**Risk Factors Comparison 2024-02-28 to 2023-03-09 Form: 10-K**

**Legend: New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

An investment in our common stock involves a high degree of risk. Before deciding to purchase, hold, or sell our common stock, you should consider carefully the risks described below in addition to the cautionary statements and risks described elsewhere in this Annual Report and in our other filings with the SEC, including subsequent reports on Forms 10- Q and 8- K. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of these known or unknown risks or uncertainties actually occur, our business, financial condition, results of operations or cash flows could be seriously harmed. This could cause the trading price of our common stock to decline, resulting in a loss of all or part of your investment. Risks Related to Our Business We have had a history of losses and may require additional capital to fund our operations, which may not be available to us on commercially attractive terms or at all. We have experienced substantial net losses in each fiscal period since our inception. These net losses have resulted from a lack of substantial revenues and the significant costs incurred in the development and commercial acceptance of our technologies. Our ability to continue as a going concern is dependent on our ability to implement our business plan. If our operations do not become cash flow positive, we may be forced to seek sources of capital to continue operations. 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 when needed on acceptable terms, or at all, we may be unable to adequately fund our business plan, which could have a negative effect on our business, results of operations, and financial condition. We may, in the short and long- term, seek to raise capital through the issuance of equity securities or through other financing sources. To the extent that we raise additional funds by issuing equity securities, our stockholders may experience significant dilution. Any debt financing, if available, may include financial and other covenants that could restrict our use of the proceeds from such financing or impose other business and financial restrictions on us. In addition, we may consider alternative approaches such as licensing, joint venture, or partnership arrangements to provide long- term capital. We are dependent on a limited number of customers. Our license revenues for the year ended December 31, ~~2022~~ **2023** were earned from ~~11~~ **10** OEM, ODM and Tier 1 customers. We generated NRE revenues from ~~five~~ **two** customers for the year ended December 31, ~~2022~~ **2023** . During the year ended December 31, ~~2022~~ **2023** , ~~four~~ **three** customers represented approximately ~~68~~ **56. 4** % of our consolidated net revenues. Our customer concentration may change significantly from period- to- period depending on a customer' s product cycle and changes in our industry. ~~In addition, our customer composition may change as we transition to selling more sensor modules in parallel to our licensing business.~~ The response of customers to our sensor products, loss of a major customer, a reduction in net revenues of a major customer for any reason, or a failure of a major customer to fulfill its financial or other obligations due to us could have a material adverse effect on our business, financial condition, and future revenue stream **. The new business strategy with 100 % focus on technology and software licensing, that we launched in December 2023, is likely to trigger changes in our customer composition and an overall reduction of the number of customers we have active engagements with** . We rely on the ability of our customers to design, manufacture and sell their products that incorporate our touch technology. We have historically generated revenue through technology licensing agreements with companies that design, manufacture, and sell their own products incorporating our touch technology. The majority of our license fees earned in **2023 and** 2022 ~~and 2021~~ were from customer shipments of printer products and automotive infotainment systems. **We** ~~Although we have broadened our business model to selling sensors in addition to licensing our technology, we expect to~~ continue to rely on licensing revenue from current and new customers whose products are still in the development cycle. If our customers are not able to design, manufacture and sell their products, or are delayed in producing and selling their products, our revenues, profitability, and liquidity, as well as our brand image, may be adversely affected. The length of a customer' s product development and release cycle depends on many factors outside of our control and any delays could cause us to incur significant expenses without offsetting revenues, or revenues that vary significantly from quarter to quarter. The development and release cycle for customer products is lengthy and unpredictable. Our customers often undertake significant evaluation and design in the qualification of our products, which contributes to a lengthy product release cycle. The typical product development and release cycle is 18 to 36 months. The development and release cycle may be longer in some cases, particularly for automotive vehicle products. There is no assurance that a customer will adopt our technology after the evaluation or design phase, in which case we would not be entitled to any revenues from the customer moving forward. The lengthy and variable development and release cycle for products may also have a negative impact on the timing of our revenues, causing our revenues and results of operations to vary significantly from quarter to quarter. **Our** ~~We and our~~ license customers rely upon component suppliers to manufacture and sell products containing our technology and limited availability of components ~~, including as a result of the COVID- 19 pandemic,~~ may adversely affect our and our customers' businesses. Under our licensing model, OEMs, ODMs and Tier 1 suppliers manufacture or contract to manufacture products that include Neonode' s special Application Specific Integrated Circuits (" ASICs ") that incorporate our patented technology. The Neonode ASICs are manufactured by Texas Instruments and ST Microelectronics. Texas Instruments manufactures two ASIC components that both we and our license customers buy. As part of their product development process, our customers must qualify these components for use in their products, thus making the components difficult to replace. ~~Under our sensor model, we use a similar ASIC component supplied by ST Microelectronics in our TSM products. If the components provided by Texas Instruments, ST Microelectronics or other suppliers experience quality control or availability problems, our technology may be disqualified by one or more of our customers and our supply chain may be disrupted.~~ Our dependence on third parties to supply core components that incorporate our patented technology exposes us to a number of risks including the risk that these suppliers will not be able to obtain an adequate supply of raw materials or components, the risk that these suppliers will not be able to meet our customer requirements, and the risk that these suppliers will not be able to remain in business or adjust to market conditions. If ~~we and~~ our customers are unable to obtain ASICs that incorporate our patented technology, we may not be able to meet demand, which could have a material adverse effect on our business, financial condition, results of operations and cash flows ~~.~~ ~~The COVID- 19 pandemic has resulted in extended shutdown of businesses all over the world causing general delays in the supply of components. We have not suffered from a supply shortage, but it is possible that the component shortage has caused delays and / or increased cost of components impacting our customers' ability to manufacture and sell products on a cost-effective basis~~ . It can be difficult for us to verify royalty amounts owed to us under licensing agreements, and this may cause us to lose potential revenue. Our license agreements typically require our licensees to document the sale of licensed products and report this data to us on a quarterly basis. Although our standard license terms give us the right to audit books and records of our licensees to verify this information, audits can be expensive, time consuming, incomplete, and subject to dispute. From time to time, we audit certain of our licensees to verify independently the accuracy of the information contained in their royalty reports in an effort to decrease the likelihood that we will not receive the royalty revenues to which we are entitled under the terms of our license agreements, but we can give no assurances that these audits will be effective. ~~We have limited experience in manufacturing products and our entry into the hardware market may not be successful. Our business model has historically focused on licensing touch technology. In October 2017, we began to manufacture and sell sensor touch components. There can be no assurance that our hardware manufacturing and sales will result in market acceptance or meaningful revenues. The commercial success of our sensor modules will depend on customer response and our management' s execution. The commercial success of our sensor modules is subject to numerous risks, including: ● the quality and reliability of product components that we source from third- party suppliers and incorporate in our sensor modules; ● our ability to secure product components in a timely manner, in sufficient quantities or on commercially reasonable terms; ● our ability to increase production capacity or volumes to meet demand; ● our ability to identify and qualify alternative suppliers for product components in a timely manner; and ● our ability to establish and maintain effective sales channels. In addition, if demand for our products increases, we will have to invest additional resources to purchase product components, hire and train employees and enhance our manufacturing processes. If we fail to increase our production capacity efficiently, our sales may not increase in line with our expectations and our operating margins could fluctuate or decline.~~ If we fail to develop and introduce new technology successfully, and in a cost- effective and timely manner, we will not be able to compete effectively and our ability to generate revenues will suffer. We operate in a highly competitive, rapidly evolving environment, and our success depends on our ability to develop and introduce new technology that our customers and end users choose to buy. If we are unsuccessful at developing new technologies that are appealing to our customers and end users, with acceptable functionality, quality, prices, and terms, we will not be able to compete effectively and our ability to generate revenues will suffer. The development of new technology is very difficult and requires high levels of innovation and competence. The development process is typically also very lengthy and costly. If we fail to anticipate our end users' needs or technological trends accurately or if we are unable to complete development in a cost effective and timely fashion, we will be unable to introduce new technology into the market or successfully compete with other providers. As we introduce new or enhanced technology or integrate new technology into new or existing customer products, we face risks including, among other things, disruption in customers' ordering patterns, inability to deliver new technology to meet customers' demand, possible product and technology defects, and potentially unfamiliar sales and support environments. Premature announcements or leaks of new products, features, or technologies may exacerbate some of these risks. Our failure to manage the transition to newer technology or the integration of newer technology into new or existing customer products could adversely affect our business, results of operations, and financial condition. Our operating results may fluctuate significantly as a result of a variety of factors, many of which are outside of our control. As a result of the unpredictability of our customer product development and the nature of the markets in which we compete, it is very difficult for us to forecast accurately. We base our current and future expense estimates largely on our investment plans and estimates of future needs, although some of our expenses are, to a large extent, fixed. We may be unable to adjust spending in a timely manner to compensate for any unexpected revenue shortfall. Accordingly, any significant shortfall in revenues relative to our planned expenditures would have an immediate adverse effect on our business, results of operations and financial condition. In addition, the following factors, among others, may negatively affect and cause fluctuations in our operating results: ● the announcement or introduction of new products or technologies by our competitors; ● our ability to upgrade and develop our infrastructure to accommodate growth; ● our ability to attract and retain key personnel in a timely and cost- effective manner; ● technical difficulties; ● the amount and timing of operating costs and capital expenditures relating to the expansion of our business, operations, and infrastructure; ● economic conditions specific to the industries and segments where we are active, for instance printers, automotive, elevators, and interactive kiosks; and ● general economic conditions including as a result of ~~the ongoing COVID- 19 pandemic or future~~ pandemics or epidemics, or geopolitical conflicts such as the ongoing war in Ukraine **or the Israel- Palestine conflict** . Further, as a strategic response to changes in the competitive environment, we may from time to time make certain pricing, service, or marketing decisions that could have a material and adverse effect on our business, results of operations, and financial condition. Due to the foregoing factors, our revenues and operating results are and will remain difficult to forecast. We must enhance our sales and technology development organizations. If we are unable to identify, hire, or retain qualified sales, marketing, and technical personnel, our ability to achieve future revenue may be adversely affected. We continually monitor and enhance the effectiveness and breadth of our sales efforts in order to increase market awareness and sales of our technology, especially as we expand into new market areas. Competition for qualified sales personnel is intense, and we may not be able to hire the kind and number of sales personnel we are targeting. Likewise, our efforts to improve and refine our technology require skilled engineers and programmers. Competition for professionals capable of expanding our research and development efforts is intense due to the limited number of people available with the necessary technical skills. If we are unable to identify, hire, or retain qualified sales, marketing, and technical personnel, our ability to achieve future revenue may be adversely affected. We may make acquisitions and strategic investments that are dilutive to existing stockholders, result in unanticipated accounting charges or otherwise adversely affect our results of operations. We may decide to grow our business through business combinations or other acquisitions of businesses, products or technologies that allow us to complement our existing touch technology offerings, expand our market coverage, increase our workforce, or enhance our technological capabilities. If we make any future acquisitions, we could issue stock that would dilute our stockholders' percentage ownership, or we may incur substantial debt, reduce our cash reserves and / or assume contingent liabilities. Further, acquisitions and strategic investments may result in material charges, adverse tax consequences, substantial depreciation, deferred compensation charges, in- process research and development charges, and the amortization of amounts related to deferred compensation and identifiable purchased intangible assets or impairment of goodwill. Any of these could negatively impact our results of operations. We are dependent on the services of our key personnel. We are highly dependent on our senior management team, including Dr. Urban Forssell, our Chief Executive Officer, and Fredrik Nihlén, our Chief Financial Officer. Changes in our senior management team or the unplanned loss of the services of either member of our senior management team could have a material adverse effect on our operations and future prospects. If we are unable to obtain and maintain patent or other intellectual property protection for any products we develop or for our technologies, or if the scope of the patents and other intellectual property protection obtained is not sufficiently broad, our competitors could develop and commercialize products and technologies similar or identical to ours, and our ability to successfully commercialize any products we may develop, and our technologies, may be harmed. Our success depends in large part on our proprietary technology and other intellectual property rights. We rely on a combination of patents, copyrights, trademarks and trade secrets, confidentiality provisions, and licensing arrangements to establish and protect our proprietary rights. Our intellectual property, particularly our patents, may not provide us with a significant competitive advantage. If we fail to protect or to enforce our intellectual property rights successfully, our competitive position could suffer, which could harm our results of operations. Our pending patent applications for registration may not be allowed, or others may challenge the validity or scope of our patents. Even if our patent registrations are issued and maintained, these patents may not be of adequate scope or benefit to us or may be held invalid and unenforceable against third parties. We may need to expend significant resources to secure and protect our intellectual property. The loss of intellectual property rights may adversely impact our ability to generate revenues and expand our business. We may not be successful in our strategic efforts around patent monetization. Our success depends in part on our ability to effectively utilize our intellectual property. Our policy is to always try to protect our innovations using patents. Our patent portfolio is an important prerequisite for our licensing business and also protects our investments in product development. From time to time, we also explore opportunities to monetize our patents per se. As an example of this, on May 6, 2019, we assigned a portfolio of patents to Aequitas Technologies LLC to license or otherwise monetize those patents. In the future we may enter into additional alternative patent monetization strategies, including the sale of patents. Our patent monetization strategies may negatively impact our financial condition, revenues, and results of operations. No assurance can be given that we will enter into agreements related to our patent portfolio or that we will be successful in any strategic efforts around patent monetization. If third parties infringe upon our intellectual property, we may expend significant resources enforcing our rights or suffer competitive injury. Existing laws, contractual provisions and remedies afford only limited protection for our intellectual property. We may be required to spend significant resources to monitor and police our intellectual property rights. Effective policing of the unauthorized use of our technology or intellectual property is difficult and litigation may be necessary in the future to enforce our intellectual property rights. Intellectual property litigation is not only expensive, but time- consuming, regardless of the merits of any claim, and could divert attention of our management from operating the business. Intellectual property lawsuits are subject to inherent uncertainties due to, among other things, the complexity of the technical issues involved, and we cannot assure you that we will be successful in asserting our intellectual property rights. Attempts may be made to copy or reverse engineer aspects of our technology or to obtain and use information that we regard as proprietary. We may not be able to detect infringement and may lose competitive position in the market as a result. In addition, competitors may design around our technology or develop competing technologies. We cannot assure you that we will be able to protect our proprietary rights against unauthorized third party copying or use. The unauthorized use of our technology or of our proprietary information by competitors could have an adverse effect on our ability to sell our technology. The laws of certain foreign countries may not provide sufficient protection of our intellectual property rights to the same extent as the laws of the United States, which may make it more difficult for us to protect our intellectual property. As part of our business strategy, we target customers and relationships with suppliers and OEMs in countries with large populations and propensities for adopting new technologies. However, many of these countries do not address misappropriation of intellectual property nor deter others from developing similar, competing technologies or intellectual property. Effective protection of patents, copyrights, trademarks, trade secrets and other intellectual property may be unavailable or limited in some foreign countries. In particular, the laws of some foreign countries in which we do business may not protect our intellectual property rights to the same extent as the laws of the United States. As a result, we may not be able to effectively prevent competitors in these regions from infringing our intellectual property rights, which could reduce our competitive advantage and ability to compete in those regions and negatively impact our business. We have an international presence in countries and must manage currency risks. A significant portion of our business is conducted in currencies other than the U. S. dollar (the currency in which our consolidated financial statements are reported), primarily the Swedish Krona and, to a lesser extent, the Euro, Japanese Yen, Korean Won, and Taiwan dollar. For the year ended December 31, ~~2022~~ **2023** , our revenues from Asia, North America and Europe were ~~49~~ **47. 2** %, ~~33~~ **36. 0** %, and ~~18~~ **16. 8** %, respectively. We incur a significant portion of our expenses in Swedish Krona, including a significant portion of our research and development expenses and a substantial portion of our general and administrative expenses. As a result, appreciation of the value of the Swedish Krona relative to the other currencies, particularly the U. S. dollar, could adversely affect operating results. We do not currently undertake hedging transactions to cover our currency exposure, but we may choose to hedge a portion of our currency exposure in the future as we deem appropriate. Security breaches and other disruptions to our information technology infrastructure could interfere with our operations, compromise confidential information, and expose us to liability which could materially adversely impact our business and reputation. In the normal course of business, we rely on information technology networks and systems to process, transmit, and store electronic information, and to manage or support a variety of business processes and activities. Additionally, we collect and store certain data, including proprietary business information and customer and employee data, and may have access to confidential or personal information in certain of our businesses that is subject to privacy and security laws, regulations, and customer- imposed controls. Despite our cybersecurity measures, our information technology networks **,** and infrastructure may be vulnerable to damage, disruptions, or shutdowns due to attack by hackers or breaches, employee error or malfeasance, power outages, computer viruses, telecommunication or utility failures, systems failures, natural disasters, or other catastrophic events. Any such events could result in legal claims or proceedings, liability or penalties under privacy laws, disruption in operations, and damage to our reputation, which could materially adversely affect our business. Third parties that maintain our confidential and proprietary information could experience a cybersecurity incident. We rely on third parties to provide or maintain some of our information technology and related services. We do not exercise direct control over these systems. Despite the implementation of security measures at third party locations, these services are also vulnerable to security breaches or other disruptions. Despite assurances from third parties to protect this information and, where we believe appropriate, our monitoring of the protections employed by these third parties, there is a risk that the confidentiality of the data held by these third parties on our behalf may be compromised and expose us to liability for any security breach or disruption. If we are unable to detect material weaknesses in our internal control, our financial reporting and our business may be adversely affected. Section 404 of the Sarbanes- Oxley Act of 2002 requires us to evaluate the effectiveness of our internal controls over financial reporting as of the end of each fiscal year, and to include a management report assessing the effectiveness of our internal controls over financial reporting in our annual report on Form 10- K for that fiscal year. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system' s objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud involving a company have been, or will be, detected. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and we cannot assure you that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become ineffective because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Because of the inherent limitations in a cost- effective control system, misstatements due to error or fraud may occur and not be detected. We cannot assure you that we or our independent registered public accounting firm will not identify a material weakness in our internal controls in the future. A material weakness in our internal controls over financial reporting would require management and our independent registered public accounting firm to consider our internal controls as ineffective. If our internal controls over financial reporting are not considered effective, we may experience a loss of public confidence, which could have an adverse effect on our business and on the market price of our common stock. Risks Related to Owning Our Stock Future sales of our common stock by us or our insiders could adversely affect the trading price of our common stock and dilute your investment. Our long- term success is dependent on us obtaining sufficient capital to fund our operations, develop our ~~touch~~ technology and bring our technology to the worldwide market in order to generate sufficient sales volume to be profitable. We may sell securities in the public or private equity markets if and when conditions are favorable, even if we do not have an immediate need for additional capital at that time. We may also issue additional common stock in future financing transactions or as incentive compensation for our executive management and other key personnel, consultants **,** and advisors. Sales of substantial amounts of common stock by us or by our insiders or large stockholders, or the perception that such sales could occur, could adversely affect the prevailing market price of our common stock and our ability to raise capital. Issuing equity securities would also be dilutive to the equity interests represented by our then- outstanding shares of common stock. The market price for our common stock could decrease as the market takes into account the dilutive effect of any of these issuances. Furthermore, we may enter into financing transactions at prices that represent a substantial discount to the market price of our common stock. A negative reaction by investors and securities analysts to any discounted sale of our equity securities could result in a decline in the trading price of our common stock. We currently have fewer than 300 stockholders of record and, therefore, are eligible to terminate the registration of our common stock under the Exchange Act and cease being a U. S. public company with reporting obligations. Section 12 (g) (4) of the Exchange Act allows for the registration of any class of securities to be terminated after a company files a certification with the SEC that the number of holders of record of such class of security is fewer than 300 persons. As of ~~February 9~~ **January 26** , ~~2023~~ **2024** , there were ~~37~~ **55** stockholders of record of our common stock. This does not include the number of shareholders that hold shares in " street name " through banks, brokers and other financial institutions. Accordingly, we are eligible to deregister our common stock and suspend our reporting obligations under the Exchange Act. If we were to terminate our registration and suspend our reporting obligations under the Exchange Act, we would no longer be required to comply with U. S. public company disclosure requirements under the Exchange Act, including, but not limited to, annual and quarterly report filings, proxy statement filings and filings by insiders to disclose the acquisition and disposition of our securities. Our stock price has been volatile, and your investment in our common stock could suffer a decline in value. There has been significant volatility in the market price and trading volume of equity securities, which is unrelated to the financial performance of the companies issuing the securities. These broad market fluctuations may negatively affect the market price of our common stock. You may not be able to resell your shares at or above the price you pay for those shares due to fluctuations in the market price of our common stock caused by changes in our operating performance or prospects, and other factors. Some factors that may have a significant effect on our common stock market price include: ● actual or anticipated fluctuations in our operating results or future prospects; ● our announcements or our competitors' announcements of new technology; ● the public' s reaction to our press releases, our other public announcements, and our filings with the SEC; ● strategic actions by us or our competitors, such as acquisitions or restructurings; ● new laws or regulations or new interpretations of existing laws or regulations applicable to our business; ● changes in accounting standards, policies, guidance, interpretations, or principles; ● changes in our growth rates or our competitors' growth rates; ● developments regarding our patents or proprietary rights or those of our competitors; ● the public' s reaction to news concerning Aequitas Technologies LLC' s patent litigations against Apple and Samsung; ● our inability to raise additional capital as needed; ● concern as to the efficacy of our technology; ● changes in financial markets or general economic conditions, including as a result of war, terrorism, pandemics or other catastrophes; ● sales of common stock by us or members of our management team; and ● changes in stock market analyst recommendations or earnings estimates regarding our common stock, other comparable companies, or our industry generally. A limited number of stockholders, including directors, hold a significant number of shares of our outstanding common stock. Our two largest stockholders, who both are members of our Board of Directors, hold approximately one- fourth of the shares of our outstanding voting stock. This concentration of ownership could impact the outcome of stockholder votes, including votes concerning the election of directors, the adoption or amendment of provisions in our certificate of incorporation and our bylaws, and the approval of mergers and other significant corporate transactions. These factors may also have the effect of delaying or preventing a change in our management or our voting control. Our certificate of incorporation and bylaws and the Delaware General Corporation Law contain provisions that could delay or prevent a change in control. Our Board of Directors has the authority to issue up to 1, 000, 000 shares of preferred stock and to determine the price, rights, preferences , and privileges of those shares without any further vote or action by the stockholders. The rights of the holders of common stock will be subject to, and may be materially adversely affected by, the rights of the holders of any preferred stock that may be issued in the future. The issuance of preferred stock could have the effect of making it more difficult for a third party to acquire a majority of our outstanding voting stock. Furthermore, certain other provisions of our certificate of incorporation and bylaws may have the effect of delaying or preventing changes in control or management, which could adversely affect the market price of our common stock. In addition, we are subject to the provisions of Section 203 of the Delaware General Corporation Law, an anti- takeover law. If securities analysts do not publish research or if securities analysts or other third parties publish inaccurate or unfavorable research about us, the price of our common stock could decline. The trading market for our common stock may rely in part on the research and reports that securities analysts and other third parties choose to publish about us. We do not control these analysts or other third parties. The price of our common stock could be negatively impacted by insufficient analyst coverage or if one or more analysts or other third parties publish inaccurate or unfavorable research about us.