

PRIVATE MEDIA GROUP INC
Form 10-Q
May 15, 2006

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2006

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
(State or other jurisdiction of

87-0365673
(I.R.S. Employer

incorporation or organization)

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

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated file, or a non-accelerated filer (as defined in Rule 12b-2 of the Act).

Large Accelerated Filer Accelerated Filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (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

Class	Outstanding at May 12, 2006
Common Stock, par value \$.001	52,709,151

PART I.

Item 1. Financial Statements

PRIVATE MEDIA GROUP, INC.

CONSOLIDATED BALANCE SHEETS

	March 31,		
	December 31,	(Unaudited)	
	2005	2006	2006
	EUR	EUR	USD
	(in thousands)		
ASSETS			
Cash and cash equivalents	3,112	2,044	2,463
Trade accounts receivable	8,813	8,579	10,337
Receivable from sale of building	225		
Related party receivable	5,888	5,926	7,140
Inventories - net (Note 2)	9,780	9,640	11,614
Deferred income tax asset	2,836	2,836	3,417
Prepaid expenses and other current assets	2,953	2,673	3,220
TOTAL CURRENT ASSETS	33,607	31,698	38,190
Library of photographs and videos net	17,058	17,159	20,674
Property, plant and equipment net	2,163	2,310	2,783
Other intangible assets	3,343	3,312	3,991
Goodwill	2,425	2,425	2,922
Other assets	304	321	386
TOTAL ASSETS	58,901	57,226	68,947
LIABILITIES AND SHAREHOLDERS EQUITY			
Short-term borrowings	3,853	3,783	4,557
Current portion of long-term borrowings	1,511	1,279	1,541
Accounts payable trade	5,871	5,595	6,741
Income taxes payable	488	292	352
Deferred income taxes	52	52	63
Accrued other liabilities	1,682	1,190	1,434
TOTAL CURRENT LIABILITIES	13,457	12,190	14,687
Long-term borrowings	555	444	535
TOTAL LIABILITIES	14,012	12,635	15,223
SHAREHOLDERS EQUITY			
Common Stock, \$.001 par value, 100,000,000 shares authorized, 52,478,723 and 52,576,019 issued and outstanding at December 31, 2005 and March 31, 2006, respectively	885	885	1,066
Additional paid-in capital	19,585	19,758	23,805
Retained earnings	27,188	26,686	32,152
Accumulated other comprehensive income	(2,769)	(2,738)	(3,298)
TOTAL SHAREHOLDERS EQUITY	44,889	44,592	53,725
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	58,901	57,226	68,947

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See accompanying notes to consolidated statements.

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PRIVATE MEDIA GROUP, INC.

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

AND COMPREHENSIVE INCOME (LOSS)

	Three-months ended		
	March 31,		
	(unaudited)		
	2005	2006	2006
	EUR	EUR	USD
	(in thousands)		
Net sales	7,438	6,408	7,720
Cost of sales	4,473	3,583	4,317
Gross profit	2,965	2,825	3,403
Selling, general and administrative expenses (Note 4)	3,518	3,435	4,139
Gain on sale of building	1,279		
Operating profit (loss)	726	(611)	(736)
Interest expense	184	157	189
Interest income	37	47	56
Income before income tax	579	(720)	(868)
Income tax expense (benefit)	(91)	(218)	(263)
Net income (loss)	670	(502)	(605)
Other comprehensive income:			
Foreign currency translation adjustments	(59)	32	38
Comprehensive income	611	(471)	(567)
Net income (loss) per share:			
Basic	0.01	(0.01)	(0.01)
Diluted	0.01	(0.01)	(0.01)

See accompanying notes to consolidated statements.

PRIVATE MEDIA GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three-months ended		
	March 31,		
	(unaudited)		
	2005	2006	2006
	EUR	EUR	USD
	(in thousands)		
Cash flows from operating activities:			
Net income (loss)	670	(502)	(605)
Adjustment to reconcile net income to net cash flows from operating activities:			
Depreciation	296	220	265
Stock based compensation		21	25
Bond adjustment	15	23	27
Bad debt provision	31	8	10
Amortization of other intangible assets	31	31	37
Amortization of photographs and videos	1,522	1,517	1,827
Gain on sale of building	(1,279)		
Effects of changes in operating assets and liabilities:			
Trade accounts receivable	(810)	226	272
Related party receivable	(39)	(38)	(46)
Inventories	(408)	140	169
Prepaid expenses and other current assets	(50)	75	91
Accounts payable trade	361	(276)	(333)
Income taxes payable	(79)	(196)	(236)
Accrued other liabilities	119	(493)	(593)
Net cash provided by operating activities	380	756	910
Cash flows from investing activities:			
Investment in library of photographs and videos	(1,960)	(1,618)	(1,950)
Capital expenditures	(11)	(360)	(434)
Cash received from sale of building	511	225	271
Investments in (sale of) other assets	(3)	(16)	(20)
Note receivable	190	205	247
Net cash (used in) investing activities	(1,273)	(1,565)	(1,886)
Cash flow from financing activities:			
Short-term borrowings repayments		(70)	(84)
Long-term borrowings repayments	(388)	(220)	(265)
Long-term loan additions	33		
Short-term borrowings - additions	81		
Net cash (used in) provided by financing activities	(274)	(290)	(349)
Foreign currency translation adjustment	(59)	31	38
Net (decrease) increase in cash and cash equivalents	(1,226)	(1,068)	(1,287)
Cash and cash equivalents at beginning of the period	3,261	3,112	3,750
Cash and cash equivalents at end of the period	2,035	2,044	2,463
Cash paid for interest	132	122	147

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Cash paid for taxes

Conversion of bond principal into common stock

164

200

See accompanying notes to consolidated statements.

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PRIVATE MEDIA GROUP, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

	Common stock			Common		Accumulated other comprehensive income	Total share- holders equity
	Shares	Amounts EUR	capital EUR	stock to be issued EUR	Retained earnings EUR		
Balance at January 1, 2005	50,162,176	883	17,321	1,752	27,138	(2,145)	44,951
Repurchase of common stock	(46,479)		(127)				(127)
Conversion of bond principal into common stock	312,500		529				529
Conversion of bond interest into common stock	49,776		113				113
Conversion of options	2,000,750	2	1,750	(1,752)			
Translation adjustment						(626)	(626)
Net income (loss)					50		50
Balance at December 31, 2005	52,478,723	885	19,585	&nb			