

PRIVATE MEDIA GROUP INC
Form 10-Q
November 15, 2004

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended September 30, 2004

OR

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

For the transition period from _____ to _____

Commission file number 000-25067

PRIVATE MEDIA GROUP, INC.

(Exact Name of Registrant as Specified in its Charter)

Nevada

87-0365673

Edgar Filing: PRIVATE MEDIA GROUP INC - Form 10-Q

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification Number)

3230 Flamingo Road, Suite 156, Las Vegas, Nevada 89121

(Registered office)

Carretera de Rubí 22-26, 08190 Sant Cugat del Vallès, Barcelona, Spain

(European headquarters and address of principal executive offices)

34-93-590-7070

Registrant's telephone number

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

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date

<u>Class</u>	<u>Outstanding at November 11, 2004</u>
Common Stock, par value \$.001	50,136,017

PART I.

Item 1. Financial Statements

PRIVATE MEDIA GROUP, INC.
CONSOLIDATED BALANCE SHEETS

	December 31,	September 30, (Unaudited)	
	2003	2004	2004
	EUR	EUR	USD
(in thousands)			
ASSETS			
Cash and cash equivalents	856	2,420	2,987
Trade accounts receivable	9,768	10,535	13,007
Related party receivable	4,187	4,147	5,120
Inventories - net (Note 3)	10,733	11,722	14,471
Deferred income tax asset	1,608	1,608	1,985
Prepaid expenses and other current assets	2,110	3,157	3,898
TOTAL CURRENT ASSETS	29,262	33,589	41,468
Library of photographs and videos - net	16,807	14,871	18,359
Property, plant and equipment - net	15,792	11,240	13,876
Other intangible assets	3,590	3,497	4,318
Goodwill	2,425	2,425	2,993
Note Receivable (Note 5)		800	987
Other assets	273	266	329
TOTAL ASSETS	68,149	66,688	82,331
LIABILITIES AND SHAREHOLDERS EQUITY			
Short-term borrowings	4,094	3,871	4,779
Current portion of long-term borrowings	1,614	1,733	2,140
Accounts payable trade	7,486	6,747	8,330
Income taxes payable	981	535	661
Deferred income taxes	2	2	3
Accrued other liabilities	1,791	1,862	2,299
TOTAL CURRENT LIABILITIES	15,969	14,751	18,211
Long-term borrowings	4,451	3,571	4,408
Related party payable	2,237	728	899
Convertible notes	1,336	1,251	1,544
TOTAL LIABILITIES	23,993	20,300	25,062
SHAREHOLDERS EQUITY	883	883	1,090

Edgar Filing: PRIVATE MEDIA GROUP INC - Form 10-Q

Common Stock, \$.001 par value, 100,000,000 shares authorized, 49,955,057 and 50,136,017 issued and outstanding at December 31, 2003 and September 30, 2004, respectively			
Additional paid-in capital	17,124	17,337	21,404
Retained earnings	27,976	30,618	37,800
Accumulated other comprehensive income	(1,826)	(2,451)	(3,026)
	<u>44,157</u>	<u>46,387</u>	<u>57,268</u>
TOTAL SHAREHOLDERS EQUITY	44,157	46,387	57,268
	<u>68,149</u>	<u>66,688</u>	<u>82,331</u>
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	68,149	66,688	82,331

See accompanying notes to consolidated statements

PRIVATE MEDIA GROUP, INC.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	Three-months ended		Nine-months ended		
	September 30,		September 30,		
	(unaudited)		(unaudited)		
	2003	2004	2003	2004	2004
	EUR	EUR	EUR	EUR	USD
	(in thousands)				
Net sales	9,437	10,579	29,106	29,798	36,787
Cost of sales	5,928	5,469	15,107	13,801	17,038
Gross profit	3,509	5,111	14,000	15,997	19,749
Selling, general and administrative expenses	4,530	4,355	14,496	13,339	16,468
Operating profit (loss)	(1,021)	756	(497)	2,658	3,281
Interest expense	237	209	643	574	709
Interest income	38	37	118	129	159
Income (loss) before income tax	(1,220)	584	(1,022)	2,213	2,732
Income taxes (benefit)	(572)	(116)	(479)	(430)	(531)
Net income (loss)	(648)	700	(543)	2,643	3,263
Other comprehensive income (loss):					
Foreign currency adjustments	(95)	(23)	189	(625)	(772)
Comprehensive income (loss)	(743)	677	(354)	2,018	2,491
Income (loss) applicable to common shares	(648)	700	(691)	2,643	3,263
Net income (loss) per share:					
Basic	(0.01)	0.01	(0.02)	0.05	0.07
Diluted	(0.01)	0.01	(0.02)	0.05	0.06

PRIVATE MEDIA GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine-months ended September 30,		
	(unaudited)		
	2003	2004	2004
	EUR	EUR	USD
	(in thousands)		
Cash flows from operating activities:			
Net income (loss)	(543)	2,643	3,263
Adjustment to reconcile net income to net cash flows from operating activities:			
Depreciation	793	1,596	1,970
Bond Adjustment		150	185
Bad debt provision	150	1,182	1,459
Amortization of other intangible assets	62	93	115
Amortization of photographs and videos	5,218	5,269	6,505
Effects of changes in operating assets and liabilities:			
Trade accounts receivable	(1,770)	(1,949)	(2,406)
Related party receivable	135	40	49
Inventories	(1,571)	(989)	(1,221)
Prepaid expenses and other current assets	1,382	(447)	(552)
Accounts payable trade	2,152	(738)	(912)
Income taxes payable	(643)	(446)	(550)
Accrued other liabilities	179	71	88
	<u>5,545</u>	<u>6,474</u>	<u>7,993</u>
Net cash provided by operating activities			
Cash flows from investing activities:			
Investment in library of photographs and videos	5,438	3,333	4,115
Capital expenditures	1,835	2,878	3,553
Sale of part of building		(4,387)	(5,416)
Investments in (sale of) other assets	162	(7)	(9)
Note receivable		1,400	1,728
	<u>7,435</u>	<u>3,217</u>	<u>3,972</u>
Net cash used in investing activities			
Cash flow from financing activities:			
Conversion of warrants		10	12
Short-term borrowings - repayments	(6,919)	(389)	(481)
Long-term loan - repayments		(3,305)	(4,080)
Related party note payable repayments	(1,649)		
Long-term loan - additions	10,107	2,450	3,025
Short-term borrowings - additions		166	205
	<u>1,538</u>	<u>(1,068)</u>	<u>(1,319)</u>
Net cash (used in) provided by financing activities			
Foreign currency translation adjustment	189	(625)	(772)
	<u>(163)</u>	<u>1,564</u>	<u>1,931</u>
Net (decrease) increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the period	1,694	856	1,057