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DELTA REPORT

10-Q

NEON - NEONODE INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	862
CHANGES	186
DELETIONS	369
ADDITIONS	307

REFINITIV

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 September 30, 2023 March 31, 2024
or

☐ Transition report pursuant to section 13 or 15(d) of the Securities and Exchange Act of 1934

For the transition period from ________ to ________

Commission file number 1-35526 File Number: 001-35526

NEONODE INC.
(Exact name of registrant as specified in its charter)

Delaware	94-1517641
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
Karlavägen 100, 115 26 Stockholm, Sweden	N/A
(Address of principal executive offices and zip code) offices)	(Zip code)

+46 (0) 70 29 58 519
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common Stock, par value $0.001 per share	NEON	The Nasdaq Stock Market LLC

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 (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "non-accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The number of shares of the registrant's common stock outstanding as of November 6, 2023 May 6, 2024 was 15,359,481.

NEONODE INC.
Quarterly Report on Form 10-Q
For the Fiscal Quarter Ended September 30, 2023 March 31, 2024

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NEONODE INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
ASSETS				
Current assets:				
Cash and cash equivalents	$ 18,471	$ 14,816	$ 14,274	$ 16,155
Accounts receivable and unbilled revenues, net	928	1,448	1,072	917
Inventory	4,309	3,827	487	610
Prepaid expenses and other current assets	755	707	760	938
Total current assets	24,463	20,798	16,593	18,620
Property and equipment, net	288	282	294	340
Operating lease right-of-use assets, net	66	118	34	54
Total assets	$ 24,817	$ 21,198	$ 16,921	$ 19,014
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	$ 510	$ 334	$ 491	$ 440
Accrued payroll and employee benefits	743	951	1,021	941
Accrued expenses	431	200	205	354
Contract liabilities	28	36	82	10
Current portion of finance lease obligations	35	95	29	33
Current portion of operating lease obligations	66	83	34	54
Total current liabilities	1,813	1,699	1,862	1,832
Finance lease obligations, net of current portion	24	46	12	19
Operating lease obligations, net of current portion	-	35		
Total liabilities	1,837	1,780	1,874	1,851
Commitments and contingencies				
Stockholders' equity:				
Common stock, 25,000,000 shares authorized, with par value of $0.001; 15,359,481 and 14,455,765 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	15	14		
Common stock, 25,000,000 shares authorized, with par value of $0.001; 15,359,481 shares issued and outstanding at March 31, 2024 and December 31, 2023			15	15
Additional paid-in capital	235,148	227,235	235,160	235,158
Accumulated other comprehensive loss	(494)	(340)	(430)	(396)
Accumulated deficit	(211,689)	(207,491)	(219,698)	(217,614)
Total stockholders' equity	22,980	19,418	15,047	17,163
Total liabilities and stockholders' equity	$ 24,817	$ 21,198	$ 16,921	$ 19,014

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

NEONODE INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31,	
	2023	2022	2023	2022	2024	2023
Revenues:						
License fees	$ 836	$ 1,045	$ 3,078	$ 3,102	$ 773	$ 1,148
Products	163	155	349	512	200	102
Non-recurring engineering	4	16	29	187	41	3
Total revenues	1,003	1,216	3,456	3,801	1,014	1,253
Cost of revenues:						
Products	227	80	302	224	380	47
Non-recurring engineering	-	(2)	9	24	17	-
Total cost of revenues	227	78	311	248	397	47
Total gross margin	776	1,138	3,145	3,553	617	1,206
Operating expenses:						
Research and development	827	792	2,692	2,961	895	802
Sales and marketing	516	348	1,797	1,608	816	592
General and administrative	890	960	3,312	3,023	1,160	1,384
Total operating expenses	2,233	2,100	7,801	7,592	2,871	2,778
Operating loss	(1,457)	(962)	(4,656)	(4,039)	(2,254)	(1,572)
Other income (expense):						
Interest income (expense), net	220	-	547	(6)		
Other income	6	-	6	21		
Total other income, net	226	-	553	15		
Other income:						
Interest income, net					180	158
Total other income					180	158
Loss before provision for income taxes	(1,231)	(962)	(4,103)	(4,024)	(2,074)	(1,414)
Provision for income taxes	35	32	95	104	10	11
Net loss including noncontrolling interests	(1,266)	(994)	(4,198)	(4,128)		
Less: net loss attributable to noncontrolling interests	-	194	-	400		
Net loss attributable to Neonode Inc.	$ (1,266)	$ (800)	$ (4,198)	$ (3,728)		
Net loss					$ (2,084)	$ (1,425)
Loss per common share:						
Basic and diluted loss per share	$ (0.08)	$ (0.06)	$ (0.27)	$ (0.27)	$ (0.14)	$ (0.09)
Basic and diluted – weighted average number of common shares outstanding	15,359	13,580	15,310	13,577	15,359	15,209

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

NEONODE INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31,	
	2023	2022	2023	2022	2024	2023
Net loss	$ (1,266)	$ (994)	$ (4,198)	$ (4,128)	$ (2,084)	$ (1,425)
Other comprehensive income (loss):						
Other comprehensive income:						
Foreign currency translation adjustments	(48)	30	(154)	104	(34)	35
Other comprehensive loss	(1,314)	(964)	(4,352)	(4,024)	$ (2,118)	$ (1,390)
Less: comprehensive loss attributable to noncontrolling interests	-	194	-	400		
Other comprehensive loss attributable to Neonode Inc.	$ (1,314)	$ (770)	$ (4,352)	$ (3,624)		

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

NEONODE INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)
(Unaudited)

For the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023

	Common Stock Shares Issued	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Neonode Inc. Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity	Common Stock Shares Issued	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)
Balances, December 31, 2022	14,456	$ 14	$ 227,235	$ (340)	$ (207,491)	$ 19,418	$ -	$ 19,418				
Stock-based compensation	-	-	18	-	-	18	-	18				
Issuance of shares for cash, net of offering costs	903	1	7,865	-	-	7,866	-	7,866				
Foreign currency translation adjustment	-	-	-	35	-	35	-	35				
Net loss	-	-	-	-	(1,425)	(1,425)	-	(1,425)				
Balances, March 31, 2023	15,359	$ 15	$ 235,118	$ (305)	$ (208,916)	$ 25,912	$ -	$ 25,912				
Balances, December 31, 2023									15,359	$ 15	$ 235,158	$ (396
Stock-based compensation	-	-	17	-	-	17	-	17	-	-	2	-
Foreign currency translation adjustment	-	-	-	(141)	-	(141)	-	(141)	-	-	-	(34
Net loss	-	-	-	-	(1,507)	(1,507)	-	(1,507)	-	-	-	-
Balances, June 30, 2023	15,359	$ 15	$ 235,135	$ (446)	$ (210,423)	$ 24,281	$ -	$ 24,281				
Stock-based compensation	-	-	13	-	-	13	-	13				
Foreign currency translation adjustment	-	-	-	(48)	-	(48)	-	(48)				
Net loss	-	-	-	-	(1,266)	(1,266)	-	(1,266)				
Balances, September 30, 2023	15,359	$ 15	$ 235,148	$ (494)	$ (211,689)	$ 22,980	$ -	$ 22,980				
Balances, March 31, 2024									15,359	$ 15	$ 235,160	$ (430

	Common Stock Shares Issued	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Neonode Inc. Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity	Common Stock Shares Issued	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)
Balances, December 31, 2021	13,576	$ 14	$ 226,880	$ (408)	$ (202,608)	$ 23,878	$ (4,041)	$ 19,837				
Balances, December 31, 2022									14,456	$ 14	$ 227,235	$ (340

Stock-based compensation	-	-	39	-	-	39	-	39	-	-	18	-
Issuance of shares for cash, net of offering costs									903	1	7,865	-
Foreign currency translation adjustment	-	-	-	33	-	33	-	33	-	-	-	35
Net loss	-	-	-	-	(1,380)	(1,380)	(57)	(1,437)	-	-	-	-
Balances, March 31, 2022	13,576	$ 14	$ 226,919	$ (375)	$ (203,988)	$ 22,570	$ (4,098)	$ 18,472				
Stock-based compensation	4	-	45	-	-	45	-	45				
Foreign currency translation adjustment	-	-	-	41	-	41	-	41				
Net loss	-	-	-	-	(1,548)	(1,548)	(149)	(1,697)				
Balances, June 30, 2022	13,580	$ 14	$ 226,964	$ (334)	$ (205,536)	$ 21,108	$ (4,247)	$ 16,861				
Stock-based compensation	-	-	5	-	-	5	-	5				
Repurchase and retirement of stock	(10)	-	(12)	-	-	(12)	-	(12)				
Foreign currency translation adjustment	-	-	-	30	-	30	-	30				
Net loss	-	-	-	-	(800)	(800)	(194)	(994)				
Balances, September 30, 2022	13,570	$ 14	$ 226,957	$ (304)	$ (206,336)	$ 20,331	$ (4,441)	$ 15,890				
Balances, March 31, 2023									15,359	$ 15	$ 235,118	$ (305

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

NEONODE INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine months ended September 30,		Three months ended March 31,	
	2023	2022	2024	2023
Cash flows from operating activities:				
Net loss (including noncontrolling interests)	$ (4,198)	$ (4,128)		
Net loss			$ (2,084)	$ (1,425)
Adjustments to reconcile net loss to net cash used in operating activities:				
Stock-based compensation expense	48	89	2	18
Depreciation and amortization	55	104	27	17
Amortization of operating lease right-of-use assets	49	327	17	16
Recoveries of bad debt	-	(45)		
Inventory impairment loss			278	-
Changes in operating assets and liabilities:				
Accounts receivable and unbilled revenue, net	512	294	(170)	(491)
Inventory	(689)	(1,691)	(253)	(11)
Prepaid expenses and other current assets	(76)	45	136	66
Accounts payable, accrued payroll and employee benefits, and accrued expenses	256	(386)	76	133
Contract liabilities	(8)	(6)	73	(5)
Operating lease obligations	(49)	(297)	(17)	(16)
Net cash used in operating activities	(4,100)	(5,694)	(1,915)	(1,698)
Cash flows from investing activities:				
Purchase of property and equipment	(58)	(54)		
Net cash used in investing activities	(58)	(54)		
Cash flows from financing activities:				
Proceeds from issuance of common stock, net of offering costs	7,866	-	-	7,866
Repurchase of common stock	-	(12)		
Principal payments on finance lease obligations	(77)	(135)	(9)	(28)
Net cash provided by (used in) financing activities	7,789	(147)		
Net cash (used in) provided by financing activities			(9)	7,838
Effect of exchange rate changes on cash and cash equivalents	24	(186)	43	25
Net increase (decrease) in cash and cash equivalents	3,655	(6,081)		
Net change in cash and cash equivalents			(1,881)	6,165
Cash and cash equivalents at beginning of period	14,816	17,383	16,155	14,816
Cash and cash equivalents at end of period	$ 18,471	$ 11,302	$ 14,274	$ 20,981
Supplemental disclosure of cash flow information:				
Cash paid for income taxes	$ 95	$ 2	$ 10	$ 11
Cash paid for interest	$ 8	$ 6	$ 1	$ 2
Supplemental disclosure of non-cash investing and financial activities:				
Property and equipment obtained in exchange for lease obligations	$ -	$ 24		

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

1. Interim Period Reporting

The accompanying unaudited interim condensed consolidated financial statements include all adjustments consisting of normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the financial position and results of operations and cash flows for the interim periods period presented. The results of operations for the three and nine months ended September 30, 2023 March 31, 2024 are not necessarily indicative of results for a full fiscal year or any other period.

The accompanying condensed consolidated financial statements for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 have been prepared by us, pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally contained in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 December 31, 2023.

Operations

Neonode Inc., which is collectively with its subsidiaries referred to as "Neonode" or the "Company" in this report, develops advanced optical sensing solutions for contactless touch, touch, gesture sensing, and object detection and machine perception solutions using advanced machine learning algorithms to detect and track persons and objects in video streams for cameras and other types of imagers. We market and sell our contactless touch, touch, and gesture sensing, and object detection products and solutions based on our zForce technology platform, and our scene analysis solutions based on our MultiSensing technology platform. We offer our solutions to customers in many different markets and segments including, but not limited to, office equipment, automotive, industrial automation, medical, military and avionics.

In our operations, With the new, sharpened strategy, announced in December 2023, we have historically focused on three different business areas, human machine interface ("HMI") Solutions, HMI Products and Remote Sensing Solutions. On May 4, 2021, we announced a new strategy and organizational update targeting an increased focus solely on the Company's contactless touch business licensing business. This allows customers to license our unique and on current market opportunities in North America ("AMER"), Asia-Pacific ("APAC"), advanced technology to create bespoke products and Europe, Middle East and Africa ("EMEA"). We thereby changed from a business area organization solutions that bring value to a regional sales organization going forward. Revenues are however primarily monitored for each of our revenue streams consisting of license fees, product sales and non-recurring engineering fees. end customers.

Liquidity

We have incurred significant operating losses and negative cash flows from operations since our inception. The Company incurred net losses of approximately $1.3 million $2.1 million and $4.2 million and $0.8 million and $3.7 million $1.4 million for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, March 31, 2023, respectively and had an accumulated deficit of approximately $211.7 million $219.7 million and $207.5 million $217.6 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. In addition, operating activities used cash of approximately $4.1 million $1.9 million and $5.7 million $1.7 million for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

The condensed consolidated financial statements included in this report have been prepared on a going concern basis, which contemplates continuity of operations and the realization of assets and the repayment of liabilities in the ordinary course of business.

Management has evaluated the significance of the Company's operating loss and has determined that the Company's current operating plan and sources of potential capital (including the Company's at-the-market facility ATM Facility, as defined and described below) are would be sufficient to alleviate concerns about the Company's ability to continue as a going concern. During the nine three months ended September 30, 2023 March 31, 2023, the Company sold an aggregate of 903,716 shares of its common stock under the at-the-market facility with aggregate net proceeds to the Company of $7,866,000, after payment of commissions to B. Riley Securities (as defined below), the agent for the at-the-market facility, ATM Facility, and other expenses of $244,000. During the three months ended March 31, 2024, we sold no shares pursuant to the ATM Facility.

The condensed consolidated financial statements included herein have been prepared on a going concern basis, which contemplates continuity of operations and the realization of assets and the repayment of liabilities in the ordinary course of business. Management has evaluated the significance of the Company's operating loss and has determined that the Company's current operating plan and sources of potential capital (including the Company's at-the-market facility described above) are sufficient to alleviate concerns about the Company's ability to continue as a going concern.

In the future, we may require additional sources of capital to continue operations and to implement our strategy. If our operations do not become cash flow positive, we may be forced to seek equity investments or debt arrangements. No assurances can be given that we will be successful in obtaining such additional financing on reasonable terms, or at all. If adequate funds are not available to us on acceptable terms, or at all, we may be unable to adequately fund our business plans, which could have a negative effect on our business, results of operations and financial condition. If funds are available through the issuance of equity or debt securities, the issuance of equity securities or securities convertible into equity could dilute the value of shares of our common stock and cause the market price to fall, and the issuance of debt securities could impose restrictive covenants on us that could impair our ability to engage in certain business transactions.

We expect revenues will enable us to reduce our operating losses in coming years. In addition, we intend to continue to implement various measures to improve our operational efficiencies. No assurances can be given that management will be successful in meeting its revenue targets and reducing its operating loss.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The condensed consolidated financial statements have been prepared in accordance with U.S. GAAP and include the accounts of Neonode Inc. and its wholly-owned subsidiaries, as well as Pronode Technologies AB, a 51% majority-owned subsidiary of Neonode Technologies AB, until September 30, 2022. On October 1, 2022, the remaining 49% of Pronode Technologies AB was acquired from 2X Communication AB, located in Gothenburg, Sweden. intercompany subsidiaries. All inter-company accounts and transactions have been eliminated in consolidation.

Neonode consolidates entities in which it has a controlling financial interest. We consolidate subsidiaries in which we hold, directly or indirectly, more than 50% of the voting rights.

The condensed consolidated balance sheets at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 and the condensed consolidated statements of operations, comprehensive loss, stockholders' equity and cash flows for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 include our accounts and those of our wholly-owned subsidiaries as well as Pronode Technologies AB. intercompany subsidiaries.

Estimates and Judgments

The preparation of financial statements in conformity with U.S. GAAP requires making estimates and judgments that affect, at the date of the financial statements, the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses. Actual results could differ from these estimates and judgments.

Significant estimates and judgments include, but are not limited to: for revenue recognition, determining the nature and timing of satisfaction of performance obligations, the standalone selling price of performance obligations, and transaction prices and assessing transfer of control; measuring variable consideration and other obligations such as product returns and refunds, and product warranties; provisions for uncollectible receivables; determining the net realizable value of inventory; recoverability of capitalized project costs and long-lived assets; for leases, determining whether a contract contains a lease, allocating consideration between lease and non-lease components, determining incremental borrowing rates, and identifying reassessment events, such as modifications; the valuation allowance related to our deferred tax assets; and the fair value of options issued as stock-based compensation.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Concentration of Cash Balance Risks

Cash and cash equivalents balances are maintained at various banks in the United States, Japan, Taiwan and Sweden. For deposits held with financial institutions in the United States, the U.S. Federal Deposit Insurance Corporation provides basic deposit coverage with limits up to $250,000 per owner. The Swedish government provides insurance coverage up to 1,050,000 Krona per customer and covers deposits in all types of accounts. For bank accounts of the category held by Neonode, the Japanese government provides full insurance coverage. The Central Deposit Insurance Corporation in Taiwan provides insurance coverage up to 3,000,000 Taiwan Dollar per customer. At times, deposits held with financial institutions may exceed the amount of insurance provided.

Accounts Receivable and Credit Losses

Accounts receivable is stated at net realizable value. We estimate and record a provision for expected credit losses related to our financial instruments, including our trade receivables. We consider historical collection rates, the current financial status of our customers, macroeconomic factors, and other industry-specific factors when evaluating for current expected credit losses. Forward-looking information is also considered in the evaluation of current expected credit losses. However, because of the short time to the expected receipt of accounts receivable, we believe that the carrying value, net of expected losses, approximates fair value and therefore, we rely more on historical and current analysis of such financial instruments, including our trade receivables.

Further, we consider macroeconomic factors and the status of the technology industry to estimate if there are current expected credit losses within our trade receivables based on the trends and our expectation of the future status of such economic and industry-specific factors. Also, specific allowance amounts are established based on review of outstanding invoices to record the appropriate provision for customers that have a higher probability of default.

The accounts receivable balance on our consolidated balance sheet as of September 30, 2023 March 31, 2024 was $0.9 million $1.1 million, net of approximately $30,000 of allowances. The following table provides a roll-forward of the allowance for credit losses that is deducted from the amortized cost basis of accounts receivable to present the net amount expected to be collected at September 30, 2023 March 31, 2024:

Balance at January 1, 2023	$ 30,000	
Balance at January 1, 2024		$ 30,000
Change in expected credit losses	-	-
Write-offs, net of recoveries	-	-
Balance at September 30, 2023	$ 30,000	
Balance at March 31, 2024		$ 30,000

Inventory

The Company's inventory consists primarily of components that will be used in the manufacturing of our touch sensor modules ("TSMs"). We classify inventory for reporting purposes as raw materials, work-in-process, and finished goods.

Inventory is stated at the lower of cost or net realizable value, using the first-in, first-out ("FIFO") valuation method. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Any adjustments to reduce the cost of inventories to their net realizable value are recognized in earnings in the current period.

Due With the new, sharpened strategy, announced in December 2023, the Company focuses solely on the licensing business. Consequently, we will phase out the TSM product business through licensing of the TSM technology to the low sell-through of our AirBar products, management strategic partners or outsourcing. Management has decided to fully reserve work-in-process impair TSM related inventories which are expected to remain after production ends in 2024. The TSM inventory impairment was $3.6 million for AirBar components, as well as AirBar related raw materials. Management has further the year ended December 31, 2023 and another $0.3 million in the three months ended March 31, 2024.

In December 2023, management decided to reserve for a portion dispose of the fully reserved AirBar finished goods, depending on the type of AirBar and in which location it is stored. The AirBar inventory reserve was $0.3 million and $0.3 million as of September 30, 2023 and December 31, 2022, respectively. inventory.

Raw materials, work-in-process, and finished goods are as follows (in thousands):

	September 30, 2023	December 31, 2022	March 31, 2023	December 31, 2022
Raw materials	$ 3,726	$ 3,177	$ 80	$ 319
Work-in-process	377	414	237	192
Finished goods	206	236	170	99
Ending inventory	$ 4,309	$ 3,827	$ 487	$ 610

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method based upon estimated useful lives of the assets as follows:

Estimated useful lives

	Estimated useful lives
Computer equipment	3 years
Furniture and fixtures	5 years
Equipment	7 10 years

Depreciation of equipment purchased under a finance lease is depreciated over the term of the lease if that lease term is shorter than the estimated useful life.

Upon retirement or sale of property and equipment, cost and accumulated depreciation and amortization are removed from the accounts and any gains or losses are reflected in the condensed consolidated statement of operations. Maintenance and repairs are charged to expense as incurred.

Right-of-Use Assets

A right-of-use asset represents a lessee's right to use a leased asset for the term of the lease. Our right-of-use assets generally consist of operating leases for buildings.

Right-of-use assets are measured initially at the present value of the lease payments, plus any lease payments made before a lease began and any initial direct costs, such as commissions paid to obtain a lease.

Right-of-use assets are subsequently measured at the present value of the remaining lease payments, adjusted for incentives, prepaid or accrued rent, and any initial direct costs not yet expensed.

Long-lived Assets

We assess any impairment by estimating the future cash flow flows from the associated asset in accordance with relevant accounting guidance. If the estimated undiscounted future cash flow related to these assets decreases or the useful life is shorter than originally estimated, we may incur charges for impairment of these assets. As of September 30, 2023 March 31, 2024, we believe there was no impairment of our long-lived assets. There can be no assurance, however, that market conditions will not change or sufficient demand for our products and services will continue, which could result in impairment of long-lived assets in the future.

Foreign Currency Translation and Transaction Gains and Losses

The functional currency of our foreign subsidiaries is the applicable local currency, the Swedish Krona, the Japanese Yen, the South Korean Won and the Taiwan Dollar. The translation from Swedish Krona, Japanese Yen, South Korean Won and Taiwan Dollar to U.S. Dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for income statement accounts using a weighted-average exchange rate during the period. Gains or (losses) resulting from translation are included as a separate component of accumulated other comprehensive income (loss). Foreign currency translation gains (losses) were $(48,000) $(34,000) and $(154,000) and $30,000 and $104,000 $35,000 during the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. Gains (losses) resulting from foreign currency transactions are included in general and administrative expenses in the accompanying condensed consolidated statements of operations and were $7,000 $5,000 and $2,000 $(5,000) during the three and nine months ended September 30, 2023, respectively, compared to $18,000 March 31, 2024 and $47,000 during the same periods in 2022, 2023, respectively.

Concentration of Credit and Business Risks

Our customers are located in the United States, Europe, Oceania and Asia.

As of September 30, 2023 March 31, 2024, four of our customers represented approximately 75% 64.8% of our consolidated accounts receivable and unbilled revenues.

As of December 31, 2022 December 31, 2023, five four of our customers represented approximately 83% 76.4% of our consolidated accounts receivable and unbilled revenues.

Customers who accounted for 10% 10.0% or more of our net revenues during the three months ended September 30, 2023 are as follows:

- Seiko Epson Corporation – 21%
- Hewlett-Packard Company – 21%
- Alpine Electronics, Inc – 16%
- LG Electronics Inc. – 11%

Customers who accounted for 10% or more of our net revenues during the nine months ended September 30, 2023 March 31, 2024 are as follows:

- Hewlett-Packard Company – 30% 24.8%
- Alps Alpine – 18.4%

- Seiko Epson Corporation – 18%
- Alpine Electronics, Inc – 15%
- LG Electronics Inc. – 13% 15.7%

Customers who accounted for 10% 10.0% or more of our net revenues during the three months ended September 30, 2022 March 31, 2023 are as follows:

- Hewlett-Packard Company – 26% 30.7%

- Seiko Epson Corporation – 26% 20.2%
- Alps Alpine – 14.7%

- LG Electronics Inc. – 12%
- Alpine Electronics, Inc – 11%

Customers who accounted for 10% or more of our net revenues during the nine months ended September 30, 2022 are as follows:

- Hewlett-Packard Company – 28%
- Seiko Epson Corporation – 20%
- LG Electronics Inc. – 13%
- Alpine Electronics, Inc – 10% 13.7%

Revenue Recognition

We recognize revenue when control of products is transferred to our customers, and when services are completed and accepted by our customers; the amount of revenue we recognize reflects the consideration we expect to receive for those products or services. Our contracts with customers may include combinations of products and services (e.g., a contract that includes products and related engineering services). We structure our contracts such that distinct performance obligations, such as product sales or license fees, and related engineering services, are clearly defined in each contract.

License fees and sales of our AirBar and TSMs are on a per-unit basis. Therefore, we generally satisfy performance obligations as units are shipped to our customers. Non-recurring engineering service performance obligations are satisfied as work is performed and accepted by our customers.

We recognize revenue net of allowances for returns and any taxes collected from customers, which are subsequently remitted to governmental authorities. We treat all product shipping and handling charges (regardless of when they occur) as activities to fulfill the promise to transfer goods, therefore we treat all shipping and handling charges as expenses.

License Fees

We earn revenue from licensing our internally developed intellectual property ("IP"). We enter into IP licensing agreements that generally provide licensees the right to incorporate our IP components in their products, with terms and conditions that vary by licensee. Fees under these agreements may include license fees relating to our IP, and royalties payable to us following the distribution by our licensees of products incorporating the licensed technology. The license for our IP has standalone value and can be used by the licensee without maintenance and support.

For technology license arrangements that do not require significant modification or customization of the underlying technology, we recognize technology license revenue when the license is made available to the customer and the customer has a right to use that license. At the end of each reporting period, we record unbilled license fees, using prior royalty revenue data by customer to make estimates of those royalties.

Explicit return rights are not offered to customers. There have been no returns through September 30, 2023 March 31, 2024.

Product Sales

We earn revenue from sales of TSM hardware products to our Original Equipment Manufacturer ("OEM"), Original Design Manufacturer ("ODM") and Tier 1 supplier customers, who embed our hardware into their products, and from sales of branded consumer products that incorporate our TSMs that are sold through distributors or directly to end users. These distributors are generally given business terms that allow them to return unsold inventory, receive credits for changes in selling prices, and participate in various cooperative marketing programs. Our sales agreements generally provide customers with limited rights of return and warranty provisions.

The timing of revenue recognition related to AirBar modules depends upon how each sale is transacted - either point-of-sale or through distributors. We recognize revenue for AirBar modules sold point-of-sale (online sales and other direct sales to customers) when we provide the promised product to the customer.
Because we generally use distributors to provide TSMs and AirBars to our customers, we must analyze the terms of our distributor agreements to determine when control passes from us to our distributors. For sales of TSMs and AirBars sold through distributors, we recognize revenues when our distributors obtain control over our products. Control passes to our distributors when we have a present right to payment for products sold to the distributors, the distributors have legal title to and physical possession of products purchased from us, and the distributors have significant risks and rewards of ownership of products purchased.

Distributors participate in various cooperative marketing and other incentive programs, and we maintain estimated accruals and allowances for these programs. If actual credits received by distributors under these programs were to deviate significantly from our estimates, which are based on historical experience, our revenue could be adversely affected.

Under U.S. GAAP, companies may make reasonable aggregations and approximations of returns data to accurately estimate returns. Our TSM and AirBar returns and warranty experience to date has enabled us to make reasonable returns estimates, which are supported by the fact that our product sales involve homogenous transactions. The reserve for future sales returns is recorded as a reduction of our accounts receivable and revenue and was $7,000 as of March 31, 2024 and $8,000 as of September 30, 2023 and $9,000 as of December 31, 2022 December 31, 2023. The warranty reserve is recorded as an accrued expense and cost of sales and was $39,000 $31,000 as of September 30, 2023 March 31, 2024 and $49,000 $30,000 as of December 31, 2022 December 31, 2023. If the actual future returns were to deviate from the historical data on which the reserve had been established, our revenue could be adversely affected.

Non-Recurring Engineering

For technology license or TSM contracts that require modification or customization of the underlying technology to adapt the technology to customer use, we determine whether the technology license or TSM, and required engineering consulting services represent separate performance obligations. We perform our analysis on a contract-by-contract basis. If there are separate performance obligations, we determine the standalone selling price (“SSP”) of each separate performance obligation to properly recognize revenue as each performance obligation is satisfied. We provide engineering consulting services to our customers under a signed Statement of Work (“SOW”). Deliverables and payment terms are specified in each SOW. We generally charge an hourly rate for engineering services, and we recognize revenue as engineering services specified in contracts are completed and accepted by our customers. Any upfront payments we receive for future non-recurring engineering services are recorded as unearned revenue until that revenue is earned.

We believe that recognizing non-recurring engineering services revenues as progress towards completion of engineering services and customer acceptance of those services occurs best reflects the economics of those transactions, because engineering services as tracked in our systems correspond directly with the value to our customers of our performance completed to date. Hours performed for each engineering project are tracked and reflect progress made on each project and are charged at a consistent hourly rate.

Revenues from non-recurring engineering contracts that are short-term in nature are recorded when those services are complete and accepted by customers.

Revenues from non-recurring engineering contracts with substantive defined deliverables for which payment terms in the SOW are commensurate with the efforts required to produce such deliverables are recognized as they are completed and accepted by customers.

Estimated losses on all SOW projects are recognized in full as soon as they become evident. During the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, we recorded no losses related to SOW projects were recorded. losses.

The following tables present the net revenues distribution by geographical area and market for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 (dollars in thousands):

	Three months ended September 30, 2023		Three months ended September 30, 2022	
	Amount	Percentage	Amount	Percentage
AMER				
Net revenues from consumer electronics	$ 247	85%	$ 384	96%
Net revenues from distributors and other	45	15%	15	4%
	$ 292	100%	$ 399	100%
APAC				
Net revenues from automotive	$ 279	52%	$ 269	41%
Net revenues from consumer electronics	221	41%	314	48%
Net revenues from distributors and other	35	7%	68	11%
	$ 535	100%	$ 651	100%
EMEA				
Net revenues from automotive	$ 130	74%	$ 128	77%
Net revenues from medical	-	-%	33	20%
Net revenues from distributors and other	46	26%	5	3%
	$ 176	100%	$ 166	100%

	Nine months ended September 30, 2023		Nine months ended September 30, 2022	
	Amount	Percentage	Amount	Percentage
AMER				
Net revenues from consumer electronics	$ 1,202	90%	$ 1,228	98%
Net revenues from distributors and other	127	10%	31	2%
	$ 1,329	100%	$ 1,259	100%
APAC				
Net revenues from automotive	$ 968	57%	$ 933	50%
Net revenues from consumer electronics	652	39%	792	42%
Net revenues from distributors and other	71	4%	141	8%
	$ 1,691	100%	$ 1,866	100%
EMEA				
Net revenues from automotive	$ 331	76%	$ 382	57%
Net revenues from medical	34	8%	169	25%
Net revenues from distributors and other	71	16%	125	18%
	$ 436	100%	$ 676	100%

	Three months ended March 31, 2024		Three months ended March 31, 2023	
	Amount	Percentage	Amount	Percentage
North America				
Net revenues from Automotive	$ -	-%	$ -	-%
Net revenues from IT & Industrial	338	100.0%	471	100.0%
	$ 338	100.0%	$ 471	100.0%
Asia Pacific				
Net revenues from Automotive	$ 248	51.7%	$ 356	56.2%
Net revenues from IT & Industrial	232	48.3%	278	43.8%
	$ 480	100.0%	$ 634	100.0%
Europe, Middle East and Africa				
Net revenues from Automotive	$ 89	45.4%	$ 89	60.1%

Net revenues from IT & Industrial	107	54.6 %	59	39.9 %
	$ 196	100.0 %	$ 148	100.0 %

Significant Judgments

Our contracts with customers may include promises to transfer multiple products and services to a customer, particularly when one of our customers contracts with us for a product and related engineering services fees for customizing that product for our customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately may require significant judgment. Judgment may also be required to determine the SSP for each distinct performance obligation identified, although we generally structure our contracts such that performance obligations and pricing for each performance obligation are specifically addressed. We currently have no outstanding contracts with multiple performance obligations; however, we recently negotiated a contract that may include multiple performance obligations in the future.

Judgment is also required to determine when control of products passes from us to our distributors, as well as the amounts of product that may be returned to us. Our products are sold with a right of return, and we may provide other credits or incentives to our customers, which could result in variability when determining the amount of revenue to recognize. At the end of each reporting period, we use product returns history and additional information that becomes available to estimate returns and credits. We do not recognize revenue if it is probable that a significant reversal of any incremental revenue would occur.

Finally, judgment is required to determine the amount of unbilled license fees at the end of each reporting period.

Contract Balances

Timing of revenue recognition may differ from the timing of invoicing to customers. We record a receivable when we have an unconditional right to receive future payments from customers, and we record unearned deferred revenue when we receive prepayments or upfront payments for goods or services from our customers.

The following table presents accounts receivable and deferred revenues as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 (in thousands):

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Accounts receivable and unbilled revenue, net	$ 928	$ 1,448	$ 1,072	$ 917
Contract liabilities (deferred revenues)	$ 28	$ 36	$ 82	$ 10

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled revenues (contract assets), and customer advances and deposits or deferred revenue (contract liabilities) on the consolidated balance sheets. Generally, billing occurs subsequent to revenue recognition, resulting in contract assets; contract assets are generally classified as current. The Company sometimes receives advances or deposits from its customers before revenue is recognized, which are reported as contract liabilities and are generally classified as current. These assets and liabilities are reported on the consolidated balance sheets on a contract-by-contract basis at the end of each reporting period.

We do not anticipate impairment of our contract assets related to license fee revenues, given the creditworthiness of our customers whose invoices comprise the balance in that asset account. We will continue to monitor the timeliness of receipts from those customers to assess whether the contract assets have been impaired.

The allowance for credit losses reflects our best estimate of probable losses inherent in the accounts receivable balance. We determine the allowance based on known troubled accounts, historical experience, and other currently available evidence.

Payment terms and conditions vary by the type of contract; however, payments generally occur 30-60 days after invoicing for license fees and sensor modules to our resellers and distributors. Where revenue recognition timing differs from invoice timing, we have determined that our contracts do not include a significant financing component. Our intent is to provide our customers with consistent invoicing terms for the convenience of our customers, not to receive financing from our customers.

Costs to Obtain Contracts

We record the incremental costs of obtaining a contract with a customer as a contract asset if we expect the benefit of those costs to cover a period greater than one year. We currently have no incremental costs that must be capitalized.

We expense as incurred costs of obtaining a contract when the amortization period of those costs would have been less than or equal to one year.

Product Warranty

The following table summarizes the activity related to the product warranty liability (in thousands):

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Balance at beginning of period	$ 49	$ 36	$ 30	$ 49
Provisions for warranty issued	(10)	13		
Provisions for (adjustments to) warranty issued			1	(19)
Balance at end of period	$ 39	$ 49	$ 31	$ 30

The Company accrues for warranty costs as part of its cost of sales of TSMs based on estimated costs. The Company's products are generally covered by a warranty for a period of 12 months from the customer receipt of the product included as a component of accrued expenses on the condensed consolidated balance sheet.

Contract Liabilities

Contract liabilities (deferred revenues) consist primarily of prepayments for license fees, and other products or services that we have been paid in advance. We earn the revenue when we transfer control of the product or service. Deferred revenues may also include upfront payments for consulting services to be performed in the future, such as non-recurring engineering services.

We defer license fees until we have met all accounting requirements for revenue recognition, which is when a license is made available to a customer and that customer has a right to use the license. Non-recurring engineering fee revenues are deferred until engineering services have been completed and accepted by our customers.

The following table presents our deferred revenues by source (in thousands):

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Deferred revenues license fees	$ 10	$ 20	$ 75	$ 2
Deferred revenues products	8	9	7	8
Deferred revenues non-recurring engineering	10	7	-	-
	$ 28	$ 36	$ 82	$ 10

During the three and nine months ended September 30, 2023 March 31, 2024, the Company recognized revenues of approximately $4,000 and $18,000, respectively, $2,000 related to contract liabilities outstanding at the beginning of the year.

Advertising

Advertising costs are expensed as incurred. Advertising costs for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 amounted to approximately $49,000 $175,000 and $161,000 and $21,000 and $105,000, $54,000, respectively.

Research and Development

Research and development ("R&D") costs are expensed as incurred. R&D costs consist primarily of personnel related costs in addition to external consultancy costs such as testing, certifying and measurements.

Stock-Based Compensation Expense

We measure the cost of employee services received in exchange for an award of equity instruments, including share options, based on the estimated fair value of the award on the grant date, and recognize the value as compensation expense over the period the employee is required to provide services in exchange for the award, usually the vesting period.

We account for equity instruments issued to non-employees at their estimated fair value.

When determining stock-based compensation expense involving options and warrants, we determine the estimated fair value of options and warrants using the Black-Scholes option pricing model.

Noncontrolling Interests

We recognize any noncontrolling interest, also known as a minority interest, as a separate line item in stockholders' equity in the condensed consolidated financial statements. A noncontrolling interest represents the portion of equity ownership in a less-than-wholly owned subsidiary not attributable to us. Generally, any interest that holds less than 50% of the outstanding voting shares is deemed to be a noncontrolling interest; however, there are other factors, such as decision-making rights, that are considered as well. We include the amount of net income (loss) attributable to noncontrolling interests in consolidated net income (loss) on the face of the condensed consolidated statements of operations.

The Company provides either in the condensed consolidated statement of stockholders' equity, if presented, or in the notes to condensed consolidated financial statements, a reconciliation at the beginning and the end of the period of the carrying amount of total equity (net assets), equity (net assets) attributable to the Company, and equity (net assets) attributable to the noncontrolling interest that separately discloses:

(1) Net income or loss;

(2) Transactions with owners acting in their capacity as owners, showing separately contributions from and distributions to owners; and

(3) Each component of other comprehensive income or loss.

Income Taxes

We recognize deferred tax liabilities and assets for the expected future tax consequences of items that have been included in the consolidated financial statements or tax returns. We estimate income taxes based on rates in effect in each of the jurisdictions in which we operate. Deferred income tax assets and liabilities are determined based upon differences between the financial statement and income tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The realization of deferred tax assets is based on historical tax positions and expectations about future taxable income. Valuation allowances are recorded against net deferred tax assets when, in our opinion, realization is uncertain based on the "more likely than not" criteria of the accounting guidance.

Based on the uncertainty of future pre-tax income, we fully reserved our net deferred tax assets as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. In the event we were to determine that we would be able to realize our deferred tax assets in the future, an adjustment to the deferred tax asset would increase income in the period such determination was made. The provision for income taxes represents the net change in deferred tax amounts, plus income taxes paid or payable for the current period.

We follow U.S. GAAP related accounting for uncertainty in income taxes, which provisions include a two-step approach to recognizing, de-recognizing and measuring uncertainty in income taxes. As a result, we did not recognize a liability for unrecognized tax benefits. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, we had no unrecognized tax benefits.

Net Loss per Share

Net loss per share amounts have been computed based on the weighted average number of shares of common stock outstanding during the three and nine months ended September 30, 2023. March 31, 2024 and 2023. Net loss per share, assuming dilution amounts from common stock equivalents, is computed based on the weighted-average number of shares of common stock and potential common stock equivalents outstanding during the period. The weighted-average number of shares of common stock and potential common stock equivalents used in computing the net loss per share for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 exclude the potential common stock equivalents, as the effect would be anti-dilutive (see Note 8).

Other Comprehensive Income (Loss)

Our other comprehensive income (loss) includes foreign currency translation gains and losses. The cumulative amount of translation gains and losses are reflected as a separate component of stockholders' equity as accumulated other comprehensive income (loss) in the accompanying condensed consolidated balance sheets.

Cash Flow Information

Cash flows in foreign currencies have been converted to U.S. Dollars at an approximate weighted-average exchange rate for the respective reporting periods. The weighted-average exchange rates for the condensed consolidated statements of operations were as follows:

	Nine months ended September 30,		Three months ended March 31,	
	2023	2022	2024	2023
Swedish Krona	10.60	9.92	10.39	10.46
Japanese Yen	138.10	128.22	148.45	132.34
South Korean Won	1,301.97	1,278,76	1,330.38	1,276.12
Taiwan Dollar	30.94	29.30		

The exchange rates for the condensed consolidated balance sheets were as follows:

	As of		As of	
	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Swedish Krona	10.92	10.43	10.66	10.07
Japanese Yen	149.38	131.12	151.19	141.03
South Korean Won	1,352.93	1,261.91	1,349.53	1,294.53
Taiwan Dollar	32.25	30.66		

Fair Value of Financial Instruments

We disclose the estimated fair values for all financial instruments for which it is practicable to estimate fair value. Financial instruments including cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, are deemed to approximate fair value due to their short maturities.

Recent Accounting Pronouncements

In September 2016, November 2023, the FASB issued ASU No. 2016-13, Financial Instruments-Credit Losses 2023-07, *Segment Reporting* (*Topic 326)-Measurement of Credit Losses on Financial Instruments, 280): Improvements to Reportable Segment Disclosures* (“ASU 2016-13” 2023-07”), supplemented by subsequent accounting standards updates. . ASU 2023-07 requires, among other updates, enhanced disclosures about significant segment expenses that are regularly provided to the chief operating decision maker. The ASU also clarifies that entities with a single reportable segment are subject to both new standard requires entities to measure all expected credit losses for financial assets held at the and existing reporting date based on historical experience, current conditions and reasonable and supportable forecasts. ASU 2016-13, as amended, requirements under Topic 280. This guidance is effective for fiscal years beginning after December 15, 2022 December 15, 2023, as we were a smaller reporting company as of November 15, 2019 and interim periods within fiscal years beginning after December 15, 2024, and requires retrospective adoption. Early adoption is permitted. We are currently evaluating the determination date. We adopted ASU 2016-13 on January 1, 2023. Based on the composition of our accounts receivable, and other financial assets, including current market conditions and historical credit loss activity, the adoption impact of this standard did not have a material impact guidance on our condensed consolidated financial statements or and related disclosures. Specifically,

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which updates several disclosures regarding the accounting for income taxes. ASU 2023-09 will become effective for public business entities for fiscal years beginning after December 15, 2024, with early adoption permitted. We are currently evaluating the impact ASU 2023-09 will have on our estimate of expected credit losses as of September 30, 2023, using our expected credit loss evaluation process described above, resulted in no adjustments to the provision for credit losses and no cumulative-effect adjustment to accumulated deficit on the adoption date of the standard. consolidated financial statements.

3. Stockholders' Equity

At-the-Market Facility

On May 10, 2021, we entered into an At Market Issuance Sales Agreement (the "Sales Agreement") with B. Riley Securities, Inc. ("B. Riley Securities") with respect to an "at the market" offering program (the "ATM Facility"), under which we may, from time to time, in our sole discretion, issue and sell through B. Riley Securities, acting as sales agent, up to $25 million of shares of our common stock.

Pursuant to the Sale Sales Agreement, we may sell the shares through B. Riley Securities by any method permitted that is deemed an "at the market" offering as defined in Rule 415 under the Securities Act of 1933, as amended. B. Riley Securities will use commercially reasonable efforts consistent with its normal trading and sales practices to sell the shares from time to time, based upon instructions from us (including any price or size limits or other customary parameters or conditions we may impose). We will pay B. Riley Securities a commission of 3.0% of the gross sales price per share sold under the Sales Agreement.

We are not obligated to sell any shares under the Sale Sales Agreement. The offering of shares pursuant to the Sale Sales Agreement will terminate upon the earlier to occur of (i) the issuance and sale, through B. Riley Securities, of all of the shares subject to the Sales Agreement and (ii) termination of the Sale Sales Agreement in accordance with its terms.

Subsequent to the filing of our Form 10-K on February 28, 2024, the aggregate market value of our outstanding common stock held by non-affiliates was approximately $26.7 million. Pursuant to General Instruction I.B.6 of Form S-3, since the aggregate market value of our outstanding common stock held by non-affiliates was below $75.0 million at the time of such Form 10-K filing, the aggregate amount of securities that we are permitted to offer and sell was reduced to $ 8,901,792, which was equal to one-third of the aggregate market value of our common stock held by non-affiliates as of February 27, 2024.

Common Stock

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, our Restated Certificate of Incorporation, as amended, authorized us to issue up to 25,000,000 shares of common stock, par value $0.001 per share.

On May 20, 2022, we issued 4,000 shares of our common stock to a director pursuant to the Neonode Inc. 2020 Stock Incentive Plan (the "2020 Plan") (see Note 4).

On September 15, 2022, we repurchased 10,252 shares of common stock from an employee who resigned during the two-year lock up period associated with such shares for $12,000, pursuant to the terms of the 2020 Long-Term Incentive Program ("2020 LTIP").

During the year ended December 31, 2022, we sold an aggregate of 886,065 shares of common stock under the ATM Facility, resulting in net proceeds of approximately $4,686,000 after payment of commissions to B. Riley Securities and other expenses of $167,000.

During the three months ended September 30, 2023 March 31, 2024, no shares were sold under the ATM Facility. During the nine three months ended September 30, 2023 March 31, 2023, we sold an aggregate of 903,716 shares of our common stock under the ATM Facility with aggregate net proceeds to us of $7,866,000, after payment of commissions to B. Riley Securities and other expenses of $244,000.

Preferred Stock

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, our Restated Certificate of Incorporation, as amended, authorized us to issue up to 1,000,000 shares of preferred stock, par value $0.001 per share.

There were no transactions in our preferred stock during the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023. No shares of preferred stock were issued and outstanding as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

Warrants

As of September 30, 2023 and December 31, 2022, the Company had no outstanding warrants to purchase common stock.

4. Stock-Based Compensation

We have adopted equity incentive plans for which stock options and restricted stock awards are available for grants to employees, consultants and directors. Except for certain options granted to certain Swedish employees, all employee, consultant and director stock options granted under our stock option plans have an exercise price equal to the market value of the underlying common stock on the grant date. There are no vesting provisions tied to performance conditions for any options. Vesting for all outstanding option grants is based solely on continued service as an employee, consultant or director. All of our outstanding stock options and restricted stock awards are classified as equity instruments.

Stock Options and Long-Term Incentive Plan

During the year ended December 31, 2020, our stockholders approved the 2020 Stock Incentive Plan ("2020 Plan") which replaced our 2015 Stock Incentive Plan (the "2015 Plan"), which in turn replaced our Neonode Inc. 2006 Equity Incentive Plan (the "2006 Plan"). Although no new awards may be made under the 2006 Plan or 2015 Plan, the 2015 Plan is still operative for awards previously granted under such plan. There are no awards outstanding under the 2006 Plan. Under the 2020 Plan, 750,000 shares of common stock have been reserved for awards, including nonqualified stock option grants and restricted stock grants to officers, employees, non-employee directors and consultants. The terms of the awards granted under the 2020 Plan are set by our compensation committee at its discretion.

In 2020 we established the 2020 LTIP long-term incentive program (the "2020 LTIP") to provide eligible persons with the opportunity to acquire an equity interest, or otherwise increase their equity interest, in the Company as an incentive for them to remain in the service of the Company. Through the 2020 LTIP, eligible employees of Neonode may waive between 50% 50.0 to 67% 67.0% of future unearned bonuses that may be awarded to them under the Company's annual bonus arrangement in exchange for the grant of shares of the Company's common stock.

On December 29, 2020, we issued 37,288 shares of common stock to key employees pursuant to the 2020 LTIP. The shares were immediately vested but subject to a two-year lock-up period after issuance. In the event the participant's employment with Neonode is terminated by the participant during the two-year lock-up period, the Company will repurchase the shares at a price equal to 30% of the lower of market value at issuance and termination date. Neonode has reported and paid Swedish social charges of $75,000 for the issued shares but only 30% of the stock-based compensation (totaling $77,000) was recognized immediately in the consolidated statement of operations for the year ended December 31, 2020, with the remainder to be recognized ratably over the two-year lock-up period.

On August 12, 2021, we issued 12,830 shares of common stock to a key employee pursuant to the 2020 Plan and through the 2020 LTIP. The shares were immediately vested but subject to a two-year lock-up period after issuance. In the event the participant's employment with the Company is terminated by the participant during the two-year lock-up period, the Company will repurchase the shares at a price equal to 30% 30.0% of the lower of market value at issuance and the termination date. The Company has reported and paid Swedish social charges of $21,000 for the issued shares but only 30% 30.0% of the stock-based compensation (totaling $25,000) was recognized immediately in the consolidated statements of operations for the year ended December 31, 2021, with the remainder to be recognized ratably over the two-year lock-up period.

On December 29, 2021, we issued 14,735 shares of common stock to key employees pursuant to the 2020 Plan and through the 2020 LTIP. The shares were immediately vested but subject to a two-year lock-up period after issuance. In the event the participant's employment with Neonode is terminated by the participant during the two-year lock-up period, the Company will repurchase the shares at a price equal to 30% 30.0% of the lower of market value at issuance and termination date. Neonode has reported and paid Swedish social charges of $46,000 for the issued shares but only 30% 30.0% of the stock-based compensation (totaling $38,000) was recognized immediately in the consolidated statements of operations for the year ended December 31, 2021, with the remainder to be recognized ratably over the two-year lock-up period.

On May 20, 2022, we issued 4,000 shares of common stock to a director pursuant to the 2020 Plan. The shares were immediately vested but subject to a two-year lock-up period after issuance. In the event the participant's employment with the Company is terminated by the participant during the two-year lock-up period, the Company will repurchase the shares at a price equal to 30% 30.0% of the lower of market value at issuance and the termination date. The Company has reported and paid Swedish social charges of $5,000 for the issued shares but only 30% 30.0% of the stock-based compensation (totaling $5,000) was recognized immediately in the consolidated statements of operations for the year ended December 31, 2022, with the remainder to be recognized ratably over the two-year lock-up period.

On September 15, 2022, we repurchased 10,252 shares of common stock from an employee who resigned during the two-year lock up period associated with such shares for $12,000, pursuant to the terms of the 2020 LTIP.

For the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, we recognized $13,000 $2,000 and $48,000 and $5,000 and $89,000, $18,000, respectively, of stock-based compensation for the amortization of the fair value of stock awards issued under the 2020 LTIP and 2020 Plan over the respective lock-up periods.

A summary of the combined activity under all of our stock option plans is set forth below:

	Number of Options Outstanding	Weighted Average Exercise Price
Outstanding at January 1, 2023	2,500	$ 14.40
Expired	(2,500)	14.40
Outstanding at September 30, 2023	-	$ -

As of September 30, 2023 March 31, 2024 and December 31, 2023 we had no outstanding options.

For the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, we recorded no compensation expense related to the vesting of stock options.

During the three and nine months ended September 30, 2023 March 31, 2024, we did not grant any options to purchase shares of our common stock to employees or members of our board of directors.

Stock options granted under the 2006, 2015 and 2020 Plans are exercisable over a maximum term of 10 years from the date of grant, vest in various installments over a one to four-year period and have exercise prices reflecting the market value of the shares of common stock on the date of grant.

5. Commitments and Contingencies

Legal

The Company is subject to legal proceedings and claims that may arise in the ordinary course of business. The Company is not aware of any pending or threatened litigation matters at this time that would have a material impact on the operations of the Company.

Indemnities and Guarantees

Our bylaws require that we indemnify each of our executive officers and directors for certain events or occurrences arising because of the officer or director serving in such capacity. The term of the indemnification period is for the officer's or director's lifetime. The maximum potential amount of future payments we could be required to make under these indemnification agreements is unlimited. However, we have a directors' and officers' liability insurance policy that should enable us to recover a portion of any future amounts paid. As a result of our insurance policy coverage, we believe the estimated fair value of these indemnification agreements is minimal and we have no liabilities recorded for these agreements as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

We enter into indemnification provisions under our agreements with other companies in the ordinary course of business, typically with business partners, contractors, customers and landlords. Under these provisions we generally indemnify and hold harmless the indemnified party for losses suffered or incurred by the indemnified party as a result of our activities or, in some cases, as a result of the indemnified party's activities under the agreement. These indemnification provisions often include indemnifications relating to representations made by us regarding intellectual property rights. These indemnification provisions generally survive termination of the underlying agreement. The maximum potential amount of future payments we could be required to make under these indemnification provisions is unlimited. We have not incurred material costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, we believe the estimated fair value of these agreements is minimal. Accordingly, we have no liabilities recorded for these indemnification provisions as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

Patent Assignment

On May 6, 2019, the Company assigned a portfolio of patents to Aequitas Technologies LLC ("Aequitas" ("Aequitas"), an unrelated third party. The assignment provides the Company the right to share the potential net proceeds to Aequitas generated from possible licensing and monetization program that Aequitas may enter into. Under the terms of the assignment, net proceeds means gross proceeds less out of pocket expenses and legal fees paid by Aequitas. The Company's share would also be net of the Company's own fees and expenses, including a brokerage fee payable by the Company in connection with the original assignment to Aequitas.

On June 8, 2020, Neonode Smartphone LLC, an unrelated third party that is a subsidiary of Aequitas ("Aequitas Sub" Sub"), filed complaints against Apple and Samsung in the Western District of Texas for infringing two patents. The case against Apple was subsequently transferred to the Northern District of California. In December 2022, the Patent Trial and Appeal Board invalidated one of the two patents, which Aequitas Sub is appealing. On August 2, 2023, the United States District Court for the Western District of Texas entered judgment in favor of Samsung. Aequitas Sub has filed an appeal to change this decision to the Federal Circuit and an oral hearing is scheduled to be held on June 6, 2024. The case against Apple is still ongoing. pending in the United States District Court for the Northern District of California.

Non-Recurring Engineering Development Costs

On April 25, 2013, we entered into an Analog Device Development Agreement with an effective date of December 6, 2012 (the "NN1002 Agreement") with Texas Instruments ("TI") pursuant to which TI agreed to integrate our intellectual property into an Application Specific Integrated Circuit ("ASIC"). Under the terms of the NN1002 Agreement, we agreed to pay TI $500,000 of non-recurring engineering costs at the rate of $0.25 per ASIC for each of the first 2,000,000 ASICs sold. As of September 30, 2023 March 31, 2024, we had made no payments to TI under the NN1002 Agreement.

6. Segment Information

We have one reportable segment, which is comprised of the touch technology licensing and products business. We report revenues from external customers based on the country where the customer is located.

The following table presents net revenues by geographic area for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively (dollars in thousands):

	Three months ended September 30, 2023		Three months ended September 30, 2022	
	Amount	Percentage	Amount	Percentage
Japan	$ 383	38 %	$ 447	37 %
United States	292	29 %	399	33 %
South Korea	114	11 %	154	13 %
Germany	93	9 %	87	7 %
France	67	7 %	-	- %
China	20	2 %	57	4 %
New Zealand	18	2 %	-	- %
Sweden	17	2 %	52	4 %
Switzerland	-	- %	33	3 %
Other	(1)	- %	(13)	(1)%
	$ 1,003	100 %	$ 1,216	100 %

	Nine months ended September 30, 2023		Nine months ended September 30, 2022		Three months ended March 31, 2024		Three months ended March 31, 2023	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Japan					$ 391	38.6 %	$ 449	35.8 %
United States	$ 1,329	38 %	$ 1,229	32 %	338	33.3 %	471	37.6 %
Japan	1,186	34 %	1,259	33 %				
France					79	7.8 %	172	13.7 %
South Korea	436	13 %	521	14 %	69	6.8 %	-	- %
Germany	308	9 %	205	5 %	64	6.3 %	111	8.9 %
France	67	2 %	141	4 %				
China	44	1 %	95	3 %				
Switzerland	34	1 %	169	4 %				
Sweden	24	1 %	136	4 %	54	5.3 %	-	- %
New Zealand	18	1 %	-	- %				
Other	10	- %	46	1 %	19	1.9 %	50	4.0 %
	$ 3,456	100 %	$ 3,801	100 %	$ 1,014	100.0 %	$ 1,253	100.0 %

The following table presents our total assets by geographic region as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 (in thousands):

	September 30, 2023	December 31, 2022
United States	$ 18,312	$ 15,630
Sweden	6,466	5,511
Asia	39	57
Total	$ 24,817	$ 21,198

	March 31, 2024	December 31, 2023
United States	$ 13,817	$ 16,084
Sweden	3,064	2,888
Asia	40	42
Total	$ 16,921	$ 19,014

7. Leases

We have operating leases for our corporate offices and our manufacturing facility, and finance leases for equipment. Our leases have remaining lease terms of two three months to three 1.5 years. One of our primary operating leases includes options to extend the lease for one to three years and the other primary lease includes an option to annually extend. These operating leases also include options to terminate the leases within one year. Future renewal options that are not likely to be executed as of the consolidated balance sheet date are excluded from right-of-use assets and related lease liabilities.

Our operating leases represent building leases for our Stockholm corporate offices and our Kungsbacka manufacturing facility. Our Stockholm corporate office lease has a remaining lease term of under one year and both of our leases are automatically renewed at a cost increase of 2% 2.0% on an annual basis, unless we provide written notice nine months prior to the respective expiration dates.

We report operating lease right-of-use assets, as well as current and noncurrent operating lease obligations on our condensed consolidated balance sheets for the right to use those buildings in our business. Our finance leases represent manufacturing equipment; we report the manufacturing equipment, as well as current and noncurrent finance lease obligations on our condensed consolidated balance sheets for our manufacturing equipment.

Generally, interest rates are stated in our leases for equipment. When no interest rate is stated in a lease, however, we review the interest rates implicit in our recent finance leases to estimate our incremental borrowing rate. We determine the rate implicit in a lease by using the most recent finance lease rate, or other method we think most closely represents our incremental borrowing rate.

The components of lease expense were as follows (in thousands):

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Operating lease cost (1)	$ 135	$ 135	$ 391	$ 453	$ 136	$ 127
Finance lease cost:						
Amortization of leased assets	4	5	12	62	$ 28	$ 3
Interest on lease liabilities	2	-	6	6	1	2
Total finance lease cost	6	5	18	68	$ 29	$ 5

(1) Includes short-term lease costs of $117,000 and $335,000 and $30,000 and $111,000 $108,000 for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

Supplemental cash flow information related to leases was as follows (in thousands):

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Cash paid for amounts included in leases:						
Operating cash flows from operating leases	$ (16)	$ (3)	$ (49)	$ (297)	$ (17)	$ (16)
Operating cash flows from finance leases	(2)	-	(6)	(6)	(1)	(2)
Financing cash flows from finance leases	(25)	(36)	(77)	(135)	(9)	(28)
Right-of-use assets obtained in exchange for lease obligations:						
Operating leases	-	-	-	-	-	-
Finance leases					-	-

Supplemental balance sheet information related to leases was as follows (in thousands):

	September 30, 2023	December 31, 2022	As of March 31, 2024	As of December 31, 2023
Operating leases				
Operating lease right-of-use assets	$ 66	$ 118	$ 34	$ 54
Current portion of operating lease obligations	$ 66	$ 83	$ 34	$ 54
Operating lease liabilities, net of current portion	-	35	-	-
Total operating lease liabilities	$ 66	$ 118	$ 34	$ 54
Finance leases				
Property and equipment, at cost	$ 2,503	$ 2,622	$ 2,564	$ 2,714
Accumulated depreciation	(2,304)	(2,418)	(2,368)	(2,523)
Property and equipment, net	$ 199	$ 204	$ 196	$ 191
Current portion of finance lease obligations	$ 35	$ 95	$ 29	$ 33
Finance lease liabilities, net of current portion	24	46	12	19
Total finance lease liabilities	$ 59	$ 141	$ 41	$ 52

	September 30, 2023	December 31, 2022	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Weighted Average Remaining Lease Term				
Operating leases	1.0 years	1.8 years	0.5 years	1.5 years
Finance leases	1.4 years	1.5 years	1.1 years	1.4 years
Weighted Average Discount Rate:				
Operating leases (2)	5%	5%	5.0%	5.0%
Finance leases	3%	2%	2.6%	2.5%

(2) Upon adoption of the new lease standard, discount rates used for existing leases were established at January 1, 2019.

A summary of future minimum payments under non-cancellable operating lease commitments as of September 30, 2023 March 31, 2024 is as follows (in thousands):

Year ending December 31,	Total	Total
2023 (remaining months)	17	
2024	51	35
	68	35
Less imputed interest	(2)	(1)
Total lease liabilities	$ 66	$ 34
Less current portion	(66)	(34)
	$ -	$ -

The following is a schedule of minimum future rentals on the non-cancellable finance leases as of September 30, 2023 March 31, 2024 (in thousands):

Year ending December 31,	Total	Total
2023 (remaining months)	12	
2024	31	23
2025	18	19
Total minimum payments required:	61	42
Less amount representing interest:	(2)	(1)
Present value of net minimum lease payments:	59	41
Less current portion	(35)	(29)
	$ 24	$ 12

8. Net Loss per Share

Basic net loss per common share for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 was computed by dividing the net loss attributable to common shareholders of Neonode Inc. for the relevant period by the weighted average number of shares of common stock outstanding. Diluted loss per common share is computed by dividing net loss attributable to common shareholders of Neonode Inc. for the relevant period by the weighted average number of shares of common stock and common stock equivalents outstanding.

There were The Company had no potentially dilutive potential common stock equivalents for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31,	
(in thousands, except per share amounts)	2023	2022	2023	2022	2024	2023
BASIC AND DILUTED						
Weighted average number of common shares outstanding	15,359	13,580	15,310	13,577	15,359	15,209
Net loss attributable to Neonode Inc.	$ (1,266)	$ (800)	$ (4,198)	$ (3,728)	$ (2,084)	$ (1,425)
Net loss per share - basic and diluted	$ (0.08)	$ (0.06)	$ (0.27)	$ (0.27)		
Net loss per share – basic and diluted					$ (0.14)	$ (0.09)

9. Subsequent Events

No other subsequent events have occurred that would require recognition in On April 10, 2024, we and Dr. Forssell entered into a Termination Agreement (the “Termination Agreement”), pursuant to which Dr. Forssell was discharged from his position as our President and Chief Executive Officer (“CEO”) and will act as a Senior Advisor to the condensed consolidated financial statements or disclosure in management team of Neonode Technologies AB, our subsidiary, and our board of directors until December 31, 2024.

In connection with the notes thereto other than departure of Dr. Forssell, our board of directors appointed our Chief Financial Officer, Fredrik Nihlén, as discussed elsewhere in the accompanying notes. our Interim President and CEO effective immediately. Mr. Nihlén will serve as Interim President and CEO until a new President and CEO is appointed.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements

This Quarterly Report on Form 10-Q (this "Quarterly Report") contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, adopted pursuant to the Private Securities Litigation Reform Act of 1995. Statements that are not purely historical may be forward-looking. For example, statements in this Quarterly Report regarding our plans, strategy and focus areas are forward-looking statements. You can identify some forward-looking statements by the use of words such as "believe," "anticipate," "expect," "intend," "goal," "plan," and similar expressions. Forward-looking statements involve inherent risks and uncertainties regarding events, conditions and financial trends that may affect our future plans of operation, business strategy, results of operations and financial position. A number of important factors could cause actual results to differ materially from those included within or contemplated by such forward-looking statements, including, but not limited to our history of losses since inception, our dependence on a limited number of customers, our reliance on our customers' ability to design, manufacture and sell products that incorporate our touch technology, the length of a product development and release cycle, our and our customers' reliance on component suppliers, the difficulty in verifying royalty amounts owed to us, our limited experience manufacturing hardware devices, our ability to remain competitive in response to new technologies, our dependence on key members of our management and development team, the costs to defend, as well as risks of losing, patents and intellectual property rights, our ability to obtain adequate capital to fund future operations, and general economic conditions, including inflation, or other effects related to the COVID-19 pandemic or future pandemics or epidemics, or geopolitical conflicts such as the ongoing war in Ukraine. Ukraine or the Gaza Strip. For a discussion of these and other factors that could cause actual results to differ from those contemplated in the forward-looking statements, please see the discussion under "Risk Factors" and elsewhere in this Quarterly Report, our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 December 31, 2023 and in our publicly available filings with the Securities and Exchange Commission. Forward-looking statements reflect our analysis only as of the date of this Quarterly Report. Because actual events or results may differ materially from those discussed in or implied by forward-looking statements made by us or on our behalf, you should not place undue reliance on any forward-looking statement. We do not undertake responsibility to update or revise any of these factors or to announce publicly any revision to forward-looking statements, whether as a result of new information, future events or otherwise.

The following discussion and analysis should be read in conjunction with the condensed consolidated financial statements and the notes thereto included in Item 1 of this Quarterly Report and consolidated financial statements for the year ended December 31, 2022 December 31, 2023 included in our most recent Annual Report on Form 10-K.

Neonode Inc., collectively with its subsidiaries, is referred to in this Form 10-Q as "Neonode", "we", "us", "our", "registrant", or "Company".

Overview

Our company provides advanced optical sensing solutions for touch, contactless touch, touch, and gesture sensing. We also provide software solutions for machine perception that feature advanced machine learning algorithms to detect and track persons and objects in video streams for cameras and other types of imagers. We base our contactless touch, touch, and gesture sensing products and solutions using our zForce technology platform and our machine perception solutions on our MultiSensing technology platform. We market and sell our solutions to customers in many different markets and segments including, but not limited to, office equipment, automotive, industrial automation, medical, military and avionics.

License Sales Licensing

We license our zForce technology to Original Equipment Manufacturer Manufacturers ("OEMs"), Original Design Manufacturer ("ODMs") and automotive Tier 1 suppliers who embed our technology into products that they develop, manufacture and sell. Since 2010, our licensing customers have sold approximately 95 million devices that use our patented technology.

As of September 30, 2023 March 31, 2024, we had 35 34 valid technology license agreements with global OEMs, ODMs Original Design Manufacturers ("ODMs") and automotive Tier 1 suppliers.

Our licensing customer base is primarily in the automotive and printer segments. Eleven Ten of our licensing customers are currently shipping products that embed our technology. We anticipate current customers will continue to ship products with our technology in 2023 2024 and in future years. We also expect to expand our customer base with a number of new customers who will be looking to ship new products incorporating our zForce and MultiSensing technologies as they complete final product development and release cycles. We typically earn our license fees on a per unit basis when our customers ship products using our technology, but in the future we may use other business models as well.

Product Sales

In addition to our technical solutions licensing business, we design and manufacture Touch Sensor Modules ("TSMs") that incorporate our patented technology. We sell our TSMs to OEMs, ODMs and systems integrators for use in their products. We also sell our Neonode branded AirBar product that incorporates one of our TSMs through distributors.

We utilize a robotic manufacturing process designed specifically for our components. Our TSMs. The TSMs are commercial-off-the-shelf products based on our patent-protected zForce technology platform and can support the development of contactless touch, touch, gesture and object sensing solutions that, paired with our technology licensing offering, give us a full range of options to enter and compete in key markets.

In October 2017, we We began selling our TSMs to customers in the industrial and consumer electronics segments. Over time, we expect a significant portion segments in 2017. We will phase out the TSM product business during 2024 through licensing of our revenues will be derived from the TSM sales. technology to strategic partners or outsourcing.

Sales of Non-recurring Engineering Services

We also offer non-recurring engineering ("NRE") services related to application development linked to our TSMs and our zForce and MultiSensing technology platforms on a flat rate or hourly rate basis.

Typically, our licensing customers require engineering support during the development and initial manufacturing phase for their products using our technology, while our TSM customers require hardware or software modifications to our standard products or support during the development and initial manufacturing phases of their products using our technology. In both cases we can offer NRE services and earn NRE revenues.

Global Conflicts

The ongoing war in Ukraine has impacted the global economy as the United States, the UK, the EU, and other countries have imposed broad export controls and financial and economic sanctions against Russia (a large exporter of commodities), Belarus, and specific areas of Ukraine, and may continue to impose additional sanctions or other measures. Russia may impose its own counteractive measures. We do not procure materials directly from Ukraine or Russia, but the war in Ukraine may further exacerbate ongoing supply chain disruptions that are occurring across the globe. In addition, the war in Israel and Gaza and the possible expansion of such war has created political and potential economic uncertainty in the Middle East. While the precise effects on global economies from the Israel-Hamas war, the war in Ukraine and related sanctions remain uncertain, there has been significant volatility in the financial markets, fluctuations in currency exchange rates, and an increase in energy and commodity prices globally. Should the wars continue or escalate, there may be various economic and security consequences including, but not limited to, additional supply shortages of different kinds; further increases in prices of commodities; significant disruptions in logistics infrastructure and telecommunications services; and risks relating to the unavailability of information technology systems and infrastructure. The resulting impacts on the global economy, financial markets, inflation, interest rates, and unemployment, among others, could adversely impact economic and financial conditions.

Results of Operations

A summary of our financial results is as follows (in thousands, except percentages):

	Three months ended September 30, 2023	Three months ended September 30, 2022	2023 vs 2022 Variance in Dollars	2023 vs 2022 Variance in Percent	Three months ended March 31, 2024	Three months ended March 31, 2023	2024 vs 2023 Variance in Dollars	2024 vs 2023 Variance in Percent
Revenues:								
License fees	$ 836	$ 1,045	$ (209)	(20.0)%	$ 773	$ 1,148	$ (375)	(32.7)%
Percentage of revenue	*83.3%*	*85.9%*			*76.2%*	*91.6%*		
Products	163	155	8	5.2%	200	102	98	96.1%
Percentage of revenue	*16.3%*	*12.7%*			*19.7%*	*8.1%*		
Non-recurring engineering	$ 4	$ 16	$ (12)	(75.0)%	41	3	38	1,266.7%
Percentage of revenue	*0.4%*	*1.3%*			*4.0%*	*0.2%*		
Total Revenue	$ 1,003	$ 1,216	$ (213)	(17.5)%	$ 1,014	$ 1,253	$ (239)	(19.1)%
Cost of revenues:								
Products	$ 227	$ 80	$ 147	183.8%	$ 380	$ 47	$ 333	708.5%
Percentage of revenue	*22.6%*	*6.6%*			*37.5%*	*3.8%*		
Non-recurring engineering	$ -	$ (2)	$ 2	(100.0)%	17	-	17	-%
Percentage of revenue	*-%*	*(0.2)%*			*1.7%*	*-%*		
Total cost of revenues	$ 227	$ 78	$ 149	191.0%	$ 397	$ 47	$ 350	744.7%
Total gross margin	$ 776	$ 1,138	$ (362)	(31.8)%	$ 617	$ 1,206	$ (589)	(48.8)%
Operating expenses:								
Research and development	$ 827	$ 792	$ 35	4.4%	$ 895	$ 802	$ 93	11.6%
Percentage of revenue	*82.5%*	*65.1%*			*88.3%*	*64.0%*		
Sales and marketing	516	348	168	48.3%	816	592	224	37.8%
Percentage of revenue	*51.4%*	*28.6%*			*80.5%*	*47.2%*		
General and administrative	890	960	(70)	(7.3)%	1,160	1,384	(224)	(16.2)%
Percentage of revenue	*88.7%*	*78.9%*			*114.4%*	*110.5%*		
Total operating expenses	$ 2,233	$ 2,100	$ 133	6.3%	$ 2,871	$ 2,778	$ 93	3.3%
Percentage of revenue	*222.6%*	*172.7%*			*283.1%*	*221.7%*		
Operating loss	$ (1,457)	$ (962)	$ (495)	51.5%	$ (2,254)	$ (1,572)	$ (682)	43.4%
Percentage of revenue	*(145.3)%*	*(79.1)%*			*(222.3)%*	*(125.5)%*		
Other income (expense)	226	-	226	-%	180	158	22	13.9%
Percentage of revenue	*22.5%*	*-%*			*17.8%*	*12.6%*		
Provision for income taxes	35	32	3	9.4%	10	11	(1)	(9.1)%
Percentage of revenue	*3.5%*	*2.6%*			*1.0%*	*0.9%*		
Less: net loss attributable to noncontrolling interests	-	194	(194)	(100.0)%				
Net loss					$ (2,084)	$ (1,425)	$ (659)	46.2%
Percentage of revenue	*-%*	*16.0%*			*(205.5)%*	*(113.7)%*		
Net loss attributable to Neonode Inc.	$ (1,266)	$ (800)	$ (466)	58.3%				
Percentage of revenue	*(126.2)%*	*(65.8)%*						
Net loss per share attributable to Neonode Inc.	$ (0.08)	$ (0.06)	$ (0.02)	33.3%				
Net loss per share					*$ (0.14)*	*$ (0.09)*	$ (0.05)	55.6%

	Nine months ended September 30, 2023		Nine months ended September 30, 2022		2023 vs 2022 Variance in Dollars		2023 vs 2022 Variance in Percent
Revenues:							
License fees	$	3,078	$	3,102	$	(24)	(0.8)%
Percentage of revenue		*89.1%*		*81.6%*			
Products		349		512		(163)	(31.8)%
Percentage of revenue		*10.1%*		*13.5%*			
Non-recurring engineering	$	29	$	187	$	(158)	(84.5)%
Percentage of revenue		*0.8%*		*4.9%*			
Total Revenue	$	3,456	$	3,801	$	(345)	(9.1)%
Cost of revenues:							
Products	$	302	$	224	$	78	34.8%
Percentage of revenue		*8.7%*		*5.9%*			
Non-recurring engineering	$	9	$	24	$	(15)	(62.5)%
Percentage of revenue		*0.3%*		*0.6%*			
Total cost of revenues	$	311	$	248	$	63	25.4%
Total gross margin	$	3,145	$	3,553	$	(408)	(11.5)%
Operating expenses:							
Research and development	$	2,692	$	2,961	$	(269)	(9.1)%
Percentage of revenue		*77.9%*		*77.9%*			
Sales and marketing		1,797		1,608		189	11.8%
Percentage of revenue		*52.0%*		*42.3%*			
General and administrative		3,312		3,023		289	9.6%
Percentage of revenue		*95.8%*		*79.5%*			
Total operating expenses	$	7,801	$	7,592	$	209	2.8%
Percentage of revenue		*225.7%*		*199.7%*			
Operating loss	$	(4,656)	$	(4,039)	$	(617)	15.3%
Percentage of revenue		*(134.7)%*		*(106.3)%*			
Other income (expense)		553		15		538	3,586.7%
Percentage of revenue		*16.0%*		*0.4%*			
Provision for income taxes		95		104		(9)	(8.7)%
Percentage of revenue		*2.7%*		*2.7%*			
Less: net loss attributable to noncontrolling interests		-		400		(400)	(100.0)%
Percentage of revenue		*-%*		*10.5%*			
Net loss attributable to Neonode Inc.	$	(4,198)	$	(3,728)	$	(470)	12.6%
Percentage of revenue		*(121.5)%*		*(98.1)%*			
Net loss per share attributable to Neonode Inc.	$	(0.27)	$	(0.27)	$	-	-%

Net Revenues

All of our sales for the three and nine months ended September 30, 2023 and 2022 March 31, 2024 were to customers located in the United States, Europe, Asia and Oceania. All of our sales for the months ended March 31, 2023 were to customers located in the United States, Europe and Asia.

Total net revenues were $1.0 million and $3.5 million for the three and nine months ended September 30, 2023, respectively, compared to $1.2 million and $3.8 million for the same periods in 2022, respectively. The decrease of 17.5% in total net revenues $1.3 million for the three months ended September 30, 2023, March 31 2024 and 2023, respectively. The decrease in total net revenues by 19.1% for the three months ended March 31, 2024 as compared to the same period in 2022 is explained 2023 was caused by lower license fees and non-recurring revenues offset by higher products and NRE revenues. The decrease of 9.1% in total net revenues for the nine months ended September 30, 2023, as compared to the same period in 2022 is explained by lower revenues in all three revenue streams.

License Fees

Revenues from license fees were $0.8 million and $3.1 million $1.1 million for the three and nine months ended September 30, 2023, respectively, compared to $1.0 million March 31, 2024 and $3.1 million for the same periods in 2022, 2023, respectively. The decrease in license fee revenues of 32.7% for the three and nine months ended September 30, 2023 March 31, 2024 as compared to the same periods period in 2022 was primarily 2023, mainly due to lower sales volumes demand for our customers. .

legacy customers' products, resulting in high inventory levels at some customers and thus lower revenues for us.

Product Sales

Revenues from product sales were $0.2 million and $0.3 million $0.1 million for the three and nine months ended September 30, 2023, respectively, compared to $0.2 million March 31, 2024 and $0.5 million 2023, respectively. The increase of 96.1% for the same periods in 2022, respectively. The decrease for the nine three months ended September 30, 2023 March 31, 2024 as compared to the same period last year in 2023 was mainly primarily due to low customer demand, which we are addressing with focused marketing and sales campaigns and updates to customers securing TSM inventory after receiving news about our partner network. company phasing out TSM manufacturing.

Non-recurring Engineering Revenues

Revenues from non-recurring engineering revenues were $4 thousand $41,000 and $ 29 thousand $3,000 for the three and nine months ended September 30, 2023, respectively, compared to $16 thousand March 31, 2024 and $187 thousand for the same periods in 2022, respectively. 2023. Most of our non-recurring engineering revenues are related to application development and proof-of-concept projects related to our TSMs or to our zForce and MultiSensing technology platforms. The decrease increase for the three and nine months ended September 30, 2023 was mainly due to fewer projects March 31, 2024, compared to the same periods in 2022. 2023 was the result of a potential TSM licensing project after announcing our change in strategy, with full focus on our licensing business and a phase-out of our products business.

The following tables presents the net revenues by geographical area market and revenue stream for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 (dollars in thousands):

	Three months ended September 30, 2023		Three months ended September 30, 2022		Three months ended March 31, 2024		Three months ended March 31, 2023	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
AMER								
Automotive								
License fees	$ 247	85 %	$ 386	97 %	$ 337	100.0 %	$ 445	100.0 %
Products	45	15 %	14	3 %	-	- %	-	- %
Non-recurring engineering	-	- %	(1)	- %	-	- %	-	- %
	$ 292	100 %	$ 399	100 %	$ 337	100.0 %	$ 445	100.0 %
APAC								
IT & Industrial								
License fees	$ 496	93 %	$ 580	89 %	$ 436	64.4 %	$ 703	87.0 %
Products	34	6 %	68	11 %	200	29.5 %	102	12.6 %
Non-recurring engineering	5	1 %	3	- %	41	6.1 %	3	0.4 %
	$ 535	100 %	$ 651	100 %	$ 677	100 %	$ 808	100 %
EMEA								
License fees	$ 93	53 %	$ 79	48 %				
Products	84	48 %	73	44 %				
Non-recurring engineering	(1)	(1)%	14	8 %				
	$ 176	100 %	$ 166	100 %				

	Nine months ended September 30, 2023		Nine months ended September 30, 2022	
	Amount	Percentage	Amount	Percentage
AMER				
License fees	$ 1,202	90 %	$ 1,232	98 %
Products	127	10 %	27	2 %
Non-recurring engineering	-	- %	-	- %
	$ 1,329	100 %	$ 1,259	100 %
APAC				
License fees	$ 1,609	95 %	$ 1,675	90 %
Products	71	4 %	147	8 %
Non-recurring engineering	11	1 %	44	2 %
	$ 1,691	100 %	$ 1,866	100 %
EMEA				
License fees	$ 267	61 %	$ 195	29 %
Products	151	35 %	338	50 %
Non-recurring engineering	18	4 %	143	21 %
	$ 436	100 %	$ 676	100 %

Gross Margin

Our combined total gross margin was 77% 60.8% and 91% 96.2% for the three and nine months ended September 30, 2023, respectively, compared to 94% March 31, 2024 and 93% for the three and nine months ended September 30, 2022, 2023, respectively. For the three and nine months ended September 30, 2023, March 31, 2024 and 2023, gross margin related to products was (39) (90.0)% and 13% 53.9%, respectively, compared to 48% and 56% for the same periods in 2022, respectively. The gross margin for products for the three months ended September 30, 2023 March 31, 2024 was impacted by a one-time cost of $143,000 $278,000 related to a customer claim. write-down on inventory due to the phasing out of the TSM manufacturing.

Our cost of sales revenues includes the direct cost of production of certain customer prototypes, costs of engineering personnel, engineering consultants to complete the engineering design contracts. Cost of goods sold for TSMs includes fully burdened manufacturing costs, outsourced final assembly costs, and component costs of TSMs.

Research and Development

Research and development ("R&D") expenses for the three and nine months ended September 30, 2023 March 31, 2024 and 2023 were $0.8 million $0.9 million and $2.7 million, respectively. For the same periods in 2022, the R&D expenses were $0.8 million and $3.0 million, respectively. R&D expenses primarily consist of personnel-related costs in addition to external consultancy costs, such as testing, certifying and measurements, along with costs related to developing and building new product prototypes. The decrease increase of 11.6% for nine the three months ended September 30, 2023 March 31, 2024 compared to the same period in 2023 was primarily related to lower personnel and related higher product development costs.

Sales and Marketing

Sales and marketing expenses for the three and nine months ended September 30, 2023 March 31, 2024 and 2023 were $0.5 million $0.8 million and $1.8 million, respectively. The sales and marketing costs for the same periods in 2022 were $0.3 million and $1.6 million $0.6 million, respectively. The increase of 37.8% for the three months ended September 30, 2023 March 31, 2024 compared to the same period in 2023 was primarily due related to higher marketing costs. participation in technology events.

Our sales and marketing activities focus on OEM, ODM and Tier 1 customers who will license our technology or purchase and embed our TSMs into their products. technology.

General and Administrative

General and administrative ("G&A") expenses for the three and nine months ended September 30, 2023 March 31, 2024 and 2023 were $0.9 million $1.2 million and $3.3 million $1.4 million, respectively. The G&A expenses for decrease of 16.2% from the three and nine months ended September 30, 2022 were $1.0 million and $3.0 million, respectively. The increase for the nine months ended September 30, 2023 same period 2023 was primarily related due to higher lower cost for professional fees.

Other Income

Other income for the three months ended March 31, 2024 and 2023 were $0.2 million and $0.2 million, respectively. The other income for both periods was mainly related to interest income earned.

Income Taxes

Our effective tax rate was (3)% and (2) (0.5)% for the three and nine months ended September 30, 2023, respectively, March 31, 2024 and (3)% and (3) (0.8)% for the three and nine months ended September 30, 2022, respectively. March 31, 2023. The negative tax rate is due to withholding taxes from sales. We recorded valuation allowances for the three and nine-month periods ended September 30, 2023 and September 30, 2022 for deferred tax assets related to net operating losses due to the uncertainty of realization.

Net Loss

As a result of the factors discussed above, we recorded a net loss attributable to Neonode of $1.3 million and $4.2 million $2.1 million for the three and nine months ended September 30, 2023 March 31, 2024, respectively, compared to $0.8 million and $3.7 million $1.4 million for the same periods period in 2022, respectively.

Contractual Obligations and Off-Balance Sheet Arrangements

We do not have any transactions, arrangements, or other relationships with unconsolidated entities that are reasonably likely to affect our liquidity or capital resources other than the operating leases incurred in the normal course of business.

We have no special purpose or limited purpose entities that provide off-balance sheet financing, liquidity, or market or credit risk support. We do not engage in leasing, hedging, research and development services, or other relationships that expose us to liability that is not reflected on the face of the consolidated financial statements.

Contractual Obligations and Commercial Commitments

Non-Recurring Engineering Development Costs

On April 25, 2013, we entered into an Analog Device Development Agreement with an effective date of December 6, 2012 (the “NN1002 Agreement”) with Texas Instruments (“TI”) pursuant to which TI agreed to integrate our intellectual property into an ASIC, which is used in our licensed technology. Under the terms of the NN1002 Agreement, we agreed to pay TI $500,000 of non-recurring engineering costs at the rate of $0.25 per ASIC for each of the first 2 million ASICs sold. As of September 30, 2023, we had made no payments to TI under the NN1002 Agreement.

Operating Leases

Neonode Inc. operates solely through a virtual office in California.

On December 1, 2020, Neonode Technologies AB entered into a lease for 6,684 square feet of office space located at Karlavägen 100, Stockholm, Sweden. The lease agreement has been extended and is valid through November 2023. It is extended on a yearly basis unless written notice is provided nine months prior to the expiration date.

On December 1, 2015, Pronode Technologies AB entered into a lease agreement for 9,040 square feet of workshop located at Faktorvägen 17, Kungsbacka, Sweden. The lease agreement has been extended and is valid through September 2024. It is extended on a three-year basis unless written notice is given nine months prior to the expiration date.

For the three and nine months ended September 30, 2023, we recorded approximately $120,000 and $365,000 for total rent expense. For the three and nine months ended September 30, 2022, we recorded approximately $157,000 and $501,000 for total rent expense, respectively.

See Note 7 – Leases in the Notes to Unaudited Condensed Consolidated Financial Statements (Part I, Item 1) for further discussions.

Equipment Subject to Finance Lease

Between the second and fourth quarters of 2016, we entered into six leases for component production equipment. Under the terms of five of the lease agreements, we are obligated to purchase the equipment at the end of the original 3-5 year lease terms for 5-10% of the original purchase price of the equipment. In accordance with relevant accounting guidance the leases are classified as finance leases. The lease payments and depreciation periods began between June and November 2016 when the equipment went into service. The implicit interest rate of the leases is currently approximately 3% per annum. One of the leases is a hire-purchase agreement where the equipment is required to be paid off after five years. In accordance with relevant accounting guidance the lease is classified as a finance lease. The lease payments and depreciation period began on July 1, 2016 when the equipment went into service. The implicit interest rate of the lease is currently approximately 3% per annum. On April 1, 2022, one of lease contracts was extended for three years. The implicit interest rate of the extended lease period is 2.7% per annum.

In 2017, we entered into a lease for component production equipment. Under the terms of the lease agreement the lease will be renewed within one year of the end of the original four-year lease term. In accordance with relevant accounting guidance the lease is classified as a finance lease. The lease payments and depreciation periods began in May 2017 when the equipment went into service. The implicit interest rate of the lease is currently approximately 1.5% per annum. On November 1, 2021, the lease contract was extended for two years. The implicit interest rate of the extended lease period is 1.5% per annum.

In 2018, we entered into a lease for component production equipment. Under the terms of the agreement, the lease will be renewed within one year of the original four-year lease term. In accordance with relevant accounting guidance the lease is classified as a finance lease. The lease payments and depreciation periods began in August 2018 when the equipment went into service. The implicit interest rate of the lease is currently approximately 1.5% per annum.

In 2022, we entered into a lease for soundproof office pods. Under the terms of the agreement, the lease will be renewed within one year of the original three-year lease term. In accordance with relevant accounting guidance the lease is classified as a finance lease. The lease payments and depreciation periods began in May 2022 when the equipment went into service. The implicit interest rate of the lease is currently approximately 3.0% per annum.

See Note 7 – Leases in the Notes to Unaudited Condensed Consolidated Financial Statements (Part I, Item 1) for further discussion.

Liquidity and Capital Resources

Our liquidity is dependent on many factors, including sales volume, operating profit and the efficiency of asset use and turnover. Our future liquidity will be affected by, among other things:

- licensing of our technology;
- purchases of our TSMs and AirBars; TSMs;
- operating expenses;
- timing of our OEM customer product shipments;
- timing of payment for our technology licensing agreements;
- gross profit margin; and
- our ability to raise additional capital, if necessary.

As of September 30, 2023 March 31, 2024, we had cash and cash equivalents of $18.5 million $14.3 million, as compared to $14.8 million $16.2 million as of December 31, 2022 December 31, 2023. Based on our current cash position, and assuming currently planned expenditures and level of operations, we believe we have sufficient capital to fund operations for the twelve-month period subsequent to the date of this Quarterly Report.

Working capital (current assets less current liabilities) was $22.7 million $14.7 million as of September 30, 2023 March 31, 2024, compared to $19.1 million $16.8 million as of December 31, 2022 December 31, 2023.

Net cash used in operating activities for the nine three months ended September 30, 2023 March 31, 2024, was $4.1 million $1.9 million and was primarily the result of a net loss of $4.2 million $2.1 million and approximately $0.2 million $0.3 million in non-cash operating expenses, comprised of stock-based compensation expense, depreciation and amortization, and amortization of operating lease right-of-use assets and inventory impairment loss and changes in operating assets and liabilities of $(0.1) million.

$0.2 million. Net cash used in operating financing activities for the nine three months ended September 30, 2022 March 31, 2024, was $5.7 million approximately $9,000 and was primarily the result of a net loss of $4.1 million and approximately $0.5 million in non-cash operating expenses, comprised of depreciation and amortization and amortization of operating lease right-of-use assets and recoveries of bad debt, and changes in operating assets and liabilities of $(2.0) million. principal payments on finance lease.

Accounts receivable and unbilled revenues decreased by approximately $0.5 million $0.2 million as of September 30, 2023 March 31, 2024, compared to December 31, 2022 December 31, 2023. This was mainly due to lower revenues. the timing of receipts of customer payments.

Inventory increased decreased by approximately $0.7 million $0.3 million during the nine three months ended September 30, 2023 March 31, 2024, compared to December 31, 2022, primarily due December 31, 2023.

Accounts payable and accrued expenses increased approximately $76,000 during the three months ended March 31, 2024 compared to purchase of components. December 31, 2023.

Net cash provided by financing activities of $7.8 million during the nine three months ended September 30, 2023 March 31, 2023 was the result of the issuance of common stock under the ATM Facility (as defined and described below). Net cash used in financing activities of $0.1 million during the nine months ended September 30, 2022 was the result of principal payments on the finance lease obligation.

We have incurred significant operating losses and negative cash flows from operations since our inception. The Company incurred net losses of approximately $1.3 million $2.1 million and $4.2 million and $0.8 million and $3.7 million $1.4 million for the three and nine months ended September 30, 2023 March 31, 2024, and 2022, 2023, respectively, and had an accumulated deficit of approximately $211.7 million $219.7 million and $207.5 million $217.6 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. In addition, operating activities used cash of approximately $4.1 million $1.9 million and $5.7 million $1.7 million for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

The condensed consolidated financial statements included herein have been prepared on a going concern basis, which contemplates continuity of operations and the realization of assets and the repayment of liabilities in the ordinary course of business. Management has evaluated the significance of the Company's operating loss and has determined that the Company's cash position, the Company's current operating plan and other sources of potential capital including (including the Company's ATM Facility, would be Facility) are sufficient to alleviate concerns about the Company's ability to continue as a going concern.

In the future, we may require sources of capital in addition to cash on hand and our ATM Facility to continue operations and to implement our strategy. If our operations do not become cash flow positive, we may be forced to seek equity investments or debt arrangements. Historically, we have been able to access the capital markets through sales of common stock and warrants to generate liquidity. Our management believes it could raise capital through public or private offerings if needed to provide us with sufficient liquidity.

No assurances can be given, however, that we will be successful in obtaining such additional financing on reasonable terms, or at all. If adequate funds are not available on acceptable terms, or at all, we may be unable to adequately fund our business plans and it could have a negative effect on our business, results of operations and financial condition. In addition, no assurance can be given that stockholders will approve an increase in the number of our authorized shares of common stock if needed. The issuance of equity securities or securities convertible into equity could dilute the value of shares of our common stock and cause the market price to fall, and the issuance of debt securities could impose restrictive covenants that could impair our ability to engage in certain business transactions.

The functional currency of our foreign subsidiaries is the applicable local currency, the Swedish Krona, the Japanese Yen, the South Korean Won and the Taiwan Dollar. They are subject to foreign currency exchange rate risk. Any increase or decrease in the exchange rate of the U.S. Dollar compared to the Swedish Krona, Japanese Yen, South Korean Won or Taiwan Dollar will impact our future operating results.

Contractual Obligations and Off-Balance Sheet Arrangements

We do not have any transactions, arrangements, or other relationships with unconsolidated entities that are reasonably likely to affect our liquidity or capital resources other than the operating leases incurred in the normal course of business.

We have no special purpose or limited purpose entities that provide off-balance sheet financing, liquidity, or market or credit risk support. We do not engage in leasing, hedging, research and development services, or other relationships that expose us to liability that is not reflected on the face of the consolidated financial statements.

Operating Leases

Neonode Inc. now operates solely through a virtual office in California.

On December 1, 2020, Neonode Technologies AB entered into a lease for 6,684 square feet of office space located at Karlavägen 100, Stockholm, Sweden. The lease agreement has been extended and is valid through November 2024. It is extended on a yearly basis unless written notice is provided nine months prior to the expiration date.

On December 1, 2015, Pronode Technologies AB entered into a lease agreement for 9,040 square feet of workshop located at Faktorvägen 17, Kungsbacka, Sweden. Pronode Technologies AB has informed the landlord of its intention to not renew its lease upon expiration in September 2024.

For the three months ended March 31, 2024 and 2023, we recorded approximately $126,000 and $122,000, respectively, for total rent expense.

See Note 7 – Leases in the Notes to Unaudited Condensed Consolidated Financial Statements (Part I, Item 1) for further discussions.

Equipment Subject to Finance Lease

Between the second and fourth quarters of 2016, we entered into six leases for component production equipment. Under the terms of five of the lease agreements, we are obligated to purchase the equipment at the end of the original 3-5 year lease terms for 5.0-10.0% of the original purchase price of the equipment. In accordance with relevant accounting guidance the leases are classified as finance leases. The lease payments and depreciation periods began between June and November 2016 when the equipment went into service. The implicit interest rate of the leases is currently approximately 3.0% per annum. One of the leases is a hire-purchase agreement where the equipment is required to be paid off after five years. In accordance with relevant accounting guidance the lease is classified as a finance lease. The lease payments and depreciation period began on July 1, 2016 when the equipment went into service. The implicit interest rate of the lease is currently approximately 3.0% per annum. On April 1, 2022, one of lease contracts was extended for three years. The implicit interest rate of the extended lease period is 2.7% per annum.

In 2017, we entered into a lease for component production equipment. Under the terms of the lease agreement the lease will be renewed within one year of the end of the original four-year lease term. In accordance with relevant accounting guidance the lease is classified as a finance lease. The lease payments and depreciation periods began in May 2017 when the equipment went into service. The implicit interest rate of the lease was approximately 1.5% per annum. In November, 2021, the lease contract was extended for two years. The implicit interest rate of the extended lease period was 1.5% per annum. In November, 2023, the equipment was purchased.

In 2018, we entered into a lease for component production equipment. Under the terms of the agreement, the lease will be renewed within one year of the original four-year lease term. In accordance with relevant accounting guidance the lease is classified as a finance lease. The lease payments and depreciation periods began in August 2018 when the equipment went into service. The implicit interest rate of the lease is currently approximately 1.5% per annum.

In 2022, we entered into a lease for soundproof office pods. Under the terms of the agreement, the lease will be renewed within one year of the original three-year lease term. In accordance with relevant accounting guidance the lease is classified as a finance lease. The lease payments and depreciation periods began in May 2022 when the equipment went into service. The implicit interest rate of the lease is currently approximately 3.0% per annum.

See Note 7 – Leases in the Notes to Unaudited Condensed Consolidated Financial Statements (Part I, Item 1) for further discussion.

Non-Recurring Engineering Development Costs

On April 25, 2013, we entered into an Analog Device Development Agreement with an effective date of December 6, 2012 (the “NN1002 Agreement”) with Texas Instruments (“TI”) pursuant to which TI agreed to integrate our intellectual property into an ASIC, which is used in our licensed technology. Under the terms of the NN1002 Agreement, we agreed to pay TI $500,000 of non-recurring engineering costs at the rate of $0.25 per ASIC for each of the first 2 million ASICs sold. As of March 31, 2024, we had made no payments to TI under the NN1002 Agreement.

At-the-Market Offering Program

On May 10, 2021, we entered into an At Market Issuance Sales Agreement (the “Sales Agreement”) with B. Riley Securities, Inc. (“B. Riley Securities”) with respect to an “at the market” offering program (the “ATM Facility”), under which we may, from time to time, in our sole discretion, issue and sell through B. Riley Securities, acting as sales agent, up to $25 million of shares of our common stock.

Pursuant to the Sale Sales Agreement, we may sell the shares through B. Riley Securities by any method permitted that is deemed an “at the market” offering as defined in Rule 415 under the Securities Act of 1933, as amended. B. Riley Securities will use commercially reasonable efforts consistent with its normal trading and sales practices to sell the shares from time to time, based upon instructions from us (including any price or size limits or other customary parameters or conditions we may impose). We will pay B. Riley Securities a commission of 3.0% of the gross sales price per share sold under the Sales Agreement.

We are not obligated to sell any shares under the Sale Sales Agreement. The offering of shares pursuant to the Sale Sales Agreement will terminate upon the earlier to occur of (i) the issuance and sale, through B. Riley Securities, of all of the shares subject to the Sales Agreement and (ii) termination of the Sale Sales Agreement in accordance with its terms.

During the year three months ended December 31, 2022 March 31, 2024, we sold an aggregate of 886,065 shares of common stock under the ATM Facility, resulting in net proceeds of approximately $4,686,000 after payment of commissions to B. Riley Securities and other expenses of $167,000.

no shares. During the three months ended September 30, 2023, no shares were sold under the ATM Facility. During the nine months ended September 30, 2023 March 31, 2023, we sold an aggregate of 903,716 shares of our common stock under the ATM Facility with aggregate net proceeds to us of $7,866,000, after payment of commissions to B. Riley Securities and other expenses of $244,000.

Subsequent to the filing of our Form 10-K on February 28, 2024, the aggregate market value of our outstanding common stock held by non-affiliates was approximately $26.7 million. Pursuant to General Instruction I.B.6 of Form S-3, since the aggregate market value of our outstanding common stock held by non-affiliates was below $75.0 million at the time of such Form 10-K filing, the aggregate amount of securities that we are permitted to offer and sell was reduced to $ 8,901,792, which was equal to one-third of the aggregate market value of our common stock held by non-affiliates as of February 27, 2024.

Critical Accounting Policies

Our contracts with customers may include promises to transfer multiple products and services to a customer, particularly when one of our customers contracts with us for a product and related engineering services fees for customizing that product for our customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately may require significant judgment. Judgment may also be required to determine the standalone selling price for each distinct performance obligation identified, although we generally structure our contracts such that performance obligations and pricing for each performance obligation are specifically addressed. We currently have no outstanding contracts with multiple performance obligations; however, we recently negotiated a contract that may include multiple performance obligations in the future.

Judgment is also required to determine when control of products passes from us to our distributors, as well as the amounts of product that may be returned to us. Our products are sold with a right of return, and we may provide other credits or incentives to our customers, which could result in variability when determining the amount of revenue to recognize. At the end of each reporting period, we use product returns history and additional information that becomes available to estimate returns and credits. We do not recognize revenue if it is probable that a significant reversal of any incremental revenue would occur.

Finally, judgment is required to determine the amount of unbilled license fees at the end of each reporting period.

See Note 2 – Summary of Significant Accounting Policies in the Notes to Unaudited Condensed Consolidated Financial Statements (Part I, Item 1) for further discussion of critical accounting policies and discussion of estimates.

There have been no other changes from the critical accounting policies as previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 December 31, 2023.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision of and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2023 March 31, 2024. Based upon that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

In designing and evaluating disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the period covered by this Quarterly Report that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are not a party to any pending legal proceedings. From time to time, we may become subject to legal proceedings, claims, and litigation arising in the ordinary course of business, including, but not limited to, employee, customer and vendor disputes.

Item 1A. Risk Factors

There have been no material changes from the risk factors as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities.
Not applicable.
Item 4. Mine Safety Disclosures.
Not applicable.
Item 5. Other Information

None.

Item 6. Exhibits

Exhibit #	Description
3.1	Restated Certificate of Incorporation of Neonode Inc., dated November 7, 2018 *(incorporated by reference to Exhibit 3.14 of the registrant's quarterly report on Form 10-Q (File No. 001-35526) filed on November 8, 2018)*
3.1.1	Certificate of First Amendment to the Restated Certificate of Incorporation of Neonode Inc. *(incorporated by reference to Exhibit 3.1.1 of the registrant's quarterly report on Form 10-Q (File No. 001-35526) filed on August 14, 2019)*
3.1.2	Certificate of Second Amendment to the Restated Certificate of Incorporation of Neonode Inc. *(incorporated by reference to Exhibit 3.1.2 of the registrant's quarterly report on Form 10-Q (File No. 001-35526) filed on August 14, 2019)*
3.1.3	Certificate of Third Amendment to the Restated Certificate of Incorporation of Neonode Inc. *(incorporated by reference to Exhibit 3.1.3 of the registrant's quarterly report on Form 10-Q (File No. 001-35526) filed on November 10, 2020)*
3.2	Amended and Restated Bylaws *(incorporated by reference to Exhibit 3.1 of the registrant's current report on Form 8-K (File No. 001-35526) filed on March 10, 2023)*
31.1 4.1	Description of registrant's Common Stock *(incorporated by reference to Exhibit 4.1 to the registrant's Form S-3 (No. 333-255964), filed on May 10, 2021)*
31.1*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act Of 2002* 2002
31.2 31.2*	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act Of 2002* 2002
32 32**	Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002* 2002
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed or furnished herewith
** Furnished herewith

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 thereunto duly authorized.

NEONODE INC.

Date: November 9, 2023 May 8, 2024

By: /s/ Fredrik Nihlén
Fredrik Nihlén
Interim President and Chief Executive Officer and Chief Financial Officer,
(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Urban Forssell, Fredrik Nihlén, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Neonode Inc.;

1. I have reviewed this quarterly report on Form 10-Q of Neonode Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2023 May 8, 2024

By: /s/ Urban Forssell Fredrik Nihlén

Urban Forssell Fredrik Nihlén
Interim President and Chief Executive Officer and
Chief Financial Officer

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Fredrik Nihlén, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Neonode Inc.

1. I have reviewed this quarterly report on Form 10-Q of Neonode Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fiscal fourth quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fiscal fourth quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2023 May 8, 2024

By: /s/ Fredrik Nihlén

Fredrik Nihlén
Interim President and Chief Executive Officer and
Chief Financial Officer

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Exhibit 32

CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Neonode Inc. (the "Company") on Form 10-Q for the fiscal period ended September 30, 2023 March 31, 2024 as filed with the Securities and Exchange Commission (the "Report"), the undersigned principal executive officer and principal financial officer of the Company, each hereby certify, solely for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to our knowledge:

1. The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2023	By:	/s/ Urban Forssell
		Urban Forssell President and Chief Executive OfficerNEONODE INC.
Date: November 9, 2023 May 8, 2024	By:	/s/ Fredrik Nihlén
		Fredrik Nihlén Interim President and Chief Executive Officer and Chief Financial Officer, *(Principal Financial and Accounting Officer)*

This certification is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Act of 1934, as amended, whether made before or after the date of the Report, irrespective of any general incorporation language contained in such filing.

DISCLAIMER