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

Form 10-K

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

For the Fiscal Year Ended December 31, 2008

Commission File Number 0-21743

NeoMedia Technologies, Inc.
(Exact name of registrant 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)

Securities Registered Under Section 12(b) of the Exchange Act:

Common Stock, par value $.01 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes o   No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.   Yes o   No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.
Yes x   No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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 the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer o Accelerated filer o Non-accelerated filer o Smaller Reporting Company x

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

Aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2008 based upon the closing price was approximately $3.4 million.

The number of outstanding shares of the registrant’s Common Stock on April 1, 2009 was 1,696,581,883.

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PART I

ITEM 1. Business

In this Annual Report on Form 10-K, unless otherwise indicated, the words "we," "us," and "our" refer to NeoMedia Technologies, Inc. and all entities owned or controlled by NeoMedia Technologies, Inc. All references to "NeoMedia" or the "Company" in this Annual Report mean NeoMedia Technologies, Inc., a Delaware corporation, and all entities owned or controlled by NeoMedia Technologies, Inc., except where it is made clear that the term only means the parent company.

Statements contained in this Annual Report that are not purely historical are forward-looking statements and are being provided in reliance upon the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," or similar expressions identify forward-looking statements. These forward-looking statements include but are not limited to statements regarding NeoMedia's expectations of our future liquidity needs, our expectations regarding our future operating results including our planned increase in our revenue levels and the actions we expect to take in order to maintain our existing customers and expand our operations and customer base. All forward-looking statements are made as of the date hereof and are based on current management expectations and information available to us as of such date. We assume no obligation to update any forward-looking statement. It is important to note that actual results could differ materially from historical results or those contemplated in the forward-looking statements. Forward-looking statements involve a number of risks and uncertainties, and include risks associated with our target markets and risks pertaining to competition, other trend information and our ability to successfully enhance our operations. Factors that could cause actual results to differ materially include, but are not limited to, those identified in "Item 1A-Risk Factors" and in our other filings with the U.S. Securities and Exchange Commission. All tabular amounts are stated in thousands except shares and per share data. All amounts, herein, are stated in U.S. Dollars unless otherwise noted.

Overview

NeoMedia is harnessing the power of the mobile phone in a new and powerful way by leveraging barcodes (printed symbols) as a seamless mechanism to link mobile phone users to the power of the mobile internet.

With our state-of-the art barcode reading technology, NeoMedia transforms mobile phones with cameras into barcode scanners which provide instant access to mobile web content whenever a barcode is scanned. A barcode makes any medium immediately interactive – the code links an individual to the multimedia capability of the mobile Web, anytime, anywhere. Combining this technology with advanced analytics and reporting capabilities revolutionizes the way advertisers market to mobile consumers.

NeoMedia provides the infrastructure to make mobile barcode scanning and its associated commerce easy, universal, and reliable – worldwide. Our barcode ecosystem software tools include, NeoReader, which reads and transmits data from 1D and 2D barcodes to its intended destination. Our Code Management (NeoSphere) and Code Clearinghouse (NeoRouter) platforms create, connect, record, and transmit the transactions embedded in the barcodes, like web-URLs, text messages (SMS), and telephone calls, ubiquitously and reliably.

In order to provide complete mobile marketing solutions, NeoMedia also offers barcode scanning hardware that reads barcodes displayed on mobile phone screens. NeoMedia provides infrastructure solutions to enable mobile ticketing and couponing programs – including scanner hardware and system support software for seamless implementation.

This state-of-the art technology is supported by our impressive array of patents. In addition, NeoMedia has an open standards philosophy designed to make integration and use of the technology easy for handset manufacturers, mobile operators and advertisers; and the user experience safe, reliable and interoperable for consumers.

We are Delaware corporationa and were founded in 1989 and based in Atlanta, Georgia, NeoMedia currently has 30 active patents spanning 13 countries, with 29 additional patents pending.

In 2006, we began divesting our non-core businesses in order to focus our efforts on the area that we believe will deliver the most value, our barcode ecosystem business and the related intellectual property. On April 4, 2007, we sold our 12Snap business unit and on October 30, 2007 we completed the sale of our Telecom Services business. On November 15, 2007, we completed the sale of our Micro Paint Repair business unit, excluding the assets of the Micro Paint Repair-US operations (which operated under the brand name "AutoXperience"). On November 30, 2007, we shut down the operations of AutoXperience. These divestitures have been accounted for as discontinued operations and our consolidated financial information presents the net effect of these discontinued operations for all periods presented separate from the results of our continuing operations. As a consequence of these divestitures, we now evaluate our business as a single unit – our code-reading business and the related intellectual property. These divestitures were integral to our turnaround plan and have allowed us to invest in our principal line of business – our code-reading business and the related intellectual property.

During 2008 and early 2009 we have made significant changes to strengthen our management team. In June 2008, Mr. Iain A. McCready became our Chief Executive Officer and Chairman of our Board of Directors; in September 2008, Mr. Michael W. Zima became our Chief Financial Officer and Secretary; in January 2009, Ms. Laura Marriott became a member of our Board of Directors; and in March 2009 Mr. Dean Wood became our Vice President - Business Development.

As of December 31, 2008 we have two active wholly-owned subsidiaries: NeoMedia Europe, AG, (formerly known as Gavitec, AG and hereinafter referred to as "NeoMedia Europe") incorporated in Germany, and NeoMedia Migration, Inc., incorporated in Delaware. In addition, there are several dormant subsidiaries which are listed in Exhibit 21.1.

Products and Services

We provide a complete suite of software and hardware for processing 1D and 2D barcodes in the mobile environment, and enabling applications in mobile marketing, mobile couponing, mobile ticketing and mobile payment.

Our barcode ecosystem products include; our software products designed to read 1D and 2D barcodes using camera and web enabled wireless communications devices; to create unique barcodes; to create and manage advertising campaigns using barcodes; to act as a gateway managing activity between consumers and advertisers; and to gather and interpret the results of advertising campaigns. These products include:

- NeoReaderTM – a barcode scanning application that transforms mobile camera phones into universal barcode readers. Users simply launch the NeoReader application on their mobile phone, scan the barcode and are linked directly to a specific web page. There they can access real-time product or service information, download content or complete a mobile commerce transaction. Any product, magazine/newspaper, retail display or billboard with a 2D code provides direct access to the multimedia capability of the mobile web…anytime, anywhere. NeoReaderTM features our patented resolution technology with an ultra-small footprint and platform-independent algorithms. This application provides interoperability among 2D codes in the market and operates on a variety of handsets.

- NeoReader Enterprise & Lavasphere Enterprise – software solutions for commercial applications where mobile phones are utilized to manage products through manufacturing or distribution channels. These applications equip mobile devices to read 1D & 2D barcodes with their built-in camera. The mobile phones become universal code readers, allowing users to "track and trace" products and services anytime, anywhere

These solutions are ideal tools for a variety of business applications including data collection, logistics, price comparison, content linking, and accessing information on the go. They provide the ability to capture lifecycle data for products and services in real time and to share relevant data in a secure and selective manner.

- o NeoReader Enterprise: a standard solution utilizing our NeoReader technology to route transactions to a customer's existing mobile web application
- o Lavasphere Enterprise: a customized solution using LavaSphere code reading technologies for functions that are too complex to be handled by a mobile web application

- NeoSphere - a web-based campaign management system that allows users (typically agencies & advertisers) to easily develop, launch & manage a mobile code campaign by delivering three critical components:

  - o Code Creation tools
  - o Campaign Management tools
  - o Reporting & Analytics

NeoSphere offers a customizable feature that uses rules to deliver dynamic content to a single code based on preferences like language, gender, age and location.

- NeoMedia Code Routing Service – is used in conjunction with NeoSphere and includes an intelligent gateway configurable to support global interoperability and a code resolution server designed to retrieve and deliver any form of internet content to mobile phones worldwide. Our Code Resolution Service uniquely provides:

  - o Interoperability with other campaign management systems
  - o Access to all bar code enabled handsets worldwide
  - o Data tracking, collection, and monetization of each mobile transaction

- NeoMedia MSS – MSS is a completely stand-alone system supporting third-party ticketing/couponing systems and databases as well as adding all missing components to existing mobile systems essential for the successful completion and fulfillment of mobile applications. Based on our customers' needs and requirements, we believe that we provide the best solution –

  - o Integrating third-party ticketing and couponing systems
  - o Providing marketing databases and our own coupon system
  - o Encrypting and sending codes to mobile phones
  - o Decrypting and analyzing code contents
  - o Enabling customer's own coupon and ticket configuration
  - o Supplying statistics and information on mobile activities, and
  - o Implementing and delivering customized hard and software solutions

Our hardware products read, interpret and transmit barcodes and barcode information to facilitate related transactions. These products include:

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EXIO II - introduced at the end of 2008, is a multi-application smart scanner for mobile couponing and ticketing applications. The cutting-edge technology of the EXIO II smart scanner allows customers to redeem mobile tickets and coupons making it easy and affordable to use creative new mobile marketing text messaging programs to track and reach customers. EXIO II is the evolution of EXIO® and combines all the advantages of EXIO® with improved reading capabilities and a programmable Linux platform that was developed based on customer feedback we received during our more that 10 years of operation. The EXIO II is the ideal tool for one-to-one marketing applications and highly targeted customer campaigns. With its color LCD touch-screen and video playback capability, the EXIO II can be customized to display targeted content and brand messages. During 2008 and 2007 we offered EXIO®, a complete solution including printer, display, keypad and GSM/GPRS module. EXIO® read and processed 2-D symbologies such as Data Matrix from mobile phone displays as well as printed 1D barcodes. Utilizing a high-speed Digital Signal Processor (DSP) and a high-resolution camera, EXIO® automatically recognizes 2D codes such as Data Matrix, sent as MMS (Multimedia Message Service), EMS (Enhanced Message Service) or Picture Message (Smart Message) to any compatible mobile phone.

- XELIA – introduced at the end of 2008, is a versatile desktop scanner that incorporates Honeywell Adaptus® Imaging Technology 5.0 to enable high-performance reading of 2D codes from mobile phone displays. Equipped with a high-speed Digital Signal Processor (DSP), XELIA automatically recognizes 2D codes sent as text messages (SMS, MMS or EMS) as well as printed 1D barcodes. It processes rapidly and with extreme accuracy. Its compact size and sleek design make XELIA ideal for counter-top use at a point-of-sale or service desk. It can also be used for sweepstakes, mobile advertising (tickets and coupons) and boarding passes. During 2008 and 2007 we offered our model MD-20 – a high-performance OEM code reader providing unparalleled flexibility in scanning 2-D symbologies such as Data Matrix from mobile phone displays as well as printed 1-D barcodes. Because of its compact size, speed and flexibility, MD-20 is the ideal high-performance fixed-position 2-D code reader for a wide range of applications where mobile code reading, mobile couponing, mobile ticketing and mobile marketing are required, thus enabling the phone to be used as the single universal mobile device.

Our legacy software products include:

- MaxiCode Encoder – our MaxiCode Encoder creates symbols in the print stream of choice, ranging from PC to midrange and mainframe platforms. MaxiCode is a 2-D symbology which can encode about 100 characters of data in an area of one square inch. One of MaxiCode's key features is that it can be located and read at high speeds in a large field of view. Because of these unique features, it has been adopted as the standard symbology for high-speed sorting at a number of well known businesses.

- PDF417 – our Portable Date File 417 (PDF417) Encoder creates bar code print streams for desktop, mid-range and mainframe platforms. PDF417 is a high-capacity 2-D barcode capable of storing any binary or textual information. Industry applications for PDF417 include driver's licenses, ID cards, EDI, insurance cards and any other situation in which a large amount of machine-readable data must be printed in a small area.

- WISP – Wang Interchange Source Processor (WISP) is an integrated set of utilities that facilitates the complete migration of Wang VS COBOL applications to the open systems and internet-ready world of UNIX or Windows NT. WISP provides the added flexibility of maintaining source files on the Wang VS system and migrating them to the target system as needed.

Sales, Marketing and Distribution Relationships

We are focusing our current marketing and sales efforts on the Americas and Europe. We believe our products and services can be marketed to potential customers world-wide.

Data Centers

As of December 31, 2008, we do not own any data centers. We have servers located in a data center in Miami, Florida, where our network infrastructure is supported by an outside vendor.

Proprietary Technology

Many of the products we sell to our customers rely on hardware and software technologies provided to us by third parties under license. Certain of our products and services combine these third party technologies with technologies that are proprietary to us. Our proprietary technology may be protected by patent law, copyright law, trade secret law and other forms of intellectual property protection. Our proprietary technology includes technologies that enable us to automate a number of back-end functions and technologies that allow customers to order, change and manage their accounts easily without technical expertise. Some of our proprietary technologies are unique and may not legally be utilized by competitors without a license from us. Although we believe that our suite of proprietary technologies offers customers significant benefits, we do not believe that our proprietary technologies are sufficient to deter competitors from providing competing products and services.

International Revenue

Our international revenues totaled $0.7 million and $1.3 million for the years ended December 31, 2008 and 2007, respectively. International revenues are denominated and paid primarily in Euros and represent revenues from international customers.

Competition

We believe we have positioned ourselves to compete as a global leader in mobile marketing solutions. However, within the mobile marketing industry there are a number of competitors, many of which are just beginning to appear, who offer parts of the mobile marketing equation. In general, due to the relative immaturity of the mobile marketing industry, small players have sprung up offering very specialized products and services.

As the mobile marketing industry matures, we expect consolidation as industry leaders emerge. Moreover, we believe we are well positioned at the onset due to our intellectual property, including many patents, on which our products and services are based. We expect that our intellectual property will serve as a competitive advantage as this market matures.

Intellectual Property

We rely on a combination of laws (including patent, copyright, trademark, service mark and trade secret laws) and contractual restrictions to establish and protect proprietary rights in our services. As of December 31, 2008, we have 30 active patents spanning 13 countries, with 29 additional patents pending. Our patents cover core concepts behind our techniques for linking the physical world to the electronic world. These patents cover various linkage methods including barcodes, RF/ID, Mag Stripe, Voice and other machine readable and keyed entry identifiers.

On February 17, 2009 we received a notice from the United States Patent and Trademark Office that a reexamination certificate would be issued for our United States Patent No. 6,199,048 (“the ‘048 Patent”). The ‘048 Patent was under reexamination at the request of third party Electronic Frontier Foundation, and the Patent Office had subsequently ruled that the inventions as described in the claims amended during the reexamination are patentable over the prior art.

We have licensed our patents to, or settled patent-related lawsuits with Digital Convergence, A.T. Cross Company, Symbol Technologies, Brandkey Systems Corporation, Virgin Entertainment Group, and AirClic, Inc. We are in discussions with other companies with regard to the licensing of our patents. However, there can be no guarantee that any of these discussions will result in future revenues.

We have ongoing relationships with several law firms specializing in intellectual property licensing and litigation. These firms assist us in seeking out potential licensees of our intellectual property portfolio, including any resulting litigation.

We have entered into confidentiality and other agreements with our employees and contractors, including agreements in which the employees and contractors assign their rights in inventions to us. We have also entered into nondisclosure agreements with our suppliers, distributors and some customers in order to limit access to and disclosure of our proprietary information. Nonetheless, neither the intellectual property laws nor contractual arrangements, nor any of the other steps we have taken to protect our intellectual property can ensure that others will not use our technology, or that others will not develop similar technologies.

We license, or lease from others, many technologies used in our services. We expect that we and our customers could be subject to third-party infringement claims as the number of competitors grows. Although we do not believe that our technologies or services infringe the proprietary rights of any third parties, we cannot ensure that third parties will not assert claims against us in the future or that these claims will not be successful.

Periodically, we may be made aware that technology we have used in our operations may have infringed intellectual property rights held by others. We will evaluate all such claims and, if necessary and appropriate, seek to obtain licenses for the use of such technology. If we or our suppliers are unable to obtain licenses necessary to use intellectual property in our operations, we may be legally liable to the owner of such intellectual property. Moreover, even in those instances where we are justified in denying claims that we have infringed on the intellectual property rights of others, we may nonetheless be forced to defend or settle legal actions taken against us relating to allegedly protected technology, and such legal actions may require us to expend substantial funds. See "Item 1A Risk Factors – We may be unable to protect our intellectual property rights and may be liable for infringing the intellectual property rights of others."

Government Regulation

Existing or future legislation could limit the growth or use of the internet, which would curtail our revenue growth. Statutes and regulations directly applicable to internet communications, commerce and advertising are becoming more prevalent. Congress has passed laws regarding children's online privacy, copyrights and taxation. The law remains largely unsettled even in areas where there has been legislative action. It may take years to determine whether and how existing laws governing intellectual property, privacy, libel and taxation apply to the internet, e-commerce, m-commerce and online advertising. In addition, the growth and development of e-commerce may prompt calls for more stringent consumer protection laws, both in the United States and abroad.

Certain of our proprietary technology allow for the storage of demographic data from our users. In 2000, the European Union adopted a directive addressing data privacy that may limit the collection and use of certain information regarding internet users. This directive may limit our ability to collect and use information collected by our technology in certain European countries. In addition, the Federal Trade Commission and several state governments have investigated the use by certain internet companies of personal information. We could incur significant additional expenses if new regulations regarding the use of personal information are introduced or if our privacy practices are investigated.

Employees

As of April 1, 2009, we had 25 employees, including 11 employees managed from our headquarters in Atlanta, Georgia, and 14 employees managed from our offices in Würseln, Germany. None of our employees are represented by a labor union or bound by a collective bargaining agreement. We believe that our employee relations are good.

Environmental Regulations

Some risks of costs and liabilities related to environmental matters were inherent in our discontinued operations, as with many similar businesses, and our operations are subject to certain federal, state, and local environmental regulatory requirements relating to environmental and waste management. In connection with our discontinued operations, we periodically generated and handled limited amounts of materials that were considered hazardous waste under applicable law. We contracted for the off-site disposal of these materials. We believe we have operated in compliance with applicable environmental regulations related to these materials through the date of their disposal and/or sale.

Research and Development

We have incurred $2.0 million and $1.9 million in research and development expenses during the years ended December 31, 2008 and 2007, respectively. None of these expenses were directly borne or reimbursed by our customers.

ITEM 1A. Risk Factors

You should carefully consider the following factors and all other information contained in this Form 10-K before you make any investment decisions with respect to our securities. The risks and uncertainties described below may not be the only risks we face.

Risks Related to Our Business

We have incurred losses since inception and could incur losses in the future, and we have a substantial accumulated deficit and a substantial working capital deficit, which means that we may not be able to continue operations.

We have incurred substantial operating losses since inception, and could continue to incur substantial losses for the foreseeable future. To succeed, we must develop new client and customer relationships and substantially increase our revenue derived from improved products and additional value-added services. We have expended, and to the extent we have available financing, we intend to continue to expend, substantial resources to develop and improve our products, increase our value-added services and to market our products and services. These development and marketing expenses must be incurred well in advance of the recognition of revenue. As a result, we may not be able to achieve or sustain profitability. A number of factors could increase our operating expenses, such as:

- adapting corporate infrastructure and administrative resources to accommodate additional customers and future growth;
- developing products, distribution, marketing, and management for the broadest-possible market;
- broadening customer technical support capabilities;
- developing or acquiring new products and associated technical infrastructure;
- developing additional indirect distribution partners;
- increased costs from third party service providers;
- improving data security features; and
- legal fees and settlements associated with litigation and contingencies.

To the extent that increases in operating expenses are not offset by increases in revenues, operating losses will increase.

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP"), which contemplate our continuation as a going concern. Net loss for the years ended December 31, 2008 and 2007 was $8.0 million and $40.6 million, respectively. Net cash used for operations was $6.7 million and $8.3 million for the years ended December 31, 2008 and 2007, respectively. We also have an accumulated deficit of $211.3 million and a working capital deficit of $68.2 million as of December 31, 2008.

We have a continuing obligation as of December 31, 2008 of $4.6 million relating to a purchase price guarantee associated with our prior acquisition of 12Snap, which we sold on April 4, 2007.

The items discussed above raise substantial doubts about our ability to continue as a going concern.

We do not have any commitments for capital, and we need to raise additional funds in order to continue our operations.

In order to satisfy our obligations that are currently due and that will come due, and maintain our operations in the absence of a material increase in revenues, we will need to raise additional cash from outside sources during 2009. There can be no assurances that such funding sources will be available.

We had cash balances of approximately $1.3 million as of December 31, 2008. On July 29, 2008 we entered into a Securities Purchase Agreement with YA Global Investments, L.P., ("YA Global") which provided for the sale of convertible debentures to YA Global to fund our operations. On April 6, 2009 we amended that agreement and completed the first amended closing under that amended agreement. This first amended closing provided us with $0.5 million of additional funding. As of April 7, 2009 we had cash balances of approximately $0.7 million. The amended agreement also provides YA Global with an option to provide us with up to an additional $0.5 million in additional funding. Should YA Global not choose provide us with capital financing, as they have in the past; or we do not find alternative sources of financing to fund our operations; or if we are unable to generate significant product revenues, we only have sufficient funds to sustain our current operations through April 30, 2009.

We have warrant agreements outstanding which can provide for additional funding depending upon the market value of our common stock. The market value of our stock may not increase to levels where we can force the exercise of enough of our outstanding warrants to generate material operating capital or support the sale of shares underlying such warrants or other funding sources.

If necessary funds are not available, our business and operations would be materially adversely affected and in such event, we would be forced to attempt to reduce costs and adjust our business plan, and could be forced to sell certain assets, including but not limited to, our remaining subsidiaries and curtail or cease our operations.