

NEOMEDIA TECHNOLOGIES INC
Form 10-Q
May 15, 2006

U. S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10 - Q

(Mark One)

**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**

Commission File Number 0-21743

NEOMEDIA TECHNOLOGIES, INC.

(Exact Name of Issuer as Specified In Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

36-3680347

(I.R.S. Employer Identification No.)

2201 Second Street, Suite 600, Fort Myers, Florida

(Address of Principal Executive Offices)

33901

(Zip Code)

239-337-3434 Issuer's Telephone Number (Including Area Code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one): 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

As of April 28, 2006, there were 630,759,953 outstanding shares of the issuer's Common Stock, and 22,000 outstanding shares of the issuer's Series C Convertible Preferred Stock.

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PART I -- FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS**

NeoMedia Technologies, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(In Thousands, Except Share Data)

	March 31	December 31
	2006	2005
	(unaudited)	*
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,115	\$ 2,291
Trade accounts receivable, net of allowance for doubtful accounts of \$73 and \$203, respectively	5,159	341
Inventories, net of allowance for obsolete & slow-moving inventory of \$0	852	423
Investment in marketable securities	453	104
Prepaid expenses and other current assets	1,478	151
Total current assets	15,057	3,310
Leasehold improvements & property and equipment, net	628	236
Capitalized patents, net	3,072	3,134
Micro paint chemical formulations and proprietary process, net	1,422	1,450
Goodwill	48,881	1,099
Other Intangible assets, net	22,057	246
Cash surrender value of life insurance policy	799	769
Loan to Mobot	---	1,500
Other long-term assets	893	667
Total assets	\$ 92,809	\$ 12,411
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 5,408	\$ 1,574
Amounts payable under settlement agreements	97	1,844
Liabilities of discontinued business unit	676	97
Taxes payable	1,112	80
Accrued expenses	4,460	898
Deferred revenues	2,576	676
Notes payable	3,774	3,015
Derivative financial instruments	23,432	---
Total current liabilities	41,535	8,184
Preferred stock, \$0.01 par value, 25,000,000 shares authorized, 22,000 issued and outstanding, liquidation value of \$22,000	1,847	---
Shareholders' equity:		
Common stock, \$0.01 par value, 1,000,000,000 shares authorized, 630,885,698 and 475,387,910 shares issued and 629,244,272 and 467,601,717 outstanding, respectively	6,293	4,676
Additional paid-in capital	151,407	106,456
Deferred stock-based compensation	(146)	(169)

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Deferred equity financing costs	(13,256)	(13,256)
Accumulated deficit	(93,842)	(92,524)
Accumulated other comprehensive loss	(250)	(177)
Treasury stock, at cost, 201,230 shares of common stock	(779)	(779)
Total shareholders' equity	49,427	4,227
Total liabilities and shareholders' equity	\$ 92,809	\$ 12,411

The accompanying notes are an integral part of these condensed consolidated financial statements.

* - Derived from NeoMedia's audited financial statements for the year ended December 31, 2005.

NeoMedia Technologies, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
and Comprehensive Loss (Unaudited)
(In Thousands, Except per Share Data)

	Three Months Ended March 31,	
	2006	2005
NET SALES:		
Technology license, service and products	\$ 1,675	\$ 292
Micro paint repair products and services	377	455
Total net sales	2,052	747
COST OF SALES:		
Technology license, service and products	827	176
Micro paint repair products and services	419	273
Total cost of sales	1,246	449
GROSS PROFIT	&#16	