

Neonode Inc. Third Quarter 2020 Presentation

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Strategy and Business Update



HMI Products

- Sales of standardized sensor modules for contactless touch, touch, and gesture sensing
- Focuses on customers in Elevator and Interactive Kiosk segments



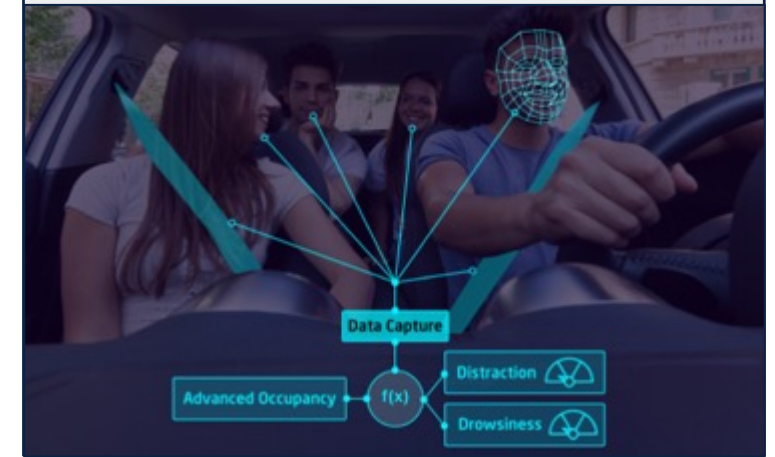
HMI Solutions

- Sales of customized engineering solutions for touch and gesture sensing
- Focuses on customers in Military & Avionics and Industrial segments



Remote Sensing Solutions

- Sales of software solutions for driver and in-cabin monitoring
- Focuses on OEM and Tier 1 customers in Automotive



Our IR-based **zForce®** technology supports:

- **Touch Sensing Applications**
 - Touch on displays
 - Touch on other surfaces
- **Gesture Sensing Applications**
 - Contactless touch
 - Gesture control
 - Proximity sensing

Our software platform **MultiSensing®** supports:

- **Driver and In-Cabin Monitoring Applications**
 - Drowsiness and distraction monitoring
 - Occupancy and situational context monitoring





Business Area – HMI Solutions

Focuses on customized optical touch and gesture control solutions for demanding customers in the Military & Avionics and Industrial segments using our patented IR-based zForce technology.

- IR-based touch and gesture sensing solutions
- **100% bespoke solutions** adapted for each customer's specific needs
- **Scalable** custom solutions to fit any touch area and size
- Develop jointly with the customer focusing on a **consultative, long-term relationship approach**
- Works on any surface, in-air, and with any touch object, nightvision compatible
- Focus areas: **military & avionics** and **industrial**

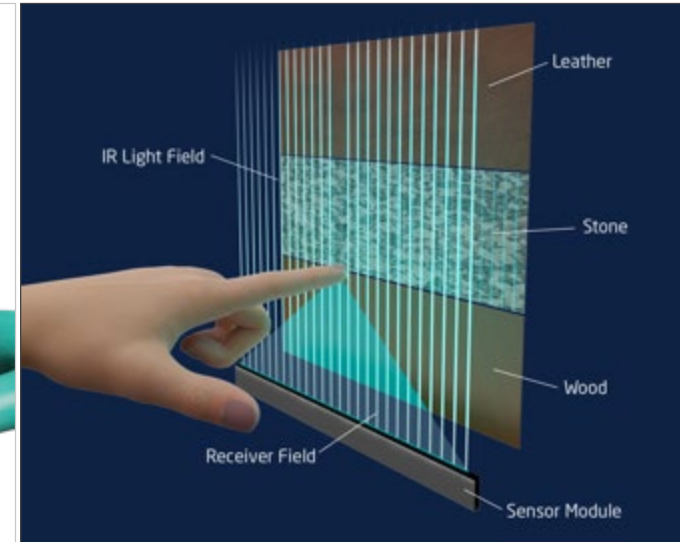
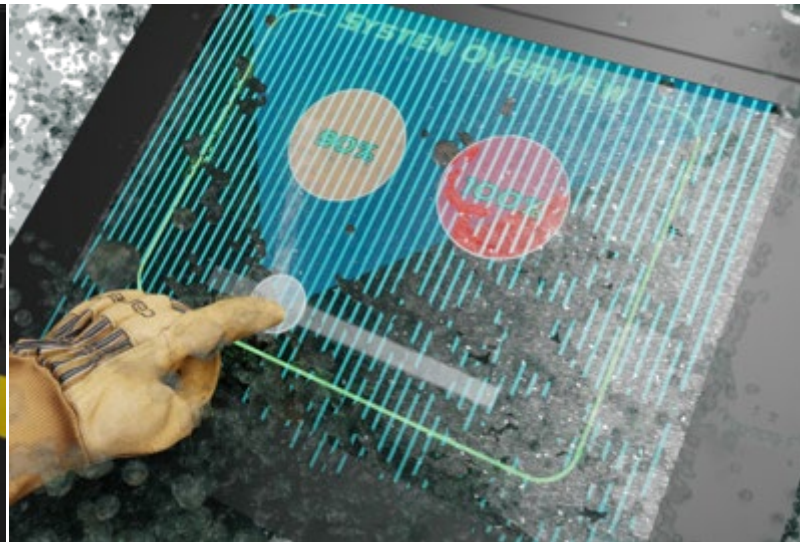
Neonode's Technology at a Glance:

- ✓ Cost-effective touch and gesture control solutions
- ✓ EMI/EMC-ruggedness
- ✓ Robust operation (with gloves, in sunlight etc.)
- ✓ 100% image quality
- ✓ Low latency
- ✓ Freedom of design
- ✓ Flexible integration
- ✓ High quality
- ✓ Low power consumption
- ✓ Low electromagnetic interference

Touch on Displays or Other Surfaces

When conventional touch technologies fall short

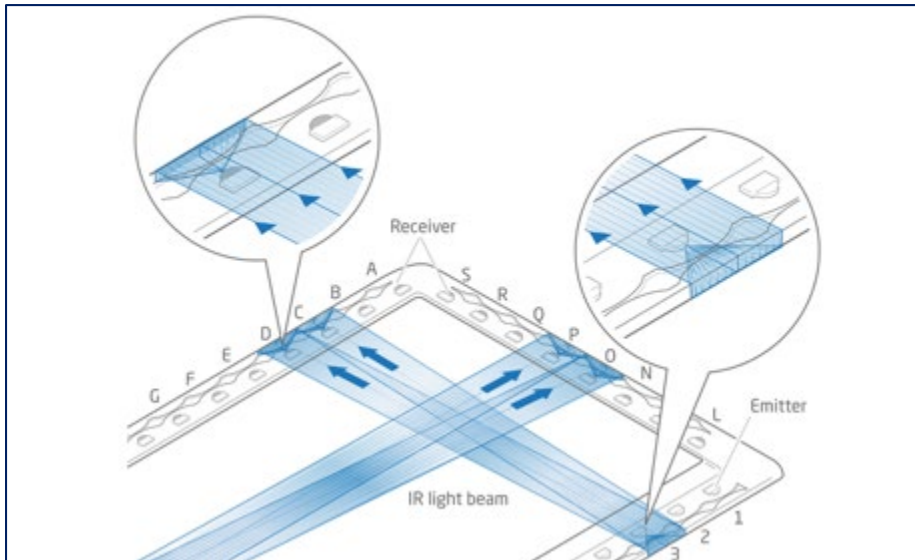
- **Robust operation** – ideal for demanding environments
- **High performance** – low latency and high scanning speed
- **Optimal image quality** – no overlay required



Neonode's IR-based zForce technology comes in two main variants:

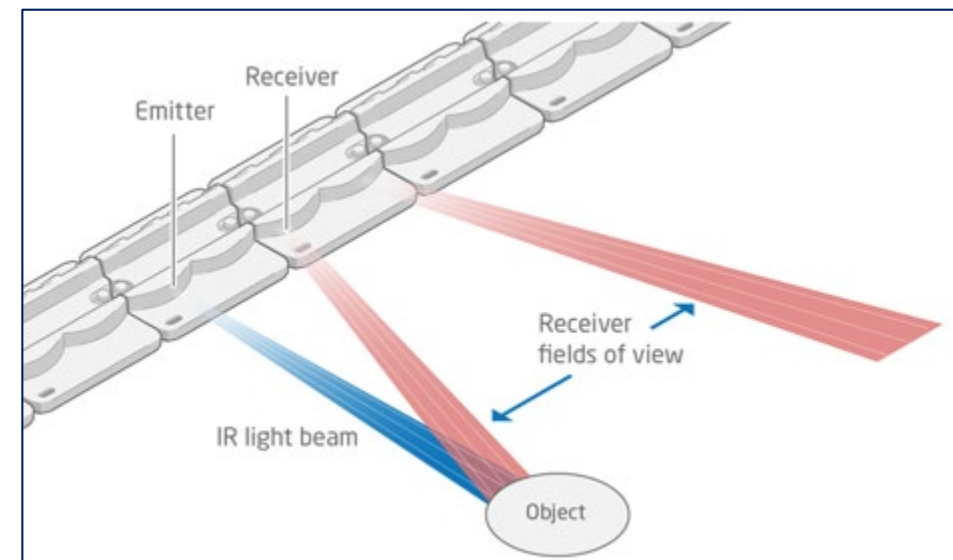
zForce Blocking Technology

- Display solution
- Four-sided sensor arrangement
- Objects positioned by detecting blocked IR light beams



zForce Reflective Technology

- Display, surface or in-air solution.
- One-sided sensor arrangement
- Objects positioned by detecting reflections from the object(s) in a 2D IR light field



TAM: 150K units (\$1.78B),
5.2% CAGR -> 2025*

Military & Avionics

Defense (1/3 of total volume)

Air

Naval

Ground

Civil (2/3 of total volume)

Air

TAM: 3M units (\$5.45BN),
6% CAGR -> 2025*

Industrial

OUTDOOR - Harsh environments
(dust, light, humidity)

INDOOR - Smart building
(access and security) elevators,
interactive kiosks

Misc.

Printing

Automotive

Medical

White goods

Transportation

Marine

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*See sources on page 37

Total Available Market (2020):

- Industrial display market: \$5,45B
- Military & Avionics market: \$1,78B

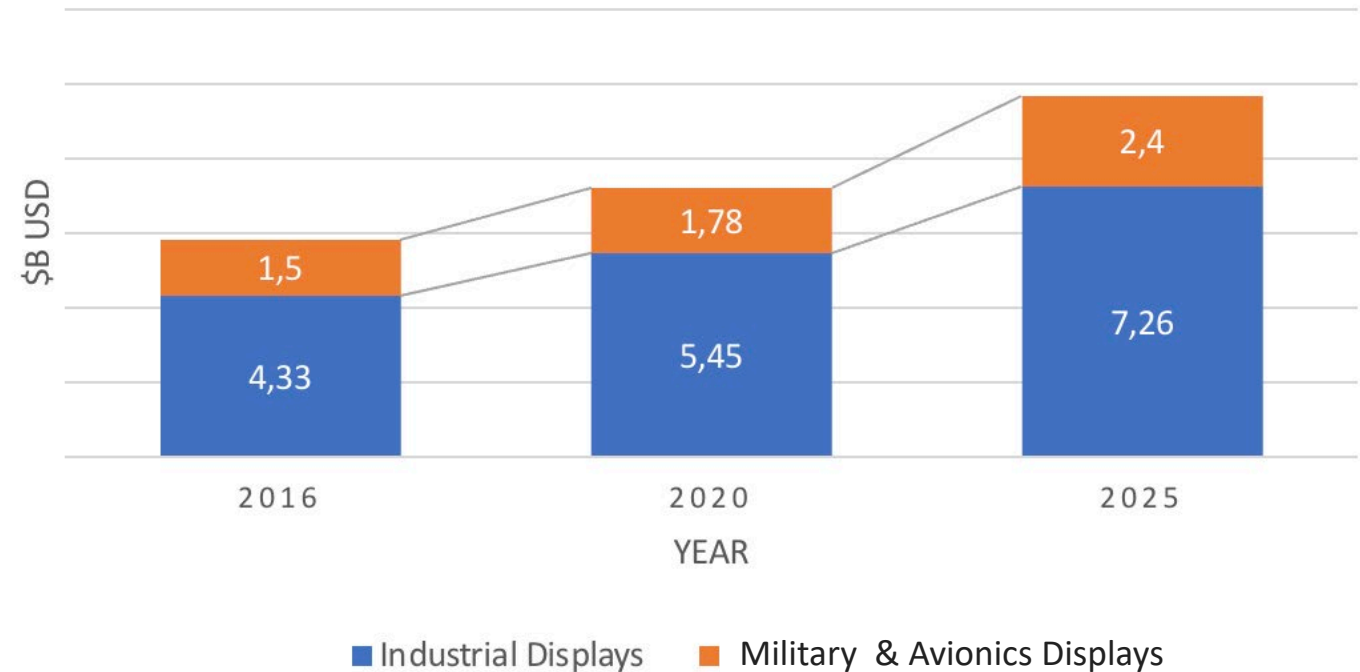
CAGR:

- Industrial market: 5.9%
- Military & Avionics market: 4.3%

Industrial Display Market:

- Manufacturing
 - Mining & Metals
 - Chemical, Oil, and Gas
 - Energy & Power
- Large companies; 85% of this market is in the US

HMI SOLUTIONS TARGET MARKETS



*See sources on page 37



Business Area – HMI Products

Focuses on sales of Neonode's innovative, plug-and-play sensor modules, using our reflective IR-based zForce technology that enable contactless touch, touch, and gesture sensing applications.

- Business area focused on sales of **standardized sensor modules** towards **Interactive Kiosk** and **Elevator** market segments, suitable for touch on display, surfaces and in-air.
- Sensor modules easy to integrate and ideal for both **new designs and retrofit solutions**.
 - Enables high level of **design freedom and superior customer experience**
 - Suitable for applications in a wide range of industries and segments that require **high accuracy**.
- Sales and distribution is managed through a global network of **distributors, value-add partners, sales representatives and to some extent direct sales**.



The sensor modules identify and trace objects by detecting reflected infrared light. The touch active area is determined by the module length.

Neonode's Technology at a Glance:

- ✓ IR-based touch and gesture sensing technology
- ✓ No need for overlays that compromises image quality
- ✓ Works with any input
- ✓ High scanning frequency
- ✓ Enable the use of any material as a touch surface
- ✓ Enable replacement of mechanical switches and controls
- ✓ Allows for contactless operation, i.e. in-air touch and gesture control

Contactless Touch and Gesture Control

The new normal for public interaction

- **High degree of design freedom** – holographic touch or in-air touch with multiple configurations
- **Germ-free** – preventing the spread of germs in public environments
- **Fast and simple integration** – Neonode's touch sensor module available off-the-shelf



Nine different lengths:

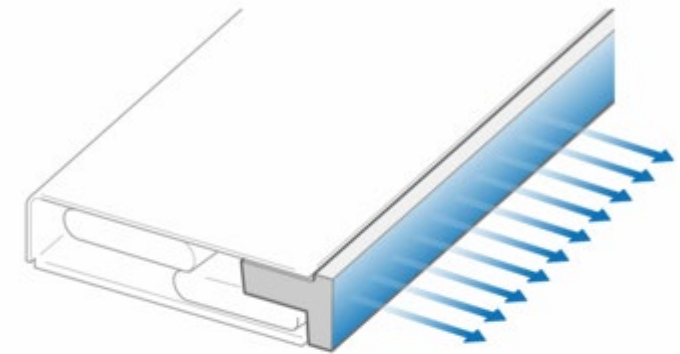
346mm



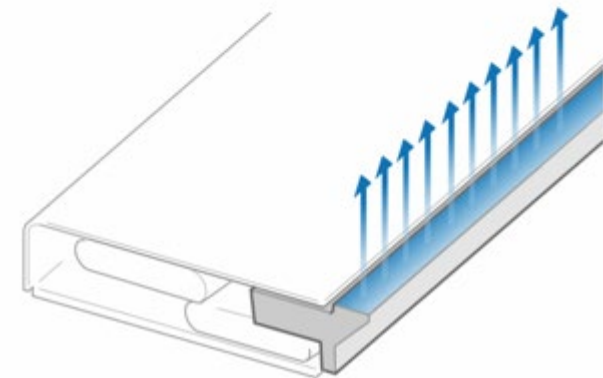
115mm

Two main variants:

0° Type

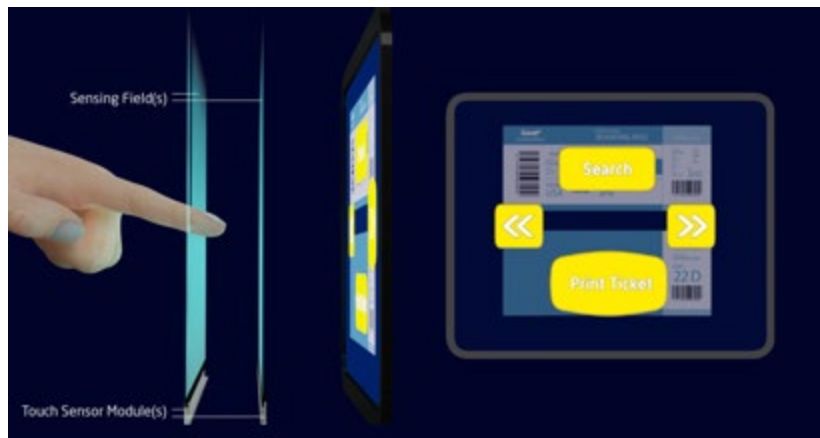
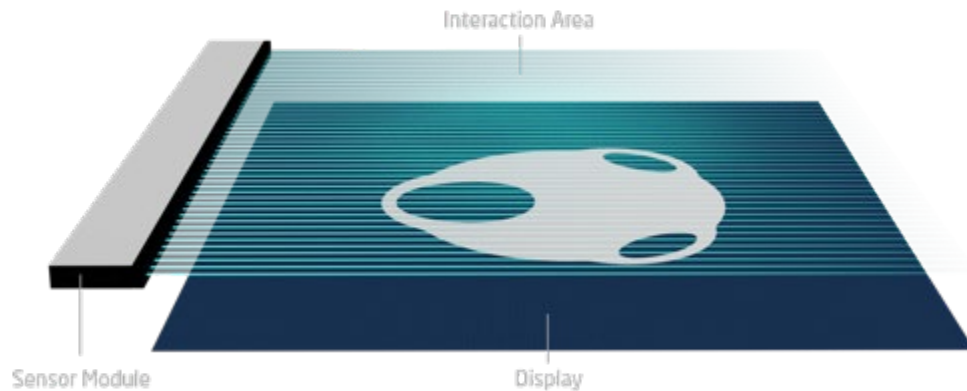


90° Type



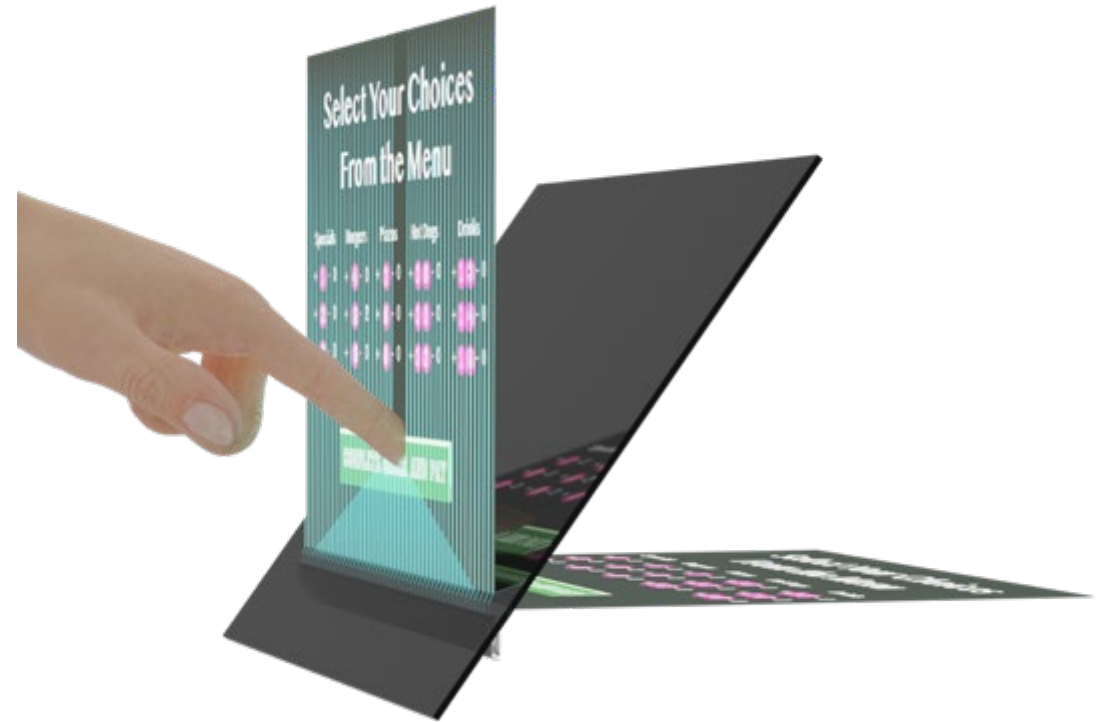
Parallel Plane Configuration:

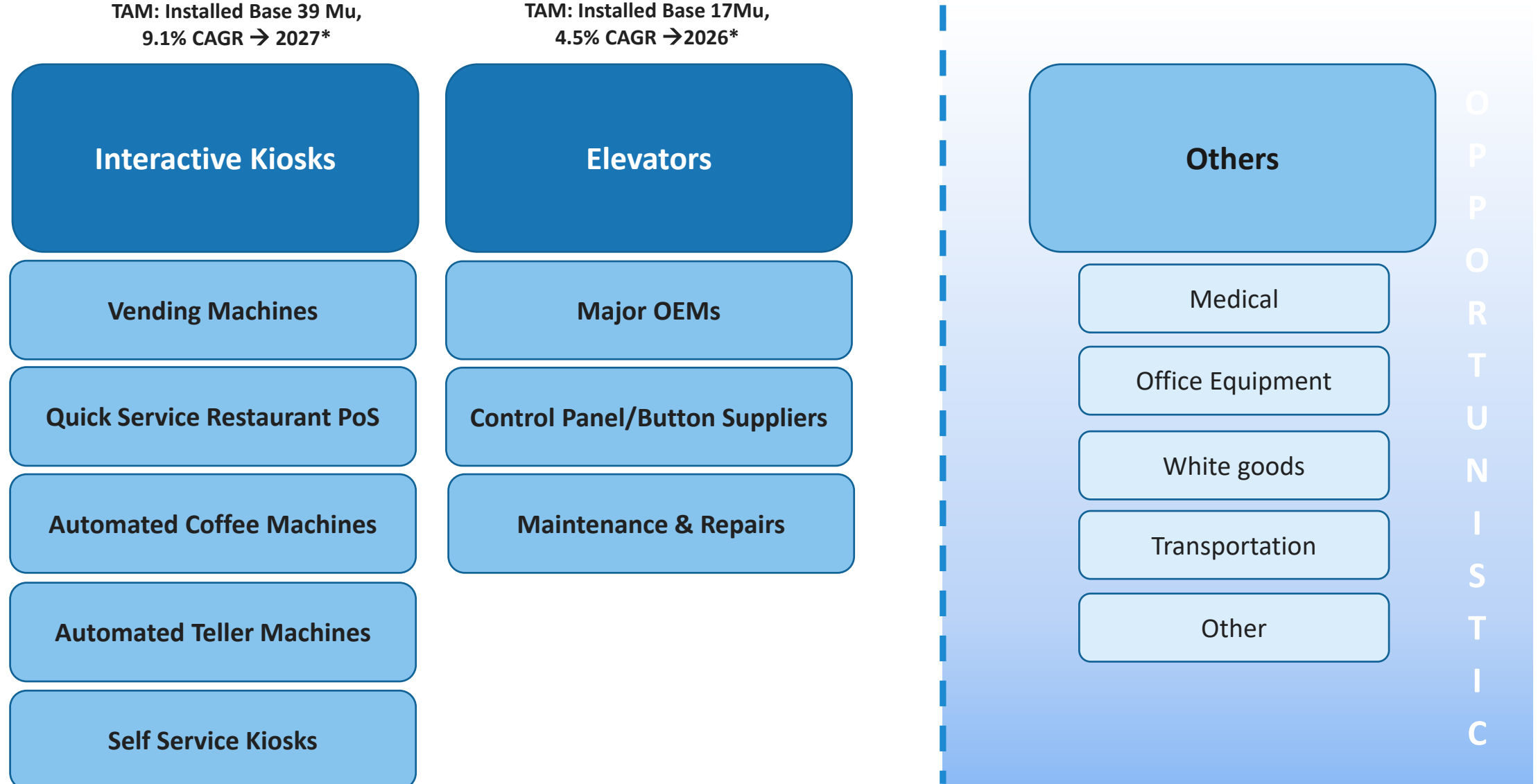
Touch interaction area hovering above (or in front of) the display.



Holographic Configuration:

Touch interaction on an in-air display.





*See sources on page 38

1. Vending Machines

North America is largest market

Asia-Pacific has largest CAGR

Units (2019): 15M

CAGR 11%

2. Automated Coffee Machines

Asia-Pacific & North America are the largest markets. Middle East, Africa, and South America expected to expand rapidly.

Units (2019): 10M

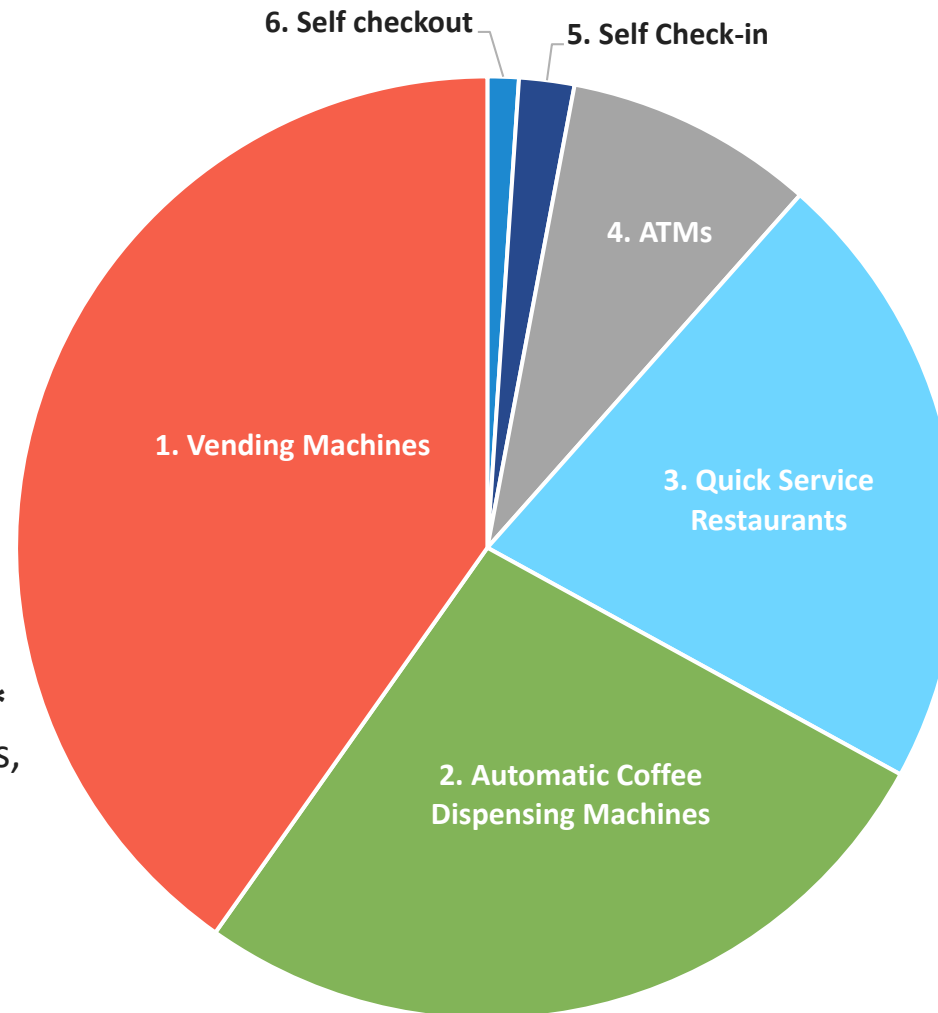
CAGR 4.6%

3. Quick Service Restaurants (PoS)*

North America & Europe largest markets, Asia-Pacific largest CAGR

Units (2019): 10M

CAGR 13%



4. Automated Teller Machines

China, the United States, Japan, Brazil and India: >50% of all units.

All except India are in decline.

Growth in developing markets.

Units (2019): 3.2M

CAGR 0%

5. Self Check-in**

North America and Europe > 50%

Units (2019): 700K

CAGR 12%

6. Self Checkout

Units (2019): 400K

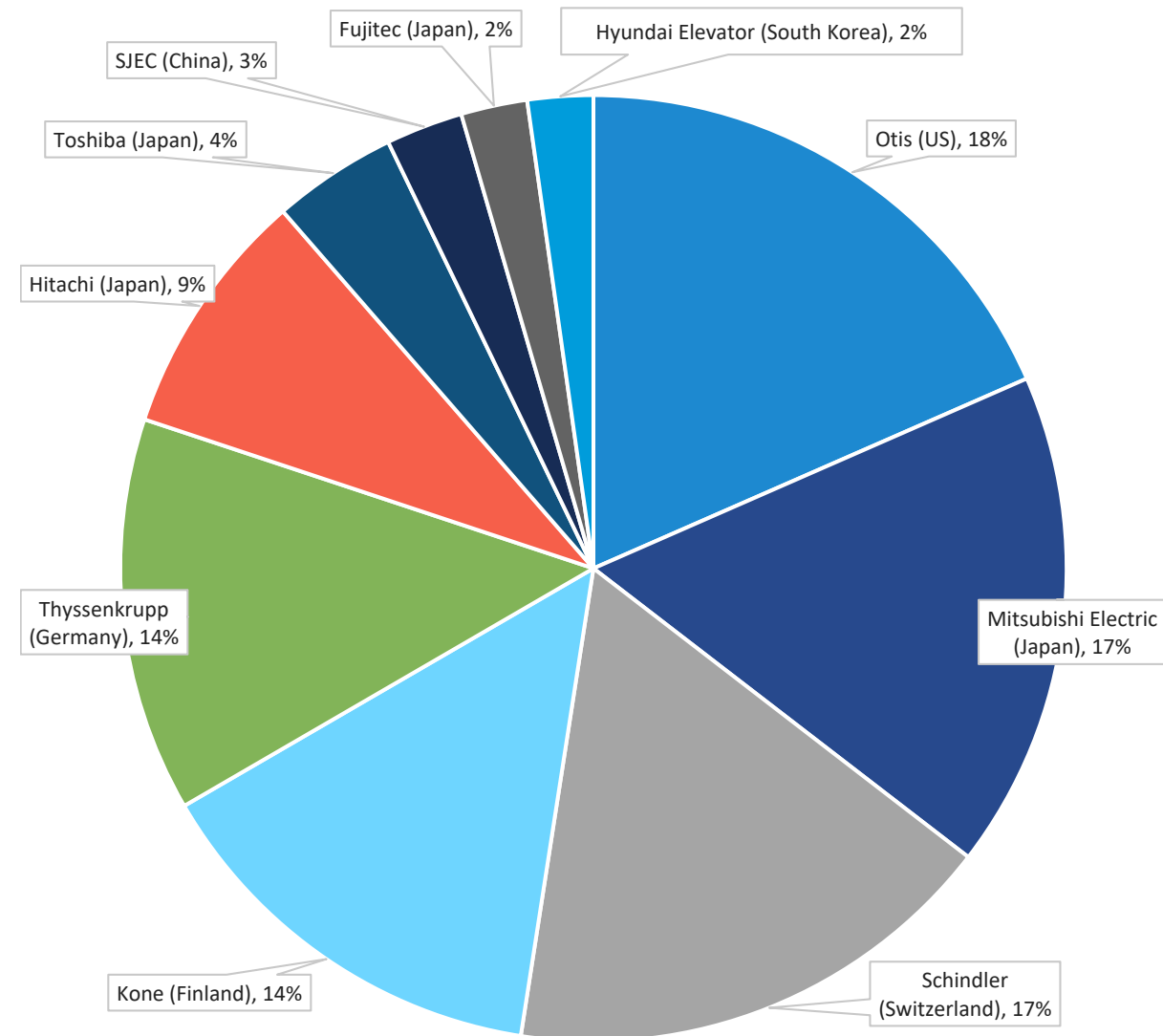
CAGR 14%

* See sources on page 38

** Based on number of commercial airports (17,678), 80% of airports have self check-in kiosks and assume 50 kiosks per airport in average.

- Three distinctive categories of players:
 1. OEMs; limited number of large global corporations based in North America, Europe and East Asia
 2. Control/button panel providers; medium-sized regional players
 3. Maintenance & Repairs; large number of local companies where US stands out engaging just over 19,000 firms in the elevator installation and service category
- The largest 5 players dominate the global market and account for 80% of Top 10 OEM's revenues.
- The maintenance market, however, is much more fragmented with many small third-party players present.

Top 10 OEMs share by Revenue (70B USD)



*See sources on page 38

Distributors



Value-added Resellers



Other Partners



Contactless elevator control panels powered by Neocode Sensor Modules

Finetek



Elevator solutions developed, manufactured and sold by Neocode's Korean partner, Finetek.



Hong Kong Productivity Council



Elevator retrofit solution developed and sold by Neocode's Hong Kong-based partner, HKPC.



Contactless self-check in and self-service bag drop terminals powered by Neonode Sensor Modules

Changi Airport Group



Retrofit solution called happyhover™ developed and implemented by Neonode's Singapore-based partner Arctan Analytics.

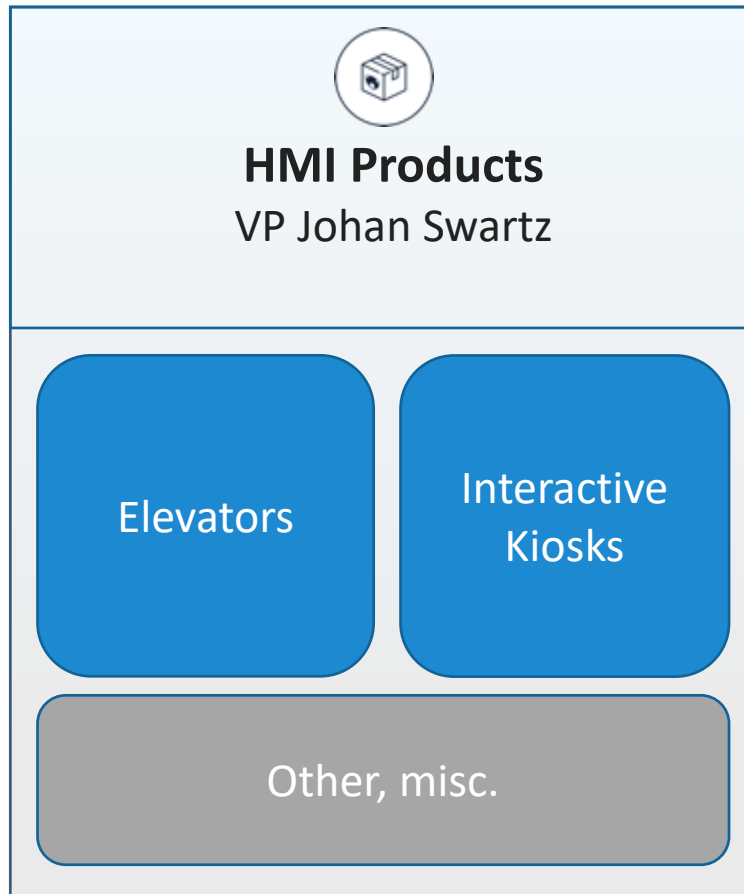


Japan Airlines

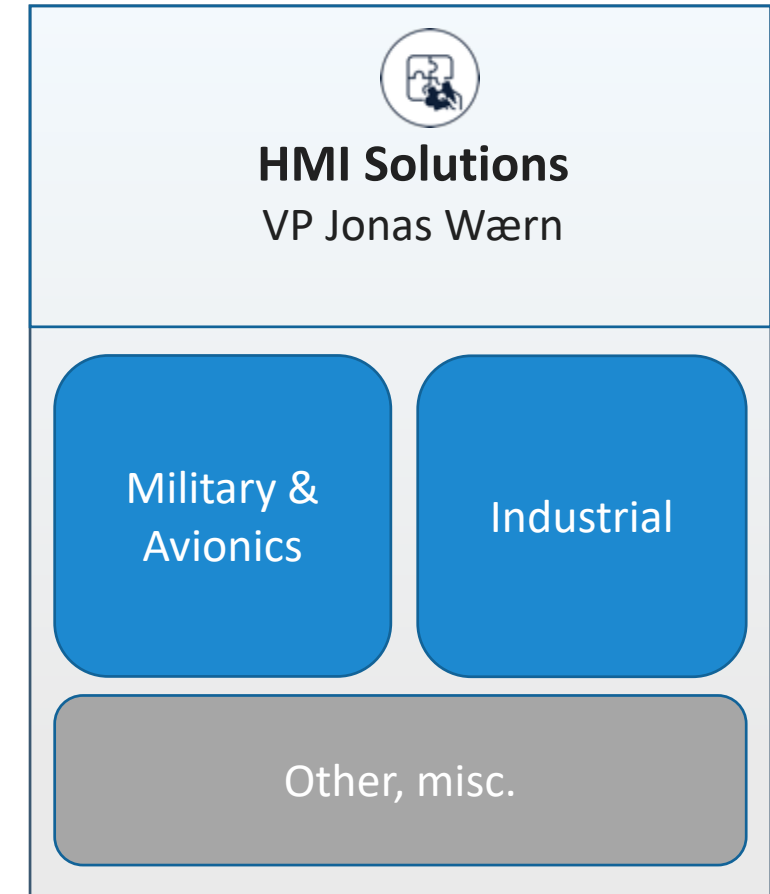
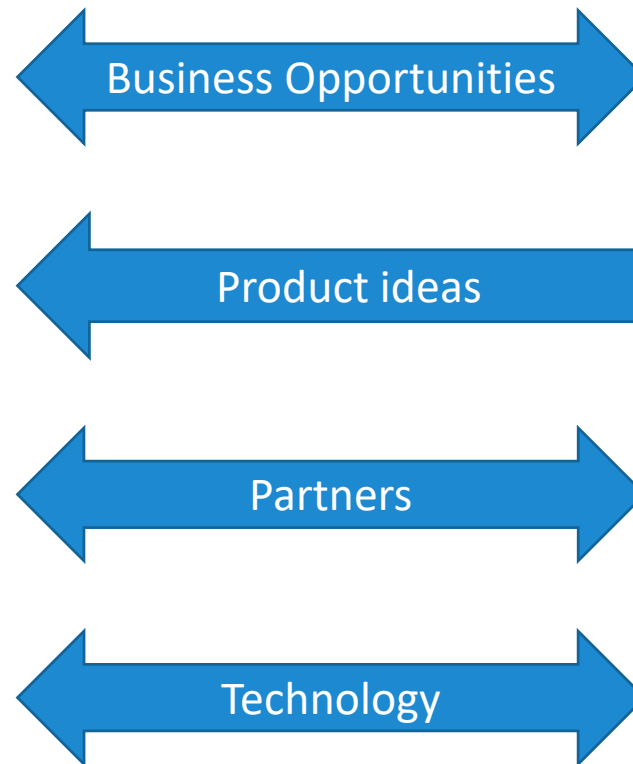


Retrofit solution developed and implemented at Tokyo's Haneda airport by Neonode's Japanese partner Japan Aerospace.





- Sales of standardized products
- Many customers
- Mainly indirect sales
- Small/no development efforts



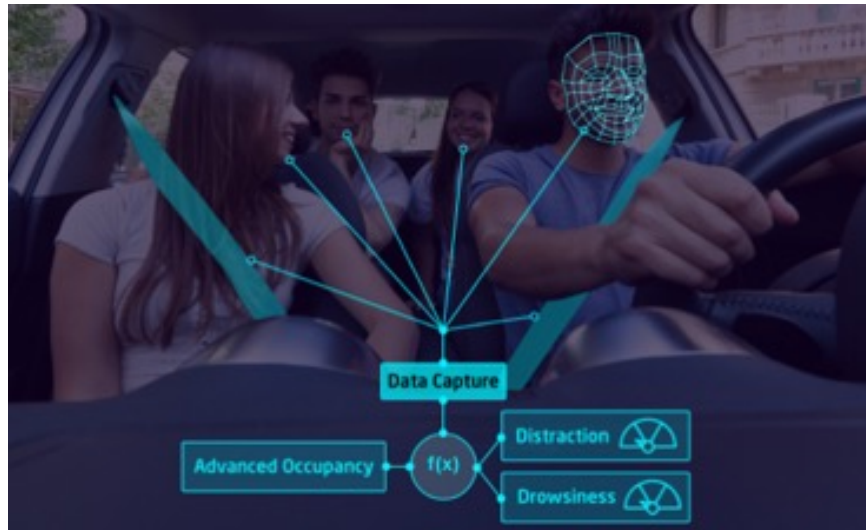
- Technology licensing
- Few customers
- Mainly direct sales
- Large development efforts



Business Area – Remote Sensing Solutions

Focuses on driver and in-cabin monitoring in vehicles. Addressing the need for robust, cost-effective driver and in-cabin monitoring systems that enable OEMs to be compliant with the new EU general safety regulations (GSR) and meet the Euro NCAP guidelines, applicable for all new vehicles from 2024.

- Business area focusing on camera and AI based **driver and in-cabin monitoring**.
- Offers **custom software applications** adapted for each customer's specific needs.

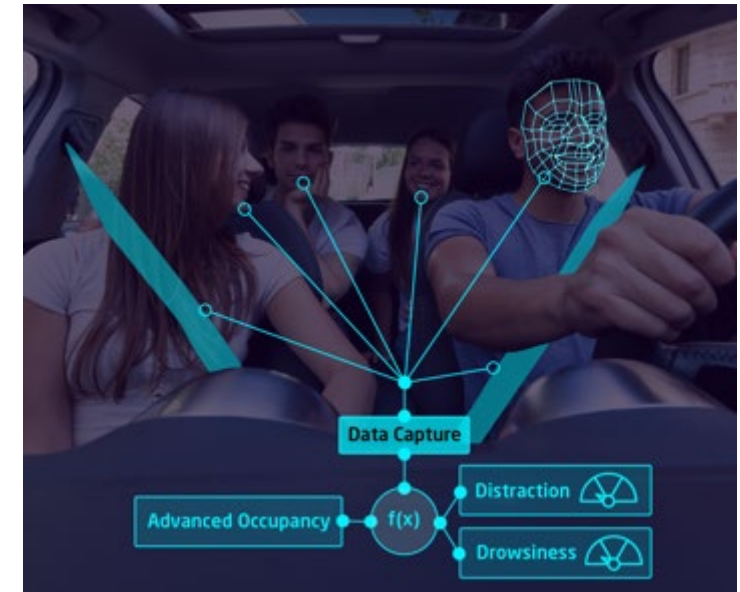


Neonode's Technology at a Glance:

- ✓ Scalable AI software platform for driver and cabin monitoring
- ✓ Monitors the driver and/or the whole interior of the vehicle using camera images and other sensor inputs
- ✓ Hardware-agnostic solution
- ✓ High performance even with low-resolution cameras
- ✓ Very efficient machine learning and decision algorithms with low computational footprint
- ✓ Compatible with EU GSR and Euro NCAP guidelines

Neonode's **MultiSensing** software platform addresses the need for robust, cost-effective driver and in-cabin monitoring systems

- **Scalable** – Fits many different applications and supports different features and performance levels
- **Hardware agnostic** – The software can be integrated and run on different processor units and use different types of input signals
- **Low computational footprint** – Supports low-cost system designs
- **Increases safety** – Compliant with the new EU general safety regulations (GSR) and meets the Euro NCAP guidelines, applicable for all new vehicles from 2024

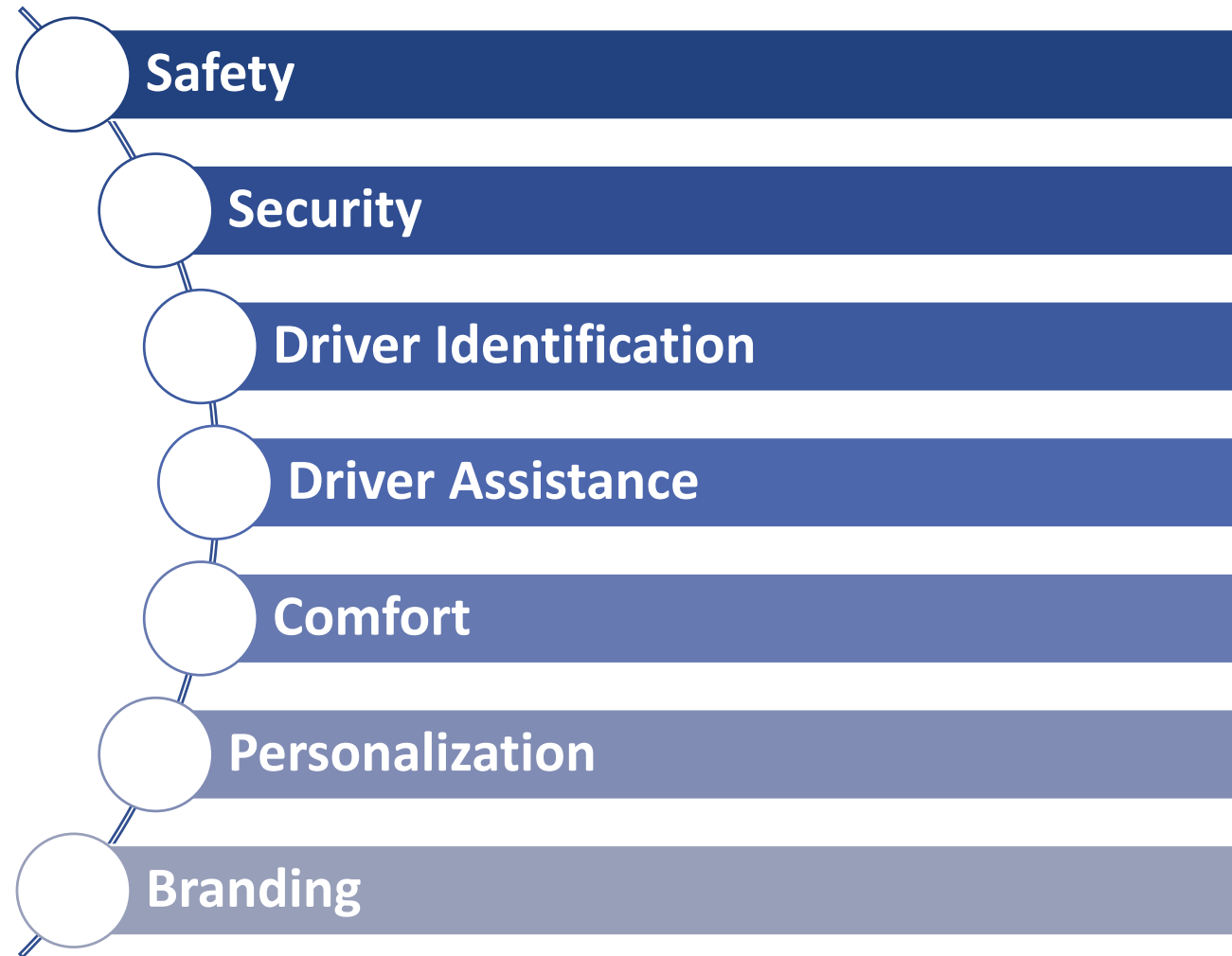


Safety features (examples):

- Driver distraction
- Driver drowsiness
- Hands on steering wheel
- Advanced occupancy monitoring
 - Child left behind
- Seatbelt use and position

Comfort features (examples):

- Autonomous driving
- Automatic seat, seatbelt, mirror adjustment
- Adaptive HUDs
- Advanced interior lightning
- Advanced audio control
- Advanced climate control

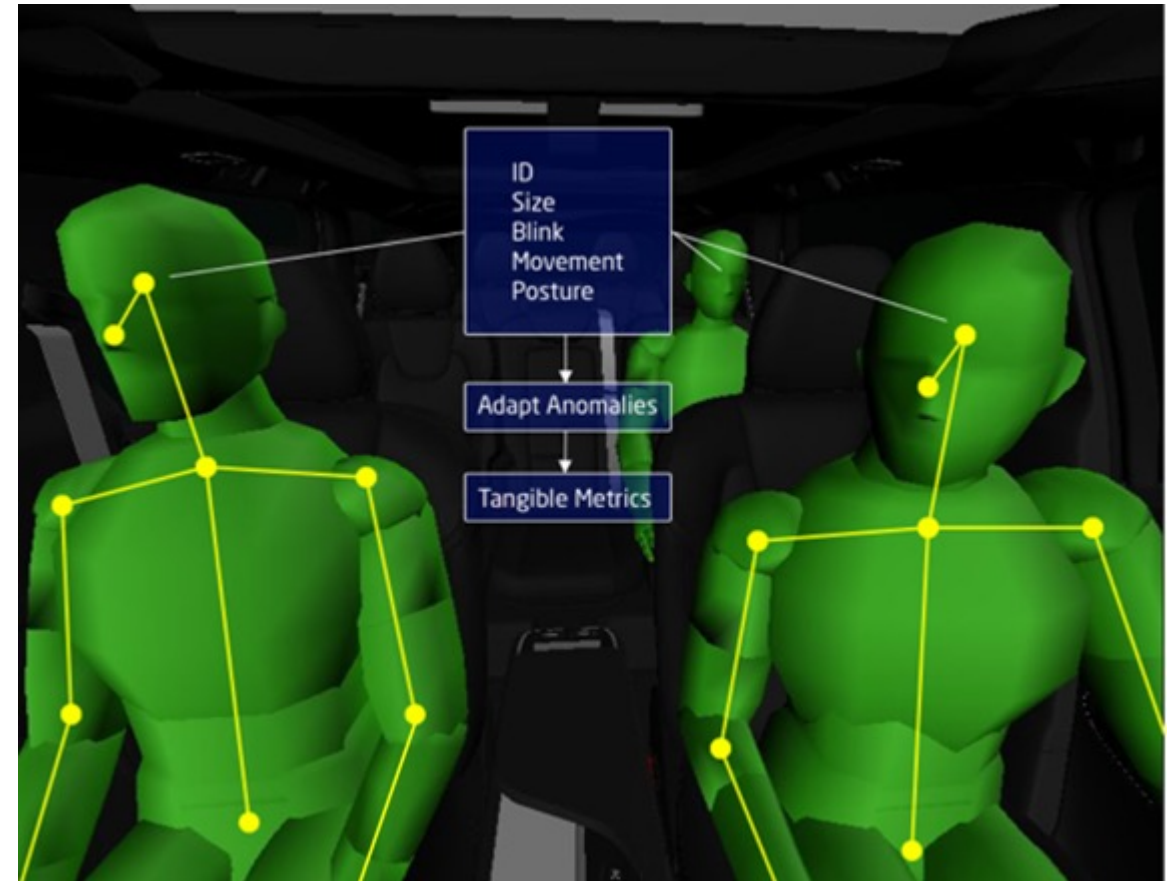


MultiSensing is a proprietary software platform for driver and in-cabin monitoring.

MultiSensing realizes some of Neonode's key proprietary innovations such as:

- Rule-based decision algorithms
- Extremely resource efficient machine learning

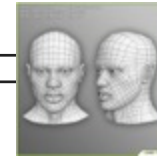
MultiSensing is accompanied by a toolchain that supports the development of new features with very short leadtimes.



Data Recording

Full control over data

- Well balanced
- Mitigation of corner cases is quick and easy
- Special and unlikely scenes can be created
- Recordings only necessary for validation



Data Labeling

Easily changeable parameters

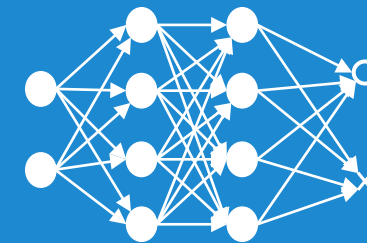
- Camera position, lens parameters, resolution
- Labels/features can be added at any time with little effort
- Full traceability from inference result back to the rendering code

Training

- ✓ **Short Development Cycles**
- ✓ **Excellent change management**
(Inclusively short cycles for changing / adding features)
- ✓ **Better planning and estimation of future development efforts**

Inference

- ✓ **Low computational footprint**
- ✓ **We can optimize for specific features and applications**
- ✓ **No need to have all in one big model**

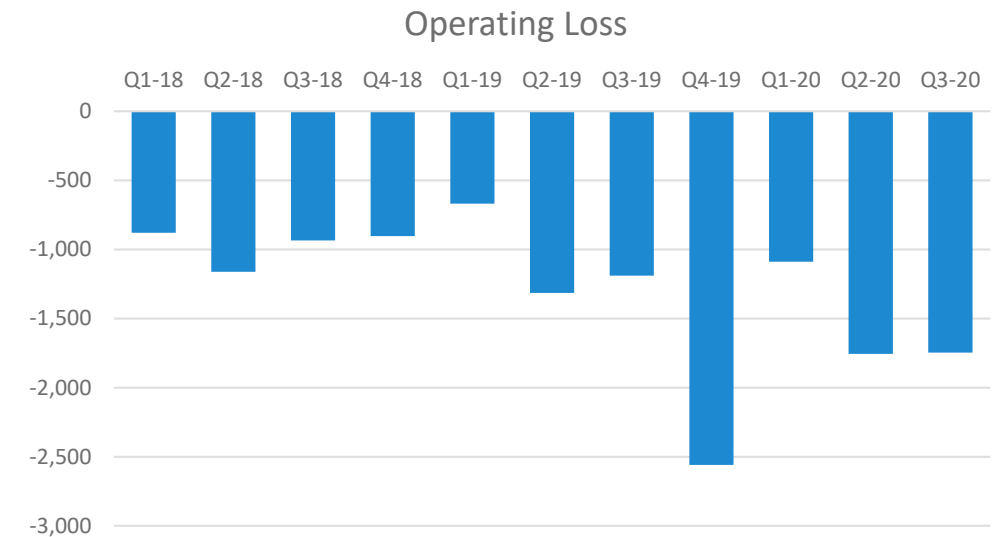
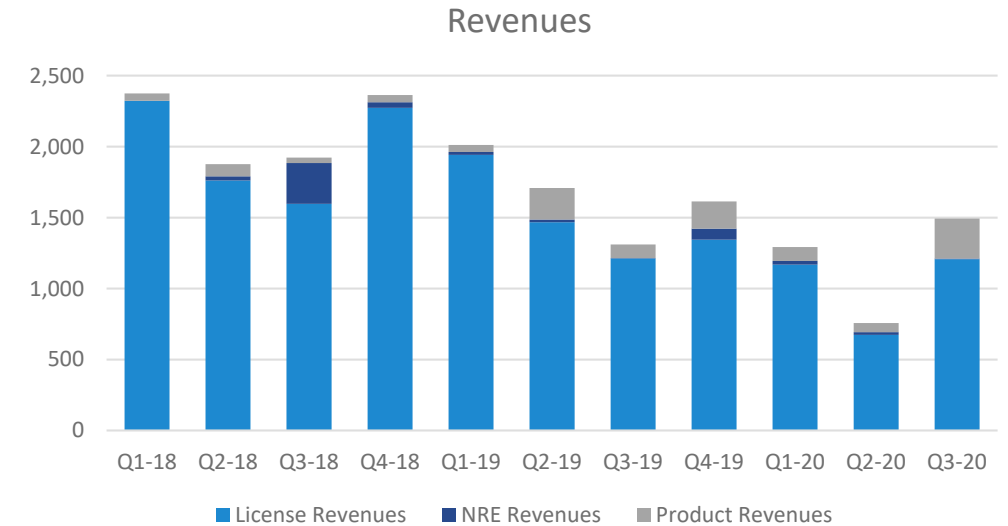


Lean
models



Financial Update Third Quarter 2020

- Revenues of \$1.5M compared to \$1.3M in Q3 2019
 - Increase driven by product sales
- Operating expenses of \$3.0M compared to \$2.4M in Q3 2019
 - Operating expenses includes one-time costs
- Operating loss \$1.7M compared to \$1.2M loss in Q3 2019 (Operating loss flat excluding litigation costs)
 - Revenues up by 14.1% compared to same quarter 2019
 - Operating expenses up by 24.8% compared to same quarter 2019



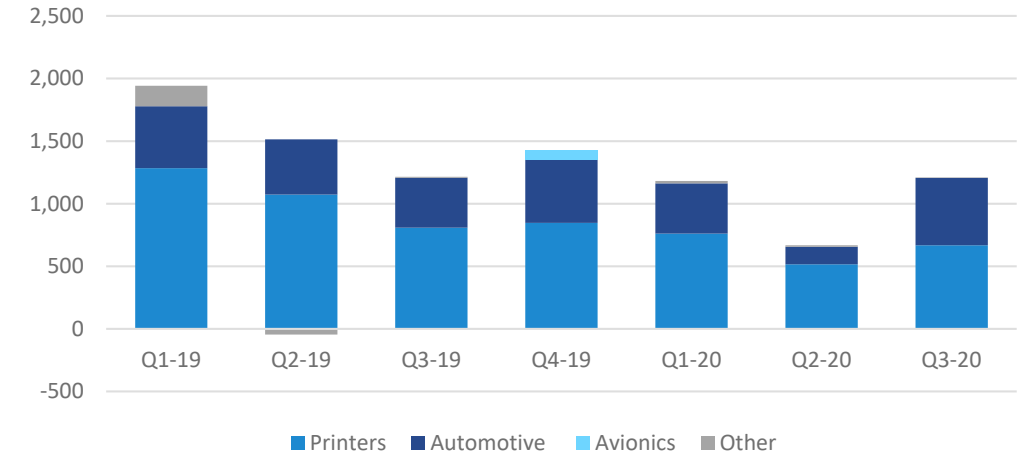
HMI Solutions business area

- \$1.2M license revenues from the solutions business, both in Q3 2020 and 2019
- Majority of revenues still from consumer electronics but increase in automotive
- License customers shipped 1.7 million products during Q3 2020, accumulated >77 million since 2011

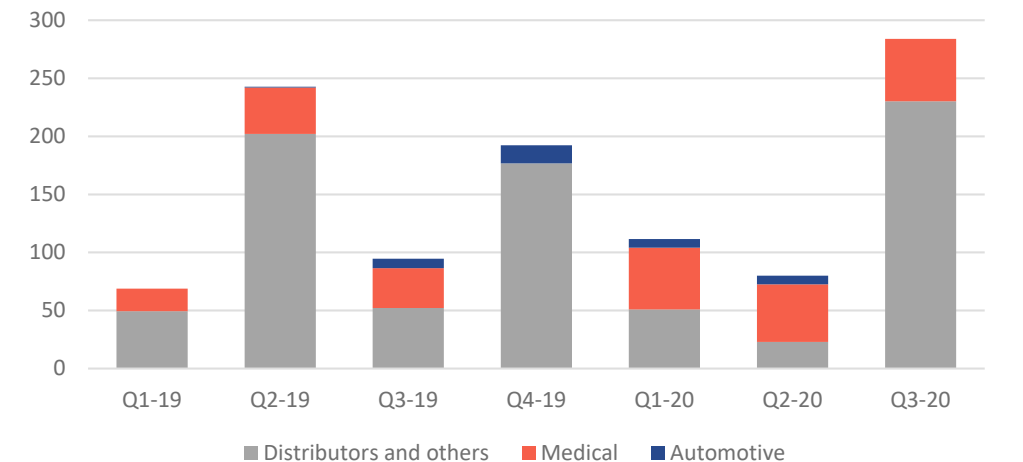
HMI Products business area

- Production is ramping up and sales was \$0.3M in Q3 2020 compared to \$0.1M in Q3 2019
- Product backlog per September 30 of \$0.5M to be delivered within the next three quarters
- Main part of sales is to partners in China and the U.S.

Revenues HMI Solutions

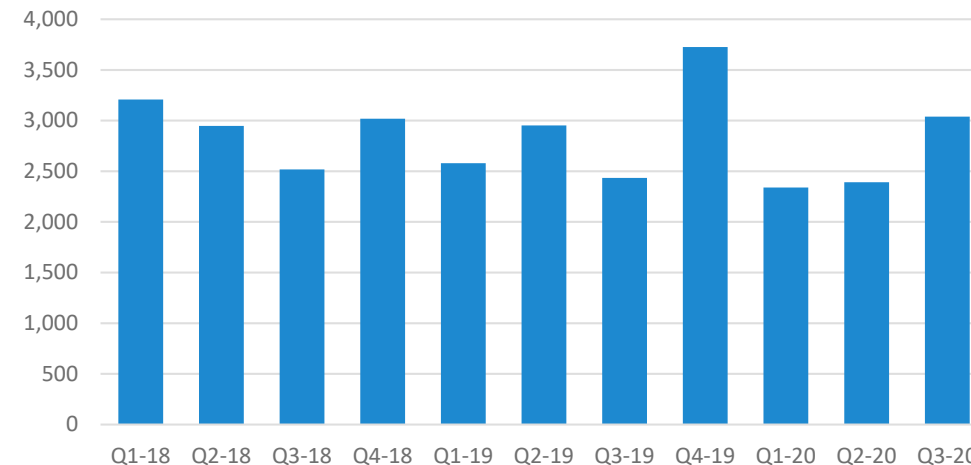


Revenues HMI Products

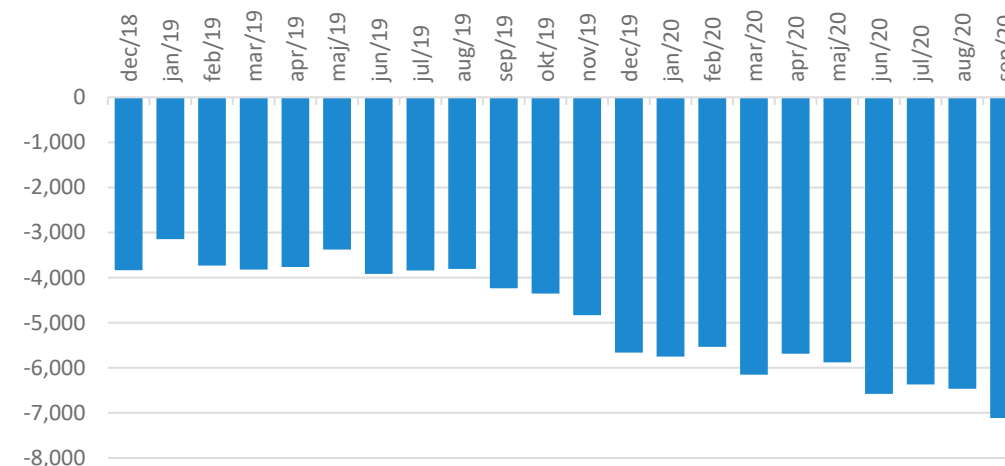


- Operating expenses increased by 25% compared to Q3 2019
 - Operating expenses down by 2% excluding one-time costs
 - Lower staff expenses and travelling
- Operating loss increased by 47% Q3 2020 compared to 2019
 - Operating loss down 8% excluding one-time costs
- Net loss \$1.7 million or \$0.16 per share for the third quarter 2020 compared to a net loss of \$1.1 million or \$0.12 per share the same period 2019
 - Net loss flat excluding one-time costs

Operating Expenses

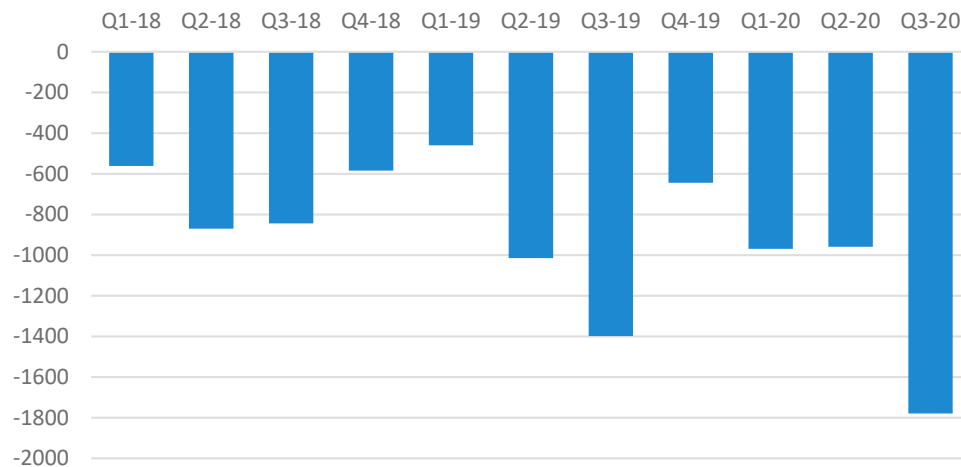


Operating loss, rolling 12 months

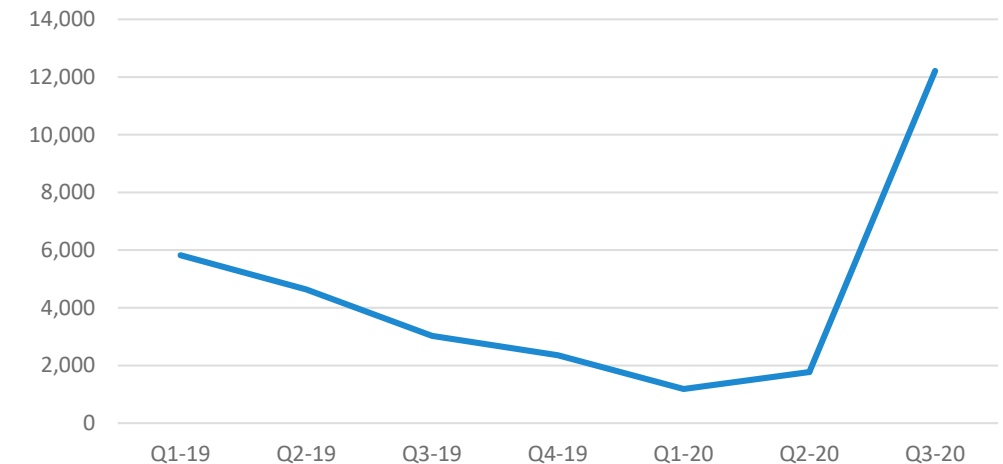


- Net cash used in operating activities during Q3 2020 increased by \$0.4M compared to same period last year due to increase in net loss
- Cash and accounts receivables of \$13.3M per end of September
- Still sufficient cash to execute on the business plan

Net cash used in operating activities



Cash balance



- Our zForce technology – patent protected – is an enabling technology ideally positioned to solve for a lifestyle shift to contactless touch solutions brought on by COVID-19
- High demand for contactless touch solutions – enormous market opportunity to integrate Neonode technology into new and retrofitted equipment, for instance in
 - Interactive kiosks (ticketing, vending, self checkout in retail, ATMs etc.) – engaged in cooperations and discussions with several OEMs and value-added partners
 - Elevators – several customers and value-added partners have developed solutions and secured agreements for retrofitting, engaged in discussions with several OEMs
- We also see significant interest for our zForce and MultiSensing technologies from customers in the avionics and industrial control system industries and the automotive industry, respectively
- We have adequate cash resources needed to accelerate growth and capitalize on current and future opportunities
- The focus the coming 12-18 months is on execution



Appendices

Industrial and Military & Avionics

<https://www.prnewswire.com/news-releases/industrial-display-market-size-worth-726-billion-by-2025--cagr-6-grand-view-research-inc-643682123.html>

<https://www.researchandmarkets.com/reports/4655830/glass-cockpit-for-aerospace-global-market>

<https://www.marketsandmarkets.com/Market-Reports/commercial-avionic-system-market-138098845.html>

<https://www.prnewswire.com/news-releases/industrial-display-market-size-worth-726-billion-by-2025--cagr-6-grand-view-research-inc-643682123.html>

<https://www.researchandmarkets.com/reports/4655830/glass-cockpit-for-aerospace-global-market>

Elevators

<https://www.statista.com/statistics/281177/net-sales-of-otis/>

<https://www.marketscreener.com/quote/stock/HYUNDAI-ELEVATOR-CO-LTD-20699232/financials/>

<https://www.mitsubishielectric.com/en/investors/highlights/segment/index.html>

<https://markets.businessinsider.com/news/stocks/hitachi-s-elevator-and-escalator-production-and-sales-in-2019-both-surpass-100k-unit-milestone-1028784482#>

<https://www.toshiba.co.jp/about/ir/en/finance/ar/ar2019/tfr2019e.pdf>

https://www.fujitec.com/common/fjhp/doc/top_global/document/irarchive/2044/fujitec_E-2019_見聞書_200722.pdf

https://www.schindler.com/com/internet/en/investor-relations/jcr_content/contentPar/downloadlist_0_m/downloadList/4_1534477322382.download.asset.4_1534477322382/2019-schindler-annual-report-fb-e.pdf

<https://www.statista.com/statistics/246289/revenue-of-kone/>

https://d2zo35mdb530wx.cloudfront.net/_legacy/UCPthyssenkruppAG/assets/files/media/investoren/berichterstattung-publikationen/update-21.11.2019/en/thyssenkrupp-gb-2018-2019-en-web_neu.pdf

<https://www.investing.com/equities/sjec-corporati-financial-summary>

Interactive Kiosks

<https://www.rbrlondon.com/research/retail-hardware/>

<https://www.aeroneystv.com/en/lifestyle/in-your-opinion/2954-how-many-commercial-airports-are-there-in-the-world.html>

<https://data.worldbank.org/indicator/FB.ATM.TOTL.P5>

<https://thewebminer.com/blog/how-many-restaurants-are-in-the-world/>

<https://www.futuremarketinsights.com/reports/automatic-coffee-machines-market>

<https://www.businesswire.com/news/home/20200326005348/en/Connected-Vending-Machines-Industry-Outlook-2024-->

<https://medium.com/@CravyHQ/the-restaurant-industry-a-global-perspective-26cea1b91701>

<https://financesonline.com/number-of-restaurants-in-the-us/>

<https://www.kioskmarketplace.com/news/self-service-bag-check-in-market-to-grow-more-than-12-percent-new-report-says/>

<https://www.zionmarketresearch.com/report/automatic-coffee-machines-market>

<https://www.globenewswire.com/news-release/2020/06/12/2047221/0/en/The-Global-Vending-Machine-Market-is-expected-to-grow-by-USD-9-82-bn-during-2020-2024-progressing-at-a-CAGR-of-11-during-the-forecast-period.html>

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