



Neonode Inc. Fourth Quarter 2020 Presentation

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Disclaimer

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Strategy and Business Update

- 2020 was a very interesting year...
- In Neonode we decided on a new direction for the company and developed radically new business strategies that we started executing on
 - ✓ 100% focus on B2B
 - ✓ Business organized into three separate business areas
 - ✓ Leveraging existing technology and IP and applying it to new target segments
- To support and drive the changeover we have recruited several strong team members both at our HQs in Stockholm, Sweden, and internationally
- In parallel to implementing these changes we have continued to
 - Support existing customers
 - Innovate and improve on our different technology platforms

- Then came the COVID-19 pandemic...

- Coming out of 2020, we are well positioned to capitalize on current and future opportunities
 - ✓ Excellent team
 - ✓ Strong technology and IP portfolio
 - ✓ Well-recognized brand
 - ✓ Extensive, global ecosystem
 - ✓ Impressive and growing list of customers
- Now, during 2021, we continue to execute on our strategies and build our business pipeline



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.

Neonode Contactless Touch

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Touch, Contactless touch and gesture control for optimal user experiences

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

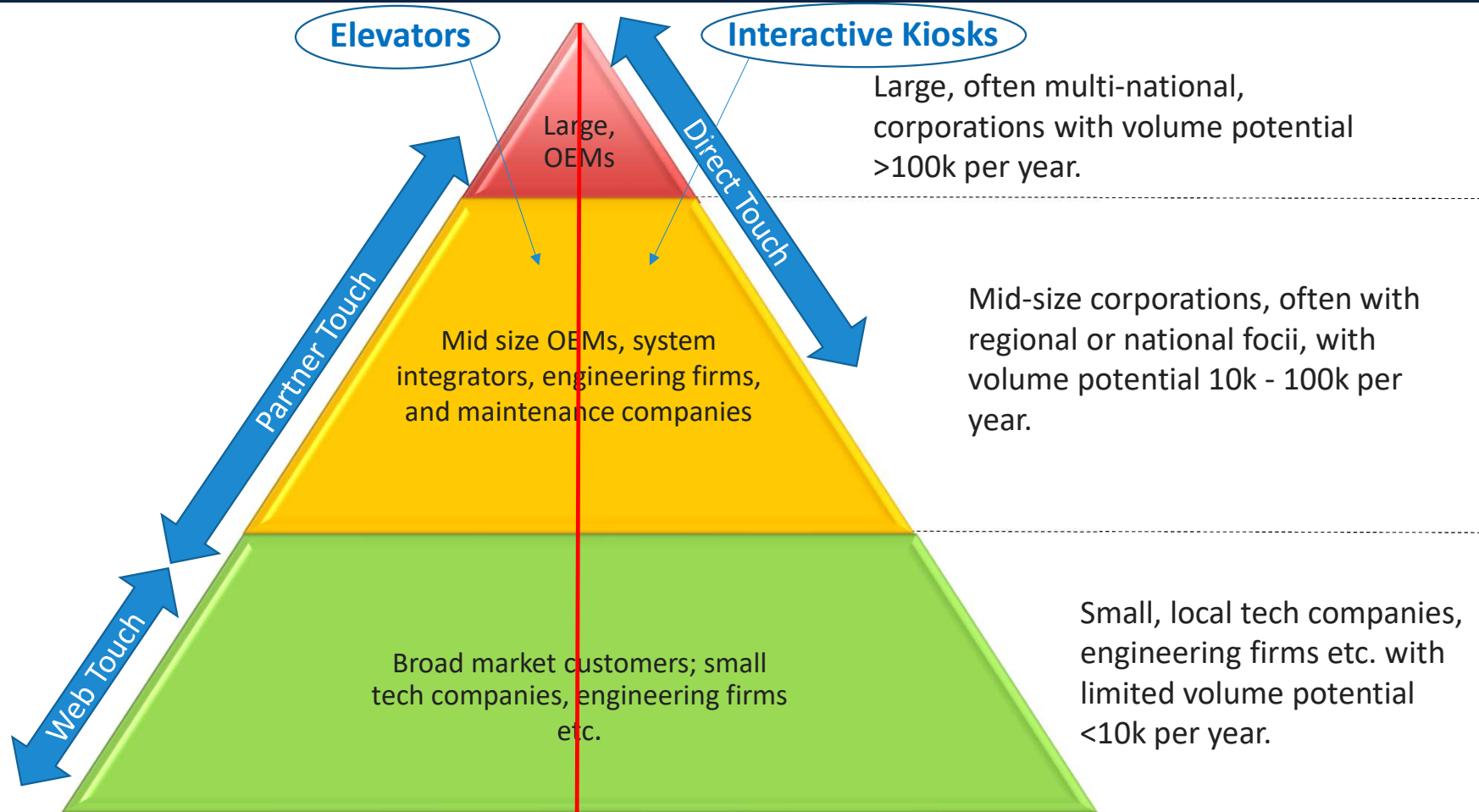


Neonode's Technology at a Glance:

- ✓ 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

Market and Segmentation

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Partner Network

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Distributors



Value-Added Resellers



Other Partners





Dewhurst

- Dewhurst is a leading supplier of components to the global elevator market
- Contactless (parallel plane) elevator control panel for existing or new elevator installations
- Powered by Neocode Touch Sensor Modules
- Marketed and sold as “HALO” in Europe and beyond from beginning of 2021



Merim Groupe

- Contactless (parallel plane) self-ordering system for quick service restaurants
- Adaptable solution ideal for retrofitting on existing kiosks
- Powered by Neonode Touch Sensor Modules
- Marketed and sold as “AIR-CLICK” in Europe from beginning of 2021



Nidec Sankyo

- Nidec Sankyo is a world leader in card handling solutions
- Contactless self-service solution for unattended terminals with card and NFC reader
- Powered by Neonode Touch Sensor Modules
- Marketed and sold as “PIN on Air™”



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.

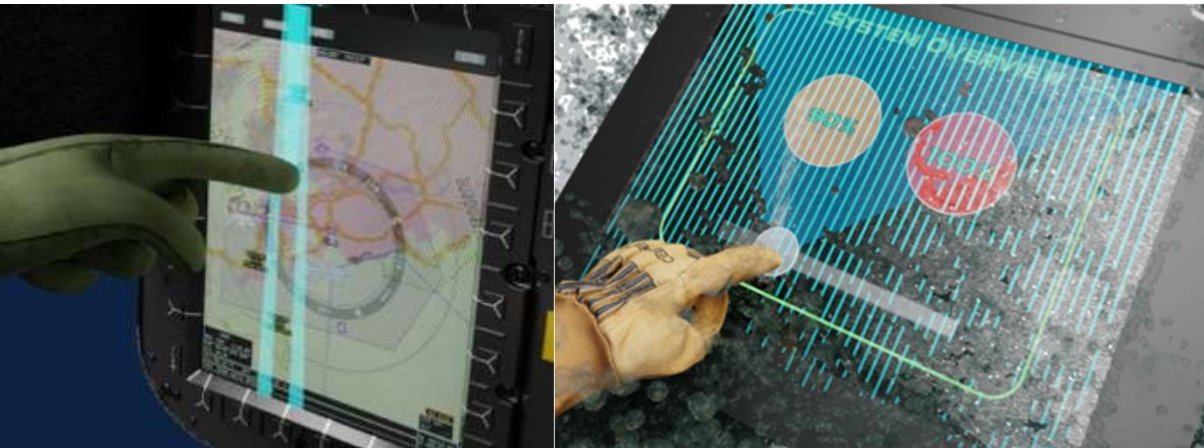
Neonode Touch Sensing

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Touch on rugged displays and other special applications

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 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

Market and Segmentation

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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

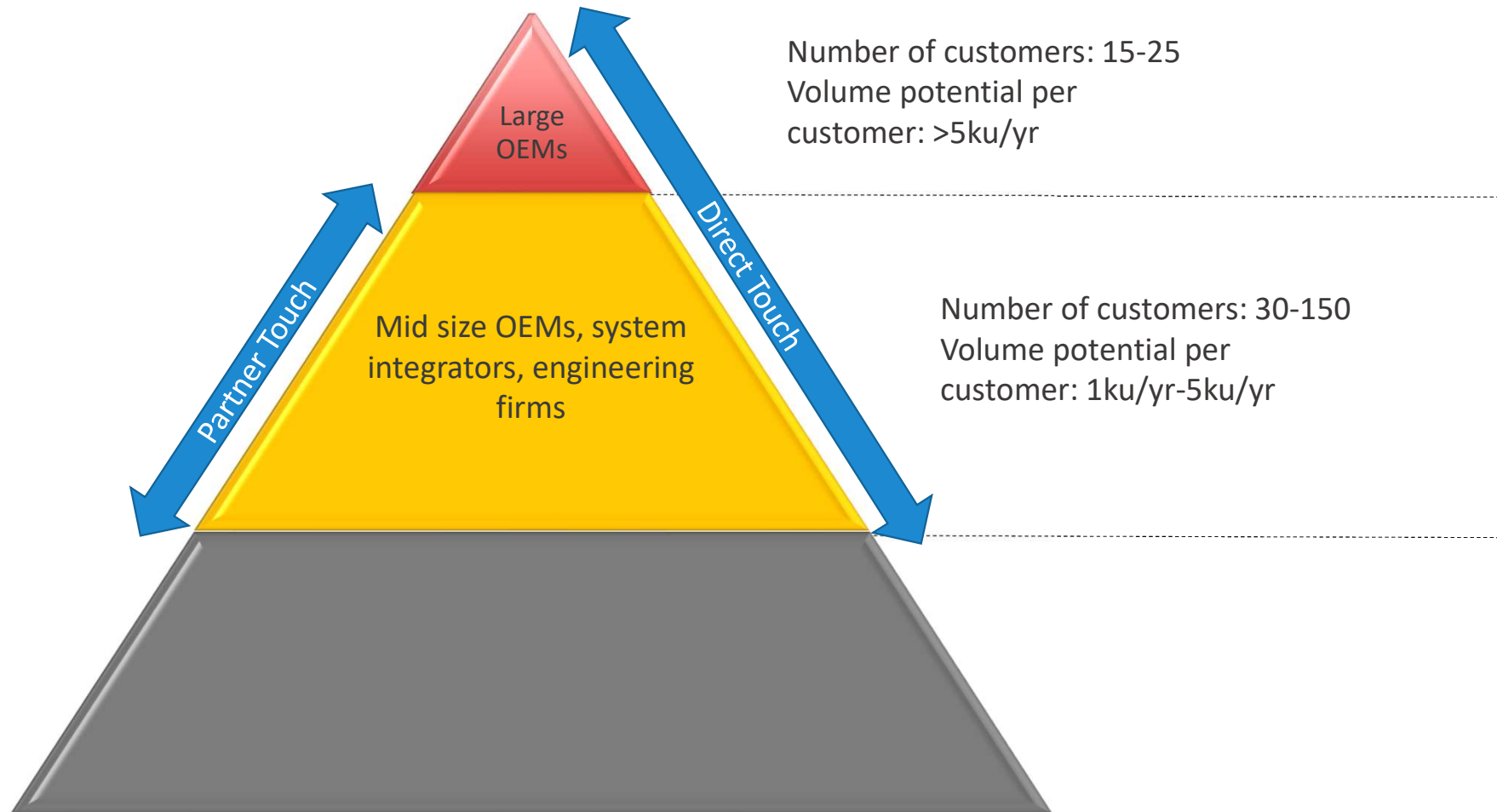
Transportation

Marine

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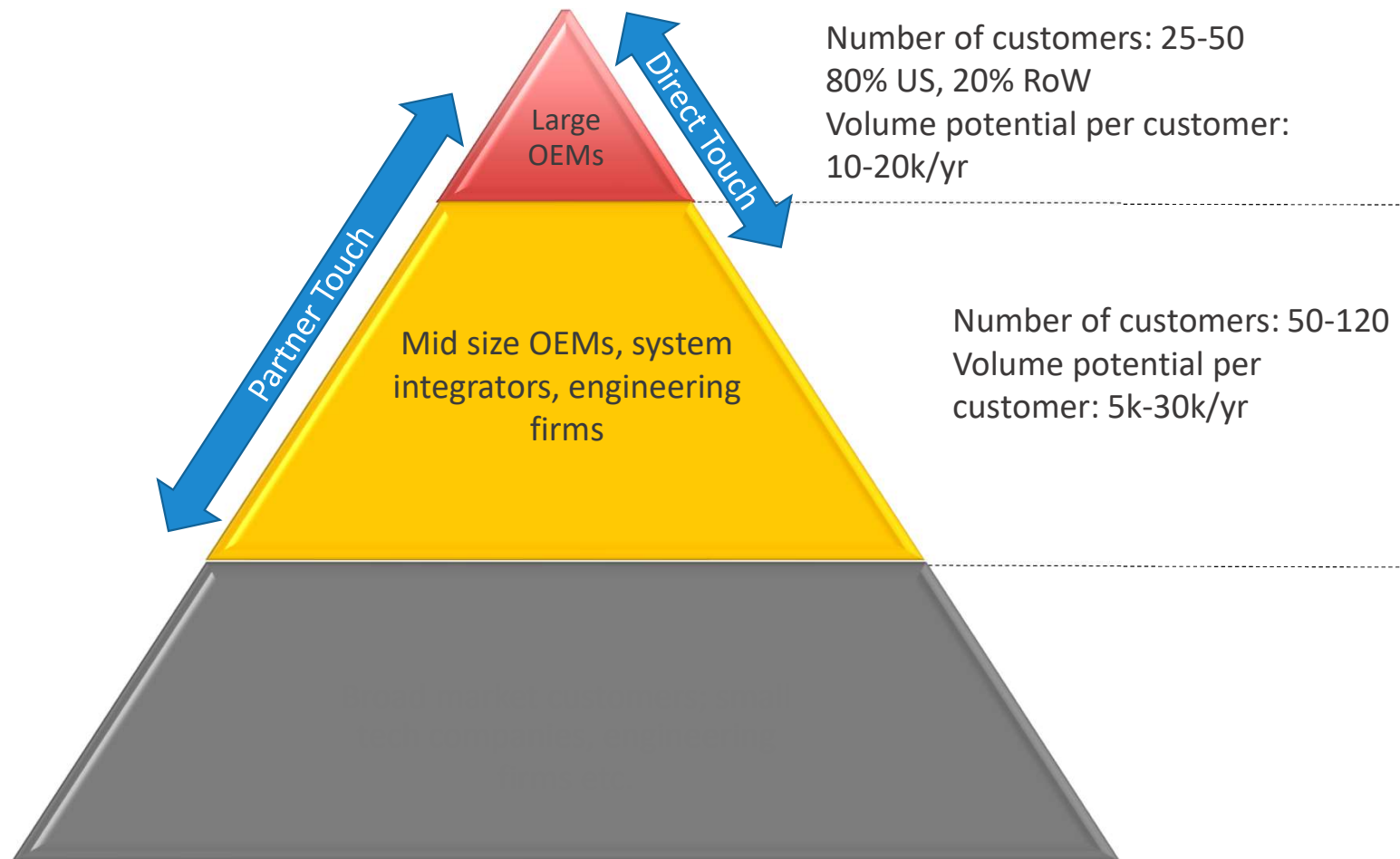
Go-to Market Strategy – Military & Avionics

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Go-to Market Strategy – Industrial

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Business Area – Remote Sensing Solutions

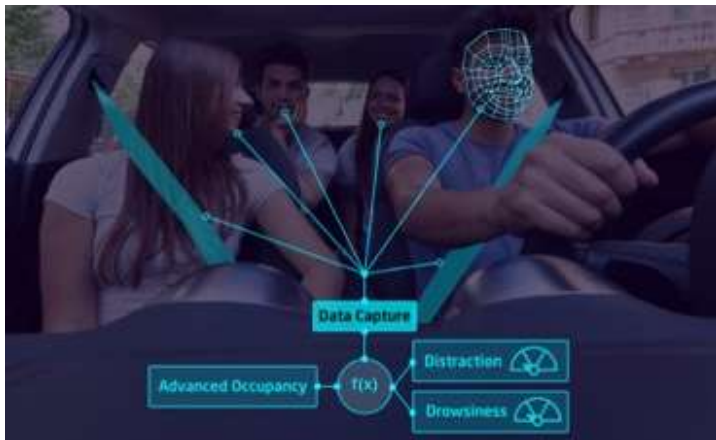
Focuses on driver and in-cabin monitoring in vehicles. Addressing the need for robust, cost-effective driver and in-cabin monitoring systems that enable OEMs to be compliant with the new EU general safety regulations (GSR) and meet the Euro NCAP guidelines, applicable for all new vehicles from 2024.

Neonode Driver and In-Cabin Monitoring

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Robust, cost-effective driver and in-cabin monitoring

- **Increases safety** – can monitor driver status, can support adaptive seatbelt pretensioners and airbags
- **Increases comfort** – can be used for automatic adjustments of seating position, climate control, interior lightning, audio systems etc.



Neonode's Technology at a Glance:

- ✓ Scalable AI-based 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

Market Drivers for Driver and In-Cabin Monitoring Systems

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Safety

- Driver distraction, driver drowsiness
- Level 2/3 autonomous driving (e.g., monitoring of driver attentiveness, detection of hands on steering wheel)
- Adaptive deployment of seatbelt pretensioners and airbags



Legislative Pressure

- EU GSR will make DMS mandatory by 2024
- NHSTA, UNECE, China, Japan and Korea to follow



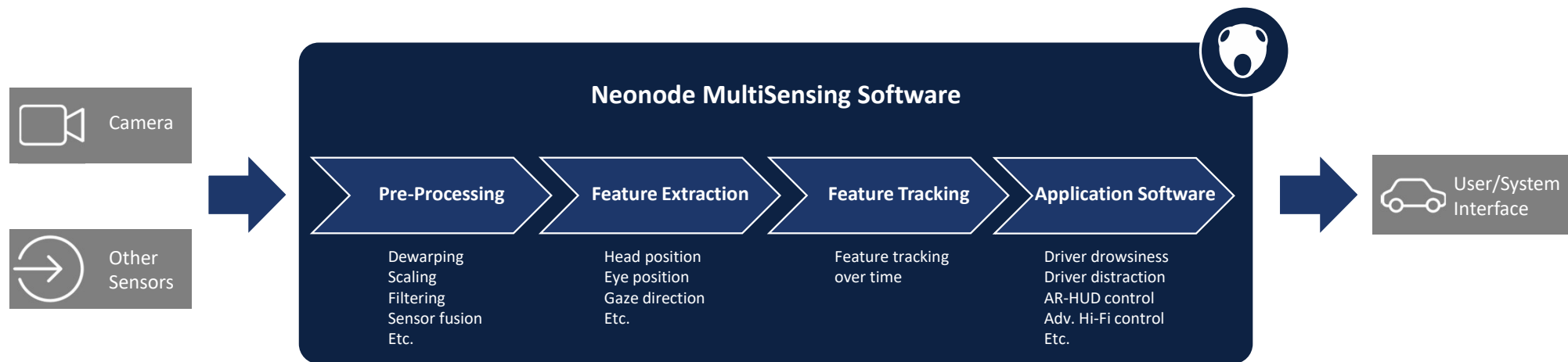
European Commission

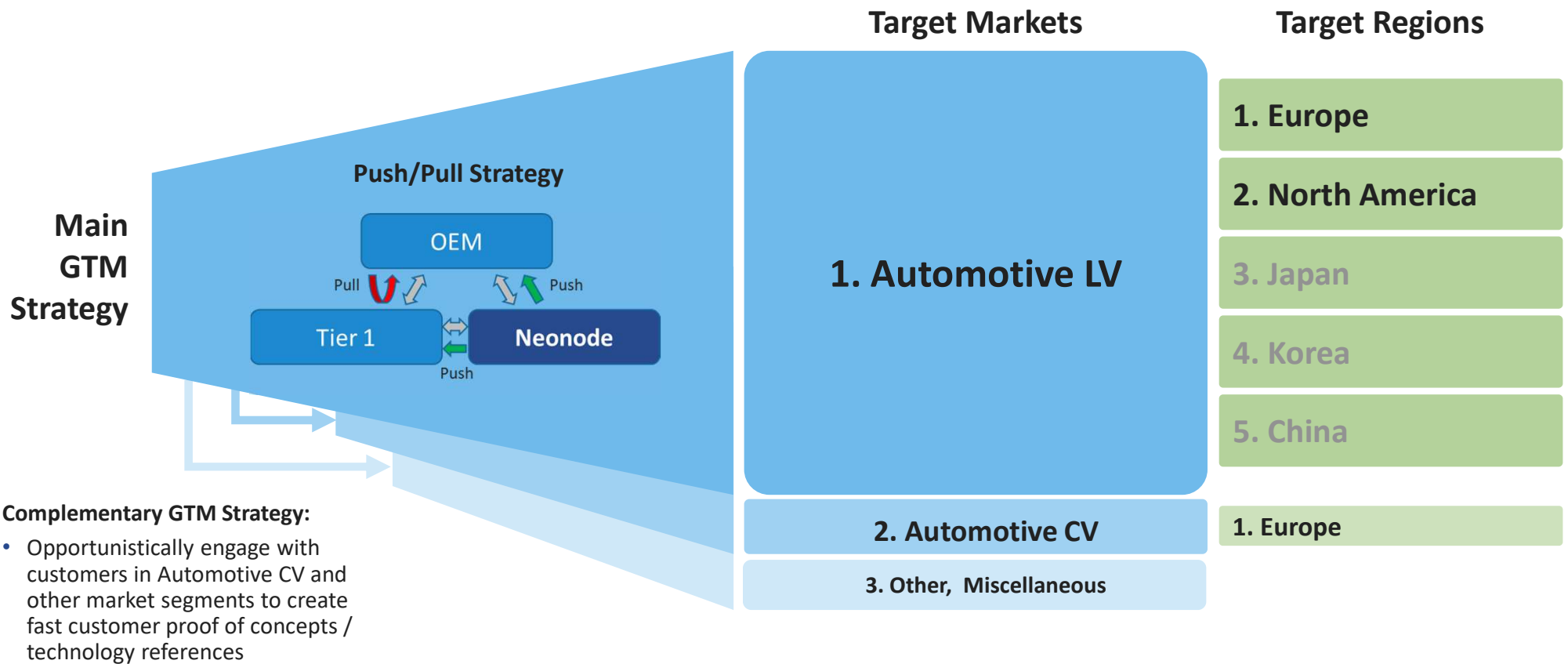
Comfort and Personalization

- Automatic adjustments of seat position, rear view mirrors, seatbelts
- Advanced automatic climate control
- Adaptive hi-fi system features
- Augmented reality head up display features



Generic system design:







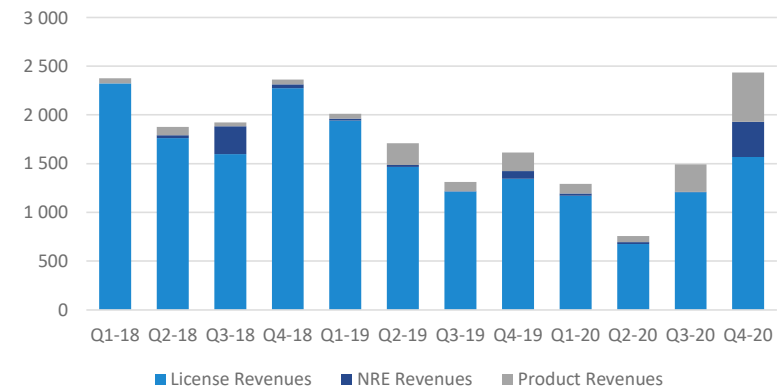
Financial Update 2020

Financial Update 2020 – Revenues

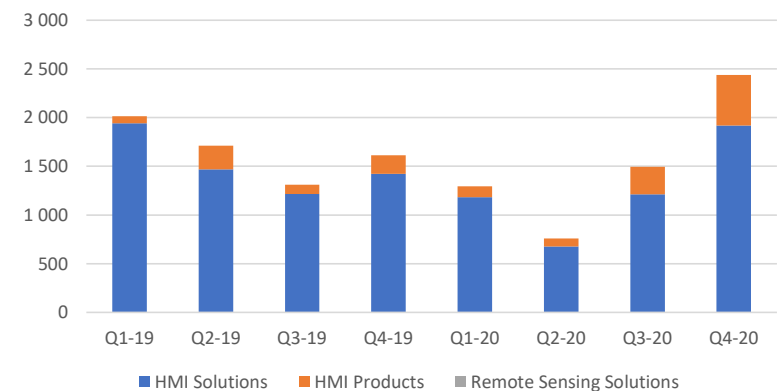
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- A strong Q4 with \$2.4M of total revenues compared to \$1.5M previous quarter and \$1.6M Q4 2019
- Increase driven by product sales and engineering services within Military & Avionics
- Total revenues of \$6.0M for FY2020 compared to \$6.6M the previous year
- A decrease by 10% due to the weak 1HY hit by COVID-19
- A growing part of our revenues is derived from our business area HMI Products, 21% in Q4 2020

Revenues by Revenue Stream



Revenues by Business Area

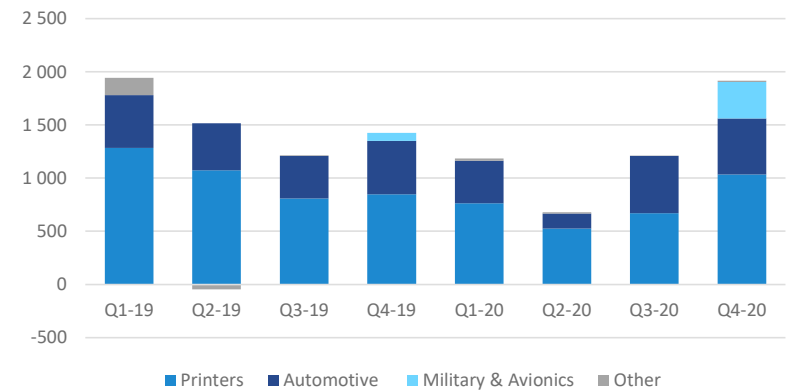


Financial Update 2020 – HMI Solutions

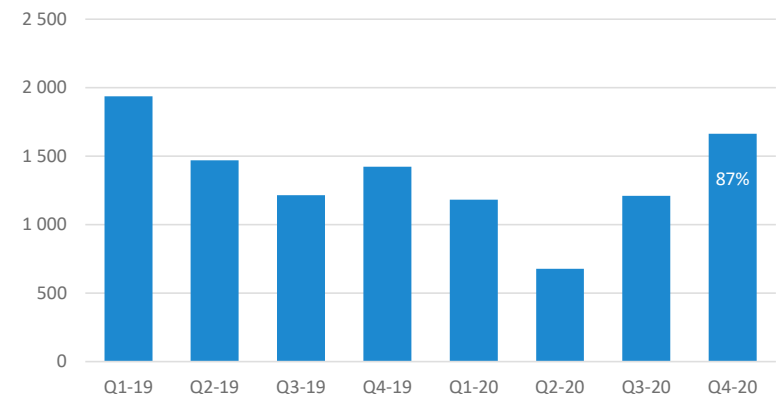
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- Revenues of \$1.9M from the solutions business in Q4 2020 compared to \$1.2 in Q3 2020 and \$1.4M in Q4 2019
- The majority of revenues still earned from our printer customers but strong quarter also for Automotive and Military & Avionics
- YoY decrease by 17%, from \$6.0M in 2019 to \$5.0M 2020, much due to effects of the pandemic
- License customers shipped 1.1 million devices during Q4 2020 and 5.0 million in total 2020
- Gross margin of 87% in Q4 2020 due to a considerable NRE project, compared to 100% all other quarters in 2019 and 2020

Revenues HMI Solutions



Gross Profit HMI Solutions

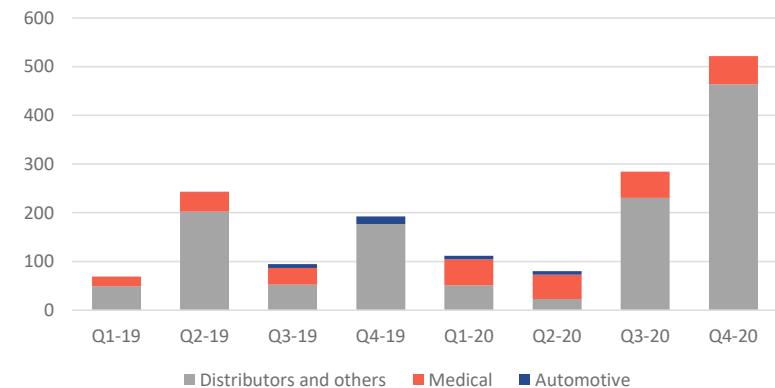


Financial Update 2020 – HMI Products

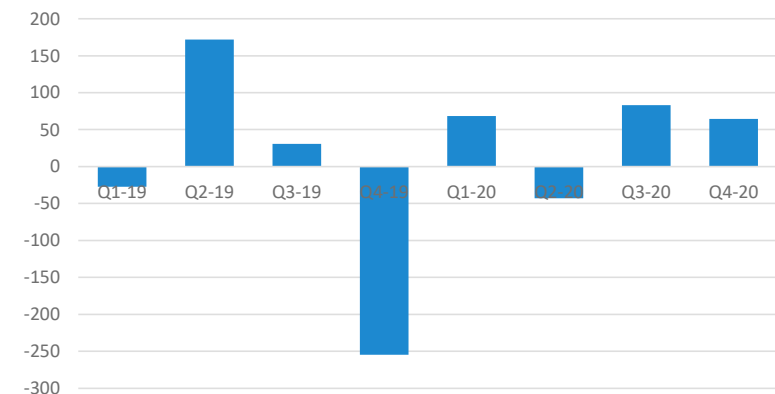
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- Revenues of \$0.5M in Q4 2020 compared to \$0.3M in Q3 2020 and \$0.2M in Q4 2019
- The major part sold through our distributors in the U.S. and China
- YoY increase of 67%, from \$0.6M in 2019 to \$1.0M 2020, much driven by the demand for contactless touch solutions
- We shipped approximately 28,000 sensor modules, AirBars and evaluation kits during 2020
- 2020 sell-off of AirBars reduced gross margin to 18%. Gross margin, excluding AirBar sale, was 30-35%.

Revenues HMI Products



Gross Profit HMI Products

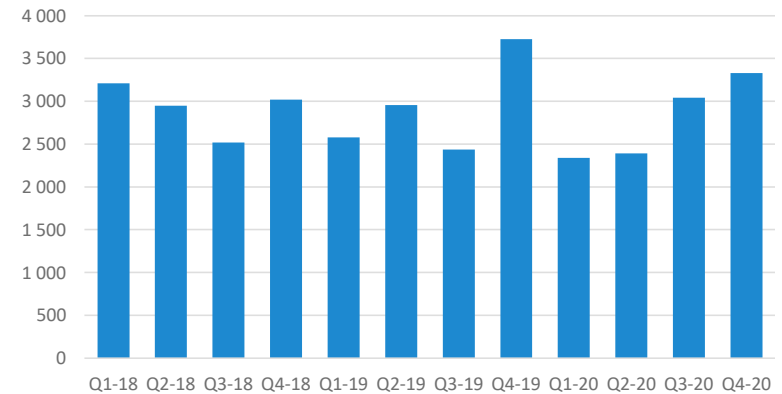


Financial Update 2020 – OpEx and Result

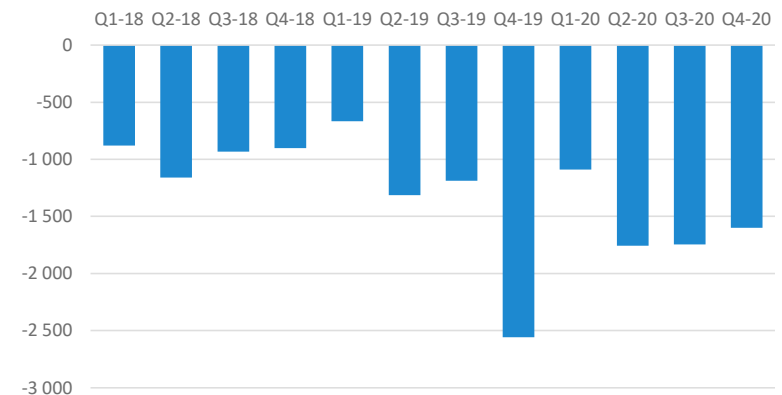
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- Operating expenses 2020 of \$11.1M compared to \$11.7M 2019, a decrease by 5.1%
 - Decrease by 11.6% if excluding one-time costs
- Cost savings, less travelling and lower staff expenses
 - Swedish governmental support program
 - Delayed backfill of vacant positions
- Operating loss 2020 of \$6.2M compared to \$5.7M 2019, an increase of 8.0%
 - Decrease by 5.2% if excluding one-time costs
- Net loss of \$5.6M or \$0.56 per share 2020 compared to a net loss of \$5.3 million or \$0.60 per share 2019
 - Decrease by 7.9% if excluding one-time costs

Operating Expenses



Operating Loss

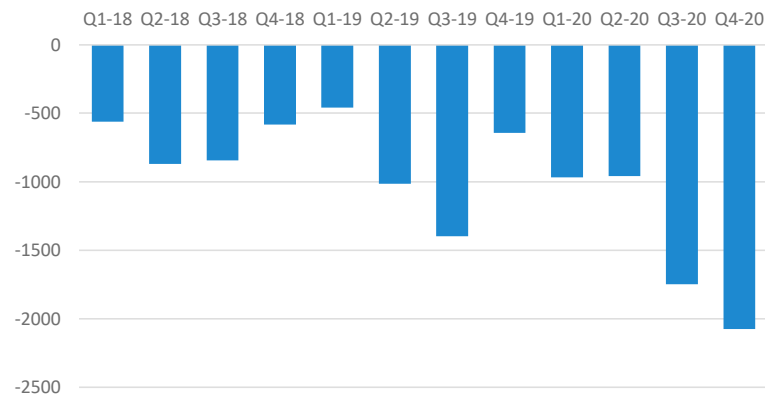


Financial Update 2020 – Cash

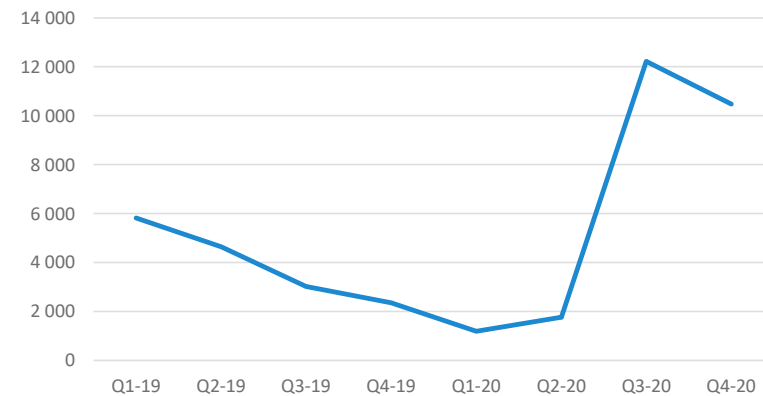
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- Net cash used in operating activities during 2020 increased by \$2.2M compared to 2019, primarily due to increase in net loss
- Cash and accounts receivables of \$12.2M per end of December
- Strong cash position enabling us to continue to execute on our business strategy

Net cash used in operating activities



Cash balance per end of quarter



Summarizing Remarks

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- Our patented zForce technology 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 – An enormous market opportunity to integrate Neonode technology into new and retrofitted equipment, for instance in
 - Interactive kiosks
 - Elevators
- We also see significant interest for our zForce and MultiSensing technologies from customers in Military & Avionics, (Rugged) Industrial, and Automotive
- We are well positioned to accelerate growth and capitalize on current and future opportunities

Three Easy Steps Towards Contactless Touch Interaction

Live Webinar

Thursday, March 11 | 12:00 EST | 09:00 PST

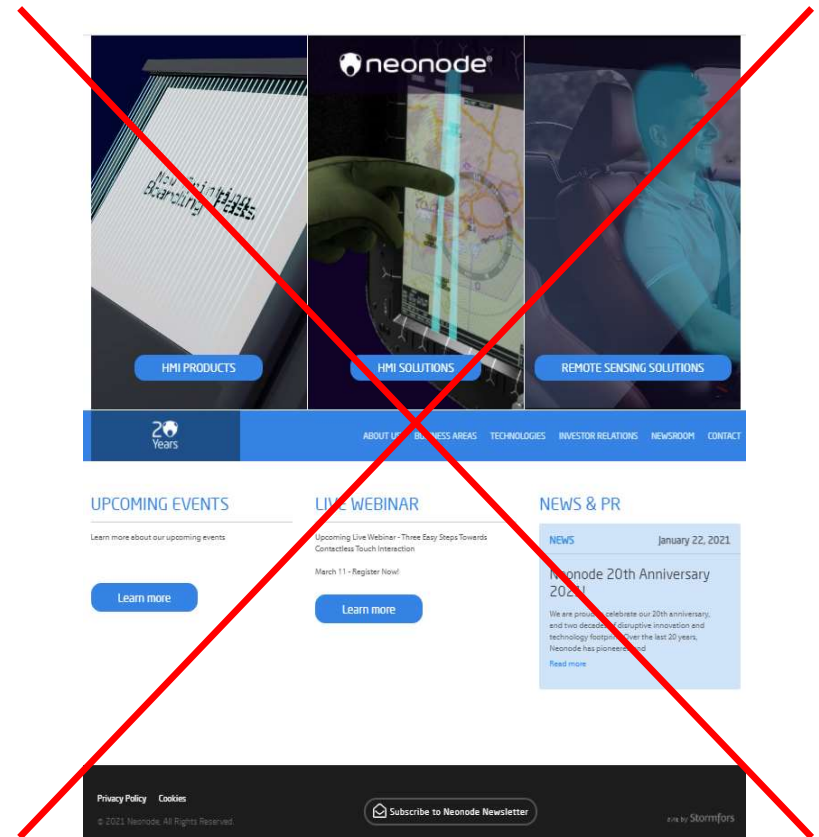
Register at neonode.com



New Website

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- We are developing a completely new website, which will be launched end of this month
- Please, make sure to check in at neonode.com to experience the new website



20
Years

- This year we celebrate our 20-year anniversary
- Make sure to follow us on social media and to visit our website neonode.com regularly for updates

Q & A

Thank You



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