

NEOMEDIA TECHNOLOGIES INC  
Form 10-Q  
August 14, 2008

---

---

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10 - Q

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

**For the Quarterly Period Ended June 30, 2008**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**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.)

**Two Concourse Parkway, Suite 500, Atlanta, GA 30328**  
(Address, including zip code, of principal executive offices)

**678-638-0460**  
(Registrants' telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the preceding 12 months, 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, a non-accelerated filer, or a smaller reporting company. 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  Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The number of outstanding shares of the registrant's Common Stock on August 13, 2008 was 1,235,224,960.



**NeoMedia Technologies, Inc.**  
**Form 10-Q**  
**For the Quarterly Period Ended June 30, 2008**  
**Index**

	Page
<b>PART I Financial Information</b>	<b>2</b>
ITEM 1. Financial Statements	2
ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	21
ITEM 3. Quantitative and Qualitative Disclosures About Market Risk	24
ITEM 4T. Controls and Procedures	25
<b>PART II Other Information</b>	<b>25</b>
ITEM 1. Legal Proceedings	25
ITEM 1A. Risk Factors	25
ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds	25
ITEM 3. Default upon Senior Securities	25
ITEM 4. Submission of Matters to a Vote of Security Holders	26
ITEM 5. Other Information	26
ITEM 6. Exhibits	26
Signatures	27

---

## **FORWARD LOOKING STATEMENTS**

This Form 10-Q contains “forward-looking statements” relating to NeoMedia Technologies, Inc, a Delaware corporation, which represent the Company’s current expectations or beliefs including, but not limited to, statements concerning the Company’s operations, performance, financial condition and growth. For this purpose, any statements contained in this Form 10-Q that are not statements of historical fact are forward-looking statements. Without limiting the generality of the foregoing, words such as “may”, “anticipation”, “intend”, “could”, “estimate”, or “continue” or the negative or other comparable terminology are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties, such as credit losses, dependence on management and key personnel, variability of quarterly results, and the ability of the Company to continue its growth strategy and competition, certain of which are beyond the Company’s control. Should one or more of these risks or uncertainties materialize or should the underlying assumptions prove incorrect, actual outcomes and results could differ materially from those indicated in the forward-looking statements.

Any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for management to predict all of such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

**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, 2008 (unaudited)	December 31, 2007
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 75	\$ 1,415
Trade accounts receivable, net of allowance for doubtful accounts of \$78 and \$78, respectively	66	58
Other receivable	4	225
Inventories, net of allowance for obsolete & slow-moving inventory of \$87 and \$80, respectively	213	198
Investment in marketable securities	-	8
Prepaid expenses and other current assets	300	188
Assets held for sale	-	159
<b>Total current assets</b>	<b>658</b>	<b>2,251</b>
Property, equipment & leasehold improvements, net	87	85
Goodwill	3,418	3,418
Proprietary software	3,077	3,413
Patents and other intangible assets	2,475	2,608
Cash surrender value of life insurance policy	747	747
Other long term assets	631	1,002
<b>Total assets</b>	<b>\$ 11,093</b>	<b>\$ 13,524</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>		
Current liabilities		
Accounts payable	\$ 114	\$ 322
Accrued expenses	6,732	6,015
Deferred revenues and customer prepayments	583	669
Notes payable	15	44
Accrued purchase price guarantee	4,614	4,549
Deferred tax liability	706	706
Derivative financial instruments	25,659	24,651
Debentures payable	7,500	7,500
Debentures payable at fair value	23,331	23,199
Series C Convertible Preferred stock, \$0.01 par value, 25,000,000 shares authorized, 22,000 shares issued, 19,674 shares outstanding	19,674	20,097
<b>Total liabilities</b>	<b>88,928</b>	<b>87,752</b>
Commitments and contingencies (note 10)		
Shareholders' deficit	11,452	10,221

Common stock, \$0.01 par value, 5,000,000,000 shares authorized, 1,128,376,229 and 1,025,295,693 shares issued and 1,145,224,960 and 1,022,144,424 shares outstanding, respectively			
Additional paid in capital		118,765	118,427
Accumulated deficit		(207,168)	(201,565)
Accumulated other comprehensive loss		(105)	(532)
Treasury stock, at cost, 201,230 shares		(779)	(779)
Total shareholders' deficit		(77,835)	(74,228)
<b>Total liabilities and shareholders' deficit</b>	<b>\$</b>	<b>11,093</b>	<b>\$ 13,524</b>

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

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

	For the six months ended	
	June 30, 2008	June 30, 2007
Revenues	\$ 471	\$ 1,023
Cost of sales	605	687
Gross Profit (Loss)	(134)	336
Sales and marketing	1,283	1,402
General and administrative	2,573	3,764
Research and development		