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INTERNET PICTURES CORP
Form 8-K
March 09, 2004

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): February 18, 2004

INTERNET PICTURES CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE ----- (State or other jurisdiction of incorporation)	000-26363 ----- (Commission File Number)	52-2213841 ----- (IRS Employer Identification Number)
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3160 Crow canyon road, san ramon, california ----- (Address of principal executive offices)	94583 ----- (Zip Code)
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Registrant's telephone number, including area code: ----- N/A	(925) 242-4002 -----
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(Former name or former address, if changed since last report)

ITEM 7: FINANCIAL STATEMENTS, PRO FORMA FINANCIAL
INFORMATION AND EXHIBITS.

(c) Exhibits

Exhibit Number -----	Description -----
99.1	Press Release dated February 18, 2004

ITEM 12: RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following information is furnished pursuant to Item 12, "Disclosure of Results of Operations and Financial Condition" and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933.

On February 18, 2004, Internet Pictures Corporation issued a press release announcing its financial results for the fiscal year ended December 31, 2003. A

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copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

INTERNET PICTURES CORPORATION

Dated: March 9, 2004

/s/ Paul Farmer

Paul Farmer
Chief Financial Officer

Exhibit Index

Exhibit Number	Description
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99.1	Press Release dated February 18, 2004

Exhibit 99.1

IR Contact:

Paul Farmer, CFO
(925) 242- 4002
paul.farmer@ipix.com

IPIX REPORTS RESULTS FOR FOURTH QUARTER 2003 AND FULL YEAR

OAK RIDGE, TN/SAN RAMON, CA - February 18, 2004 - Internet Pictures Corporation (NASDAQ: IPIX), a leader in mission-critical imaging solutions, today announced financial results for the quarter and year ended December 31, 2003. IPIX(R) reported for the quarter ended December 31, 2003 and the comparable year-ago quarter:

- Revenue was \$9.3 million compared to \$5.9 million;
- Net income available for common shareholders was \$96 thousand compared to \$36 thousand;

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- Fully diluted earnings per common share were one cent compared to zero.

Revenues in the quarter ended December 31, 2003 include a one-time \$8.0 million license fee for IPIX Rimfire(R) technology and other services. As announced in June 2003, IPIX and eBay amended their then current commercial agreement (see IPIX's Quarterly Report on Form 10Q for the quarter ended June 30, 2003), which was subsequently extended by eBay to October 31, 2003 for a final \$0.45 million additional fee. IPIX no longer provides any products or services to eBay as of November 1, 2003. Also included in the results of operations for the quarter ended December 31, 2003, were expenses for the following:

- Impairment of goodwill associated with the Rimfire technology (\$3.0 million; non-cash);
- Professional fees associated with the eBay license fee (\$0.7 million); and
- The recognition of cumulative currency translations from dissolved foreign subsidiaries (\$0.5 million; non-cash).

"At December 31, 2003, the Company had \$12.3 million in cash, restricted and unrestricted investments and long term restricted cash and \$11.5 million in shareholders' equity," said Don Strickland, IPIX president and CEO. "We enter 2004 focused on launching our new platform for our 360-degree panoramic photography and movies business; investing in our government and commercial video security business; and identifying new customers for and growing our non-eBay self service on-line and off-line advertising business."

For the year ended December 31, 2003, revenue was \$28.8 million compared to \$22.4 million for the year ended December 31, 2002. Net loss available to common shareholders for the year ended December 31, 2003 was \$0.4 million compared to \$2.9 million in 2002. For the year ended December 31, 2003, fully diluted loss per common share was \$0.05, compared to \$0.43 in 2002.

About IPIX

Internet Pictures Corporation is a leader in mission-critical imaging solutions for three core markets: 360-degree panoramic photography and movies; government

and commercial video security; and self service on-line and off-line advertising. IPIX's extensive intellectual property covers patents for immersive imaging, video and surveillance applications. IPIX is headquartered in Oak Ridge, Tennessee, with co-headquarters in San Ramon, California. www.ipix.com

#

IPIX and Rimfire are trademarks and service marks of Internet Pictures Corporation.

This press release may contain forward-looking information within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, and is subject to the safe harbors under those sections. In some cases, you can identify forward-looking statements by terminology such as "expect," "believe," "may," "will," "plans" and "anticipate," or the negative of such terms or comparable terminology. Forward-looking statements appearing herein include statements concerning operating and profitability plans and goals and restructuring efforts, and are based on current expectations.

Actual results may differ materially from those projected in the forward-looking

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statements based upon a number of factors including:

- (i) our loss of existing, or an inability to attract new customers,
- (ii) changes in the demand for our products and services,
- (iii) our rate of revenue growth,
- (iv) our ability to control or affect reductions in costs,
- (v) our ability to design, manufacture and deliver high quality products in a timely fashion,
- (vi) uncertainty regarding our ability to continue as a going concern,
- (vii) our third-party supplier's ability to deliver high quality components to us in a timely fashion,
- (viii) technological changes,
- (ix) general economic, financial or market changes or developments and
- (x) the conversion of our Series B Preferred Stock into common stock.

The matters discussed in this press release also involve risks and uncertainties described from time to time in documents filed with the Securities and Exchange Commission, including but not limited to Form 10-Ks, Form 10-K/As, Form 10-Qs and Form 8-Ks (www.sec.gov).

INTERNET PICTURES CORPORATION CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended December 31,	
	2002	2003
	(unaudited)	
	(restated)	
(In thousands, except per share data)		
Revenue:		
Transaction services.....	\$ 4,623	\$ 8,774
Immersive still solutions.....	1,240	463
Immersive video solutions.....	--	36
	5,863	9,273
Cost of revenue:		
Transaction services.....	1,590	1,114
Immersive still solutions.....	529	377
Immersive video solutions.....	--	17
	2,119	1,508
Gross profit.....	3,744	7,765

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Operating expenses:		
Sales and marketing.....	1,532	1,901
Research and development.....	1,176	927
General and administrative.....	515	788
Impairment of goodwill	--	3,042
Restructuring	--	89
	-----	-----
Total operating expenses.....	3,223	6,747
	-----	-----
Income (loss) from operations.....	521	1,018
Patent infringement award	--	--
Loss on foreign currency	--	(491)
Interest income (expense) and other.....	(35)	2
	-----	-----
Net income (loss).....	486	529
Preferred stock dividends (restated for 2002).....	(450)	(433)
	-----	-----
Net income (loss) available to common stockholders (restated for 2002)	\$ 36	\$ 96
	=====	=====
Income (loss) per common share, basic and diluted (restated for 2002).	\$ 0.00	\$ 0.01
Weighted average common shares, basic and diluted.....	17,075	8,014

INTERNET PICTURES CORPORATION
CONSOLIDATED BALANCE SHEETS

December 31,
2002

(1)

(In thousands, except share and per share data)

ASSETS

CURRENT ASSETS:

Cash and cash equivalents.....	\$3,020
Restricted cash and short term investments.....	2,972
Short term investments.....	--
Accounts receivable, net of allowance for doubtful accounts of \$208 in 2002 and \$0 in 2003.....	3,535
Inventory, net of reserve for obsolescence of \$160 in 2002 and \$148 in 2003.....	181
Prepaid expenses and other current assets.....	984

Total current assets.....	10,692
Computer hardware, software and other, net.....	4,631
Restricted cash and other long term assets.....	70
Goodwill.....	3,042

Total assets.....	\$18,435

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LIABILITIES AND STOCKHOLDERS' EQUITY		=====
CURRENT LIABILITIES:		
Accounts payable.....		\$360
Accrued liabilities.....		5,426
Deferred revenue.....		85
Current portion of obligations under capital leases.....		2,403

Total current liabilities.....		8,274
Obligations under capital leases, net of current portion.....		1,459
Other long term liabilities.....		310

Total liabilities.....		10,043

STOCKHOLDERS' EQUITY:		
Preferred Stock, \$0.001 par value:		1
Authorized: 5,001,100 shares in 2002 and 2003		
Issued and outstanding: 1,115,080 in 2002 and 1,003,830 in 2003		
(Aggregate liquidation value: \$24,560 in 2002 and \$23,716 in 2003)		
Common stock, \$0.001 par value:		7
Authorized: 50,000,000 in 2002 and 2003		
Issued and outstanding: 6,795,007 in 2002 and 8,678,730 in 2003		
Class B common stock, \$0.0001 par value:		--
Authorized: 7,421,536 shares in 2002 and 2003		
Issued and outstanding: 17,948 shares in 2002 and 14,000 shares in 2003		
Additional paid-in capital.....		513,995
Accumulated deficit.....		(505,117)
Accumulated other comprehensive loss.....		(494)

Total stockholders' equity.....		8,392

Total liabilities and stockholders' equity.....		\$18,435
		=====

(1) The December 31, 2002 balances were derived from the audited financial statements.