EDAP TMS SA
Form 6-K
November 21, 2012

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

November 21, 2012

Commission File Number: 0-29374

EDAP TMS S.A.
Parc Activite La Poudrette Lamartine
4/6 Rue du Dauphine
69120 Vaulx-en-Velin - France

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F [x]   Form 40-F [ ]

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ___

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ___

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

This report on Form 6-K is hereby incorporated by reference in the following registration statements of EDAP TMS S.A. on Form F-3: file number 333-136811, 333-169793, 333-177224 and 333-179689.

SIGNATURES

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

Date: November 21, 2012
EDAP TMS S.A.

/s/ ERIC SOYER
ERIC SOYER

CHIEF FINANCIAL OFFICER

width="85%" style="border-bottom: white;">

Accounts payable and accrued liabilities	121
Note payable	993
Other liabilities	83
Total liabilities	1,197
Total net assets	$ 2,841

Queenstown Cinema

Effective February 23, 2006, we purchased a 3-screen leasehold cinema in Queenstown, New Zealand for $939,000 (NZ$1.4 million). We funded this acquisition through internal sources.

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Note 19 - Derivative Instruments

The following table sets forth the terms of our interest rate swap derivative instruments at June 30, 2006:

Type of Instrument		Notional Amount	Pay Fixed Rate	Receive Variable Rate	Maturity Date
Interest rate swap	$	8,908,000	5.7000%	5.6600%	December 31, 2007
Interest rate swap	$	11,506,000	6.4400%	5.6600%	December 31, 2008
Interest rate swap	$	12,118,000	6.6800%	5.6600%	December 31, 2008
Interest rate swap	$	9,038,000	5.8800%	5.6600%	December 31, 2008
Interest rate swap	$	2,598,000	6.3600%	5.8767%	December 31, 2008

In accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, we marked our Australian interest rate swap instruments to market on the consolidated balance sheet resulting in a $442,000 (AUS$621,000) and $553,000 (AUS$755,000) decrease to interest expense during the three and six months ended June 30, 2006, respectively, and a $492,000 (AUS$640,000) and $21,000 (AUS$27,000) increase to interest expense during the three and six months ended June 30, 2005, respectively. At June 30, 2006 and December 31, 2005, we have recorded the fair market value of our interest rate swaps of $86,000 (AUS$115,000) and $638,000 (AUS$870,000), respectively, as an other long-term liability. In accordance with SFAS No. 133, we have not designated any of our current interest rate swap positions as financial reporting hedges.

Note 20 - Subsequent Events

Berkeley Cinemas

On May 23, 2006, our Joint Venture Partner exercised his option to offer to acquire our interest in the remaining Berkeley Joint Venture cinemas, at an aggregate purchase price of $7.3 million (NZ$11.9 million) plus the assumption of debt of $3.0 million (NZ$5.0 million). The exercise of this option has triggered our right to buy out our Joint Venture Partner at the same price. On July 27, 2006, we gave notice to our Joint Venture Partner that we do not intend to exercise our right to acquire the cinemas at Whangaparaoa, Takapuna and Mission Bay, and accordingly, we currently anticipate that we will sell our interest in those cinemas to our Joint Venture Partner for $4.4 million (NZ$7.2 million) in cash and the assumption of $1.5 million (NZ$2.5 million) in debt. We are currently still considering whether to exercise our right to acquire our Joint Venture partner’s interest in the Botany Downs cinema. If we exercise that right, the cost to acquire the 50% interest that we do not already own in that cinema would be $2.9 million (NZ$4.7 million) plus the assumption of debt estimated to be approximately $1.5 million (NZ$2.5 million) as of the closing date.

Moonee Ponds

On June 21, 2006, we signed an agreement to purchase two tracks of land of 0.4 acres adjacent to our Moonee Ponds property for $2.4 million (AUS$3.3 million). As a partial fulfillment of this contract, on July 7, 2006, we made a $245,000 (AUS$330,000) deposit for these properties and we anticipate closing on these sales during the month of September 2006.

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

As Reading International, Inc. (RDI and collectively with our consolidated subsidiaries, "Reading" and "we," "us" or "our") we have historically considered ourselves to be essentially a cinema exhibition and live theatre operating company with a strong focus on the development, operation and holding of commercial real estate assets. We believe that this strategic mix coupled with our management expertise allows us to bring value to developable land by providing our own "anchor tenant" and to realize the value in older cinema sites by developing them, on an opportunistic basis, to their highest and best use. This strategy has allowed us to use our available free cash flow to build assets, while freeing us, to some extent, from the volatility that can result from a focus on simply operating cinema assets in leased facilities. Given relative opportunities for cinema expansion and for real estate development, we believe it likely that we will, as time progresses, become more and more a real estate company and less and less a cinema and live theatre operating company.

On February 20, 2006, our efforts to rezone our 50.6 acre parcel in suburban Melbourne, Australia, were rewarded, as our Burwood property was rezoned clearing the way for us to redevelop that historically industrial use property into a mixture of retail, commercial, entertainment and residential uses. Our cost basis in our Burwood property is $21.1 million (AUS$28.4 million).

It is anticipated that the complete build out of our Burwood site will be done in stages over an approximately 10 year period, and require an investment of approximately $500 million (AUS$674 million). Given the size and scope of this project, and our other ongoing projects at Moonee Ponds (also in Melbourne), Redyard (in suburban Sydney) and Courtenay Central (in Wellington, New Zealand), it is likely that an increasing proportion of our capital and human resources will be focused on the real estate segment of our business.

Our business operations currently include:

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

We manage our worldwide cinema business under various different brands:

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

During the six months ending June 30, 2006, we owned and operated 35 cinemas with 231 screens, had interests in certain unconsolidated entities that own an additional 10 cinemas with 59 screens and managed 3 cinemas with 14 screens.

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Our business plan going forward is to build-out our existing development properties, to seek out additional real estate development opportunities while continuing to use our presence in the cinema exhibition and live theatre business, to identify, develop and acquire cinema and live theatre properties. In the case of cinema and live theatre acquisitions, we intend to focus on those opportunities where we can acquire either the fee interest underlying the operating assets, or long term leases, which we believe provide flexibility with respect to the usage of such leasehold assets and to focus on the development of our existing real estate. In the near term, we are focusing principally on the operation of our existing cinema assets and on the development of five parcels of undeveloped real estate in Melbourne, Brisbane, and Sydney in Australia and Wellington in New Zealand while taking advantage of those opportunities that may present themselves from time to time to strategically expand our existing cinema circuits.

During the first six months of 2006, our efforts on the real estate side of our business were focused in large part on:

- the rezoning approval by the Victoria State Government of our 50.6 acre Burwood property (located in suburban Melbourne) from an essentially industrial to a priority use zone allowing a mixture of retail, entertainment, commercial and residential uses; and

- the completion and lease-up of our 4.1 acre Newmarket Shopping Centre in Brisbane, Australia (100,000 square feet of leased retail space). That property is now approximately 98% leased, including anchor tenancies provided by a major grocery chain and a major pub operator.

A significant portion of our business is conducted in Australia and New Zealand, and as such, we are subject to a certain degree of currency risk. We do not engage in currency hedging activities. Rather, to the extent possible, we operate our Australian and New Zealand operations on a self-funding basis. Our policy in Australia and New Zealand is to match revenues and expenses, whenever possible, in local currencies. As a result, the majority of our expenses in Australia and New Zealand have been procured in local currencies. Due to the developing nature of our operations in Australia and New Zealand, our revenues are not yet significantly greater than our operating expenses. The resulting natural operating hedge has led to a negligible foreign currency effect on our net earnings. However, foreign currency can have a significant effect on the value of assets and liabilities with fluctuations noted in other comprehensive income. As we continue to progress with our acquisition and development activities in Australia and New Zealand, we cannot assure you that the foreign currency effect on our earnings will be insignificant in the future.
We continue to acquire, to dispose of or to reposition assets in accordance with our business plan. So far, in 2006, we have made the following acquisitions:

Malulani Investments LLC

As of June 26, 2006, we acquired for $1.8 million, an 18.4% interest in a private real estate company with holdings principally in California, Texas and Hawaii including, the Guenoc Winery located on approximately 22,000 acres of land located in Napa and Lake Counties in Northern California.

Berkeley Cinemas

On May 23, 2006, our Joint Venture Partner exercised his option to acquire our interest in the remaining Berkeley Joint Venture cinemas, at an aggregate purchase price of $7.3 million (NZ$11.9 million) plus the assumption of debt of $3.0 million (NZ$5.0 million). The exercise of this option has triggered our right to buy out our Joint Venture Partner at the same price. On July 27, 2006, we gave notice to our Joint Venture Partner that we do not intend to exercise our right to acquire the cinemas at Whangaparaoa, Takapuna and Mission Bay, and accordingly, we currently anticipate that we will sell our interest in those cinemas to our Joint Venture Partner for $4.4 million (NZ$7.2 million) in cash and the assumption of $1.5 million (NZ$2.5 million) in debt.

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We are currently still considering whether to exercise our right to acquire our Joint Venture partner's interest in the Botany Downs cinema. If we exercise that right, the cost to acquire the 50% interest that we do not already own in that cinema would be $2.9 million (NZ$4.7 million) plus the assumption of debt estimated to be approximately $1.5 million (NZ$2.5 million) as of the closing date.

Additionally, effective April 1, 2006, we purchased the 50% share that we did not already own of the Palms joint venture cinema located in Christchurch, New Zealand for cash of $2.8 million (NZ$4.5 million) and the proportionate share of assumed debt which amounted to $993,000 (NZ$1.6 million). This 8-screen, leasehold cinema had previously been included in our Berkeley Cinemas Joint Venture investment and was not previously consolidated for accounting purposes.

Queenstown Cinema.

Effective February 23, 2006, we purchased a 3-screen leasehold cinema in Queenstown, New Zealand for $939,000 (NZ$1.4 million), representing the only screens in this market.

Results of Operations

At June 30, 2006, we directly operated 35 cinemas with 231 screens, had interests in certain unconsolidated entities in which we have varying interests, which own an additional 10 cinemas with 59 screens and managed 3 cinemas with 14 screens. Regarding real estate, we owned and operated during the period four ETRC's that we developed in Australia and New Zealand; owned the fee interests in four developed commercial properties in Manhattan and Chicago, all of which are improved with live theatres comprising seven stages and, in two cases, ancillary retail and commercial space; owned the fee interests underlying one of our Manhattan cinemas and hold for development an additional five parcels (aggregating approximately 58 acres) in urbanized areas of Australia and New Zealand. Two of these parcels, Burwood and Moonee Ponds, comprise approximately 54 acres, and are in areas designated by the provincial government of Victoria, Australia as "major activity centres," and we are currently in the planning phases of their development.

The tables below summarize the results of operations for each of our principal business segments for the three ("2006 Quarter") and six ("2006 Six Months") months ended June 30, 2006 and the three ("2005 Quarter") and six ("2005 Six Months") months ended June 30, 2005, respectively. Operating expenses include costs associated with the day-to-day operations of the cinemas and live theatres and the management of rental properties. Our year-to-year results of operation were principally impacted by the following:

- the sale effective June 8, 2005 of our Puerto Rican cinema operations;
- the sale effective May 17, 2005 of our Glendale, California office building, our only commercial domestic property with no entertainment component;
- the acquisition on June 1, 2005 and September 19, 2005 of the various real property interests underlying our leasehold interest in our Cinemas 1, 2 & 3 cinema;
- the opening in the fourth quarter of 2005 and the occupancy of the majority of tenancies during first quarter of 2006 of our Newmarket Shopping Center, a 100,000 square foot retail center in a suburb of Brisbane, Australia;
- the opening of a cinema in a suburb of Adelaide, Australia on October 20, 2005 and the acquisition of a cinema in Queenstown, New Zealand effective February 23, 2006;

- the purchase of the 50% share that we did not already own of the Palms 8-screen, leasehold cinema located in Christchurch, New Zealand effective April 1, 2006; and

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- the reduction in the value of the Australian and New Zealand dollars vis-à-vis the US dollar from $0.7618 and $0.6959, respectively, as of June 30, 2005 to $0.7423 and $0.6105, respectively, as of June 30, 2006.

All operating results from discontinued operations are included in "Loss from discontinued operations" (dollars in thousands):

Three Months Ended June 30, 2006	**Cinema**	**Real Estate**	**Total**
Revenue	$ 23,954	$ 4,007	$ 27,961
Operating expense	19,187	1,756	20,943
Depreciation & amortization	2,271	999	3,270
General & administrative expense	532	--	532
Segment operating income	$ 1,964	$ 1,252	$ 3,216

Three Months Ended June 30, 2005	**Cinema**	**Real Estate**	**Total**
Revenue	$ 20,983	$ 3,870	$ 24,853
Operating expense	17,642	2,055	19,697
Depreciation & amortization	2,017	957	2,974
General & administrative expense	1,785	(146)	1,639
Segment operating income (loss)	$ (461)	$ 1,004	$ 543

Reconciliation to consolidated net income (loss):	**2006 Quarter**	**2005 Quarter**
Total segment operating income	$ 3,216	$ 543
Non-segment:		
Depreciation and amortization expense	67	29
General and administrative expense	2,544	2,493
Operating income (loss)	605	(1,979)
Interest expense, net	(1,511)	(708)
Other income	1	559
Minority interest expense	(192)	(281)
Gain on disposal of discontinued operations	--	13,610
Loss from discontinued operations	--	(667)
Income tax expense	(344)	(220)
Equity earnings of unconsolidated entities	1,207	186
Net income (loss)	$ (234)	$ 10,500

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Six Months Ended June 30, 2006	**Cinema**	**Real Estate**	**Total**
Revenue	$ 46,463	$ 7,435	$ 53,898
Operating expense	37,064	3,468	40,532
Depreciation & amortization	4,355	2,019	6,374
General & administrative expense	1,508	--	1,508
Segment operating income	$ 3,536	$ 1,948	$ 5,484

Six Months Ended June 30, 2005	**Cinema**	**Real Estate**	**Total**
Revenue	$ 42,899	$ 7,478	$ 50,377
Operating expense	35,235	3,664	38,899
Depreciation & amortization	4,231	1,863	6,094
General & administrative expense	3,110	3	3,113
Segment operating income	$ 323	$ 1,948	$ 2,271

Reconciliation to consolidated net income (loss):	**2006 Six Months**	**2005 Six Months**
Total segment operating income	$ 5,484	$ 2,271
Non-segment:		
Depreciation and amortization expense	203	72
General and administrative expense	4,933	4,766
Operating income (loss)	348	(2,567)
Interest expense, net	(3,295)	(1,574)
Other income (loss)	(1,154)	289
Minority interest expense	(272)	(419)
Gain on disposal of discontinued operations	--	13,610
Loss from discontinued operations	--	(1,379)
Income tax expense	(681)	(453)
Equity earnings of unconsolidated entities	1,674	590
Net income (loss)	$ (3,380)	$ 8,097

Cinema

Included in the cinema segment above is revenue and expense from the operations of 35 cinema complexes with 231 screens. The following tables detail our cinema segment operating results for the three months ending June 30, 2006 and 2005, respectively, adjusted to exclude our discontinued Puerto Rico cinema operations, (dollars in thousands):

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Three Months Ended June 30, 2006	**United States**	**Australia**	**New Zealand**	**Total**
Admissions revenue	$ 3,952	$ 9,822	$ 3,790	$ 17,564
Concessions revenue	1,186	2,980	1,095	5,261
Advertising and other revenues	471	475	183	1,129
Total revenues	5,609	13,277	5,068	23,954
Cinema costs	4,107	10,190	3,762	18,059
Concession costs	163	701	264	1,128
Total operating expense	4,270	10,891	4,026	19,187
Depreciation and amortization	545	1,411	315	2,271
General & administrative expense	518	33	(19)	532
Segment operating income	$ 276	$ 942	$ 746	$ 1,964

Three Months Ended June 30, 2005	**United States**	**Australia**	**New Zealand**	**Total**
Admissions revenue	$ 3,741	$ 8,647	$ 2,958	$ 15,346
Concessions revenue	1,081	2,810	927	4,818
Advertising and other revenues	270	389	160	819
Total revenues	5,092	11,846	4,045	20,983
Cinema costs	4,156	9,652	2,726	16,534
Concession costs	220	633	255	1,108
Total operating expense	4,376	10,285	2,981	17,642
Depreciation and amortization	522	1,243	252	2,017
General & administrative expense	1,771	39	(25)	1,785
Segment operating income (loss)	$ (1,577)	$ 279	$ 837	$ (461)

- Cinema revenue increased for the 2006 Quarter by $3.0 million or 14.2% compared to the same period in 2005. The 2006 Quarter increase was from improved results in our Australia and New Zealand operations of $2.4 million primarily related to increased admissions and a commensurate increase in concessions and other revenues.

- Operating expense increased for the 2006 Quarter by $1.5 million or 8.8% compared to the same period in 2005. This increase followed the aforementioned increase in revenues. Overall, our operating expenses for three months year-to-year were consistent at approximately 80% of gross revenue for both 2006 and 2005.

- Depreciation and amortization expense increased for the 2006 Quarter by $254,000 or 12.6% compared to the same period in 2005 primarily related to the increase in depreciation in the new Australian Elizabeth Cinema acquired in October 2005 offset by the decrease in the Sutton Hill Capital Option Fee amortization expense directly related to the purchase of the Cinemas 1, 2, & 3 in Sep 2005.

- General and administrative expense decreased for the 2006 Quarter by $1.3 million or 70.3% compared to the same period in 2005. The decrease was due to a drop in legal costs primarily related to our anti-trust litigation associated with our Village East cinema and the purchase of the Cinemas 1, 2, & 3 which decreased the amount of rent paid to related parties.

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- As a result of the above, cinema segment income increased for the 2006 Quarter by $2.4 million compared to the same period in 2005.

The following tables detail our cinema segment operating results for the six months ending June 30, 2006 and 2005, respectively, adjusted to exclude our discontinued Puerto Rico cinema operations, (dollars in thousands):

Six Months Ended June 30, 2006	**United States**	**Australia**	**New Zealand**	**Total**
Admissions revenue	$ 8,238	$ 19,205	$ 6,608	$ 34,051
Concessions revenue	2,505	5,898	1,955	10,358
Advertising and other revenues	754	942	358	2,054
Total revenues	11,497	26,045	8,921	46,463
Cinema costs	8,759	20,003	6,003	34,765
Concession costs	422	1,356	521	2,299
Total operating expense	9,181	21,359	6,524	37,064
Depreciation and amortization	991	2,778	586	4,355
General & administrative expense	1,453	40	15	1,508
Segment operating income (loss)	$ (128)	$ 1,868	$ 1,796	$ 3,536

Six Months Ended June 30, 2005	**United States**	**Australia**	**New Zealand**	**Total**
Admissions revenue	$ 8,386	$ 17,298	$ 5,834	$ 31,518
Concessions revenue	2,345	5,355	1,778	9,478
Advertising and other revenues	628	962	313	1,903
Total revenues	11,359	23,615	7,925	42,899
Cinema costs	8,757	19,209	4,990	32,956
Concession costs	491	1,253	535	2,279
Total operating expense	9,248	20,462	5,525	35,235
Depreciation and amortization	1,044	2,670	517	4,231
General & administrative expense	3,090	43	(23)	3,110
Segment operating income (loss)	$ (2,023)	$ 440	$ 1,906	$ 323

- Cinema revenue increased for the 2006 Six Months by $3.6 million or 8.3% compared to the same period in 2005. The 2006 Six Months increase was from improved results from our Australia and New Zealand operations including $2.7 million from admissions and $883,000 from concessions and other revenues.

- Operating expense increased for the 2006 Six Months by $1.8 million or 5.2% compared to the same period in 2005. This increase followed the aforementioned increase in revenues. Overall, our operating expenses from year-to-year were consistent at approximately 80% of gross revenue for both 2006 and 2005.

- Depreciation and amortization expense increased for the 2006 Six Months by $124,000 or 2.9% compared to the same period in 2005. This increase is primarily related to the new Australian Elizabeth Cinema acquired in October 2005 offset by the decrease in the Sutton Hill Capital Option Fee amortization expense directly related to the purchase of the Cinemas 1, 2, & 3 in September 2005.

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- General and administrative expense decreased for the 2006 Six Months by $1.6 million or 51.5% compared to the same period in 2005. The decrease was due to a drop in legal costs primarily related to our anti-trust litigation associated with our Village East cinema and the purchase of the Cinemas 1, 2 & 3 which decreased the amount of rent paid to related parties.

- As a result of the above, cinema segment income increased for the 2006 Six Months by $3.2 million compared to the same period in 2005.

Real Estate

For the three months ended June 30, 2006, our third-party, rental generating real estate holdings consisted of:

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

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

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

- certain raw land, used in our historic activities.

The following tables detail our real estate segment operating results for the three months ending June 30, 2006 and 2005, respectively, adjusted to reflect the sale of our Glendale property which was sold during the second quarter of 2005 (dollars in thousands):

Three Months Ended June 30, 2006	**United States**	**Australia**	**New Zealand**	**Total**
Live theatre rental and ancillary income	$ 1,003	$ --	$ --	$ 1,003
Property rental income	302	1,511	1,191	3,004
Total revenues	1,305	1,511	1,191	4,007
Live theatre costs	490	--	--	490
Property rental cost	245	645	376	1,266
Total operating expense	735	645	376	1,756
Depreciation and amortization	106	529	364	999
Segment operating income	$ 464	$ 337	$ 451	$ 1,252

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Three Months Ended June 30, 2005	United States	Australia	New Zealand	Total
Live theatre rental and ancillary income	$ 1,338	$ --	$ --	$ 1,338
Property rental income	186	1,122	1,224	2,532
Total revenues	1,524	1,122	1,224	3,870
Live theatre costs	766	--	--	766
Property rental cost	139	533	617	1,289
Total operating expense	905	533	617	2,055
Depreciation and amortization	115	398	444	957
General & administrative expense	--	(146)	--	(146)
Segment operating income	$ 504	$ 337	$ 163	$ 1,004

- Revenue increased for the 2006 Quarter by $137,000 or 3.5% compared to the same period in 2005. The increase was primarily related to an enhanced rental stream from our recently opened Newmarket ETRC in Australia of $472,000 offset by the decrease in rent of $335,000 in our Domestic Live Theatres due to fewer shows during 2006 compared to 2005.

- Operating expense for the real estate segment decreased for the 2006 Quarter by $299,000 or 14.5% compared to the same period in 2005. This decrease in expense was primarily related to the significant drop in operating activity in our Domestic Live Theatres.

- Depreciation expense for the real estate segment increased by $42,000 or 4.4% for the 2006 Quarter compared to the same period in 2005. The majority of this increase was attributed to the Newmarket shopping center assets in Australia which were put into service during the first quarter 2006.

- As a result of the above, real estate segment income increased for the 2006 Quarter by $248,000 compared to the same period in 2005.

The following tables detail our real estate segment operating results for the six months ending June 30, 2006 and 2005, respectively, adjusted to reflect the sale of our Glendale property which was sold during the second quarter of 2005 (dollars in thousands):

Six Months Ended June 30, 2006	United States	Australia	New Zealand	Total
Live theatre rental and ancillary income	$ 2,038	$ --	$ --	$ 2,038
Property rental income	736	2,677	1,984	5,397
Total revenues	2,774	2,677	1,984	7,435
Live theatre costs	1,146	--	--	1,146
Property rental cost	436	1,175	711	2,322
Total operating expense	1,582	1,175	711	3,468
Depreciation and amortization	212	1,054	753	2,019
Segment operating income	$ 980	$ 448	$ 520	$ 1,948

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Six Months Ended June 30, 2005	United States	Australia	New Zealand	Total
Live theatre rental and ancillary income	$ 2,640	$ --	$ --	$ 2,640
Property rental income	532	2,259	2,047	4,838
Total revenues	3,172	2,259	2,047	7,478
Live theatre costs	1,455	--	--	1,455
Property rental cost	261	974	974	2,209
Total operating expense	1,716	974	974	3,664
Depreciation and amortization	172	779	912	1,863
General & administrative expense	3	--	--	3
Segment operating income	$ 1,281	$ 506	$ 161	$ 1,948

- Revenue decreased for the 2006 Six Months by $43,000 or 0.6% compared to the same period in 2005. The decrease was primarily related to an enhanced rental stream from our recently opened Newmarket ETRC in Australia offset by the decrease in rent of $602,000 in our Domestic Live Theatres.

- Operating expense for the real estate segment decreased for the 2006 Six Months by $196,000 or 5.3% compared to the same period in 2005. This decrease in expense was primarily related to the significant drop in operating activity in our Domestic Live Theatres due to fewer shows during 2006 compared to 2005.

- Depreciation expense for the real estate segment increased by $156,000 or 8.4% for the 2006 Six Months compared to the same period in 2005. The majority of this increase was attributed to the Newmarket shopping center assets in Australia which were put into service during the first quarter 2006.

- As a result of the above, real estate segment income for the 2006 Six Months remained unchanged compared to the same period in 2005.

Corporate

General and administrative expense includes expenses that are not directly attributable to other operating segments. General and administrative expense increased by $51,000 in the 2006 Quarter when compared to the 2005 Quarter and by $167,000 in the 2006 Six Months when compared to the 2005 Six Months.

Net interest expense increased by $803,000 and $1.7 million for the 2006 Quarter and the 2006 Six Months compared to last year primarily related to a higher outstanding loan balance in Australia and due to the effective completion of construction of our Newmarket Shopping Centre in early 2006 which decreased the amount of interest being capitalized. This interest increase was offset by a decrease in interest expense related to the mark-to-market adjustment of our interest rate swaps compared to the adjustment for the same period in 2005.

During the 2006 Six Months, other expense increased by $1.4 million primarily due to a $1.3 million mark-to-market charge relating to an option liability to the Sutton Hill Capital LLC to acquire a 25% non-managing membership interest in our Cinemas 1, 2 & 3 property.

A $13.6 million gain on the sale of discontinued operations and the corresponding $1.4 million loss from discontinued operations from the combination of our Puerto Rico operations and Glendale property was recognized in 2005 and not repeated in 2006.

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Equity earnings of unconsolidated entities increased by approximately $1.0 and $1.1 million for the 2006 Quarter and the 2006 Six Months compared to last year. The increase was primarily related to the *205-209 East 57th Street Associates, LLC*, that has been developing a residential condominium complex in midtown Manhattan called Place 57, closing on the sale of 11 condominiums resulting in gross sales of $15.8 million and equity earnings from unconsolidated entities to us of $918,000.

Consolidated Net Losses

During 2006, we recorded a net losses of $234,000 and $3.4 million for the 2006 Quarter and 2006 Six Months, respectively. During 2005, we recorded a net earnings of $10.5 million and $8.1 million for the 2005 Quarter and 2005 Six Months, respectively. This overall shift from earnings to losses is primarily due to the aforementioned sale of our Glendale property and Puerto Rico operations.

Acquisitions

Malulani Investments, Ltd.

On June 26, 2006, we acquired for $1.8 million, an 18.4% interest in a private real estate company with holdings principally in California, Texas and Hawaii including, the Guenoc Winery located on approximately 22,000 acres of land located in Napa and Lake Counties in Northern California.

Berkeley Cinemas

On May 23, 2006, our Joint Venture Partner exercised his option to offer to acquire our interest in the remaining Berkeley Joint Venture cinemas, at an aggregate purchase price of $7.3 million (NZ$11.9 million) plus the assumption of debt of $3.0 million (NZ$5.0 million). The exercise of this option has triggered our right to buy out our Joint Venture Partner at the same price. On July 27, 2006, we gave notice to our Joint Venture Partner that we do not intend to exercise our right to acquire the cinemas at Whangaparaoa, Takapuna and Mission Bay, and accordingly, we currently anticipate that we will sell our interest in those cinemas to our Joint Venture Partner for $4.4 million (NZ$7.2 million) in cash and the assumption of $1.5 million (NZ$2.5 million) in debt. We are currently considering whether to exercise our right to acquire our Joint Venture partner’s interest in the Botany Downs cinema. If we exercise that right, the cost to acquire the 50% interest that we do not already own in that cinema would be $2.9 million (NZ$4.7 million) plus the assumption of debt estimated to be approximately $1.5 million (NZ$2.5 million) as of the closing date.

Additionally, effective April 1, 2006, we purchased the 50% share that we did not already own of the Palms joint venture cinema located in Christchurch, New Zealand for cash of $2.8 million (NZ$4.5 million) and the proportionate share of assumed debt which amounted to $993,000 (NZ$1.6 million). This 8-screen, leasehold cinema had previously been included in our Berkeley Cinemas Joint Venture investment and was not previously consolidated for accounting purposes.

Queenstown Cinema Purchase

Effective February 23, 2006, we purchased a 3-screen leasehold cinema in Queenstown, New Zealand for $939,000 (NZ$1.4 million). We funded this acquisition through internal sources.

Dispositions

We did not have any dispositions of properties or businesses during the six months ending 2006.

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Business Plan, Capital Resources and Liquidity

Business Plan

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

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

Contractual Obligations

The following table provides information with respect to the maturities and scheduled principal repayments of our secured debt and lease obligations at June 30, 2006 (in thousands):

	2006	2007	2008	2009	2010	Thereafter
Long-term debt	$ 851	$ 4,997	$ 3,025	$ 86,991	$ 241	$ 3,152
Long-term debt to related parties	--	5,000	--	--	9,000	--
Lease obligations	4,954	10,260	9,604	9,506	9,356	70,674
Estimated interest on long-term debt	4,394	8,518	7,782	3,352	955	172
Total	$ 10,199	$ 28,775	$ 20,411	$ 99,849	$ 19,552	$ 73,998

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

Liquidity and Capital Resources

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

Currently, our liquidity needs arise mainly from:

· working capital requirements;

· debt servicing requirements; and

· capital expenditures, centered on obtaining the right financing for the development of our Burwood property.

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Operating Activities

Cash provided by operations was $1.7 million in the 2006 Six Months compared to $897,000 used in operations for the 2005 Six Months. The change in cash provided by operations of $2.6 million is due primarily to an increase in cash provided by our operations in the 2006 Six Months compared to the 2005 Six Months, primarily from increased cinema operational cash flow from our Australia operations and improved cash flow from our U.S. cinemas as a result of the sale of our Puerto Rico operations in June 2005.

Investing Activities

Cash used in investing activities for the 2006 Six Months decreased by $3.9 million from $14.0 million to $10.2 million compared to the same period in 2005. The $10.2 million cash used for the 2006 Six Months was primarily related to:

- $939,000 in cash used to purchase the Queenstown Cinema in New Zealand;
- $2.8 million in cash used to purchase the 50% share that we did not already own of the Palms joint venture cinema located in Christchurch, New Zealand;
- $4.6 million in cash used to complete the Newmarket property and for property enhancements to our Australia, New Zealand and U.S. properties; and
- $1.8 million paid for Malulani Investments, Ltd. stock.

The $14.0 million cash used for the 2005 Six Months was primarily related to:

- $13.5 million in purchases of property and equipment for the most part related to the construction work on our Newmarket development in Brisbane, Australia;
- $963,000 increase in our investment in the 205-209 East 57th Street Associates, LLC;
- $1.0 million in purchases of property and equipment mainly in New Zealand;
- $700,000 deposit paid to secure a contract to acquire a 50% interest in an unincorporated joint venture that owns 20 screens; and
- $11.5 million paid for the acquisition of the fee interest in the Cinemas 1, 2 & 3 property in New York City.

offset by

- $12.6 million in net proceeds from the sales of our Glendale office building and Puerto Rico operations; and
- $833,000 decrease in restricted cash.

Financing Activities

Cash provided by financing activities for the 2006 Six Months decreased by $9.0 million from $14.9 million to $5.9 million compared to the same period in 2005. The $5.9 million in cash provided in the 2006 Six Months was primarily related to:

- $8.0 million of new borrowings on our Australian Corporate Credit Facility;

- $3.0 million of a deposit paid by Sutton Hill Capital, LLC of the option to purchase a 25% non-managing membership interest in the limited liability company that owns the Cinemas 1, 2 & 3;

offset by

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· $2.9 million of cash used to pay down long-term debt which was primarily related to the final payoff of the Movieland purchase note payable of approximately $512,000; the payoff of the Palms - Christchurch Cinema bank debt of approximately $1.9 million; and we made the first principal payment on our Australian Corporate Credit Facility of $280,000;

· $792,000 of cash used to repurchase the Class A Nonvoting Common Stock (these shares were previously issued to the Movieland sellers who exercised their put option during the 2006 Six Months to sell back to us the shares they had received in partial consideration for the sale of the Movieland cinemas); and

· $1.5 million in distributions to minority interests.

Cash provided by financing activities was $14.9 million for the first six months of 2005 and was attributable to our increase in borrowings of approximately $15.3 million primarily used to finance the 2005 construction work on our Newmarket development in Brisbane, Australia.

Summary

Our cash position at June 30, 2006 was $6.1 million compared to $8.5 million at December 31, 2005. The majority of the $2.4 million change related to the following transactions:

· $1.7 million net cash provided by operating activities;

· $8.0 million of new borrowings on our Australian Corporate Credit Facility; and

· $3.0 million of a deposit paid by Sutton Hill Capital, LLC of the option to purchase a 25% non-managing membership interest in the limited liability company that owns the Cinemas 1, 2, & 3;

offset by

· $939,000 in cash used to purchase the Queenstown Cinema in New Zealand;

· $2.8 million in cash used to purchase the 50% share that we did not already own of the Palms joint venture cinema located in Christchurch, New Zealand;

· $4.5 million in cash used to complete the Newmarket property and for property enhancements to our Australia, New Zealand and U.S. properties;

· $2.9 million of cash used to pay down long-term debt which was primarily related the final payoff of the Movieland purchase note payable of approximately $512,000, to payoff the Palms - Christchurch Cinema bank debt of approximately $1.9 million, and we made the first principal payment on our Australian Corporate Credit Facility of $280,000;

· $792,000 of cash used to repurchase the Class A Nonvoting Common Stock (these shares were previously issued to the Movieland sellers who exercised their put option during the 2006 Six Months to sell back to us the shares they had received in partial consideration for the sale of the Movieland cinemas);

· $1.8 million paid for Malulani Investments, Ltd. stock; and

· $1.5 million in distributions to minority interests.

Critical Accounting Policies

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

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cinema and live theatre exhibition with a real estate focus is relatively straightforward, we believe our most critical accounting policies relate to:

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

These critical accounting policies are fully discussed in our 2005 Annual Report and you are advised to refer to that discussion.

Financial Risk Management

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

As our operational focus continues to shift to Australia and New Zealand, unrealized foreign currency translation gains and losses could materially affect our financial position. We currently manage our currency exposure by creating natural hedges in Australia and New Zealand. This involves local country sourcing of goods and services as well as borrowing in local currencies.

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

In accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, we marked our Australian interest swap instruments to market on the consolidated balance sheet resulting in an $442,000 (AUS$621,000) and $553,000 (AUS$755,000) decrease to interest expense during the three and six months ended June 30, 2006, respectively, and a $492,000 (AUS$640,000) and $21,000 (AUS$27,000) increase to interest expense during the three and six months ended June 30, 2005, respectively. At June 30, 2006 and December 31, 2005, we have recorded the fair market value of our interest rate swaps of $86,000 (AUS$115,000) and $638,000 (AUS$870,000), respectively, as an other long-term liability. In accordance with SFAS No. 133, we have not designated any of our current interest rate swap positions as financial reporting hedges.

Inflation

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

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Litigation

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

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

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

Where we are the defendants, we accrue for probable damages, which may not be covered by insurance, as they become known and can be reasonably estimated. In our opinion, any claims and litigation in which we are currently involved are not reasonably likely to have a material adverse effect on our business, results of operations, financial position or liquidity. However, we do not give any assurance as to the ultimate outcome of such claims and litigation. The resolution of such claims and litigation could be material to our operating results for any particular period, depending on the level of income for such period. There have been no material changes to our litigation exposure since our Company's 2005 Annual Report.

Except for what is noted below regarding Tax/Audit Litigation, there have been no material changes to our litigation exposure since our Company's 2005 Annual Report.

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. 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") 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 equipment leasing transactions entered into by RDGE (discussed below) is also involved.

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 $11.0 million as of June 30, 2006. In addition, this proposal would result in California tax liability of approximately $5.3 million plus interest of approximately $3.0 million as of June 30, 2006. Accordingly, this proposed change represented, as at the June 30, 2006, an exposure of approximately $40.2 million.

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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 $44.2 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 $5.5 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 these matters in the U.S. Tax Court by filing Petitions with the court on or before September 27, 2006 (the last day for filing). 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.

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 RII, 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 RII. At the present time, the assets of these subsidiaries are comprised principally of RII 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. The satisfaction of any such adverse judgment would, however, result in a material dilution to existing stockholder interests.

The N/D issued to RDGE does not cover its tax year 1996 which will be held in abeyance pending the resolution of the CRG case. An adjustment to 1996 taxable income for RDGE would result in a refund of alternative minimum tax paid that year. The N/D issued to RDGE eliminated the gains booked by RDGE in 1996 as a consequence of its acquisition certain computer equipment and sale of the anticipated income stream from the lease of such equipment to third parties and disallowed depreciation deductions that we took with respect to that equipment in 1997, 1998 and 1999. Such disallowance has the effect of decreasing net operating losses but did not result in any additional regular federal income tax for such years. However, the depreciation disallowance would increase RDGE state tax liability for those years by approximately $170,000 plus interest. The only tax liability reflected in the RDGE N/D is alternative minimum tax in the total amount of approximately $350,000 plus interest. The Tax Court petition we intend to file with respect to RDGE will appeal the determinations relating to the leasing transactions.

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Forward-Looking Statements

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

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

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, cable, satellite broadcast, DVD and VHS rentals and sales, and so called “movies on demand;”

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

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 availability and cost of labor and materials;

o Competition for development sites and tenants; and

o

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

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

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

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

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

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

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

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

- o Changes in applicable accounting policies and practices.

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

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

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

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

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Item 3 - Quantitative and Qualitative Disclosure about Market Risk

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

· It is based on a single point in time.

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

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

At June 30, 2006, approximately 51% and 22% of our assets were invested in assets denominated in Australian dollars (Reading Australia) and New Zealand dollars (Reading New Zealand), respectively, including approximately $4.2 million in cash and cash equivalents. At December 31, 2005, approximately 50% and 23% of our assets were invested in assets denominated in Australian dollars (Reading Australia) and New Zealand dollars (Reading New Zealand) including approximately $6.4 million in cash and cash equivalents.

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

Our policy is to borrow in local currencies to finance the development and construction of our ETRC's in Australia and New Zealand whenever possible. As a result, the borrowings in local currencies have provided somewhat of a natural hedge against the foreign currency exchange exposure. Even so, approximately 48% and 22% of our Australian and New Zealand assets, respectively, remain subject to such exposure unless we elect to hedge our foreign currency exchange between the US and Australian and New Zealand dollars. If the foreign currency rates were to fluctuate by 10% the resulting change in Australian and New Zealand assets would be $6.2 million and $1.2 million, respectively, and the change in our quarterly net income would be $217,000 and $16,000, respectively. At the present time, we have no plan to hedge such exposure.

We record unrealized foreign currency translation gains or losses which could materially affect our financial position. As of June 30, 2006 and December 31, 2005, we have recorded a cumulative unrealized foreign currency translation gain of approximately $27.6 million and $28.6 million, respectively.

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

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Item 3A - Quantitative and Qualitative Disclosure about Interest Risk

The majority of our U.S. bank loans have fixed interest rates; however, one of our domestic loans has a variable interest rate and a change of approximately 1% in short-term interest rates would have resulted in an approximately $5,000 increase or decrease in our 2006 Quarter interest expense.

While we have typically used fixed rate financing (secured by first mortgages) in the U.S., fixed rate financing is typically not available to corporate borrowers in Australia and New Zealand. The majority of our Australian and New Zealand bank loans have variable rates. The Australian facilities provide for floating interest rates, but require that not less than a certain percentage of the loans be swapped into fixed rate obligations (see *Financial Risk Management* above). If we consider the interest rate swaps, a 1% increase in short-term interest rates would have resulted in approximately $76,000 increase in our 2006 Quarter Australian and New Zealand interest expense while a 1% decrease in short-term interest rates would have resulted in approximately $79,000 decrease the 2006 Quarter of Australian and New Zealand interest expense.

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Item 4 - Controls and Procedures

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

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

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PART II - Other Information

Item 1 - Legal Proceedings

For a description of legal proceedings, please refer to Item 3 entitled Legal Proceedings contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2005.

Item 2 - Change in Securities

Not applicable.

Item 3 - Defaults upon Senior Securities

Not applicable.

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

None

Item 5 - Other Information

Not applicable.

Item 6 - Exhibits

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

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SIGNATURES

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

READING INTERNATIONAL, INC.

Date:	August 7, 2006	By:	/s/ James J. Cotter James J. Cotter Chief Executive Officer
Date:	August 7, 2006	By:	/s/ Andrzej Matyczynski Andrzej Matyczynski Chief Financial Officer