Company Description

Neonode Inc. ("Neonode" or "the Company") provides infrared multi-sensing interface solutions that make handheld, consumer, and industrial electronic devices touch sensitive. Neonode operates via a technology licensing model where revenues are primarily generated through non-exclusive, royalty-based licenses to original equipment manufacturers (OEMs), original design manufacturers (ODMs), and component suppliers. The Company's innovative multi-sensing touch technology is branded zForce®, for which it holds multiple patents worldwide. Based on zForce®, Neonode has developed a variety of features that sense any object—its size, its pressure on a surface, its depth, its velocity, and even its proximity to the surface. This feature set is called Neonode MultiSensing™ touch technology. With MultiSensing™ technology, Neonode seeks to rival standard capacitive touch solutions. To date, MultiSensing™ has been employed in a Kindle Touch eReader from Amazon.com, Inc., the Nook eReader from Barnes & Noble, Inc., eReaders from Sony Corp. and Kobo Inc., and in the MEEP! tablet from Oregon Scientific Inc. The Company also has license agreements with Alpine Electronics, Inc., Netronix, Inc., BYD, and One Laptop Per Child, among other companies in the tablet PC, mobile phone, office equipment, and automotive sectors. Neonode has headquarters in Sweden with offices in California, Japan, and Korea.

Key Points

- The global touchscreen market, estimated to be $16 billion in 2012, is projected to reach nearly $32 billion by 2018. Within this arena, Neonode estimates that it holds approximately 80% of the market for touchscreen interfaces in black-and-white eReaders—a sector expected to ship between 34 million and 38 million units during 2012 (Sources: *Forbes* and the *New York Times*).
- The Company's proprietary architecture eliminates the glass overlay required to provide capacitive touch interfaces—one of Neonode's key competitive advantages. This allows the Company to offer low production costs and significantly lower power consumption, while providing 100% optical transparency for a clear viewing experience.
- In January 2012, Neonode introduced NN1001, an ultra-low-power, single-chip optical controller. This chip reduces the size of the Company's solution, increases performance and speed, and decreases manufacturing costs. In February 2012, the Company debuted its new 3D multi-touch feature of Neonode MultiSensing™ technology at the Mobile World Congress 2012 in Barcelona, Spain, which is now being incorporated into consumer products.
- During the first six months of 2012, the Company announced seven new licensing agreements and 40 design wins—defined as the incorporation of Neonode's technology into the development of a high-volume product—encompassing a wide range of electronic devices. As of June 30, 2012, Neonode held cash of $11.3 million.

neonode®

Linnégatan 89, SE-115 23
Stockholm, Sweden
Phone: +46 8 667 17 17
www.neonode.com

Ticker (Exchange)	NEON (NASDAQ)
Recent Price (10/05/12)	$3.65
52-week Range	$2.85 - $7.40
Shares Outstanding*	~33 million
Market Capitalization	~$120.5 million
Average 3-month Volume	314,792
Insider Owners + >5%	~26%
Institutional Owners	6.24%
EPS (6 mo. ended 06/30/12)	($0.15)
Employees	45

** As of August 7, 2012.*

Recent Events and Financial Results

An overview of the Company's recent news announcements is provided below, referring the reader to Neonode's website for complete press releases (www.neonode.com/newsroom).

- *On September 20, 2012*, Neonode announced that Mr. David Brunton and Mr. Douglas Young, the Company's chief financial officer (CFO) and general manager, Americas, respectively, were scheduled to present at the 3rd Annual Craig-Hallum Alpha Select Conference on September 27, 2012, in New York, New York.

- *On September 4, 2012*, Neonode announced that the new Sony Reader PRS-T2 incorporates the Company's patented MultiSensing™ touch technology.

- *On August 8, 2012*, the Company announced that it was scheduled to present at the DisplaySearch Emerging Display Technologies Conference in Silicon Valley on August 13-14, 2012, on the topic of "Multi Sensing—The Evolution of Touch."

- *On July 26, 2012*, Neonode announced a licensing agreement with One Laptop Per Child (OLPC), a non-profit organization that designs, manufactures, and distributes laptops to children worldwide, to embed Neonode's MultiSensing™ touch technology into the next generation of OLPC's laptop, called the XO Touch.

- *On July 12, 2012*, the Company entered into a multi-year licensing agreement with Alpine Electronics Inc. (6816-Tokyo), an automotive systems and audio specialist, to embed Neonode's patented MultiSensing™ technology, including the Neonode AlwaysON™ and proximity features, into Alpine's In-Vehicle Infotainment System products.

- *On June 15, 2012*, Neonode announced that was joining the Russell Global, Russell 3000®, and Russell Microcap® indexes when Russell Investments reconstituted its comprehensive set of U.S. equity indexes on June 25, 2012.

- *On June 5, 2012*, Neonode announced it was scheduled to present at Display Week's 8th Annual Investors Conference at the Boston Convention & Exposition Center. The lecture, titled "Evolution of Touch and the Immersive Experience," is a part of the main investor conference titled "Trendspotting in the Display Technology Ecosystem."

- *On May 24, 2012*, the Company announced that Mr. Young, Mr. Brunton, and Ms. Annica Englund, director of public relations and market communication, were scheduled to participate in a panel discussion "Expanding the Digital Media Experience—Enablers of the Digital World" at Cowen's 40th Annual Technology, Media and Telecom Conference being held in New York on May 30, 2012.

- *On May 15, 2012*, Neonode announced that it was named one of the "Cool Vendors In Touch and Gesture Control 2012" by technology research and analyst firm Gartner, Inc. Gartner cites Neonode and its MultiSensing™ touch solution as innovative in the touch and gesture control marketplace.

- *On May 3, 2012*, Neonode's chief executive officer (CEO), Mr. Thomas Eriksson, and the Company's management team visited the NASDAQ MarketSite in Times Square, New York to ring the NASDAQ stock market closing bell in celebration of the Company's listing on the NASDAQ Stock Market.

- *On April 25, 2012*, Neonode announced that its patented zForce® technology was expected to be incorporated in a new six-inch platform under development by Netronix Inc., a Taiwanese-based manufacturer of network products and eReaders. The new platform is suited for a wide range of different display types and is expected to be available to industry partners later in 2012, to be modified based on their specific requests.

- *On April 19, 2012,* the Company announced that, in the first quarter 2012, it achieved a total of 17 new design wins in multiple strategic markets, including smartphones, high-interactive tablets, interactive toys, displays for office equipment, and consoles for the automotive industry. According to the Company, a design win is when a licensing customer starts the development of a high-volume product that includes Neonode's technology solutions.

- *On March 8, 2012*, the Company announced that it entered into a multi-year technology license agreement with a global manufacturer of office equipment. The first product, based on Neonode's MultiSensing™ solution, is expected to be launched by the third quarter 2012.

Financial Results

On August 14, 2012, Neonode reported financial results for its second quarter and six months ended on June 30, 2012.

Financial Results for the Second Quarter 2012

For the second quarter ended June 30, 2012, Neonode's net revenues increased 598% to $2.0 million, compared to $283,000 for the same period in 2011, mainly as a result of license fees related to customer product shipments. Cost of revenues for the period increased 108% to $494,000, compared to $238,000 for the second quarter 2011, due to engineering development activities related to new customer products; while product R&D increased 287% to $1.5 million, compared to $382,000 in the same period 2011, due to an increase in staffing. Sales and marketing expenses increased 373% to $1.7 million, compared to $363,000 in the second quarter 2011. Net loss for the second quarter was $3.4 million, or ($0.10) per share, compared with net loss of $2.7 million, or ($0.10) per share, for the comparable quarter last year.

Financial Results for the Six Months ended June 30, 2012

For the six months ended June 30, 2012, the Company's net revenues increased 282% to $3.1 million, compared to $822,000 for the same period in 2011. Cost of revenues for the six months ended June 30, 2012, increased 89% to $743,000, compared to $393,000 for the same period of 2011, while product R&D increased 229% to $2.2 million, compared to $658,000 in the same period of 2011. Sales and marketing expenses for the six months ended June 30, 2012, increased 252% to $2.5 million, compared to $715,000 in the same period of 2011. Net loss for the six months ended June 30, 2012, was $5.0 million, or ($0.15) per share, compared with net loss of $12.4 million, or ($0.50) per share, for the comparable six-month period last year.

At June 30, 2012, Neonode held cash of $11.3 million, after raising net proceeds of $11.2 million in December 2011.

Company Background

Neonode Inc. ("Neonode" or "the Company") develops and licenses the next generation of user interfaces and optical multi-touch solutions that make electronic devices touch sensitive. The Company's cornerstone is its patented zForce® touch technology, which uses infrared light with zero latency at a very high scanning speed of up to 1,000 Hz. According to Neonode, zForce® technology's design, technical capabilities, and feature set provide an enhanced user experience and a competitive advantage compared to other touch technology solutions currently in the market. Based on zForce®, Neonode has developed a variety of features that sense any object—its size, its pressure on a surface, its depth, its velocity, and even its proximity to the surface. This feature set is called Neonode MultiSensing™ touch technology.

Neonode MultiSensing™ touch technology is suited for consumer and industrial electronic devices and supports unlimited gestures, multi-touch, and sweep navigation. Neonode licenses the zForce® technology and the MultiSensing™ technology to original equipment manufacturers (OEMs) and original design manufacturers (ODMs) in several high-volume markets worldwide. The Company's solutions are currently being integrated into a wide range of devices including mobile phones, tablet PCs, eReaders, toys and gaming consoles, printers and office equipment, and automotive/inflight infotainment systems. The manufacturers that license Neonode's patented technology embed it into their branded products, compensating Neonode both for engineering support during the product development process and through royalties on each product sold that uses the technology.

As consumers have readily accepted and embraced touchscreens, manufacturers continuously seek out new applications and uses for this type of display, making the production and utilization of touchscreen modules one of the fastest growing technology segments. Researchers forecast that the market for touchscreen technologies, projected at roughly $16 billion worldwide during 2012, could almost double by 2018, reaching nearly $32 billion (Source: NPD DisplaySearch's *Touch Panel Market Analysis*, July 17, 2012). Accordingly, the rate of expansion for touch-sensitive interfaces is nearly 10 times that of the overall display market.

Technology to Build Advanced, Economical Touch Interfaces

Neonode has patented and commercialized the zForce® (an abbreviation for "zero force necessary") touch technology, which was designed to overcome many of the limitations of today's touchscreens. The premise of the Company's approach entails the projection of an infrared grid across an electronic display. As users tap, swipe, or write on the screen, zForce® detects the location of the touch based on the interruption in infrared light projecting across the screen, which translates to coordinates on the grid. The zForce® architecture and input method is believed to be unique to Neonode.

A zForce® enabled touchscreen can be activated by multiple modes of input, including bare fingers, gloves, styluses, and pens, as well as recognizes multi-touch (multiple simultaneous touches). It is uncommon today to find both of these features innately built into the same solution. The resistive touch technology used on most PDAs to recognize stylus writing works as a spot on the screen is pressed inward, causing one layer of the touchscreen to make contact with a layer beneath. This contact sends a signal to the device to recognize the touch. While this resistive touch technology is relatively low cost, resistive touchscreens do not typically allow multi-touch (swiping, gesturing).

The newer and higher-cost capacitive technology, such as that used on Apple Inc.'s (AAPL-NASDAQ) iPhone, is activated by conductive material rather than applied pressure. Electrodes in the display recognize contact with an electrical conductor, such as a finger. Capacitive devices perform multi-touch but cannot be activated by standard pointers or gloves as these are non-conductive. As a result, many users find that their touchscreen can recognize taps from their fingers but not fingernails. In contrast, the zForce® screens offer full finger touch capabilities (e.g., gestures like "pinching" the screen to zoom in or out) as well as high-resolution pen support in the same solution.

Both capacitive and resistive screens are composed in part of microscopic circuits embedded on a glass or plastic substrate, which is layered on top of the device display. The substrate layer(s) is then protected by an additional cover glass or another protective coating. In contrast, the infrared grid used in zForce® does not require that any glass or plastic layer be placed on top of the display. The reduction in glass is a primary benefit to the zForce® technology, as it reduces manufacturers' cost of materials, keeping zForce® more economical than alternatives.

As well, by removing the extra layers and exposing the underlying display, Neonode improves touchscreen visibility and performance. Reflection off of glass covering the touchscreen is one of the primary factors preventing consumers from viewing their capacitive touch smartphones and tablet PCs in sunlight. With an uninhibited view of the display, a zForce® touchscreen has reduced glare, 100% optical transparency, and prolonged battery life as backlights require less power to achieve the desired brightness. As well, zForce® enables the development of touch-sensitive products that can be viewed both indoors and outdoors. A zForce® screen can be used in lightweight devices with a streamlined design—a key quality as consumer electronics manufacturers are ever striving to create thinner, sleeker products. Due to its low total weight and building height, the zForce® solution allows for industrial design flexibility.

Neonode has refined zForce® such that it believes the technology can be more cost effective to employ than a traditional keypad on a mobile handset. The Company estimates that using its optical touch interface on a tablet is up to five times more cost effective than employing a capacitive screen and is either the same or slightly more cost effective than a resistive screen. The cost benefits of zForce® are derived from its lower cost of materials as well as simpler manufacturing process versus layered capacitive and resistive screens.

January 2012 Release of a Single-chip Optical Touch Controller

The introduction of an ultra-low-power, single-chip optical touch controller called NN1001 in January 2012 serves to extend Neonode's competitive advantage by combining several existing components into one chip. Developed in collaboration with Texas Instruments Inc. (TXN-NASDAQ), NN1001 increases touch performance and reduces manufacturing cost. As a single-chip solution, it requires less space on the motherboard, increasing the suitability of zForce® for handsets. NN1001 has already been sampled and evaluated by customers. It began mass production in the second quarter 2012, followed by a launch for automotive applications in the second half of 2012.

February 2012 Release of New MultiSensing™ Touch Technology

In February 2012, Neonode introduced MultiSensing™ touch technology. The technology is built upon the zForce® multi-touch platform that uses light rather than physical touch sensors to identify and track finger movements. It senses multiple dimensions: proximity, pressure, depth, and surface. By utilizing several optical sensors in the body of a MultiSensing™ enabled touch frame, Neonode gives the touch frame the ability to follow the motion of multiple objects (e.g., two fingers) in 3D space. Keeping in line with the proprietary characteristics of zForce®, MultiSensing™ can detect hands, bare fingers, gloved fingers, pens, brushes, styluses, or other objects at high speed with virtually zero latency. The Company presented MultiSensing™ technology at the Mobile World Congress 2012 in Barcelona, Spain. Specific launch details for the new technology are not yet available, though products using it could reach the market as early as 2013 (Source: SlashGear, February 28, 2012). MultiSensing™ touch technology is applicable to a wide range of devices, including smartphones, tablets, automotive controls, and in-flight infotainment systems.

Customers

To date, Neonode estimates that it holds approximately 80% market share for touchscreen interfaces in the black-and-white eReader sector alone—a market anticipated to ship between 34 million and 38 million units during 2012 (Sources: *Forbes* and the *New York Times*, January 2012). Leveraging its success with eReaders, Neonode has since refined its solution in both price and performance to meet the unique needs of handset, tablet, and automotive manufacturers. The expansion of its target market resulted in seven new licensing agreements and 40 design

wins—or the incorporation of Neonode's technology into the development of a high-volume product by a licensing customer—during the first six months of 2012, encompassing a wide range of consumer electronic devices.

The zForce® technology is display agnostic, indicating that it can be added to a variety of surfaces, including liquid-crystal display (LCD), electronic ink (e-ink), organic light-emitting diode (OLED), and electronic paper display (EPD). Accordingly, the Company's addressable market is considerable, comprising today's touchscreen products as well as any product that may in the future be made touch sensitive. A visual display is not required; thus, zForce® is applicable to touchpads, keypads, door locks, appliances, industrial goods, and other items in addition to handheld consumer electronics.

Moreover, Neonode's optical touchscreen is believed to be one of a few viable touch solutions for today's reflective display panels versus a backlit display. Reflective displays are used in a number of devices, especially eReaders, as they can be viewed with ease in any ambient light environment both indoors and outdoors. Neonode believes that reflective display panels will likely be the future displays of choice for eReader, tablet PC, and GPS devices as well as many mobile phones and other handheld electronics.

eReader Shipments Driving Near-term Revenue

Neonode's sales cycle typically ranges from 9 to 18 months for new customers and six to nine months for existing customers—with a longer lead time for automotive products. The Company's second quarter 2012 revenue totaled nearly $2.0 million versus $283,000 in the second quarter 2011. For the six months ended June 30, 2012, revenues were $3.1 million, up from $822,000 in the year-ago period.

Neonode is in a period of growth as the Company continues to realize revenue under its eReader licenses as well as expand into new sectors. In late 2011, Amazon.com, Inc. (AMZN-NASDAQ) released the Kindle Touch eReader, which uses zForce® technology. Although Amazon does not typically release sales figures, the online retailer announced that the Kindle Touch held the second spot on its bestseller chart for electronics over the 2011 holiday season (Source: Amazon.com's December 29, 2011, Press Release). Recent estimates from analysts at Goldman Sachs and Barclays Capital forecast that Amazon will likely ship between 23.5 million and 25 million units of Kindle eReaders during 2012 (Sources: *Forbes* and paidContent.org, January 9, 2012).

Another company employing zForce® in an eReader is Toronto technology company, Kobo Inc., which also reported favorable fourth quarter 2011 eReader shipments. Kobo announced that it added more than one million new users for its eReading business during December 2011, with eReader and eBook sales more than double those of the 2010 holiday season. Rakuten, Inc. (4755-JASDAQ), a Japanese Internet services company, acquired Kobo in January 2012 for $315 million—a transaction that Neonode believes enhances its relationship with Kobo, as Kobo is now part of a much larger company with greater resources to expand the reach of zForce®-enabled Kobo products. With access to Rakuten's resources, Kobo may emerge as a larger competitor to Amazon and Barnes & Noble, Inc. (BKS-NYSE) in the eReader business going forward, particularly as the company expands across the U.K. and Europe (Source: *Huffington Post Canada*, November 8, 2011).

The zForce® technology is further integrated into Barnes & Noble's Nook eReader and several generations of eReaders from Sony Corporation (SNE-NYSE). As well, in August 2011, the Company entered into a multi-year technology license agreement with L&I Electronic Technology Co., Ltd, a joint venture between LG Display Co., Ltd and IRIVER Ltd, to use zForce® in a new family of touch eReaders to be sold worldwide. Furthermore, on April 25, 2012, Neonode announced that Netronix Inc. (6143-TWO), a Taiwanese-based manufacturer of network products and eReaders, was incorporating the Company's zForce® technology in a new six-inch platform currently under development and expected to be available at the end of 2012.

Expansion into New Markets

During 2012, Neonode expected product shipments to continue to ramp-up under several new license agreements, which demonstrate the zForce® technology's utility for tablet PCs and mobile phones as well as printers, GPS units, and additional eReaders. These agreements, which the Company entered into in 2011, include licenses to ASUSTeK Computer Inc. (2357-TPE), Chinese company Onyx International, and rugged mobile phone manufacturer, Sonim Technologies.

Additionally, Neonode entered into a license agreement with a global consumer products manufacturer in January 2012. This manufacturer plans to integrate a zForce® optical touchscreen into a series of consumer products using color LCD panels. Also during January 2012, Neonode highlighted automotive touch solutions at the Consumer Electronics Show (CES) in Las Vegas, Nevada. The Company has an agreement with a Korean company, Daesung, which is an LG company that makes electronic components and systems for the automobile industry, and on July 12, 2012, announced a multi-year licensing agreement with Alpine Electronics, Inc. to embed Neonode's patented MultiSensing™ technology into Alpine's In-Vehicle Infotainment System products.

Further, in February 2012, Oregon Scientific, Inc. announced that it was launching a kid-centric, Wi-Fi-enabled MEEP! Android tablet using a seven-inch zForce® color touchscreen (Source: AOL Inc.'s Engadget, February 11, 2012). On July 26, 2012, Neonode also announced a licensing agreement with One Laptop Per Child (OLPC), a non-profit organization that designs, manufactures, and distributes laptops to children worldwide, to embed Neonode's MultiSensing™ touch technology into the next generation of OLPC's laptop, called the XO Touch.

Capital-efficient License Model Emphasizing High Margins

Neonode outlicenses the right to use zForce® and associated software to its OEM/ODM clients. Coupled with standard components from partners like Texas Instruments, these licenses enable a complete optical touchscreen solution. By licensing the technology rather than taking on internal product/device development, Neonode can grow sales without increasing its cost of sales at the same rate. OEM/ODM clients are responsible for product manufacture, including the costs and logistics that accompany production. Neonode is able to direct resources toward the development of innovative new solutions. Accordingly, for the second quarter 2012, Neonode had a gross margin of approximately 75% (revenues of $1.974 million at a cost of revenues of $494,000). As of June 30, 2012, year-to-date gross margin was approximately 76%.

Intellectual Property (IP)

The Company holds a global portfolio of issued and pending patents and intellectual property comprising optical technology patents as well as use patents for gestures and other features. Neonode has IP in the U.S., China, Singapore, Australia, and Japan as well as in multiple European countries, including three issued U.S. patents, 15 filed U.S. patent applications, five applications under the PCT, one to the EPO, and one in Singapore. Neonode further relies on a combination of copyrights, trademarks, trade secrets, confidentiality provisions, and licensing arrangements to establish and protect proprietary rights.

Headquarters and Employees

The Company, formerly known as SBE, Inc., was incorporated in Delaware in September 1997. In 2007, SBE and Neonode (incorporated in Delaware in 2006) completed a reverse merger whereby SBE changed its name to Neonode Inc. Neonode was previously involved in the development of mobile touch-based phones using the zForce® technology. In 2008, the Company opted to focus on licensing zForce® to global equipment and device manufacturers rather than internally developing mobile phones. Over the past several years, Neonode has also devoted resources to innovating new features that increase the value of zForce® technology. On May 15, 2012, Neonode was named one of the "Cool Vendors in Touch and Gesture Control 2012" by technology research and analyst firm Gartner, Inc.

Neonode is headquartered in Stockholm, Sweden, with offices in Santa Clara, California; Seoul, South Korea; and Tokyo, Japan. Neonode is traded on the U.S. NASDAQ under the symbol "NEON." Neonode joined the Russell Global, Russell 3000®, and Russell Microcap® Indexes on June 25, 2012. The Company employs 45 individuals and operates a wholly-owned Swedish subsidiary, Neonode Technologies AB.

Neonode Inc. (Headquarters)
Linnégatan 89, SE-115 23
Stockholm, Sweden
Phone: +46 8 667 17 17

Neonode Inc. (U.S. Address)
2350 Mission College Blvd., Suite 190
Santa Clara, CA 95054
Phone: (408) 496-6722

Key Points to Consider

- Neonode's optical infrared touch technology—zForce®—can be integrated into consumer and industrial electronics to enable touch controls. The Company seeks to compete with today's advanced capacitive touch solutions.
- Due to the high costs of the capacitive technology substrates, which have been made popular primarily through smartphones and tablets, lower-cost alternatives such as zForce® are emerging. Neonode has already penetrated the leading eReader suppliers, which are now shipping products using zForce® solutions.
- The patented zForce® optical technology has been licensed to original equipment manufacturers (OEMs) and original design manufacturers (ODMs) in several high-volume markets worldwide.
- The Company's primary business entails a capital-efficient licensing model through which near-term revenue is driven by global eReader shipments. During 2012 and beyond, Neonode is working to demonstrate its technology in a number of new markets, including tablet PCs, printers, tablets, and mobile phones. Continued future expansion includes automotive touch products and color LCDs, among others.
- During the first six months of 2012, the Company announced seven new licensing agreements and 40 design wins—or the incorporation of Neonode's technology into the development of a high-volume product by a licensing customer—encompassing a wide range of consumer electronic devices.
- Keeping costs low and enabling the development of devices that have 100% optical transparency for a clear viewing experience without reflection is imperative for Neonode. The Company's proprietary architecture offers these benefits by reducing the amount of glass required in the manufacture of touchscreens.
- Neonode believes that zForce® is well suited for OEMs/ODMs developing a touch-enabled product. The technology offers advanced functionalities with features that include multi-touch and stylus support as well as enhanced picture quality and low total cost compared to current touch technologies.
- The introduction of an ultra-low-power, single-chip optical touch controller, called NN1001, in January 2012 serves to extend Neonode's competitive advantage by combining several existing components into one chip. Its single-chip solution requires less space, increasing the suitability of zForce® for handsets. Developed in collaboration with Texas Instruments, NN1001 increases touch performance and reduces manufacturing cost.
- There have been a host of favorable reviews regarding the inclusion of Neonode's technology on products to date. Positive feedback has been instrumental in enabling the Company to bring onboard new customers as well as maintain relationships with existing customers for follow-on products.
- Researchers forecast that the market for touchscreen technologies, which is estimated to reach roughly $16 billion worldwide during 2012, could almost double by 2018, reaching nearly $32 billion.
- The Company holds a portfolio of issued and pending intellectual property comprising optical technology patents as well as use patents for gestures and other features. Neonode has IP in the U.S., China, Singapore, Australia, and Japan as well as in multiple European countries.
- Neonode's CEO and cofounder, Mr. Thomas Eriksson, has over 15 years of experience in product design and electronics engineering. The Company is led by individuals with high-level experience in finance, accounting, and communications, as well as by people with considerable backgrounds in the semiconductor industry and leadership experience at other high-tech companies.
- At June 30, 2012, Neonode held cash of $11.3 million and accounts receivable of $1.7 million, after raising net proceeds of $11.2 million in December 2011.

Risks and Disclosures

This Quarterly Update has been prepared by Neonode Inc. ("Neonode" or "the Company") with the assistance of Crystal Research Associates, LLC ("CRA") based upon information provided by the Company. CRA has not independently verified such information. Some of the information in this EIO relates to future events or future business and financial performance. Such statements constitute forward-looking information within the meaning of the Private Securities Litigation Act of 1995. Such statements can only be predictions and the actual events or results may differ from those discussed due to the risks described in Neonode's statements on Forms 10-K, 10-Q, and 8-K, as well as other forms filed from time to time.

The content of this report with respect to Neonode has been compiled primarily from information available to the public released by the Company through news releases, Annual Reports, and U.S. Securities and Exchange Commission (SEC) filings. Neonode is solely responsible for the accuracy of this information. Information as to other companies has been prepared from publicly available information and has not been independently verified by Neonode or CRA. Certain summaries of activities and outcomes have been condensed to aid the reader in gaining a general understanding. CRA assumes no responsibility to update the information contained in this report. In addition, CRA has been compensated by a third party for its services in creating this report, for updates, and for printing costs. For more complete information about the Company and the risks involved in an investment in the Company, please see CRA's base report on Neonode, dated March 7, 2012, and available at www.crystalra.com.

Investors should carefully consider the risks and information about Neonode's business, as described in the Company's SEC filings. Investors should not interpret the order in which considerations are presented in this or other filings as an indication of their relative importance. The risks and uncertainties overviewed in Neonode's SEC filings are not the only risks that the Company faces. Additional risks and uncertainties not presently known to Neonode or that it currently believes to be immaterial may also adversely affect the Company's business. If any of such risks and uncertainties develops into an actual event, Neonode's business, financial condition, and results of operations could be materially and adversely affected, and the trading price of the Company's shares could decline.

This report is published solely for information purposes and is not to be construed as an offer to sell or the solicitation of an offer to buy any security in any state. Past performance does not guarantee future performance. Additional information about Neonode and its public filings, as well as copies of this report, can be obtained in either a paper or electronic format by calling +46 8 667 17 17.

Intentionally Blank.

CRYSTALRESEARCH
ASSOCIATES

QUARTERLY UPDATE: October 8, 2012

About Our Firm: Crystal Research Associates, LLC is an independent research firm that provides institutional-quality research on small- and mid-cap companies. Our firm's unique and novel products, the Executive Informational Overview® (EIO) and subsequent Quarterly Updates, are free of investment ratings, target prices, and forward-looking financial models. The EIO presents a crystal clear, detailed report on a company (public or private) in a manner that is easily understood by the Wall Street financial community. The EIO details a company's product/technology/service offerings, market size(s), key intellectual property, leadership, growth strategy, competition, risks, financial statements, key events, and other fundamental information.

Crystal Research Associates is led by veteran Wall Street sell-side analyst Jeffrey Kraws, who is well known by the international financial media for his years of work on Wall Street and for providing consistent award-winning analyses and developing long-term relationships on both the buy-side and sell-side. He has been consistently ranked on Wall Street among the Top Ten Analysts for pharmaceutical stock performance in the world for almost two decades as well as ranked as the Number One Stock Picker in the world for pharmaceuticals by Starmine and for estimates from Zacks. Additionally, Mr. Kraws has been 5-Star ranked for top biotechnology stock performance by Starmine.

Corporate Headquarters:
880 Third Avenue, 6th Floor
New York, NY 10022
Office: (212) 851-6685
Fax: (609) 395-9339

Satellite Office Location:
2500 Quantum Lakes Drive, Suite 203
Boynton Beach, FL 33426
Office: (561) 853-2234
Fax: (561) 853-2246