

NEOMEDIA TECHNOLOGIES INC  
Form 10-Q  
August 09, 2007

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 June 30, 2007**

**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 August 7, 2007, there were 900,699,016 shares of common stock and 21,377 shares of Series C Convertible Preferred Stock outstanding.



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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 and Per Share Data)

	June 30, 2007 (unaudited)	December 31, 2006 *
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 151	\$ 2,813
Trade accounts receivable, net of allowance for doubtful accounts of \$2 and \$68, respectively	265	187
Other receivables	732	550
Inventories, net of allowance for obsolete & slow-moving inventory of \$59 and \$53 respectively	280	80
Investment in marketable securities	14	57
Prepaid expenses and other current assets	186	102
Assets held for sale	10,820	19,420
Total current assets	12,448	23,209
Leasehold improvements & property and equipment, net	150	191
Goodwill	3,418	3,418
Capitalized patents, net	2,689	2,839
Proprietary software, net	3,770	4,138
Other Intangible assets, net	44	42
Cash surrender value of life insurance policy	925	863
Other long-term assets	3,705	3,425
Total assets	\$ 27,149	\$ 38,125
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>		
Current liabilities:		
Accounts payable	\$ 2,976	\$ 2,442
Liabilities held for sale	3,446	10,257
Taxes payable	5	5
Accrued expenses	3,404	4,016
Deferred revenues and other	347	575
Notes payable	15	15
Accrued purchase price guarantee	4,684	19,667
Derivative financial instruments	24,112	25,417
Deferred tax liability	587	706
Debentures payable	18,801	7,500
Preferred stock, \$0.01 par value, 25,000,000 shares authorized, 22,000 issued, 21,377 shares outstanding, liquidation value of \$21,377.	21,377	21,657
Total liabilities	79,754	92,257
Commitments and contingencies (Note 12)		

## Shareholders' deficit:

Common stock, \$0.01 par value, 5,000,000,000 shares authorized, 901,823,027 and 639,233,173 shares issued and 900,181,681 and 637,591,747 outstanding, respectively	9,002	6,376
Additional paid-in capital	114,846	101,911
Accumulated deficit	(175,026)	(160,930)
Accumulated other comprehensive loss	(648)	(710)
Treasury stock, at cost, 201,230 shares of common stock	(779)	(779)
Total shareholders' equity	(52,605)	(54,132)
Total liabilities and shareholders' deficit	\$ 27,149	\$ 38,125

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

\* Amounts have been reclassified from the audited December 31, 2006 consolidated balance sheet to reflect assets and liabilities held for sale in relation to the Company's discontinued operations. (see note 1)

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

	<b>Three Months Ended June 30,</b>	
	<b>2007</b>	<b>2006</b>
Net sales	\$ 624	\$ 489
Cost of sales	374	407
Gross profit	250	82
Sales and marketing expenses	543	1,512
General and administrative expenses	1,324	1,971
Research and development costs	419	497
Income (loss) from operations	(2,036)	(3,898)
Gain (loss) on extinguishment of debt	253	106
Interest income (expense), net	(957)	(48)
Gain (loss) on derivative financial instruments	1,122	11,026
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>	<b>(1,618)</b>	<b>7,186</b>
<b>DISCONTINUED OPERATIONS (Note 4)</b>		
Income (loss) from operations of discontinuing operations	(722)	(2,053)
Income (loss) from disposal of 12 Snap	(257)	---
<b>INCOME (LOSS) FROM DISCONTINUED OPERATIONS</b>	<b>(979)</b>	<b>(2,053)</b>
<b>NET INCOME (LOSS)</b>	<b>(2,597)</b>	<b>5,133</b>
Accretion of dividends on convertible preferred stock	(428)	(479)
<b>NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS</b>	<b>(3,025)</b>	<b>4,654</b>
Comprehensive Loss:		
Net income (loss)	(2,597)	5,133
Other comprehensive income (loss):		
Unrealized gain/(loss) on marketable securities	(17)	114
Foreign currency translation adjustment	96	(320)
<b>COMPREHENSIVE INCOME (LOSS)</b>	<b>\$ (2,518)</b>	<b>\$ 4,927</b>
<b>Income (loss) per share from continuing operations--basic and diluted</b>	<b>\$ (0.00)</b>	<b>\$ 0.01</b>
<b>Income (loss) per share from discontinued operations--basic and diluted</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Net income (loss) per share--basic and diluted</b>	<b>\$ (0.00)</b>	<b>\$ 0.01</b>
<b>Weighted average number of common shares--basic</b>	<b>892,526,955</b>	<b>632,402,254</b>

<b>Weighted average number of common shares---diluted</b>	<b>892,526,955</b>	<b>799,536,925</b>
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The accompanying notes are an integral part of these condensed consolidated financial statements.

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

	<b>Six Months Ended June 30,</b>	
	<b>2007</b>	<b>2006</b>
Net sales	\$ 1,023	\$ 687
Cost of sales	687	537
Gross profit	336	150
Sales and marketing expenses	1,402	2,706
General and administrative expenses	3,764	3,329
Research and development costs	925	982
Income (loss) from operations	(5,755)	(6,867)
Gain (loss) on extinguishment of debt	253	(1,858)
Interest income (expense), net	(2,655)	(31)
Gain (loss) on derivative financial instruments	(2,386)	15,794
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>	<b>(10,543)</b>	<b>7,038</b>
<b>DISCONTINUED OPERATIONS (Note 4)</b>		
Income (loss) from operations of discontinued operations	(3,296)	(3,223)
Income (loss) from disposal of 12 Snap	(257)	---
<b>INCOME (LOSS) FROM DISCONTINUED OPERATIONS</b>	<b>(3,553)</b>	<b>(3,223)</b>
<b>NET INCOME (LOSS)</b>	<b>(14,096)</b>	<b>3,815</b>
Accretion of dividends on convertible preferred stock	(861)	(616)
<b>NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS</b>	<b>(14,957)</b>	<b>3,199</b>
Comprehensive Income (Loss):		
Net income (loss)	(14,096)	3,815
Other comprehensive income (loss):		
Unrealized gain (loss) on marketable securities	(43)	263
Foreign currency translation adjustment	105	(542)
<b>COMPREHENSIVE INCOME (LOSS)</b>	<b>(\$14,034)</b>	<b>\$ 3,536</b>
<b>Income (loss) per share from continuing operations--basic and diluted</b>	<b>\$ (0.01)</b>	<b>\$ 0.01</b>
<b>Income (loss) per share from discontinued operations--basic and diluted</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Net income (loss) per share--basic and diluted</b>	<b>\$ (0.01)</b>	<b>\$ 0.01</b>
<b>Weighted average number of common shares--basic</b>	<b>789,247,203</b>	<b>580,485,463</b>



<b>Weighted average number of common shares--diluted</b>	<b>789,247,203</b>	<b>757,912,587</b>
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The accompanying notes are an integral part of these condensed consolidated financial statements.

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**NeoMedia Technologies, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Cash Flows (Unaudited)**  
**(In Thousands)**