

METRO-GOLDWYN-MAYER INC  
Form DEFA14A  
October 27, 2004

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a)**  
**of the Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- |   |  |
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| <input type="checkbox"/> Preliminary Proxy Statement                            | <input type="checkbox"/> Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
| <input type="checkbox"/> Definitive Proxy Statement                             |  |
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**Metro Goldwyn Mayer Inc.**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(1) Amount Previously Paid:

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For immediate release  
October 26, 2004

Contact: Joseph Fitzgerald  
(310) 449-3660

**MGM ANNOUNCES CONTINUED STRONG**

**CASH FLOW FROM OPERATIONS**

Los Angeles, CA Metro-Goldwyn-Mayer Inc. (NYSE:MGM) announced today that net cash provided by operating activities totaled \$26.9 million in the quarter ended September 30, 2004.

Third quarter revenues were \$401.3 million, compared to \$457.1 million in the prior year period. The Company's net loss in the third quarter was \$26.7 million, or \$0.11 per share. The net loss included expenses of \$3.8 million, or \$.02 per share, related to the pending acquisition of MGM. Additionally, the net loss included a non-cash charge of \$8.0 million, or \$.03 per share, from the Company's early election to expense employee stock options. The third quarter of 2003 net loss of \$32.6 million, or \$0.13 per share, included a charge of \$5.1 million, or \$0.02 per share, for costs incurred in connection with MGM's bid for Vivendi Universal Entertainment.

On September 23, 2004, LOC Acquisition Company entered into a definitive agreement to acquire MGM for \$12 in cash per MGM share, plus the assumption of MGM's approximately \$2.0 billion in debt. LOC Acquisition Company is a Delaware corporation which, at the time of the merger, will be owned by Sony Corporation of America, Comcast Studio Investments, Inc. and affiliates of Providence Equity Partners, Texas Pacific Group and DLJ Merchant Banking Partners. The transaction is subject to MGM shareholder approval, various regulatory approvals and customary closing conditions.

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Alex Yemenidjian, Chairman and Chief Executive Officer, commented: We are especially pleased to combine MGM with Sony and its partners. The transaction will complete a dramatic transformation of our Company over the past five years, which has delivered superior returns to MGM shareholders.

Chris McGurk, Vice Chairman and Chief Operating Officer, added: Our film, television, MGM Networks and home entertainment operations are all on track to finish the year strongly. The *Stargate* franchise has been a particularly strong performer and our film slate for next year, anchored by *Pink Panther*, *Be Cool*, *The Amityville Horror* and *Beauty Shop* looks especially promising.

### THIRD QUARTER 2004 OPERATING HIGHLIGHTS

Worldwide home entertainment unit shipments increased 30 percent.

*Walking Tall*, *Agent Cody Banks 2*, and *Barbershop 2* were among MGM's top-selling newly released home entertainment titles. *The Manchurian Candidate* and *The Good the Bad and the Ugly* were among the top-selling library titles.

*De-Lovely* will contribute solid first cycle profits.

*Hotel Rwanda*, which will premiere in December, won the top prize at the Toronto Film Festival.

*Stargate SG-1* opened its 8<sup>th</sup> season on The Sci-Fi Channel to the show's highest ratings ever.

*Stargate Atlantis* debuted its first season on Sci-Fi and delivered the channel's highest episode ratings ever with 4.2 million viewers.

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*Dead Like Me* has delivered consistently strong ratings in its second season on Showtime.

MGM Networks launched the MGM Channel in Spain on July 1<sup>st</sup> with carriage on all of the country's major cable systems.

Metro-Goldwyn-Mayer Inc. (NYSE: MGM), through its Metro-Goldwyn-Mayer Studios Inc. subsidiary, is actively engaged in the worldwide production and distribution of entertainment product, including motion pictures, television programming, home video, interactive media, music, and licensed merchandise. The Company owns the largest modern film library in the world, consisting of approximately 4,000 titles. Its operating units include MGM Pictures, United Artists, MGM Television Entertainment, MGM Networks, MGM Distribution Co., MGM Worldwide Television Distribution, MGM Home Entertainment, MGM On Stage, MGM Consumer Products, MGM Music, MGM Interactive and MGM Direct. In addition, MGM has ownership interests in international television channels reaching over 100 countries around the globe. For more information on MGM, visit us online at <http://www.mgm.com>.

*This news release contains forward-looking statements that are based upon the Company's estimates and expectations concerning future events and are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. These risks and uncertainties include, among other things, future competitive and market conditions, whether the Company's products achieve customer acceptance, future business decisions, and other factors, including those described in the Company's filings with the Securities and Exchange Commission, all of which are difficult or*

*-more-*

*impossible to predict accurately and many of which are beyond the control of MGM. In light of the significant uncertainties inherent in the forward-looking information herein, the inclusion of such information should not be regarded as a representation by the Company or any other person that the Company's objectives or plans will be realized. This press release shall not constitute an offer to sell, or the solicitation of an offer to buy, any securities of the Company.*

*In connection with the proposed transaction, MGM will file a proxy statement and other materials with the Securities and Exchange Commission. INVESTORS ARE URGED TO READ THE PROXY STATEMENT AND RELATED MATERIALS WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. MGM and its officers and directors may be deemed to be participants in the solicitation of proxies with respect to the proposed transaction. Information regarding such individuals is included in MGM's proxy statements and Annual Reports on Form 10K previously filed with the Securities and Exchange Commission and will be included in the proxy statement relating to the proposed merger when it becomes available. Investors may obtain a free copy of the proxy statement and other relevant documents when they become available as well as other material filed with the Securities and Exchange Commission concerning MGM and these individuals at the Securities and Exchange Commission's website at <http://www.sec.gov>. These materials and other documents may also be obtained for free from: MGM at Metro-Goldwyn-Mayer Inc., 10250 Constellation Boulevard, Los Angeles, California 90067, Attn: Investor Relations.*

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## Metro-Goldwyn-Mayer Inc.

## Condensed Consolidated Results of Operations

## Quarters and Nine Months Ended September 30, 2004 and 2003

| <i>In thousands, except share and per share data (unaudited)</i> | Quarter Ended September 30, |                    | Nine Months Ended September 30, |                     |
|--|-----------------------------|--------------------|---------------------------------|---------------------|
|  | 2004                        | 2003               | 2004                            | 2003                |
| <b>Revenues:</b>   |                             |                    |                                 |                     |
| Feature films  | \$ 320,970                  | \$ 385,536         | \$ 1,077,245                    | \$ 1,169,092        |
| Television programming   | 69,485                      | 62,445             | 160,561                         | 144,122             |
| Other  | 10,837                      | 9,070              | 33,589                          | 26,730              |
| <b>Total revenues</b>  | <b>\$ 401,292</b>           | <b>\$ 457,051</b>  | <b>\$ 1,271,395</b>             | <b>\$ 1,339,944</b> |
| <b>EBITDA:</b>   |                             |                    |                                 |                     |
| Feature films  | \$ 22,382                   | \$ 9,011           | \$ 81,867                       | \$ 8,853            |
| Television programming   | 15,573                      | 16,357             | 26,162                          | 17,018              |
| Other  | 4,639                       | 1,874              | 16,623                          | 12,775              |
| General and administration expenses                              | (42,197)                    | (37,149)           | (129,661)                       | (95,843)            |
| <b>EBITDA</b>  | <b>397</b>                  | <b>(9,907)</b>     | <b>(5,009)</b>                  | <b>(57,197)</b>     |
| Depreciation   | (3,924)                     | (3,476)            | (11,093)                        | (13,728)            |
| <b>Operating loss</b>  | <b>(3,527)</b>              | <b>(13,383)</b>    | <b>(16,102)</b>                 | <b>(70,925)</b>     |
| Write-down on investment in cable channels                       |                             |                    |                                 | (93,059)            |
| Equity in net earnings (losses) of investees                     | (1,556)                     | (684)              | (3,369)                         | 595                 |
| Interest expense, net of amounts capitalized                     | (19,876)                    | (14,744)           | (41,715)                        | (51,556)            |
| Interest and other income, net                                   | 1,652                       | 5,010              | 5,641                           | 11,387              |
| Other non-recurring costs  | (3,785)                     | (5,099)            | (4,958)                         | (5,099)             |
| <b>Loss before benefit (provision) for income taxes</b>          | <b>(27,092)</b>             | <b>(28,900)</b>    | <b>(60,503)</b>                 | <b>(208,657)</b>    |
| Income tax benefit (provision)                                   | 365                         | (3,713)            | (7,160)                         | (13,357)            |
| <b>Net loss</b>  | <b>\$ (26,727)</b>          | <b>\$ (32,613)</b> | <b>\$ (67,663)</b>              | <b>\$ (222,014)</b> |
| <b>Loss per share:</b>   |                             |                    |                                 |                     |
| Basic and diluted  |                             |                    |                                 |                     |
| <b>Net loss</b>  | <b>\$ (0.11)</b>            | <b>\$ (0.13)</b>   | <b>\$ (0.29)</b>                | <b>\$ (0.90)</b>    |
| <b>Weighted average number of common shares outstanding:</b>     |                             |                    |                                 |                     |
| Basic and diluted  |                             |                    |                                 |                     |
|  | <b>237,298,809</b>          | <b>244,526,208</b> | <b>236,969,940</b>              | <b>245,919,877</b>  |

**Metro-Goldwyn-Mayer Inc.****Condensed Consolidated Balance Sheets***September 30, 2004 and December 31, 2003**(In thousands, except share data)*

|   | <b>September 30,<br/>2004</b> | <b>December<br/>31,<br/>2003</b> |
|---|-------------------------------|----------------------------------|
|   | <i>(unaudited)</i>            |                                  |
| <b>ASSETS</b>   |                               |                                  |
| Cash and cash equivalents   | \$ 70,997                     | \$ 61,894                        |
| Accounts and contracts receivable (net of allowance for doubtful accounts of \$29,317 and \$46,671, respectively) | 537,188                       | 615,907                          |
| Film and television costs, net  | 1,853,696                     | 1,788,225                        |
| Investments in and advances to affiliates   | 23,180                        | 24,050                           |
| Property and equipment, net   | 66,260                        | 68,657                           |
| Goodwill  | 516,706                       | 516,706                          |
| Restricted cash   | 150,111                       |                                  |
| Other assets  | 41,691                        | 31,132                           |
|   | <u>\$ 3,259,829</u>           | <u>\$ 3,106,571</u>              |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>  |                               |                                  |
| Liabilities:  |                               |                                  |
| Bank and other debt   | \$ 2,000,119                  | \$ 813                           |
| Accounts payable and accrued liabilities  | 232,385                       | 234,397                          |
| Accrued participants share  | 298,801                       | 320,347                          |
| Income taxes payable  | 35,444                        | 37,129                           |
| Advances and deferred revenues  | 91,284                        | 72,908                           |
| Merger deposit  | 150,111                       |                                  |
| Other liabilities   | 190,097                       | 112,606                          |
| Total liabilities   | <u>2,998,241</u>              | <u>778,200</u>                   |
| Commitments and contingencies   |                               |                                  |
| Stockholders equity:  |                               |                                  |
| Preferred stock, \$.01 par value, 25,000,000 shares authorized, none issued                                       |                               |                                  |
| Common stock, \$.01 par value, 500,000,000 shares authorized, 251,960,505 shares issued                           | 2,520                         | 2,520                            |
| Additional paid-in capital  | 2,051,634                     | 3,915,777                        |
| Deficit   | (1,575,236)                   | (1,507,573)                      |
| Accumulated other comprehensive income  | 2,662                         | 2,046                            |
| Less: treasury stock, at cost, 14,131,923 and 7,347,530 shares, respectively                                      | (219,992)                     | (84,399)                         |
| Total stockholders equity   | <u>261,588</u>                | <u>2,328,371</u>                 |



|                     |                     |
|---------------------|---------------------|
| <u>\$ 3,259,829</u> | <u>\$ 3,106,571</u> |
|---------------------|---------------------|