

METRO-GOLDWYN-MAYER INC
Form 10-K/A
April 06, 2004

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A Amendment No. 1

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

For the fiscal year ended December 31, 2003

Commission File No. 1-13481

METRO-GOLDWYN-MAYER INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

95-4605850
(I.R.S. Employer
Identification No.)

10250 Constellation Boulevard, Los Angeles, CA
(Address of principal executive offices)

90067-6241
(Zip Code)

Registrant's telephone number, including area code: (310) 449-3000

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

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.01	New York Stock Exchange

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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

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 Registrant's best knowledge, in definitive proxy or information statements incorporated by reference in Part II of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the voting stock (based on the last sale price of such stock as reported by the Dow Jones News Retrieval) held by non-affiliates of the Registrant as of June 30, 2003 was \$987,933,437.

The number of shares of the Registrant's common stock outstanding as of February 19, 2004 was 235,349,750.

EXPLANATORY NOTE

This Amendment No. 1 to the Annual Report on Form 10-K (the "Form 10-K") of Metro-Goldwyn-Mayer Inc. for the fiscal year ended December 31, 2003 is being filed for the purpose of amending Part II, Item 7, "MD&A Liquidity and Capital Resources Commitments" and Item 7A

Quantitative and Qualitative Disclosures About Market Risk of the Form 10-K, and the complete text of each, as amended, is set forth herein. In addition, in connection with the filing of this Amendment No. 1, we are including as exhibits certain currently dated certifications of our CEO and CFO and an updated consent letter from the independent public accountants. The remainder of our Form 10-K is not reproduced in this amendment, and this amendment does not reflect events occurring after the filing of the Company's original Form 10-K or, except as indicated, modify or update the original Form 10-K.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources

Commitments. Future minimum annual commitments under bank and other debt agreements, non-cancelable operating leases, employment agreements, creative talent agreements and commercial letters of credit as of December 31, 2003 are as follows (in thousands):

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Thereafter</u>	<u>Total</u>
Bank and other debt	\$ 813	\$	\$	\$	\$	\$	\$ 813
Operating leases	27,100	26,528	27,140	28,003	26,408	241,060	376,239
Employment agreements	47,789	27,621	12,056	1,067			88,533
Creative talent agreements	69,528	8,554	912				78,994
Letters of credit	20,038						20,038
Total	\$ 165,268	\$ 62,703	\$ 40,108	\$ 29,070	\$ 26,408	\$ 241,060	\$ 564,617

We do not expect our obligations for property and equipment expenditures, including the purchase of computer systems and equipment and leasehold improvements, to exceed \$35.0 million per year.

We are obligated to fund 50 percent of the expenses of MGM Networks Latin America up to a maximum of approximately \$25.25 million. We have funded approximately \$24.8 million under such obligation as of December 31, 2003. Although historically MGM Latin America has incurred losses from operations, we have not provided any additional cash funding to the joint venture since 2002. Based on MGM Latin America's current business plan, the joint venture is expected to remain cash self-sustaining into the foreseeable future, unless business conditions change. At this time, we do not expect any additional cash funding will be required to MGM Latin America. Additionally, as of December 31, 2003 we have analyzed the recoverability of our investment in MGM Latin America based on a discounted future cash flow model and have determined that no write-down is necessary.

We are committed to fund our share of the operating expenses of certain joint ventures, as required. These joint ventures include Movielink, LLC, a joint venture established to create an on-demand movie service via digital delivery for broadband internet users in the United States in which we own a 20 percent ownership interest with four other major studios, as well a one-seventh ownership interest we hold in NDC, LLC, a partnership created with six other major studios to develop and deploy digital cinema technology and equipment in theatres.

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We are obligated to fund up to \$30.0 million to Movielink for our share of the venture's operating expenses. As of December 31, 2003, we have funded \$15.1 million of this commitment. As of December 31, 2003, we have funded \$1.0 million regarding our interest in NDC, LLC, and under certain circumstances may be required to contribute additional capital of up to \$0.1 million. As of December 31, 2003, we have no significant future cash funding requirements to any of our cable channel or other joint ventures.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to the impact of interest rate changes as a result of our variable rate long-term debt. Historically, we have entered into interest rate swap agreements whereby we agree with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate amounts calculated by reference to an agreed notional principal amount. As of February 18, 2004, the outstanding balance of \$120.0 million under our revolving facility was exposed to interest rate risk. We will continue to evaluate strategies to manage the impact of interest rate changes on earnings and cash flows.

We are subject to market risks resulting from fluctuations in foreign currency exchange rates because approximately 25 percent of our revenues are denominated, and we incur certain operating and production costs, in foreign currencies. In certain instances, we enter into foreign currency exchange contracts in order to reduce exposure to changes in foreign currency exchange rates that affect the value of our firm commitments and certain anticipated foreign currency cash flows. We currently intend to continue to enter into such contracts to hedge against future material foreign currency exchange rate risks. The following table provides information about our foreign currency forward contracts outstanding at December 31, 2003 (in thousands, except spot and forward rates):

	Amounts Scheduled	Estimated
	for Maturity for	Fair Value at
	the Year Ended	December 31, 2003
	December 31, 2004	December 31, 2003
Foreign Currency Forward Contracts:		
Contract amount (in thousands) (receive CAD, pay \$US)	26,100	\$ 850
Spot rate	1.298	
Forward rate	1.357	
Contract amount (in thousands) (receive GBP, pay \$US)	8,100	\$ 1,920
Spot rate	1.787	
Forward rate	1.550	

Subsequent to December 31, 2003, we entered into additional foreign currency forward contracts aggregating 57.6 million Canadian dollars (approximately \$43.5 million), at an average forward rate of 1.324, which expire in 2004.

Item 15 of Form 10-K is supplemented for certain additional exhibits required in connection with the filing of this Amendment No. 1, as follows:

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) The following documents are filed as part of this report:

3. Exhibits

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The exhibits listed in the accompanying Exhibit Index to this report on Form 10-K/A Amendment No. 1 are incorporated here by reference.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) 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.

April 2, 2004

METRO-GOLDWYN-MAYER INC.

By: /s/ DANIEL J. TAYLOR

Daniel J. Taylor

Chief Financial Officer

EXHIBIT INDEX

- 23(1) Consent of Independent Auditors
 - 31.1(1) Certification of CEO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
 - 31.2(1) Certification of CFO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
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(1) Filed herewith