis as well as monitor current and potential future competition in film markets for indications of potential impairment. We evaluate our long-lived assets using historical and projected data of cash flow as our primary indicator of potential impairment and we take into consideration the seasonality of our business. If the sum of the estimated future cash flows, undiscounted, were to be less than the carrying amount of the asset, then an impairment would be recognized for the amount by which the carrying value of the asset exceeds its estimated fair value based on a discounted cash flow calculation. Goodwill and intangible assets are evaluated on a reporting unit basis. The impairment evaluation is based on the present value of estimated future cash flows of the segment plus the expected terminal value. There are significant assumptions and estimates used in determining the future cash flows and terminal value. Accordingly, actual results could vary materially from such estimates. Based on calculations of current value, we recorded impairment losses of $3.2 million and $4.3 million relating to certain of our property and cinema locations for the years ended December 31, 2009 and 2008, respectively. The impairments reflect our estimates of fair value which were based on appraisals or a discounted income approach with market based assumptions.

We record our estimated future tax benefits and liabilities arising from the temporary differences between the tax bases of assets and liabilities and amounts reported in the accompanying consolidated balance sheets, as well as operating loss carry forwards. We estimate the recoverability of any tax assets recorded on the balance sheet and provide any necessary allowances as required. As of December 31, 2009, we had recorded approximately $59.6 million of deferred tax assets related to the temporary differences between the tax bases of assets and liabilities and amounts reported in the accompanying consolidated balance sheets, as well as operating loss carry forwards and tax credit carry forwards. These deferred tax assets were fully offset by a valuation allowance in the same amount, resulting in a net deferred tax asset of zero. The recoverability of deferred tax assets is dependent upon our ability to generate future taxable income. There is no assurance that sufficient future taxable income will be generated to benefit from our tax loss carry forwards and tax credit carry forwards.

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Certain of our subsidiaries were historically involved in railroad operations, coal mining, and manufacturing. Also, certain of these subsidiaries appear in the chain of title of properties that may suffer from pollution. Accordingly, certain of these subsidiaries have, from time to time, been named in and may in the future be named in various actions brought under applicable environmental laws. Also, we are in the real estate development business and may encounter from time to time unanticipated environmental conditions at properties that we have acquired for development. These environmental conditions can increase the cost of such projects, and adversely affect the value and potential for profit of such projects. We do not currently believe that our exposure under applicable environmental laws is material in amount.

From time to time, we have claims brought against us relating to the exposure of former employees of our railroad operations to asbestos and coal dust. These are generally covered by an insurance settlement reached in September 1990 with our insurance carriers. However, this insurance settlement does not cover litigation by people who were not our employees and who may claim second hand exposure to asbestos, coal dust and/or other chemicals or elements now recognized as potentially causing cancer in humans.

From time to time, we are involved with claims and lawsuits arising in the ordinary course of our business that may include contractual obligations; insurance claims; tax claims; employment matters; and anti-trust issues, among other matters.

Results of Operations

We currently operate two operating segments: Cinema Exhibition and Real Estate. Our cinema segment includes the operations of our consolidated cinemas. Our real estate segment includes the operating results of our commercial real estate holdings, cinema real estate, live theater real estate, and ETRC's.

The tables below summarize the results of operations for our principal business segments for the years ended December 31, 2009, 2008, and 2007 (dollars in thousands).

Year Ended December 31, 2009	Cinema Exhibition	Real Estate	Intersegment Eliminations	Total
Revenue	$201,388	$25,269	$ (9,643)	$217,014
Operating expense	165,707	11,994	(9,643)	168,058
Depreciation & amortization	10,816	3,686	--	14,502
Loss on transfer of real estate held for sale to continuing operations	--	549	--	549
Impairment expense	--	3,217	--	3,217
Contractual commitment loss	--	1,092	--	1,092
General & administrative expense	2,645	1,063		3,708
Segment operating income	$22,220	$3,668	$ --	$25,888

Year Ended December 31, 2008	Cinema Exhibition	Real Estate	Intersegment Eliminations	Total
Revenue	$181,188	$23,694	$ (7,828)	$197,054
Operating expense	153,064	9,791	(7,828)	155,027
Depreciation & amortization	13,702	4,200	--	17,902
Impairment expense	351	3,968	--	4,319
General & administrative expense	3,834	1,121	--	4,955
Segment operating income	$10,237	$4,614	$ --	$14,851

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Year Ended December 31, 2007	Cinema Exhibition	Real Estate	Intersegment Eliminations	Total
Revenue	$103,467	$21,887	$ (6,119)	$119,235
Operating expense	83,875	8,324	(6,119)	86,080
Depreciation & amortization	6,942	4,418	--	11,360
General & administrative expense	3,195	831	--	4,026
Segment operating income	$9,455	$8,314	$ --	$17,769

Reconciliation to net income (loss):	2009	2008	2007
Total segment operating income	$25,888	$14,851	$17,769
Non-segment:			
Depreciation and amortization expense	666	656	561
General and administrative expense	13,851	16,483	12,059
Other operating income	(2,551)	--	--
Operating income (loss)	13,922	(2,288)	5,149
Interest expense, net	(14,572)	(15,740)	(8,163)
Other income (expense)	(2,015)	991	(505)
Gain on disposal of discontinued operations	--	--	1,912
Income tax expense	(1,952)	(2,099)	(2,038)
Equity earnings of unconsolidated joint ventures and entities	117	497	2,545
Gain on sale of unconsolidated joint venture	268	2,450	--
Gain on extinguishment of debt	10,714	--	--
Net income (loss)	$6,482	$(16,189)	$(1,100)
Net income attributable to noncontrolling interests	(388)	(620)	(1,003)
Net income (loss) attributable to Reading International, Inc. common shareholders	$6,094	$(16,809)	$(2,103)

Cinema Exhibition Segment

The following tables and discussion that follows detail our operating results for our 2009, 2008, and 2007 cinema exhibition segment (dollars in thousands):

Year Ended December 31, 2009	United States	Australia	New Zealand	Total
Admissions revenue	$75,105	$53,533	$13,985	$142,623
Concessions revenue	29,021	17,862	3,905	50,788
Advertising and other revenue	4,820	2,383	774	7,977
Total revenue	108,946	73,778	18,664	201,388
Cinema costs	88,838	54,073	13,636	156,547
Concession costs	4,602	3,662	896	9,160
Total operating expense	93,440	57,735	14,532	165,707
Depreciation and amortization	7,043	2,658	1,115	10,816
Impairment expense	--	--	--	--
General & administrative expense	1,943	702	--	2,645
Segment operating income	$6,520	$12,683	$3,017	$22,220

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Year Ended December 31, 2008	United States	Australia	New Zealand	Total
Admissions revenue	$64,881	$48,479	$14,141	$127,501
Concessions revenue	25,097	16,279	4,166	45,542
Advertising and other revenue	4,760	2,515	870	8,145
Total revenue	94,738	67,273	19,177	181,188
Cinema costs	77,455	51,202	15,242	143,899
Concession costs	4,476	3,641	1,048	9,165
Total operating expense	81,931	54,843	16,290	153,064
Depreciation and amortization	9,174	2,831	1,697	13,702
Impairment expense	--	--	351	351
General & administrative expense	2,735	1,094	5	3,834
Segment operating income	$898	$8,505	$834	$10,237

Year Ended December 31, 2007	United States	Australia	New Zealand	Total
Admissions revenue	$18,647	$41,722	$14,683	$75,052
Concessions revenue	5,314	13,577	4,302	23,193
Advertising and other revenue	2,043	2,277	902	5,222
Total revenue	26,004	57,576	19,887	103,467
Cinema costs	18,385	44,460	15,868	78,713
Concession costs	1,029	3,017	1,116	5,162
Total operating expense	19,414	47,477	16,984	83,875
Depreciation and amortization	2,003	3,212	1,727	6,942
General & administrative expense	2,140	1,036	19	3,195
Segment operating income	$2,447	$5,851	$1,157	$9,455

Cinema Results for 2009 Compared to 2008

- Cinema revenue increased in 2009 by $20.2 million or 11.1% compared to 2008. The geographic activity of our revenue can be summarized as follows:

o United States - Revenue in the United States increased by $14.2 million or 15.0% primarily from a fully year reporting of the newly acquired Consolidated Entertainment cinemas acquisition compared to only ten months in 2008.

o Australia - Revenue in Australia increased by $6.5 million or 9.7%. This increase in revenue was predominately attributable to an increase in box office admissions of 527,000 coupled with a $0.88 increase in average ticket price and an increase in concessions revenue of $1.6 million.

o New Zealand - Revenue in New Zealand decreased by $513,000 or 2.7%. This decrease in revenue was attributable to a drop in admissions revenue of $156,000, a decrease in concessions revenue of $261,000, and a decrease in advertising and other revenue of $96,000. As indicated below, these decreases were primarily related to a lower annual average value of the New Zealand dollar to that of the U.S. dollar during 2009 compared to 2008. The local currency revenue in the aforementioned categories generally increased during 2009.

- Operating expense increased in 2009 by $12.6 million or 8.3% compared to 2008. Year on year operating expense decreased in relation to revenue from 84.5% to 82.3%.

o United States - Operating expense in the United States increased by $11.5 million or 14.0% primarily due to the aforementioned Consolidated Entertainment cinemas acquisition.

o Australia - Operating expense in Australia increased by $2.9 million or 5.3%. This increase was in line with the above-mentioned increase in cinema revenue.

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- o New Zealand - Operating expense in New Zealand decreased by $1.8 million or 10.8%. This decrease was in line with the above-mentioned decrease in cinema revenue and the effects of foreign currency fluctuations.

- Depreciation expense decreased in 2009 by $2.9 million or 21.1% compared to 2008. This decrease was primarily related to the finalization of purchase accounting in 2008 for our Consolidated Entertainment cinemas acquisition and currency fluctuations (see below).

- We recorded a one-time $351,000 impairment charge related to certain New Zealand cinema assets during 2008. This impairment expense did not reoccur in 2009.

- General and administrative expense decreased in 2009 by $1.2 million or 31.0% compared to 2008. The change was primarily related to cost cutting measures throughout the segment.

- Australian average exchange rates for 2009 have decreased by 7.0% and the New Zealand average exchange rates have decreased by 11.0% from those in 2008, which had a negative impact on the individual components of the income statement.

- As a result, cinema segment operating income increased in 2009 by $12.0 million compared to 2008 primarily from our improved cinema operations in all geographic areas, despite the negative effects of currency fluctuations from year to year.

Cinema Results for 2008 Compared to 2007

- Cinema revenue increased in 2008 by $77.7 million or 75.1% compared to 2007. The geographic activity of our revenue can be summarized as follows:

- o United States - Revenue in the United States increased by $68.7 million or 264.3% primarily from our Consolidated Entertainment cinemas acquisition.

- o Australia - Revenue in Australia increased by $9.7 million or 16.8%. This increase in revenue was attributable to an increase in admissions revenue of $6.7 million related to an increase in box office admissions of 392,000 coupled with a $0.28 increase in average ticket price, concessions revenue of $2.7 million, and advertising and other revenue of $238,000. This increase in revenue was primarily related to more appealing film product in late 2008 compared to the film offerings in 2007, coupled with an increase in the average admissions price of 3.2%.

- o New Zealand - Revenue in New Zealand decreased by $710,000 or 3.6%. This decrease in revenue was attributable to a drop in admissions revenue of $542,000, a decrease in concessions revenue of $136,000, and a decrease in advertising and other revenue of $32,000. These decreases in revenue were primarily related to a drop in admits of 152,000 from 2007.

- Operating expense increased in 2008 by $69.2 million or 82.5% compared to 2007. Year on year operating expense increased in relation to revenue from 81.1% to 84.5%. This increase in cinema costs was driven by the US and primarily related to higher film rent expense associated with our Consolidated Entertainment cinemas acquisition whose film product is primarily wide release films resulting in higher film rent cost compared to our predominately pre-acquisition art cinemas in the United States, which generally have lower film rent costs.

- o United States - Operating expense in the United States increased by $62.5 million or 322.0% due to the aforementioned Consolidated Entertainment cinemas acquisition.

- o Australia - Operating expense in Australia increased by $7.4 million or 15.5%. This increase was in line with the above-mentioned increase in cinema revenue.

- o New Zealand - Operating expense in New Zealand decreased by $694,000 or 4.1%. This decrease was in line with the above-mentioned decrease in cinema revenue.

- Depreciation expense increased in 2008 by $6.8 million or 97.4% compared to 2007. This increase was primarily from our Consolidated Entertainment cinemas acquisition.

- General and administrative expense increased in 2008 by $639,000 or 20.0% compared to 2007. The change was primarily related to the purchase and operation of the Consolidated Entertainment cinemas and legal matters associated with our cinema assets.

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- We recorded a one-time $351,000 impairment charge related to certain New Zealand cinema assets during 2008. This impairment expense did not occur previously in 2007.

- Australian average exchange rates for 2008 increased by 1.6% and the New Zealand average exchange rates have decreased by 3.0% from those in 2007, which had an impact on the individual components of the income statement. However, the overall effect of the foreign currency change on operating income was minimal.

- As a result, cinema segment operating income increased in 2008 by $782,000 compared to 2007 primarily from our improved cinema operations in Australia offset by lower operating income in the United States and New Zealand due to the aforementioned higher depreciation and general and administrative expense in the U.S. coupled with the one-time impairment charge in New Zealand.

Real Estate Segment

As discussed above, our other major business segment is the development and management of real estate. These holdings include our rental live theaters, certain fee owned properties used in our cinema business, and unimproved real estate held for development. The tables and discussion that follow detail our operating results for our 2009, 2008, and 2007 real estate segment (dollars in thousands):

Year Ended December 31, 2009	United States	Australia	New Zealand	Total
Live theater rental and ancillary income	$2,665	$--	$--	$2,665
Property rental income	5,947	10,853	5,804	22,604
Total revenue	8,612	10,853	5,804	25,269
Live theater costs	1,551	--	--	1,551
Property rental cost	4,896	3,997	1,550	10,443
Total operating expense	6,447	3,997	1,550	11,994
Depreciation and amortization	334	1,954	1,398	3,686
Loss on transfer of real estate held for sale to continuing operations	--	549	--	549
Impairment expense	--	--	3,217	3,217
Contractual commitment loss	--	--	1,092	1,092
General & administrative expense	18	914	131	1,063
Segment operating income (loss)	$1,813	$3,439	$(1,584)	$3,668

Year Ended December 31, 2008	United States	Australia	New Zealand	Total
Live theater rental and ancillary income	$3,583	$--	$--	$3,583
Property rental income	3,332	9,690	7,089	20,111
Total revenue	6,915	9,690	7,089	23,694
Live theater costs	1,892	--	--	1,892
Property rental cost	2,913	3,262	1,724	7,899
Total operating expense	4,805	3,262	1,724	9,791
Depreciation and amortization	351	2,189	1,660	4,200
Impairment expense	--	3,091	877	3,968

General & administrative expense	14	1,019	88	1,121
Segment operating income	$1,745	$129	$2,740	$4,614

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Year Ended December 31, 2007	United States	Australia	New Zealand	Total
Live theater rental and ancillary income	$4,043	$--	$--	$4,043
Property rental income	1,534	9,336	6,974	17,844
Total revenue	5,577	9,336	6,974	21,887
Live theater costs	2,105	--	--	2,105
Property rental cost	1,210	3,076	1,933	6,219
Total operating expense	3,315	3,076	1,933	8,324
Depreciation and amortization	376	2,355	1,687	4,418
General & administrative expense	15	665	151	831
Segment operating income	$1,871	$3,240	$3,203	$8,314

Real Estate Results for 2009 Compared to 2008

- Real estate revenue increased by $1.6 million or 6.6% compared to 2008. The increase in revenue was primarily related to increased rental income from our Australia properties, increased U.S. rental revenue from the Consolidated Entertainment cinemas acquisition properties that have ancillary real estate associated with them, and negotiated rent increases on several of our New York properties. These increases were somewhat offset by decreased live theater revenue in the U.S. and decreased real estate revenue from our New Zealand properties, driven by a market reduction of intercompany rent to our Courtenay Central cinema coupled with fluctuations in currency exchange rates (see below).

- Operating expense for the real estate segment increased by $2.2 million or 22.5% compared to 2008. This increase in expense was primarily related to the Consolidated Entertainment cinemas acquisition properties that have ancillary real estate associated with them, coupled with increasing utility and other operating costs primarily in our US properties. This increase was offset by decreased live theater costs of $341,000, which corresponds with the aforementioned decrease in live theater revenue.

- Depreciation expense for the real estate segment decreased by $514,000 or 12.2% compared to 2008 primarily due to the impact of currency fluctuations (see below).

- We recorded a loss, in effect catch up depreciation, during 2009, on transfer of real estate held for sale to continuing operations of $549,000 related to our Auburn property.

- We recorded a decrease in real estate impairment losses of $751,000 as the real estate market stabilized in Australia but remained somewhat weak in New Zealand. Additionally, we recorded a contractual commitment loss of $1.1 million associated with a property which we are under an unconditional contract to purchase in 2010.

- General and administrative costs decreased by $58,000 or 5.2% compared to 2008 primarily due cost cutting measures associated with our Australia operations coupled with the impact of currency fluctuations (see below).

- Australia average exchange rates for 2009 have decreased by 7.0% and the New Zealand average exchange rates have decreased by 11.0% from those in 2008, which had a negative impact on the individual components of the income statement.

    - As a result of the above, real estate segment income decreased by $946,000 compared to 2008.

Real Estate Results for 2008 Compared to 2007

- Revenue increased by $1.8 million or 8.3% when compared to 2007. The increase was primarily related to real estate associated with the Consolidated Entertainment cinemas acquisition, higher rental revenue from the majority of our Australia tenancies, and our newly acquired properties in New Zealand. These increases were offset in part due to decreases in live theater rental revenue compared to the same period in 2007.

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- Operating expense increased by $1.5 million or 17.6% when compared to 2007. This increase in expense was primarily related to the Consolidated Entertainment cinemas acquisition that have ancillary real estate associated with them, coupled with increasing utility and other operating costs primarily in our U.S. properties.

- Depreciation expense decreased by $218,000 or 4.9% when compared to 2007.

- We recorded a $4.0 million impairment charge related to certain Australia and New Zealand real estate assets during 2008. This impairment expense did not occur previously in 2007.

- General and administrative expense increased by $290,000 when compared to 2007 primarily due to increased property activities related to our acquisitions in Australia.

- Australian average exchange rates for 2008 have increased by 1.6% and the New Zealand average exchange rates have decreased by 3.0% from those in 2007, which had an impact on the individual components of the income statement. However, the overall effect of the foreign currency change on operating income was minimal.

- As a result of the above, real estate segment income decreased during 2008 by $3.7 million compared to 2007.

Non-Segment Activity

2009 Compared to 2008

Non-segment expense/income includes expense and/or income that is not directly attributable to our other operating segments.

During 2009, the decrease of $2.6 million in corporate General and Administrative expense was primarily made up of:

- $1.0 million decrease in legal fees associated principally with our Malulani Investments Limited (“MIL”) case;

- $868,000 of reduced professional fees and non-recurring costs associated with our Consolidated Entertainment acquisition in 2008; and

- $700,000 of reduced payroll and travel expense.

Also during 2009:

- we recorded $2.6 million as other operating income associated with our settlement of the MIL litigation for the recovery of previously expensed litigation costs.

- net interest expense decreased by $1.2 million compared to 2008. The decrease in interest expense during 2009 was primarily related to lower interest on our trust preferred securities (“TPS”) due to the retirement of $23.0 million of the TPS, a net gain on our mark-to-market of our interest swaps and cap, offset by our ceasing to capitalize interest on our development properties, where development has been substantially curtailed, resulting in an increase in interest expense for 2009 compared to 2008.

- we recorded an other loss of $2.0 million compared to an other income of $991,000 for 2008. The $2.0 million other loss in 2009 included a $1.0 million other-than-temporary loss on marketable securities; a $2.3 million loss on foreign currency transactions; $848,000 in litigation loss accruals; offset by, a $1.5 million gain from fees associated with a terminated option and $481,000 in gains from legal settlements. The other income of $991,000 in

2008 was primarily related to $910,000 of insurance proceeds related to damage caused by Hurricane George in 1998.

- we recorded a gain on sale of unconsolidated joint venture of $268,000 from the sale of our investment in MIL in 2009 and a gain on sale of unconsolidated entity of $2.5 million (NZ$3.2 million) in 2008, from the sale of our interest in the cinema at Botany Downs, New Zealand.

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- we recorded a $10.7 million gain on retirement of subordinated debt, net of a $749,000 loss on deferred financing costs associated with the subordinated debt.

2008 Compared to 2007

Non-segment expense/income includes expense and/or income that is not directly attributable to our other operating segments.

During 2008, the increase of $4.4 million in corporate General and Administrative expense was primarily made up of:

- $1.4 million in increased corporate compensation expense primarily related to executive restricted stock and option grants, a new in-house legal counsel, and pension and bonus compensation for our chief operating officer;
- $891,000 of professional fees; and
- $2.1 million of legal fees associated principally with our tax litigation and MIL cases.

Also during 2008:

- our net interest expense increased by $7.6 million primarily related to a higher outstanding loan balances in 2008 compared to 2007 primarily relating to our current year Consolidated Cinemas acquisition;
- our other income increased by $1.5 million primarily due to our Burstone litigation settlement receipts totaling $1.2 million; insurance proceeds of $910,000 related to damage caused by Hurricane George in 1998 to one of our previously owned cinemas in Puerto Rico; recovered credit card losses of $385,000; and a $950,000 mark-to-market expense in 2007 not repeated in 2008. This income was offset by 2008 write-off and impairment expense of $303,000;
- equity earnings from unconsolidated joint ventures and entities decreased by $2.1 million primarily due to lower earnings from our investment in 205-209 East 57th Street Associates, LLC, that has completed the majority of the development of a residential condominium complex in midtown Manhattan, called Place 57. During 2007 and 2006, all of the residential condominiums were sold and only the retail condominium was still available for sale. During 2007, the limited liability company closed on the sale of the remaining eight residential condominiums resulting in gross sales of $26.0 million and equity earnings from unconsolidated joint ventures and entities to us of $1.6 million. The remaining retail space was sold in February 2009 for approximately $3.8 million;
- in addition to the aforementioned equity earnings, during 2008, we recorded a gain on sale of an unconsolidated entity of $2.5 million (NZ$3.2 million), from the sale of our interest in the cinema at Botany Downs in Auckland, New Zealand; and
- our expense relating to noncontrolling interests decreased by $383,000 compared to 2007 primarily due to reduced projected value of the Reading Landplan projects.

Income Taxes

We are subject to income taxation in several jurisdictions throughout the world. Our effective tax rate and income tax liabilities will be affected by a number of factors, such as:

- the amount of taxable income in particular jurisdictions;

- the tax rates in particular jurisdictions;
- tax treaties between jurisdictions;
- the extent to which income is repatriated; and
- future changes in law.

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Generally, we file consolidated or combined tax returns in jurisdictions that permit or require such filings. For jurisdictions that do not permit such a filing, we may owe income, franchise, or capital taxes even though, on an overall basis, we may have incurred a net loss for the tax year.

Net Income Attributable to Reading International, Inc. Common Shareholders

For 2009, we achieved net income attributable to Reading International, Inc. common shareholders of $6.1 million. For the years ending 2008 and 2007, our consolidated business units produced net losses attributable to Reading International, Inc. common shareholders of $16.8 million and $2.1 million, respectively. For many of the years prior to 2009, we consistently experienced net losses. However, as explained in the Cinema and Real Estate segment sections above, we have generally noted improvements in our segment operating income such that we have a positive segment operating income for each of the years of 2009, 2008, and 2007 that in years past has been negative. Although we cannot assure that this trend will continue, we are committed to the overall improvement of earnings through good fiscal management.

Business Plan, Liquidity, and Capital Resources of the Company

Business Plan

Our business plan has evolved from a belief that while cinema exhibition is not a growth business at this time, we do believe it to be a business that will likely continue to generate fairly consistent cash flows in the years ahead even in a recessionary or inflationary environment. This is based on our belief that people will continue to spend some reasonable portion of their entertainment dollar on entertainment outside of the home and that, when compared to other forms of outside the home entertainment, movies continue to be a popular, and competitively priced option. However, since we believe the cinema exhibition business to be a mature business with most markets either adequately screened or over-screened, we see our future asset growth coming more from our real estate development activities and from the acquisition of existing cinemas rather than from the development of new cinemas. Over time, we anticipate that our cinema operations will become increasingly a source of cash flow to support our real estate oriented activities, rather than a focus of growth, and that our real estate activities will, again, over time become the principal thrust of our business. We also, from time to time, invest in the shares of other companies, where we believe the business or assets of those companies to be attractive or to offer synergies to our existing entertainment and real estate businesses. Also, in the current environment, we intend to be opportunistic in identifying and endeavoring to acquire undervalued assets, particularly assets with proven cash flow and which we believe to be resistant to current recessionary trends.

In short, while we do have operating company attributes, we see ourselves principally as a hard asset company and intend to add to shareholder value by building the value of our portfolio of tangible assets including both entertainment and other types of land, brick, and mortar assets. We are endeavoring to maintain a reasonable asset allocation between our domestic and overseas assets and operations, and between our cash generating cinema operations and our cash consuming real estate development activities. We believe that by blending the cash generating capabilities of a cinema company with the investment and development opportunities of a real estate development company, we are unique among public companies in our business plan.

Liquidity and Capital Resources

Our ability to generate sufficient cash flows from operating activities in order to meet our obligations and commitments drives our liquidity position. This is further affected by our ability to obtain adequate, reasonable financing and/or to convert non-performing or non-strategic assets into cash.

Currently, our liquidity needs continue to arise mainly from:

- working capital requirements;
- capital expenditures including the acquisition, holding and development of real property assets; and
- debt servicing requirements.

With the recent changes to the worldwide credit markets, the business community is concerned that credit will be more difficult to obtain especially for potentially risky ventures like business and asset acquisitions. However, we believe that our acquisitions over the past few years coupled with our strengthening operational cash flows demonstrate our ability to improve our profitability. We believe that this business model will help us to demonstrate to lending institutions our ability not only to do new acquisitions but also to service the associated debt.

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Discussion of Our Statement of Cash Flows

The following discussion compares the changes in our cash flows over the past three years.

Operating Activities

2009 Compared to 2008. Cash provided by operations was $18.0 million in 2009 compared to $24.3 million provided by operations in 2008. The decrease in cash provided by operations of $6.3 million was due primarily to an $8.4 million operational cash flow increase offset by a $14.7 million decrease in cash provided by changes in operating assets and liabilities for 2009 compared to 2008.

2008 Compared to 2007. Cash provided by operations was $24.3 million in 2008 compared to $13.3 million in 2007. The increase in cash provided by operations of $11.0 million was primarily related to:

- increased cinema operational cash flow primarily from our Australia and domestic acquisition operations;
- increased real estate operational cash flow predominately from our Australia and New Zealand operations; and
- one time cash receipts related to litigation and other claims of $1.6 million;

offset by

- a decrease in distributions from predominately our Place 57 joint venture (the assets of which have now been substantially monetized) of $3.7 million.

Investing Activities

Cash used in investing activities for 2009 was $12.9 million compared to $69.5 million in 2008 and $38.3 million in 2007. The following summarizes our investing activities for each of the three years ending December 31, 2009:

The $12.9 million cash used in 2009 was primarily related to:

- $5.7 million in property enhancements to our existing properties;
- $706,000 deposit to purchase a property adjacent to our Manukau property; and
- $11.5 million to purchase marketable securities to exchange for our Reading International Trust I securities;

offset by

- $1.3 million in restricted cash primarily related to the use of construction deposits made in 2008 for repair work to one of our cinemas;
- $3.3 million in return of investment of unconsolidated entities; and
- $285,000 of sale option proceeds for our Auburn property.

The $69.5 million cash used in 2008 was primarily related to:

- $49.2 million to purchase the assets of the Consolidated Cinemas circuit;
- $2.5 million to purchase other real estate assets;
- $1.9 million in restricted cash primarily related to construction deposits for repair work on one of our cinemas; and

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- $23.4 million in property enhancements to our existing properties;

offset by

- $2.0 million of deposit returned upon acquisition of the Consolidated Cinemas circuit;
- $1.3 million of sale option proceeds for our Auburn property;
- $910,000 of proceeds from insurance settlement; and
- $3.3 million of cash received from the sale of our interest in the Botany Downs cinema in New Zealand.

The $38.3 million cash used in 2007 was primarily related to:

- $15.7 million to purchase marketable securities;
- $22.6 million to purchase real estate assets including
  - o $20.1 million for real estate purchases in New Zealand,
  - o $100,000 for the purchase of the Cinemas 1, 2 & 3 building,
  - o $2.0 million acquisition deposit for our acquisition of the Consolidated Cinemas circuit, and
  - o $493,000 for the purchase of the ground lease of our Tower Cinema in Sacramento, California;
- $2.8 million in property enhancements to our existing properties;
- $19.0 million in development costs associated with our properties under development; and
- $1.5 million in our investment in Reading International Trust I securities (the issuer of our TPS);

offset by

- $19.9 million in cash provided by the sale of marketable securities;
- $981,000 decrease in restricted cash related to settled claims by our credit card companies; and
- $2.4 million in distributions from our investment in joint ventures.

Financing Activities

Cash used in financing activities for 2009 was $14.4 million compared to cash provided by financing activities of $60.2 million in 2008 and $33.9 million in 2007. The following summarizes our financing activities for each of the three years ending December 31, 2008:

The $14.4 million cash used in 2009 was primarily related to:

- $1.5 million of borrowing on our Australia Construction facility; and

- $175,000 of noncontrolling interest contributions;

offset by

- $14.9 million of loan repayments including $8.3 million to pay down on our GE Capital loan and $6.1 million to pay off our Australia Construction facility; and
- $1.1 million in noncontrolling interest distributions.

The $60.2 million cash used in 2008 was primarily related to:

- $48.0 million of net proceeds from our new GE Capital Term Loan used to finance the Consolidated Entertainment transaction;
- $7.1 million of net proceeds from our new Liberty Theaters loan;
- $4.5 million of borrowing on the Nationwide Loans; and
- $13.2 million of borrowing on our Australia and New Zealand credit facilities;

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offset by

- $9.4 million of loan repayments including $9.0 million to pay down on our GE Capital loan;
- $1.1 million waiver fee on our TPS; and
- $1.6 million in distributions to holders of noncontrolling interests.

The $33.9 million cash used in 2007 was primarily related to:

- $49.9 million of net proceeds from our TPS;
- $14.4 million of net proceeds from our Euro-Hypo loan;
- $3.1 million of proceeds from our margin account on marketable securities; and
- $27.9 million of additional borrowing on our Australia and New Zealand credit facilities;

offset by

- $57.6 million of cash used to retire bank indebtedness which primarily includes $34.4 million (NZ$50.0 million) to pay off our New Zealand term debt, $5.8 million (AUS$7.4 million) to retire a portion of our bank indebtedness in Australia, $3.1 million to pay off our margin account on marketable securities, $12.1 million (NZ$15.7 million) to pay down our New Zealand Westpac line of credit in August 2007, and $1.7 million for the final balloon payment on the Royal George Theater Term Loan; and
- $3.9 million in distributions to holders of noncontrolling interests.

Future Liquidity and Capital Resources

We believe that we have sufficient borrowing capacity to meet our short-term working capital requirements.

During the past 24 months, we have put into place several measures that have already had a positive effect on our overall liquidity, including:

- paydown of our corporate borrowing facilities by $34.4 million ($12.2 million after currency effects) from December 31, 2008 resulting in a reduction in our debt to EBITDA ratio from 12.2 at December 31, 2008 to 6.0 at December 31, 2009.
- obtained a 90-day extension on our $6.9 million U.S. Union Square Theater term loan from our existing lender through April 1, 2010. We are close to signing a new 5-year term loan on this property for a similar principal amount.
- we are in negotiations with the principal of Sutton Hill Capital to restructure the two notes aggregating $14.0 million and potentially extend the payment terms.
- in 2009, we took advantage of current market illiquidity for securities such as our TPS to repurchase and retire $22.9 million of those securities for $11.5 million. Additionally, on December 31, 2008, we secured a waiver of all financial covenants with respect to our TPS for a period of nine years, in consideration of the payment of $1.6

million, consisting of an initial payment of $1.1 million and a contractual obligation to pay $270,000 in December 2011 and $270,000 in December 2014. In the event that these payments are not made, the only remedy is the termination of the waiver.

- as part of the Consolidated Entertainment acquisition, we secured bank financing of $50.0 million and seller financing of $21.0 million. We have paid down $17.3 million of the bank financing since inception and decreased the seller's note associated with the acquisition by $6.5 million. Aside from the acquisition, we drew down on a seller's line of credit of $4.5 million. Built into the purchase agreement of the acquisition are reductions in the seller's note based on certain operational results and other criteria that may result in no balance or interest being owed to the seller.

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- on March 17, 2008, we entered into a $7.1 million loan agreement with a financial institution, secured by our Royal George Theatre in Chicago, Illinois and our Minetta Lane Theatre and Orpheum Theatre in New York. The loan agreement requires only monthly principal and interest payments along with self-reported annual financial statements.

Potential uses for funds during 2010 that would reduce our liquidity, other than those relating to working capital needs and debt service requirements include:

- Fit out/deposit for Mosaic Angelika;
- securing digital and digital 3D projectors for selective sites in our worldwide circuit;
- the selective development of our currently held for development projects; and
- the acquisition of assets with proven cash flow that we believe to be resistant to the current recessionary trends.

Based upon the current levels of the consolidated operations, further anticipated cost savings and future growth, we believe our cash flow from operations, together with both the existing and anticipated lines-of-credit and other sources of liquidity (including future potential asset sales) will be adequate to meet our anticipated requirements for interest payments and short-term debt maturities plus any other debt service obligations, working capital, capital expenditures and other operating needs.

In late February 2007, it became apparent that our cost estimates with respect to the Burwood site preparation were low, as the extent of the contaminated soil present at the site – a former brickworks – was greater than we had originally believed. Our estimated cost of $600.0 million included approximately $1.6 million (AUS$1.8 million) of estimated cost to remove the contaminated soil. As we were not the source of this contamination, we are not currently under any legal obligation to remove this contaminated soil from the site. However, as a practical matter, we intend to address these issues in connection with our planned redevelopment of this site as a mixed-use retail, entertainment, commercial and residential complex. As of December 31, 2009, we estimate that the total site preparation costs associated with the removal of this contaminated soil will be $8.6 million (AUS$9.6 million) and as of that date we had incurred a total of $6.6 million (AUS$7.4 million) of these costs. In accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 410-30-25 – Environmental Obligations contamination clean up costs that improve the property from its original acquisition state are capitalized as part of the property’s overall development costs.

There can be no assurance, however, that the business will continue to generate cash flow at or above current levels or that estimated cost savings or growth can be achieved. Future operating performance and our ability to service or refinance existing indebtedness will be subject to future economic conditions and to financial and other factors, such as access to first-run films, many of which are beyond our control. If our cash flow from operations and/or proceeds from anticipated borrowings should prove to be insufficient to meet our funding needs, our current intention is either:

- to defer construction of projects currently slated for land presently owned by us;
- to take on joint venture partners with respect to such development projects; and/or
- to sell assets.

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Contractual Obligations

The following table provides information with respect to the maturities and scheduled principal repayments of our secured debt and lease obligations at December 31, 2009 (in thousands):

	2010	2011	2012	2013	2014	Thereafter	Total
Long-term debt	$7,914	$94,929	$26,625	$55,522	$90	$--	$185,080
Long-term debt to related parties	14,000	--	--	--	--	--	14,000
Subordinated notes	--	--	--	--	--	27,913	27,913
Pension liability	7	15	23	32	40	3,795	3,912
Lease obligations	25,550	24,971	23,495	21,143	18,267	64,138	177,564
Interest on long-term debt	12,878	11,191	4,898	1,650	1,143	14,634	46,394
Total	$60,349	$131,106	$55,041	$78,347	$19,540	$110,480	$454,863

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

We adopted FASB ASC 740-10-25 – Income Taxes - Uncertain Tax Positions on January 1, 2007. As of adoption, the total amount of gross unrecognized tax benefits for uncertain tax positions was $12.5 million increasing to $13.7 million, to $14.5 million, and to $15.3 million as of December 31, 2007, 2008, and 2009, respectively. We do not expect a significant tax payment related to these obligations within the 12 months.

Unconsolidated Joint Venture Debt

Total debt of unconsolidated joint ventures was $979,000 and $785,000 as of December 31, 2009 and December 31, 2008, respectively. Our share of unconsolidated debt, based on our ownership percentage, was $326,000 and $261,000 as of December 31, 2009 and December 31, 2008, respectively. This loan is guaranteed by one of our subsidiaries to the extent of our ownership percentage.

Off-Balance Sheet Arrangements

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

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.

If our operational focus shifts more to Australia and New Zealand, unrealized foreign currency translation gains and losses could materially affect our financial position. Historically, we managed 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. However, by paying off our New Zealand debt and paying down on our Australia debt with the proceeds of our TPS, we have added an increased element of currency risk to our Company. We believe that this currency risk is mitigated by the long-term nature of the fully subordinated notes and our recent ability to repurchase, at a discount, some of these securities.

However, in the first quarter 2009, we took advantage of current market illiquidity for securities such as our TPS to repurchase $22.9 million of those securities for $11.5 million. In addition, in December 2008 we secured a waiver of all financial covenants with respect to our TPS for a period of nine years, in consideration of the payment of $1.6 million, consisting of an initial payment of $1.1 million and a contractual obligation to pay $270,000 in December 2011 and $270,000 in December 2014. In the event that the remaining payments are not made, the only remedy is the termination of the waiver. Because of this transaction, which was partially funded with borrowings against our New Zealand line-of-credit, we once again have substantially matched the currency in which we have financed our developments with the jurisdictions in which these developments are located.

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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 fixed rate into a variable rate and vice versa. Our internal procedures allow us to enter into derivative contracts on certain borrowing transactions to achieve this goal. Our Australian Credit Facility provides for floating interest rates based on the Bank Bill Swap Bid Rate (BBSY bid rate), but requires that not less than 70% of the loan be swapped into fixed rate obligations. Additionally, under our GE Capital Term Loan, we are required to swap no less than 50% of our variable rate drawdowns for the first two years of the loan agreement.

In accordance with FASB ASC 815-20 – Derivatives and Hedging, we marked our interest swap instruments to market on the consolidated balance sheet resulting in a $1.4 million decrease to interest expense during 2009, $2.1 million increase to interest expense during 2008, and a $320,000 decrease to interest expense during 2007.

Inflation

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

Accounting Pronouncements Adopted During 2009

SFAS 168 – FASB Accounting Standards Codification

In June 2009, the Financial Accounting Standards Board (FASB) issued its final Statement of Financial Accounting Standards (SFAS) No. 168 – The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162. SFAS No. 168 made the FASB Accounting Standards Codification (the “Codification”) the single source of U.S. GAAP used by nongovernmental entities in the preparation of financial statements, except for rules and interpretive releases of the SEC under authority of federal securities laws, which are sources of authoritative accounting guidance for SEC registrants. The Codification is meant to simplify user access to all authoritative accounting guidance by reorganizing U.S. GAAP pronouncements. Therefore, we have changed our former references to U.S. GAAP to be in conformity with the Codification standards.

FASB ASC 810-10 – Noncontrolling Interests

Effective January 1, 2009, the Company adopted the provisions of FASB Accounting Standards Codification (“ASC”) 810-10 (“ASC 810-10”), which requires that amounts formerly reported as minority interests in the Company’s unaudited condensed consolidated financial statements be reported as noncontrolling interests. These revisions clarify that noncontrolling interests with redemption provisions outside of the control of the issuer and noncontrolling interests with redemption provisions that permit the issuer to settle in either cash or common shares at the option of the issuer are subject to evaluation under ASC 810-10 to determine the appropriate balance sheet classification and measurement of such instruments. This adoption resulted in modifications to the reporting of noncontrolling interests in the Consolidated Financial Statements for all periods presented.

The adoption of ASC 810-10 had an impact on the presentation and disclosure of noncontrolling (minority) interests in our consolidated financial statements. Because of the retrospective presentation and disclosure requirements of

ASC 810-10, the Company reflected the change in presentation and disclosure for all periods presented in these consolidated financial statements.

The effect of the reclassification of the noncontrolling interest on our prior year's income statement related to the adoption of ASC 810-10 is a decrease in the net income and an increase in loss before equity earnings of unconsolidated joint ventures and entities of $620,000 and $1.0 million for the years ended December 31, 2008 and 2007, respectively.

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Noncontrolling interest represents ownership interests not held by Reading International, Inc. in its underlying consolidated subsidiaries.

FASB ASC 855-10 – Subsequent Events

Effective for the second quarter of 2009, the Company adopted the provisions of FASB ASC 855-10 – Subsequent Events ("ASC 855-10"), as amended by Accounting Standard Update 2010-09. ASC 855-10 establishes principles and requirements for evaluating and reporting subsequent events and distinguishes which subsequent events should be recognized in the financial statements versus which subsequent events should be disclosed in the financial statements. The adoption of ASC 855-10 did not have a material impact on our financial statements.

FASB ASC 805-10-65 - Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies

In April 2009, the FASB issued FASB ASC 805-10-65 relating to accounting for assets acquired and liabilities assumed in a business combination that arise from contingencies ("ASC 805-10-65"). ASC 805-10-65 addresses application issues on the accounting for contingencies in a business combination. ASC 805-10-65 is effective for assets or liabilities arising from contingencies in business combinations acquired on or after January 1, 2009. The adoption of ASC 805-10-65 did not have any impact on the Company's financial statements.

FASB ASC 320-10-65 – Recognition and Presentation of Other-Than-Temporary Impairments

In April 2009, the FASB issued FASB ASC 320-10-65 relating to the recognition and presentation of other-than-temporary impairments ("ASC 320-10-65"). ASC 320-10-65 changes the method for determining whether an other-than-temporary impairment exists for debt securities and the amount of the impairment to be recorded in earnings, as well as expands and increases the frequency of existing disclosures about other-than-temporary impairments for debt and equity securities. ASC 320-10-65 is effective for fiscal years, and interim periods within those fiscal years, ending after June 15, 2009. The adoption of ASC 320-10-65 did not have any impact on the Company's financial statements.

New Accounting Pronouncements

FASB ASC 810-10-15 – Variable Interest Entities

In June 2009, an update was made to FASB ASC 810-10-15 related to variable interest entities. This update changes the calculation for determining entities that have a controlling financial interest in a variable interest entity ("VIE") from a quantitative based risks and rewards calculation to a qualitative approach. The qualitative approach identifies which entities have the power to direct the activities that most significantly affect the VIE's economic performance, have the obligation to absorb losses of the VIE, or have the right to receive benefits from the VIE. The update also requires ongoing assessments as to whether an entity is the primary beneficiary of a VIE (previously, reconsideration was only required upon the occurrence of specific events), modifies the presentation of consolidated VIE assets and liabilities, and requires additional disclosures about a company's involvement in VIEs. This update will be effective for the company beginning January 1, 2010. We determined that the effect of this adoption will be immaterial to our consolidated financial position and results of operations on the January 1, 2010 effective date.

Forward-Looking Statements

Our statements in this annual 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.

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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:

o the number and attractiveness to movie goers of the films released in future periods;

o the amount of money spent by film distributors to promote their motion pictures;

o the licensing fees and terms required by film distributors from motion picture exhibitors in order to exhibit their films;

o 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;

o 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, digital and 3D technology, cable, satellite broadcast, DVD and VHS rentals and sales, and so called “movies on demand;” and

o the extent to and the efficiency with which, we are able to integrate acquisitions of cinema circuits with our existing operations.

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

o the rental rates and capitalization rates applicable to the markets in which we operate and the quality of properties that we own;

o the extent to which we can obtain on a timely basis the various land use approvals and entitlements needed to develop our properties;

o the risks and uncertainties associated with real estate development;

o the availability and cost of labor and materials;

o competition for development sites and tenants;

o environmental remediation issues; and

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

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

o our ongoing access to borrowed funds and capital and the interest that must be paid on that debt and the returns that must be paid on such capital;

o the relative values of the currency used in the countries in which we operate;

o changes in government regulation, including by way of example, the costs resulting from the implementation of the requirements of Sarbanes-Oxley;

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

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

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- o changes in future effective tax rates and the results of currently ongoing and future potential audits by taxing authorities having jurisdiction over our various companies; and
- o changes in applicable accounting policies and practices.

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

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

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

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

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Item 7A – 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 Form 10-K 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 December 31, 2009, approximately 50% and 16% of our assets (determined by the book value of such assets) were invested in assets denominated in Australian dollars (Reading Australia) and New Zealand dollars (Reading New Zealand), respectively, including approximately $15.4 million in cash and cash equivalents. At December 31, 2008, approximately 43% and 18% of our assets were invested in assets denominated in Australian and New Zealand dollars, respectively, including approximately $19.6 million in cash and cash equivalents.

Our policy in Australia and New Zealand is to match revenue 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 negligible foreign currency effect on our earnings. As we continue to progress our acquisition and development activities in Australia and New Zealand, we cannot assure you that the foreign currency effect on our earnings will be insignificant in the future.

Historically, our policy has been to borrow in local currencies to finance the development and construction of our entertainment complexes 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 48% and 70% of our Australian and New Zealand assets (based on book value), respectively, remain subject to such exposure unless we elect to hedge our foreign currency exchange between the U.S. and Australian and New Zealand dollars. If the foreign currency rates were to fluctuate by 10% the resulting change in Australian and New Zealand assets would be $9.8 million and $4.7 million, respectively, and the change in annual net income would be $533,000 and $900,000, respectively. At the present time, we have no plan to hedge such exposure. On February 5, 2007 we issued $51.5 million in 20-year fully subordinated notes and paid off our bank indebtedness in New Zealand $34.4 million (NZ$50.0 million) and retired a portion of our bank indebtedness in Australia $5.8 million (AUS$7.4 million). By paying off our New Zealand debt and paying down on our Australia debt with the proceeds of our TPS, we have added an increased element of currency risk to our Company. We believe that this currency risk is mitigated by the long-term nature of the fully subordinated notes and our recent ability to repurchase, at a discount, some of these securities.

We record unrealized foreign currency translation gains or losses that could materially affect our financial position. We have accumulated unrealized foreign currency translation gains of approximately $43.2 million and $9.0 million as of December 31, 2009 and 2008, respectively.

Historically, we maintained most of our cash and cash equivalent balances in short-term money market instruments with original maturities of six 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.

The majority of our loans have fixed interest rates; however, one of our international loans has a variable interest rate and a change of approximately 1% in short-term interest rates would have resulted in approximately $109,000 increase or decrease in our 2009 interest expense.

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Item 8 – Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Reading International, Inc.
Commerce, California

We have audited the accompanying consolidated balance sheets of Reading International, Inc. and subsidiaries (the "Company") as of December 31, 2009 and 2008, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2009. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Reading International, Inc. and subsidiaries at December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2009, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 12, 2010 expressed an adverse opinion on the effectiveness of the Company's internal control over financial reporting due to the existence of a material weakness.

/s/ DELOITTE & TOUCHE LLP

Los Angeles, California
March 12, 2010

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Reading International, Inc. and Subsidiaries
Consolidated Balance Sheets as of December 31, 2009 and 2008
(U.S. dollars in thousands)

	December 31, 2009	December 31, 2008
ASSETS		
Current Assets:		
Cash and cash equivalents	$24,612	$30,874
Receivables	9,458	7,868
Inventory	860	797
Investment in marketable securities	3,120	3,100
Restricted cash	321	1,656
Prepaid and other current assets	3,078	2,324
Total current assets	41,449	46,619
Property held for and under development	78,676	69,016
Property & equipment, net	200,749	173,662
Investment in unconsolidated joint ventures and entities	9,732	11,643
Investment in Reading International Trust I	838	1,547
Goodwill	37,411	34,964
Intangible assets, net	22,655	25,118
Other assets	14,907	9,301
Total assets	$406,417	$371,870
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	$14,943	$13,170
Film rent payable	7,256	7,315
Notes payable – current portion	7,914	1,347
Note payable to related party – current portion	14,000	--
Taxes payable	6,140	6,425
Deferred current revenue	6,968	5,645
Other current liabilities	457	201
Total current liabilities	57,678	34,103
Notes payable – long-term portion	177,166	172,268
Notes payable to related party – long-term portion	--	14,000
Subordinated debt	27,913	51,547
Noncurrent tax liabilities	6,968	6,347
Deferred non-current revenue	577	554
Other liabilities	25,852	23,604
Total liabilities	296,154	302,423
Commitments and contingencies (Note 19)		
Stockholders' equity:		
Class A non-voting common stock, par value $0.01, 100,000,000 shares authorized, 35,610,857 issued and 21,132,582 outstanding at December 31, 2009 and 35,564,339 issued and 20,987,115 outstanding at December 31, 2008	215	216
Class B voting common stock, par value $0.01, 20,000,000 shares authorized and 1,495,490 issued and outstanding at December 31, 2009 and at December 31, 2008	15	15
	--	--

Nonvoting preferred stock, par value $0.01, 12,000 shares authorized and no issued or outstanding shares at December 31, 2009 and 2008		
Additional paid-in capital	134,044	133,906
Accumulated deficit	(63,385)	(69,479)
Treasury shares	(3,514)	(4,306)
Accumulated other comprehensive income	41,514	7,278
Total Reading International, Inc. stockholders' equity	108,889	67,630
Noncontrolling interests	1,374	1,817
Total stockholders' equity	110,263	69,447
Total liabilities and stockholders' equity	$406,417	$371,870

See accompanying notes to consolidated financial statements.

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Reading International, Inc. and Subsidiaries
Consolidated Statements of Operations for the Three Years Ended December 31, 2009
(U.S. dollars in thousands, except per share amounts)

	Year Ended December 31, 2009	2008	2007
Operating revenue			
Cinema	$201,388	$181,188	$103,467
Real estate	15,626	15,866	15,768
Total operating revenue	217,014	197,054	119,235
Operating expense			
Cinema	156,064	145,236	77,756
Real estate	11,994	9,791	8,324
Depreciation and amortization	15,168	18,558	11,921
Loss on transfer of real estate held for sale to continuing operations	549	--	--
Impairment expense	3,217	4,319	--
Contractual commitment loss	1,092	--	--
General and administrative	17,559	21,438	16,085
Other operating income	(2,551)	--	--
Total operating expense	203,092	199,342	114,086
Operating income (loss)	13,922	(2,288)	5,149
Interest income	1,154	1,009	798
Interest expense	(15,726)	(16,749)	(8,961)
Gain on extinguishment of debt	10,714	--	--
Net gain (loss) on sale of assets	(2)	--	(185)
Other income (expense)	(2,013)	991	(320)
Income (loss) before discontinued operations, income tax expense, and equity earnings of unconsolidated joint ventures and entities	8,049	(17,037)	(3,519)
Gain on sale of a discontinued operation, net of tax	--	--	1,912
Income (loss) before income tax expense and equity earnings of unconsolidated joint ventures and entities	8,049	(17,037)	(1,607)
Income tax expense	(1,952)	(2,099)	(2,038)
Income (loss) before equity earnings of unconsolidated joint ventures and entities	6,097	(19,136)	(3,645)
Equity earnings of unconsolidated joint ventures and entities	117	497	2,545
Gain on sale of unconsolidated joint venture	268	2,450	--
Net income (loss)	$6,482	$(16,189)	$(1,100)
Net income attributable to noncontrolling interests	(388)	(620)	(1,003)
Net income (loss) attributable to Reading International, Inc. common shareholders	$6,094	$(16,809)	$(2,103)
Earnings (loss) per common share attributable to Reading International, Inc. shareholders – basic:			
Earnings (loss) from continuing operations	$0.27	$(0.75)	$(0.18)
Earnings (loss) from discontinued operations, net	0.00	0.00	0.09
Basic earnings (loss) per share attributable to Reading International, Inc. shareholders	$0.27	$(0.75)	$(0.09)

Weighted average number of shares outstanding – basic	22,580,942	22,477,471	22,478,145
Earnings (loss) per common share attributable to Reading International, Inc. shareholders – diluted:			
Earnings (loss) from continuing operations	$0.27	$(0.75)	$(0.18)
Earnings (loss) from discontinued operations, net	0.00	0.00	0.09
Diluted earnings (loss) per share attributable to Reading International, Inc. shareholders	$0.27	$(0.75)	$(0.09)
Weighted average number of shares outstanding – diluted	22,767,735	22,477,471	22,478,145

See accompanying notes to consolidated financial statements.

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Reading International, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity for the Three Years Ended December 31, 2009
(U.S. dollars in thousands)

	Common Stock										
	Class A Shares	Class A Par Value	Class B Shares	Class B Par Value	Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Income/(Loss)	Total Reading International, Inc. Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity
At January 1, 2007	20,981	$216	1,495	$15	$128,399	$(4,306)	$(50,058)	$33,393	$107,659	$2,603	$110,262
Net loss	--	--	--	--	--	--	(2,103)	--	(2,103)	1,003	(1,100)
Other comprehensive income:											
Cumulative foreign exchange rate adjustment	--	--	--	--	--	--	--	14,731	14,731	49	14,780
Accrued pension service costs	--	--	--	--	--	--	--	(2,063)	(2,063)	--	(2,063)
Unrealized gain on securities	--	--	--	--	--	--	--	116	116	--	116
Total comprehensive income	--	--	--	--	--	--	--	--	10,681	1,052	11,733
Stock option and restricted stock compensation expense	--	--	--	--	994	--	--	--	994	--	994
Adjustment to accumulated deficit for adoption of ASC 740-10-25	--	--	--	--	--	--	(509)	--	(509)	--	(509)
Exercise of Sutton Hill Properties option	--	--	--	--	2,512	--	--	--	2,512	--	2,512
Class A common stock issued for stock options exercised	6	--	--	--	25	--	--	--	25	--	25

Contributions from noncontrolling shareholders	--	--	--	--	--	--	--	--	--	3,050	3,050
Distributions to noncontrolling shareholders	--	--	--	--	--	--	--	--	--	(3,870)	(3,870)
At December 31, 2007	20,987	216	1,495	15	131,930	(4,306)	(52,670)	46,177	121,362	2,835	124,197
Net loss	--	--	--	--	--	--	(16,809)	--	(16,809)	620	(16,189)
Other comprehensive income:											
Cumulative foreign exchange rate adjustment	--	--	--	--	--	--	--	(39,196)	(39,196)	(53)	(39,249)
Accrued pension service costs	--	--	--	--	--	--	--	318	318	--	318
Unrealized loss on securities	--	--	--	--	--	--	--	(21)	(21)	--	(21)
Total comprehensive loss	--	--	--	--	--	--	--	--	(55,708)	567	(55,141)
Stock option and restricted stock compensation expense	--	--	--	--	1,976	--	--	--	1,976	--	1,976
Distributions to noncontrolling shareholders	--	--	--	--	--	--	--	--	--	(1,585)	(1,585)
At December 31, 2008	20,987	216	1,495	15	133,906	(4,306)	(69,479)	7,278	67,630	1,817	69,447
Net income	--	--	--	--	--	--	6,094	--	6,094	388	6,482
Other comprehensive income:											
Cumulative foreign exchange rate adjustment	--	--	--	--	--	--	--	34,130	34,130	141	34,271
Accrued pension service costs	--	--	--	--	--	--	--	(418)	(418)	--	(418)
Unrealized loss on securities	--	--	--	--	--	--	--	524	524	--	524
	--	--	--	--	--	--	--	--			

Total comprehensive income