

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.

TABLE OF CONTENTS

PART I -- FINANCIAL INFORMATION	1
ITEM 1. FINANCIAL STATEMENTS	1
CONDENSED CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2007 (UNAUDITED) AND DECEMBER 31, 2006	1
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS) FOR THE THREE MONTHS ENDED JUNE 30, 2007 AND 2006 (UNAUDITED)	2
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS) FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006 (UNAUDITED)	3
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006 (UNAUDITED)	4
UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	5
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	41
ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.	68
ITEM 4. CONTROLS AND PROCEDURES	68
PART II -- OTHER INFORMATION	70
ITEM 1. LEGAL PROCEEDINGS	70
ITEM 1A. RISK FACTORS	71
ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS	71
ITEM 3. DEFAULT UPON SENIOR SECURITIES	71
ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	71
ITEM 5. OTHER INFORMATION	71
ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K	72
SIGNATURES	73

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 *
ASSETS		
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
LIABILITIES AND SHAREHOLDERS' DEFICIT		
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)

	Three Months Ended June 30,	
	2007	2006
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