

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR SECTION 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

Commission file number 001-40310

INNOVIZ TECHNOLOGIES LTD.

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

State of Israel

(Jurisdiction of incorporation or organization)

Innoviz Technologies Campus

5 Uri Ariav Street, Bldg. C

Nitzba 300, Rosh HaAin, Israel

(Address of principal executive offices)

Eldar Cegla

Chief Financial Officer

Innoviz Technologies Campus

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Nitzba 300, Rosh HaAin, Israel

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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered, pursuant to Section 12(b) of the Act

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Ordinary shares, no par value per share	INVZ	The Nasdaq Stock Market LLC
Warrants to purchase ordinary shares	INVZW	The Nasdaq Stock Market LLC

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital stock or common stock as of the close of the period covered by the annual report. As of December 31, 2023, the issuer had 165,387,098 ordinary shares outstanding.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Note—Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

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 for 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 (§ 232.405 of this chapter) 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, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer **Accelerated filer** **Non-accelerated filer** **Emerging growth company**

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, 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.

† The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP **International Financial Reporting Standards as issued by the International Accounting Standards Board** **Other**

If “Other” has been checked in response to the previous question indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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ABOUT THIS ANNUAL REPORT

Except where the context otherwise requires or where otherwise indicated in this annual report (this “Annual Report”), the terms “Innoviz,” the “Company,” or the “company,” “we,” “us,” “our,” “our company” and “our business” refer to Innoviz Technologies Ltd., together with its consolidated subsidiaries as a consolidated entity.

All references in this Annual Report to “Israeli currency” and “ILS” refer to Israeli New Shekels, the terms “dollar,” “USD” or “\$” refer to U.S. dollars and the terms “€” or “euro” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the treaty establishing the European Community, as amended.

All references in this Annual Report to “Business Combination” refer to the transactions effected under the Business Combination Agreement, dated as of December 10, 2020 (the “Business Combination Agreement”), by and among Collective Growth Corporation, a Delaware corporation (“Collective Growth”), Innoviz, Hatzata Merger Sub, Inc., a Delaware corporation and wholly owned subsidiary of Innoviz (“Merger Sub”), solely for purposes of Sections 2.2(d), 2.3(a), 2.8, 2.9, 5.2, 5.5, 7.2 and Article VIII thereto, Perception Capital Partners, LLC, a Delaware limited liability company (“Perception”), and solely for purposes of Sections 5.2, 5.5, 5.7 and Article VIII thereto, Antara Capital LP, a Delaware limited partnership and investment manager acting on behalf of certain funds it manages and/or designees (“Antara Capital”). Pursuant to the Business Combination Agreement, Merger Sub merged with and into Collective Growth, with Collective Growth surviving the merger. Upon consummation of the Business Combination and the other transactions contemplated by the Business Combination Agreement on April 5, 2021, Collective Growth became a wholly owned subsidiary of Innoviz.

INDUSTRY AND MARKET DATA

Unless otherwise indicated, information contained in this Annual Report concerning Innoviz’s industry and the regions in which it operates, including Innoviz’s general expectations and market position, market opportunity, market share and other management estimates, is based on information obtained from various independent publicly available sources and other industry publications, surveys and forecasts. Innoviz has not independently verified the accuracy or completeness of any third-party information. Similarly, internal surveys, industry forecasts and market research, which Innoviz believes to be reliable based upon its management’s knowledge of the industry, have not been independently verified.

TRADEMARKS, TRADE NAMES AND SERVICE MARKS

This document contains references to trademarks, trade names and service marks belonging to other entities. Solely for convenience, trademarks, trade names and service marks referred to in this Annual Report may appear without the ® or TM symbols, but such references are not intended to indicate, in any way, that the applicable licensor will not assert, to the fullest extent under applicable law, its rights to these trademarks and trade names. We do not intend our use or display of other companies’ trade names, trademarks or service marks to imply a relationship with, or endorsement or sponsorship of us by, any other companies.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report may constitute “forward-looking statements” for purposes of the federal securities laws, including statements regarding the services offered by Innoviz, the anticipated technological capability of Innoviz’s products, the markets in which Innoviz operates and Innoviz’s projected future results. In some cases, these forward-looking statements can be identified by words or phrases such as “may,” “might,” “will,” “could,” “would,” “should,” “expect,” “plan,” “anticipate,” “intend,” “strategy,” “seek,” “believe,” “estimate,” “predict,” “potential,” “continue,” “will be,” “will continue,” “is likely,” “will likely result,” “contemplate,” “possible,” or similar words. Statements regarding our future results of operations and financial position, growth strategy and plans and objectives of management for future operations, including, among others, expansion in new and existing markets, are forward-looking statements.

Our forward-looking statements are mainly based on our current expectations and estimates of future events and trends which affect or may affect our business, operations and industry. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to numerous risks and uncertainties, including without limitation those described under the sections in this Annual Report entitled Item 3.D. “*Key Information—Risk Factors*” and Item 5. “*Operating and Financial Review and Prospects*” and elsewhere in this Annual Report.

Forward-looking statements may be influenced by factors including:

- our limited operating history and evolving business model makes evaluating our business and future prospects difficult and may increase the risk of your investment;
- continued pricing pressures, automotive original equipment manufacturers (“OEM”) cost reduction initiatives and the ability of automotive OEMs to re-source or cancel vehicle or technology programs may result in lower than anticipated margins, or in incremental losses, which may adversely affect our business;
- we are creating innovative technologies by designing and developing unique components. The high price of, or low yield in these components, may affect our ability to sell at competitive prices or may lead to losses;
- there are significant risks to providing our products as a direct supplier to customers, including additional operating costs, increased liabilities, and additional indemnification responsibilities, in each case, that we did not previously face when acting as a Tier-2 supplier;
- we expect to invest substantially in research and development for the purpose of developing and commercializing new products. These investments could significantly reduce our profitability or increase our losses and may not generate revenue for us;
- we will likely need to raise additional funds in the future in order to execute our business plan and these funds may not be available to us when we need them. If we cannot raise additional funds when we need them, our business, prospects, financial condition and operating results could be negatively affected;
- we may experience significant delays in the design, production and launch of our LiDAR products, which could harm our business, prospects, financial condition and operating results;
- we are substantially dependent on a limited number of customers. The automotive industry is comprised of a relatively small number of players, which makes each design win material for us, and our business could be materially and adversely affected if any of our customers terminate our programs following such wins;
- designing and manufacturing LiDARs and LiDAR components on a mass-production scale requires meeting stringent quality requirements and we may face significant challenges and complexities in this process;
- the period of time from a design win to implementation is long and we are subject to the risk of cancellations or postponement of contracts or failure to successfully meet customers’ requirements for start of production (“SOP”);
- certain of our strategic, development and supply arrangements could be terminated or may not materialize into long-term contract partnership arrangements;
- we target many customers that are large companies with substantial negotiating power, exacting product standards and potentially competitive internal solutions. If we are unable to sell our products to these customers, our prospects and results of operations will be adversely affected;
- we continue to implement strategic initiatives designed to grow our business. These initiatives may prove more costly than we currently anticipate and we may not succeed in increasing our revenues by an amount sufficient to offset the costs of these initiatives and to achieve and maintain profitability;
- the first vehicles deploying our LiDAR technology and software are expected to become commercially available to end users in 2024. If any vehicles deploying our LiDAR technology and software are involved in traffic accidents or collisions actually or allegedly resulting from undetected defects, errors, or bugs in our products, or if our products actually or allegedly fail to perform as expected, we may be exposed to product liability, warranty and other claims, in addition to a decline in the market adoption of our products, damage to our reputation with current or prospective customers, or increased regulatory scrutiny of our solutions which would adversely affect our operating costs, business and prospects;
- we operate in a highly competitive market against a large number of both established competitors and new market entrants, and some market participants have substantially greater resources than ours; and
- the other matters described in the section entitled Item 3.D. “*Key Information—Risk Factors*” beginning on page 3.

Many important factors, in addition to the factors described above and in other sections of this Annual Report, could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risks and uncertainties emerge from time to time, and it is not possible for our management to predict all risks and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from estimates or forward-looking statements. We qualify all our estimates and forward-looking statements by these cautionary statements.

The estimates and forward-looking statements contained in this Annual Report speak only as of the date of this Annual Report. Except as required by applicable law, we undertake no obligation to publicly update or revise any estimates or forward-looking statements whether as a result of new information, future events or otherwise, or to reflect the occurrence of unanticipated events.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

Reserved.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

You should carefully consider the risks described below before making an investment decision. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. The trading price and value of our ordinary shares could decline due to any of these risks, and you may lose all or part of your investment. This Annual Report also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this Annual Report.

Summary of Risk Factors

The following is a summary of certain, but not all, of the risks that could adversely affect our business, operations and financial results. If any of the risks actually occur, our business could be materially impaired, the trading price of our ordinary shares and warrants could decline, and you could lose all or part of your investment.

- Our limited operating history and evolving business model makes evaluating our business and future prospects difficult and may increase the risk of your investment.
- Continued pricing pressures, automotive OEM cost reduction initiatives and the ability of automotive OEMs to re-source or cancel vehicle or technology programs may result in lower than anticipated margins, or in incremental losses, which may adversely affect our business.
- We are creating innovative technologies by designing and developing unique components. The high price of, or low yield in these components, may affect our ability to sell at competitive prices or may lead to losses.
- There are significant risks to providing our products as a direct supplier to customers, including additional operating costs, increased liabilities, and additional indemnification responsibilities, in each case, that we did not previously face when acting as a Tier-2 supplier.
- We expect to invest substantially in research and development for the purpose of developing and commercializing new products. These investments could significantly reduce our profitability or increase our losses and may not generate revenue for us.
- We will likely need to raise additional funds in the future in order to execute our business plan and these funds may not be available to us when we need them. If we cannot raise additional funds when we need them, our business, prospects, financial condition and operating results could be negatively affected.
- We may experience significant delays in the design, production and launch of our LiDAR products, which could harm our business, prospects, financial condition and operating results.

- We are substantially dependent on a limited number of customers. The automotive industry is comprised of a relatively small number of players, which makes each design win material for us, and our business could be materially and adversely affected if any of our customers terminate our programs following such wins.
- Designing and manufacturing LiDARs and LiDAR components on a mass-production scale requires meeting stringent quality requirements and we may face significant challenges and complexities in this process.
- The period of time from a design win to implementation is long and we are subject to the risk of cancellations or postponement of contracts or failure to successfully meet customers' requirements for SOP.
- If market adoption of LiDAR for autonomous vehicles does not continue to develop, or develops more slowly than we expect, our business will be adversely affected.
- Certain of our strategic, development and supply arrangements could be terminated or may not materialize into long-term contract partnership arrangements.
- We target many customers that are large companies with substantial negotiating power, exacting product standards and potentially competitive internal solutions. If we are unable to sell our products to these customers, our prospects and results of operations will be adversely affected.
- We continue to implement strategic initiatives designed to grow our business. These initiatives may prove more costly than we currently anticipate, and we may not succeed in increasing our revenues by an amount sufficient to offset the costs of these initiatives and to achieve and maintain profitability.
- The markets in which we compete are characterized by rapid technological change, which requires us to continue to develop new products and product innovations and could adversely affect market adoption of our products.
- Certain of our strategic, development and supply arrangements could be terminated or may not materialize into long-term contract partnership arrangements.
- Adoption of LiDAR for other emerging markets may not occur or may occur much more slowly than we anticipate, which would adversely affect our business and prospects.
- Adverse conditions in the automotive industry or the global economy more generally could have adverse effects on our results of operations.
- We may experience difficulties in expanding our operations.
- As part of growing our business, we may in the future make acquisitions. If we fail to successfully select, execute or integrate our acquisitions, then our business, results of operations and financial condition could be materially and adversely affected and the price of our ordinary shares and warrants could decline.
- The first vehicles deploying our LiDAR technology and software are expected to become commercially available to end users in 2024. If any vehicles deploying our LiDAR technology and software are involved in traffic accidents or collisions actually or allegedly resulting from undetected defects, errors, or bugs in our products, or if our products actually or allegedly fail to perform as expected, we may be exposed to product liability, warranty and other claims, in addition to a decline in the market adoption of our products, damage to our reputation with current or prospective customers, or increased regulatory scrutiny of our solutions which would adversely affect our operating costs, business and prospects.
- We operate in a highly competitive market against a large number of both established competitors and new market entrants, and some market participants have substantially greater resources than ours.
- We rely on third-party suppliers and are susceptible to supply shortages, long lead times for components and supply changes, any of which could disrupt our supply chain and could delay deliveries of our products to customers.
- Our sales and operations in international markets expose us to operational, financial and regulatory risks.
- We may not be able to adequately protect or enforce our intellectual property rights or prevent unauthorized parties from copying or reverse engineering our solutions. Our efforts to protect and enforce our intellectual property rights and prevent third parties from violating our rights may be costly.
- Our business may be adversely affected by changes in automotive safety regulations or concerns that drive further regulation of the automobile safety market.

- Failures, or perceived failures, to comply with privacy, data protection, and information security requirements in the variety of jurisdictions in which we operate, may adversely impact our business, and such legal requirements are evolving, uncertain and may require improvements in, or changes to, our policies and operations.
- As a result of being a public company, we are obligated to develop and maintain proper and effective internal controls over financial reporting, and any failure to maintain the adequacy of these internal controls may adversely affect investor confidence in our company and, as a result, the value of our ordinary shares.
- The market price and trading volume of our ordinary shares and warrants may be volatile and could decline significantly.
- We expect our results of operations to fluctuate on a quarterly and annual basis, which could cause the price of our ordinary shares and warrants to fluctuate or decline.
- We may lose our “foreign private issuer” status in the future, which could result in significant additional costs and expenses.
- As we are a “foreign private issuer” and follow certain home country corporate governance practices, our shareholders may not have the same protections afforded to shareholders of companies that are subject to all corporate governance requirements of the Nasdaq Stock Market LLC (“Nasdaq”).
- The war in Israel and other conditions in Israel could materially and adversely affect our business.
- The tax benefits that are available to us require that we continue to meet various conditions and may be terminated or reduced in the future, which could increase our costs and taxes.
- The rights and responsibilities of our shareholders are governed by Israeli law, which may differ in some respects from the rights and responsibilities of shareholders of U.S. corporations.

The other matters described in this section titled “*Risk Factors*”.

Risks Related to Our Business

Our limited operating history and evolving business model makes evaluating our business and future prospects difficult and may increase the risk of your investment.

Our company has been focused on developing LiDAR products, components, and software for autonomous driving systems since our inception in 2016. This relatively limited operating history makes it difficult to evaluate our future prospects and the risks and challenges we may encounter. Further, because we have limited historical financial data and we operate in a rapidly evolving market, any predictions about our future revenue and expenses may not be as accurate as they would be if we had a longer operating history or operated in a more predictable market. In addition, our business model may evolve, which could render our historical operating history and financial data less useful in assessing our prospects. For example, in addition to our traditional model of selling LiDAR systems directly to customers, we are currently selling a chipset containing components to Magna Electronics Inc. (“Magna”), which then assembles the LiDAR system for one of our customers.

If we fail to address the risks and difficulties that we face, including those described elsewhere in this “*Risk Factors*” section, our business, financial condition and results of operations could be adversely affected. We have encountered in the past, and we will encounter in the future, risks and uncertainties frequently experienced by growing companies with limited operating histories in rapidly changing industries. If our assumptions regarding these risks and uncertainties, which we use to plan and operate our business, are incorrect or change, or if we do not address these risks successfully, our results of operations could differ materially from our expectations and our business, financial condition and results of operations could be adversely affected.

In addition, our revenue may be adversely affected for a number of reasons, including the development and/or market acceptance of new technology that competes with our LiDAR products, changes by OEMs or other market participants to their autonomous vehicle technology, failure of our customers to commercialize autonomous systems that include our LiDAR solutions, our inability to effectively manage our inventory or manufacture products at scale, our failure to enter new markets or to attract new customers or expand orders from existing customers, or due to increasing competition. Furthermore, it is difficult to predict the size and growth rate of our target markets, customer demand for our products, commercialization timelines, developments in autonomous sensing and related technology, the success of existing competitive products and services, or the entry of new competitive companies and products. Accordingly, we do not expect to achieve profitability over the near term. If our revenue does not grow over the long term, our ability to achieve and maintain profitability may be adversely affected, and the value of our business may significantly decrease.

Continued pricing pressures, automotive OEM cost reduction initiatives and the ability of automotive OEMs to re-source or cancel vehicle or technology programs may result in lower than anticipated margins, or in incremental losses, which may adversely affect our business.

Cost-cutting initiatives adopted by our customers often result in increased downward pressure on pricing. We expect that our agreements with automotive OEMs may require step-downs in pricing over the term of the agreements or, if commercialized, over the periods of production. In addition, our automotive OEM customers often reserve the right to terminate their supply contracts for convenience, which enhances their ability to obtain price reductions. Automotive OEMs possess significant leverage over their suppliers, including us, because the automotive component supply industry is highly competitive, serves a limited number of customers and has a high fixed cost base. Accordingly, we expect to be subject to substantial continuing pressure from automotive OEMs to reduce the price of our products. It is possible that pricing pressures beyond our expectations could intensify as our customers pursue restructuring, consolidation and cost-cutting initiatives. If we are unable to generate sufficient production cost savings in the future to offset price reductions, our gross margin and profitability would be adversely affected.

We are creating innovative technologies by designing and developing unique components. The high price of, or low yield in these components, may affect our ability to sell at competitive prices or may lead to losses.

Part of our technological approach to providing cost-efficient LiDAR-based autonomous driving solutions featuring superior performance involves using a multi-disciplinary approach to design some of our components. Many of these components are complex and contain multiple sophisticated elements. Volume production of these elements may require extreme precision and present challenges to their manufacturers. This can lead to increased costs of production of the components which the manufacturers may pass on to us, or a production run may yield fewer usable components than desired or anticipated. Any such increased components cost or suboptimal yield in the production of our components may significantly increase our production costs and thereby decrease our margins and potentially cause us losses.

There are significant risks to providing our products as a direct supplier to customers, including additional operating costs, increased liabilities, and additional indemnification responsibilities, in each case, that we did not previously face when acting as a Tier-2 supplier.

We are leveraging our in-house knowledge developed via our engagement and development history, to approach and to supply customers directly. This approach means entering into direct agreements with customers and not having a Tier-1 “middleman” to take on some of the risks involved in such long-term engagements. These risks include the responsibilities associated with interacting directly with customers on complex tasks such as full design validation, direct customer support and vehicle integration. Each of these responsibilities includes additional operating costs, increased liabilities, and additional indemnification responsibilities that we did not previously face when using a Tier-1 “middleman”. In addition, conflicts may arise when we compete with our existing customers for business as a Tier-1 supplier and this competition may adversely affect our existing business relationships with these other Tier-1s. Furthermore, as a Tier-1 supplier we are competing directly with more-established Tier-1s that have existing agreements and relationships with the automotive OEMs, which may provide them certain advantages as compared to us.

We expect to invest substantially in research and development for the purpose of developing and commercializing new products. These investments could significantly reduce our profitability or increase our losses and may not generate revenue for us.

Our future growth depends on maintaining our technological leadership in order to introduce new products that penetrate new markets and achieve market acceptance. We therefore plan to incur substantial research and development costs as part of our efforts to design, develop, manufacture, and commercialize new products and enhance existing products. Our research and development expenses were approximately \$92.7 million, \$95.1 million and \$93.3 million during the years ended December 31, 2023, 2022 and 2021, respectively. Future research and development expenses may adversely affect the future results of our operations. In addition, our research and development program may not produce successful results, and even if it does successfully produce new products, those products may not achieve market acceptance, create additional revenue or become profitable.

We will likely need to raise additional funds in the future in order to execute our business plan and these funds may not be available to us when we need them. If we cannot raise additional funds when we need them, our business, prospects, financial condition and operating results could be negatively affected.

We will likely require additional capital in the future in order to fund our growth strategy or to respond to technological advancements, competitive dynamics or technologies, customer demands, business opportunities, challenges, acquisitions or unforeseen circumstances. We may also determine to raise equity or debt financing for other reasons. For example, in order to further enhance business relationships with current or potential customers or partners, we may issue equity or equity-linked securities to such current or potential customers or partners.

We may not be able to timely secure additional debt or equity financing on favorable terms, or at all. If we raise additional funds through the issuance of equity or convertible debt or other equity-linked securities, our existing shareholders could experience significant dilution. In addition, any debt financing obtained by us in the future, whether in the form of a credit facility or otherwise, could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. Further, Moody's decision in February 2024 to downgrade Israel's credit rating from A1 to A2, and to lower Israel's credit outlook from stable to negative, may also make it more difficult for us to obtain additional capital in the future. If we are unable to obtain adequate financing or to obtain financing on terms satisfactory to us when we require it, our ability to continue to grow or support our business and to respond to business challenges could be significantly limited. In addition, because our decision to issue debt or equity in the future will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing, nature or success of our future capital raising efforts.

We may experience significant delays in the design, production and launch of our LiDAR products, which could harm our business, prospects, financial condition and operating results.

Some of our products are still in the development phase. Any delay in the design, production and commercial release of such products or of any other future products, could materially damage our brand, business, prospects, financial condition and operating results. There are often delays in the design, production and commercial release of new products. To the extent we delay the launch of any future product, our growth prospects could be adversely affected as we may fail to increase our market share.

Moreover, our products are technologically complex and require high standards to manufacture. In addition, our products require extensive and lengthy testing and validation cycles, particularly in connection with our sensors and software, to ensure safety of the autonomous systems prior to commercial deployment. We have experienced in the past and will likely experience in the future, defects, errors or bugs at various stages of development and manufacturing. We may be unable to timely release new products, manufacture existing products, correct problems that have arisen or correct such problems to our customers' satisfaction. Such delays could damage our relationships with customers and lead them to seek alternative sources of supply. In addition, we could face material legal claims for breach of contract or tort as a result of such delays. Defending a lawsuit, regardless of its merit, could be costly and may divert management's attention and adversely affect the market's perception of us and our ability to deliver and our reliability. Further, our business liability insurance coverage could prove inadequate with respect to a claim, and future coverage may be unavailable, on acceptable terms or at all.

We are substantially dependent on a limited number of customers. The automotive industry is comprised of a relatively small number of players, which makes each design win material for us, and our business could be materially and adversely affected if any of our customers terminate our programs following such wins.

Historically, our business was substantially dependent on our design win with BMW. We are the supplier of LiDAR technology and software technology to the BMW Level 3 program ("BMW L3 Program"), through our Tier-1 partner, Magna. In the future, we anticipate that our business will be substantially dependent on our design wins with Cariad SE for the Volkswagen brands ("Volkswagen").

There can be no assurance that we will be able to maintain our relationship with our customers and secure orders from them or that our design wins will result in increased revenues or profitability. If major customers terminate or significantly alter or delay our programs with them and/or alter their respective relationships with us in an adverse manner, our business would be materially and adversely affected.

Designing and manufacturing LiDARs and LiDAR components on a mass-production scale requires meeting stringent quality requirements and we may face significant challenges and complexities in this process.

In 2023, Magna began the series-production manufacturing of our LiDARs in connection with the BMW L3 Program. We expect in the future to begin manufacturing LiDARs as a Tier-1 direct supplier on a mass-production scale in connection with our other design win programs. The design and manufacturing of LiDARs on a mass-production scale requires us to meet stringent quality requirements and obtain various certifications. To date, we have not manufactured LiDARs on a mass-production scale in connection with any of our programs, and we expect to face significant challenges and complexities which we will need to resolve expeditiously while continuing to develop new products. For example, since manufacturing LiDARs requires investing significant capital expense in complex and unique machinery, unexpected malfunctions of such machinery could affect our operational efficiency and may result in loss of production equipment. In addition, we may face various unexpected operational risks such as damage to production facilities, delays, environmental damage, and potential legal liabilities. As a result of these challenges and risks, we may not be able to manufacture LiDARs on a mass-production scale without delays or unexpected costs, among other factors, which could adversely affect our business.

The period of time from a design win to implementation is long and we are subject to the risk of cancellations or postponement of contracts, or failure to successfully meet customers' requirements for SOP.

Prospective customers, including those in the automotive industry, generally must make significant commitments of resources to test and validate our products and confirm that they can integrate with other technologies before including them in any particular system, product or model. The development cycles of our products with new customers varies widely depending on the application, market, customer and the complexity of the product. In the automotive market, for example, this development cycle can be four to five years or more. As a result of these lengthy development cycles, we spend significant time and resources to have our products selected by automotive OEMs and their suppliers for use in a particular vehicle model, which is known as a design win or nomination. If we do not achieve a design win with respect to a particular vehicle model, we may not have an opportunity to supply our products to the automotive OEM for that vehicle model for a period of many years. If our products are not selected by an automotive OEM or its suppliers for one vehicle model or if our products are not successful in that vehicle model, it is unlikely that our products will be deployed in other vehicle models of that automotive OEM. Further, we are subject to the risk that customers might cancel or postpone either the entire program or the implementation of our technology, as well as the risk that we will not be able to integrate our hardware and software technologies successfully into a larger system with other sensing modalities. If we fail to win a significant number of vehicle model programs from one or more of automotive OEMs or their suppliers, or our customers cancel or postpone implementation, our business, results of operations and financial condition may be materially and adversely affected.

If market adoption of LiDAR for autonomous vehicles does not continue to develop, or develops more slowly than we expect, our business will be adversely affected.

While our LiDAR-based solutions are applied to different use cases across end markets, we have been and expect to continue to be focused on automotive applications. Despite the fact that the automotive industry has engaged in considerable effort to research and test LiDAR products for advanced driver assistance systems ("ADAS") and autonomous driving applications, there is no guarantee that the automotive industry will continue to introduce LiDAR products in commercially available vehicles in the near future. LiDAR products are still relatively new to the market and it is possible that other sensor technologies and devices, based on new or existing technology or a combination of technologies, will achieve acceptance or leadership in the ADAS and autonomous driving industries. Even if LiDAR products are used in initial generations of autonomous driving or ADAS technology, we cannot guarantee that LiDAR products will be designed into or included in subsequent generations of such commercialized technology. The speed of market growth for ADAS or autonomous vehicles is difficult, if not impossible, to predict, and it is more difficult to predict such market's future growth in light of the economic consequences of, among other things, the increasing inflation and interest rates in the U.S. and globally, and the Ukraine-Russia war. In addition, to the extent that the market for autonomous vehicles develops successfully, we expect that there will be increasing competition from providers of sensing technology based on LiDAR and other modalities. If commercialization of LiDAR products is not successful, or not as successful as we expect or the market expects, our business, results of operations and financial condition will be materially and adversely affected. If other sensing modalities are to be preferred over our LiDAR product by either developers of autonomous driving systems or ADAS, OEMs, regulators, safety organizations or other market participants by the time autonomous vehicle technology achieves mass market adoption, our business, results of operations and financial condition will be materially and adversely affected.

We target many customers that are large companies with substantial negotiating power, exacting product standards and potentially competitive internal solutions. If we are unable to sell our products to these customers, our prospects and results of operations will be adversely affected.

Many of our customers and potential customers are large, multinational companies with substantial negotiating power relative to us and, in some instances, they may even have internal solutions that are competitive to our products. These large, multinational companies also have significant resources, which may allow them to acquire or develop competitive technologies either independently or in partnership with others. Accordingly, even after investing significant resources to develop a product, we may not secure a design win or may not be able to commercialize a product on profitable terms because, among other things, these companies have extremely strong negotiation positions to demand terms that are beneficial for them, including reduced prices. If our products are not selected by these companies or if these companies develop or acquire competitive technology or negotiate terms that are disadvantageous to us, it will have an adverse effect on our business.

We continue to implement strategic initiatives designed to grow our business. These initiatives may prove more costly than we currently anticipate, and we may not succeed in increasing our revenues by an amount sufficient to offset the costs of these initiatives and to achieve and maintain profitability.

We continue to make investments and implement initiatives designed to grow our business, including:

- investing in research and development;
- attracting and retaining talent to develop, support and promote our business across different functions and geographies, further enhancing our manufacturing processes and partnerships; and
- investing in legal, accounting and other administrative functions necessary to support our operations as a public company.

These initiatives may prove more expensive than we currently anticipate, and we may not succeed in increasing our revenue, if at all, in an amount sufficient to offset these higher expenses and to achieve and maintain profitability. The market opportunities we are pursuing are at an early stage of development, and it may be many years before the markets we expect to serve generate significant demand for our products, if at all.

The markets in which we compete are characterized by rapid technological change, which requires us to continue to develop new products and product innovations and could adversely affect market adoption of our products.

While we intend to invest substantial resources in research and development, continuing technological changes in sensing technology, as well as changes in the ADAS and autonomous driving industries, could adversely affect adoption of LiDAR and/or our products. Our future success will depend on our ability to develop and introduce a variety of new capabilities and innovations to our existing product offerings, as well as to introduce a variety of new product offerings to address the changing needs of the markets in which we offer our products. We cannot guarantee that our new products will be released in a timely manner, or at all, or achieve market acceptance. In addition, we may in the future need to make strategic decisions to account for low market acceptance. These actions and any similar future actions may materially and adversely affect our business and results of operations. Delays in delivering new products that meet customer requirements could damage our relationships with customers and lead them to seek alternative sources of supply.

If we are unable to devote adequate resources to develop and improve our products or cannot otherwise successfully develop products or system configurations that meet customer requirements, including pricing, on a timely basis or that remain competitive with other technological alternatives, our products could lose market share, our revenue will decline, we may experience operating losses and our business and prospects will be adversely affected.

Certain of our strategic, development and supply arrangements could be terminated or may not materialize into long-term contract partnership arrangements.

We have arrangements with strategic, development and supply partners and collaborators. Some of these arrangements are evidenced by memorandums of understandings, early-stage agreements that are used for design and development purposes that will require renegotiation at later stages of development or replacement by production or master agreements under separately negotiated statements of work, each of which could be terminated or may not materialize into next-stage contracts or long-term contract partnership arrangements. If these arrangements are terminated or if we are unable to enter into next-stage contracts or long-term operational contracts, our business, prospects, financial condition and operating results may be materially and adversely affected.

Adoption of LiDAR for other emerging markets may not occur or may occur much more slowly than we anticipate, which would adversely affect our business and prospects.

We are investing in and pursuing market opportunities outside of passenger cars and the light commercial vehicle markets, such as trucking, robotaxis and shuttles. Each of these markets presents distinct risks and, in many cases, requires us to address the particular requirements of that market.

Addressing these requirements can be time-consuming and costly. Adoption of LiDAR products, including our products for these segments, will depend on numerous factors, including: whether the technological capabilities of LiDAR and LiDAR-based products meet users' current or anticipated needs, whether the benefits of designing LiDAR into larger sensing systems outweigh the costs, complexity and time needed to deploy such technology, or replace or modify existing systems that may have used other modalities such as cameras and/or radar, whether users in other applications can move beyond the testing and development phases and proceed to commercializing systems supported by LiDAR technology and whether LiDAR developers such as us can keep pace with rapid technological change in certain developing markets. If LiDAR technology does not achieve commercial success in such markets, or if the market develops at a pace slower than we expect, our business, results of operation and financial condition may be adversely affected.

Adverse conditions in the automotive industry or the global economy more generally could have adverse effects on our results of operations.

Our business is directly affected by and significantly dependent on business cycles and other factors affecting the global automotive industry and global economy in general. Automotive production and sales are highly cyclical and depend on general economic conditions and other factors, including consumer spending and preferences, changes in interest rates and credit availability, consumer confidence, fuel costs, fuel availability, environmental impact, governmental incentives, regulatory requirements and political volatility, especially in energy-producing countries and growth markets. In addition, automotive production and sales can be affected by our automotive OEM customers' ability to continue operating in response to challenging economic conditions and in response to regulatory requirements and other factors. The volume of automotive production in North America, Europe, China and the rest of the world has fluctuated, sometimes significantly, from year to year, and we expect any such fluctuations to give rise to fluctuations in the demand for our products. Any significant adverse change in any of these factors may result in a reduction in automotive sales and production by our automotive OEM customers and could have a material adverse effect on our business, results of operations and financial condition.

We may experience difficulties in expanding our operations.

Our ability to manage our operations and future growth will require us to continue to improve our operational, financial and management controls, compliance programs and reporting systems. We continue to strengthen our compliance programs, including our compliance programs related to export controls, privacy and cybersecurity and anti-corruption. We may not be able to implement improvements in an efficient or timely manner and may discover deficiencies in existing controls, programs, systems and procedures, which could have an adverse effect on our business, reputation and financial results.

As part of growing our business, we may in the future make acquisitions. If we fail to successfully select, execute or integrate our acquisitions, then our business, results of operations and financial condition could be materially and adversely affected and the price of our ordinary shares and warrants could decline.

From time to time, we may in the future undertake acquisitions to add new products and technologies, acquire talent, gain new sales channels or enter into new markets or sales territories. Acquisitions involve numerous risks and challenges, including relating to the successful integration of the acquired business and its key personnel, entering into new territories or markets with which we have limited or no prior experience, establishing or maintaining business relationships with new customers, channel partners, vendors and suppliers, as well as unexpected liabilities and potential post-closing disputes. In addition, acquisitions may require a significant commitment of management time, capital investment and other resources.

To date, we have not grown our business through acquisitions and we do not have a history of integrating acquired technology and personnel. However, failure to successfully identify, complete, manage and integrate any future acquisitions could materially and adversely affect our business, financial condition and results of operations and could cause the price of our ordinary shares and warrants to decline.

The first vehicles deploying our LiDAR technology and software are expected to become commercially available to end users in 2024. If any vehicles deploying our LiDAR technology and software are involved in traffic accidents or collisions actually or allegedly resulting from undetected defects, errors, or bugs in our products, or if our products actually or allegedly fail to perform as expected, we may be exposed to product liability, warranty and other claims, in addition to a decline in the market adoption of our products, damage to our reputation with current or prospective customers, or increased regulatory scrutiny of our solutions which would adversely affect our operating costs, business and prospects.

Our products are technologically complex and require high standards to manufacture and may, from time to time, have, or could be alleged to have, undetected errors or defects. As the first vehicles deploying our LiDAR technology and software are expected to become commercially available to end users in 2024, some errors or defects in our products could be, despite rigorous testing and stringent manufacturing standards, initially undetected and discovered only after they have commercialized and deployed by customers, which could result in serious injury, including fatalities, to the end users or those in the surrounding area; our customers not being able to commercialize technology incorporating our products; litigation against us; negative publicity; and other consequences. These risks are particularly prevalent in the highly competitive autonomous driving and ADAS markets. In accordance with customary practice in the automotive industry, we provide our customer with a time-limited warranty for our products. If such errors or defects occur within the respective warranty period, we may incur significant additional development costs, repair or replacement costs. Such problems may also result in claims against us, including class actions, by our customers or by third parties, and in some cases, may even lead to product recall and additional costs associated with such processes. Our reputation or brand may be damaged as a result of these problems and customers may be reluctant to buy our products, which could adversely affect our ability to retain existing customers and attract new customers, and could adversely affect our financial results.

In addition, we could face material legal claims for breach of contract, product liability, tort or breach of warranty as a result of these problems. Defending a lawsuit, regardless of its merit, could be costly and may divert management's attention and adversely affect the market's perception of us and our products. In addition, our business liability insurance coverage could prove inadequate with respect to a claim and future coverage may be unavailable on acceptable terms or at all. These product-related issues could result in claims against us and our business could be adversely affected.

Moreover, enhanced publicity surrounding such claims may also increase the regulatory scrutiny of ADAS and autonomous driving solutions in general, and our products in particular, which could have a material adverse effect on our ability to achieve our business plans. Further, legislation and regulations may be adopted or changed over time to increase our liability associated with the use of our products, which may make our liability insurance coverage inadequate to fully mitigate such risks or rather make it significantly more costly, which could adversely affect our operating results and financial condition.

We operate in a highly competitive market against a large number of both established competitors and new market entrants, and some market participants have substantially greater resources than ours.

The markets for sensing technology applicable to autonomous solutions across numerous industries are highly competitive. Our future success will depend on our ability to lead by continuing to develop and protect from infringement advanced LiDAR technology in a timely manner, and to stay ahead of existing and new competitors. Our competitors are numerous and they compete with us directly by offering LiDAR products, and indirectly by attempting to solve some of the same challenges with different technology. We face competition from other developers of LiDAR products, Tier-1 suppliers and other technology and automotive supply companies, some of which have significantly greater resources than we do. Our competitors include, among others: Hesai, Robosense, Seyond (ex-Innovusion), Ouster, Luminar, AEye, Aeva, Valeo SA and Cepton. In the automotive market, some of our competitors have commercialized non-LiDAR-based ADAS technology which has achieved market adoption, strong brand recognition and may continue to improve these and additional technologies, further enhancing their brand recognition and standing. Other competitors are working towards commercializing autonomous driving technology and either by themselves, or with a publicly announced partner, have substantial financial, marketing, research and development and other resources. Some of our customers in the autonomous vehicle and ADAS markets have announced development efforts or made acquisitions directed at creating their own LiDAR-based or other sensing technologies, which would compete with our solutions. We do not know how close these competitors are to commercializing autonomous driving systems or novel ADAS applications. Additionally, increased competition may result in pricing pressure and reduced margins and may impede our ability to increase the sales of our products or may cause us to lose market share, either of which will adversely affect our business, results of operations and financial condition.

Changes in tax laws or exposure to additional income tax liabilities could affect our future profitability.

Factors that could materially affect our future effective tax rates include but are not limited to:

- changes in tax laws or the regulatory environment;
- changes in accounting and tax standards or practices;
- changes in the composition of operating income by tax jurisdiction; and
- our operating results before taxes.

Because we do not have a long history of operating at our present scale and we have significant expansion plans, our effective tax rate may fluctuate in the future. Future effective tax rates could be affected by operating losses in jurisdictions where no tax benefit can be recorded under U.S. GAAP, changes in the composition of earnings in countries with differing tax rates, changes in deferred tax assets and liabilities, or changes in tax laws.

Changes in our product mix may impact our financial performance.

Our financial performance can be affected by the mix of products we sell during a given period. If our sales include more of our lower gross margin products, our results of operations and financial condition may be adversely affected. There can be no guarantee that we will be able to successfully alter our product mix. If actual results vary from this projected product mix of sales, our results of operations and financial condition could be adversely affected.

We are dependent on the services of Omer Keilaf, our Co-Founder, Chief Executive Officer and Director.

Our success depends to a significant degree upon the continued contributions of Omer Keilaf, our Co-Founder, Chief Executive Officer and director. Mr. Keilaf has been our Chief Executive Officer since the founding of the company in 2016, remains deeply involved in all aspects of our business, and is the name and face that customers, suppliers and investors associate with Innoviz. The loss of Mr. Keilaf would adversely affect our business, since his loss could make it more difficult to, among other things, compete with other market participants and retain existing customers or cultivate new ones. Further, such a loss could be negatively perceived in the marketplace and may make it more difficult to retain existing employees and members of management.

Our business depends on our ability to attract and retain highly skilled personnel and senior management. In addition, we are highly dependent on our skilled personnel to manage and meet deadlines for our products and programs.

We compete in a market marked by rapidly changing technologies and an evolving competitive landscape. In order for us to successfully compete and grow, we must attract, recruit, retain and develop personnel with requisite qualifications to provide expertise across the entire spectrum of our intellectual capital and business needs.

On January 31, 2024, we announced a strategic realignment of our operations to expand our cash runway and optimize our path towards profitability and free cash flow generation, which included a reduction in the company's headcount by approximately 13% during the first quarter of 2024. Such workforce reduction may make it more difficult to preserve our company organizational culture and may negatively impact employees' morale.

Our primary research and development activities as well as significant elements of our operations, general and administrative activities are conducted at our headquarters in Israel, and we face significant competition for suitably skilled employees in Israel. Many of the companies with which we compete for qualified personnel have greater resources than we do, and we may not succeed in recruiting additional experienced or professional personnel, in retaining personnel or in effectively replacing such current personnel who may depart with qualified or effective successors. Our efforts to attract, retain and develop personnel may also result in significant additional expenses, which could adversely affect our profitability. Furthermore, in making employment decisions, particularly in the high-technology industry, job candidates often consider the value of the equity they are to receive in connection with their employment. Employees may be more likely to leave us if the shares they own or the shares underlying their equity incentive awards have significantly decreased in value.

While we utilize non-competition agreements with our employees as a means of improving our employee retention, those agreements may not help us retain employees. These agreements prohibit our employees, if they cease working for us, from competing directly with us or working for our competitors for a limited period. We may be unable to enforce these agreements under Israeli law, and it may be difficult for us to restrict our competitors from benefiting from the expertise of our former employees developed while working for us.

In addition, we rely on our skilled personnel, including our engineers, to meet deadlines associated with our numerous products and programs. As we continue to invest in our products and programs, we will rely more and more on our skilled personnel to ensure that we are meeting the development and commercialization targets we set internally and with our partners. As we invest in our products and programs, our skilled personnel may not be able to give the same level of attention to each product and program, and it may become more difficult for us to continue to meet the internal and external deadlines associated with such products and programs.

Considering the foregoing, there can be no assurance that qualified employees will remain in our employ or that we will be able to attract and retain highly skilled personnel and senior management in the future. Failure to retain or attract highly skilled personnel and senior management could have a material adverse effect on our business, financial condition and results of operations. Human resource changes could affect our internal knowledge and expertise, strategic relationships and future growth prospects.

Currency exchange rate fluctuations affect our results of operations, as reported in our financial statements.

We report our financial results in U.S. dollars. We collect our revenue primarily in U.S. dollars. A portion of the cost of revenue, research and development, sales and marketing and general and administrative expenses of our Israeli operations are incurred in ILS. As a result, we are exposed to exchange rate risks that may materially and adversely affect our financial results. If ILS appreciates against the USD or if the value of ILS declines against the USD at a time when the rate of inflation in the cost of Israeli goods and services exceeds the rate of decline in the relative value of ILS, then the USD cost of our operations in Israel would increase and our results of operations could be materially and adversely affected. Our Israeli operations also could be materially and adversely affected if we are unable to effectively hedge against currency fluctuations in the future. We cannot predict any future trends in the rate of inflation in Israel or the rate of appreciation (if any) of ILS against the USD. The Israeli annual rate of inflation amounted to 3.0%, 5.3%, and 2.8% for the years ended December 31, 2023, 2022 and 2021, respectively. The ILS depreciated relative to the USD by 3.1% and 13.2% in 2023 and 2022, respectively, and appreciated relative to the USD by 3.3% in 2021.

We rely on third-party suppliers and are susceptible to supply shortages, long lead times for components and supply changes, any of which could disrupt our supply chain and could delay deliveries of our products to customers.

Some of the components that go into the manufacture of our solutions are sourced from third-party suppliers. Some of the key components used to manufacture our products come from limited or single source suppliers. We are therefore subject to the risk of shortages and long lead times in the supply of these components and the risks that our suppliers discontinue or modify components used in our products. Other global events, including political events and trade-related trends may also disrupt our supply chain and operations, such as the Houthi movement, a terrorist group in Yemen, that are threatening to limit the movement of marine vessels traversing the Red Sea, and have led to delays in shipping and to increased shipping and transport costs; or other events which may delay our future production and our timeline for setting up a production line in China, which may require us to find alternative location for our production line due to instabilities. In addition, our products depend on external semi-conductor foundries. Any disruptions to those foundries could materially and adversely affect our ability to manufacture our solutions. In addition, the lead times associated with certain components are lengthy and preclude rapid changes in quantities and delivery schedules. We have in the past experienced and may in the future experience component shortages and price fluctuations of certain key components and materials, and the predictability of the availability and pricing of these components may be limited. In the event of a component shortage, supply interruption or material pricing change from suppliers of these components, we may not be able to develop alternate sources in a timely manner or at all in the case of sole or limited sources. Any interruption or delay in the supply of any of these parts or components, or the inability to obtain these parts or components from alternate sources at acceptable prices and within a reasonable amount of time, could adversely affect our relationships with our customers and could cause delays in shipment of our products and adversely affect our operating results. In addition, increased component costs could result in lower gross margins. Even where we are able to pass increased component costs along to our customers, there may be a lapse of time before we are able to do so, such that we must absorb the increased cost. If we are unable to buy these components in quantities sufficient to meet our requirements on a timely basis, we will not be able to deliver products to our customers, which may result in loss of revenues, or such customers using competitors' products instead of ours.

Our sales and operations in international markets expose us to operational, financial and regulatory risks.

International sales comprise a significant amount of our overall revenue. Sales to international customers accounted for approximately 99.6%, 98% and 99% of our revenue in the years ended December 31, 2023, 2022 and 2021, respectively. We are committed to growing our international sales and, while we have committed resources to expanding our international operations and sales channels, these efforts may not be successful. International operations are subject to a number of other risks, including:

- exchange rate fluctuations;
- political and economic instability, international terrorism and anti-Israeli sentiment, such as the war and hostilities between Israel and Hamas and Israel and Hezbollah;
- global or regional health crises;
- potential for violations of anti-corruption laws and regulations, such as those related to bribery and fraud;
- preference for locally branded products, and laws and business practices favoring local competition;
- potential complexities of operating in China with increased data collection regulations, and government-mandates which are subject to change per unprecedented regulation;

- increased difficulty in managing inventory;
- delayed revenue recognition;
- less effective protection of intellectual property;
- stringent regulation of the autonomous or other systems or products using our products and stringent consumer protection and product compliance regulations, including but not limited to General Data Protection Regulation in the European Union (the “EU”), European competition law, the Restriction of Hazardous Substances directive, the Waste Electrical and Electronic Equipment directive and the European Ecodesign directive that are costly to comply with, and may vary from country to country;
- difficulties and costs of staffing and managing foreign operations;
- import and export laws and the impact of tariffs; and
- changes in local tax and customs duty laws, or changes in the enforcement, application or interpretation of such laws.

The occurrence of any of these risks could negatively affect our international business and consequently our business, operating results and financial condition.

Unforeseen eye safety issues could result in injuries to people which could result in adverse effects on our business and reputation.

Our LiDAR utilizes lasers for performing 3D sensing. While our LiDAR products are classified as Class 1 laser products, which are safe to use, and we have developed system components designed to prevent our LiDAR lasers from harming human eyes, in the event that an unforeseen issue arises that results in serious injury, our reputation or brand may be damaged and we could face material legal claims for breach of contract, product liability, tort or breach of warranty as a result of these problems. Defending a lawsuit, regardless of its merit, could be costly and may divert management’s attention and adversely affect the market’s perception of us and our products. In addition, our business liability insurance coverage could prove inadequate with respect to a claim and future coverage may be unavailable on acceptable terms or at all.

Our business is subject to the risks of earthquakes, fire, floods and other natural catastrophic events, including events resulting from climate change, as well as global pandemics, and interruptions by man-made problems, such as network security breaches, computer viruses, terrorism and war. Material disruptions of our business or information systems resulting from these events could adversely affect our operating results.

A significant natural disaster, such as an earthquake, fire, flood or significant power outage or other similar events, such as infectious disease outbreaks or pandemic events, could have an adverse effect on our business and operating results. There are inherent physical climate-related risks wherever our business is conducted. Various meteorological phenomena and extreme weather events (including, but not limited to, storms, flooding, drought, wildfire, and extreme temperatures) may disrupt our operations or those of our suppliers and business partners, and may therefore require us to incur additional operating or capital expenditures, or otherwise adversely impact our business, financial condition, or results of operations. Climate change may impact the frequency and/or intensity of such events. Mitigating our business risks associated with climate change may require us to incur substantial costs and may not be successful, due to, among other things, the uncertainty associated with the longer-term projections associated with managing climate risks.

In addition, despite the implementation of network security measures, our networks and LiDAR products also may be vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering with our solutions. In addition, natural disasters, acts of terrorism or war, could cause disruptions in our manufacturing operations, our customers’, suppliers’ or channel partners’ businesses, or the economy as a whole. We also rely on information technology systems to communicate among our workforce and with third parties. Any disruption to our communications, whether caused by a natural disaster or by manmade problems, such as power disruptions, could adversely affect our business. We do not currently have a formal disaster recovery plan. However, we are currently in the process of formalizing our plan, and auditing our suppliers’ plans by our quality personnel. However, to the extent that any such disruptions result in delays or cancellations of orders or impede our suppliers’ ability to timely deliver product components, or the deployment of our products, our business, operating results and financial condition would be adversely affected.

Risks Related to Our Intellectual Property

We may not be able to adequately protect or enforce our intellectual property rights or prevent unauthorized parties from copying or reverse engineering our solutions. Our efforts to protect and enforce our intellectual property rights and prevent third parties from violating our rights may be costly.

The success of our products and our business depends in part on our ability to obtain patents and other intellectual property rights and maintain adequate legal protection for our products in the United States and other international jurisdictions. We rely on a combination of patent, registered design, copyright, service mark, trademark and trade secret laws, as well as confidentiality procedures and contractual restrictions, to establish and protect our proprietary rights, all of which provide only limited protection. We cannot assure you that any patents will be issued with respect to our currently pending patent applications or that any trademarks will be registered with respect to our currently pending applications in a manner that gives us adequate defensive protection or competitive advantages, if at all, or that any patents issued to us or any trademarks registered by it will not be challenged, invalidated or circumvented. We have filed for patents and trademarks in the United States and in certain international jurisdictions, but such protections may not be available in all countries in which we operate or in which we seek to enforce our intellectual property rights, or may be difficult to enforce in practice, particularly with respect to software patents, where infringement is significantly harder to prove, we are less likely to successfully assert our patents. Our currently issued patents and trademarks and any patents and trademarks that may be issued or registered, as applicable, in the future with respect to pending or future applications may not provide sufficiently broad protection or may not prove to be enforceable in actions against alleged infringers. We cannot be certain that the steps we have taken will prevent unauthorized use of our technology or the reverse engineering of our technology. Moreover, others may independently develop technologies that are competitive to ours or infringe our intellectual property.

Protecting against the unauthorized use of our intellectual property, products and other proprietary rights is expensive and difficult, particularly internationally. We believe that our patents are foundational and we intend to enforce the intellectual property portfolio we have built. Unauthorized parties may attempt to copy or reverse engineer our solutions or certain aspects of our solutions that we consider proprietary. Litigation may be necessary in the future to enforce or defend our intellectual property rights, to prevent unauthorized parties from copying or reverse engineering our solutions, to determine the validity and scope of the proprietary rights of others or to block the importation of infringing products from one patent jurisdiction into another jurisdiction.

Effective patent, trademark, service mark, copyright and trade secret protection may not be available in every country in which our products are available and competitors based in other countries may sell infringing products in one or more markets. An inability to adequately protect and enforce our intellectual property and other proprietary rights or an inability to prevent authorized parties from copying or reverse engineering our LiDAR solutions or certain aspects of our solutions that we consider proprietary could seriously adversely affect our business, operating results, financial condition and prospects.

In addition to patented technology, we rely on our unpatented proprietary technology, processes and know-how.

We rely on proprietary information (such as trade secrets, know-how and confidential information) to protect intellectual property that may not be patentable or subject to copyright, trademark, trade dress or service mark protection, or that we believe is best protected by means that do not require public disclosure.

We generally seek to protect this proprietary information by entering into confidentiality agreements or consulting, services or employment agreements that contain non-disclosure and non-use provisions with our employees, consultants, contractors and third parties. However, we may fail to enter into the necessary agreements, and even if entered into, these agreements may be breached or may otherwise fail to prevent disclosure, third-party infringement or misappropriation of our proprietary information, may be limited as to their term and may not provide an adequate remedy in the event of unauthorized disclosure or use of proprietary information. In addition, our proprietary information may otherwise become known or be independently developed by our competitors or other third parties. To the extent that our employees, consultants, contractors, advisors and other third parties use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain protection for our proprietary information could adversely affect our competitive business position.

We also rely on physical and electronic security measures to protect our proprietary information, but we cannot provide assurance that these security measures will not be breached or provide adequate protection for our property. There is a risk that third parties may obtain and improperly utilize our proprietary information to our competitive disadvantage. We may not be able to detect or prevent the unauthorized use of such information or take appropriate and timely steps to enforce our intellectual property rights.

Third-party claims that we are infringing or misappropriating intellectual property, whether successful or not, could result in costly and time-consuming litigation or expensive licenses, and our business could be adversely affected.

Although we hold patents related to our products, a number of companies, both within and outside of the LiDAR industry, hold other patents covering aspects of LiDAR products. In addition to these patents, participants in this industry typically also protect their technology, especially embedded software, through copyrights and trade secrets. As a result, there is frequent litigation based on allegations of infringement, misappropriation or other violations of intellectual property rights. We may receive in the future inquiries from other intellectual property holders and may become subject to claims that we infringed or misappropriate their intellectual property rights, particularly as we expand our presence in the market. If such a claim were to prevail, we could incur high cost and time-consuming litigation and licensing fees. Alternatively, we may incur costly development of alternative technological solutions to work-around such patent-protected solutions. In addition, parties may claim that the names and branding of our products infringe their trademark rights in certain countries or territories. If such a claim were to prevail, we may have to change the names and branding of our products in the affected territories and it could incur other costs.

We currently have a number of agreements in effect pursuant to which we have agreed to defend, indemnify and hold harmless our customers, suppliers and partners from damages and costs which may arise from the infringement or misappropriation by our products of third-party patents or other intellectual property rights. The scope of these indemnity obligations varies, but may, in some instances, include indemnification for damages and expenses, including attorneys' fees. Our insurance may not cover all intellectual property infringement claims. A claim that our products infringe a third party's intellectual property rights, even if untrue, could adversely affect our relationships with our customers, may deter future customers from purchasing our products and could expose us to costly litigation and settlement expenses. Even if we are not a party to any litigation between a customer and a third party relating to infringement by our products, an adverse outcome in any such litigation could make it more difficult for us to defend our products against intellectual property infringement claims in any subsequent litigation in which we are a named party. Any of these results could adversely affect our brand and operating results.

Our defense of intellectual property rights claims brought against us or our customers, suppliers and channel partners, with or without merit, could be time-consuming, expensive to litigate or settle, divert management resources and attention and force us to acquire intellectual property rights and licenses, which may involve substantial royalty or other payments and may not be available on acceptable terms or at all. Further, a party making such a claim, if successful, could secure a judgment that requires us to pay substantial damages or obtain an injunction. An adverse determination could invalidate our intellectual property rights and adversely affect our ability to offer our products to our customers and may require that we procure or develop substitute products that do not infringe, which could require significant effort and expense. Any of these events could adversely affect our business, operating results, financial condition and prospects.

Legal and Regulatory Risks Related to Our Business

We are subject to, and must remain in compliance with, numerous laws and governmental regulations concerning the manufacturing, use, distribution and sale of our products. Some of our customers also require that we comply with their own unique requirements relating to these matters.

We manufacture and sell products that contain electronic components, and such components may contain materials that are subject to government regulation in both the locations where we manufacture and assemble our products, as well as the locations where we sell our products. For example, in the United States, laser-emitting products, including our LiDAR systems, are subject to regulation by the U.S. Food and Drug Administration (the "FDA"), under the Electronic Product Radiation Control Provisions of the Federal Food, Drug, and Cosmetic Act and its implementing regulations. Among other things, these laws and regulations require the submission of annual reports to the FDA certifying that such products comply with applicable performance standards, the maintenance of manufacturing, testing, and distribution records, and the reporting of certain product defects to the FDA and/or consumers. If our products fail to comply with applicable FDA regulations, we and/or our products could be subjected to a variety of enforcement actions or sanctions, such as product recalls, repairs or replacements, warning letters, untitled letters, safety alerts, injunctions, import alerts, administrative product detentions or seizures or civil penalties. The occurrence of any of the foregoing could harm our business, results of operations and financial condition.

Since we operate on a global basis, we must continually monitor applicable laws and regulations, and engage in an ongoing compliance process to ensure that we and our suppliers comply in all material respects with the applicable laws and regulations. If there is an unanticipated or onerous new legislation or regulation that significantly impacts our use or marketing of various components or requires more expensive components, such legislation or regulation could materially and adversely affect our business, results of operations and financial condition.

Our products are also used for autonomous driving and ADAS applications, which are subject to complicated and rapidly evolving laws and regulatory schemes that vary from jurisdiction to jurisdiction at the state, federal and international levels, including requirements related to safety, data privacy and security, and product liability, among other areas. These are rapidly evolving areas in which new or changed requirements could impose limitations on the use of LiDAR generally or our products specifically. If we fail to adhere to these new laws and regulations or fail to continually monitor emerging developments, we may be subject to litigation, loss of customers or negative publicity and our business, and our results of operations and financial condition will be adversely affected.

Concerns over environmental pollution and climate change have produced significant legislative and regulatory efforts on a global basis, and we believe this will continue both in scope and in the number of countries participating. These changes could directly increase the cost, of or access to, energy or water, which may have an effect on the way we manufacture products or utilizes energy or water to produce our products. In addition, any new regulations or laws in the environmental area might increase the cost of raw materials or key components we use in our products. Environmental regulations require us to reduce product energy or water usage, monitor and exclude an expanding list of restricted substances and to participate in required recovery and recycling of its products. We are unable to predict how any future changes will impact us and if such impacts will be material to our business.

Reporting expectations are also increasing, with a variety of customers, capital providers, and regulators seeking increased information on climate-related risks and impacts. Various policymakers have adopted or are considering to adopt, requirements for companies to provide significantly expanded climate-related disclosures in their periodic reporting, including reporting requirements that require companies to monitor their third parties, any of which may require us to incur significant additional costs to comply, including the implementation of significant additional internal controls processes and procedures regarding matters that have not been subject to such controls in the past, and impose increased oversight obligations on our management and board of directors. All of these risks may also impact our suppliers, business partners or customers, which may indirectly impact our business, financial condition, or results of operations.

Our business may be adversely affected by changes in automotive safety regulations or concerns that drive further regulation of the automobile safety market.

Government vehicle safety regulations are an important factor for our business. Historically, these regulations have imposed ever-more stringent safety regulations for vehicles. These safety regulations often require, or customers demand that, vehicles have more safety features per vehicle and more advanced safety products.

Although we believe increasing automotive safety standards will present a market opportunity for our products, government safety regulations are subject to change based on a number of factors that are not within our control, including but not limited to, new scientific or technological data, public concerns regarding alleged safety risks of ADAS or autonomous driving, adverse publicity generated by government safety investigations, industry recalls or accidents, domestic and foreign political developments or considerations, and litigation relating to our products and our competitors' products. Changes in government regulations, as well as changes or evolution in court doctrines in interpreting those regulations, especially in the ADAS and autonomous driving industries, could adversely affect our business. If government priorities shift and we are unable to adapt to changing regulations or to court interpretations of those regulations, our business may be materially and adversely affected.

In the United States at the federal government level, regulation of ADAS and autonomous driving falls primarily within the purview of the National Highway Traffic Safety Administration ("NHTSA") of the U.S. Department of Transportation (USDOT), although other USDOT divisions, such as, for example, the Federal Motor Carrier Safety Administration (FMCSA), also are engaged to a more limited extent. Other federal agencies also are involved in regulation as relevant to the agency's mission; for example, the Federal Communications Commission ("FCC") has jurisdiction over spectrum for communications technology that that will allow vehicles to sense and communicate with each other and with other devices and environmental factors, such as infrastructure, pedestrians, and cyclists. USDOT envisions a division of responsibility between the federal government and the states whereby NHTSA regulates safety design and performance while states regulate human driver and vehicle operations. Both federal and state authorities in the U.S. have been actively engaged in regulatory scrutiny of ADAS and autonomous driving solutions in general. Such authorities may impose more stringent compliance and reporting requirements in response to product recalls and safety issues in the automotive industry.

For any of our products incorporated into vehicles, we are a vehicle equipment manufacturer subject to existing requirements under the National Traffic and Motor Vehicle Safety Act of 1966 ("Vehicle Safety Act") and the Federal Motor Vehicle Safety Standards (FMVSS) and other regulations promulgated by the NHTSA pursuant thereto. These requirements include a duty to report, subject to strict timing requirements, any defect with our products that is related to motor vehicle safety. The Vehicle Safety Act imposes potentially significant civil penalties for violations, including for failure to report such defects. We are also subject to the Transportation Recall Enhancement, Accountability and Documentation Act ("TREAD") and NHTSA's implementing regulations and must comply with "Early Warning" requirements by reporting a wide range of information (e.g., consumer complaints, warranty claims, etc.) that could indicate a potential safety defect. TREAD imposes criminal liability for violating such requirements if a defect is confirmed subsequently and has caused death or bodily injury. In addition, the Vehicle Safety Act authorizes NHTSA to require a manufacturer to recall and repair vehicles with any safety defect or that fail to comply with any FMVSS, and this obligation would apply in the event our products had a safety defect and prompted such a recall and repair action. Our distribution into foreign countries may be subject to similar regulations. If we cannot rapidly address any safety concerns or defects with our products, our business may be adversely affected.

NHTSA also has taken a number of actions in the past several years specific to ADAS and autonomous driving. These actions include a Standing General Order, updated in August 2021, that requires identified manufacturers and operators to report certain crashes involving vehicles equipped with automated driving systems or SAE Level 2 advanced driver assistance systems. In addition, NHTSA expanded in January 2021 its Automated Vehicle Transparency and Engagement for Safe Testing (“AV TEST”) Initiative from a pilot to a full program, and through this Initiative a variety of stakeholders provide documentation covering specific topics, such as how automated systems detect objects on the road, how information is displayed to drivers, what cybersecurity measures are in place and the methods used to test the design and validation of autonomous driving systems. NHTSA has been utilizing this information to impose additional regulatory obligations on ADAS and automated driving systems. In particular, NHTSA has been engaged in rulemaking to update certain FMVSS to address ambiguities and other issues created by the application of FMVSS to innovative, non-conventional vehicle designs utilized, or anticipated to be utilized, in certain ADAS and autonomous driving vehicles. In 2023, NHTSA promulgated the “Occupant Protection for Vehicles with Automated Driving Systems” final rule to update several FMVSS to account for vehicles that are equipped with ADAS and do not have traditional manual controls associated with human drivers. NHTSA also proposed rules to update FMVSS for crash avoidance, safety messaging and passengerless vehicles as well as jointly proposed a rule with FMCSA regarding advanced emergency braking (“AEB”) test devices for heavy vehicles. NHTSA also announced plans to launch a new initiative called ADS-Equipped Vehicle Safety, Transparency and Evaluation Program (“AV STEP”) that would remove the 2,500 cap on driverless vehicles allowed on the roadways and expand the program for exemption from FMVSS for ADS-equipped vehicles, but would impose additional data reporting requirements on all vehicles participating in AV STEP.

To the extent such additional obligations apply to our products, our compliance obligations may increase, and to the extent such additional obligations require changes in the design or operation of our products, we could suffer adverse business consequences.

Failures, or perceived failures, to comply with privacy, data protection, and information security requirements in the variety of jurisdictions in which we operate may adversely impact our business, and such legal requirements are evolving, uncertain and may require improvements in, or changes to, our policies and operations.

Our current and potential future operations and sales involve the processing of data (including personal information) and thus subject us, and may subject our customers and vendors, to a variety of federal, state, and foreign data privacy laws, rules, industry standards, regulations, and other requirements addressing privacy and the collection, use, storage, processing, disclosure, transfer and protection of a variety of types of data. These requirements, and their application, interpretation and amendment are constantly evolving and developing. For example, the UK and EU General Data Protection Regulations are directly applicable across the UK and European Economic Area; China has recently adopted a stringent new data privacy and security framework; Japan has amended its regime and California has enacted the California Privacy Rights Act of 2020 (“CPRA”) (which has prompted a wave of similar laws in other states such as Utah (“UCPA”), Connecticut (“CTDPA”) and others), the IL Protection of Privacy law, 5741-1981 has been recently amended and extended its reach over Israeli residents as well as personal information of EU residents transferred to Israel, each of which provide for potentially material penalties for non-compliance. These regimes may, among other things, impose data security requirements, disclosure and contracting requirements, and restrictions on data collection, uses, transfers and sharing that may impact our operations and the development of our business. While, generally, we do not have access to, neither do we collect, store, process, or share information collected by our solutions in the course of their use by our end users or customers, unless our customers choose to proactively provide such information to us, our products may evolve both to address potential customer requirements or to add new features and functionality. Therefore, the full impact of these privacy regimes on our business is rapidly evolving across jurisdictions and remains uncertain at this time.

Even though we and our vendors periodically assess the continually evolving privacy and data security regimes and consider measures we believe are appropriate to take in response, these laws are in some cases relatively new and their interpretation and application are uncertain. In addition, we are subject to our customers’ privacy and data security requirements and audits and are working to enhance our privacy and data security measures as a result. Since these privacy and data security regimes and requirements are evolving, uncertain and complex, especially for a global business like ours, we may need to update or enhance our compliance measures even further as our products, markets and customer demands further develop, and these updates or enhancements may require implementation costs. Moreover, the compliance measures we adopt may prove ineffective. Any failure, or perceived failure, by us to comply with data privacy laws, rules, regulations, industry standards and other requirements could result in significant proceedings or actions against us by individuals, consumer rights groups, government agencies, or others. We could incur significant costs (including the costs of mitigation and recovery) in investigating and defending such claims and, if found liable, pay significant damages or fines or be required to make changes to our business. Further, these proceedings and any subsequent adverse outcomes may subject us to material loss of revenue resulting from the adverse impact on our reputation and brand, loss of proprietary information and data, disruption to our business and relationships, and diminished ability to retain or attract customers and business partners and a breach of our commitments to our customers. If any of these events were to occur, they could have an adverse effect on our financial condition, results of operations, reputation, and business.

We are subject to cybersecurity risks to operational systems, security systems, infrastructure, firmware in our LiDAR and customer data and other information processed by us or third-party vendors or suppliers, and any material failure, weakness, interruption, cyber event, incident, or breach of security could prevent us from effectively operating our business.

We rely on computer systems, hardware, software, technology infrastructure and online sites and networks for both internal and external operations that are critical to our business (collectively, “IT Systems”). We own and manage some of these IT Systems but also rely on third parties for a range of IT Systems and related products and services. We and certain of our third-party providers store, handle, transmit and otherwise process data that includes information about individuals as well as proprietary information such as trade secrets (collectively, “Confidential Information”).

We face numerous and evolving cyber risks that threaten the confidentiality, integrity and availability of our IT Systems and Confidential Information, including from diverse threat actors, such as insiders (through inadvertence or with malicious intent) or malicious third parties (including nation-states or nation-state supported actors), as well as through diverse attack vectors, such as social engineering/phishing, malware (including ransomware), malfeasance by insiders, human or technological error, and as a result of malicious code embedded in open-source software, or misconfigurations, bugs or other vulnerabilities in commercial software that is integrated into our (or our suppliers’ or service providers’) IT Systems, products or services. Threat actors are becoming increasingly sophisticated in using techniques and tools—including artificial intelligence—that circumvent any infrastructure we use to protect our network, evade detection and remove forensic evidence. As a result, we may be unable to detect, investigate, remediate or recover from future attacks or incidents, or to avoid a material adverse impact to our IT Systems, Confidential Information or business. Such cyber incidents could materially disrupt operational systems and cause disruption to our business; result in loss of Confidential Information; jeopardize the security of our facilities; impact our financial results; or affect the performance of in-product technology and the integrated software in our LiDAR solutions. In addition, we rely on third-party service providers to host or otherwise process some of such data, and any failure by a third party, or any other entity in our collective supply chain, to prevent or mitigate data security breaches or improper access to, or use, acquisition, disclosure, alteration, or destruction of, such data could have similar adverse consequences for us.

For instance, cyber criminals or insiders may target us or third parties with which we have business relationships in an effort to obtain Confidential Information, or in a manner that disrupts our operations or our development tools or compromises our products or IT Systems into which our products are integrated. Cyber criminals could also target accessing our IT Systems in a manner which could impact our sensor data or the development process. Remote and hybrid working arrangements at our company (and at many third-party providers) also increase cybersecurity risks due to the challenges associated with managing and controlling remote computing assets and security vulnerabilities that are present in many non-corporate and home network devices. The techniques used by cyber attackers change frequently and may be difficult to detect for long periods of time. We have experienced and expect to continue to experience actual and attempted cyber-attacks of our IT networks, such as through phishing scams and ransomware. Although, to our knowledge, none of these actual or attempted cyber-attacks have had a material adverse impact on our operations or financial condition, we cannot guarantee that any such incidents will not have such an impact in the future. We are also at risk for cyber incidents resulting from interruptions, outages and breaches of: operational systems, including business, financial, accounting, product development, data processing or production processes, owned by us or our third-party vendors or suppliers; facility security systems, owned by us or our third-party vendors or suppliers; in-product technology owned by us or our third-party vendors or suppliers; the integrated software in our LiDAR solutions or development tools; or customer or driver data that we process or our third-party vendors or suppliers process on our behalf.

Although we maintain information technology measures designed to protect our IT Systems and Confidential Information, such measures will require updates and improvements, and we cannot guarantee that such measures, including our policies, controls or procedures, will be fully implemented, complied with or effective in detecting, preventing or mitigating cyber incidents. The implementation, maintenance, segregation and ongoing improvement of our IT Systems requires significant management time, support and cost. Moreover, there are inherent risks associated with developing, improving, expanding and updating current IT Systems, including the disruption of our data management, procurement, production execution, finance, supply chain and sales and service processes. These risks may affect our ability to manage our data and inventory, procure parts or supplies or produce, sell, deliver and service our solutions, adequately protect our Confidential Information or achieve and maintain compliance with, or realize available benefits under, applicable laws, regulations and contracts. If we do not successfully implement, maintain or expand these IT Systems as planned, our operations may be disrupted, our ability to accurately and timely report our financial results could be impaired, and deficiencies may arise in our internal control over financial reporting, which may impact our ability to certify our financial results. Further, our Confidential Information could be compromised or misappropriated and our reputation may be adversely affected. If these IT Systems do not operate as we expect them to, we may be required to expend significant resources to make corrections or find alternative sources for performing these functions.

Any adverse impact to the availability, integrity or confidentiality of our IT Systems or Confidential Information could impact production capability and our ongoing operations, harm our reputation, cause us to breach our contracts with other parties or subject us to regulatory investigations, enforcement actions, fines and penalties, litigation (including class actions), negative reputational impacts that may cause us to lose existing or future customers, and/or significant incident response, system restoration or remediation and future compliance costs. Any or all of the foregoing could materially affect our business, prospects, financial condition and operating results. Any problems with our third-party cloud hosting providers, whether due to cyber security failures or other causes, could result in lengthy interruptions in our business. Finally, we cannot guarantee that any costs and liabilities incurred in relation to a cybersecurity attack or incident will be covered by our existing insurance policies or that applicable insurance will be available to us in the future on economically reasonable terms or at all.

We may be exposed to liabilities under the U.S. Foreign Corrupt Practices Act and other U.S. and foreign anti-corruption anti-money laundering, export control, sanctions, and other trade laws and regulations, and any determination that we violated these laws could have a material adverse effect on our business.

We are subject to export control and import laws and regulations, including the U.S. Export Administration Regulations, U.S. Customs regulations, and various economic and trade sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Control. We are also subject to the U.S. Foreign Corrupt Practices Act of 1977, as amended (the "FCPA"), the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the USA PATRIOT Act, the United Kingdom Bribery Act 2010, the Proceeds of Crime Act 2002, and possibly other anti-bribery and anti-money laundering laws in countries outside of the United States in which we conduct our activities. Compliance with these laws has been the subject of increasing focus and activity by regulatory authorities, both in the United States and elsewhere, in recent years. Anti-corruption laws are interpreted broadly and prohibit companies and their employees and third-party intermediaries from authorizing, promising, offering, providing, soliciting, or accepting, directly or indirectly, improper payments or benefits to or from any person whether in the public or private sector. Our activities outside the United States may create the risk of unauthorized payments or offers of payments by employees, consultants, sales agents or distributors, even though they may not always be subject to our control. It is our policy to implement safeguards to discourage these practices by our employees, consultants, sales agents and distributors. However, our existing safeguards and any future improvements may prove to be less than effective, and our employees, consultants, sales agents, or distributors may engage in conduct for which we might be held responsible, even if it does not explicitly authorize such activities.

Noncompliance with anti-corruption, anti-money laundering, export control, sanctions, and other trade laws could subject us to whistleblower complaints, investigations, sanctions, settlements, prosecution, other enforcement actions, disgorgement of profits, significant fines, damages, other civil and criminal penalties or injunctions, suspension and/or debarment from contracting with certain persons, the loss of export privileges, reputational harm, adverse media coverage and other collateral consequences. If any subpoenas or investigations are launched, or governmental or other sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, our business, results of operations and financial condition could be materially harmed. Responding to any action will likely result in a materially significant diversion of management's attention and resources and significant defense and compliance costs and other professional fees. In addition, the U.S. government may seek to hold us liable for successor liability for FCPA violations committed by companies in which it invests or that it acquires. As a general matter, enforcement actions and sanctions could harm our business, results of operations, and financial condition.

Regulations related to conflict minerals may cause us to incur additional expenses and could limit the supply and increase the costs of certain metals used in the manufacturing of our products.

We are subject to the requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, that requires us to determine, disclose and report whether our products contain tin, tantalum, tungsten and gold, referred to as conflict minerals. The implementation of these requirements could adversely affect the sourcing, availability and pricing of the materials used in the manufacture of components used in our products. In addition, we will incur additional costs to comply with the disclosure requirements, including costs related to conducting diligence procedures to determine the sources of conflict minerals that may be used in or necessary to the production of our products and, if applicable, potential changes to products, processes or sources of supply as a consequence of such verification activities. It is also possible that our reputation may be adversely affected if we determine that certain of our products contain minerals not determined to be conflict-free as defined in the Dodd-Frank Act or if we are unable to alter our products, processes or sources of supply to avoid use of such materials.

Increasing attention to, and evolving expectations regarding, environmental, social and sustainability matters may impact our business and reputation.

Evolving and increased expectations regarding environmental, social and sustainability initiatives and disclosures may result in increased costs, enhanced compliance or disclosure obligations, or other impacts to our business, financial condition, or results of operations. Moreover, our environmental, social and sustainability initiatives may be costly and may not have the desired effect, or we may ultimately be unable to complete certain initiatives or targets, either on the timelines initially announced or at all, due to technological, legal, cost, or other constraints, which may be within or outside of our control. Moreover, actions or statements that we may take based on expectations, assumptions, or third-party information that we currently believe to be reasonable may subsequently be determined to be erroneous or be subject to misinterpretation. If we fail to, or are perceived to fail to, comply with or advance certain environmental, social or sustainability initiatives, we may be subject to various adverse impacts, including reputational damage, activism and potential stakeholder engagement and/or litigation. Additionally, many of our customers, business partners, and suppliers may be subject to similar expectations, which may augment or create additional risks, including risks that may not be known to us.

A market for our securities may not be sustained, which would adversely affect the liquidity and price of our securities.

An active trading market for our securities may not be sustained. In addition, the price of our securities can vary due to general economic conditions and forecasts, the increasing interest rate, our general business condition and the release of our financial reports. Additionally, if our securities become delisted from Nasdaq and are quoted on the OTC Bulletin Board (an inter-dealer automated quotation system for equity securities that is not a national securities exchange), the liquidity and price of our securities may be more limited than if we were quoted or listed on the NYSE, Nasdaq or another national securities exchange. You may be unable to sell your securities unless a market can be established or sustained.

As a result of being a public company, we are obligated to develop and maintain proper and effective internal controls over financial reporting, and any failure to maintain the adequacy of these internal controls may adversely affect investor confidence in our company and, as a result, the value of our ordinary shares.

Our business is subject to the reporting requirements of the Securities Act of 1933 (the "Securities Act"), the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") and the rules and regulations of Nasdaq. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting and financial compliance costs, make some activities more difficult, time-consuming and costly, and place significant strain on our personnel, systems and resources.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we will file with the Securities and Exchange Commission (the "SEC") is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers. We are also continuing to improve our internal control over financial reporting.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, weaknesses in our internal controls may be discovered in the future. Any failure to develop or maintain effective controls, or any difficulties encountered in their implementation or improvement, could adversely affect our operating results or cause it to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal controls also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that it is required to include in our periodic reports we will file with the SEC under Section 404 of the Sarbanes-Oxley Act. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information.

In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended and anticipate that we will continue to expend significant resources, including accounting-related costs, and provide significant management oversight. Any failure to maintain the adequacy of our internal controls, or consequent inability to produce accurate financial statements on a timely basis, could increase our operating costs and could materially and adversely affect our ability to operate our business. In the event that our internal controls are perceived as inadequate or that we are unable to produce timely or accurate financial statements, investors may lose confidence in our operating results and the price of our ordinary shares and warrants could decline. In addition, if we are unable to continue to meet these requirements, we may not be able to maintain our listing on Nasdaq.

Our independent registered public accounting firm is not required to attest to the effectiveness of our internal control over financial reporting until after we are no longer an emerging growth company. At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed or operating. Any failure to maintain effective disclosure controls and internal control over financial reporting could have a material and adverse effect on our business and operating results.

Risks Related to Ownership of Our Ordinary Shares and Warrants

Our amended and restated articles of association (the “Articles”) and Israeli law could prevent a takeover that shareholders consider favorable and could also reduce the market price of our ordinary shares and warrants.

Certain provisions of Israeli law and our Articles could have the effect of delaying or preventing a change in control and may make it more difficult for a third party to acquire us or for our shareholders to elect different individuals to our board of directors, even if doing so would be beneficial to our shareholders and warrant holders, and may limit the price that investors may be willing to pay in the future for our ordinary shares and warrants. For example, the Israeli Companies Law, 5759-1999 (the “Companies Law”) regulates mergers, requires that a tender offer be effected when certain thresholds of percentage ownership of voting power in a company are exceeded (subject to certain conditions) and establishes a high ownership threshold to squeeze out minority shareholders in a full tender offer. Further, Israeli tax considerations may make potential transactions undesirable to us or to some of our shareholders whose country of residence does not have a tax treaty with Israel granting tax relief to such shareholders from Israeli tax. See Item 10.E. “*Taxation – Taxation and Government Programs – Israeli Tax Considerations and Government Programs*”.

Our private placement warrants are accounted for as liabilities, and the changes in value of our private placement warrants could impact our financial results.

On April 12, 2021, the Staff of the SEC issued a statement regarding the accounting and reporting considerations for warrants issued by special purpose acquisition companies titled “Staff Statement on Accounting and Reporting Considerations for Warrants Issued by Special Purpose Acquisition Companies (“SPACs”)” (the “SEC Statement”).

The SEC Statement focused on certain settlement terms and provisions related to certain tender offers following a business combination. The terms described in the SEC Statement are common in SPACs and are similar to the terms contained in the Warrant Agreement governing our warrants, which were originally issued by Collective Growth. Following the SEC Statement, we examined the accounting treatment of our public warrants and private placement warrants, and determined to classify the private placement warrants as derivative liabilities measured at fair value, with changes in fair value each period reported in earnings, while the public warrants are classified as equity.

As a result, included on our balance sheet as of December 31, 2023 contained elsewhere in this Annual Report are private placement warrants. Accounting Standards Codification 815, Derivatives and Hedging (“ASC 815”), provides for the re-measurement of the fair value of such derivatives at each balance sheet date, with a resulting non-cash gain or loss related to the change in the fair value being recognized in earnings in the statement of operations. As a result of the recurring fair value measurement, our financial statements and results of operations may fluctuate quarterly based on factors which are outside of our control. Due to the recurring fair value measurement, we expect that we will recognize non-cash gains or losses on our private placement warrants each reporting period and that the amount of such gains or losses could be material.

We do not intend to pay dividends in the foreseeable future.

We have never declared or paid any cash dividends on our ordinary shares, and we currently intend to retain all available funds and any future earnings for use in the operation of our business and do not anticipate paying any dividends on our ordinary shares in the foreseeable future. Any future determination to pay dividends on our ordinary shares will be at the discretion of our board of directors, subject to applicable law, and would depend on our financial condition, results of operations, capital requirements, general business conditions, and other factors that our board of directors may deem relevant. Consequently, you may be unable to realize a gain on your investment except by selling our ordinary shares after price appreciation, which may never occur.

Our board of directors has sole discretion whether to pay dividends. If our board of directors decides to pay dividends, the form, frequency, and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our directors may deem relevant. The Companies Law imposes restrictions on our ability to declare and pay dividends. See the section titled “*Description of our Ordinary Shares—Dividend and Liquidation Rights*” in Exhibit 2.1 of this Annual Report on Form 20-F for additional information. Payment of dividends may also be subject to Israeli withholding taxes. See Item 10.E. “*Taxation – Taxation and Government Programs – Israeli Tax Considerations and Government Programs*” for additional information.

Our ordinary shares and warrants may not continue to be listed on a national securities exchange, which could limit investors’ ability to make transactions in such securities and subject us to additional trading restrictions.

We may be unable to maintain the listing of our ordinary shares and warrants on Nasdaq in the future. If we fail to meet the listing requirements and Nasdaq does not list our ordinary shares and warrants, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our ordinary shares and warrants;
- a reduced level of trading activity in the secondary trading market for our ordinary shares and warrants;
- a limited amount of news and analyst coverage for us;
- a decreased ability to issue additional securities or obtain additional financing in the future; and
- our securities would not be “covered securities” under the National Securities Markets Improvement Act of 1996, which is a federal statute that prevents or pre-empts the states from regulating the sale of certain securities, including securities listed on Nasdaq, in which case our securities would be subject to regulation in each state where we offer and sell securities.

The market price and trading volume of our ordinary shares and warrants may be volatile and could decline significantly.

Nasdaq, the stock market on which our ordinary shares and warrants are listed under the symbols “INVZ,” and “INVZW,” respectively, have from time to time experienced significant price and volume fluctuations. Even if an active, liquid and orderly trading market is sustained for our ordinary shares and warrants, the market price of our ordinary shares and warrants may be volatile and could decline significantly. In addition, the trading volume in our ordinary shares and warrants may fluctuate and cause significant price variations to occur. We cannot assure you that the market price of our ordinary shares and warrants will not fluctuate widely or decline significantly in the future in response to a number of factors, including, among others, the following:

- the realization of any of the risk factors presented in this Annual Report;
- actual or anticipated differences in our estimates, or in the estimates of analysts, for our revenues, Adjusted EBITDA, results of operations, level of indebtedness, liquidity or financial condition;
- availability of capital to fund our contracts and our growth;
- additions and departures of key personnel;
- failure to comply with the requirements of Nasdaq;

- failure to comply with the Sarbanes-Oxley Act or other laws or regulations;
- future issuances, sales, resales or repurchases or anticipated issuances, sales, resales or repurchases, of our securities including due to the exercise of warrants;
- publication of research reports about us;
- the performance and market valuations of other similar companies;
- failure of securities analysts to initiate or maintain coverage of our company, changes in financial estimates by any securities analysts who follow us or our failure to meet these estimates or the expectations of investors;
- the effects of the war and hostilities between Israel and Hamas and Israel and Hezbollah;
- the effects of our operational realignment;
- new laws, regulations, subsidies, or credits or new interpretations of existing laws applicable to us;
- commencement of, or involvement in, litigation involving us;
- broad disruptions in the financial markets, including sudden disruptions in the credit markets;
- speculation in the press or investment community;
- actual, potential or perceived control, accounting or reporting problems;
- changes in accounting principles, policies and guidelines; and
- other events or factors, including those resulting from infectious diseases, health epidemics and pandemics, natural disasters, war, acts of terrorism or responses to these events.

In the past, securities class-action litigation has often been instituted against companies following periods of volatility in the market price of their shares. This type of litigation could result in substantial costs and divert our management's attention and resources, which could have a material adverse effect on us.

We expect our results of operations to fluctuate on a quarterly and annual basis, which could cause the price of our ordinary shares and warrants to fluctuate or decline.

Our quarterly and annual results of operations have fluctuated in the past and may vary significantly in the future. As such, historical comparisons of our operating results may not be meaningful. In the past, our sales were primarily to customers making purchases for research and development projects. Following our strategic transition to become a Tier 1 automotive supplier, non-recurring engineering or application engineering services ("NRE") became another incremental source of revenue during the pre-production phase of the programs. Additionally, in connection with our BMW L3 Program, we transitioned from selling full LiDAR units to selling components to Magna at lower average production sales prices, and recently began shipping production units for the first time in the company's operating history. Therefore, sales in any given quarter can fluctuate based on the timing and success of our customers' programs and the stage of the program. Accordingly, the results of any one quarter should not be relied upon as an indication of future performance. Our quarterly financial results may fluctuate as a result of a variety of factors, many of which are outside of our control, and may not fully reflect the underlying performance of our business. These fluctuations could adversely affect our ability to meet our expectations or those of securities analysts or investors. If we do not meet these expectations for any period, the value of our business and our securities could decline significantly. Factors that may cause these quarterly or annual fluctuations include, without limitation, those listed below:

- the timing and magnitude of orders and shipments of our products in any quarter;
- the timing and magnitude of any NREs;
- pricing changes we may adopt to drive market adoption or in response to competitive pressure;
- our ability to attract and retain talent to develop, support, and promote our business across different functions and geographies;
- our ability to retain our existing customers and attract new customers;
- our ability to develop, introduce, manufacture and ship in a timely manner products that meet customer requirements;

- disruptions in our sales channels or termination of our relationship with important channel partners;
- delays in customers' purchasing cycles or deferrals of customers' purchases in anticipation of new products or updates from us or our competitors;
- fluctuations in demand pressures for our products;
- the mix of products sold in any quarter;
- the timing and rate of broader market adoption of autonomous systems utilizing our solutions across the automotive and other market sectors;
- market acceptance of LiDAR and further technological advancements by our competitors and other market participants;
- the ability of our customers to commercialize systems that incorporate our products;
- any change in the competitive dynamics of our markets, including consolidation of competitors, regulatory developments and new market entrants;
- our ability to effectively manage our inventory;
- changes in the source, cost, availability of and regulations pertaining to materials we use;
- adverse litigation, judgments, settlements or other litigation-related costs, or claims that may give rise to such costs; and
- general economic, industry and market conditions, including trade disputes.

If securities or industry analysts cease publishing research or reports about us, our business, or our market, or if they change their recommendations regarding our ordinary shares and warrants adversely, or if we fail to meet, or significantly exceed, the financial guidance we publicly announce on a periodic basis, then the price and trading volume of our ordinary shares and warrants could decline.

The trading market for our ordinary shares and warrants is influenced by the research and reports that industry or financial analysts publish about us or our business. We do not control these analysts, or the content and opinions included in their reports. As a relatively new public company, analysts who publish information about our ordinary shares will have had relatively little experience with us, which could affect their ability to accurately forecast our results and could make it more likely that we fail to meet their estimates. If any of the analysts who cover us issues an inaccurate or unfavorable opinion regarding us, the price of our ordinary shares and warrants could decline.

In addition, the share prices of many companies in the technology industry have declined significantly after those companies have failed to meet, or significantly exceed, financial guidance publicly announced by the companies or the expectations of analysts. If our financial results fail to meet, or significantly exceed, the guidance we publicly announce on a periodic basis or the expectations of analysts or public investors, analysts could downgrade our ordinary shares and warrants or publish unfavorable research about us and our securities. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, our visibility in the financial markets could decrease, which in turn could cause the price of our ordinary shares and warrants or trading volume to decline.

Our failure to meet the continued listing requirements of Nasdaq could result in a delisting of our securities.

If we fail to satisfy the continued listing requirements of Nasdaq such as the corporate governance requirements or the minimum closing bid price requirement, Nasdaq may take steps to delist our securities. Such a delisting would likely have a negative effect on the price of our ordinary shares and warrants and would impair our shareholders' ability to sell or purchase our ordinary shares and warrants when they wish to do so. In the event of a delisting, we can provide no assurance that any action taken by us to restore compliance with listing requirements would allow our ordinary shares and warrants to become listed again, stabilize the market price or improve the liquidity of our ordinary shares and warrants, prevent our ordinary shares and warrants from dropping below the Nasdaq minimum bid price requirement or prevent future non-compliance with Nasdaq's listing requirements.

We qualify as an emerging growth company within the meaning of the Securities Act, and if we take advantage of certain exemptions from disclosure requirements available to emerging growth companies, this could make our securities less attractive to investors and may make it more difficult to compare our performance with other public companies.

We are eligible to be treated as an emerging growth company, as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”). Under the JOBS Act, emerging growth companies can delay adopting new or revised financial accounting standards until such time as those standards apply to private companies. We intend to take advantage of this extended transition period under the JOBS Act for adopting new or revised financial accounting standards.

For as long as we continue to be an emerging growth company, we may also take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, and not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. As a result, our shareholders may not have access to certain information that they may deem important. We could be an emerging growth company for up to five years, although circumstances could cause us to lose that status earlier, including if our total annual gross revenue exceeds \$1.235 billion, if we issue more than \$1.0 billion in non-convertible debt securities during any three-year period, or if before that time we are a “large accelerated filer” under U.S. securities laws.

We cannot predict if investors will find our ordinary shares and warrants less attractive because we may rely on these exemptions. If some investors find our ordinary shares and warrants less attractive as a result, there may be a less active trading market for our ordinary shares and warrants and the price for our ordinary shares and warrants may be more volatile. Further, there is no guarantee that the exemptions available to us under the JOBS Act will result in significant savings. To the extent that we choose not to use exemptions from various reporting requirements under the JOBS Act, we will incur additional compliance costs, which may impact our financial condition.

We are a foreign private issuer and, as a result, we are not subject to U.S. proxy rules and are subject to Exchange Act reporting obligations that, to some extent, are more lenient and less frequent than those of a U.S. domestic public company.

We report under the Exchange Act as a non-U.S. company with foreign private issuer status. Because we qualify as a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the Exchange Act that are applicable to U.S. domestic public companies, including (1) the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act, (2) the sections of the Exchange Act requiring insiders to file public reports of their share ownership and trading activities and liability for insiders who profit from trades made in a short period of time and (3) the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial and other specified information, although we are subject to Israeli laws and regulations with regard to notice of shareholder meetings and intends to furnish comparable quarterly financial information and proxy statements on Form 6-K. In addition, foreign private issuers are not required to file their annual report on Form 20-F until 120 days after the end of each fiscal year, while U.S. domestic issuers that are accelerated filers are required to file their annual report on Form 10-K within 75 days after the end of each fiscal year and U.S. domestic issuers that are large accelerated filers are required to file their annual report on Form 10-K within 60 days after the end of each fiscal year. Foreign private issuers are also exempt from Regulation FD, which is intended to prevent issuers from making selective disclosures of material information. As a result of all of the above, our shareholders may not have the same protections afforded to shareholders of a company that is not a foreign private issuer.

We may lose our “foreign private issuer” status in the future, which could result in significant additional costs and expenses.

We are a foreign private issuer, and therefore we are not required to comply with all of the periodic disclosure and current reporting requirements of the Exchange Act. The determination of foreign private issuer status is made annually on the last business day of an issuer’s most recently completed second fiscal quarter, and, accordingly, the next determination will be made with respect to us on June 30, 2024. In the future, we would lose our foreign private issuer status if (1) more than 50% of our outstanding voting securities are owned by U.S. residents and (2) a majority of our directors or executive officers are U.S. citizens or residents, or we fail to meet additional requirements necessary to avoid loss of foreign private issuer status. If we lose our foreign private issuer status, we will be required to file with the SEC periodic reports and registration statements on U.S. domestic issuer forms, which are more detailed and extensive than the forms available to a foreign private issuer. We would also have to mandatorily comply with U.S. federal proxy requirements, and our officers, directors and principal shareholders will become subject to the short-swing profit disclosure and recovery provisions of Section 16 of the Exchange Act. In addition, we would lose our ability to rely upon exemptions from certain corporate governance requirements under the listing rules of Nasdaq. As a U.S. listed public company that is not a foreign private issuer, we would incur significant additional legal, accounting and other expenses that we will not incur as a foreign private issuer.

As we are a “foreign private issuer” and follow certain home country corporate governance practices, our shareholders may not have the same protections afforded to shareholders of companies that are subject to all Nasdaq corporate governance requirements.

As a foreign private issuer, we have the option to follow certain home country corporate governance practices rather than those of Nasdaq, provided that we disclose the requirements we are not following and describe the home country practice we are following. We rely on this “foreign private issuer exemption”, among others, with respect to the Nasdaq rules for shareholder meeting quorums and Nasdaq rules requiring shareholder approval. We may in the future elect to follow home country practices with regard to other matters. As a result, our shareholders may not have the same protections afforded to shareholders of companies that are subject to all Nasdaq corporate governance requirements.

Risks Related to Our Incorporation and Location in Israel

The war in Israel and other conditions in Israel could materially and adversely affect our business.

Most of our employees, including certain management members, operate from our offices that are located in Rosh HaAin, Israel. In addition, most of our officers and directors are residents of Israel. Accordingly, political, economic, and military conditions in Israel and the surrounding region may directly affect our business and operations.

In October 2023, Hamas terrorists infiltrated Israel’s southern border from the Gaza Strip and conducted a series of attacks on civilian and military targets. Following the attacks, Israel declared war against Hamas and a military campaign against the terrorist organization commenced.

In addition, Hezbollah has also launched attacks against Israeli military sites and troops, and against Israeli towns in northern Israel. In response to these attacks, the Israel Defense Force (“IDF”) has carried out a number of targeted strikes on sites belonging to Hezbollah in southern Lebanon. Further, Israel faces threats from more distant neighbors, in particular, Iran which threatened to attack Israel, may be developing nuclear weapons and targeted cyber-attacks against Israeli entities; and the Houthi movement, which controls parts of Yemen and launched a number of attacks on marine vessels traversing the Red Sea. The Red Sea is a vital maritime route for international trade traveling to and from Israel. As a result of such disruptions, we may experience in the future delays in supplier deliveries, extended lead times, and increased cost of freight, increased insurance costs, increased purchased materials and manufacturing labor costs. The risk of ongoing supply disruptions may result in delayed deliveries of our products and may also have adverse impact on economic conditions in Israel.

Further, many Israeli citizens are obligated to perform up to several weeks of annual military reserve duty each year. Our operations could be disrupted by such call-ups, which may include the call-up of members of our management. Since October 7, 2023, the IDF has called up more than 350,000 of its reserve forces to serve. A number of our management and non-management employees are currently subject to military service in the IDF and many of them have been called to serve. In addition, the family members of many of our Israeli team members are currently serving in the IDF. Such disruption could materially and adversely affect our business, prospects, financial condition, and results of operations.

The intensity and duration of Israel's current war against Hamas is difficult to predict, as are such war's economic implications on our business and operations and on Israel's economy in general. These events may be intertwined with wider macroeconomic indications of a deterioration of Israel's economic standing, that may involve an additional downgrade in Israel's credit rating by rating agencies (such as the recent downgrade by Moody's of its credit rating of Israel from A1 to A2, as well as the downgrade of its outlook rating from "stable" to "negative"), which may have a material adverse effect on the company and its ability to effectively conduct its operations.

Our commercial insurance does not cover losses that may occur as a result of events associated with war and terrorism. Although the Israeli government currently covers the reinstatement value of direct damages that are caused by terrorist attacks or acts of war, we cannot assure you that this government coverage will be maintained or that it will sufficiently cover our potential damages. Any losses or damages incurred by us could have a material adverse effect on our business. Any armed conflicts or political instability in the region would likely negatively affect business conditions and could harm our results of operations.

Further, in the past, the State of Israel and Israeli companies have been subjected to economic boycotts. Several countries still restrict business with the State of Israel and with Israeli companies. These restrictive laws and policies may have an adverse impact on our results of operations, financial condition or the expansion of our business. A campaign of boycotts, divestment, and sanctions has been undertaken against Israel, which could also adversely affect our business. Actual or perceived political instability in Israel or any negative changes in the political environment, may individually or in the aggregate adversely affect the Israeli economy and, in turn, our business, financial condition, results of operations, and prospects.

Finally, until the war started in October 2023, the current elected government in Israel was pursuing extensive reforms to Israel's judicial system. Certain financial, legal and commercial organizations and entities have claimed that such changes, if adopted, could adversely affect the macroeconomic condition in which we operate. At this stage, the proposed legislation has not become effective, and its scope has not been fully determined; we cannot assess the potential impacts of these changes and their likelihood on our business, prospects, financial condition, and results of operation.

We may become subject to claims for remuneration or royalties for assigned service invention rights by our employees, which could result in litigation and adversely affect our business.

A significant portion of our intellectual property has been developed by our employees in the course of their employment by us. Under the Israeli Patent Law, 5727-1967 (the "Patent Law"), inventions conceived by an employee in the course and as a result of his or her employment with a company are regarded as "service inventions," which belong to the employer, absent a specific agreement between the employee and employer giving the employee service invention rights. The Patent Law also provides that if there is no such agreement between an employer and an employee, the Israeli Compensation and Royalties Committee (the "Royalties Committee"), a body constituted under the Patent Law, shall determine whether the employee is entitled to remuneration for his or her inventions. Case law clarifies that the right to receive consideration for "service inventions" can be waived by the employee and that in certain circumstances, such waiver does not necessarily have to be explicit. The Royalties Committee will examine, on a case-by-case basis, the general contractual framework between the parties, using interpretation rules of the general Israeli contract laws. Further, the Royalties Committee has not yet determined one specific formula for calculating this remuneration, but rather uses the criteria specified in the Patent Law. Although we generally enter into assignment-of-invention agreements with our employees pursuant to which such individuals assign to us all rights to any inventions created in the scope of their employment or engagement with us, we may face claims demanding remuneration in consideration for assigned inventions. As a consequence of such claims, we could be required to pay additional remuneration or royalties to our current and/or former employees, or be forced to litigate such claims, which could negatively affect our business.

The tax benefits that are available to us require that we continue to meet various conditions and may be terminated or reduced in the future, which could increase our costs and taxes.

We may be eligible for certain tax benefits provided to "Preferred Technology Enterprises" under the Israeli Law for the Encouragement of Capital Investments, 1959 (the "Investment Law"). In order to remain eligible for the tax benefits for "Preferred Technology Enterprises" we must continue to meet certain conditions stipulated in the Investment Law and our regulations, as amended. If these tax benefits are reduced, cancelled or discontinued, our Israeli taxable income from the approved enterprise would be subject to regular Israeli corporate tax rates. The standard corporate tax rate for Israeli companies in 2016 was 25% of their taxable income and was reduced to 24% in 2017 and 23% in 2018 and thereafter. Additionally, if we increase our activities outside of Israel through acquisitions, for example, our expanded activities might not be eligible for inclusion in future Israeli tax benefit programs. See Item 10.E. "*Taxation – Taxation and Government Programs – Israeli Tax Considerations and Government Programs*".

It may be difficult to enforce a U.S. judgment against us, our officers and directors and the Israeli experts named in this Annual Report in Israel or the United States, or to assert U.S. securities laws claims in Israel or serve process on our officers and directors and these experts.

Most of our directors or officers are not residents of the United States and most of their and our assets are located outside the United States. Service of process upon us or our non-U.S. resident directors and officers and enforcement of judgments obtained in the United States against us or our non-U.S. our directors and executive officers may be difficult to obtain within the United States. It may be difficult to assert claims under U.S. securities laws in original actions instituted in Israel or obtain a judgment based on the civil liability provisions of U.S. federal securities laws. Israeli courts may refuse to hear a claim based on a violation of U.S. securities laws against us or our non-U.S. officers and directors because Israel may not be the most appropriate forum to bring such a claim. In addition, even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not U.S. law is applicable to the claim. If U.S. law is found to be applicable, the content of applicable U.S. law must be proved as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by Israeli law. There is little binding case law in Israel addressing the matters described above. Israeli courts might not enforce judgments rendered outside Israel, which may make it difficult to collect on judgments rendered against us or our non-U.S. officers and directors. In addition, there is no bilateral treaty between Israel and the United States for the enforcement of civil judgments.

Moreover, among other reasons, including but not limited to, fraud or absence of due process, or the existence of a judgment which is at variance with another judgment that was given in the same matter or if a suit in the same matter between the same parties was pending before a court or tribunal in Israel, an Israeli court will not enforce a non-Israeli judgment if it was given in a state whose laws do not provide for the enforcement of judgments of Israeli courts (subject to exceptional cases) or if our enforcement is likely to prejudice the sovereignty or security of the State of Israel.

The rights and responsibilities of our shareholders are governed by Israeli law, which may differ in some respects from the rights and responsibilities of shareholders of U.S. corporations.

We are incorporated under Israeli law. The rights and responsibilities of holders of our ordinary shares are governed by our Articles and the Companies Law. These rights and responsibilities differ in some respects from the rights and responsibilities of shareholders in typical U.S. corporations. In particular, pursuant to the Companies Law each shareholder of an Israeli company has to act in good faith in exercising his or her rights and fulfilling his or her obligations toward the company and other shareholders and to refrain from abusing his or her power in the company, including, among other things, in voting at the general meeting of shareholders and class meetings, on amendments to a company's articles of association, increases in a company's authorized share capital, mergers, and transactions requiring shareholders' approval under the Companies Law. In addition, a controlling shareholder of an Israeli company or a shareholder who knows that it possesses the power to determine the outcome of a shareholder vote or who has the power to appoint or prevent the appointment of a director or officer in the company or has other powers toward the company has a duty of fairness toward the company. However, Israeli law does not define the substance of this duty of fairness. There is limited case law available to assist in understanding the implications of these provisions that govern shareholder behavior.

U.S. holders of our ordinary shares and/or warrants may suffer adverse tax consequences if we are treated as a passive foreign investment company.

A non-U.S. corporation generally will be treated as a "passive foreign investment company" ("PFIC") for U.S. federal income tax purposes, in any taxable year if either (1) at least 75% of its gross income for such year is passive income (such as interest income) or (2) at least 50% of the value of its assets (based on an average of the quarterly values of the assets) during such year is attributable to assets that produce or are held for the production of passive income. We believe we were a PFIC for our taxable year ending December 31, 2023. However, as discussed below, whether we were a PFIC for any given taxable year is based on a complex and factual determination and there is no assurance that the Internal Revenue Service ("IRS") will agree with our determination. Based on the current and anticipated composition of the income, assets and operations of our company and our subsidiaries, we cannot be sure as to whether we will be a PFIC for U.S. federal income tax purposes for our taxable year ending December 31, 2024 or in future taxable years. Moreover, because PFIC status is based on our income, assets and activities for the entire taxable year, it is not possible to determine whether we will be characterized as a PFIC for our current taxable year or future taxable years until after the close of the applicable taxable year. This is an annual factual determination that depends on, among other things, the composition of our income (including the relative size of our gross operating loss and our passive income) and assets, and the market value of our shares and assets (including unbooked goodwill), including the composition of income and assets and the market value of shares or assets, as applicable, of our subsidiaries, from time to time, and thus a determination can only be made annually after the close of each taxable year. Moreover, the value of our assets (including unbooked goodwill) for purposes of the PFIC determination may be determined by reference to the trading value of our ordinary shares, which could fluctuate significantly. If we are a PFIC for any taxable year, a U.S. Holder (as defined below under "*Taxation – United States Federal Income Taxation*") of our ordinary shares may be subject to adverse tax consequences and may incur certain information reporting obligations. Under the PFIC rules, unless such U.S. Holder makes an election available under the Internal Revenue Code of 1986, as amended (the "Code") (which election could itself have adverse consequences for such U.S. Holder), such U.S. Holder may be subject to U.S. federal income tax at the then prevailing maximum rates on ordinary income and possibly an "interest" charge, in respect of "excess distributions" and upon any gain from the disposition of our ordinary shares, as if the excess distribution or gain had been recognized ratably over such U.S. Holder's holding period of our ordinary shares. Certain elections (including a qualified electing fund or a mark-to-market election) may be available to U.S. Holders of our ordinary shares to mitigate some of the adverse tax consequences resulting from PFIC treatment, however, are not available with respect to the warrants. For a further discussion, see "*Taxation—United States Federal Income Taxation—Passive Foreign Investment Company Considerations.*"

U.S. Holders of our ordinary shares and warrants are strongly encouraged to consult their own tax advisors regarding the potential application of these rules to us and the ownership of our ordinary shares and/or our warrants.

If a United States person is treated as owning at least 10% of our shares, such person may be subject to adverse U.S. federal income tax consequences.

If a United States person is treated as owning (directly, indirectly or constructively) at least 10% of the value or voting power of our shares, such person may be treated as a “United States shareholder” with respect to us and any of our direct and indirect foreign affiliates (“Innoviz Group”) that is a “controlled foreign corporation” as defined in Section 957 of the Code. Because the Innoviz Group includes one or more U.S. subsidiaries, certain of our non-U.S. subsidiaries could be treated as controlled foreign corporations regardless of whether we are treated as a controlled foreign corporation.

A United States shareholder of a controlled foreign corporation may be required to report annually and include in its U.S. taxable income its pro rata share of the controlled foreign corporation’s “Subpart F income” and, in computing its “global intangible low-taxed income,” “tested income” and a pro rata share of the amount of U.S. property (including certain stock in U.S. corporations and certain tangible assets located in the United States) held by the controlled foreign corporation regardless of whether such controlled foreign corporation makes any distributions. The amount includable by a United States shareholder under these rules is based on a number of factors, including potentially, but not limited to, the controlled foreign corporation’s current earnings and profits (if any), tax basis in the controlled foreign corporation’s assets, and foreign taxes paid by the controlled foreign corporation on its underlying income. Failure to comply with these reporting obligations (or related tax payment obligations) may subject such United States shareholder to significant monetary penalties and may prevent the statute of limitations with respect to such United States shareholder’s U.S. federal income tax return for the year for which reporting (or payment of tax) was due from starting. An individual that is a United States shareholder with respect to a controlled foreign corporation generally would not be allowed certain tax deductions or foreign tax credits that would be allowed to a United States shareholder that is a U.S. corporation. We cannot provide any assurances that we will assist holders in determining whether any of our non-U.S. subsidiaries is treated as a controlled foreign corporation or whether any holder is treated as a United States shareholder with respect to any of such controlled foreign corporations or furnish to any holder information that may be necessary to comply with reporting and tax paying obligations.

U.S. Holders of our ordinary shares and/or warrants are strongly encouraged to consult their own advisors regarding the potential application of these rules to us and the ownership of our ordinary shares and/or warrants.

Item 4. Information on the Company.

A. History and Development of the Company

We were incorporated in Israel on January 18, 2016 under the Companies Law, and our principal executive office is located at 5 Uri Ariav St., Building C, Rosh HaAin 4809202, Israel. Our legal and commercial name is Innoviz Technologies Ltd. We are registered with the Israeli Registrar of Companies. Our registration number is 51-538242-2. Our website address is <https://innoviz.tech/>, and our telephone number is +972-74-700-3692. Information contained on, or that can be accessed through, our website does not constitute a part of this Annual Report and is not incorporated by reference herein. We have included our website address in this Annual Report solely for informational purposes. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers, such as Innoviz, that file electronically, with the SEC at www.sec.gov. Our agent for service of process in the United States is Cogency Global Inc., 122 East 42nd Street, 18th Floor, New York, NY 10168.

On December 10, 2020, we entered into the Business Combination Agreement with Collective Growth, Perception, Antara Capital and Merger Sub. Pursuant to the Business Combination Agreement, Merger Sub merged with and into Collective Growth, with Collective Growth surviving the merger. Upon consummation of the Business Combination and the other transactions contemplated by the Business Combination Agreement on April 5, 2021, Collective Growth became a wholly owned subsidiary of us.

For a description of our principal capital expenditures and divestitures for the three years ended December 31, 2023, 2022 and 2021, see Item 5. “*Operating and Financial Review and Prospects.*”

B. Business Overview

Recent Developments

Strategic Realignment

On January 31, 2024, we announced a strategic realignment of our operations to expand our cash runway and optimize our path towards profitability and free cash flow generation, which included a reduction in the company’s headcount by approximately 13% during the first quarter of 2024.

Since 2021, we have funded the development of two production path programs: the InnovizOne and InnovizTwo LiDAR sensor and perception software suites. With the InnovizOne program now transitioned from the development phase into full series production, we are eliminating duplicative cost structures and significantly reduce spending on InnovizOne development, while reinvesting a portion of the savings into the InnovizTwo sensor and perception software platform. All quoting and bidding activity in our request for information and request for quotation pipeline will now be focused on the InnovizTwo platform.

Appointment of Avishay Moscovici

On February 28, 2024, we announced the appointment of Mr. Avishay Moscovici as the Company’s new Chief R&D Officer. Mr. Moscovici replaces Mr. Oren Buskila, who has stepped down as Chief R&D Officer to pursue a new opportunity outside of the LiDAR industry.

Company Overview

We are a leading Tier-1 direct supplier of high-performance, automotive grade LiDAR sensors and perception software that feature technological breakthroughs across core components and bring enhanced vision and superior performance to enable safe autonomous driving at a mass scale. We believe that we provide a complete and comprehensive solution for OEMs and Tier-1 partners that are developing and marketing autonomous driving vehicles to the passenger car and other relevant markets, such as robotaxis, shuttles, delivery vehicles and trucks.

We were founded in 2016 by veterans of Unit 81, the elite technology unit of Israel’s Intelligence Corps, one of the most prestigious multidisciplinary technological units in the IDF. From our founding, our culture drew from Unit 81’s core values of solving sophisticated technological problems through creativity and agile thinking. We have relied on these values to address the needs of autonomous vehicles in a manner that strikes the desired balance between performance and cost. We created a new type of LiDAR sensor from the chip-level up, including a suite of powerful and sophisticated software applications for high-performance computer vision to allow superior perception. Our multidisciplinary team developed an operational MEMS-based (Micro-Electro-Mechanical System) LiDAR prototype, which attracted the attention of leading Tier-1 companies such as Magna and Aptiv PLC as early as 2017. This was followed by a further intensive development and qualification stage, which culminated with our company achieving a design win with BMW in 2018 to power BMW’s Level 3 autonomous platform.

During 2022, we made the major strategic decision to become a Tier-1 direct supplier of LiDAR to the automotive industry. This decision allows us to have direct technical discussions with customers and to improve pricing to automotive OEMs with the goal of continuing to strengthen our position in the automotive market. This strategic decision has already played a significant role in our major OEM program wins since, as discussed below.

In 2022, following more than two years of extensive diligence and qualification, we were selected by Volkswagen as its direct LiDAR supplier for automated vehicles within the Volkswagen brands with our InnovizTwo next generation high-performance automotive-grade LiDAR sensor. Later in 2022, an Asia-based automotive OEM selected us to serve as its direct LiDAR supplier for series production passenger vehicles. BMW and Volkswagen are leaders in deploying new technologies into the automotive industry. We believe that our close cooperation with these OEMs uniquely positions us to make Level 3 autonomous driving a commercial reality.

In 2023, we announced that Volkswagen aims to expand its use of our InnovizTwo LiDAR to its existing light commercial vehicle program. In addition, we announced that we were beginning a B-sample development phase on a new generation of LiDAR for BMW Group. Under the development agreement, we developed B-samples based on our second generation InnovizTwo LiDAR sensor.

The sustained cooperation with our customers provides our engineers and other research and development personnel with a valuable competitive edge. These engineers and other research and development personnel have been meticulously trained to design, operate, and verify our many ground-breaking innovations in accordance and in compliance with the rigorous ISO26262 standard for Functional Safety in the automotive industry. Compliance with this and other standards have been enforced by regular ongoing audits of Innoviz and rigorous testing by our key suppliers, existing customers and prospective customers that thoroughly review the performance of various elements of our operations. As a result, our products have been constructed from the bottom up with hardware and software technology that meets the most stringent automotive safety, quality, environmental, manufacturing, and other standards.

Our innovation has produced LiDAR solutions that deliver market leading performance and that meet the current demanding safety requirements for Level 2+ through Level 5 autonomous vehicles at price points suitable for mass produced passenger vehicles. Our integrated custom design of advanced hardware and software components, which leverages the multidisciplinary expertise and experience of our team, enables us to provide turn-key autonomous solutions that are likely to accelerate widespread adoption across automakers at serial production scale.

Our robust software suite enables our ~905nm wavelength laser-based LiDAR architecture to be easily leveraged to provide compelling solutions for Level 2+ through Level 4 (and Level 5 when applicable). This means that we are positioned to penetrate the current market, which is focused primarily on Level 2+ (with some Level 3 production), and to continue to capture and extend our market share to Levels 3 through 5 as the market continues to mature.

We are currently expanding our third-party manufacturing capacity through contract manufacturers to meet an anticipated increase in customer demand for our products, while also further developing a next generation high-performance automotive-grade LiDAR sensor, the InnovizTwo, that is expected to provide further cost efficiencies, while enabling even higher performance solutions for vehicles offering driving automations levels of Level 2+ and above.

Geographically, the substantial majority of our revenue is generated from customers in Europe and North America. As we continue to grow, we expect to generate additional revenue from existing and other geographic areas and the geographic mix of our revenue could therefore change over time.

Market Outlook

The automotive industry is increasingly harnessing sophisticated technologies in its push to develop and introduce autonomous driving vehicles. Significant investment and rapid growth in this industry are being driven by the need to assure human safety and in parallel, the potential recapture of drivers' time for work, rest and relaxation while the vehicle drives itself. The technologies and products needed for autonomous driving require long development and validation cycles and must ensure safety of the autonomous systems prior to commercial deployment.

Recognizing the different levels of innovation and autonomy and the need to standardize the approaches across the spectrum of possibilities for the sake of safety, the Society of Automotive Engineers has developed and defined six levels of automation for autonomous vehicles: Level 0 through Level 5. These levels have been adopted by the U.S. Department of Transportation.

Levels of Autonomous Driving

Level 0: The driver is fully responsible for all driving functions at all times, even when the driver's feet are off the pedals or if there is no steering. The driver must constantly supervise his or her environment, steer the vehicle and brake or accelerate as needed to maintain safety. In Level 0, the driver assistance features are limited to providing warnings or momentary driving assistance, such as forward collision warning, blind spot warning and lane departure warning.

Level 1: Includes driver assistance features such as Automated Emergency Braking Systems, steering or brake/acceleration, lane keep assist or lane centering, or adaptive cruise control.

Level 2: Includes partially automated driver assistance features that provide steering and brake/acceleration support to the driver, such as lane centering and adaptive cruise control at the same time. The term L2+ or Level 2+ is used for higher capability systems that will allow the driver to remove their hands from the wheel for certain periods of time, but the driver's eyes must remain on the road. Level 2 represents the highest level in which the driver is still fully responsible for all driving functions at all times.

Level 3: In this level, the vehicle can still be operated in normal driving mode. However, when the automated driving function is engaged, the human is no longer responsible for the driving function, even when seated in the driver's seat. The vehicle drives in conditional automation mode, and when the vehicle stops the automated driving, the driver must take back complete control, and resume driving. The vehicle will drive in automated mode only under limited conditions and will not operate unless all the required conditions are met – for example, driving on specific roads, under favorable weather conditions or below a specific driving speed.

Level 4: Assures the vehicle will continue to function without any human driver intervention, even if in a degraded state, and the driver may have the option to control the vehicle. Pedals and/or steering wheel may or may not be installed.

Level 5: Full automation. The vehicle is capable of performing all driving functions under all conditions without human intervention or even occupants.

In addition to these six levels, certain industry participants have also identified a gap between Level 2 and Level 3, which it calls Level 2+. The move from Level 2 to Level 3 is essentially the crossover from driver-assist to some level of autonomy. In the jump between these two levels, it is expected that liability will shift from the driver to the system, meaning that responsibility and liability for driving is shifted from the driver to the OEM. This gap can be partially bridged by systems that offer more than Level 2 but less than Level 3, or an enhanced ADAS offering, which has created the industry terminology of "Level 2+".

Currently, ADAS, or Advanced Driver Assistance Systems, which are not considered "autonomous driving" but have important active safety features, have been successfully commercialized. ADAS-equipped vehicles are not fully autonomous as, although the vehicle can control both steering and acceleration/deceleration, a human sits in the driver's seat and needs to monitor the driving at all times (i.e., have "eyes on the road"). Therefore, the advancement from vehicles with ADAS (Levels 1 through 2+) to autonomous driving systems (Levels 3 through 5) requires "environmental detection" capabilities, or the capability to detect the environment in which the vehicle is operating, including speed, weather, density of traffic and every other condition that affects driving decisions. Autonomous driving systems also require high-definition maps, a highway or urban setting, and the ability for the system to make informed decisions independently, without the need for human supervision.

The ADAS+/ Level 2+ segment of the consumer automotive market is expected to grow significantly over the short to medium term. ADAS+/Level 2+ systems are still technically in the driver-assist realm but incorporate a whole new layer of functionality on top of the traditional ADAS features. For instance, in Level 2+ vehicles, map data may enable lane-centering functions to remain effective even in areas where sensing-only lane centering systems may face difficulties, such as in areas without visible lane marks or low-quality lane markings, ramps with sharp turns, junctions, roundabouts, newly paved roads or urban settings. Level 2+ also supports automatic lane changes by providing information such as lane-marking types and adjusting the drive speed according to road speed/curvature.

In Level 3 through Level 5 autonomous vehicles, the system is expected to take on the full task of driving, either in defined-use cases (Level 3 and Level 4) or all use cases (Level 5). Accordingly, the OEM is defined as the legal driver, retains full responsibility and the autonomous vehicle system must comply with the highest level of functional safety (ISO26262 ASIL D). This is to guarantee a failure probability low enough that automakers, consumers and regulators will be able to agree that the vehicle can handle driving without any supervision by a human driver in given areas and at given times. Level 3 through Level 5 systems accordingly require a robust sensing suite, which necessitates the use of high-performance LiDAR sensors. High performance LiDAR sensors were initially too expensive for mass market applications. However, our products feature reliability, automotive-grade assurance, low cost and distributed sensing advantages and we believe our products are well-positioned to achieve widespread deployment in this segment.

Beyond the autonomous driving industry, there exist numerous other applications in which a high-performance automotive-grade LiDAR with wide operating range and high reliability can add significant value. For example, numerous off-highway driving applications significantly benefit from the safety features available with use of LiDAR solutions. These include the mining and construction industries, ports and airports, and material handling in factories, all of which deploy vehicles and machines in restricted environments, at low speeds, and which require autonomous driving not only for cost saving, but also to prevent costly accidents caused by distracted drivers. The major applications currently relevant to our company beyond autonomous driving are:

Our LiDAR Applications in Shuttles and Robotaxis

The automated shuttle business model is reliant on full autonomy. Shuttles drive repetitively over the same, well mapped (“geo-fenced”) routes, with the possibility of software orchestration for specific difficulties, such as a high-traffic intersection.

Similarly, the robotaxi business model is also reliant on full autonomy. However, similar to human-driven taxis, robotaxis travel on constantly changing routes with dynamic pick-up and drop-off locations for passengers that order the robotaxi service. This more complex and dynamic driving environment makes the autonomy challenge for robotaxis harder to solve compared to that of shuttles. Nevertheless, the use-case is compelling as it will drive costs for passengers down to a small part of the current taxi price, when taking into account the elimination of drivers, increased safety, and other savings.

In both shuttles and robotaxis, autonomy calls for a comprehensive sensor suite that has 360-degree surround-perception in the most trying circumstances, including busy city streets with pedestrians, dogs, bicycles, erratic traffic behavior, construction sites and others. Sensors need to be precise in regard to location and timing, see all around the vehicle and detect obstacles at various heights with minimal delay. In addition, localization is needed to locate the shuttle or robotaxi precisely, to leverage high-definition maps.

Our LiDAR is uniquely suited to the shuttle and robotaxi applications. By deploying LiDARs around the perimeter of the vehicle, shuttle and robotaxi designers can avoid both occlusion and blind spots. Just as a human driver would cautiously move forward to peek around the truck, software can creep, allowing a corner mounted LiDAR to see over the intersection and decide to go around the truck when traffic is clear.

Our LiDAR Applications in Trucks

Fully autonomous trucks may weigh 20-tons or more and have a stopping distance of several hundred meters. Full autonomy in this space is not only dependent on long-range sensors, but also on advanced and validated software that has to be proved to work at highway speed. This is further complicated by traffic diversions, construction and debris on the freeway, accident sites, traffic cones and other common highway occurrences. Development of fully autonomous trucks is supported by our current LiDARs.

In addition to the application of a fully autonomous truck driving alone, LiDAR sensors can enable a platoon of leader-follower trucks, where the lead vehicle has a human driver, and the follower vehicles are autonomous. For this application, LiDAR sensors are critical in maintaining distance between leader and follower(s). A gap will allow other vehicles to cut-in, disturbing the truck platoon formation. The 3 cm precision our LiDARs bring to range sensing allows a tight platoon to drive at highway speed with safety.

Our Technological Differentiation

Industry Approaches and Their Limitations

The first level of automation that requires sensors beyond radars or cameras is Level 2. Level 2 autonomous vehicles use cameras and radars as the sensors for making actuation decisions for the vehicle (changes in car speed and trajectory). However, the driver is essential to meet functional safety targets. The driver is used as a second observer to the camera and is expected to keep his or her eyes on the road so that he or she can take over in case the car’s driving decision-making system makes an error.

A system which complies with the highest level of functional safety (ISO26262 ASIL D) requires the “smart” redundancy of critical elements. The sensor suite is defined as a critical part of the autonomous driving system, as it is not possible to make correct driving decisions without an accurate understanding of the vehicle’s surroundings. “Smart” redundancy does not mean multiplying the same sensors to deal with sensor malfunction, but rather adding different types of sensors to ensure that, in any given situation where conditions are challenging for certain types of sensors, other sensors will perform well and enable correct driving decision-making. Ideally, sensors should complement each other.

Cameras and radars are ubiquitous today. Both have advantages for use in ADAS and autonomous driving applications, and both are relatively mature technologies with price points that are accessible for almost all new cars. Nevertheless, cameras and radars have known disadvantages that make them inadequate for use in Level 3 through Level 5 systems without a LiDAR. In addition, even Level 2 ADAS systems, which are not considered “autonomous driving” but have important active safety features, can greatly benefit from the addition of LiDARs for detecting and classifying objects and making emergency decisions to avoid accidents. This is especially true of Level 2+ systems offering enhanced ADAS that can empower pseudo-autonomy, such as hands-free highway driving where the driver still retains primary responsibility. This trend will likely be driven by lower cost LiDAR systems.

Camera-based ADAS systems rely heavily on perception software, as the sensor itself provides 2D data that requires perception algorithms in order to translate the data into a 3D perception model of the road. The ability of cameras to detect range is limited since 2D information does not include a measurement of range. Although range can be deduced from a 2D picture using perception algorithms, that process has limited accuracy. Furthermore, camera performance is limited under low-lighting situations, especially at night, and during sudden exposure to extreme light, and its performance is limited by challenging weather conditions such as rain.

Radar, on the other hand, is limited by its low angular resolution compared to other sensors such as camera or LiDAR. For example, radar may have difficulty differentiating between reflections from a car that is 50 meters away, the road below it, the fence next to it or a parked car along the way. It may also have issues distinguishing objects that are close together, determining object size and shape, and detecting lateral motion, such as a person walking laterally in front of a car.

Real life road conditions may present autonomous vehicles with objects, or a combination of objects, that the vehicles’ perception algorithms are not able to classify, as every perception algorithm is only designed to support a limited set of object classes. The value of having a LiDAR as part of the vehicle’s sensing suite in this situation is that the LiDAR provides a physical measurement in a high-resolution 3D representation of the driving scene. The perception software layer can then use this 3D representation to determine the existence of an object in the driving path of the vehicle, without the need to classify the type of object. Therefore, safe driving can be maintained.

Most LiDAR lasers work at either around ~905nm or ~1550nm wavelengths. The choice of wavelength impacts, among other things, the type of laser and optical detector used in the system, which are two of the main components that influence performance, cost and power consumption of the LiDAR. ~1550nm wavelength LiDAR lasers can potentially send stronger light pulses than ~905nm wavelength LiDAR lasers while still maintaining eye-safety limitations and therefore provide longer range measurements than ~905nm lasers, but certain factors prevent them from being as cost or energy efficient as ~905nm wavelength-based systems. Specifically, ~1550nm based systems may use fiber-coupled lasers that are significantly more expensive than the diode lasers used with ~905nm wavelength-based systems. Furthermore, deploying the higher peak optical power used in ~1550nm systems may consume more electrical power than that used by ~905nm systems, which also causes the LiDAR to heat up considerably. This is a critical physical limitation, especially when many new cars are electric cars. Since electrical-to-optical power conversion efficiency is similar at both wavelengths, ~1550nm systems generally require more electrical power than ~905nm systems. The increased power consumption may also lead to a greater burden on the car’s electric power supply (which is an important factor, especially for electric vehicles) and to size and form factor issues, as it takes a larger mechanical design to manage heat dissipation. Larger components are also harder to fit on the outside of the car from a design perspective. In addition, as silicon detectors cannot detect ~1550nm light efficiently, the detectors for a ~1550nm LiDAR often include compounds such as indium gallium arsenide which are more expensive to source and manufacture relative to silicon, which is ubiquitous in ~905nm detectors.

Our Technological Approach

Recognizing the limitations on the use of ~1550nm lasers in the automotive industry, we have, from our inception, focused on the development of a commercially viable LiDAR solution that utilizes an eye-safe ~905nm-based laser designed to outperform more expensive ~1550nm based LiDARs.

In order to minimize the performance limitations resulting from the stricter eye-safety limitations of ~905nm wavelength lasers compared to ~1550nm wavelength lasers, we have used a multidisciplinary approach to design the key system components from the ground up, including:

- unique scanning mechanisms for improved scanner size and better collection of received light;
- silicon detectors for improved optical–electrical conversion of the received signal; and
- the signal processing application-specific integrated circuit (“ASIC”) (the chip that processes the signal coming from the detectors and controls the system functions) in order to improve the optical link budget of the system, while also getting the best possible detection capabilities for a given optical link budget. We have achieved industry leading point-cloud quality by developing and using custom signal processing algorithms implemented in a proprietary ASIC.

The integration of MEMS-based and other unique scanning mechanisms in the LiDAR reduces form-factor and improves robustness. The reduced form-factor allows our LiDAR to be deployed around the perimeter of the autonomous vehicle, thereby reducing blind spots and improving efficacy of perception in a manner that is consistent with higher levels of autonomy.

InnovizOne, featuring a form factor of 0.5 liters and weight of 0.5 kilograms, is capable of beaming laser signals off obstacles as far as 250 meters away. The signals are then collected in a high sensitivity detector and processed by advanced analog and digital circuits in an ASIC. Each of these is custom designed by us. Each reflection represents a point, or reflection of an individual laser beam. A scanner deflects the laser to scan the field of view (“FOV”). The time-of-flight of each reflection, or point, is measured to yield distance and reflectivity information. The accumulation of all the points in the FOV results in a point-cloud that is transmitted from the LiDAR. Based on the speed of light, the time-of-flight measurement provides an accurate 3D representation of all objects and obstacles in the FOV.

InnovizTwo featuring a unique technology that is distinct from InnovizOne. The primary target market for InnovizTwo is automotive customers as it provides scalability and expansion to offer LiDAR capabilities across different automotive segments, while building on lessons learned and synergistic advantages which Innoviz has gained through its historical creation of products, including InnovizOne.

In addition to its unique hardware solutions, Innoviz’s LiDAR solutions include a unique perception software application that turns raw point cloud data from Innoviz LiDAR products into perception outputs. The outputs can serve as a standalone, functionally safe perception software, or can be integrated into the vehicle’s existing perception stack at different levels to support various sensor fusion architectures. Our software leverages the rich data derived from our LiDAR products, coupled with proprietary state-of-the-art artificial intelligence-based algorithms, to provide superior scene perception and deliver an automotive-grade ASIL B(D) solution.

Competitive Strengths

We believe that the following strengths differentiate us from our competitors and will enable us to successfully compete in our target markets to maintain our leadership position.

Cost and energy efficient high performance LiDAR solutions. Tier-1 manufacturers and automakers are extremely sensitive to the cost of any component in the vehicle, and especially to relatively high-priced individual components such as LiDAR sensors. They demand competitive prices and put significant weight on this parameter when deciding on vendors. Because we identified these requirements in the development of our original solution architecture, we chose to use ~905nm wavelength lasers, which work with diode lasers. These are much more affordable than the lasers required by ~1550nm wavelength LiDAR lasers that often include compounds such as indium gallium arsenide, which is more expensive to source and manufacture than the silicon used in ~905nm wavelength lasers. ~905nm wavelength lasers also use less power than ~1550nm lasers. Autonomous vehicles benefit from this lower power consumption because it increases vehicle driving range (primarily in electric vehicles). In addition, ~1550nm lasers generate more heat than ~905nm lasers, which requires a larger size to allow for more heat dissipation. A larger form factor presents design challenges to automakers as consumer vehicles have limited mounting space with good visibility of the vehicle’s surroundings. Accordingly, our ~905nm wavelength laser-based LiDAR solution offers a compelling price point, lower power consumption and a smaller form factor than other market participants, without sacrifice in performance.

Automotive grade development and production. Vehicle components, particularly parts of the autonomous vehicle driving technology system, are required to have a high functional safety grade. Achieving compliance with functional safety standards, such as ISO26262, is a time consuming and labor-intensive process that requires significant cooperation with automotive grade industry participants, such as Tier-1 suppliers and automobile manufacturers. Starting in 2017, we have worked closely with leading Tier-1 suppliers such as Magna and its automaker partner, BMW, to develop a LiDAR solution that meets these stringent requirements. This process has included continuous and extensive product-safety auditing by BMW and Magna, as well as additional review by other leading participants in the industry. As a result of our close work with these partners, we have developed rigorous safety and quality expertise. This gives us a significant advantage over competitors that have focused on technology development without having design wins with major automotive customers such as BMW or partnerships with major automotive Tier-1 suppliers early in their development process. These competitors will be required by consumer automotive OEMs and/or Tier-1 suppliers to undergo automotive-grade certifications that can take up to a few years to achieve, prior to entering the market.

Multiple Tier-1 partners enabling market penetration. OEMs design their future models and vehicles several years in advance and often then freeze the design to produce and deliver the vehicles on time. Therefore, designs for mass-production Level 3 and Level 4 consumer car programs planned for 2026-2028 are expected to be decided during 2024. LiDAR solutions that will be candidates for inclusion in these programs must go through the process of automotive-grade manufacturing and audit by the OEMs and Tier-1 suppliers. We believe that our Tier-1 and OEM tested technology, increases our chances of both winning upcoming OEM Request for Quotes (“RFQs”), and being invited to RFQs given that companies without these market credentials and certifications will not be eligible for inclusion in RFQ tenders.

Flexible Tier-1 / Tier-2 engagement model. We leverage our in-house knowledge developed through our engagement and development history to approach customers directly. This has enabled us to offer additional customization and more direct OEM positioning and engagement, which in turn has allowed us to offer customers better commercial terms, commitments and end-customer support and collaboration. The multi-faceted customer engagement approach (via Tier-1s as a Tier-2 and direct as a Tier-1) allows us to cover a wide range of customers and partners to further increase our market reach.

Comprehensive intellectual property portfolio and multidisciplinary R&D organization. Our architecture has focused on developing a full LiDAR autonomous driving solution that utilizes a ~905nm wavelength laser. In order to break through the performance limitations resulting from lower peak optical power, we have used a multi-disciplinary approach to design all of the system components from scratch: the scanner, silicon detectors and the signal processing ASIC, in order to improve the optical link budget of the system, while getting the best possible detection capabilities for a given optical link budget. This approach has yielded a broad range of intellectual property that we believe gives us a significant competitive advantage, as it will make it difficult for other market participants to successfully develop and commercialize cost and energy efficient LiDAR solutions utilizing ~905nm wavelength lasers. We currently hold a number of key patents, including a LiDAR patent related to surround view LiDAR design, which we believe is fundamental. In addition to our ~905nm wavelength laser-based LiDAR architecture, we also have a powerful standalone software suite that gives us industry-leading perception capabilities. We believe that the ability of our research and development team to innovate in many disciplines, across hardware, software, optics and others, provides us with a strong standing for future competition.

Flexible System Configuration and Powerful Perception Capabilities

Market leading perception capabilities. Since our founding, we have adopted a holistic approach to the production of a LiDAR system, including the development of a proprietary standalone software suite. The system features can achieve up to uniform high resolution of 0.05°x0.05° across the FOV as opposed to some competing systems, in which resolution is always qualified by operating conditions such as frame rate and a limited FOV. Flexible, software-controlled features such as the Region of Interest (ROI), Pixel Summation (PSM), variable vertical field of view and software selectable frame rate further enhance the performance of the point-cloud. This high-performance time-of-flight point-cloud output is augmented by vision processing algorithms to create a comprehensive LiDAR perception system.

Agile system configuration. Our system design allows dynamic configuration of various system functions, such as laser power, scanning pattern and frame rate. This flexibility allows us to offer different product configurations based on the same hardware with only software modification. This allows us to address multiple market needs and niches without needing to develop several hardware configurations, a process that would be costly due to the need for additional design, production, validation and support. The ability of the car computer to optimize our LiDAR to its real time surroundings is another unique advantage made possible by this system design. For example, when driving on a highway, a forward-focused configuration with narrow FOV and an extended range is desired, while in an urban scenario, a uniform, wide FOV is desired and nominal range is acceptable in order to lower power dissipation.

Growth Strategy

Drive increased adoption through lower cost products. Our entire approach and solution architecture focuses on using ~905nm wavelength lasers, which allow for significantly more affordable solutions than ~1550nm wavelength laser-based LiDARs. We intend to continue to focus on refining our architecture and component engineering in order to produce LiDAR solutions that feature even more attractive pricing than our initial product, the InnovizOne. Our InnovizTwo features costs and pricing that are significantly lower than those of InnovizOne. We believe that high-performance, cost-efficient solutions will drive increased market adoption of our products.

Penetrate lower levels of autonomy (e.g., Level 2+ ADAS) and leverage our software suite to position for seamless upgrade to Level 3 autonomous driving. We believe that InnovizTwo provides a compelling solution for Level 2+ systems, from both a cost and performance perspectives. At the same time, our LiDAR solution can be upgraded from Level 2+ to Level 3 through a vehicle software update without changes to the hardware components or the need for new hardware. Therefore, we believe that our solution is uniquely positioned to provide Level 3 functionality given the ease with which this upgrade can be affected. Accordingly, we will further refine, develop and integrate our software offering in order to better position ourselves for capturing market share in the Level 2+ and Level 3 through Level 5 vehicle markets on the basis of software-based transitions from the Level 2+ market.

Expand partnerships. We believe that our design win with Volkswagen and other automotive manufacturers were enabled by our unique automotive grade product design. We also believe that the discipline and adherence to industry leading safety and manufacturing standards required of us as a Volkswagen supplier and as a Tier-1 direct supplier, can be leveraged to penetrate and partner with other OEM customers. We believe that our existing partnerships with Volkswagen and BMW provide evidence to potential partners and customers of the maturity, robustness, and automotive grade nature of our products, and we intend to pursue partnerships with additional OEMs in order to grow our customer base.

Continue to invest in a strong software suite. Our advanced perception software turns our LiDAR products' raw point cloud data into perception outputs. The outputs can serve as a standalone, functionally safe perception software, or can be integrated into the vehicle's existing perception stack at different levels to support various sensor fusion architectures. In addition, our software leverages the rich data derived from Innoviz LiDARs, coupled with proprietary state-of-the-art artificial intelligence-based algorithms, to provide superior scene perception and deliver an automotive-grade ASIL B(D) solution. Our unique perception solution is designed for autonomous driving functionality and therefore is validated in accordance with the highest automotive standards, including data collected from staged scenes and open roads in various road and adverse weather conditions. We intend to continue to develop and refine our perception software for InnovizOne and InnovizTwo, in order to further complement our hardware offerings with advanced AI and machine learning-based classification, detection and tracking features. In addition, Innoviz will continue to collect data and annotate relevant information for the purposes of improved training and validation of our perception suite. Innoviz is also developing an edge-processing electronic control unit (ECU) for the purpose of point cloud processing, primarily for the perception software application.

Develop additional products to better address other LiDAR markets. The main drivers for our revenue growth are our automotive applications for LiDARs in passenger cars, the Level 3 and Level 2+ applications, which are expected to show significant growth in the 2024-30 vehicle model years. However, the products developed for the passenger car segment have equal appeal in multi-LiDAR perimeter sensing uses, such as in robotaxis, shuttles, trucks and delivery robot vehicles, therefore, further to our recently announced operational realignment, our development efforts are focused on the InnovizTwo and further development of the Innoviz360 was postponed. We believe these applications will show a significant rise in sensor consumption because they require multiple units to complete the surround sensing requirements of the completely automated driving machine. As Level 4 platforms such as robotaxis, shuttles, trucks and delivery robots complete development and move to commercial deployment, we believe our LiDARs are well-positioned to capture market share from less robust technologies. The size, look, feel and ease of integration of our products, together with automotive grade robustness for environmental performance quality, make our products especially appealing to the Level 4 segment.

Products

Innoviz One



Innoviz Two



* Product size may differ according to specifications

Our products provide a good understanding of the location of the vehicle in a broad range of driving environments and allow for confident detection and planning at varying vehicle speeds. Our product portfolio encompasses sensor hardware and perception and decision-making software that improve existing vehicle features and enable new levels of vehicle automation for passenger car and commercial applications.

Our product offerings include:

- **InnovizOne** —a solid-state LiDAR sensor specifically designed for automakers and robotaxis, shuttles, trucks and delivery companies requiring an automotive-grade, mass-producible solution to achieve autonomy. The automotive-grade sensor is purpose-built to be rugged, affordable, reliable, low-power consuming, lightweight, high-performing and seamlessly integrable into Level 3 through 5 autonomous vehicles to ensure the safety of passengers and pedestrians alike. InnovizOne was classified as a laser class 1 product under European standard IEC 60825-1 Rev 3 Class 1 on September 24, 2019.
- **InnovizTwo** —announced in the fourth quarter of 2020, InnovizTwo is a next generation high-performance automotive-grade LiDAR sensor that is currently in development, and engineering samples have been produced for demonstrations and evaluations. InnovizTwo will offer a fully featured solution for all levels of autonomous driving. Featuring a major cost reduction compared to InnovizOne, InnovizTwo also includes improved lasers and detectors that increase range performance at a lower system cost, which is expected to provide a significant performance improvement over InnovizOne. InnovizTwo will also offer the option to integrate the Perception Application (see below) in the LiDAR sensor itself.
- **Perception Application** —software application that turns raw point cloud data from Innoviz LiDAR products into perception outputs. The outputs can serve as a standalone, functionally safe perception software, or can be integrated into the vehicle's existing perception stack at different levels to support various sensor fusion architectures. In addition, our software leverages the rich data derived from our LiDAR products, coupled with proprietary state-of-the-art artificial intelligence-based algorithms, to provide superior scene perception and deliver an automotive-grade ASIL B(D) solution.

Commercial Traction

The early start with BMW's Level 3 series production program resulted in our team becoming deeply engaged in ISO26262 compliance and functional safety adherence. With active participation, including a resident team, in the BMW program at Unterschleißheim in Germany, our team delivered InnovizOne LiDARs to the integration teams at Magna and BMW and learned a lot from the extensive validation testing that is needed in order to conform to applicable standards.

Recognizing the long path to volume ramp in the automotive industry, with additional complexity due to demanding safety standards for autonomous vehicles, such as ISO26262-ASIL-B, we have taken a broad-based approach to potential LiDAR market opportunities. Instead of treating adjacent markets in an opportunistic manner, we have placed considerable focus on discovering applications and cultivating customers and resellers in these markets. Accordingly, we focus our business development activity on both the consumer automotive market and on other markets:

Automotive: high focus, with significant management attention, on a number of automotive opportunities, where the LiDAR and perception offering are tailored to the OEMs' needs, with a view to acquiring high volume series production programs, similar to the BMW L3 Program. This approach has our business and R&D teams working together both directly with OEMs as well as (in some instances) with Tier-1 partners to respond to OEM RFQs with customized offerings. Our collaborative relationships allow us to work with the Tier-1 and OEM engineering and procurement teams with complete transparency, bringing innovation, manufacturing knowhow and value to the program.

We are working closely with leading OEMs in Europe, Asia and North America that define Level 2+ and Level 3 programs and consider the adoption of InnovizTwo to such programs, and thereby bring significant additional value to the ADAS+ and autonomous applications.

Other Segments: leveraging our products to win business in all other segments where volumes are lower at present, but where opportunities of scale are likely in the near term. This approach requires a broad presence in the global marketplace, with our business teams participating in direct and channel relationships with potential customers in all segments.

We are in discussions with a number of robotaxi, shuttle, truck and delivery robots customers to incorporate InnovizOne and InnovizTwo into their upcoming builds. The form factor, field-of-view and range of these products is well suited to sensing applications on the perimeter of these Level 4 platforms.

Sales and Marketing

We currently market and sell our LiDAR solutions through a direct sales organization as well as through our distribution channels. Our technology and product focus since inception has been on the automotive OEM opportunity for high performance LiDAR solutions in the autonomous driving industry. This focus has also informed and guided our sales and marketing activities, which led to early contact with OEMs and Tier-1 suppliers, and also led to our sales team acting as a bridge between our research and development team and these partners. Our sales and marketing team continues to focus on expanding our relationships with OEMs and seeks to leverage our existing relationships as well as new commercial agreements, to expand our market to other industries.

Research and Development

We have invested a significant amount of time and expense into research and development of LiDAR-based technologies. Our research and development team is the largest department in the company and, as of December 31, 2023, was comprised of 395 employees. Our ability to maintain a leadership position in the industry depends to a great degree on our ongoing research and development activities. Our research and development team includes engineers and researchers with a diverse range of expertise and diverse levels of experience and academic backgrounds, including holders of B.Sc., M.Sc. and PhD degrees from leading academic institutions. Our research and development activities are largely conducted at our headquarters in Rosh HaAin, Israel.

Creating an automotive-grade, eye-safe and cost efficient ~905nm wavelength LiDAR solution and the accompanying perception software required the efforts of a multi-disciplinary team with expertise spanning optics, lasers, mechanical engineering, micro-electronics, chip design, MEMS design, complex IC packaging, algorithms, neural networks, systems engineering and software architecture and engineering.

Intellectual Property

Our success and competitive advantage depend in part upon our ability to develop and protect our core technology and intellectual property. We own a portfolio of intellectual property, including registered patents, registered trademarks, registered designs, confidential technical information, and expertise in the development of LiDAR technology and software for, among others, autonomous vehicles.

We have filed patent and trademark applications in order to further secure these rights and strengthen our ability to defend against third parties who may infringe on our rights. We also rely on design and manufacturing know-how, continuing technological innovations, and licensing and exclusivity opportunities to maintain and improve our competitive position. Additionally, we protect our proprietary rights through agreements with our commercial partners, supply-chain vendors, employees, and consultants, as well as close monitoring of developments and products in our industry.

As of December 31, 2023, we owned 50 allowed and issued patents and had 130 pending patent applications. The portfolio includes U.S. and foreign patent applications filed in Europe, China, Japan, and Korea. In addition, our company has registered U.S. and foreign trademarks and designs. Our patents and patent applications cover a broad range of system level and component level aspects of our key technology including, among other things, LiDAR systems, laser, scanner, receivers, optical devices, and perception technology.

Competition

The market for competitive automotive sensing solutions that enable autonomous driving is an emerging one with many potential applications in the development stage. As a result, we face competition from a range of companies seeking to have their products incorporated into these developing applications and it may take a period of time for our primary competitors to emerge.

Our competitors are also working to advance technology, reliability, and innovation in their development of new and improved solutions. Although we believe that we have market leading technology, we continue to face competition from existing competitors and new companies emerging in the LiDAR, camera and radar industries. Within the LiDAR segment of the industry, where competition is based significantly on performance and cost and energy efficiency, we face competition from companies utilizing a variety of laser wavelengths such as ~905nm and ~1550nm lasers, as well as a variety of steering mechanisms, such as MEMS, mechanical, Optical Phased Array, and non-scanning LiDARs (Flash). We believe that it may take new, smaller companies a substantial period of time to gain the recognition and trust of top-tier automotive OEMs and Tier-1 suppliers, as well as customers and partners in other non-automotive industries.

Many of our competitors offer more limited solutions for niche applications. Some competitors are currently selling solutions that offer lower levels of performance in ADAS and new autonomous driving markets. In the passenger car ADAS market, a number of competitors have already achieved substantial market share using camera and radar-based perception sensing solutions.

We entered the passenger car market with a higher performance LiDAR product than those used for ADAS today. Our LiDAR product empowers higher performance ADAS at price points that we believe we can displace current solutions. Our early engagement with a premium OEM and with Tier-1 partners also differentiate us from other LiDAR makers.

While LiDAR competitors will continue to emerge and recede, we believe that our high-performance LiDARs, strong intellectual property portfolio, software products, and design wins with leading OEMs, have established barriers to those who follow. We expect that our technology and continuing innovation, as well as our longstanding cooperation with leading OEMs, will support our position as a leader in advancing LiDAR technology in the market based on several market differentiators.

Manufacturing

Our proprietary LiDAR architecture focuses on developing a full LiDAR autonomous driving solution that utilizes a ~905nm wavelength laser. In order to break through the performance limitations resulting from optical peak power limitations, we have used a multi-disciplinary approach to design the key system components, such as our unique scanning systems, including the MEMS module, silicon detectors and the signal processing ASIC, in order to improve the optical link budget of the system while acquiring the best possible detection capabilities for a given optical link budget. Designing critical components in-house rather than using off-the-shelf commodity components provides for protectable and sustainable technology differentiation from LiDAR competitors or alternative technologies. We believe one of the significant barriers to entry for automotive LiDAR is the processes and know-how to manufacture a compact and intricate sensing product in high volumes.

At the same time, we have focused on operating in accordance with the rigorous manufacturing standards of the automotive industry from the company's earliest days. Therefore, we have utilized an automotive-level contract manufacturer and vendors to manufacture our products and sub-components from an early stage. Working with such an experienced contract manufacturer and vendors added to our manufacturing knowhow and instilled discipline and quality in our development process.

We have begun manufacturing InnovizOne at Magna's automotive grade facility in Holly, Michigan to meet increasing demand for our LiDAR product. In this context, please see reference herein to the Magna MOU and the Magna Agreement (as defined herein).

Although manufacturing of our products and sub-components is outsourced, our operations and quality assurance teams manage the sourcing of specialized equipment required for assembly, calibration and testing of our LiDAR systems. These teams also manage our quality control and assurance operations and work with our suppliers to monitor quality and improve yield.

We source our components from a variety of third-party manufacturers throughout Europe. The prices and availability of our components may be impacted by changes in supply and demand, as well as market uncertainty and other factors. Historically, we have been able to source our components at prices satisfactory to our Company; however, we may be unable to do so in the future.

Environmental, Social and Governance (ESG) Practices

We are a global company that is focused on creating a positive social impact by promoting the future of mobility and increasing road-traffic safety and welfare, all through the values of excellence, education, creation and innovation. As such, we recognize the importance of creating shared values for our different stakeholders and translating those values into measurable goals in order to guide our long-term success. We also have a responsibility to meet high standards of quality, safety and sustainability as a service provider to the automotive industry.

Therefore, we are currently in the process of developing an ESG program, with the hope of implementing shared values into our day-to-day business activities as soon as possible, while continuing to grow our business, all under the supervision of our dedicated nominating, environmental, social and governance committee of the board of directors, and with the assistance of a reputable independent ESG consulting firm.

We completed the development of an ESG strategy which guides our long term ESG-related efforts, taking into consideration the expectations of our shareholders as well as our business needs and goals.

We are developing a long-term implementation plan for our ESG strategy, including measurable long-term ESG goals, and are establishing internal processes to monitor and measure the related data. We believe we will be in a position to make significant progress on this implementation plan, including publishing our first ESG report, during 2024.

Regulation

Autonomous vehicles are subject to emerging regulatory frameworks in the United States at the federal and state levels. In general, at both the federal and state level, the United States has supported testing and development of autonomous functionality through open information exchange. For example, in January 2021, NHTSA expanded its AV TEST Initiative from a pilot to a full program, and through this Initiative a variety of stakeholders provide documentation covering specific topics, such as how automated systems detect objects on the road, how information is displayed to drivers, what cybersecurity measures are in place and the methods used to test the design and validation of autonomous driving systems. NHTSA has been utilizing this information to impose additional regulatory obligations on ADAS and autonomous driving systems, and although we do not anticipate any near-term impediments to our technology and products, the situation is an evolving one with some uncertainties and elements beyond our control. Many states in the U.S. have long imposed various requirements on autonomous vehicle development and testing, including operational, registration and financial assurance requirements for certain autonomous vehicle functions and activities. For example, California has been regulating autonomous vehicles in some fashion since 2012 through various restrictions and appears poised to continue to do so, as in December 2022, California introduced new legislation that would prohibit full self-driving marketing claims. It is possible that restrictions at the state level in the U.S. will ease or be removed as the data and experience supporting the safety of autonomous functionality continues to grow, but we cannot predict when or whether that might happen.

Foreign markets such as the China and the EU also continue to develop their respective standards to define deployment requirements for higher levels of autonomy. In China, for example, the government has undertaken numerous efforts to promote AV development, including its February 2020 release of the Strategies for Innovation and Development of Autonomous Vehicles by China's National Development and Reform Commission and ten other agencies. This initiative sets forth an ambitious plan to create a systematic framework for technical innovation, industrial ecology, infrastructure, regulations and standards, product regulation and network security in the AV market by 2025, and from 2035 to 2050, to fully establish an ecosystem for autonomous vehicles. Much of the emerging regulatory and legislative activity around autonomous vehicles in the EU has been focused on data privacy and security, given the volume and types of data collected, stored and transmitted by autonomous vehicles. A key part of Europe's emerging AV strategy is the creation of a common European mobility data space, to be further developed in the EU's "Smart and Sustainable Transport Strategy". Given the intense work in these areas, we expect a workable path forward in the near-term in these markets.

As vehicles equipped with our sensors are deployed on public roads in the United States, we will increasingly be subject to the legal and regulatory authority of various federal agencies, including NHTSA, which is part of USDOT. Currently, NHTSA's TREAD reporting process, as well as its strict recall and reporting requirements for any defects related to vehicle safety or any FMVSS non-compliance provide the principal legal framework for identifying and addressing safety issues. Similar reporting and recall requirements may apply in other markets outside of the U.S.

However, the regulatory landscape in the U.S. and elsewhere is an evolving one. To date, NHTSA's guidance to industry generally has been supportive of AV technology development, testing and implementation. More generally, NHTSA has established six automation principles that will be applied to its oversight of AV development: (1) prioritizing safety; (2) remaining technology neutral; (3) modernizing regulations; (4) encouraging consistent federal and state regulatory environments; (5) providing guidance, research and best practices to government and industry partners; and (6) protecting consumers' ability to choose conventional and autonomous vehicles. More specifically, NHTSA has been granting exemptions from FMVSS compliance for ADAS-equipped and AVs where it is satisfied that the non-compliance will not impose public safety issues and as a tool for encouraging technology development, testing and innovation. At the same time, NHTSA is actively reviewing other potential regulatory barriers to AV development as it proceeds to promulgate new regulations and to update certain FMVSS to address ambiguities and other issues created by the application of FMVSS to innovative, non-conventional vehicle designs utilized, or anticipated to be utilized, in certain ADAS and autonomous driving vehicles. In 2023, NHTSA promulgated the "Occupant Protection for Vehicles with Automated Driving Systems" final rule to update several FMVSS to account for vehicles that are equipped with ADAS and do not have traditional manual controls associated with human drivers. NHTSA also proposed rules to update FMVSS for crash avoidance, safety messaging and passengerless vehicles as well as jointly proposed a rule with FMCSA regarding AEB test devices for heavy vehicles. NHTSA also announced plans to launch the AV STEP that would remove the 2,500 cap on driverless vehicles allowed on the roadways and expand the program for exemption from FMVSS for ADS-equipped vehicles, but would impose additional data reporting requirements on all vehicles participating in AV STEP.

As noted above, many states have instituted restrictions and requirements for autonomous vehicle technologies. At least 29 states and the District of Columbia have enacted some type of autonomous vehicle regulations, and a number of state governors have also issued executive orders. These efforts largely focus on safety and regulate commercial activity through permitting and reporting regimes.

Overall, the regulatory landscape is still evolving rapidly. As legal frameworks around autonomous vehicles continue to develop and change in the U.S. and elsewhere, we may become subject to additional regulatory schemes and requirements.

As a LiDAR technology company, we also are subject to the laws and regulations beyond those specific to vehicle safety standards and highway safety. For example, our products are governed by the Electronic Product Radiation Control Program administered by the FDA. This Program establishes performance standards and imposes requirements for registration, labelling, testing and reporting. Failure to comply with the Program may result a variety of consequences, including product recalls or replacements, warning letters, untitled letters, safety alerts, injunctions, import alerts, administrative product detentions or seizures, or civil penalties. LiDAR technologies also may need to comply with certain state radiation control licensing and other requirements.

Similarly, as a global company deploying cutting-edge technology, we are also subject to trade, export controls, customs product classification, hazard labelling and warning, and other sourcing and product regulations. Our operations also are subject to various federal, state and local laws and regulations pertaining to our employees, such as wage and hour, worker's compensation and occupational health and safety regulations.

Like all companies operating in similar industries, we are subject to a wide range of environmental laws and regulation at the federal and state level pertaining to matters such as emissions to air and water, manufacture, processing, use, storage and distribution of chemical substances, hazardous waste generation and disposal, and remediation of environmental contamination. Compliance with these rules may include the need to obtain permits and licenses and to allow inspections of our facilities and products.

Legal Proceedings

From time to time, we may become involved in actions, claims, suits, and other legal proceedings arising in the ordinary course of our business, including assertions by third parties relating to intellectual property infringement, breaches of contract or warranties or employment-related matters. We are not currently a party to any material actions, claims, suits or other legal proceedings the outcome of which, if determined adversely to it, would individually or in the aggregate have a material adverse effect on our business, financial condition, and results of operations.

C. Organizational Structure

The legal name of our company is Innoviz Technologies Ltd. and we are organized under the laws of the State of Israel. We have five wholly-owned subsidiaries: Innoviz Technologies Inc., which is incorporated in the United States; Innoviz Technologies GmbH, which is incorporated under the laws of Germany; Innoviz Technologies BY LLC, which is incorporated under the laws of Belarus ("Innoviz Belarus"); Innoviz Software Centre Bucharest S.R.L, which is incorporated under the laws of Romania; and Innoviz Technologies Trading Shanghai Co., Ltd., which is incorporated under the laws of the People's Republic of China.

During 2022, we shut down our activities in Belarus. We have not had any employees in Belarus since December 31, 2022 and we are in the process of liquidating Innoviz Belarus, which we hope to complete as soon as reasonably possible.

D. Property, Plant and Equipment

Our corporate headquarters are located in Rosh HaAin, Israel, where we currently lease an office with approximately 16,350 square meters pursuant to a lease agreement dated November 1, 2021 (the "Lease Agreement") (incorporated by reference to Exhibit 4.14 to the Company's Annual Report on Form 20-F for the Year Ended December 31, 2021 filed with the SEC on March 30, 2022). This facility contains engineering, research and development, testing, product, sales and administrative functions. The initial term under the Lease Agreement is for 67 months and expires on January 31, 2028. We have an option under the Lease Agreement to renew the lease for additional 60 months, which will be exercised automatically unless we inform the lessor in advance. We also lease a small office space in Santa Clara, California, pursuant to a lease agreement that is in effect until July 31, 2024, and a small office in Munich, Germany, pursuant to a lease agreement that is in effect until November 15, 2027.

Unless otherwise stated, all our facilities are utilized. We believe that our offices and facilities (as currently conducted and in accordance with future plans) are adequate for our current needs and that suitable additional or substitute space will be available when needed.

Item Unresolved Staff Comments**4A.**

None.

Item 5. Operating and Financial Review and Prospects

You should read the following discussion and analysis of our financial condition and results of operations together with the “Selected Financial Data” and the historical audited annual consolidated financial statements and the related notes included elsewhere in this Annual Report. Some of the information contained in this discussion and analysis or set forth elsewhere in this Annual Report, including information with respect to our plans and strategy for our business and related financing, includes forward-looking statements that involve risks and uncertainties. As a result of many factors, including those factors set forth in the section entitled Item 3.D. “Key Information—Risk Factors” of this Annual Report, our actual results could differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Company Overview

We are a leading Tier-1 direct supplier of high-performance, automotive grade LiDAR sensors and perception software that feature technological breakthroughs across core components and bring enhanced vision and superior performance to enable safe autonomous driving at a mass scale. We believe that we provide a complete and comprehensive solution for OEMs and Tier-1 partners that are developing and marketing autonomous driving vehicles to the passenger car and other relevant markets, such as robotaxis, shuttles, delivery vehicles and trucks.

We were founded in 2016 by veterans of Unit 81, the elite technology unit of Israel’s Intelligence Corps, one of the most prestigious multidisciplinary technological units in the IDF. From our founding, our culture drew from Unit 81’s core values of solving sophisticated technological problems through creativity and agile thinking. We have relied on these values to address the needs of autonomous vehicles in a manner that strikes the desired balance between performance and cost. We created a new type of LiDAR sensor from the chip-level up, including a suite of powerful and sophisticated software applications for high-performance computer vision to allow superior perception. Our multidisciplinary team developed an operational MEMS-based (Micro-Electro-Mechanical System) LiDAR prototype, which attracted the attention of leading Tier-1 companies such as Magna and Aptiv PLC as early as 2017. This was followed by a further intensive development and qualification stage, which culminated with our company achieving a design win with BMW in 2018 to power BMW’s Level 3 autonomous platform.

During 2022, we made the major strategic decision to become a Tier-1 direct supplier of LiDAR to the automotive industry. This decision allows us to have direct technical discussions with customers and to improve pricing to automotive OEMs with the goal of continuing to strengthen our position in the automotive market. This strategic decision has already played a significant role in our major OEM program wins since, as discussed below.

In 2022, following more than two years of extensive diligence and qualification, we were selected by Volkswagen as its direct LiDAR supplier for automated vehicles within the Volkswagen brands with our InnovizTwo next generation high-performance automotive-grade LiDAR sensor. Later in 2022, an Asia-based automotive OEM selected us to serve as its direct LiDAR supplier for series production passenger vehicles. BMW and Volkswagen are leaders in deploying new technologies into the automotive industry. We believe that our close cooperation with these OEMs uniquely positions us to make Level 3 autonomous driving a commercial reality.

In 2023, we announced that Volkswagen aims to expand its use of our InnovizTwo LiDAR to its existing light commercial vehicle program. In addition, we announced that we were beginning a B-sample development phase on a new generation of LiDAR for BMW Group. Under the development agreement, we developed B-samples based on our second generation InnovizTwo LiDAR sensor.

The sustained cooperation with our customers provides our engineers and other research and development personnel with a valuable competitive edge. These engineers and other research and development personnel have been meticulously trained to design, operate and verify our many ground-breaking innovations in accordance and in compliance with the rigorous ISO26262 standard for Functional Safety in the automotive industry. Compliance with this and other standards have been enforced by regular ongoing audits of Innoviz and rigorous testing by our key suppliers, existing customers and prospective customers that thoroughly review the performance of various elements of our operations. As a result, our products have been constructed from the bottom up with hardware and software technology that meets the most stringent automotive safety, quality, environmental, manufacturing, and other standards.

Our innovation has produced LiDAR solutions that deliver market leading performance and that meet the current demanding safety requirements for Level 2+ through Level 5 autonomous vehicles at price points suitable for mass produced passenger vehicles. Our integrated custom design of advanced hardware and software components, which leverages the multidisciplinary expertise and experience of our team, enables us to provide turn-key autonomous solutions that are likely to accelerate widespread adoption across automakers at serial production scale.

Our robust software suite enables our ~905nm wavelength laser-based LiDAR architecture to be easily leveraged to provide compelling solutions for Level 2+ through Level 4 (and Level 5 when applicable). This means that we are positioned to penetrate the current market, which is focused primarily on Level 2+ (with some Level 3 production), and to continue to capture and extend our market share to Levels 3 through 5 as the market continues to mature.

We are currently expanding our third-party manufacturing capacity through contract manufacturers to meet an anticipated increase in customer demand for our products, while also further developing a next generation high-performance automotive-grade LiDAR sensor, the InnovizTwo, that is expected to provide further cost efficiencies, while enabling even higher performance solutions for vehicles offering driving automations levels of Level 2+ and above.

Geographically, the substantial majority of our revenue is generated from customers in Europe and North America. As we continue to grow, we expect to generate additional revenue from existing and other geographic areas and the geographic mix of our revenue could therefore change over time.

Business Combination

On December 10, 2020, we entered into the Business Combination Agreement with Collective Growth, Perception, Antara Capital and Merger Sub. Pursuant to the Business Combination Agreement, Merger Sub merged with and into Collective Growth, with Collective Growth surviving the merger. Upon consummation of the Business Combination and the other transactions contemplated by the Business Combination Agreement on April 5, 2021, Collective Growth became a wholly owned subsidiary of Innoviz.

Key Factors Affecting Innoviz's Operating Results

We believe that our future performance and success depends to a substantial extent on the following factors, each of which is in turn subject to significant risks and challenges, including those discussed below and in the section of this Annual Report entitled Item 3.D. "*Key Information—Risk Factors.*"

Market Adoption

We believe that widespread adoption of LiDAR across applications for autonomy is approaching and that we are well-positioned in both automotive and nonautomotive markets to take advantage of this opportunity. Nevertheless, automotive OEMs and their suppliers are just beginning to commercialize autonomous systems that rely on LiDAR technology. Accordingly, we expect the rate of actual adoption and commercialization of LiDAR-based solutions by automotive OEMs and their suppliers to impact our results of operations, including revenue and gross margins, for the foreseeable future. Given the focus of the consumer automotive market on Level 3 and Level 2+ segments, we expect these verticals to grow significantly over the short to medium term, we are aligning our focus and efforts on these segments, specifically via our InnovizTwo product.

We believe that InnovizTwo will drive significant revenue growth in the near to medium term. We also believe that market penetration of InnovizTwo will drive revenues in the Level 3 segment of the market. This is because the architecture of our products, which feature agile configuration of multiple components, allow us to offer different product configurations based on the same hardware with only software modification. Accordingly, we can address multiple market needs and niches without the need to develop several hardware configurations. Therefore, our LiDAR solution enables upgrade from Level 2+ to Level 3 through a vehicle software update without changes to the hardware components or the need of new hardware.

We also target markets such as robotaxis, shuttles, delivery vehicles and trucks. We believe that LiDAR-based solutions in these emerging markets are still in the pre-commercial development stage and, as a result, our future success also depends on customers in these industries adopting and bringing these solutions to commercial scale.

Design Wins

Our solutions are designed to be a key enabling technology for OEMs in automotive and other applications. Because our solutions must be integrated into a broader platform by the OEM, it is critical that we achieve design wins with these customers. The time necessary to achieve design wins varies based on the market and application. The design cycle in the automotive market tends to be substantially longer and more onerous than in other markets. Even within the automotive market, achieving a design win with an automotive OEM takes considerably longer than a design cycle for an aftermarket application. We consider design wins to be critical to our future success, although the revenue generated by each design win and the time necessary to achieve such a win can vary significantly making it difficult to predict our financial performance.

Product Cost and Margins

Our results of operations will depend on our ability to leverage the fixed costs involved in production of our current products and our ability to improve gross margins on the basis of volume and manufacturing efficiencies.

InnovizTwo is based on an improved design, which allows: (i) lower bill of materials, and (ii) more efficient manufacturing process, which together may allow for a significant cost reduction and improved gross margins.

Continued Investment and Innovation

Our unique LiDAR and perception solutions that feature technological breakthroughs across core components and allow us to act as a leading supplier in a competitive market. We believe that our financial performance is significantly dependent on our ability to maintain this position. This in turn will depend on our future research and development investments and our ability to attract and retain highly qualified and experienced research and development personnel. These are necessary to both continue the work required on our current products and future products to full commercialization, and also to identify and respond to rapidly evolving customer requirements, develop and introduce innovative new products and enhance and service existing products. Failure to do this could adversely affect our market position and our revenue, and our research and development investments may not be recovered.

Components of Results of Operations

Revenues

Our revenues derive primarily from sales of LiDAR sensors, critical components and NRE to customers.

Revenue from LiDAR sensors and critical components is recognized at a point in time when the control of the goods is transferred to the customer, generally upon delivery.

NRE to certain customers may require substantive customer acceptance due to performance acceptance criteria that is considered more than a formality. For these services, revenue is recognized at a point in time upon customer acceptance. During the years ended December 31, 2023 and 2022, we recognized revenue related to NRE in the amount of \$15.2 million and \$0, respectively.

Cost of Revenues

Cost of revenues include the manufacturing cost of LiDAR sensors, which primarily consists of components costs, sub-assembly costs and personnel-related costs, and amounts paid to third-party contract manufacturers and vendors. Cost of revenues also includes depreciation, costs of providing NRE, an allocated portion of overhead, warranty costs, excess and obsolete inventory and shipping costs. We expect cost of revenue to increase in absolute dollars in future periods to the extent revenue increases, however we expect our products' unit cost to decrease as sales increase thereby leveraging economies of scale achievable due to our business model and higher production efficiencies.

Operating Expenses

Research and Development

Our research and development ("R&D") efforts are focused on enhancing and developing cost efficient LiDAR solution and the accompanying perception software.

R&D expenses include:

- personnel-related expenses, including salaries, benefits, and stock-based compensation expense for personnel in research and engineering functions;
- expenses related to materials, software licenses, depreciation, supplies and third-party services;
- prototype expenses; and
- an allocated portion of facility and IT costs.

We expense R&D costs as incurred until the point that technological feasibility is reached, which for our software products is generally shortly before the products are released to production. We expect that our R&D expenses will continue to be significant for the foreseeable future as we invest in R&D activities to enhance our product portfolio.

Sales and Marketing

Sales and marketing expenses include:

- personnel-related expenses, including salaries, benefits, and stock-based compensation expense for personnel in sales and marketing;
- sales and marketing activities, including the cost of sales commissions, marketing programs, trade shows, consulting services, promotional materials and demonstration equipment, among other costs; and
- an allocated portion of facility and IT costs.

We expect our sales and marketing expenses to remain relatively flat as we focus our marketing activities in the automotive market.

General and Administrative

General and administrative expenses include:

- personnel-related expenses, including salaries, benefits, and stock-based compensation expense for personnel in corporate, executive, finance and other administrative functions;
- general and administration activities, including expenses relating to outside professional services, including legal, investors relations and audit and accounting services; and
- the relevant portion of expenses for facilities, depreciation and IT costs that was not allocated to other operating expenses.

We expect our general and administrative expenses will continue to increase in the near term; however, we expect such increases to occur at a slower pace than in the previous year.

Financial Income, Net

Financial income, net consists primarily of interest on cash and cash equivalents deposited in our bank account, exchange rate differences arising from our ILS denominated lease liabilities under ASC 842, marketable securities remeasurement and private placement warrants remeasurement. The deposits will vary based on cash and cash equivalents, and with market rates. Our marketable securities have an average credit rating of “A” and a maturity of up to three years. We do not intend to invest more than 5% of our investment portfolio in a single security at time of purchase. In addition, financial income, net includes the fluctuation in value due to foreign exchange differences between cash and cash equivalent and monetary assets and liabilities denominated in foreign currency, mainly in ILS and EUR.

Recent Accounting Pronouncements

See Note 2 to our consolidated financial statements included elsewhere in this Annual Report for recently adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted as of the date of this Annual Report.

A. Results of Operations

For a discussion of our results of operations for the year ended December 31, 2021, including a year-to-year comparison between the years ended December 31, 2022 and December 31, 2021, as well as a discussion of our liquidity and capital resources for the year ended December 31, 2021, refer to Item 5. “*Operating and Financial Review and Prospects*” in our Annual Report on Form 20-F for the year ended December 31, 2022, filed with the SEC on March 9, 2023.

The results of operations presented below should be reviewed in conjunction with the consolidated financial statements and notes included elsewhere in this Annual Report. The following table sets forth our consolidated results of operations data for the periods presented:

	Year ended December 31,	
	2023	2022
	(In thousands, except share and per share data)	
Revenues	\$ 20,876	\$ 6,026
Cost of revenues	(32,490)	(14,790)
Gross loss	(11,614)	(8,764)
<i>Operating expenses:</i>		
Research and development	92,676	95,107
Sales and marketing	8,777	10,300
General and administrative	19,535	19,178
Total operating expenses	120,988	124,585
Operating loss	(132,602)	(133,349)
Financial income, net	9,790	6,802
Loss before taxes on income	(122,812)	(126,547)
Taxes on income	(642)	(325)
Net loss	\$ (123,454)	\$ (126,872)
Basic and diluted net loss per ordinary share	\$ (0.84)	\$ (0.94)
Weighted average number of ordinary shares used in computing basic and diluted net loss per ordinary share	147,480,521	135,224,312

Comparison of the Years Ended December 31, 2023 and 2022

Revenues

	Year ended December 31,		Change	Change
	2023	2022	\$	%
	(In thousands)	(In thousands)	(In thousands)	
Revenues	\$ 20,876	\$ 6,026	\$ 14,850	246%

Revenues increased by approximately \$14.9 million, or 246%, to approximately \$20.9 million for the year ended December 31, 2023, from approximately \$6.0 million for the year ended December 31, 2022.

The increase in revenues was primarily due to increased sales of NRE, which contributed \$15.2 million in revenues during the year ended December 31, 2023 compared to \$0.0 million in revenues during the year ended December 31, 2022.

Cost of Revenues and Gross Margin

	Year ended December 31,		Change	Change
	2023	2022	\$	%
	(In thousands except percentages)		(In thousands)	
Cost of revenues	\$ 32,490	\$ 14,790	\$ 17,700	120%
Gross margin	(56)%	(145)%		

Cost of revenues increased by approximately \$17.7 million, or 120%, to approximately \$32.5 million for the year ended December 31, 2023, from approximately \$14.8 million for the year ended December 31, 2022.

The increase in cost of revenues was primarily due to full realization of the production inefficiencies of InnovizOne, excess and obsolete inventory, cost related to sales of NRE, as well as machinery depreciation. Gross margin increased to approximately (56)% for the year ended December 31, 2023, from approximately (145)% for the year ended December 31, 2022, primarily due to sales of NRE during the year ended December 31, 2023.

Operating Expenses

	Year ended December 31,		Change	Change
	2023	2022	\$	%
	(In thousands)		(In thousands)	
Research and development	\$ 92,676	\$ 95,107	\$ (2,431)	(3)%
Sales and marketing	8,777	10,300	(1,523)	(15)%
General and administrative	19,535	19,178	357	2%
Total operating expenses	\$ 120,988	\$ 124,585	\$ (3,597)	(3)%

Research and Development

Research and development expenses decreased by approximately \$2.4 million, or 3%, to approximately \$92.7 million for the year ended December 31, 2023, from approximately \$95.1 million for the year ended December 31, 2022.

The decrease was primarily attributable to decreases in payroll of \$5.0 million (primarily due to allocation of direct costs related to sales of NRE), facilities cost of \$1.5 million and depreciation and amortization of \$0.4 million. The decrease in research and development expenses was partly offset by increases in third-party software and consulting services of \$2.6 million and stock-based compensation of \$1.7 million.

Sales and Marketing

Sales and marketing expenses decreased by approximately \$1.5 million, or 15%, to approximately \$8.8 million for the year ended December 31, 2023, from approximately \$10.3 million for the year ended December 31, 2022.

The decrease was primarily attributable to decreases of \$0.9 million in stock-based compensation and \$0.5 million in marketing expenses.

General and Administrative

General and administrative expenses increased by approximately \$0.3 million, or 2%, to approximately \$19.5 million for the year ended December 31, 2023, from approximately \$19.2 million for the year ended December 31, 2022.

The increase was primarily attributable to increases in payroll of \$0.7 million and stock-based compensation of \$0.7 million. The increase was partly offset by decreases in insurance of \$0.8 million and depreciation and amortization of \$0.3 million.

Financial Income, net

	Year ended December 31		Change	Change
	2023	2022	\$	%
	(In thousands)	(In thousands)	(In thousands)	
Financial income, net	\$ 9,790	\$ 6,802	\$ 2,988	44%

Financial income, net was approximately \$9.8 million for the year ended December 31, 2023, compared to financial income, net of approximately \$6.8 million for the year ended December 31, 2022.

The increase was primarily related to bank deposit interest income of \$3.7 million and to a gain of \$2.0 million related to marketable securities. These increases were partially offset by exchange rate differences of \$2.4 million arising from our ILS denominated lease liabilities under ASC 842 (the ILS was devaluated compared to USD during the year ended December 31, 2023) as well as to warrants liability revaluation of \$0.4 million.

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to a variety of risks, including foreign currency exchange fluctuations, changes in interest rates and inflation. We regularly assess currency, interest rate and inflation risks to minimize any adverse effects on our business as a result of those factors.

Foreign Currency Risk

Our financial results are reported in USD, and changes in the exchange rate between USD and local currencies in the countries in which we operate (primarily ILS) may affect the results of our operations. In the year ended December 31, 2023, approximately 98% of our revenues were denominated in USD. The USD cost of our operations in countries other than the United States may be negatively influenced by devaluation of the USD against other currencies.

During the year ended December 31, 2023, the value of the USD appreciated against the value of the ILS by approximately 3.1%. Our most significant foreign currency exposures are related to our operations in Israel. We hedge our anticipated exposure by exchanging USD into ILS in amounts sufficient to fund up to three months of operations and monitoring foreign currency exchange rates over time.

Interest Rate Risk

Our investment strategy is to achieve a return that will allow us to preserve capital and meet our liquidity requirements. We invest in bank deposits and marketable securities, primarily in USD.

Our cash and cash equivalents are exposed to market risk related to changes in interest rates, which is affected by changes in the general level of the Bank of Israel interest rates and United States Federal Reserve interest rates. Due to the short-term nature and the low-risk profile of our interest-bearing accounts, an immediate 10% change in interest rates would not have a material effect on the fair market value of our cash and cash equivalents, bank deposits and restricted bank deposits or on our financial position or results of operations.

Our investments in marketable securities are primarily in securities with an average credit rating of "A" and a maturity of up to three years. We do not intend to invest more than 5% of our investment portfolio in a single security at time of purchase.

Other Market Risks

We do not believe that inflation had a material effect on our business, financial conditions or results of operations during the years ended December 31, 2023 and 2022.

B. Liquidity and Capital Resources

Sources of Liquidity

Prior to 2021, we funded our operations primarily from private placements of our convertible preferred shares in an aggregate amount of approximately \$260 million. During 2021 and 2022, we funded our operations primarily from the proceeds of the Business Combination of approximately \$370 million.

In the third quarter of 2023, we completed an underwritten public offering in which we issued and sold an aggregate of 26,352,878 ordinary shares for proceeds of approximately \$61.4 million, net of the underwriting discount and before deducting offering expenses.

As of December 31, 2023, we had approximately \$150.2 million in cash and cash equivalents, short term deposits, short term restricted cash and marketable securities. Cash equivalents and marketable securities are invested in accordance with our investment policy.

Cash Flow Summary

The following table summarizes our cash flows for the periods presented:

	Year ended December 31,	
	2023	2022
	(In thousands)	(In thousands)
Net cash used in operating activities	\$ (93,053)	\$ (93,411)
Net cash provided by investing activities	1,064	125,354
Net cash provided by financing activities	61,856	609
Effect of exchange rate changes on cash, cash equivalents and restricted cash	515	(1,139)
Net increase (decrease) in cash, cash equivalents and restricted cash	\$ (29,618)	\$ 31,413

Operating Activities

During the year ended December 31, 2023, operating activities used approximately \$93.1 million. The primary factors affecting operating cash flows during the year ended December 31, 2023 were the net loss of approximately \$123.5 million, impacted by non-cash charges of approximately \$30.4 million consisting of stock-based compensation of approximately \$22.3 million, depreciation and amortization of approximately \$9.2 million, remeasurement of private warrants of approximately \$(0.5) million and an increase in working capital of approximately \$(0.6) million.

During the year ended December 31, 2022, operating activities used approximately \$93.4 million. The primary factors affecting operating cash flows during the year ended December 31, 2022 were the net loss of approximately \$126.9 million, impacted by non-cash charges of approximately \$33.5 million consisting of stock-based compensation of approximately \$19.4 million, depreciation and amortization of approximately \$7.5 million and remeasurement of private warrants of approximately \$(0.9) million and a decrease in working capital of approximately \$7.5 million.

Investing Activities

During the year ended December 31, 2023, cash provided by investing activities was approximately \$1.1 million, which primarily resulted from withdrawal of bank deposits of approximately \$141.5 million, proceeds from sales and maturities of marketable securities of approximately \$83.5 million, partially offset by investment in bank deposits of approximately \$165.6 million, investment in marketable securities of approximately \$51.7 million and purchases of property, plant, and equipment of approximately \$6.6 million.

During the year ended December 31, 2022, cash provided by investing activities was approximately \$125.4 million, which primarily resulted from the withdrawal of bank deposits of approximately \$230.0 million, partially offset by investments in bank deposits of approximately \$79.5 million, purchases of property, plant, and equipment of approximately \$22.6 million and an increase in restricted deposits of approximately \$2.6 million.

Financing Activities

During the year ended December 31, 2023, cash provided by financing activities was approximately \$61.9 million resulting from \$61.4 million in net proceeds from underwritten public offering and \$0.5 million from the exercise of employee stock options.

During the year ended December 31, 2022, cash provided by financing activities was approximately \$0.6 million resulting from the exercise of employee stock options.

Funding Requirements

We expect to continue to invest substantially in our main activities in particular, as we continue research and development activities, commercialization expenses related to product sales, marketing, manufacturing and distribution. As we achieve further commercial success, we may need to obtain additional funding to support our continuing operations. In addition, our financial stability is reviewed by existing and potential customers from time to time and we believe that a stronger cash position provides us additional time to execute our growth strategy and is perceived positively by such customers and may also provide us with higher grading in such customers' diligence processes. If we are unable to raise capital when and if needed or on attractive terms, we could be forced to delay, reduce or eliminate some of our research and development programs or future commercialization efforts.

As of December 31, 2023, we had cash and cash equivalents, short term restricted cash, short term bank deposits and marketable securities of approximately \$150.2 million. We expect those funds to be sufficient to continue to execute our business plan for at least the next 12 months.

We also expect our losses to be similar in future periods as we:

- expand production capabilities to produce our LiDAR solutions, and accordingly incur costs associated with outsourcing the production of our LiDAR solutions;
- expand our design, development, installation and servicing capabilities;
- continue to invest in research and development;
- increase our test and validation activities as part of our Tier 1 responsibilities;
- produce an inventory of our LiDAR solutions; and
- continue to invest in sales and marketing activities and develop our distribution infrastructure.

Because we will incur costs and expenses from these efforts before we receive incremental revenues with respect thereto, losses in future periods will be significant. In addition, we may find that these efforts are more expensive than we currently anticipate or that these efforts may not result in revenues, which would further increase our losses.

Off-Balance Sheet Arrangements

Our remaining performance obligations are comprised of application engineering services not yet satisfied. As of December 31, 2023, the aggregate amount of the transaction price allocated to remaining performance obligations was \$1.2 million, which we expect to recognize as revenue in future years.

Other than as set forth above, we have not entered into any off-balance sheet arrangements and do not have any holdings in variable interest entities.

C. Research and Development, Patents and Licenses, etc.

Research and Development

We have invested a significant amount of time and expense into research and development of LiDAR-based technologies. Our research and development team is the largest department in the company and, as of December 31, 2023, was comprised of 395 employees. Our ability to maintain a leadership position in the industry depends to a great degree on our ongoing research and development activities. Our research and development team includes engineers and researchers with a diverse range of expertise and diverse levels of experience and academic backgrounds, including holders of B.Sc., M.Sc. and PhD degrees from leading academic institutions. Our research and development activities are largely conducted at our headquarters in Rosh HaAin, Israel.

Creating an automotive-grade, eye-safe and cost efficient ~905nm wavelength LiDAR solution and the accompanying perception software required the efforts of a multi-disciplinary team with expertise spanning optics, lasers, mechanical engineering, micro-electronics, chip design, MEMS design, complex IC packaging, algorithms, neural networks, systems engineering and software architecture and engineering.

Intellectual Property

Our success and competitive advantage depend in part upon our ability to develop and protect our core technology and intellectual property. We own a portfolio of intellectual property, including registered patents, registered trademarks, registered designs, confidential technical information, and expertise in the development of LiDAR technology and software for, among others, autonomous vehicles.

We have filed patent and trademark applications in order to further secure these rights and strengthen our ability to defend against third parties who may infringe on our rights. We also rely on design and manufacturing know-how, continuing technological innovations, and licensing and exclusivity opportunities to maintain and improve our competitive position. Additionally, we protect our proprietary rights through agreements with our commercial partners, supply-chain vendors, employees, and consultants, as well as close monitoring of developments and products in our industry.

D. Trend Information

Supply Chain

The supply chain for certain of our components is currently experiencing significant strain due to, among other factors, higher-than-expected demand, capacity constraints, consolidation of suppliers within the industry, and overburdened shippers. As a result, there has been a decrease in availability, an increase in price and an increase in lead times for certain of our product components.

We currently have sufficient component inventory in order to meet the demands of our customers in the near-term. In addition, we are in the process of procuring additional component stock to keep in inventory on a go-forward basis to minimize the effect of supply chain strain on our business in the future.

E. Critical Accounting Policies and Use of Estimates

Our management's discussion and analysis of financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses and the disclosure of contingent assets and liabilities in our consolidated financial statements during the reporting periods. These items are monitored and analyzed by us for changes in facts and circumstances, and material changes in these estimates could occur in the future. We base our estimates on historical experience, known trends and events, and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Changes in estimates are reflected in reported results for the period in which they become known. Actual results may differ materially from these estimates under different assumptions or conditions.

While our significant accounting policies are described in more detail in the notes to our consolidated financial statements appearing elsewhere in this Annual Report, we believe the following accounting policies used in the preparation of our consolidated financial statements require the most significant judgments and estimates. Please see Note 2 to our consolidated financial statements appearing elsewhere in this Annual Report for additional information.

Revenue Recognition

We follow the provisions of ASC Topic 606, Revenue from Contracts with Customers ("ASC 606"), which applies to all contracts with customers. Under ASC 606, revenue is recognized upon transfer of control of promised products and services to customers in an amount that reflects the consideration that we expect to receive in exchange for those products and services.

When we enter into a contract, once the contract is determined to be within the scope of ASC 606, we assess the goods or services promised within the contract and determine those that are performance obligations and assess whether each promised good or service is distinct.

We evaluate each performance obligation to determine if it is satisfied at a point in time or over time.

Inventory Reserves

Our inventories are stated at the lower of cost or estimated net realizable value. Cost of inventories is determined as follows:

- Raw materials and work in process - based on weighted average cost.
- Finished goods – mainly based on weighted average standard cost method.

We charge cost of revenue for write-downs of inventories which are obsolete or in excess of anticipated demand based on a consideration of marketability and product life cycle stage, product development plans, component cost trends, demand forecasts, historical revenue, and assumptions about future demand and market conditions.

Losses expected to arise from firm non-cancelable commitments for future purchases of inventory are charged to cost of revenues unless the losses are recoverable through firm sales contracts or other means.

Useful Lives of Property, Plant, and Equipment

Property and equipment are stated at cost, net of accumulated depreciation and impairment. The estimated useful lives of property and equipment are determined when those assets are initially recognized and are routinely reviewed for the remaining estimated useful lives. When useful life is reassessed for an asset, the remaining carrying amount of the asset is accounted for prospectively and depreciated over the revised estimated useful life.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

Executive Officers and Directors

The following table provides information about our directors and executive officers as of March 1, 2024. The address for each of the directors and executive officers is 5 Uri Ariav Street, Building C, Rosh HaAin, Israel 4809202.

Name	Age	Position(s)
Omer Keilaf	44	Chief Executive Officer, Co-Founder and Director
Eldar Cegla	54	Chief Financial Officer
Avishay Moscovici	56	Chief Research & Development Officer
Elad Hofstetter	42	Chief Business Officer
Udy Gal-On	55	Chief Operating Officer
Amichai Steimberg	61	Chairperson of the Board of Directors
Aharon Aharon	69	Director
Dan Falk	79	Director
Stefan Jacoby	66	Director
Ronit Maor	53	Director
James Sheridan	56	Director
Orit Stav	53	Director
Alexander von Witzleben	60	Director

Omer David Keilaf, Chief Executive Officer, Co-Founder and Director

Omer Keilaf is the Co-Founder of our company and has served as our Chief Executive Officer since January 2016. Mr. Keilaf has also served as a member of the board of directors of our company since January 2016. Mr. Keilaf serves as a member of the board of directors of Perception Capital Corp. II (Nasdaq: PCCT) since October 2021. Mr. Keilaf held senior leadership roles at companies including Consumer Physics, Inc., STMicroelectronics N.V. (NYSE: STM) and in an elite technological unit of the Intelligence Corps of the IDF, where he served as the System and Product Team Manager, R&D manager, and Project Manager and System Architecture Manager, respectively. Mr. Keilaf holds a BSc and MSc in Electrical Engineering and an MBA, all from Tel Aviv University, Israel where he has also served as a lecturer.

Eldar Cegla, Chief Financial Officer

Eldar Cegla has served as the Chief Financial Officer of our company since June 2017. Prior to joining Innoviz, Mr. Cegla served as the VP Finance of ConsumerPhysics, Inc from 2014 to 2015, as the Chief Financial Officer of Metrolight Ltd. from 2010 to 2014 and as the Chief Operations Officer of Mantis-Vision Ltd. from 2007 to 2010. Mr. Cegla was a Co-Founder of Browzwear International Ltd. and served as its Chief Financial Officer from 2000 to 2006. Mr. Cegla holds a BSc in Chemistry from Tel Aviv University, Israel.

Avishay Moscovici, Chief Research & Development Officer

Avishay Moscovici has served as our Chief Research & Development Officer since February 2024. He previously served as our VP Software Engineering from 2019 to 2024 and as our Director of Software Engineering from 2017 to 2019. Prior to joining Innoviz, Mr. Moscovici served as VP of Research & Development at Rachip Ltd. from 2016 to 2017. Before joining Rachip Ltd., Mr. Moscovici served in a number of roles in Motorola Semiconductor/Freescale Semiconductor Israel from 2000-2016, including Director of Engineering, overseeing its software and hardware activities. Mr. Moscovici holds a BSc and an MSc in Electronic Engineering, and an MBA in Information Systems from Tel-Aviv University, all Magna Cum Laude.

Elad Hofstetter, Chief Business Officer

Elad Hofstetter has served as our Chief Business Officer since September 2023. He previously served as our VP Product Management from 2021 to 2023 and as our Product and Program Manager from 2018 to 2021. Prior to joining Innoviz, Mr. Hofstetter served in a number of roles at LifeBEAM Technologies Ltd., including Engineering Manager from 2017-2018. Before joining LifeBEAM Technologies Ltd., Mr. Hofstetter was a QA investigator in Teva Pharmaceutical Industries Ltd., and a commander and medic in the IDF Commando Unit. Mr. Hofstetter holds a BSc and an MSc in Bio-Medical Engineering from Tel Aviv University, Israel.

Udy Gal-On, Chief Operating Officer

Udy Gal-On has served as our Chief Operating Officer since March 2021. Prior to joining our company, Mr. Gal-On served as the VP Operations and VP Strategic Projects of SolarEdge Technologies, Inc. from 2012 to 2021, as the VP Engineering of ECI Telecom Ltd. from 2007 to 2012, as the Product Engineering Department Manager of Marvell Semiconductor, Inc. from 2005 to 2007 and as VP Operations of Mysticom Semiconductor Ltd. from 2002 to 2005. Mr. Gal-On holds a BSc in Mechanical Engineering and a MSc in Quality & Reliability Engineering, each from Technion-Israel Institute of Technology.

Amichai Steimberg, Chairperson of the Board of Directors

Amichai Steimberg has served on our board of directors since April 2021 and currently serves as the chairperson of the board of directors. Mr. Steimberg previously served as President and Chief Operating Officer of Orbotech Ltd. from 2013 to 2019, and as chief executive officer of Orbotech Ltd. from 2019 to 2020. Mr. Steimberg is the managing partner of Amplify Operating Partners Ltd. and serves as a board member for several private companies. Mr. Steimberg holds a BSc in Agricultural Economics and Business Administration from the Hebrew University in Jerusalem.

Aharon Aharon, Director

Aharon Aharon has served on our board of directors since April 2021. Since 2021, Mr. Aharon has run and operated C-Perto, a consulting service that he cofounded. He also currently serves on the board of directors of The Tel Aviv Stock Exchange Ltd. as an independent director. From 2017 to 2021, Mr. Aharon served as the Chief Executive Officer of the Israel Innovation Authority (the "IIA"), an independent public entity that operates for the benefit of the Israeli innovation ecosystem and Israeli economy as a whole. Prior to joining the IIA, Mr. Aharon served as the Corporate Vice President of Hardware Technologies and General Manager of Apple Israel from 2011 to 2017. Prior to his time at Apple, Mr. Aharon served as the chief executive officer of Camero, a leading provider of UWB imaging radars, from 2004 to 2010 (when the company was acquired). In addition, Mr. Aharon served as chairperson of the board of directors of Discretix Technologies from 2003 to 2010 (Discretix was acquired by ARM in 2014). From 2001 to 2003, Mr. Aharon was the chief executive officer of Seabridge. Prior to joining Seabridge, Mr. Aharon was the Chief Operating Officer of Zoran, a Silicon Valley-based, leading provider of digital solutions in the digital entertainment and digital imaging market. Mr. Aharon started his professional career at IBM Research and has a BSc in Computer Engineering and a MSc in Electrical Engineering from the Israel Institute of Technology.

Dan Falk, Director

Dan Falk has served on our board of directors since April 2021. Mr. Falk currently serves as a member of the board of directors of the following companies: Nice Ltd. (Nasdaq: NICE) and Evogene (Nasdaq: EVGN). From 1999 to 2000, Mr. Falk was President and Chief Operating Officer of Sapiens International Corporation N.V. From 1985 to 1999, Mr. Falk served in various positions in Orbotech Ltd., the last of which were Chief Financial Officer and Executive Vice President. From 1973 to 1985, he served in several executive positions in the Israel Discount Bank. During the past five years, Mr. Falk served as a member of the board of directors of the following public companies, for which he no longer serves as a director: Attunity Ltd, Orbotech Ltd. (NYSE: KLAC) and Ormat Technologies Inc. (NYSE: ORA). Mr. Falk holds a B.A. degree in Economics and Political Science and a Master's degree in Business Administration, both from the Hebrew University.

Stefan Jacoby, Director

Stefan Jacoby has served on our board of directors since January 2024. Stefan Jacoby currently serves as a member of the board of directors of McLaren Group, Sion Power Corporation and Openlane Inc. (NYSE:KAR). Mr. Jacoby also serves as a member of the compensation and nomination committee of Openlane Inc. His prior experience includes roles as executive vice-president of General Motors Company, global chief executive officer and president of Volvo Car Corporation, Sweden and chief executive officer and president of Volkswagen Group of America. Mr. Jacoby also holds a degree in business administration from the University of Cologne.

Ronit Maor, Director

Ronit Maor has served on our board of directors since April 2021. Since 2017, Ms. Maor has served as the Chief Financial Officer of Earnix Inc., a leading SaaS company providing an AI-driven pricing, rating and product personalization for insurance and banking customers. Prior to joining Earnix Inc., Ms. Maor was Chief Financial Officer at Pontis, a leading digital customer engagement company, from 2012 until its acquisition by Amdocs in 2016. Prior to her time at Pontis, Ms. Maor was VP Corporate Development at Modu, an Israeli start-up designing unique cellular phones, from 2007 to 2011. Ms. Maor also served as Chief Financial Officer of msystems Ltd., a Nasdaq-listed company, from 1997 until the company was sold to SanDisk in 2006. Ms. Maor has a BSc in Industrial Engineering and Management from Tel Aviv University.

James Sheridan, Director

James Sheridan has served on our board of directors since April 2021. Mr. Sheridan is a senior operating executive with over 25 years of experience and deep experience in the automotive industry. Since 2020, Mr. Sheridan has served as President of Perception Capital Partners. He has experience as both an operating executive (Chief Procurement Officer) and as a leader of the Purchasing Practice at McKinsey. His prior experiences include roles as CPO at Forterra, Senior Expert at McKinsey, CPO at Champion, and a variety of roles with Ford Motor. Jim earned a B.A. from the College of the Holy Cross and MBA from Carnegie Mellon. Mr. Sheridan was appointed by Perception, which is entitled to appoint one director for so long as it beneficially owns at least 50% of the total number of ordinary shares it beneficially owned at the date of the closing of the Business Combination.

Orit Stav, Director

Orit Stav has served on our board of directors since April 2021. Ms. Stav is a seasoned investment manager with 20 years of experience in the technology, venture capital, and private equity sectors. Ms. Stav currently serves as a member of the board of directors of the following companies: Menora Mivtachim Holdings Ltd., Camtek Ltd., Doral Renewable Energy Resources Ltd., Poalim I.B.I. Underwriting & Issuing Ltd., and RavTech Beit Tochna Torani Ltd., a private company. Since 2015, Ms. Stav has served as a Managing Partner at Israel Innovation Partners. Prior to that, she represented Siemens Venture Capital in Israel, and led investments in technology startups. Ms. Stav holds an MBA from Hertfordshire University, UK.

Alexander Von Witzleben, Director

Alexander von Witzleben has served on our board of directors since December 2023. Mr. von Witzleben served in different executive positions in Arbonia AG since 2015 and currently serves as executive chairman of its board and a member of its nomination, compensation and audit committees. In addition, Mr. von Witzleben currently serves as the chairman of the board of directors of Feintool International Holding, AG, chairman of the supervisory board of PVA TePla AG and VERBIO Vereinigte BioEnergie AG, and serves as a board member and supervisory board member for several private companies. Mr. von Witzleben holds a degree in economics and business administration from the University of Passau.

B. Compensation of Directors and Executive Officers

The table below reflects the Company's compensation costs related to the employment of our five most highly compensated office holders (as defined in Israel's Companies Law) with respect to the year ended December 31, 2023. We refer to the five individuals for whom disclosure is provided herein as our "Covered Executives." For purposes of the table below, "compensation" includes amounts accrued or paid in connection with salary, bonuses, equity-based compensation, retirement or termination payments, benefits and perquisites (such as car and phone), social benefits and any undertaking to provide such compensation. All amounts reported in the table are in terms of cost to the Company (in USD), as recognized in our financial statements for the year ended December 31, 2023, including compensation paid to such Covered Executives following the end of the year in respect of services provided during the year. Each of the Covered Executives was covered by our directors' and officers' liability insurance policy in accordance with applicable law and our Articles.

Name and Principal Position⁽¹⁾	Salary and benefits⁽²⁾	Bonus	Equity-Based Compensation⁽³⁾	Total
Omer Keilaf (<i>Chief Executive Officer</i>)	\$ 432,704	\$ 0	\$ 2,962,154	\$ 3,394,858
Oren Buskila (<i>former Chief Research & Development Officer</i>)	\$ 350,376	\$ 0	\$ 1,759,057	\$ 2,109,432
Udy Gal-On (<i>Chief Operating Officer</i>)	\$ 249,684	\$ 0	\$ 371,526	\$ 621,209
Eldar Cegla (<i>Chief Financial Officer</i>)	\$ 295,554	\$ 0	\$ 272,703	\$ 568,256
Avishay Moscovici (<i>Chief Research & Development Officer</i>)	\$ 231,021	\$ 0	\$ 213,436	\$ 444,457

(1) All Covered Executives were employed on a full time (100%) basis during 2023. Mr. Buskila resigned from his position as Chief Research & Development Officer on February 28, 2024.

(2) Includes the Covered Executive's gross salary and benefits and perquisites, including those mandated by applicable law. Such benefits and perquisites may include, to the extent applicable to the Covered Executives, payments, contributions and/or allocations for savings funds (e.g., Managers' Life Insurance Policy), education funds (referred to in Hebrew as "keren hishtalmut"), pension, severance, vacation, car or car allowance, medical insurances and benefits, risk insurance (e.g., life, disability, accident), telephone, convalescence pay, payments for social security, tax gross-up payments and other benefits and perquisites consistent with the Company's policies.

(3) Represents the equity-based compensation expenses recorded in the Company's consolidated financial statements for the year ended December 31, 2023, based on the equity fair value on the grant date, calculated in accordance with accounting guidance for equity-based compensation. For a discussion on the assumptions used in reaching this valuation, see Note 12 to our consolidated financial statements included in this Annual Report.

Directors

Under the Companies Law, the compensation of a public company's directors requires the approval of its compensation committee, the subsequent approval of its board of directors and, unless exempted under regulations promulgated under the Companies Law, the approval of its shareholders at a general meeting. If the compensation of a public company's directors is inconsistent with its stated compensation policy, then those provisions that must be included in the compensation policy according to the Companies Law must have been considered by the compensation committee and board of directors, and the shareholder approval will require a special majority under which:

- at least a majority of the shares held by all shareholders who are not controlling shareholders and do not have a personal interest in such matter, present and voting at such meeting, are voted in favor of the compensation package, excluding abstentions; or
- the total number of shares of non-controlling shareholders and shareholders who do not have a personal interest in such matter voting against the compensation package does not exceed 2% of the aggregate voting rights in the company.

Executive Officers other than the Chief Executive Officer

The Companies Law requires the approval of the compensation of a public company's executive officers (other than the chief executive officer) in the following order: (i) the compensation committee, (ii) the company's board of directors, and (iii) if such compensation arrangement is inconsistent with the company's stated compensation policy, the company's shareholders (by a special majority vote as discussed above with respect to the approval of director compensation). However, if the shareholders of the company do not approve a compensation arrangement with an executive officer that is inconsistent with the company's stated compensation policy, the compensation committee and board of directors may override the shareholders' decision if each of the compensation committee and the board of directors provide detailed reasons for their decision.

Chief Executive Officer

Under the Companies Law, the compensation of a public company's chief executive officer is required to be approved by: (i) the company's compensation committee; (ii) the company's board of directors, and (iii) the company's shareholders (by a special majority vote as discussed above with respect to the approval of director compensation). However, if the shareholders of the company do not approve the compensation arrangement with the chief executive officer, the compensation committee and board of directors may override the shareholders' decision if each of the compensation committee and the board of directors provide detailed reasons for their decision. The approval of each of the compensation committee and the board of directors should be in accordance with the company's stated compensation policy; however, in special circumstances, they may approve compensation terms of a chief executive officer that are inconsistent with such policy provided that they have considered those provisions that must be included in the compensation policy according to the Companies Law and that shareholder approval was obtained (by a special majority vote as discussed above with respect to the approval of director compensation). In addition, the compensation committee may waive the shareholder approval requirement with regard to the approval of the engagement terms of a candidate for the chief executive officer position if they determine that the compensation arrangement is consistent with the company's stated compensation policy, that the chief executive officer did not have a prior business relationship with the company or a controlling shareholder of the company and that subjecting the approval of the engagement to a shareholder vote would impede the company's ability to engage the chief executive officer candidate.

Aggregate Compensation of Office Holders

The aggregate compensation, including stock-based compensation, paid by our company to its executive officers and directors as a group for the year ended December 31, 2023 was approximately \$8.3 million (including one executive officer who left the Company during 2023). This amount includes approximately \$0.3 million paid for pension, severance, retirement or similar benefits or expenses, but does not include business travel, relocation, professional and business association dues and expenses reimbursed to office holders, and other benefit costs commonly reimbursed or paid by companies in Israel.

As of December 31, 2023, options to purchase 4,181,613 of our ordinary shares granted to our executive officers and directors as a group were outstanding under our equity incentive plans at a weighted average exercise price of \$9.84 per ordinary share.

In addition, 1,849,036 RSUs granted to our executive officers and directors, were outstanding under our equity incentive plans as of December 31, 2023.

We pay to each of our non-employee directors an annual cash retainer as follows: chairperson of the board of directors: \$77,500; chairperson of the audit committee, compensation committee and nominating, environmental, social and governance committee: \$50,000, \$45,000 and \$42,500, respectively; members of the audit committee, compensation committee and nominating, environmental, social and governance committee: \$42,500, \$40,000 and \$38,750, respectively; and each other non-employee director: \$35,000. Such compensation will not be cumulative and the non-employee directors will receive the highest level of compensation to which they are entitled. Additionally, we grant the chairperson of the board of directors an annual grant in a value of up to \$300,000, and each of our non-employee directors annual grants in a value of up to \$100,000 each. We also reimburse them for expenses arising from their board membership.

Share Option Plans

2016 Share Incentive Plan

Our 2016 Share Incentive Plan (the "2016 Plan") was adopted by our board of directors on May 23, 2016. The Plan provides for the grant of options to employees, directors, office holders, service providers and consultants of our company and its subsidiaries.

We no longer grant any awards under the 2016 Plan as it was superseded by our 2021 Share Incentive Plan (the "2021 Plan"), although outstanding options previously granted under the 2016 Plan remain governed by the 2016 Plan. As of December 31, 2023, a total of 5,611,673 options to purchase ordinary shares were outstanding under the 2016 Plan, with a weighted average exercise price of \$0.83 per ordinary share. Our board of directors, or a duly authorized committee of our board of directors, administers the 2016 Plan.

2021 Share Incentive Plan

In connection with the closing of the Business Combination, we adopted a new share incentive plan, the 2021 Plan, under which we may grant equity-based incentive awards to attract, motivate and retain the talent for which we compete. Following the consummation of the Business Combination, we ceased to grant any awards under the 2016 Plan, though previously granted options under the 2016 Plan remain outstanding and governed by the 2016 Plan. As of December 31, 2023, options to purchase 7,717,763 of our ordinary shares and 11,699,888 RSUs were outstanding under the 2021 Plan.

The maximum number of our ordinary shares available for issuance under the 2021 Plan is equal to the sum of (i) 19,510,820 shares (together with any shares subject to awards under the 2016 Plan that expire or become un-exercisable without having been exercised), and (ii) an annual increase on the first day of each year beginning in 2022 and ending in and including 2031, equal to the lesser of (A) 5% of the outstanding shares on the last day of the immediately preceding calendar year and (B) such amount as determined by our board of directors if so determined prior to January 1 of a calendar year; provided, however, that no more than 14,000,000 shares in total may be issued upon the exercise of incentive stock options under the 2021 Plan. If permitted by us, ordinary shares tendered to pay the exercise price or withholding tax obligations with respect to an award granted under the 2021 Plan or the 2016 Plan may again be available for issuance under the 2021 Plan. Our board of directors may also reduce the number of ordinary shares reserved and available for issuance under the 2021 Plan in its discretion. On January 1, 2024, the number of ordinary shares reserved for the 2021 Plan increased by 8,021,536. The total number of ordinary shares reserved and available for future equity grants under the 2021 Plan, as of February 15, 2024 was 8,334,514.

Our board of directors, or a duly authorized committee of our board of directors, administers the 2021 Plan. Under the 2021 Plan, the administrator has the authority, subject to applicable law, to interpret the terms of the 2021 Plan and any award agreements or awards granted thereunder, designate recipients of awards, determine and amend the terms of awards, including the exercise price of an option award, the fair market value of an ordinary share, the time and vesting schedule applicable to an award or the method of payment for an award, accelerate or amend the vesting schedule applicable to an award, prescribe the forms of agreement for use under the 2021 Plan and take all other actions and make all other determinations necessary for the administration of the 2021 Plan.

The administrator also has the authority to amend and rescind rules and regulations relating to the 2021 Plan or terminate the 2021 Plan at any time before the date of expiration of its ten year term.

The 2021 Plan provides for granting awards under various tax regimes, including, without limitation, for awards granted to our Israeli employees or service providers, in compliance with Section 102 of the Israeli Income Tax Ordinance (New Version), 1961 (the “Ordinance”) or Section 3(i) of the Ordinance and for awards granted to our United States employees or service providers, including those who are deemed to be residents of the United States for tax purposes, Section 422 of the Code and Section 409A of the Code.

Section 102 of the Ordinance allows employees, directors and officers who are not “controlling shareholders” (as used under the Ordinance) and are considered Israeli residents to receive favorable tax treatment for compensation in the form of shares or options. Our non-employee service providers and controlling shareholders may only be granted options under section 3(i) of the Ordinance, which does not provide for similar tax benefits.

The 2021 Plan provides for the grant of stock options (including incentive stock options and nonqualified stock options), ordinary shares, restricted shares, restricted share units, performance restricted share units and other stock-based awards. Options granted under the 2021 Plan to our employees who are U.S. residents may qualify as “incentive stock options” within the meaning of Section 422 of the Code or may be non-qualified stock options.

Clawback Policy

In 2023, we adopted a Clawback Policy in compliance with the SEC rules and Nasdaq listing standards to recover any excess incentive-based compensation from current and former executive officers after an accounting restatement.

C. Board Practices

Board of Directors

Under the Companies Law and our Articles, our business and affairs are managed under the direction of our board of directors. Our board of directors may exercise all powers and may take all actions that are not specifically granted to our shareholders or to executive management. Our Chief Executive Officer (referred to as a “general manager” under the Companies Law) is responsible for our day-to-day management. Our Chief Executive Officer is appointed by, and serves at the discretion of, our board of directors. All other executive officers are appointed by the Chief Executive Officer and are subject to the terms of any applicable employment or consulting agreements that we may enter into with them.

Under our Articles, our directors are divided into three classes with staggered three-year terms. Each class of directors consists, as nearly as possible, of one-third of the total number of directors constituting the entire board of directors. At each annual general meeting of our shareholders, the election or re-election of directors following the expiration of the term of office of the directors of that class of directors will be for a term of office that expires on the third annual general meeting following such election or re-election, such that each year the term of office of only one class of directors will expire.

Further, our Articles include a provision which provides that Perception has the right to appoint one director to our board of directors upon closing of the Business Combination (the “Perception Director”) and for so long as it beneficially owns at least 50% of the total number of ordinary shares it beneficially owned at the date of the closing of the Business Combination. Mr. Sheridan was appointed as the Perception Director.

Our directors, other than the Perception Director, are divided among the three classes as follows:

- the Class I directors are Aharon Aharon, Stefan Jacoby and Orit Stav and their terms expire at our annual general meeting to be held in 2024;
- the Class II directors are Dan Falk and Ronit Maor and their terms expire at our annual general meeting to be held in 2025; and
- the Class III directors are Amichai Steimberg, Omer Keilaf and Alexander von Witzleben and their terms expire at our annual general meeting to be held in 2026.

Director Independence

As an Israeli company, our company is subject to various corporate governance requirements under the Companies Law. However, pursuant to regulations promulgated under the Companies Law, companies with shares traded on certain U.S. stock exchanges, including Nasdaq, may, subject to certain conditions, opt out from the Companies Law requirements to appoint external directors and related Companies Law rules concerning the composition of the audit committee, compensation committee and nominating, environmental, social and governance committee of the board of directors (other than the gender diversification rule under the Companies Law, which requires the appointment of a director from the other gender if at the time a director is appointed all members of the board of directors are of the same gender). In accordance with these regulations, we have elected to opt out of those requirements of the Companies Law. These exemptions will continue to be available to our company so long as: (i) we do not have a “controlling shareholder” as used under the Companies Law, (ii) our shares are traded on certain U.S. stock exchanges, including Nasdaq, and (iii) we comply with the director independence requirements and the audit committee, compensation committee and nominating, environmental, social and governance committee composition requirements under U.S. laws (including applicable Nasdaq rules) applicable to U.S. domestic issuers.

The term “controlling shareholder” as used in the Companies Law for purposes related to external directors and for the requirements related to appointment to the audit committee, compensation committee or nominating, environmental, social and governance committee, as described below, means a shareholder with the ability to direct the activities of the company, other than by virtue of being an office holder. A shareholder is presumed to be a controlling shareholder if the shareholder holds 50% or more of the voting rights in a company or has the right to appoint the majority of the directors of the company or its general manager. With respect to certain matters (including various related party transactions), a controlling shareholder is deemed to include a shareholder that holds 25% or more of the voting rights in a public company if no other shareholder holds more than 50% of the voting rights in the company, but excludes a shareholder whose power derives solely from his or her position as a director of the company or from any other position with the company.

Accordingly, we comply with Nasdaq rule 5605(b)(1), which requires that the board of directors be comprised of a majority of independent directors. A majority of our board of directors is composed of directors who are “independent” as defined by the rules of Nasdaq and all of the non-management directors qualify as “independent” under these standards. The board of directors has established categorical standards to assist it in making its determination of director independence. We use the definition of “independence” of Nasdaq to make this determination. Nasdaq Listing Rule 5605(a)(2) provides that an “independent director” is a person other than an officer or employee of our company or any other individual having a relationship which, in the opinion of our board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The Nasdaq rules provide that a director cannot be considered independent if:

- the director is, or at any time during the past three years was, an employee of our company;
- the director or a family member of the director accepted any compensation from our company in excess of \$120,000 during any period of 12 consecutive months within the three years preceding the independence determination (subject to certain exclusions, including, among other things, compensation for board or board committee service);
- a family member of the director is, or at any time during the past three years was, an executive officer of our company;
- the director or a family member of the director is a partner in, controlling shareholder of, or an executive officer of an entity to which our company made, or from which our company received, payments in the current or any of the past three fiscal years that exceed 5% of the recipient’s consolidated gross revenue for that year or \$200,000, whichever is greater (subject to certain exclusions);
- the director or a family member of the director is employed as an executive officer of an entity where, at any time during the past three years, any of the executive officers of our company served on the compensation committee of such other entity; or
- the director or a family member of the director is a current partner of our outside auditor, or at any time during the past three years was a partner or employee of our outside auditor, and who worked on our audit.

Under the following three Nasdaq director independence rules a director is not considered independent: (a) Nasdaq Rule 5605(a)(2)(A), a director is not considered to be independent if he or she also is an executive officer or employee of our company, (b) Nasdaq Rule 5605(a)(2)(B), a director is not considered independent if he or she accepted any compensation from our company in excess of \$120,000 during any period of twelve consecutive months within the three years preceding the determination of independence, and (c) Nasdaq Rule 5605(a)(2)(D), a director is not considered to be independent if he or she is a partner in, or a controlling shareholder or an executive officer of, any organization to which our company made, or from which our company received, payments for property or services in the current or any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenues for that year, or \$200,000. Under such definitions, we have seven independent directors.

The board of directors assesses on a regular basis, and at least annually, the independence of directors and makes a determination as to which members are independent. References to "our company" above include any subsidiary in a consolidated group with our company. The terms "immediate family member" and "executive officer" above have the same meanings specified for such terms in the Nasdaq listing standards.

However, as a foreign private issuer, we are permitted to comply with Israeli corporate governance practices instead of the Nasdaq corporate governance rules, *provided* that we disclose which requirements we are not following and the equivalent Israeli requirement. We intend to rely on this "home country practice exemption" solely with respect to the quorum requirement for shareholder meetings. As permitted under the Companies Law, pursuant to our Articles, the quorum required for an ordinary meeting of shareholders will consist of at least two shareholders present in person, by proxy or by other voting instrument in accordance with the Companies Law, who hold at least 25% of the voting power of its shares (and in an adjourned meeting, with some exceptions, any number of shareholders), instead of 33 1/3% of the issued share capital required under the Nasdaq corporate governance rules. We otherwise comply with the rules generally applicable to U.S. domestic companies listed on Nasdaq. We may in the future decide to use the foreign private issuer exemption with respect to some or all of the other corporate governance rules.

Chairperson of the Board

Our Articles provide that the chairperson of the board of directors is appointed by the members of the board of directors and serves as chairperson of the board of directors throughout his or her term as a director, unless resolved otherwise by the board of directors. Under the Companies Law, the chief executive officer (or any relative of the chief executive officer) may not serve as the chairperson of the board of directors, and the chairperson (or any relative of the chairperson) may not be vested with authorities of the chief executive officer without shareholder approval, for periods of up to three years each, consisting of a majority vote of the shares present and voting at a shareholders meeting, *provided* that either:

- at least a majority of the shares of non-controlling shareholders or shareholders that do not have a personal interest in the approval voted at the meeting are voted in favor (disregarding abstentions); or
- the total number of shares of non-controlling shareholders and shareholders who do not have a personal interest in such appointment voting against such appointment does not exceed 2% of the aggregate voting rights in the Company.

In addition, a person subordinated, directly or indirectly, to the chief executive officer may not serve as the chairperson of the board of directors; the chairperson of the board of directors may not be vested with authorities that are granted to those subordinated to the chief executive officer; and the chairperson of the board of directors may not serve in any other position in the Company or a controlled company, but he may serve as a director or chairperson of a subsidiary.

External Directors

Under the Companies Law, companies incorporated under the laws of the State of Israel that are public companies, including companies with shares listed on Nasdaq, are required to appoint at least two external directors who must meet heightened independence requirements. Pursuant to regulations promulgated under the Companies Law, companies with shares traded on certain U.S. stock exchanges, including Nasdaq, may, subject to certain conditions, opt out from the Companies Law requirements to appoint external directors and related Companies Law rules concerning the composition of the audit committee, compensation committee and nominating, environmental, social and governance committee of the board of directors. In accordance with these regulations, we elected to opt out from these Companies Law requirements. Instead, we must comply with the director independence requirements, the audit committee, the compensation committee and the nominating, environmental, social and governance committee composition requirements under U.S. laws (including applicable Nasdaq rules) applicable to U.S. domestic issuers.

Committees of the Board of Directors

Our board of directors has the following standing committees: an audit committee, a compensation committee and a nominating, environmental, social and governance committee.

Audit Committee

The audit committee is responsible, among its other duties and responsibilities, for overseeing our accounting and financial reporting processes, audits of financial statements, qualifications and independence of the independent registered public accounting firm, the effectiveness of internal control over financial reporting and the performance of the internal audit function and independent registered public accounting firm. The audit committee reviews and assesses the qualitative aspects of our financial reporting, processes to manage business and financial risks, and compliance with significant applicable legal, ethical and regulatory requirements. The audit committee is directly responsible for the appointment, compensation, retention and oversight of the independent registered public accounting firm. In addition, the audit committee is responsible for the following additional matters pursuant to the Companies Law:

- recommending to the board of directors the retention and termination of the internal auditor, and the internal auditor's engagement fees and terms, in accordance with the Companies Law as well as approving the yearly or periodic work plan proposed by the internal auditor;
- reviewing with our general counsel and/or external counsel, as deemed necessary, legal and regulatory matters that could have a material impact on the financial statements;
- identifying irregularities in our business administration, including by consulting with the internal auditor or with the independent auditor, and suggesting corrective measures to the board of directors;
- reviewing policies and procedures with respect to transactions (other than transactions related to the compensation or terms of services) between the Company and officers and directors, or affiliates of officers or directors, or transactions that are not in the ordinary course of the Company's business and deciding whether to approve such acts and transactions if so required under the Companies Law; and
- establishing procedures for the handling of employees' complaints as to the management of our business and the protection to be provided to such employees.

The charter of the audit committee is available without charge at <https://ir.innoviz.tech>.

The members of the audit committee are Dan Falk, Ronit Maor and Orit Stav. Dan Falk serves as the chairperson of the audit committee. The board of directors has designated Dan Falk as an "audit committee financial expert" and determined that each member is "financially literate" under the Nasdaq rules. The board of directors has also determined that each member of the audit committee is "independent" as defined under the Nasdaq rules and Exchange Act rules and regulations.

Compensation Committee

The compensation committee is responsible, among its other duties and responsibilities, for reviewing and approving all forms of compensation to be provided to, and employment agreements with, our executive officers and directors, establishing the general compensation policies of our company and its subsidiaries and reviewing, approving and overseeing the administration of the employee benefits plans of our company and its subsidiaries. The compensation committee is also responsible for:

- recommending to the board of directors with respect to the approval of the compensation policy for "office holders" (a term used under the Companies Law, which means, in effect, directors and executive officers) and, once every three years, regarding any extensions to a compensation policy that has been in effect for a period of more than three years;

- reviewing the implementation of the compensation policy and periodically recommending to the board of directors with respect to any amendments or updates of the compensation plan;
- resolving whether or not to approve arrangements with respect to the terms of office and employment of office holders; and
- exempting, under certain circumstances, from the requirement of approval by the general meeting of shareholders, transactions with the chief executive officer of our company.

The charter of the compensation committee is available without charge at <https://ir.innoviz.tech>

The members of the compensation committee are Ronit Maor and Dan Falk. Ronit Maor serves as the chairperson of the compensation committee. The board of directors has determined that each member of the compensation committee is “independent” as defined under the Nasdaq listing standards. The compensation committee has the authority to retain compensation consultants, outside counsel and other advisers.

Compensation Policy Under the Companies Law

In general, under the Companies Law, a public company must have a compensation policy approved by the board of directors after receiving and considering the recommendations of the compensation committee. In addition, a compensation policy must be approved at least once every three years, first, by the public company’s board of directors, upon recommendation of its compensation committee, and second, by a simple majority of the ordinary shares present, in person or by proxy, and voting at a shareholders meeting, provided that either:

- such majority includes at least a majority of the shares held by shareholders who are not controlling shareholders and do not have a personal interest in such compensation policy and who are present and voting (excluding abstentions); or
- the total number of shares of non-controlling shareholders and shareholders who do not have a personal interest in the compensation policy and who vote against the policy, does not exceed 2% of the company’s aggregate voting rights.

In the event that the shareholders fail to approve the compensation policy in a duly convened meeting, the board of directors may nevertheless override that decision, provided that the compensation committee and then the board of directors decide, on the basis of detailed reasons and after further review of the compensation policy, that approval of the compensation policy is for the benefit of the company despite the failure of the shareholders to approve the policy.

If a company that adopts a compensation policy in advance of its initial public offering (or in our case, prior to the closing of the Business Combination) describes the policy in its prospectus for such offering, then that compensation policy shall be deemed validly adopted in accordance with the Companies Law and will remain in effect for term of five years from the date such company becomes a public company.

The compensation policy must serve as the basis for decisions concerning the financial terms of employment or engagement of office holders, including exculpation, insurance, indemnification or any monetary payment or obligation of payment in respect of employment or engagement. The compensation policy must relate to certain factors, including advancement of the company’s objectives, business plan and long-term strategy, and creation of appropriate incentives for office holders. It must also consider, among other things, the company’s risk management, size and the nature of its operations. The compensation policy must furthermore consider the following additional factors:

- the education, skills, experience, expertise and accomplishments of the relevant office holder;
- the office holder’s position, responsibilities and prior compensation agreements with him or her;
- the ratio between the cost of the terms of employment of an office holder and the cost of the employment of other employees of the company, including employees employed through contractors who provide services to the company, in particular the ratio between such cost, the average and median salary of the employees of the company, as well as the impact of such disparities on the work relationships in the company;
- if the terms of employment include variable components—the possibility of reducing variable components at the discretion of the board of directors and the possibility of setting a limit on the value of non-cash variable equity-based components; and
- if the terms of employment include severance compensation—the term of employment or office of the office holder, the terms of his or her compensation during such period, the company’s performance during such period, his or her individual contribution to the achievement of the company goals and the maximization of its profits and the circumstances under which he or she is leaving the company.

The compensation policy must also include, among other things:

- with regard to variable components of compensation:
 - with the exception of office holders who report directly to the chief executive officer, provisions determining the variable components on the basis of long-term performance and on measurable criteria; however, the company may determine that an immaterial part of the variable components of the compensation package of an office holder shall be awarded based on non-measurable criteria, if such amount is not higher than three monthly salaries per annum, while taking into account such office holder's contribution to the company; and
 - the ratio between variable and fixed components, as well as the limit on the values of variable components at the time of their grant.
- a condition under which the office holder will return to the company, according to conditions to be set forth in the compensation policy, any amounts paid as part of his or her terms of employment, if such amounts were paid based on information later to be discovered to be wrong, and such information was restated in the company's financial statements;
- the minimum holding or vesting period of variable equity-based components to be set in the terms of office or employment, as applicable, while taking into consideration long-term incentives; and
- a limit on retirement grants.

Our compensation policy, which became effective immediately following the consummation of the Business Combination, is designed to promote retention and motivation of directors and executive officers, incentivize superior individual excellence, align the interests of our directors and executive officers with our long-term performance and provide a risk management tool. To that end, a portion of an executive officer compensation package is targeted to reflect our short and long-term goals, as well as the executive officer's individual performance. On the other hand, our compensation policy includes measures designed to reduce an executive officer's incentives to take excessive risks that may harm us in the long-term, such as limits on the value of cash bonuses and equity-based compensation, limitations on the ratio between the variable and the total compensation of an executive officer and minimum vesting periods for equity-based compensation.

The compensation policy also addresses our executive officers' individual characteristics (such as their respective positions, education, scope of responsibilities and contribution to the attainment of its goals) as the basis for compensation variation among our executive officers and considers the internal ratios between compensation of our executive officers and directors and other employees. Pursuant to our compensation policy, the compensation that may be granted to an executive officer may include: base salary, annual bonuses and other cash bonuses (such as a signing bonus and special bonuses with respect to any special achievements, such as outstanding personal achievement, outstanding personal effort or outstanding company performance), equity-based compensation, benefits and retirement and termination of service arrangements. All cash bonuses are limited to a maximum amount linked to the executive officer's base salary. In addition, the total variable compensation components (cash bonuses and equity-based compensation) may not exceed 95% of each executive officer's total compensation package with respect to any given calendar year.

An annual cash bonus may be awarded to executive officers upon the attainment of pre-set periodic objectives and individual targets. The annual cash bonus that may be granted to our executive officers other than our Chief Executive Officer will be based on performance objectives and a discretionary evaluation of the executive officer's overall performance by the Chief Executive Officer and subject to minimum thresholds. The annual cash bonus that may be granted to executive officers other than our Chief Executive Officer may be based entirely on a discretionary evaluation. Furthermore, our Chief Executive Officer is entitled to recommend performance objectives, and such performance objectives will be approved by the compensation committee (and, if required by law, by our board of directors).

The measurable performance objectives of our Chief Executive Officer may be determined annually by our compensation committee and board of directors and include the weight to be assigned to each achievement in the overall evaluation. A less significant portion of the Chief Executive Officer's annual cash bonus may be based on a discretionary evaluation of the Chief Executive Officer's overall performance by the compensation committee and the board of directors based on quantitative and qualitative criteria.

The equity-based compensation under the compensation policy for our executive officers is designed in a manner consistent with the underlying objectives in determining the base salary and the annual cash bonus. Primary objectives include enhancing the alignment between the executive officers' interests and our long-term interests and those of our shareholders and strengthening the retention and the motivation of executive officers in the long term. Our compensation policy provides for executive officer compensation in the form of share options or other equity-based awards, such as restricted shares, restricted share units and performance share units, in accordance with our share incentive plan then in place. All equity-based incentives granted to executive officers shall be subject to vesting periods and/or performance milestones in order to promote long-term retention of the awarded executive officers. Equity-based compensation shall be granted from time to time and be individually determined and awarded according to the performance, educational background, prior business experience, qualifications, role and the personal responsibilities of the executive officer.

In addition, the compensation policy contains compensation recovery provisions which allows us under certain conditions to recover bonuses paid in excess, enables our Chief Executive Officer to approve immaterial changes in the terms of employment of an executive officer (provided that the changes of the terms of employment are in accordance our compensation policy) and allows us to exculpate, indemnify and insure our executive officers and directors subject to certain limitations as set forth therein.

The compensation policy also provides for compensation to the members of our board of directors either (i) in accordance with the amounts provided in the Companies Regulations (Rules Regarding the Compensation and Expenses of an External Director) of 2000, as amended by the Companies Regulations (Relief for Public Companies Traded in Stock Exchange Outside of Israel) of 2000, as such regulations may be amended from time to time, or (ii) in accordance with the amounts determined in the compensation policy.

Our compensation policy, which was approved by our board of directors and shareholders on January 20, 2021 and January 29, 2021, respectively, became effective upon the closing of the Business Combination.

Nominating, Environmental, Social and Governance Committee

The members of the nominating, environmental, social and governance committee are Orit Stav and Aharon Aharon. Orit Stav serves as the chairperson of the nominating, environmental, social and governance committee. The nominating, environmental, social and governance committee is responsible, among other things, for:

- identify, review and evaluate candidates to serve as members of our board of directors, recommend to our board of directors nominees for election as directors of the Company, and review and evaluate incumbent members of the board of directors;
- make recommendations to our board of directors regarding corporate governance guidelines and matters;
- oversee all aspects of the Company's corporate governance functions and ethical conduct; and
- oversee the Company's programs and strategies related to environmental, social and governance matters.

The charter of the nominating, environmental, social and governance committee is available without charge at <https://ir.innoviz.tech>.

Exculpation, Insurance and Indemnification of Office Holders

Under the Companies Law, a company may not exculpate an office holder from liability for a breach of the duty of loyalty. An Israeli company may exculpate an office holder in advance from liability, in whole or in part, for damages caused as a result of a breach of duty of care but only if a provision authorizing such exculpation is included in its articles of association. Our Articles include such a provision. An Israeli company may not exculpate a director from liability arising out of a prohibited dividend or distribution to shareholders.

An Israeli company may indemnify an office holder in respect of the following liabilities and expenses incurred for acts performed as an office holder, either in advance of an event or following an event, provided a provision authorizing such indemnification is contained in its articles of association:

- a financial liability imposed on him or her in favor of another person pursuant to a judgment, including a settlement or arbitrator's award approved by a court. However, if an undertaking to indemnify an office holder with respect to such liability is provided in advance, then such an undertaking must be limited to events which, in the opinion of the board of directors, can be foreseen based on the company's activities when the undertaking to indemnify is given, and to an amount or according to criteria determined by the board of directors as reasonable under the circumstances, and such undertaking shall detail the abovementioned events and amount or criteria;

- reasonable litigation expenses, including legal fees, incurred by the office holder (1) as a result of an investigation or proceeding instituted against him or her by an authority authorized to conduct such investigation or proceeding, *provided* that (i) no indictment was filed against such office holder as a result of such investigation or proceeding; and (ii) no financial liability, such as a criminal penalty, was imposed upon him or her as a substitute for the criminal proceeding as a result of such investigation or proceeding or, if such financial liability was imposed, it was imposed with respect to an offense that does not require proof of criminal intent; and (2) in connection with a monetary sanction;
- reasonable litigation expenses, including legal fees, incurred by the office holder or imposed by a court in proceedings instituted against him or her by the company, on its behalf or by a third-party or in connection with criminal proceedings in which the office holder was acquitted or as a result of a conviction for an offense that does not require proof of criminal intent; and
- expenses, including reasonable litigation expenses and legal fees, incurred by an office holder in relation to an administrative proceeding instituted against such office holder, or certain compensation payments made to an injured party imposed on an office holder by an administrative proceeding, pursuant to certain provisions of the Israeli Securities Law, 1968 (the "Israeli Securities Law").

An Israeli company may insure an office holder against the following liabilities incurred for acts performed as an office holder if and to the extent provided in the company's articles of association:

- a breach of the duty of loyalty to the company, to the extent that the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the company;
- a breach of the duty of care to the company or to a third-party, including a breach arising out of the negligent conduct of the office holder;
- a financial liability imposed on the office holder in favor of a third-party;
- a financial liability imposed on the office holder in favor of a third-party harmed by a breach in an administrative proceeding; and
- expenses, including reasonable litigation expenses and legal fees, incurred by the office holder as a result of an administrative proceeding instituted against him or her, pursuant to certain provisions of the Israeli Securities Law.

An Israeli company may not indemnify or insure an office holder against any of the following:

- a breach of the duty of loyalty, except to the extent that the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the company;
- a breach of the duty of care committed intentionally or recklessly, excluding a breach arising out of the negligent conduct of the office holder;
- an act or omission committed with intent to derive illegal personal benefit; or
- a fine, monetary sanction or forfeit levied against the office holder.

Under the Companies Law, exculpation, indemnification and insurance of office holders must be approved by the compensation committee and the board of directors (and, with respect to directors and the chief executive officer, by the shareholders). However, under regulations promulgated under the Companies Law, the insurance of office holders does not require shareholder approval and may be approved by only the compensation committee, if the engagement terms are determined in accordance with the company's compensation policy, which was approved by the shareholders by the same special majority required to approve a compensation policy, provided that the insurance policy is on market terms and the insurance policy is not likely to materially impact the company's profitability, assets or obligations.

Our Articles allow us to exculpate, indemnify and insure our office holders for any liability imposed on them as a consequence of an act (including any omission) which was performed by virtue of being an office holder to the fullest extent permitted under applicable law. Our office holders are currently covered by a directors and officers' liability insurance policy.

We have entered into agreements with certain of our directors and executive officers exculpating them in advance from liability to us for damages caused to us as a result of a breach of duty of care, and undertaking to indemnify them to the fullest extent permitted by law. This indemnification is limited to events determined as foreseeable by the board of directors based on our activities, and to an amount or according to criteria determined by the board of directors as reasonable under the circumstances.

The maximum indemnification amount set forth in such agreements is limited to an amount equal to the higher of \$40,000,000 and 25% of our total shareholders' equity on a consolidated basis as reflected in our most recent consolidated financial statements prior to the date on which the indemnity payment is made (other than indemnification for an offering of securities to the public, including by a shareholder in a secondary offering, in which case the maximum indemnification amount is limited to the gross proceeds raised by us and/or any selling shareholder in such public offering). The maximum amount set forth in such agreements is in addition to any amount paid (if paid) under insurance and/or by a third-party pursuant to an indemnification arrangement.

In the opinion of the SEC, indemnification of directors and office holders for liabilities arising under the Securities Act, however, is against public policy and therefore unenforceable.

There is no pending litigation or proceeding against any of our office holders as to which indemnification is being sought, nor are we aware of any pending or threatened litigation that may result in claims for indemnification by any office holder.

Internal Auditor

Under the Companies Law, the board of directors of a public company must appoint an internal auditor based on the recommendation of the audit committee. The role of the internal auditor is, among other things, to examine whether a company's actions comply with applicable law and orderly business procedure. Under the Companies Law, the internal auditor cannot be an interested party or an office holder or a relative of an interested party or an office holder, nor may the internal auditor be the company's independent auditor or its representative. An "interested party" is defined in the Companies Law as: (i) a holder of 5% or more of the issued share capital or voting power in a company, (ii) any person or entity who has the right to designate one or more directors or to designate the chief executive officer of the company, or (iii) any person who serves as a director or as a chief executive officer of the company.

Ms. Sharon Cohen, CPA from Deloitte IL & Co, a firm in the Deloitte Global Network serves as our internal auditor.

D. Employees

We believe that our corporate culture and our relationship with our employees contribute to our success. Our employees are continuously innovating, and our structure rewards productivity. As of December 31, 2023, we had 488 employees.

On January 31, 2024, we announced a strategic realignment of our operations to expand our cash runway and optimize our path towards profitability and free cash flow generation, which included a reduction in the company's headcount by approximately 13% during the first quarter of 2024.

In regard to our Israeli employees, Israeli labor laws govern the length of the workday, minimum wages for employees, procedures for hiring and dismissing employees, determination of severance pay, annual leave, sick days, advance notice of termination of employment, equal opportunity and anti-discrimination laws and other conditions of employment. Subject to certain exceptions, Israeli law generally requires severance pay upon the retirement, death or dismissal of an employee, and requires us and our employees to make payments to the National Insurance Institute, which is similar to the U.S. Social Security Administration. Our employees have pension plans that comply with applicable Israeli legal requirements, and we make monthly contributions to severance pay funds for all employees, which cover potential severance pay obligations.

None of our employees work under any collective bargaining agreements. Extension orders issued by the Israeli government apply to us and affect matters such as cost of living adjustments to salaries, length of working hours and week, recuperation pay, travel expenses and pension rights.

We have never experienced labor-related work stoppages or strikes and believe that our relations with our employees are satisfactory.

E. Share Ownership

For information regarding the share ownership of directors and officers, see Item 7.A. "*Major Shareholders and Related Party Transactions—Major Shareholders.*" For information as to our equity incentive plans, see Item 6.B. "*Directors, Senior Management and Employees—Compensation of Directors and Executive Officers —Share Option Plans.*"

F. Disclosure of a registrant's action to recover erroneously awarded compensation

None.

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

The following table sets forth information with respect to the beneficial ownership of our shares as of March 1, 2024 by:

- each person or entity known by us to own beneficially more than 5% of our outstanding shares;
- each of our directors and executive officers individually; and
- all of our executive officers and directors as a group.

The beneficial ownership of ordinary shares is determined in accordance with the SEC rules and generally includes any ordinary shares over which a person exercises sole or shared voting or investment power. For purposes of the table below, we deem shares subject to options that are currently exercisable or exercisable within 60 days as of March 1, 2024, and restricted share units that shall vest within 60 days of March 1, 2024, to be outstanding and to be beneficially owned by the person holding the options or restricted share units for the purposes of computing the percentage ownership of that person but we do not treat them as outstanding for the purpose of computing the percentage ownership of any other person. The percentage of shares beneficially owned is based on 165,839,801 ordinary shares outstanding as of March 1, 2024.

All of our shareholders, including the shareholders listed below, have the same voting rights attached to their ordinary shares. Unless otherwise noted below, each shareholder's address is 5 Uri Ariav Street, Building C, Rosh HaAin 4809202, Israel.

A description of any material relationship that our principal shareholders have had with us or any of our affiliates since January 1, 2023 is included under Item 7.B. "*Major Shareholders and Related Party Transactions—Related Party Transactions.*"

Name of Beneficial Owner	Number	%
Five Percent or More Holders		
Antara Capital LP (1)	18,627,642	11.2%
Citigroup Global Markets Inc. (2)	11,635,265	7.0%
FIFTHDELTA LTD (3)	8,728,403	5.3%
Directors and Executive Officers		
Omer Keilaf (4)	4,578,590	2.7%
Eldar Cegla (5)	483,586	*
Elad Hofstetter (6)	108,903	*
Avishay Moscovici (7)	271,375	*
Udy Gal-On (8)	164,441	*
Amichai Steimberg (9)	211,255	*
Aharon Aharon (10)	63,503	*
Dan Falk (10)	63,503	*
Ronit Maor (10)	63,503	*
Orit Stav (10)	63,503	*
James Sheridan (11)	3,186,172	1.9%
Alexander von Witzleben (12)	15,274	*
Stefan Jacoby (13)	10,500	*
All executive officers and directors as a group (13 persons)	9,284,108	5.4%

* less than 1%

- (1) Based on information reported on Schedule 13G/A filed with the SEC on February 14, 2024 and other information available to the Company, Antara Capital Master Fund LP (“Antara Master Fund”) directly holds 865,900 ordinary shares and options to purchase 6,003,200 ordinary shares. Certain managed accounts for which Antara Capital LP (“Antara Capital”) serves as investment manager (the “Managed Accounts”) directly hold 3,527,850 ordinary shares. In addition, Antara Master Fund directly holds warrants to purchase 8,230,692 ordinary shares at an exercise price of \$11.50 per ordinary share, which are presently exercisable, and will expire five years after April 5, 2021 or earlier upon redemption or liquidation. The foregoing amounts do not include 312,296 ordinary shares to be issued to Antara Master Fund upon the satisfaction of certain earn-out conditions. Antara Capital is the investment manager of the Antara Master Fund and the Managed Accounts. Antara Capital GP LLC (“Antara GP”) is the general partner of Antara Capital. Himanshu Gulati (“Mr. Gulati”) is the sole member of Antara GP. Antara Capital, Antara GP and Mr. Gulati may be deemed to beneficially own the securities of the company held directly by Antara Master Fund and the Managed Accounts. The business address of the foregoing persons is 55 Hudson Yards, 47th Floor, Suite C, New York, NY 10001.
- (2) Based on information reported on Schedule 13G filed with the SEC on February 12, 2024, each of Citigroup Global Markets Inc. (“CGM”), Citigroup Financial Products Inc. (“CFP”), Citigroup Global Markets Holdings Inc. (“CGM Holdings”) and Citigroup Inc. (“Citigroup”), has the shared power to vote or direct to vote 11,635,265 ordinary shares and the shared power to dispose or to direct the disposition of 11,635,265 ordinary shares. The business address of each of CGM, CFP, CGM Holdings and Citigroup is, 388 Greenwich Street, New York, NY 10013.
- (3) Based on information reported on Schedule 13G/A filed with the SEC on February 12, 2024, FIFTHDELTA Master Fund Limited (the “Master Fund”), an exempted company incorporated in the Cayman Islands with limited liability, directly holds 8,728,403 ordinary shares. FIFTHDELTA LTD (the “Manager”), a private limited company organized under the laws of England and Wales, serves as investment manager to the Master Fund and has discretionary and voting power over the ordinary shares held by the Master Fund. Accordingly, the Manager may be deemed to be the beneficial owner of 8,728,403 ordinary shares which are held by the Master Fund. The Manager disclaims beneficial ownership of the Shares of the Issuer held by the Master Fund, except to the extent of any pecuniary interest therefrom. The business address of the Manager is 15 Sackville Street, 1st Floor, London W1S 3DJ, United Kingdom and the business address for the Master Fund is c/o Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9008, Cayman Islands.
- (4) Consists of 2,772,753 ordinary shares and 1,805,837 ordinary shares issuable upon vesting of RSUs or exercise of options that are exercisable as of or within 60 days of March 1, 2024.
- (5) Consists of 173,863 ordinary shares and 309,723 ordinary shares issuable upon vesting of RSUs or exercise of options that are exercisable as of or within 60 days of March 1, 2024.
- (6) Consists of 18,242 ordinary shares and 90,661 ordinary shares issuable upon vesting of RSUs or exercise of options that are exercisable as of or within 60 days of March 1, 2024.
- (7) Consists of 74,029 ordinary shares and 197,346 ordinary shares issuable upon vesting of RSUs or exercise of options that are exercisable as of or within 60 days of March 1, 2024.
- (8) Consists of 44,304 ordinary shares and 120,137 ordinary shares issuable upon vesting of RSUs or exercise of options that are exercisable within 60 days of March 1, 2024.
- (9) Consists of 83,354 ordinary shares and 127,901 ordinary shares issuable upon vesting of RSUs or exercise of options that are exercisable within 60 days of March 1, 2024.
- (10) Consists of 33,354 ordinary shares and 30,149 ordinary shares issuable upon vesting of RSUs that vest within 60 days of March 1, 2024.
- (11) Consists of 33,354 ordinary shares and 30,149 ordinary shares issuable upon vesting of RSUs that vest within 60 days of March 1, 2024. In addition, Perception Capital Partners, LLC directly holds 75,000 ordinary shares and 3,047,669 warrants to purchase ordinary shares at a price of \$11.50 per share. Mr. Sheridan is the Chief Executive Officer of Perception Capital Partners, LLC and may be deemed to be the beneficial owner of the securities held by Perception Capital Partners, LLC.
- (12) Consists of 15,274 ordinary shares issuable upon vesting of RSUs that vest within 60 days of March 1, 2024.
- (13) Consists of 10,500 ordinary shares issuable upon vesting of RSUs that vest within 60 days of March 1, 2024.

To our knowledge, other than as disclosed in the table above, our other filings with the SEC and this Annual Report, there has been no significant change in the percentage ownership held by any major shareholder since January 1, 2021. The major shareholders listed above do not have voting rights with respect to their ordinary shares that are different from the voting rights of other holders of our ordinary shares.

As a number of our shares are held in book-entry form, we are not aware of the identity of all of our shareholders. As of March 1, 2024, we had 75,464 ordinary shares held by 3 U.S. resident shareholders of record.

B. Related Party Transactions

The following is a description of our related party transactions since January 1, 2023.

Registration Rights Agreement

Concurrently with the execution of the Business Combination Agreement, Innoviz, certain equityholders of Innoviz, certain equityholders of Collective Growth, Perception and Antara entered into a registration rights agreement (the “Registration Rights Agreement”), pursuant to which Innoviz agreed to file a shelf registration statement with respect to the registrable securities defined therein within 60 days of the closing of the Business Combination. Certain holders of registrable securities under the Registration Rights Agreement may request to sell all or any portion of their registrable securities in an underwritten offering up to twice in any 12-month period so long as the total offering price is reasonably expected to exceed \$75.0 million. Innoviz also agreed to provide customary “piggyback” registration rights. The Registration Rights Agreement also provides that Innoviz will pay certain expenses relating to such registrations and indemnify the shareholders against certain liabilities. The Registration Rights Agreement does not contemplate the payment of penalties or liquidated damages to the equityholders party thereto as a result of a failure to register, or delays with respect to the registration of, the registrable securities.

Put Option Agreement

Concurrently with the execution of the Business Combination Agreement, Innoviz and Antara entered into the Put Option Agreement, pursuant to which Innoviz caused Antara to subscribe for a number of Innoviz ordinary shares in the PIPE with an aggregate equity value equal to \$70,000,000. In consideration for entering into the Put Option Agreement, at the Effective Time (as defined in the Put Option Agreement), Innoviz issued to an affiliate of Antara 3,784,753 warrants and 3,002,674 ordinary shares. In addition, Innoviz agreed to issue to an affiliate of Antara 312,296 ordinary shares in the event that earnout shares are issued to Perception.

Agreements with Directors and Officers

Options, restricted share units and performance share units. Since our inception, we have granted restricted share units, performance share units and options to purchase our ordinary shares to our executive officers. We describe our option plans under Item 6. “*Directors, Senior Management and Employees.*”

Exculpation, indemnification and insurance. Our Articles permit us to exculpate, indemnify and insure our office holders to the fullest extent permitted by the Companies Law. We have entered into agreements with certain of our office holders, exculpating them from a breach of their duty of care to us to the fullest extent permitted by law and undertaking to indemnify them to the fullest extent permitted by law, subject to certain exceptions, including with respect to liabilities resulting from our initial public offering to the extent that these liabilities are not covered by insurance. See Item 6.C. “*Directors, Senior Management and Employees—Board Practices—Exculpation, Insurance and Indemnification of Office Holders.*”

Rights of Appointment. As part of the Business Combination, our Articles include a provision which provides that Perception has the right to appoint, replace and remove one director to our board of directors so long it beneficially holds, together with any permitted transferee, in the aggregate at least 1,513,874 of our ordinary shares, which is equal to fifty percent (50%) of the total number of our ordinary shares Perception beneficially owned as of the date of the adoption of our Articles.

Related Party Transaction Policy

Our board of directors has adopted a written related party transaction policy to set forth the policies and procedures for identifying related party transactions.

C. Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

Consolidated Financial Statements

See Item 18. “*Financial Statements.*”

Legal and Arbitration Proceedings

From time to time, we may become involved in actions, claims suits, and other legal proceedings arising in the ordinary course of our business, including assertions by third parties relating to intellectual property infringement, breaches of contract or warranties or employment-related matters. We are not currently a party to any material actions, claims, suits or other legal proceedings the outcome of which, if determined adversely to it, would individually or in the aggregate have a material adverse effect on our business, financial condition, and results of operations.

Dividend Policy

We have never declared or paid any dividends on our ordinary shares. We do not anticipate paying any dividends in the foreseeable future. We currently intend to retain future earnings, if any, to finance operations and expand our business. Our board of directors has sole discretion whether to pay dividends. If our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our directors may deem relevant.

The Companies Law imposes restrictions on our ability to declare and pay dividends. See Item 5. “*Operating and Financial Review and Prospects.*”

Payment of dividends may be subject to Israeli withholding taxes. See Item 10.E. “*Taxation—Taxation and Government Programs—Israeli Tax Considerations and Government Programs*” for additional information.

B. Significant Changes

None.

Item 9. The Offer and Listing

A. Offer and Listing Details

Our ordinary shares and warrants commenced trading on Nasdaq on April 6, 2021 under the trading symbols “INVZ” and “INVZW,” respectively. Prior to this, no public market existed for our ordinary shares or warrants.

B. Plan of Distribution

Not applicable.

C. Markets

Our ordinary shares and warrants commenced trading on Nasdaq on April 6, 2021 under the trading symbols “INVZ” and “INVZW,” respectively. Prior to this, no public market existed for our ordinary shares or warrants.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

Item 10. Additional Information

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

A copy of our Articles is incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form F-3 (File No. 333-265170) filed with the SEC on May 24, 2022. Other than as set forth below, the information called for by this Item is set forth in Exhibit 2.1 to this Annual Report and is incorporated by reference herein.

Share Capital

As of December 31, 2023, we had 165,387,098 ordinary shares and 16,231,141 warrants outstanding.

Exchange Controls

There are currently no Israeli currency control restrictions on remittances of dividends on our ordinary shares, proceeds from the sale of the ordinary shares or interest or other payments to non-residents of Israel, except for shareholders who are subjects of countries that are, or have been, in a state of war with Israel.

Shareholder Meetings

Under Israeli law, we are required to hold an annual general meeting of our shareholders once every calendar year that must be held no later than 15 months after the date of the previous annual general meeting. All meetings other than the annual general meeting of shareholders are referred to in our Articles as "special general meetings". Our board of directors may call special general meetings whenever it sees fit, at such time and place, within or outside of Israel, as it may determine. In addition, the Companies Law provides that our board of directors is required to convene a special general meeting upon the written request of (i) any two or more of our directors or one-quarter or more of the serving members of our board of directors or (ii) one or more shareholders holding, in the aggregate, either (a) 5% or more of our outstanding issued shares and 1% or more of our outstanding voting power or (b) 5% or more of our outstanding voting power.

Subject to the provisions of the Companies Law and the regulations promulgated thereunder, shareholders entitled to participate and vote at general meetings are the shareholders of record on a date to be decided by the board of directors, which, as a company listed on an exchange outside Israel, may be between four and 40 days prior to the date of the meeting. Furthermore, the Companies Law requires that resolutions regarding the following matters must be passed at a general meeting of our shareholders:

- amendments to our articles of association;
- appointment, termination or the terms of service of our auditors;
- appointment of external directors (if applicable);
- approval of certain related party transactions;
- increases or reductions of our authorized share capital;
- mergers; and
- the exercise of our board of director's powers by a general meeting, if our board of directors is unable to exercise its powers and the exercise of any of its powers is required for our proper management.

The Companies Law requires that a notice of any annual general meeting or special general meeting be provided to shareholders at least 21 days prior to the meeting and if the agenda of the meeting includes, among other things, the appointment or removal of directors, the approval of transactions with office holders or interested or related parties or the approval of a merger, notice must be provided at least 35 days prior to the meeting. Under the Companies Law, shareholders are not permitted to take action by way of written consent in lieu of a meeting.

C. Material Contracts

The following is a summary of each material contract, other than material contracts entered into in the ordinary course of business, to which we are or have been a party, for the two years immediately preceding the date of this Annual Report:

- Form of Indemnification Agreement (incorporated by reference to Exhibit 10.12 to the Company's Registration Statement on Form F-4 (File No. 333-252023) filed with the SEC on February 12, 2021). See Item 6. "*Directors, Senior Management and Employees*" for more information about this agreement.
- Compensation Policy for Directors and Officers (incorporated by reference to Exhibit 10.13 to the Company's Registration Statement on Form F-4 (File No. 333-252023) filed with the SEC on February 12, 2021). See Item 6. "*Directors, Senior Management and Employees*" for more information about this agreement.
- 2016 Share Incentive Plan of Innoviz Technologies Ltd. (incorporated by reference to Exhibit 10.10 to the Company's Registration Statement on Form F-4 (File No. 333-252023) filed with the SEC on February 12, 2021). See Item 6. "*Directors, Senior Management and Employees*" for more information about this agreement.
- 2021 Share Incentive Plan of Innoviz Technologies Ltd. (incorporated by reference to Exhibit 4.4 to the Company's Annual Report on Form 20-F filed with the SEC on March 30, 2022). See Item 6. "*Directors, Senior Management and Employees*" for more information about this agreement.
- Warrant Agreement, dated as of April 30, 2020, between Continental Stock Transfer & Trust Company and Collective Growth Corporation (incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form F-4 (File No. 333-252023) filed with the SEC on January 11, 2021). See Exhibit 2.1 for more information about this agreement.
- Assignment, Assumption and Amendment Agreement, by and among Innoviz Technologies Ltd., Collective Growth Corporation, American Stock Transfer & Trust Company and Continental Stock Transfer & Trust Company (incorporated by reference to Exhibit 4.11 to the Company's Annual Report on Form 20-F filed with the SEC on April 21, 2021). See Exhibit 2.1 for more information about this agreement.
- Registration Rights Agreement, dated as of December 10, 2020, by and among Innoviz, certain equityholders of Innoviz, certain equityholders of Collective Growth, Perception and Antara Capital (incorporated by reference to Exhibit 4.8 to the Company's Registration Statement on Form F-4 (File No. 333-252023) filed with the SEC on January 11, 2021). See Item 7.B. "*Major Shareholders and Related Party Transactions—Related Party Transactions*" for more information about this agreement.
- Put Option Agreement, dated as of December 10, 2020, by and between Innoviz and Antara Capital (incorporated by reference to Exhibit 10.7 to the Company's Registration Statement on Form F-4 (File No. 333-252023) filed with the SEC on January 11, 2021). See Item 7.B. "*Major Shareholders and Related Party Transactions—Related Party Transactions*" for more information about this agreement.

- ***Magna Joint Development and Master Supply Agreement***

In December 2017, we entered into a Joint Development and Master Supply Agreement ("JDMSA") with Magna incorporated by reference to Exhibit 10.15 to the Company's Registration Statement on Form F-4 (File No. 333-252023) filed with the SEC on January 11, 2021) pursuant to which the parties agreed to work together to jointly develop and commercialize various LiDAR-related technologies. This agreement provides the framework for the collaboration between Magna as a leading Tier-1 partner and our company as a leading LiDAR company. The initial term of this agreement is eight years with automatic renewals of 1-year periods thereafter, subject in each case to mutual termination rights in the event of material breach, insolvency or bankruptcy.

- ***BMW SOW***

In connection with the JDMSA, in February 2018, we entered into the BMW SOW with Magna Electronics Europe GmbH & Co. OHG (incorporated by reference to Exhibit 10.16 to the Company's Registration Statement on Form F-4 (File No. 333-252023) filed with the SEC on January 11, 2021) describing the services to be performed and deliverables to be provided to BMW, to equip Innoviz LiDAR products into BMW's Level 3 vehicle platform.

The parties have mutual termination rights, including in the event of a material breach by the other party. Serial production volumes will ultimately be highly dependent on numerous factors and therefore are binding only upon issuance of a purchase order.

In 2019, the parties signed an amendment to the BMW SOW (incorporated by reference to Exhibit 10.17 to the Company's Registration Statement on Form F-4 (File No. 333-252023) filed with the SEC on January 11, 2021), under which BMW advanced certain payments due under the BMW SOW in consideration for development activities and delivery of early samples to Magna Electronics Europe by the end of August 2019.

- ***Magna Manufacturing MOU***

In October 2020, Innoviz signed a memorandum of understanding with Magna Electronics Technology, Inc. (the “Magna MOU”) (incorporated by reference to Exhibit 10.18 to the Company’s Registration Statement on Form F-4 (File No. 333-252023) filed with the SEC on January 11, 2021) for high-volume manufacturing of Innoviz LiDARs at Magna’s automotive grade facility in Holly, Michigan. The Magna MOU contemplates Magna’s manufacturing of our LiDAR solution for the BMW program. The MOU has been in effect since October 2020 and has been periodically extended until replaced by the Magna Agreement, as set forth below.

- ***Lease Agreement***

Our corporate headquarters are located in Rosh HaAin, Israel, where we currently lease an office with approximately 16,350 square meters pursuant to the Lease Agreement (incorporated by reference to Exhibit 4.14 to the Company’s Annual Report on Form 20-F for the Year Ended December 31, 2021 filed with the SEC on March 30, 2022). This facility contains engineering, research and development, testing, product, sales and administrative functions. The initial term under the Lease Agreement is for 67 months and expires on January 31, 2028. We have an option under the Lease Agreement to renew the lease for additional 60 months, which will be exercised automatically unless we inform the lessor in advance.

- ***Electronic Nomination Agreement with Cariad SE (a Volkswagen group company)***

In December 2022, Innoviz and Cariad SE executed an electronic nomination agreement (the “eNA”) (incorporated by reference to Exhibit 4.15 to the Company’s Annual Report on Form 20-F for the Year Ended December 31, 2022 filed with the SEC on March 9, 2023) pursuant to which Cariad commissioned Innoviz to develop, manufacture and deliver InnovizTwo LiDARs.

Cariad has the right to terminate the eNA under certain circumstances, including (a) if Innoviz does not meet the prerequisites for series production of the products that are the subject matter of the eNA, and (b) if Innoviz enters into insolvency proceedings.

- ***Agreement with Magna regarding Manufacturing of InnovizOne for the BMW Program***

In December 2023, Innoviz signed an agreement with Magna Electronics Technology, Inc., and Magna Electronics Europe GmbH & Co. OHG (the “Magna Agreement”), addressing the high-volume manufacturing of Innoviz LiDARs at Magna’s automotive grade facility in Holly, Michigan, for the BMW program.

D. Exchange Controls

There are currently no Israeli currency control restrictions on remittances of dividends on our ordinary shares, proceeds from the sale of the ordinary shares or interest or other payments to non-residents of Israel, except for shareholders who are subjects of countries that are, or have been, in a state of war with Israel.

E. Taxation

Taxation and Government Programs

The following description is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership and disposition of our ordinary shares and warrants. You should consult your own tax advisor concerning the tax consequences of your particular situation, as well as any tax consequences that may arise under the laws of any state, local, foreign or other taxing jurisdiction.

Material Israeli Tax Considerations

The following is a brief summary of the material Israeli tax laws applicable to us, and certain Israeli Government programs that benefit us. This section also contains a discussion of material Israeli tax consequences concerning the purchase, ownership and disposition of our ordinary shares. This summary does not discuss all the aspects of Israeli tax law that may be relevant to a particular investor in light of his or her personal investment circumstances or to some types of investors subject to special treatment under Israeli law. Examples of such investors include residents of Israel or traders in securities who are subject to special tax regimes not covered in this discussion. To the extent that the discussion is based on tax legislation that has not yet been subject to judicial or administrative interpretation, we cannot assure you that the appropriate tax authorities or the courts will accept the views expressed in this discussion. The discussion below is subject to change, including due to amendments under Israeli law or changes to the applicable judicial or administrative interpretations of Israeli law, which change could affect the tax consequences described below.

General corporate tax structure in Israel. Israeli companies are generally subject to corporate income tax. In December 2016, the Israeli Parliament approved the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years) which reduces the corporate income tax rate from 25% to 24% effective from January 1, 2017, and to 23% effective from January 1, 2018 onwards. However, the effective tax rate payable by a company that derives income from an Approved Enterprise, a Preferred Enterprise, a Special Preferred Enterprise, a Benefited Enterprise, a Preferred Technological Enterprise or Special Preferred Technological Enterprise (as discussed below) may be considerably less. Capital gains derived by an Israeli company are generally subject to the corporate income tax rate.

Law for the Encouragement of Industry (Taxes), 5729-1969. The Law for the Encouragement of Industry (Taxes), 5729-1969, generally referred to as the Industry Encouragement Law, provides several tax benefits for “Industrial Companies.” We believe that we currently qualify as an Industrial Company within the meaning of the Industry Encouragement Law.

The Industry Encouragement Law and the regulations promulgated thereunder provide that an “Industrial Company” is an Israeli resident-company, of which 90% or more of its income in any tax year, other than income from certain government loans, capital gains, dividends and interest and linkage differentials, is derived from an “Industrial Enterprise” owned by it and located in Israel or in the “Area”, in accordance with the definition under section 3A of the Ordinance. An “Industrial Enterprise” is defined as an enterprise whose principal activity in a given tax year is industrial production.

Following are the main tax benefits available to Industrial Companies:

- Amortization of the cost of purchased patents, rights to use a patent, and know-how, which are used for the development or advancement of the Industrial Enterprise, over an eight-year period, commencing on the year in which the Industrial Company began to use them;
- Under limited conditions, an election to file consolidated tax returns with controlled Israeli Industrial Companies; and
- Expenses related to a public offering are deductible in equal amounts over three years commencing on the year of the offering.

Eligibility for benefits under the Industry Encouragement Law is not contingent upon approval of any governmental authority.

Tax benefits and grants for research and development. Israeli tax law allows, under certain conditions, a tax deduction for expenditures, including capital expenditures, for the year in which they are incurred. Expenditures are deemed related to scientific research and development projects, if:

- The expenditures are approved by the relevant Israeli government ministry, determined by the field of research;
- The research and development must be for the promotion of the company; and
- The research and development is carried out by or on behalf of the company seeking such tax deduction.

The amount of such deductible expenses is reduced by the sum of any funds received through government grants for the finance of such scientific research and development projects. No deduction under these research and development deduction rules is allowed if such deduction is related to an expense invested in an asset depreciable under the general depreciation rules of the Ordinance. Expenditures that are unqualified under the conditions above are deductible in equal amounts over three years commencing in the year of the payment of such expenses.

From time to time we may apply to the IIA for approval to allow a tax deduction for all or most of research and development expenses during the year incurred. There can be no assurance that such application will be accepted. If we will not be able to deduct research and development expenses during the year of the payment, we will be able to deduct research and development expenses during a period of three years commencing in the year of the payment of such expenses.

Law for the Encouragement of Capital Investments, 5719-1959. The Law for the Encouragement of Capital Investments, 5719-1959, generally referred to as the Investment Law, provides certain incentives for capital investments in production facilities (or other eligible assets).

The Investment Law was significantly amended effective as of April 1, 2005 (the “2005 Amendment”), as of January 1, 2011 (the “2011 Amendment”) and as of January 1, 2017 (the “2017 Amendment”). Pursuant to the 2005 Amendment, tax benefits granted in accordance with the provisions of the Investment Law prior to its revision by the 2005 Amendment remain in force, but any benefits granted subsequently are subject to the provisions of the amended Investment Law. Similarly, the 2011 Amendment introduced new benefits to replace those granted in accordance with the provisions of the Investment Law in effect prior to the 2011 Amendment. However, companies entitled to benefits under the Investment Law as in effect prior to January 1, 2011 were entitled to choose to continue to enjoy such benefits, provided that certain conditions are met, or elect instead, irrevocably, to forego such benefits and have the benefits of the 2011 Amendment apply. The 2017 Amendment introduces new benefits for Technological Enterprises, alongside the existing tax benefits.

Tax benefits under the 2011 amendment. The 2011 Amendment cancelled the availability of the benefits granted to Industrial Companies under the Investment Law prior to 2011 and, instead, introduced new benefits for income generated by a “Preferred Company” through its “Preferred Enterprise” (as such terms are defined in the Investment Law) as of January 1, 2011. The definition of a Preferred Company includes a company incorporated in Israel that is not fully owned by a governmental entity, and that has, among other things, Preferred Enterprise status and is controlled and managed from Israel. Pursuant to the 2011 Amendment, a Preferred Company is entitled to a reduced corporate tax rate of 15% with respect to its income derived by its Preferred Enterprise in 2011 and 2012, unless the Preferred Enterprise is located in a specified development zone, in which case the rate will be 10%. Under the 2011 Amendment, such corporate tax rate was reduced from 15% and 10%, respectively, to 12.5% and 7%, respectively, in 2013, 16% and 9% respectively, in 2014, 2015 and 2016, and 16% and 7.5%, respectively, in 2017 and thereafter. Income derived by a Preferred Company from a “Special Preferred Enterprise” (as such term is defined in the Investment Law) would be entitled, during a benefits period of 10 years, to further reduced tax rates of 8%, or 5% if the Special Preferred Enterprise is located in a certain development zone.

Dividends distributed from income which is attributed to a “Preferred Enterprise” will be subject to withholding tax at source at the following rates: (i) Israeli resident corporations – 0%, (although, if such dividends are subsequently distributed to individuals or a non-Israeli company the below rates detailed in sub sections (ii) and (iii) shall apply), (ii) Israeli resident individuals – 20%, and (iii) non-Israeli residents (individuals and corporations)– 25% or 30%, and subject to a reduced tax rate under the provisions of any applicable double tax treaty (subject to the receipt in advance of a valid certificate from the Israel Tax Authority (“ITA”) allowing for such reduced tax rate – 20%).

The 2011 Amendment also provided transitional provisions to address companies already enjoying existing tax benefits under the Investment Law. These transitional provisions provide, among other things, that unless an irrevocable request is made to apply the provisions of the Investment Law as amended in 2011 with respect to income to be derived as of January 1, 2011, a Benefited Enterprise can elect to continue to benefit from the benefits provided to it before the 2011 Amendment came into effect, provided that certain conditions are met.

We do not currently intend to implement the 2011 Amendment.

New tax benefits under the 2017 Amendment that became effective on January 1, 2017. The 2017 Amendment was enacted as part of the Economic Efficiency Law that was published on December 29, 2016, and is effective as of January 1, 2017. The 2017 Amendment provides new tax benefits for two types of “Technological Enterprises,” as described below, and is in addition to the other existing tax beneficial programs under the Investment Law.

The 2017 Amendment provides that a technological company satisfying certain conditions will qualify as a “Preferred Technological Enterprise” and will thereby enjoy a reduced corporate tax rate of 12% on income that qualifies as “Preferred Technological Income”, as defined in the Investment Law. The tax rate is further reduced to 7.5% for a Preferred Technological Enterprise located in development zone “A”. In addition, a Preferred Technological Company will enjoy a reduced corporate tax rate of 12% on capital gain derived from the sale of certain “Benefitted Intangible Assets” (as defined in the Investment Law) to a related foreign company if the Benefitted Intangible Assets were acquired from a foreign company on or after January 1, 2017 for at least ILS 200 million, and the sale receives prior approval from the IIA.

The 2017 Amendment further provides that a technology company satisfying certain conditions (group consolidated revenues of at least ILS 10 billion) will qualify as a “Special Preferred Technological Enterprise” and will thereby enjoy a reduced corporate tax rate of 6% on “Preferred Technological Income” regardless of the company’s geographic location within Israel. In addition, a Special Preferred Technological Enterprise will enjoy a reduced corporate tax rate of 6% on capital gain derived from the sale of certain “Benefitted Intangible Assets” to a related foreign company if the Benefitted Intangible Assets were either developed by the Special Preferred Technological Enterprise or acquired from a foreign company on or after January 1, 2017, and the sale received prior approval from the IIA. A Special Preferred Technological Enterprise that acquires Benefitted Intangible Assets from a foreign company for more than ILS 500 million will be eligible for these benefits for at least 10 years, subject to certain approvals as specified in the Investment Law.

Dividends distributed to Israeli shareholders by a Preferred Technological Enterprise or a Special Preferred Technological Enterprise, paid out of Preferred Technological Income, are generally subject to withholding tax at source at the rate of 20% (in the case of non-Israeli shareholders—subject to the receipt in advance of a valid certificate from the ITA allowing for such reduced tax rate, or such lower rate as may be provided in an applicable tax treaty). However, if such dividends are paid to an Israeli company, no tax is required to be withheld (although, if such dividends are subsequently distributed to individuals or a non-Israeli company, withholding tax at a rate of 20% or such lower rate as may be provided in an applicable tax treaty, will apply). If such dividends are distributed to a foreign company that holds solely or together with other foreign companies 90% or more in the Israeli company and other conditions are met, the withholding tax rate will be 4% (in either case, subject to the receipt in advance of a valid certificate from the ITA allowing for such 4% rate or lower treaty tax rate).

We believe that we may be eligible to receive the tax benefits under the 2017 Amendment but there is no assurance that we will meet all the terms and conditions required under the Investment Law that will allow us to enjoy any tax benefits under the Investment Law. It should be noted that the proportion of income that may be considered Preferred Technological Income and enjoy the tax benefits described above should be calculated according to the Nexus Formula, which is based on the proportion as that of qualifying expenditures in the intellectual property compared to overall expenditures.

Taxation of Our Shareholders

Capital gains taxes applicable to non-Israeli resident shareholders. A non-Israeli resident who derives capital gains from the sale of ordinary shares in an Israeli resident company that were purchased after the company was listed for trading on a stock exchange outside of Israel should be exempt from Israeli tax unless, among other requirements, the ordinary shares were held through a permanent establishment that the non-resident maintains in Israel. If not exempt, a non-Israeli resident shareholder would generally be subject to tax on capital gain at the ordinary corporate income tax rate (23% in 2023), if generated by a company, or at the rate of 25%, if generated by an individual, or 30%, if generated by an individual who is a “substantial shareholder” (as defined under the Ordinance), at the time of sale or at any time during the preceding 12-month period (or if the shareholder claims a deduction for interest and linkage differences expenses in connection with the purchase and holding of such shares). A “substantial shareholder” is generally a person who, alone or together with such person’s relatives or another person who collaborates with such person on a permanent basis, holds, directly or indirectly, at least 10% of any of the “means of control” of the corporation. “Means of control” generally include, among others, the right to vote, receive profits, nominate a director or an executive officer, receive assets upon liquidation, or order someone who holds any of the aforesaid rights how to act, regardless of the source of such right. Individual and corporate shareholders dealing in securities in Israel are taxed at the tax rates applicable to business income (corporate income tax rate for a corporation (23% in 2023) and a marginal tax rate of up to 47% for an individual in 2023 (excluding surtax as discussed below)) unless contrary provisions in a relevant tax treaty apply. Non-Israeli corporations will not be entitled to the foregoing exemption if Israeli residents: (i) have a controlling interest of more than 25% in such non-Israeli corporation or (ii) are the beneficiaries of, or are entitled to, 25% or more of the revenues or profits of such non-Israeli corporation, whether directly or indirectly. In addition, such exemption is not applicable to a person whose gains from selling or otherwise disposing of the ordinary shares are deemed to be business income.

Additionally, a sale of ordinary shares by a non-Israeli resident may be exempt from Israeli capital gains tax under the provisions of an applicable tax treaty. For example, under The Convention Between the Government of the United States of America and the Government of the State of Israel with respect to Taxes on Income, as amended (the “United States-Israel Tax Treaty”), the sale, exchange or other disposition of ordinary shares by a shareholder who is a United States resident (for purposes of the treaty) holding the ordinary shares as a capital asset and is entitled to claim the benefits afforded to such a resident by the United States-Israel Tax Treaty (a “Treaty U.S. Resident”) is generally exempt from Israeli capital gains tax, unless: (i) the capital gain arising from such sale, exchange or disposition is attributed to real estate located in Israel; (ii) the capital gain arising from such sale, exchange or disposition is attributed to royalties; (iii) the capital gain arising from the such sale, exchange or disposition is attributed to a permanent establishment in Israel, under certain terms; (iv) such Treaty U.S. Resident holds, directly or indirectly, shares representing 10% or more of the voting capital during any part of the 12-month period preceding the sale, exchange or disposition, subject to certain conditions; or (v) such Treaty U.S. Resident is an individual and was present in Israel for 183 days or more during the relevant taxable year. In each case, the sale, exchange or disposition of our ordinary shares would be subject to Israeli tax, to the extent applicable; however, under the United States-Israel Tax Treaty, the taxpayer may be permitted to claim a credit for such taxes against the U.S. federal income tax imposed with respect to such sale, exchange or disposition, subject to the limitations under U.S. law applicable to foreign tax credits. The United States-Israel Tax Treaty does not provide such credit against any U.S. state or local taxes.

In some instances where our shareholders may be liable for Israeli tax on the sale of their ordinary shares, the payment of the consideration may be subject to the withholding of Israeli tax at source. Shareholders may be required to demonstrate that they are exempt from tax on their capital gains in order to avoid withholding at source at the time of sale (i.e., valid withholding tax certificate issued by the ITA, resident certificate or other documentation).

Taxation of non-Israeli shareholders on receipt of dividends. Non-Israeli residents (either individuals or corporations) are generally subject to Israeli income tax on the receipt of dividends paid on our ordinary shares at the rate of 25%, which tax will be withheld at source, unless relief is provided in a treaty between Israel and the shareholder's country of residence (subject to the receipt in advance of a valid withholding tax certificate from the ITA allowing for a reduced tax rate). With respect to a person who is a "substantial shareholder" at the time of receiving the dividend or on any time during the preceding 12 months, the applicable tax rate is 30%. Such dividends are generally subject to Israeli withholding tax at a rate of 25% so long as the ordinary shares are registered with a nominee company (whether the recipient is a substantial shareholder or not) and, subject to the receipt in advance of a valid withholding tax certificate from the ITA allowing for a reduced tax rate, 15% if the dividend is distributed from income attributed to an Approved Enterprise or a Benefited Enterprise and 20% if the dividend is distributed from income attributed to a Preferred Enterprise, a Special Preferred Enterprise, Preferred Technological Enterprise or Special Preferred Technological Enterprise or such lower rate as may be provided in an applicable tax treaty. For example, under the United States Israel Tax Treaty, the maximum rate of tax withheld at source in Israel on dividends paid to a holder of our ordinary shares who is a Treaty U.S. Resident is 25%. However, generally, the maximum rate of withholding tax on dividends, not generated by a Preferred Enterprise or Benefited Enterprise, that are paid to a U.S. corporation holding 10% or more of the outstanding voting capital throughout the tax year in which the dividend is distributed as well as during the previous tax year, is 12.5%, provided that not more than 25% of the gross income for such preceding year consists of certain types of dividends and interest. Notwithstanding the foregoing, dividends distributed from income attributed to an Approved Enterprise, Benefited Enterprise or Preferred Enterprise are not entitled to such reduction under the tax treaty but are subject to a withholding tax rate of 15% for a shareholder that is a U.S. corporation, provided that the conditions related to 10% or more holdings and to our gross income for the previous year (as set forth in the previous sentence) are met. The aforementioned rates under the United States-Israel Tax Treaty would not apply if the dividend income is derived through a permanent establishment of the U.S. resident in Israel. If the dividend is attributable partly to income derived from an Approved Enterprise, Benefited Enterprise or Preferred Enterprise, and partly to other sources of income, the withholding rate will be a blended rate reflecting the relative portions of the two types of income. We cannot assure you that we will designate the profits that we may distribute in a way that will reduce shareholders' tax liability.

A non-Israeli resident who receives dividends from which all taxes due were withheld at source according to applicable provisions of the Ordinance and the regulations promulgated thereunder is generally exempt from the obligation to file tax returns in Israel with respect to such income, provided that (i) such income was not generated from business conducted in Israel by the taxpayer, (ii) the taxpayer has no other taxable sources of income in Israel with respect to which a tax return is required to be filed, and (iii) the taxpayer is not obligated to pay surtax (as further explained below).

Surtax. Subject to the provisions of an applicable tax treaty, individuals who are subject to tax in Israel (whether any such individual is an Israeli resident or non-Israeli resident) are also subject to an additional tax at a rate of 3% on annual income (including, but not limited to, dividends, interest and capital gain) exceeding ILS 721,560 for 2024, which amount is linked to the annual change in the Israeli consumer price index.

Estate and Gift Tax. Israeli law presently does not impose estate or gift taxes.

United States Federal Income Taxation

The following is a description of the material U.S. federal income tax consequences of the acquisition, ownership and disposition of our ordinary shares and warrants. This description addresses only the U.S. federal income tax consequences to U.S. Holders (as defined below) that hold our ordinary shares or warrants as capital assets within the meaning of Section 1221 of the Code, and that have the U.S. dollar as their functional currency. This discussion is based upon the Code, applicable U.S. Treasury regulations, administrative pronouncements and judicial decisions, in each case as in effect on the date hereof, all of which are subject to change (possibly with retroactive effect). No ruling has been or will be requested from the IRS regarding the tax consequences of the acquisition, ownership or disposition of the ordinary shares and warrants, and there can be no assurance that the IRS will agree with the discussion set out below. This summary does not address any U.S. tax consequences other than U.S. federal income tax consequences (e.g., the estate and gift tax, the alternative minimum tax or the Medicare tax on net investment income) and does not address any state, local or non-U.S. tax consequences.

This description does not address tax considerations applicable to holders that may be subject to special tax rules, including, without limitation:

- banks, financial institutions or insurance companies;
- real estate investment trusts or regulated investment companies;
- dealers or brokers;
- traders that elect to mark to market;
- tax exempt entities or organizations;
- “individual retirement accounts” and other tax deferred accounts;
- certain former citizens or long term residents of the United States;
- persons that are resident or ordinarily resident in or have a permanent establishment in a jurisdiction outside the United States;
- persons that acquired our ordinary shares pursuant to the exercise of any employee share option or otherwise as compensation for the performance of services;
- persons holding our ordinary shares or warrants as part of a “hedging,” “integrated” or “conversion” transaction or as a position in a “straddle” for U.S. federal income tax purposes;
- partnerships or other pass through entities and persons holding ordinary shares or warrants through partnerships or other pass through entities; or
- holders that own directly, indirectly or through attribution 10% or more of the total voting power or value of all of our outstanding shares.

For purposes of this description, a “U.S. Holder” is a beneficial owner of our ordinary shares or warrants that, for U.S. federal income tax purposes, is:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any state thereof, including the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if such trust has validly elected to be treated as a United States person for U.S. federal income tax purposes or if (1) a court within the United States is able to exercise primary supervision over its administration and (2) one or more United States persons have the authority to control all of the substantial decisions of such trust.

If a partnership (or any other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds our ordinary shares or warrants, the tax treatment of a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. Such a partner or partnership should consult its tax advisor as to the particular U.S. federal income tax consequences of acquiring, owning and disposing of our ordinary shares or warrants in its particular circumstance.

You should consult your tax advisor with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, owning and disposing of our ordinary shares and warrants.

Distributions on Ordinary Shares

Subject to the discussion under “*Passive Foreign Investment Company Considerations*” below, the gross amount of any distribution made to you with respect to our ordinary shares, before reduction for any Israeli taxes withheld therefrom, generally will be includible in your income as dividend income on the date on which the dividends are actually or constructively received, to the extent such distribution is paid out of our current or accumulated earnings and profits as determined under U.S. federal income tax principles. To the extent that the amount of any distribution by us exceeds our current and accumulated earnings and profits as determined under U.S. federal income tax principles, it will be treated first as a tax free return of your adjusted tax basis in our ordinary shares and thereafter as capital gain. However, we do not expect to maintain calculations of our earnings and profits under U.S. federal income tax principles and, therefore, you should expect that the entire amount of any distribution generally will be reported as dividend income to you. If you are a non-corporate U.S. Holder you may qualify for the lower rates of taxation with respect to dividends on ordinary shares applicable to long term capital gains (i.e., gains from the sale of capital assets held for more than one year), provided that we are not a PFIC (as discussed below under “*Passive Foreign Investment Company Considerations*”) with respect to you in our taxable year in which the dividend was paid or in the prior taxable year and certain other conditions are met, including certain holding period requirements and the absence of certain risk reduction transactions. However, such dividends will not be eligible for the dividends received deduction generally allowed to corporate U.S. Holders.

Dividends paid to you with respect to our ordinary shares generally will be treated as foreign source income, which may be relevant in calculating your foreign tax credit limitation. Subject to certain conditions and limitations, Israeli tax withheld on dividends may be credited against your U.S. federal income tax liability or, at your election, be deducted from your U.S. federal taxable income. An election to deduct creditable foreign taxes instead of claiming foreign tax credits would generally apply to all such foreign taxes paid or accrued in such taxable year. Dividends that we distribute generally should constitute “passive category income” for purposes of the foreign tax credit. A foreign tax credit for foreign taxes imposed on distributions may be denied if you do not satisfy certain minimum holding period requirements. Pursuant to applicable United States Treasury regulations, however, if a U.S. Holder is not eligible for the benefits of an applicable income tax treaty or does not elect to apply such treaty, then such holder may not be able to claim a foreign tax credit arising from any foreign tax imposed on a distribution on our ordinary shares, depending on the nature of such foreign tax. The rules relating to the determination of the foreign tax credit are complex, and you should consult your tax advisor to determine whether and to what extent you would be entitled to this credit, including your eligibility for benefits under an applicable income tax treaty and the potential impact of the applicable United States Treasury regulations.

Sale, Exchange or Other Disposition of Ordinary Shares and Warrants

Subject to the discussion under “*Passive Foreign Investment Company Considerations*” below, you generally will recognize gain or loss on the sale, exchange or other disposition of our ordinary shares or warrants equal to the difference between the amount realized on such sale, exchange or other disposition and your adjusted tax basis in our ordinary shares or warrants, and such gain or loss will be capital gain or loss. If you are a non-corporate U.S. Holder, capital gain from the sale, exchange or other disposition of ordinary shares or warrants is currently generally eligible for a preferential rate of taxation applicable to capital gains, if your holding period for such ordinary shares or warrants exceeds one year (i.e., such gain is long term capital gain). The deductibility of capital losses for U.S. federal income tax purposes is subject to limitations under the Code. Any such gain or loss that a U.S. Holder recognizes generally will be treated as U.S. source income or loss for foreign tax credit limitation purposes.

In addition, pursuant to applicable United States Treasury regulations, if a U.S. Holder is not eligible for the benefits of an applicable income tax treaty or does not elect to apply such treaty, then such holder may not be able to claim a foreign tax credit arising from any foreign tax imposed on the disposition of our ordinary shares, depending on the nature of such foreign tax. The rules governing the treatment of foreign taxes imposed on a U.S. Holder and foreign tax credits are complex and U.S. Holders should consult their tax advisors as to whether the Israeli tax on gains may be creditable or deductible in light of their particular circumstances, including their eligibility for benefits under an applicable income tax treaty and the potential impact of applicable United States Treasury regulations.

Exercise or Lapse of a Warrant

Except as discussed below with respect to the cashless exercise of a warrant, a U.S. Holder generally will not recognize gain or loss upon the acquisition of an ordinary share on the exercise of a warrant for cash. A U.S. Holder’s tax basis in the ordinary shares received upon exercise of warrants generally should be an amount equal to the sum of the U.S. Holder’s tax basis in the warrants exchanged therefor and the exercise price. The U.S. Holder’s holding period for ordinary shares received upon exercise of warrants will begin on the date following the date of exercise (or possibly on the date of exercise) of the warrants and will not include the period during which the U.S. Holder held the warrants. If a warrant is allowed to lapse unexercised, a U.S. Holder generally will recognize a capital loss equal to such holder’s tax basis in the warrant.

The tax consequences of a cashless exercise of a warrant are not clear under current U.S. federal income tax law. A cashless exercise may be tax-deferred, either because the exercise is not a realization event or because the exercise is treated as a recapitalization for U.S. federal income tax purposes. In either tax-deferred situation, a U.S. Holder's basis in the ordinary shares received would equal the U.S. Holder's basis in the warrants exercised therefore. If the cashless exercise is not treated as a realization event, a U.S. Holder's holding period in the ordinary shares would be treated as commencing on the date following the date of exercise (or possibly on the date of exercise) of the warrants. If the cashless exercise were treated as a recapitalization, the holding period of the ordinary shares would include the holding period of the warrants exercised therefore.

It is also possible that a cashless exercise of a warrant could be treated in part as a taxable exchange in which gain or loss would be recognized in the manner set forth above under "Sale, Exchange or Other Disposition of Ordinary Shares and Warrants." In such event, a U.S. Holder could be deemed to have surrendered warrants equal to the number of ordinary shares having an aggregate fair market value equal to the exercise price for the total number of warrants to be exercised. The U.S. Holder would recognize capital gain or loss in an amount generally equal to the difference between (i) the fair market value of the warrants deemed surrendered and (ii) the U.S. Holder's tax basis in such warrants deemed surrendered. In this case, a U.S. Holder's tax basis in the ordinary shares received would equal the sum of (i) U.S. Holder's tax basis in the warrants deemed exercised and (ii) the exercise price of such warrants. A U.S. Holder's holding period for the ordinary shares received in such case generally would commence on the date following the date of exercise (or possibly on the date of exercise) of the warrants.

Due to the absence of authority on the U.S. federal income tax treatment of a cashless exercise of warrants, there can be no assurance which, if any, of the alternative tax consequences and holding periods described above would be adopted by the IRS or a court of law. Accordingly, U.S. Holders should consult their tax advisors regarding the tax consequences of a cashless exercise of warrants.

Possible constructive distributions

The terms of each warrant provide for an adjustment to the number of ordinary shares for which the warrant may be exercised or to the exercise price of the warrant in certain events. An adjustment which has the effect of preventing dilution generally is not taxable. A U.S. Holder of a warrant would, however, be treated as receiving a constructive distribution from us if, for example, the adjustment increases the holder's proportionate interest in our assets or earnings and profits (for instance, through an increase in the number of ordinary shares that would be obtained upon exercise of such warrant) as a result of a distribution of cash or other property such as other securities to the holders of the ordinary shares which is taxable to such holders under "Distributions on Ordinary Shares" above. Such constructive distribution would be subject to tax as described under that section in the same manner as if the U.S. Holder of such warrant received a cash distribution from us equal to the fair market value of such increased interest.

Passive Foreign Investment Company Considerations

In general, a non-U.S. corporation will be classified as a PFIC for any taxable year if at least (i) 75% of its gross income is classified as "passive income" or (ii) 50% of its gross assets (generally determined on the basis of a quarterly average) produce or are held for the production of passive income. Passive income for this purpose generally includes dividends, interest, royalties, rents, gains from commodities and securities transactions and the excess of gains over losses from the disposition of assets which produce passive income. For these purposes, cash and other assets readily convertible into cash are considered passive assets, and goodwill and other unbooked intangibles are generally taken into account. In making this determination, the non-U.S. corporation is treated as earning its proportionate share of any income and owning its proportionate share of any assets of any corporation in which it directly or indirectly holds 25% or more (by value) of the stock.

We believe we were a PFIC for our taxable year ending December 31, 2023. However, as discussed below, whether we were a PFIC for any given taxable year is based on a complex and factual determination and there is no assurance that the IRS will agree with our determination. Based on the current and anticipated composition of our income, assets and operations, and those of our subsidiaries, we cannot be sure as to whether we will be a PFIC for U.S. federal income tax purposes for our current taxable year or in future taxable years. However, because PFIC status is based on our income, assets and activities for the entire taxable year, it is not possible to determine whether we will be characterized as a PFIC for our current taxable year or future taxable years until after the close of the applicable taxable year. Moreover, we must determine our PFIC status annually based on tests that are factual in nature, and our status in the current year and future years will depend on our income, assets and activities in each of those years and, as a result, cannot be predicted with certainty as of the date hereof. The value of our assets (including unbooked goodwill) for purposes of the PFIC determination may be determined by reference to the trading value of our ordinary shares, which could fluctuate significantly.

If we are determined to be a PFIC for any taxable year (or portion thereof) that is included in the holding period of a U.S. Holder of our ordinary shares or warrants and, in the case of our ordinary shares, the U.S. Holder did not make either a timely qualified electing fund (“QEF”) election or a mark-to-market election for our first taxable year as a PFIC in which the U.S. Holder held (or was deemed to hold) ordinary shares, as described below, such holder generally will be subject to special rules with respect to:

- any gain recognized by the U.S. Holder on the sale or other disposition of its ordinary shares or warrants; and
- any “excess distribution” made to the U.S. Holder (generally, any distributions to such U.S. Holder during a taxable year of the U.S. Holder that are greater than 125% of the average annual distributions received by such U.S. Holder in respect of the ordinary shares during the three preceding taxable years of such U.S. Holder or, if shorter, such U.S. Holder’s holding period for the ordinary shares).

Under these rules,

- the U.S. Holder’s gain or excess distribution will be allocated ratably over the U.S. Holder’s holding period for the ordinary shares and warrants;
- the amount allocated to the U.S. Holder’s taxable year in which the U.S. Holder recognized the gain or received the excess distribution, or to the period in the U.S. Holder’s holding period before the first day of our first taxable year in which we are a PFIC, will be taxed as ordinary income;
- the amount allocated to other taxable years (or portions thereof) of the U.S. Holder and included in its holding period will be taxed at the highest tax rate in effect for that year and applicable to the U.S. Holder; and
- the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such other taxable year of the U.S. Holder.

In general, if we are determined to be a PFIC, a U.S. Holder may avoid the PFIC tax consequences described above with respect to our ordinary shares (but not our warrants) by making a timely QEF election (if eligible to do so) to include in income its pro rata share of our net capital gains (as long-term capital gain) and other earnings and profits (as ordinary income), on a current basis, in each case whether or not distributed, in the taxable year of the U.S. Holder in which or with which our taxable year ends.

A U.S. Holder generally may make a separate election to defer the payment of taxes on undistributed income inclusions under the QEF rules, but if deferred, any such taxes will be subject to an interest charge. A U.S. Holder may not make a QEF election with respect to its warrants. As a result, if a U.S. Holder sells or otherwise disposes of such warrants (other than upon exercise of such warrants), under currently proposed Treasury regulations, any gain recognized generally may be subject to the special tax and interest charge rules treating the gain as an excess distribution, as described above, if we were a PFIC at any time during the period the U.S. Holder held the warrants. If a U.S. Holder that exercises such warrants properly makes a QEF election with respect to the newly acquired ordinary shares (or has previously made a QEF election with respect to our ordinary shares), the QEF election will apply to the newly acquired ordinary shares, but the adverse tax consequences relating to PFIC shares, adjusted to take into account the current income inclusions resulting from the QEF election, will continue to apply with respect to such newly acquired ordinary shares (which generally will be deemed to have a holding period for purposes of the PFIC rules that includes the period the U.S. Holder held the warrants), unless the U.S. Holder makes a purging election. One type of purging election creates a deemed sale of such shares at their fair market value. Any gain recognized in this deemed sale will be subject to the special tax and interest charge rules treating the gain as an excess distribution, as described above. As a result of this election, the U.S. Holder will have additional basis and, solely for purposes of the PFIC rules, a new holding period in the ordinary shares acquired upon the exercise of the warrants. U.S. Holders are urged to consult their tax advisors as to the application of the rules governing purging elections to their particular circumstances (including a potential separate “deemed dividend” purging election that may be available if we are a “controlled foreign corporation” for U.S. federal income tax purposes).

The QEF election is made on a shareholder-by-shareholder basis and, once made, can be revoked only with the consent of the IRS. A U.S. Holder generally makes a QEF election by attaching a completed IRS Form 8621 (Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund), including the information provided in a PFIC Annual Information Statement, to a timely filed U.S. federal income tax return for the tax year to which the election relates. Retroactive QEF elections generally may be made only by filing a protective statement with such return and if certain other conditions are met or with the consent of the IRS. U.S. Holders should consult their tax advisors regarding the availability and tax consequences of a retroactive QEF election under their particular circumstances.

In order to comply with the requirements of a QEF election, a U.S. Holder must receive a PFIC Annual Information Statement from us. If we determine we were a PFIC for a given taxable year, we will reasonably endeavor to provide a PFIC Annual Information Statement to a U.S. Holder upon request. There can be no assurance, however, that we will timely provide such information for the current taxable year or subsequent taxable years. The failure to provide such information on an annual basis could prevent a U.S. Holder from making a QEF election or result in the invalidation or termination of a U.S. Holder's prior QEF election.

If a U.S. Holder has made a QEF election with respect to our ordinary shares, and the special tax and interest charge rules do not apply to such shares (because of a timely QEF election for our first taxable year as a PFIC in which the U.S. Holder holds (or is deemed to hold) such shares or a purge of the PFIC taint pursuant to a purging election, as described above), any gain recognized on the sale of our ordinary shares generally will be taxable as capital gain and no interest charge will be imposed under the PFIC rules. As discussed above, U.S. Holders of a QEF are currently taxed on their pro rata shares of its earnings and profits, whether or not distributed. In such case, a subsequent distribution of such earnings and profits that were previously included in income generally should not be taxable as a dividend to such U.S. Holders. The tax basis of a U.S. Holder's shares in a QEF will be increased by amounts that are included in income, and decreased by amounts distributed but not taxed as dividends, under the above rules.

Although a determination as to our PFIC status will be made annually, an initial determination that our company is a PFIC will generally apply for subsequent years to a U.S. Holder who held ordinary shares or warrants while we were a PFIC, whether or not we meet the test for PFIC status in those subsequent years. A U.S. Holder who makes the QEF election discussed above for our first taxable year as a PFIC in which the U.S. Holder holds (or is deemed to hold) ordinary shares, however, will not be subject to the PFIC tax and interest charge rules discussed above in respect to such shares. In addition, such U.S. Holder will not be subject to the QEF inclusion regime with respect to such ordinary shares for any taxable year of us that ends within or with a taxable year of the U.S. Holder and in which we are not a PFIC. On the other hand, if the QEF election is not effective for each of our taxable years in which we are a PFIC and the U.S. Holder holds (or is deemed to hold) ordinary shares, the PFIC rules discussed above will continue to apply to such ordinary shares unless the U.S. Holder makes a purging election, as described above, and pays the tax and interest charge with respect to the gain inherent in such shares attributable to the pre-QEF election period.

Alternatively, if a U.S. Holder, at the close of its taxable year, owns shares in a PFIC that are treated as marketable stock, the U.S. Holder may make a mark-to-market election with respect to such shares for such taxable year. If the U.S. Holder makes a valid mark-to-market election for the first taxable year of the U.S. Holder in which the U.S. Holder holds (or is deemed to hold) ordinary shares and for which we are determined to be a PFIC, such U.S. Holder generally will not be subject to the PFIC rules described above in respect to its ordinary shares. Instead, in general, the U.S. Holder will include as ordinary income each year the excess, if any, of the fair market value of its ordinary shares at the end of its taxable year over the adjusted basis in its ordinary shares. Such a U.S. Holder also will be allowed to take an ordinary loss in respect of the excess, if any, of the adjusted basis of its ordinary shares over the fair market value of its ordinary shares at the end of its taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). Such U.S. Holder's basis in its ordinary shares will be adjusted to reflect any such income or loss amounts, and any further gain recognized on a sale or other taxable disposition of the ordinary shares will be treated as ordinary income. Currently, a mark-to-market election may not be made with respect to our warrants.

The mark-to-market election is available only for stock that is regularly traded on a national securities exchange that is registered with the SEC, including Nasdaq, or on a foreign exchange or market that the IRS determines, has rules sufficient to ensure that the market price represents a legitimate and sound fair market value. U.S. Holders should consult their tax advisors regarding the availability and tax consequences of a mark-to-market election in respect to our ordinary shares under their particular circumstances.

Certain of the PFIC rules may impact U.S. Holders with respect to equity interests in subsidiaries and other entities which we may hold, directly or indirectly, that are PFICs (collectively, "Lower-Tier PFICs"). There can be no assurance, however, that we do not own, or will not in the future acquire, an interest in a subsidiary or other entity that is or would be treated as a Lower-Tier PFIC. If we own any interests in a Lower-Tier PFIC, a U.S. Holder generally must make a separate QEF election for each Lower-Tier PFIC, subject to our providing the relevant tax information for each Lower-Tier PFIC on an annual basis. A mark-to-market election generally would not be available with respect to any Lower-Tier PFIC. U.S. Holders should consult their tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

A U.S. Holder of a PFIC may be required to file an IRS Form 8621 on an annual basis in certain circumstances which include, but are not limited to, if a U.S. Holder recognizes gain on a disposition of such ordinary shares or receives distributions with respect to such ordinary shares. U.S. Holders should consult their tax advisors regarding any reporting requirements that may apply to them if we are a PFIC.

The rules dealing with PFICs and with the QEF and mark-to-market elections are very complex, are unclear in certain respects, and are affected by various factors in addition to those described above. Accordingly, U.S. Holders of ordinary shares or warrants should consult their tax advisors concerning the application of the PFIC rules to our ordinary shares or warrants under their particular circumstances.

Backup Withholding Tax and Certain Information Reporting Requirements

Distribution payments on, and proceeds paid from the sale or other taxable disposition of, the ordinary shares and warrants may be subject to information reporting to the IRS. In addition, a U.S. Holder may be subject to backup withholding on payments received in connection with distribution payments and proceeds from the sale or other taxable disposition of ordinary shares or warrants made within the United States or through certain U.S. related financial intermediaries.

Backup withholding will not apply, however, to a U.S. Holder that furnishes a correct taxpayer identification number, provides other required certification and otherwise complies with the applicable requirements of the backup withholding rules or that is otherwise exempt from backup withholding (and, when required, demonstrates such exemption). Backup withholding is not an additional tax. Rather, any amount withheld under the backup withholding rules will be creditable or refundable against the U.S. Holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Foreign Asset Reporting

Certain U.S. Holders are required to report their holdings of certain foreign financial assets, including equity of foreign entities, if the aggregate value of all of these assets exceeds certain threshold amounts, by filing IRS Form 8938 with their federal income tax return. Our ordinary shares and warrants are expected to constitute foreign financial assets subject to these requirements unless the ordinary shares or warrants are held in an account at certain financial institutions. U.S. Holders are urged to consult their tax advisors regarding their information reporting obligations, if any, with respect to their ownership and disposition of our ordinary shares and warrants and the significant penalties for non-compliance.

The above description is not intended to constitute a complete analysis of all tax consequences relating to acquisition, ownership and disposition of our ordinary shares and warrants. You should consult your tax advisor concerning the tax consequences of your particular situation.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to the informational requirements of the Exchange Act. Accordingly, we are required to file reports and other information with the SEC, including annual reports on Form 20-F and reports on Form 6-K.

As a foreign private issuer, we are exempt under the Exchange Act from, among other things, the rules prescribing the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. We are required to make certain filings with the SEC. The SEC maintains an internet website that contains reports, proxy statements and other information about issuers, like us, that file electronically with the SEC. The address of that site is www.sec.gov.

Our ordinary shares and warrants are quoted on Nasdaq. Information about us is also available on our website at <https://innviz.tech/>. Our website and the information contained therein or connected thereto will not be deemed to be incorporated into this Annual Report and you should not rely on any such information in making your decision whether to purchase our ordinary shares or warrants.

I. Subsidiary Information

Not applicable.

J. Annual Report to Security Holders

Not applicable.

Item 11. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of foreign currency exchange rates and interest rates, which are discussed in detail below.

Interest Rate Risk

As of December 31, 2023 and 2022, our cash equivalents consisted of interest-bearing short-term deposits and marketable securities. Our primary exposure to market risk is interest rate sensitivity, which is affected by changes in the general level of interest of the Bank of Israel, and U.S. Federal Reserve interest rates. Due to the short-term nature and the low-risk profile of our interest-bearing accounts, an immediate 10% change in interest rates would not have a material effect on the fair market value of our cash and cash equivalents and short-term restricted bank deposits or on our financial position or results of operations. We are currently exposed to significant market risk related to changes in foreign currency exchange rates; as we pay most of our salaries in ILS and we contract with vendors located in the UK, Europe and Israel. Our operations may be subject to fluctuations in foreign currency exchange rates in the future.

We do not believe that inflation had a material effect on our business, financial condition or results of operations during the years ended December 31, 2023 and 2022.

Foreign Currency Risk

Our financial results are reported in USD, and changes in the exchange rate between USD and local currencies in the countries in which we operate (primarily the ILS) may affect the results of our operations. In the year ended December 31, 2023, approximately 98% of our revenues were denominated in USD. The USD cost of our operations in countries other than the United States, may be negatively influenced by revaluation of the USD against other currencies.

During the year ended December 31, 2023, the value of the USD appreciated against the value of the ILS by approximately 3.1%. Our most significant foreign currency exposures are related to our operations in Israel. The company hedges its anticipated exposure by exchanging USD into ILS in amounts sufficient to fund up to three months of operations and monitoring foreign currency exchange rates over time.

Item 12. Description of Securities Other than Equity Securities

Not applicable.

PART II**Item 13. Defaults, Dividend Arrearages and Delinquencies**

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

Item 15. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in the Company's reports 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 Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2023. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2023, our disclosure controls and procedures were effective to accomplish their objectives at the reasonable assurance level.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Our management conducted an assessment of the effectiveness of our internal control over financial reporting based on the criteria set forth in "Internal Control - Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, our management concluded that, as of December 31, 2023, our internal control over financial reporting was effective.

Attestation Report of the Registered Public Accounting Firm

This Annual Report does not include an attestation report of our registered public accounting firm as we are an emerging growth company and are exempt from the requirement to provide such a report.

Changes in Internal Control Over Financial Reporting

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

Item 16A. Audit Committee Financial Expert

Our board of directors has determined that Mr. Dan Falk, chairman of our audit committee, satisfies the "independence" requirements set forth in Rule 10A-3 under the Exchange Act. Our board of directors has also determined that Mr. Dan Falk is considered an "audit committee financial expert" as defined in Item 16A of Form 20-F under the Exchange Act.

Item 16B. Code of Ethics

We have adopted a Code of Ethics and Conduct that applies to all our employees, officers and directors, including our principal executives, principal financials and principal accounting officers. Our Code of Ethics and Conduct addresses, among other things, competition and fair dealing, conflicts of interest, financial matters and external reporting, company funds and assets, confidentiality and corporate opportunity requirements and the process for reporting violations of the Code of Ethics and Conduct, employee misconduct, conflicts of interest or other violations. Our Code of Ethics and Conduct is intended to meet the definition of "code of ethics" under Item 16B of Form 20-F under the Exchange Act.

We will disclose on our website any amendment to, or waiver from, a provision of our Code of Ethics and Conduct that applies to our directors or executive officers to the extent required under the rules of the SEC or Nasdaq. Our Code of Ethics and Conduct is available on our website at <https://ir.innoviz.tech/>. The information contained on or through our website, or any other website referred to herein, is not incorporated by reference in this Annual Report. You may request a copy of our Code of Ethics and Conduct, free of charge, by writing to us at the following address: investors@innoviz-tech.com.

Item 16C. Principal Accounting Fees and Services

The consolidated financial statements of Innoviz Technologies Ltd. as of December 31, 2023 and for the year then ended, appearing in this Annual Report have been audited by Kesselman & Kesselman, a member firm of PricewaterhouseCoopers International Limited ("PwC"), an independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein. The current address of PwC is 146 Derech Menachem Begin St., Tel Aviv 6492103, Israel.

The consolidated financial statements of Innoviz Technologies Ltd. as of December 31, 2022, and for the two years in the period ended December 31, 2022, appearing in this Annual Report have been audited by Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global ("EY"), and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing. The current address of EY is 144 Menachem Begin Road, Building A, Tel Aviv 6492101, Israel.

The table below sets out the total amount of services rendered to us by PWC and EY for services performed in the years ended December 31, 2023 and 2022, and breaks down these amounts by category of service:

	<u>2023</u>	<u>2022</u>
	(in thousands)	
Audit Fees	\$ 508	\$ 909
Audit Related Fees	—	—
Tax Fees	53	25
All Other Fees	—	—
Total	<u>\$ 561</u>	<u>\$ 934</u>

Audit Fees

Audit fees for the years ended December 31, 2023 and 2022 include fees for the audit of our annual financial statements. This category also includes services that the independent accountant generally provides, such as consents and assistance with and review of documents filed with the SEC.

Audit Related Fees

None.

Tax Fees

Tax fees for the years ended December 31, 2023 and 2022 were related to ongoing tax advisory, tax compliance and tax planning services.

All Other Fees

None.

Pre-Approval Policies and Procedures

The advance approval of the audit committee or members thereof, to whom approval authority has been delegated, is required for all audit and non-audit services provided by our auditors.

All services provided by our auditors are approved in advance by either the audit committee or members thereof, to whom authority has been delegated, in accordance with the audit committee's pre-approval policy.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Item 16F. Change in Registrant's Certifying Accountant

As disclosed in our Report on Form 6-K, filed with the SEC on November 7, 2023, following review and consultation, the audit Committee recommended to the board of directors of the company to dismiss EY and engage PwC as our independent public accounting firm for the fiscal year ending December 31, 2023, and approve the engagement of PwC as our independent public accounting firm. The board of directors subsequently accepted the recommendation of the audit committee and approved the engagement of PwC as our independent public accounting firm for the fiscal year ending December 31, 2023, contingent and effective upon the approval of such engagement by our shareholders. In December 2023, our shareholders approved the engagement of PwC.

We engaged PwC as our new independent registered public accounting firm as of November 7, 2023. During the fiscal years ended December 31, 2022 and 2021 and the subsequent interim period through November 7, 2023, we have not consulted with PwC regarding any of the matters described in Item 16F(a)(2)(i) or Item 16F(a)(2)(ii) of Form 20-F.

As disclosed in our Report on Form 6-K, filed with the SEC on November 7, 2023, the reports of EY on our financial statements for the fiscal years ended December 31, 2022 and December 31, 2021 did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles. In connection with the audits of our financial statements for each of the fiscal years ended December 31, 2022 and December 31, 2021, and during the subsequent interim period through the date of this Annual Report, there were no disagreements with EY on any matters of accounting principles or practices, financial statement disclosure or auditing scope and procedures which, if not resolved to the satisfaction of EY, would have caused EY to make reference to the matter in their reports on our financial statements, and there were no reportable events as the term is described in Item 16F(a)(1)(v) of Form 20-F.

Prior to the filing of the Form 6-K on November 7, 2023, we delivered a copy of the disclosure in the Form 6-K to EY and requested that a letter addressed to the SEC stating whether or not it agrees with the statements made in response to this disclosure and, if not, stating the respects in which it does not agree. EY responded with a letter dated November 7, 2023, a copy of which is furnished as Exhibit 99.3 to such Form 6-K, stating that EY agrees with the statements set forth therein.

Item 16G. Corporate Governance

We are a "foreign private issuer" (as such term is defined in Rule 3b-4 under the Exchange Act) and our ordinary shares are listed on Nasdaq. We believe the following to be the significant differences between our corporate governance practices and those applicable to U.S. companies under the Nasdaq listing standards. Under the Nasdaq rules, listed companies that are foreign private issuers are permitted to follow home country practice in lieu of the corporate governance provisions specified by the Nasdaq with limited exceptions. We rely on this "home country practice exemption" with respect to the quorum requirement for shareholder meetings. As permitted under the Companies Law, pursuant to our Articles, the quorum required for an ordinary meeting of shareholders consists of at least two shareholders present in person, by proxy or by other voting instrument in accordance with the Companies Law, who hold at least 25% of the voting power of our shares (and in an adjourned meeting, with some exceptions, any number of shareholders), instead of 33 1/3% of the issued share capital required under the Nasdaq corporate governance rules.

We otherwise comply with and intend to continue to comply with the rules generally applicable to U.S. domestic companies listed on the Nasdaq. We may in the future, however, decide to use other foreign private issuer exemptions with respect to some or all the other Nasdaq listing rules. Following our home country governance practices may provide less protection than is accorded to investors under the Nasdaq listing rules applicable to domestic issuers.

Item 16H. Mine Safety Disclosure

Not applicable.

Item 16I. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

Item 16J. Insider Trading Policies

Not applicable.

Item 16K. Cybersecurity

Cybersecurity Risk Management and Strategy

We have developed and implemented a cybersecurity risk management program intended to protect the confidentiality, integrity, and availability of our critical systems and information from third party entities. Our cybersecurity risk management program includes a cybersecurity incident response plan.

We design and assess our program based on the NIST Cybersecurity Framework (CSF). This does not imply that we meet any particular technical standards, specifications, or requirements, only that we use the NIST CSF as a guide to help us identify, assess, and manage cybersecurity risks relevant to our business.

Our cybersecurity risk management program is integrated into our overall enterprise risk management program, and shares common methodologies, reporting channels and governance processes that apply across the enterprise risk management program to other legal, compliance, strategic, operational, and financial risk areas.

Our cybersecurity risk management program includes:

- Suppliers risk assessments and scan designed to identify cybersecurity risks from third parties to our critical systems, information, products, services, and our broader enterprise or IT environment prior to engagement;
- an in-house security team principally responsible for managing (i) our cybersecurity risk assessment processes, (ii) our security controls, and (iii) our response to cybersecurity incidents from external entities;
- the use and risks of external service providers, where appropriate, to assess, test or otherwise assist to minimize and mitigate the risk with aspects of our security controls from external entities;
- cybersecurity awareness training of our employees, related to risks from external contractors or entities, incident response personnel, and senior management to intervene in case needed;
- a cybersecurity incident response plan that includes procedures for responding to cybersecurity incidents from external entities; and
- a third-party risk management process for service providers, suppliers, and vendors.

We have not identified risks from known cybersecurity threats, including as a result of any prior cybersecurity incidents, that have materially affected or are reasonably likely to materially affect us, including our operations, business strategy, results of operations, or financial condition.

Cybersecurity Governance

Our board of directors considers cybersecurity risk as part of its risk oversight function and oversees cybersecurity and other information technology risks. Our board of directors oversees management's implementation of our cybersecurity risk management program.

The board of directors receives quarterly reports from management on our cybersecurity risks. In addition, management updates the board of directors, as necessary, and the audit committee, where applicable, regarding any material cybersecurity incidents, as well as any incidents with lesser impact potential.

Members of our board of directors receive presentations on cybersecurity topics from Chief Operation Officer, on a quarterly basis, as part of its continuing education on topics that impact public companies.

Our management team, including our Chief Information Security Officer (CISO) and director of IT, are responsible for assessing and managing our material risks from cybersecurity threats. The team has primary responsibility for our overall cybersecurity risk management program and supervises both our internal cybersecurity personnel and our retained external cybersecurity consultants. Our management team's experience includes governance and risk compliance (GRC) and enterprise security operations management.

Our management team supervises efforts to prevent, detect, mitigate, and remediate cybersecurity risks and incidents through various means, which may include briefings from internal security personnel; threat intelligence and other information obtained from governmental, public or private sources, including external consultants engaged by us; and alerts and reports produced by security tools deployed in the IT environment.

PART III

Item 17. Financial Statements

We have provided financial statements pursuant to Item 18.

Item 18. Financial Statements

The audited consolidated financial statements as required under Item 18 are attached hereto starting on page F-1 of this Annual Report. The audit reports of Kesselman & Kesselman, a member firm of PricewaterhouseCoopers International Limited, an independent registered public accounting firm, and Kost Forer Gabbay & Kasierer, a member of EY Global, an independent registered public accounting firm, are included herein preceding the audited consolidated financial statements.

Item 19. Exhibits

List all exhibits filed as part of the registration statement or annual report, including exhibits incorporated by reference.

Exhibit No.	Description	Incorporation by Reference				
		Form	File No.	Exhibit No.	Filing Date	Filed / Furnished
1.1	Amended and Restated Articles of Association of Innoviz Technologies Ltd.	F-3	333-265170	3.1	May 24, 2022	
2.1	Description of Securities.	20-F	001-40310	2.1	April 21, 2021	
4.1†	Form of Director and Officer Indemnification Agreement.	F-4	333-252023	10.12	February 12, 2021	
4.2†	Compensation Policy for Directors and Officers.	F-4	333-252023	10.13	February 12, 2021	
4.3†	2016 Share Incentive Plan of Innoviz Technologies Ltd.	F-4	333-252023	10.10	January 11, 2021	
4.4†	2021 Share Incentive Plan of Innoviz Technologies Ltd.	20-F	001-40310	4.4	March 30, 2022	
4.5††	Joint Development and Supply Agreement, dated as of December 4, 2017, by and between Magna Electronics Inc. and Innoviz Technologies Ltd.	F-4	333-252023	10.15	January 11, 2021	
4.6††	Statement of Work, dated February 2, 2018, by and between Magna Electronics Europe GmbH & Co. OHG and Innoviz Technologies Ltd.	F-4	333-252023	10.16	January 11, 2021	
4.7††	Amendment No. 1 to Statement of Work, dated May 10, 2019, by and between Magna Electronics Europe GmbH & Co. OHG and Innoviz Technologies Ltd.	F-4	333-252023	10.17	January 11, 2021	
4.8††	Memorandum of Understanding, dated October 12, 2020, by and between Magna Electronics Technology, Inc. and Innoviz Technologies Ltd.	F-4	333-252023	10.18	January 11, 2021	
4.9††	Addendum to Memorandum of Understanding, dated December 8, 2020, by and between Magna Electronics Technology, Inc. and Innoviz Technologies Ltd.	F-4	333-252023	10.19	January 11, 2021	
4.10	Warrant Agreement, dated as of April 30, 2020, between Continental Stock Transfer & Trust Company and Collective Growth Corporation.	F-4	333-252023	4.4	January 11, 2021	

4.11	Assignment, Assumption and Amendment Agreement, by and among Innoviz Technologies Ltd., Collective Growth Corporation, American Stock Transfer & Trust Company and Continental Stock Transfer & Trust Company.	20-F	001-40310	4.11	April 21, 2021	
4.12	Registration Rights Agreement, dated as of December 10, 2020, by and among Innoviz, certain equityholders of Innoviz, certain equityholders of Collective Growth, Perception and Antara Capital.	F-4	333-252023	4.8	January 11, 2021	
4.13	Put Option Agreement, dated as of December 10, 2020, by and between Innoviz and Antara Capital.	F-4	333-252023	10.7	January 11, 2021	
4.14	Lease Agreement dated as of November 1, 2021 between Innoviz Technologies Ltd. and Mifaley Tahanut Ltd.	20-F	001-40310	4.14	March 30, 2022	
4.15	Nomination Agreement dated November 4, 2022 between Innoviz Technologies Ltd. and CARIAD SE.	20-F	001-40310	4.15	March 9, 2023	
4.16	Magna Agreement dated December 29, 2023 between Innoviz Technologies Ltd., Magna Electronics Technology, Inc., and Magna Electronics Europe GmbH & Co. OHG.					*
8.1	List of Subsidiaries.					*
12.1	Principal Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					*
12.2	Principal Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					*
13.1	Principal Executive Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					**
13.2	Principal Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					**
15.1	Consent of Kesselman & Kesselman, Certified Public Accountants (Isr.), a member firm of PricewaterhouseCoopers International Limited, independent registered public accounting firm.					*
15.2	Consent of Kost Forer Gabbay & Kasierer, a member of EY Global, independent registered public accounting firm.					*
16.1	Letter, dated November 7, 2023, from Kost Forer Gabbay & Kasierer, a member of EY Global, addressed to the U.S. Securities and Exchange Commission.	6-K	001-40310	99.3	November 7, 2023	
97	Clawback Policy.					*
101.INS	XBRL Instance Document.					*
101.SCH	XBRL Taxonomy Extension Schema Document.					*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.					*
101.DEF	XBRL Taxonomy Definition Linkbase Document.					*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.					*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					*

* Filed herewith.

** Furnished herewith.

† Indicates management contract or compensatory plan or arrangement.

†† Certain confidential portions (indicated by brackets and asterisks) have been omitted from this exhibit.

Certain agreements filed as exhibits to this Annual Report contain representations and warranties that the parties thereto made to each other. These representations and warranties have been made solely for the benefit of the other parties to such agreements and may have been qualified by certain information that has been disclosed to the other parties to such agreements and that may not be reflected in such agreements. In addition, these representations and warranties may be intended as a way of allocating risks among parties if the statements contained therein prove to be incorrect, rather than as actual statements of fact. Accordingly, there can be no reliance on any such representations and warranties as characterizations of the actual state of facts. Moreover, information concerning the subject matter of any such representations and warranties may have changed since the date of such agreements.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

INNOVIZ TECHNOLOGIES LTD.

Date: March 12, 2024

By: /s/ Eldar Cegla

Name: Eldar Cegla

Title: Chief Financial Officer

INNOVIZ TECHNOLOGIES LTD. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2023

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Innoviz Technologies Ltd.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Innoviz Technologies Ltd. and its subsidiaries (the "Company") as of December 31, 2023, and the related consolidated statements of operations, of changes in convertible preferred shares and shareholders' equity and of cash flows for the year then ended, including the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Tel-Aviv, Israel
March 12, 2024

/s/ Kesselman & Kesselman
Certified Public Accountants (Isr.)
A member firm of PricewaterhouseCoopers International Limited

We have served as the Company's auditor since 2023.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of

INNOVIZ TECHNOLOGIES LTD.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Innoviz Technologies Ltd. and its subsidiaries (the “Company”) as of December 31, 2022, the related consolidated statements of operations, changes in convertible preferred shares and shareholders’ equity (deficit) and cash flows for each of the two years in the period ended December 31, 2022, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2022, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KOST FORER GABBAY & KASIERER
A Member of EY Global

We have served as the Company’s auditor from 2016 to 2023.
Tel-Aviv, Israel
March 9, 2023

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands (except share and per share data)

	December 31,	
	2023	2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 26,283	\$ 55,718
Short-term restricted cash	53	236
Bank deposits	105,750	80,684
Marketable securities	13,335	41,681
Trade receivables, net	7,395	1,762
Inventory	1,868	4,236
Prepaid expenses and other current assets	5,774	3,236
Total current assets	160,458	187,553
LONG-TERM ASSETS:		
Marketable securities	4,813	7,840
Restricted deposits	2,623	2,543
Property and equipment, net	25,770	30,489
Operating lease right-of-use assets, net	25,486	26,927
Other long-term assets	84	81
Total long-term assets	58,776	67,880
Total assets	\$ 219,234	\$ 255,433

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

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands (except share and per share data)

	December 31,	
	2023	2022
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 8,036	\$ 8,367
Deferred revenues	6,949	4,082
Employees and payroll accruals	9,468	8,693
Accrued expenses and other current liabilities	8,743	7,572
Operating lease liabilities	4,034	3,720
Total current liabilities	37,230	32,434
LONG-TERM LIABILITIES:		
Deferred revenues	-	61
Operating lease liabilities	28,475	30,201
Warrants liability	240	720
Total long-term liabilities	28,715	30,982
SHAREHOLDERS' EQUITY:		
Ordinary Shares of no-par value: Authorized: 500,000,000 shares as of December 31, 2023 and 2022; Issued and outstanding: 165,387,098 and 136,185,264 shares as of December 31, 2023 and 2022, respectively	-	-
Additional paid-in capital	788,577	703,851
Accumulated deficit	(635,288)	(511,834)
Total shareholders' equity	153,289	192,017
Total liabilities and shareholders' equity	\$ 219,234	\$ 255,433

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

CONSOLIDATED STATEMENTS OF OPERATIONS

U.S. dollars in thousands (except share and per share data)

	Year ended December 31,		
	2023	2022	2021
Revenues	\$ 20,876	\$ 6,026	\$ 5,466
Cost of revenues	(32,490)	(14,790)	(10,488)
Gross loss	(11,614)	(8,764)	(5,022)
Operating expenses:			
Research and development	92,676	95,107	93,336
Sales and marketing	8,777	10,300	23,735
General and administrative	19,535	19,178	35,560
Total operating expenses	120,988	124,585	152,631
Operating loss	(132,602)	(133,349)	(157,653)
Financial income, net	9,790	6,802	4,378
Loss before taxes on income	(122,812)	(126,547)	(153,275)
Taxes on income	(642)	(325)	(284)
Net loss	\$ (123,454)	\$ (126,872)	\$ (153,559)
Basic and diluted net loss per ordinary share	\$ (0.84)	\$ (0.94)	\$ (1.54)
Weighted average number of ordinary shares used in computing basic and diluted net loss per ordinary share	147,480,521	135,224,312	102,859,891

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

CONSOLIDATED STATEMENTS OF CHANGES IN CONVERTIBLE PREFERRED SHARES AND SHAREHOLDERS' EQUITY (DEFICIT)

U.S. dollars in thousands (except share and per share data)

	Convertible Preferred Shares															Total Shareholders' Equity (Deficit)
	Convertible Preferred Shares A		Convertible Preferred Shares B		Convertible Preferred Shares B-1		Convertible Preferred Shares C		Convertible Preferred Shares C-1		Total	Ordinary Shares		Additional Paid-in Capital	Accumulated Deficit	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount		Number	Amount			
Balance as of January 1, 2021	20,418,209	\$ 9,000	15,906,053	\$ 66,348	3,032,940	\$ 12,500	28,216,005	\$ 161,233	2,699,114	\$ 23,734	\$ 272,815	16,948,226	\$ -	\$ 7,658	\$ (231,403)	\$ (223,745)
Issuance of Convertible Preferred Shares C-1	-	-	-	-	-	-	-	-	346,678	-	-	-	-	-	-	-
Conversion of convertible preferred shares (see Note 1c)	(20,418,209)	(9,000)	(15,906,053)	(66,348)	(3,032,940)	(12,500)	(28,216,005)	(161,233)	(3,045,792)	(23,734)	(272,815)	70,618,999	-	272,815	-	272,815
Issuance of ordinary shares in connection with PIPE offering, net of issuance costs (see Note 1c)	-	-	-	-	-	-	-	-	-	-	-	25,952,674	-	164,571	-	164,571
Transactions, net of issuance cost (see Note 1c)	-	-	-	-	-	-	-	-	-	-	-	16,246,454	-	168,596	-	168,596
Reclassification of warrants liability to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	4,436	-	4,436
Exercise of shares options	-	-	-	-	-	-	-	-	-	-	-	1,918,100	-	952	-	952
Vesting of RSUs	-	-	-	-	-	-	-	-	-	-	-	2,413,667	-	-	-	-
Share-based compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	64,736	-	64,736
Net Loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(153,559)	(153,559)
Balance as of December 31, 2021	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ -	134,098,120	\$ -	\$ 683,764	\$ (384,962)	\$ 298,802
Reclassification of warrants liability to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	29	-	29
Exercise of shares options	-	-	-	-	-	-	-	-	-	-	-	957,911	-	608	-	608
Exercise of public warrants	-	-	-	-	-	-	-	-	-	-	-	100	-	1	-	1
Vesting of RSUs	-	-	-	-	-	-	-	-	-	-	-	1,129,133	-	-	-	-
Share-based compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	19,449	-	19,449
Net Loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(126,872)	(126,872)
Balance as of December 31, 2022	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ -	136,185,264	\$ -	\$ 703,851	\$ (511,834)	\$ 192,017
Issuance of ordinary shares, net of issuance costs	-	-	-	-	-	-	-	-	-	-	-	26,352,878	-	61,400	-	61,400
Reclassification of warrants liability to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	8	-	8
Exercise of shares options	-	-	-	-	-	-	-	-	-	-	-	631,970	-	456	-	456
Vesting of RSUs	-	-	-	-	-	-	-	-	-	-	-	2,216,986	-	-	-	-
Share-based compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	22,862	-	22,862
Net Loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(123,454)	(123,454)
Balance as of December 31, 2023	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ -	165,387,098	\$ -	\$ 788,577	\$ (635,288)	\$ 153,289

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands (except share and per share data)

	Year ended December 31,		
	2023	2022	2021
Cash Flows from Operating Activities:			
Net loss	\$ (123,454)	\$ (126,872)	\$ (153,559)
Adjustments required to reconcile net loss to net cash used in Operating Activities:			
Depreciation and amortization	9,192	7,472	3,960
Remeasurement of warrants liability	(472)	(890)	(1,216)
Issuance cost allocated to warrants liability	-	-	1,830
Change in accrued interest on bank deposits	(1,051)	(705)	(436)
Change in marketable securities	(409)	375	104
Share-based compensation	22,320	19,449	64,736
Realization of investment in non-marketable equity securities	-	-	(2,012)
Capital gain, net	-	(44)	-
Foreign exchange loss (gain), net	(470)	1,233	(577)
Change in prepaid expenses and other assets	(782)	(377)	620
Change in trade receivables, net	(5,633)	(1,249)	1,993
Change in inventory	2,368	20	(2,092)
Changes in operating lease assets and liabilities, net	29	6,530	-
Change in trade payables	424	1,082	(1,997)
Change in accrued expenses and other liabilities	2,578	607	3,076
Change in employees and payroll accruals	333	(304)	3,469
Change in deferred revenues	1,974	262	(421)
Net cash used in operating activities	(93,053)	(93,411)	(82,522)
Cash flows from investing activities:			
Purchase of property and equipment	(6,579)	(22,567)	(3,784)
Proceeds from sales of property and equipment	-	54	-
Investment in bank deposits	(165,600)	(79,500)	(375,047)
Withdrawal of bank deposits	141,500	230,000	145,000
Investment in restricted deposits	(40)	(2,633)	-
Withdrawal of restricted deposits	-	-	56
Investment in marketable securities	(51,678)	(30,103)	(103,910)
Proceeds from sales and maturities of marketable securities	83,461	30,103	53,910
Proceeds from sale of non-marketable securities	-	-	2,178
Net cash provided by (used in) investing activities	\$ 1,064	\$ 125,354	\$ (281,597)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands (except share and per share data)

	Year ended December 31,		
	2023	2022	2021
<u>Cash flows from financing activities:</u>			
Cash received from Transactions, net of issuance cost	-	-	121,357
Issuance of ordinary shares, net of issuance cost	61,400	-	217,507
Proceeds from exercise of options	456	609	952
Repayment of loans	-	-	(2,638)
Net cash provided by financing activities	<u>61,856</u>	<u>609</u>	<u>337,178</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	515	(1,139)	716
Increase (decrease) in cash, cash equivalents and restricted cash	(29,618)	31,413	(26,225)
Cash, cash equivalents and restricted cash at the beginning of the year	<u>55,954</u>	<u>24,541</u>	<u>50,766</u>
Cash, cash equivalents and restricted cash at the end of the year	<u>\$ 26,336</u>	<u>\$ 55,954</u>	<u>\$ 24,541</u>
<u>Supplementary disclosure of cash flows activities:</u>			
(1) Cash paid during the year for:			
Interest	\$ -	\$ -	\$ 94
Income taxes	\$ 703	\$ 128	\$ 237
(2) Non-cash transactions:			
Conversion of preferred shares to ordinary shares	\$ -	\$ -	\$ 272,815
Purchase of property and equipment	\$ 831	\$ 2,335	\$ 1,433
Reclassification of warrants liability to equity	\$ 8	\$ 29	\$ 4,436
Issuance cost paid in equity	\$ -	\$ -	\$ 77,250
Right-of-use assets recognized with corresponding lease liabilities	\$ 868	\$ 30,078	\$ -
(3) Cash, cash equivalents and restricted cash at the end of the year:			
Cash and cash equivalents	\$ 26,283	\$ 55,718	\$ 23,640
Short-term restricted cash	<u>53</u>	<u>236</u>	<u>901</u>
	<u>\$ 26,336</u>	<u>\$ 55,954</u>	<u>\$ 24,541</u>

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

U.S. dollars in thousands (except share and per share data)

NOTE 1: - GENERAL

- a. Innoviz Technologies Ltd. and its subsidiaries (the “Company” or “Innoviz”) is a Tier-1 direct supplier of high-performance, automotive grade LiDAR sensors and perception solutions that feature technological breakthroughs across core components and bring enhanced vision and superior performance to enable safe autonomous driving at a mass scale. The Company provides a complete and comprehensive solution for OEMs and Tier-1 partners that are developing and marketing autonomous driving vehicles to passenger cars and other relevant markets, such as robotaxis, shuttles, delivery vehicles and trucks. The Company operates as a single operating segment.
- b. The Company was incorporated on January 18, 2016, under the laws of the state of Israel.
- c. On December 10, 2020, the Company entered into definitive agreements in connection with a merger (the “Transactions”) with Collective Growth Corporation (“Collective Growth”), a special purpose acquisition company, that resulted in Collective Growth becoming a wholly owned subsidiary of the Company upon the consummation of the Transactions on April 5, 2021 (the “Closing Date”).

The Transactions were accounted for as a recapitalization in accordance with accounting principles generally accepted in the United States (“GAAP”).

Upon closing of the Transactions, 20,418,209 Series A Convertible Preferred Shares, 15,906,053 Series B Convertible Preferred Shares, 3,032,940 Series B-1 Convertible Preferred Shares, 28,216,005 Series C Convertible Preferred Shares and 3,045,792 Series C-1 Convertible Preferred Shares were automatically converted into 70,618,999 Ordinary Shares of no-par value.

In connection with the Transactions (i) 1,875,000 shares of Class B common shares of Collective Growth, after taking into account the forfeiture of shares by the holders of Class B common shares of Collective Growth, were each exchanged for one ordinary share of no-par value of the Company (“Company Ordinary Share”), (ii) each outstanding share of Class A common shares of Collective Growth was exchanged for one Company Ordinary Share, and (iii) each outstanding warrant of Collective Growth was assumed by the Company and became one warrant of the Company (each, a “Company Warrant”) exercisable for Company Ordinary Shares (see Note 2a).

In connection with the Transactions, the Company incurred direct and incremental costs of \$102,945 related to the Transactions, consisting primarily of investment banking, legal, accounting and other professional fees, out of which \$101,115 were recorded to additional paid-in capital as a reduction of proceeds and \$1,830 have been accounted for as General and Administrative expenses as part of the consolidated statement of operations.

In addition, on the Closing Date, in connection with the consummation of the Transactions (i) the Company issued Perception Capital Partners LLC (“Perception”) an aggregate of 3,027,747 Company Warrants, (ii) the Company issued Antara Capital Master Fund LP (“Antara”) an aggregate of 3,002,674 Company Ordinary Shares and 3,784,753 Company Warrants and (iii) the Company issued Company’s Management 2,500,000 Ordinary Shares and 3,500,000 options (see also Note 12).

In addition, in the event that the earnout Target is reached during the Earnout Period (both “Target” and “Earnout Period” as defined in the Business Combination Agreement), then: (A) Perception shall also be entitled to receive up to 2,089,882 of additional Company Ordinary Shares, (B) Antara shall also be entitled to receive up to 312,296 of additional Company Ordinary Shares and (C) certain members of the Company’s management shall be entitled to receive up to 1,250,000 of additional Company Ordinary Shares. As of December 31, 2023, the Target was not reached and therefore no additional Company Ordinary Shares have been issued (see also Note 12).

U.S. dollars in thousands (except share and per share data)

NOTE 1: - GENERAL (Cont.)

Additionally, on the Closing Date, the Company completed the sale of Ordinary Shares to certain accredited investors (“Investors”), at a price per share of \$10, for gross proceeds to the Company of \$229,500, pursuant to a series of subscription agreements (“Subscription Agreements” or “PIPE”) entered into by the Company and the Investors concurrently with the execution of the Business Combination Agreement.

Upon closing of the Transactions, the Company has adopted, amended and restated articles of association to align such organizational documents with consistent with those of a publicly held company and has become a publicly traded company.

The Company’s ordinary shares and public warrants were listed on the Nasdaq Stock Market LLC under the trading symbols “INVZ” and “INVZW”, respectively, on April 5, 2021.

- d. As of December 31, 2023, the Company’s principal source of liquidity includes its cash and cash equivalents in the amount of \$26,283, bank deposits in the amount of \$105,750 and marketable securities in the amount of \$18,148, which is sufficient to finance its business plan for at least 12 months from the date these financial statements are issued. As the Company achieves further commercial success, it may need to obtain additional funding to support its continuing operations. If the Company is unable to raise capital when and if needed, it may need to reduce or eliminate some of its research and development programs.
- e. In October 2023, Israel was attacked by a terrorist organization and entered a state of war. As of the date of these consolidated financial statements, the war in Israel is ongoing and continues to evolve. The intensity and duration of the war is difficult to predict, as such are the war’s economic implications on the Company’s operational and financial performance. The Company considered the impact of the war and determined that there were no material adverse impacts on the consolidated financial statements, including related significant estimates made by management, for the period ended December 31, 2023.

U.S. dollars in thousands (except share and per share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

a. Transactions:

The Transactions were accounted for as a recapitalization as pre-combination Innoviz was determined to be the accounting acquirer under Financial Accounting Standards Board (FASB)'s Accounting Standards Codification Topic 805, Business Combinations (ASC 805). In connection with the recapitalization, outstanding share capital of the pre-combination Innoviz was converted into Company Ordinary Shares, representing a recapitalization, and the net assets of the Company remained at historical cost, with no goodwill or intangible assets recorded.

The pre-combination Innoviz was deemed to be the predecessor of the Company, and the consolidated assets and liabilities and results of operations prior to the Closing Date are those of the pre-combination Innoviz.

Ordinary Share Warrants

The Company accounts for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrants' specific terms and applicable authoritative guidance. The assessment considers whether the warrants are freestanding financial instruments, meet the definition of a liability under ASC 480, are indexed to the Company's own share and whether the warrants are eligible for equity classification under ASC 815-40. This assessment is conducted at the time of warrant issuance and as of each subsequent reporting period end date while the warrants are outstanding.

Warrants that meet all the criteria for equity classification are recorded as a component of additional paid-in capital. Warrants that do not meet all the criteria for equity classification, are required to be recorded as liabilities at their initial fair value on the date of issuance and remeasured to fair value through earnings at each balance sheet date thereafter.

Upon the closing of the Transactions, 7,499,991 public warrants and 1,918,750 private warrants, that were both issued by Collective Growth prior to the Transactions, were assumed by the Company and became Company Warrants outstanding to purchase Company Ordinary Shares.

Each warrant entitles the holder to purchase one Company Ordinary Share at a price of \$11.50 per share, subject to adjustments. The warrants are exercisable at any time commencing 30 days after the completion of the Transactions and expire five years after the Closing Date or earlier upon redemption or liquidation. The Company may redeem the outstanding warrants in whole and not in part at a price of \$0.01 per warrant at any time after they become exercisable, provided that the last sale price of the Company Ordinary Shares equals or exceeds \$18 per share, subject to adjustments, for any 20-trading days within a 30-trading day period ending three business days prior to the date on which the Company sends the notice of redemption to the warrant holders. The private warrants have similar terms as the public warrants, except that the private warrants may be exercised for cash or on a cashless basis at the holder's option and the private warrants will not be redeemed by the Company as long as they are held by the initial purchasers or their permitted transferees, but once they are transferred, they have the same rights as the public warrants.

U.S. dollars in thousands (except share and per share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

As the private warrants include provisions that provide for potential changes to the settlement amounts that are dependent on the characteristics of the holder of the warrant, under ASC 815-40, those warrants are not indexed to the Company's ordinary shares in the manner contemplated by that Section, so long as they are held by the initial purchasers or their permitted transferees. Therefore, the private warrants were classified as a liability, initially and subsequently measured at fair value through earnings.

Conversely, since the public warrants are indexed to the Company's own share, they qualify for equity classification under ASC Section 815-40.

As of December 31, 2023, 1,465,000 private warrants are no longer held by their initial purchasers or their permitted transferees. As a result, such private warrants have the same terms as the public warrants and were classified to equity. As of December 31, 2023, 453,750 private warrants remain outstanding.

b. Use of estimates:

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

Significant items subject to such estimates and assumptions include inventory reserves and useful lives of property, plant, and equipment. The Company bases these estimates on historical and anticipated results, trends and various other assumptions that it believes are reasonable under the circumstances, including assumptions as to future events. Actual results could differ from those estimates.

c. Financial statements in U.S. dollars:

A substantial portion of the Company's financing activities, including equity transactions and cash investments, are incurred in U.S. dollars. The Company's management believes that the U.S. dollar is the currency of the primary economic environment in which the Company operates. Thus, the functional and reporting currency of the Company is the U.S. dollar.

A subsidiary's functional currency is the currency of the primary economic environment in which the subsidiary operates; normally, that is the currency of the environment in which a subsidiary primarily generates and expends cash. In making the determination of the appropriate functional currency for a subsidiary, the Company considers cash flow indicators, local market indicators, financing indicators and the subsidiary's relationship with both the parent company and other subsidiaries. For subsidiaries that are primarily a direct and integral component or extension of the parent entity's operations, the U.S. dollar is the functional currency.

U.S. dollars in thousands (except share and per share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company has determined the functional currency of its foreign subsidiaries is the U.S. Dollar. The foreign operations are considered a direct and integral part or extension of the Company's operations. The day-to-day operations of the foreign subsidiary are dependent on the economic environment of the U.S. Dollar.

Accordingly, monetary accounts maintained in currencies other than the U.S. dollar are remeasured into U.S. dollars in accordance with Statement of the Accounting Standard Codification ("ASC") No. 830 "Foreign Currency Matters" ("ASC No. 830"). All transaction gains and losses of the remeasured monetary balance sheet items are reflected in the statements of operations as financial income or expenses as appropriate.

d. Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Intercompany transactions and balances have been eliminated upon consolidation.

e. Cash and cash equivalents, restricted cash and restricted deposits:

The Company considers all highly liquid short-term deposits with original maturities of three months or less from the investment date to be cash equivalents. Cash equivalents consist primarily of amounts invested in short term deposits. Restricted cash and restricted deposits consist deposits that serve as collateral mainly for lease agreements at the Company's financial institutions.

f. Inventory:

Inventory is stated at the lower of cost or estimated net realizable value.

Cost of inventory is determined as follows:

Raw materials and work in process - based on weighted average cost.

Finished goods - based mainly on weighted average standard cost method.

The Company charges cost of revenues for write-downs of inventory which are obsolete or in excess of anticipated demand based on a consideration of marketability and product life cycle stage, product development plans, component cost trends, manufacturing yields, demand forecasts, historical revenue and assumptions about future demand and market conditions.

Losses expected to arise from firm non-cancelable commitments for future purchases of inventory are charged to cost of revenues unless the losses are recoverable through firm sales contracts or other means.

U.S. dollars in thousands (except share and per share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

g. Property and equipment, net:

Property and equipment are stated at cost, net of accumulated depreciation and impairment. The estimated useful lives of property and equipment are determined when those assets are initially recognized and are routinely reviewed for the remaining estimated useful lives. When useful life is reassessed for an asset, the remaining carrying amount of the asset is accounted for prospectively and depreciated over the revised estimated useful life. Depreciation is calculated on a straight-line basis over the estimated useful lives of the related assets, at the following annual rates:

	%
Computers and software	33
Office furniture and equipment	20
Machinery and lab equipment	12.5-25
Leasehold improvements	Over the shorter of the related lease period or the useful life of the assets

h. Impairment of long-lived assets:

Long-lived assets are reviewed for impairment in accordance with ASC 360, “Property, Plant and Equipment” (“ASC 360”), whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment exists when the carrying value of the asset exceeds the aggregate undiscounted cash flows expected to be generated by the asset. The impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds their fair value. During the years ended December 31, 2023, 2022 and 2021, the Company recorded impairment losses in the amount of \$1,997, \$362 and \$599, respectively.

i. Revenue recognition:

According to Accounting Standards Codification 606, Revenue from Contracts with Customers, and all the related amendments (“ASC 606”), a performance obligation is a promise to provide a distinct good or service or a series of distinct goods or services. Goods and services that are not distinct are bundled with other goods or services in the contract until a bundle of goods or services that is distinct is created. A good or service promised to a customer is distinct if the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer and the entity’s promise to transfer the good or service to the customer is separately identifiable from other promises in the contract.

The Company derives its revenues mainly from sales of LiDAR sensors, critical components and application engineering services for its customers. As such, the Company contracts with its customers, may contain the following main performance obligations: (i) sales of LiDAR sensors; (ii) sales of critical components; (iii) application engineering services. The Company evaluates each performance obligation to determine if it is satisfied at a point in time or over time.

U.S. dollars in thousands (except share and per share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Revenue from LIDAR sensors and critical components is recognized at a point in time when the control of the goods is transferred to the customer, generally upon delivery.

Application engineering services to certain customers may require substantive customer acceptance due to performance acceptance criteria that is considered more than a formality. For these services, revenue is recognized at a point in time upon customer acceptance. During the year ended December 31, 2023 the Company recognized revenue at a point in time of \$15,225 for application engineering services, after receiving customer acceptance. The Company did not recognize revenue related to application engineering services during the years ended December 31, 2022 and 2021. See additional details for upfront payments for application engineering services below.

The Company capitalizes costs of fulfilling application engineering services contracts, to the extent recoverable, that relate directly to contracts for which revenue recognition has yet to commence. These assets are amortized to cost of revenues consistently with the pattern of the revenue recognition of application engineering services.

The Company applies the practical expedient and does not assess whether a contract has a significant financing component if the expectation at contract inception is such that the period between payment by the customer and the transfer of the promised goods or services to the customer will be one year or less.

For each contract which includes prepayment terms, the Company evaluates whether the contract includes a significant financing component. The Company's contracts with customer prepayment terms do not include a significant financing component because the primary purpose is not to receive financing from the customers.

The Company's general terms and conditions for its contracts do not contain a right of return that allows the customer to return products and receive a credit.

Deferred Revenues

Deferred revenues in the Company's consolidated balance sheets, which represent contract liabilities, include mainly billings in excess of revenues recognized related to product sales and obligations under application engineering service agreements with OEMs and are recognized as revenues when the Company performs its obligations under the contract.

As of December 31, 2023, the Company received upfront payments in total of \$6,145 from customers which are expected to be recognized as revenue once the related application engineering services projects are completed.

During the year ended December 31, 2023, the Company recognized \$3,096 that was included in deferred revenues balance at December 31, 2022.

During the year ended December 31, 2022, the Company recognized \$136 that was included in deferred revenues balance at December 31, 2021.

U.S. dollars in thousands (except share and per share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Remaining Performance Obligation

The Company's remaining performance obligations are comprised of application engineering services revenues not yet rendered. As of December 31, 2023, the aggregate amount of the transaction price allocated to remaining performance obligations was \$7,339 (out of which, \$6,145 is recorded as short-term deferred revenues), which the Company expects to recognize as revenues.

j. Cost of revenues:

Cost of revenues include the manufacturing cost of LiDAR sensors, which primarily consists of components costs, sub-assembly costs and personnel-related costs, and amounts paid to third-party contract manufacturers and vendors. Cost of revenues also includes depreciation, costs of providing application engineering services (mainly personnel related costs), an allocated portion of overhead, warranty costs, excess and obsolete inventory and shipping costs.

k. Warranty provision:

The Company provides standard product warranties, for its pre-SOP products, for period of up to twelve months, at no extra charge, that covers the compliance of the products with agreed-upon specifications. Standard warranties are considered to be assurance type warranties and are not accounted for as separate performance obligations. A provision is recorded for estimated warranty costs based on the Company's experience.

Changes in the warranty provision, presented in accrued expenses and other current liabilities, was as follow:

	Year ended December 31,	
	2023	2022
Balance at the beginning of the year	\$ 330	\$ 60
Warranty provision	361	620
Warranty claims settled	(106)	(350)
Balance at the end of the year	<u>\$ 585</u>	<u>\$ 330</u>

l. Research and development expenses:

Research and development costs include mainly personnel-related expenses associated with the Company's engineering personnel responsible for the design, development and testing of its products. Such costs related to software development are included in research and development expense until the technological feasibility is reached, which for the Company's software products, is generally shortly before the products are released to production. Research and development costs are charged to the consolidated statements of operations as incurred.

U.S. dollars in thousands (except share and per share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

m. Patent costs:

Legal and related patent costs are charged to general and administrative expenses in the consolidated statements of operations as incurred, since their realization is uncertain.

n. Leases

The Company applies ASU No. 2016-02, "Leases" Topic 842 ("ASC 842") for its leases. The Company elected to not recognize a lease liability and a right-of-use ("ROU") asset for leases with a term of twelve months or less. Lease payments on short-term leases are recognized as an expense on a straight-line basis over the lease term, not included in lease liabilities. Lastly, the Company also elected the practical expedient to not separate lease and non-lease components for its leases.

The Company determines if an arrangement is a lease and the classification of that lease at inception based on: (1) whether the contract involves the use of a distinct identified asset, (2) whether the Company obtains the right to substantially all the economic benefits from the use of the asset throughout the period, and (3) whether the Company has a right to direct how and for what purpose the identified asset is used throughout the period of use.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make minimum lease payments arising from the lease.

Leases are classified as either finance leases or operating leases. A lease is classified as a finance lease if any one of the following criteria are met: the lease transfers ownership of the asset by the end of the lease term, the lease contains an option to purchase the asset that is reasonably certain to be exercised, the lease term is for a major part of the remaining useful life of the asset, the present value of the lease payments equals or exceeds substantially all of the fair value of the asset, or the underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of lease term. A lease is classified as an operating lease if it does not meet any one of these criteria. Since all of the Company's lease contracts do not meet any of the criteria above, the Company concluded that all of its lease contracts should be classified as operation leases.

ROU assets and liabilities are recognized on the commencement date based on the present value of remaining lease payments over the lease term. For this purpose, the Company considers only payments that are fixed and determinable at the time of commencement. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on information available on the commencement date in determining the present value of lease payments. All ROU assets are reviewed for impairment. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise an extension option or not exercise a termination option.

For further information on the Company's leasing activities see Note 6.

U.S. dollars in thousands (except share and per share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

o. Share-based compensation:

The Company accounts for share-based compensation in accordance with ASC No. 718, “Compensation—Stock Compensation” (“ASC No. 718”). ASC No. 718 requires companies to estimate the fair value of equity-based payment awards on the date of grant using an option-pricing model. The value of the award is recognized as an expense over the requisite service period.

The Company selected the Black-Scholes option pricing model as the most appropriate model for determining the fair value for its share options awards, whereas the fair value of restricted share units is based on the closing market value of the underlying shares at the date of grant. The option pricing model requires several assumptions, of which the most significant are the expected share price volatility and the expected option term. The Company recognizes forfeitures of equity-based awards as they occur. For graded vesting awards subject to a service condition only, the Company recognizes compensation expenses based on the straight-line method over the requisite service period.

A Monte-Carlo simulation model was used to determine the grant date fair value of the Company’s Management earn-out shares by simulating the future share price daily up to the expiration date of the award. For each simulation path we determined the value of the award. The grant date fair value of this award is the average of the values determined by each simulation. The simulation was also used to derive the requisite service period (see Note 12d).

p. Accrued post-employment benefit:

Severance pay

The Israeli Severance Pay Law, 1963 (“Severance Pay Law”), specifies that employees are entitled to severance payment, following the termination of their employment. Under the Severance Pay Law, the severance payment is calculated as one-month salary for each year of employment, or a portion thereof.

The Company’s liability for all of its Israeli employees is covered by the provisions of Section 14 of the Severance Pay Law (“Section 14”). Under Section 14 employees are entitled to monthly deposits, at a rate of 8.33% of their monthly salary, continued on their behalf to their insurance funds. Payments in accordance with Section 14 release the Company from any future severance payments in respect of those employees. As a result, the Company does not recognize any liability for severance pay due to these employees and the deposits under Section 14 are not recorded as an asset in the Company’s balance sheet.

Severance pay expenses under Section 14 for the years ended December 31, 2023, 2022 and 2021, amounted to \$3,723, \$3,586 and \$2,891, respectively.

U.S. dollars in thousands (except share and per share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

q. Income taxes:

The Company accounts for income taxes in accordance with ASC No. 740, "Income Taxes" ("ASC 740"). ASC 740 prescribes the use of the liability method whereby deferred tax asset and liability account balances are determined based on differences between the financial reporting and the tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company provides a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value, if it is more likely than not that a portion or all of the deferred tax assets will not be realized.

The Company accounts for uncertain tax positions in accordance with the provisions of ASC 740. Accounting guidance addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements, under which a Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position.

r. Concentration of credit risk:

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, trade receivables, marketable securities, bank deposits and restricted deposits.

The majority of the Company's cash and cash equivalents and short-term bank deposits are invested with major banks in Israel. The Company believes that the financial institutions that hold the Company's cash deposits are financially sound and, accordingly, bear minimal risk.

Trade receivables of the Company are mainly derived from customers located globally. The Company mitigates its credit risks by performing credit evaluations of its customers' financial conditions and requires customer advance payments in certain circumstances. The Company generally does not require collateral.

The Company invests in marketable securities with an average credit rating of "A" and a maturity of up to three years. The Company's investment policy is not to invest more than 5% of its investment portfolio in a single security at time of purchase.

s. Trade receivables, net:

Trade receivables are recorded at the invoiced amount and do not bear interest. Trade receivables are periodically assessed for allowance for doubtful accounts, which is the Company's best estimate of the amount of credit losses inherent in its existing accounts receivable. In establishing the required allowance, management considers historical losses adjusted to take into account current market conditions and customers' financial condition, the amount of receivables in dispute, the current receivables aging, in addition to current and expected payment patterns. The allowance of doubtful accounts was not material for the periods presented.

U.S. dollars in thousands (except share and per share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

t. Investment in marketable securities:

The Company's investment in marketable securities consists of corporate and government debentures with quoted OTC market prices. All the Company's marketable securities are stated at fair value as determined by the closing price of each security at balance sheet date. Unrealized gains and losses on these securities are included in financial income, net in the consolidated statements of operations.

u. Fair value of financial instruments:

The Company applies ASC No. 820, "Fair Value Measurements and Disclosures" ("ASC No. 820"), with respect to fair value measurements of all financial assets and liabilities which are required to be measured at fair value.

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. A three-tier fair value hierarchy is established as a basis for considering such assumptions and for inputs used in the valuation methodologies in measuring fair value:

- Level 1 - Unadjusted quoted prices in active markets that are accessible on the measurement date for identical, unrestricted assets or liabilities.
- Level 2 - Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The carrying values of cash and cash equivalents, short-term and restricted deposits, trade receivables, other current assets, trade payables, employees and payroll accruals and accrued expenses and other current liabilities approximate fair values due to the short-term maturities of these instruments.

The estimated fair value of private warrants has been determined by the Company using available market information and valuation methodologies (see also Note 7). Considerable judgment is required in estimating fair values. Accordingly, the estimates may not be indicative of the amounts the Company could realize in a current market exchange.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

v. Loss per share:

The Company computes basic loss per share in accordance with ASC Topic 260, “Earnings per Share”, by dividing the net loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted loss per share is computed by considering the potential dilution that could occur upon the exercise of awards granted under share-based compensation plans and equity-classified instruments using the treasury stock method. Impact of liability-classified instruments on diluted loss per share is considered using the if-converted method. Diluted loss per share excludes all dilutive potential ordinary shares if their effect is anti-dilutive.

Prior to the Transactions, the Company computed net loss per share using the two-class method required for participating securities. The two-class method requires income available to common shareholders for the period to be allocated between common shares and participating securities based upon their respective rights to receive dividends as if all income for the period had been distributed. The Company considered its preferred shares to be participating securities as the holders of the preferred shares were entitled to dividends that would have been distributed to the holders of common shares, on a pro-rata basis assuming conversion of all preferred shares into common shares. These participating securities did not contractually require the holders of such shares to participate in the Company’s losses. As such, net loss for the periods presented was not allocated to the Company’s participating securities.

w. Other comprehensive loss:

The Company has no components of comprehensive loss other than net loss. Thus, comprehensive loss is the same as net loss for the periods presented.

x. Recently adopted accounting pronouncement:

On January 1, 2023, the Company adopted ASU No. 2016-13 (Topic 326), Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments, which has replaced the previous incurred loss impairment methodology. Under the new guidance an entity is required to recognize an allowance that reflects its current estimate of credit losses expected to be incurred over the life of the financial instrument based on historical experience, current conditions and reasonable and supportable forecasts. The adoption of ASU 2016-13 did not have a material impact on the consolidated financial statements.

y. Recently issued accounting pronouncements not yet adopted:

As an “emerging growth company,” the Jumpstart Our Business Startups Act (“JOBS Act”) allows the Company to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. The Company has elected to use this extended transition period under the JOBS Act. The adoption dates discussed below reflects this election.

1. In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which updates reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. The amendments are effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The amendments should be applied retrospectively to all prior periods presented in the financial statements. The Company is currently evaluating the effect that ASU 2023-07 will have on its consolidated financial statements and related disclosures.
2. In December 2023, the FASB issued ASU 2023-09, Improvements to Income Tax Disclosures, which requires disclosure of disaggregated income taxes paid, prescribes standard categories for the components of the effective tax rate reconciliation, and modifies other income tax-related disclosures. The ASU will be effective for fiscal years beginning after December 15, 2025, and allows adoption on a prospective basis, with a retrospective option. The Company is in the process of assessing the impacts and method of adoption. The Company is currently evaluating the effect that ASU 2023-09 will have on its consolidated financial statements and related disclosures.

NOTE 3: - INVENTORY

a. Inventory is comprised of the following:

	December 31,	
	2023	2022
Raw materials	\$ 640	\$ 1,053
Work in process	803	2,242
Finished goods	425	941
	<u>\$ 1,868</u>	<u>\$ 4,236</u>

b. During the years ended December 31, 2023, 2022 and 2021, the Company recorded inventory write offs in the amount of \$6,938, \$3,166 and \$4,359, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 4: - PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

	December 31,	
	2023	2022
Government authorities	\$ 997	\$ 1,290
Prepaid expenses	1,500	1,333
Deferred contract costs	3,130	-
Other receivables	147	613
	<u>\$ 5,774</u>	<u>\$ 3,236</u>

NOTE 5: - PROPERTY AND EQUIPMENT, NET

a. Property and equipment, net consist of the following:

	December 31,	
	2023	2022
Cost:		
Computers and software	7,536	6,586
Office furniture and equipment	1,457	1,152
Machinery and lab equipment	15,792	14,970
Leasehold improvements	18,152	17,500
	<u>42,937</u>	<u>40,208</u>
Accumulated depreciation	<u>17,167</u>	<u>9,719</u>
	<u>\$ 25,770</u>	<u>\$ 30,489</u>

b. Depreciation expenses for the years ended December 31, 2023, 2022 and 2021, amounted to \$7,195, \$7,110 and \$3,361, respectively.

NOTE 6: - LEASES

The Company has entered into several non-cancelable operating lease agreements, mostly for office spaces.

The Company's main lease agreement is of an office building located in Rosh Ha'Ayin, Israel ("Premises"). This lease agreement includes a right to use office spaces and related facilities. The lease term is for 67 months, starting from July 1, 2022. However, the Company was given access to the Premises starting from November 2021 in order to allow it to construct leasehold improvements. The Company has an option to renew the lease for additional 60 months, which will be exercised automatically unless the Company informs the lessor in advance. The Company currently estimates it is reasonably certain that it will exercise this option. The lease payments for the Premises are based on an estimation of the Premises' size in square meters taken prior to construction and may be updated according to the agreement of the parties on the measurement of the Premises taken after construction. Payments are adjusted periodically to the Israeli consumer price index (CPI). The ROU asset and lease liability were calculated using the CPI in effect at lease commencement and will not be subsequently adjusted. The company also leases additional office spaces, mainly in Germany.

U.S. dollars in thousands (except share and per share data)

NOTE 6: - LEASES (Cont.)

Below is a summary of the Company operating right-of-use assets, net and operating lease liabilities:

	December 31,	
	2023	2022
Operating lease right-of-use assets, net	\$ 25,486	\$ 26,927
Operating lease liabilities, current	\$ 4,034	\$ 3,720
Operating lease liabilities, non-current	28,475	30,201
Total operating lease liabilities	\$ 32,509	\$ 33,921
Weighted average remaining lease term (years)	8.90	9.95
Weighted average discount rate of operating leases	4.59%	4.55%

Additional information regarding the Company's operating leases:

	Year ended December 31,	
	2023	2022
Operating lease costs	\$ 3,788	\$ 4,455
Variable lease payments	\$ 274	\$ 13
Short term lease costs	\$ 75	\$ 175
Cash paid for operating leases, net of operating cash flows from lease incentives received	\$ 3,072	\$ (5,314)

Minimum lease payments over the remaining lease periods as of December 31, 2023, are as follows:

Year ended December 31,	
2024	\$ 4,119
2025	4,453
2026	4,456
2027	4,446
2028 and thereafter	21,976
Total undiscounted lease payments	\$ 39,450
Less: interest	6,941
Present value of lease liabilities	\$ 32,509

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 7: - FAIR VALUE MEASUREMENTS

The below table sets forth the Company's assets and liabilities that were measured at fair value as of December 31, 2023 by level within the fair value hierarchy:

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
<u>Assets:</u>				
Marketable securities	\$ -	\$ 18,148	\$ -	\$ 18,148
Total financial assets	\$ -	\$ 18,148	\$ -	\$ 18,148
<u>Liabilities:</u>				
Warrants (1)	\$ -	\$ -	\$ 240	\$ 240
Total financial liabilities	\$ -	\$ -	\$ 240	\$ 240

The below table sets forth the Company's assets and liabilities that were measured at fair value as of December 31, 2022 by level within the fair value hierarchy:

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
<u>Assets:</u>				
Marketable securities	\$ -	\$ 49,521	\$ -	\$ 49,521
Total financial assets	\$ -	\$ 49,521	\$ -	\$ 49,521
<u>Liabilities:</u>				
Warrants (1)	\$ -	\$ -	\$ 720	\$ 720
Total financial liabilities	\$ -	\$ -	\$ 720	\$ 720

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 7: - FAIR VALUE MEASUREMENTS (Cont.)

- (1) As part of the Transactions (see Note 1c), the Company assumed a derivative warrants liability related to previously issued private placement warrants in connection with Collective Growth's initial public offering. The Company utilizes a Black-Scholes option pricing model to estimate the fair value of the private placement warrants which is considered a Level 3 fair value measurement. The warrants are measured at each reporting period, with changes in fair value recognized in financing income, net. The change in the fair value of the derivative private warrants liability for the years ended December 31, 2023, 2022 and 2021 is summarized as follows:

	Year ended December 31,		
	2023	2022	2021
Balance at the beginning of the period	\$ 720	\$ 1,639	\$ -
Private warrants liability assumed in Transactions	-	-	7,291
Change in fair value of warrants liability	(472)	(890)	(1,216)
Reclassification of warrants liability to equity	(8)	(29)	(4,436)
Balance at the end of the year	<u>\$ 240</u>	<u>\$ 720</u>	<u>\$ 1,639</u>

The estimated fair value of the private placement warrant derivative liabilities is determined using Level 3 inputs. Inherent in a Black-Scholes option pricing model are assumptions related to expected share price volatility, expiration, risk-free interest rate and dividend yield. The Company estimates the volatility of its private warrants based on implied volatility of the publicly traded warrants and the historical volatility of the company's share price and of a selected peer companies that matches the expected remaining life of the warrants. The risk-free interest rate is based on the U.S. Treasury zero-coupon yield curve as of the valuation date for a maturity similar to the expiration of the warrants. The dividend yield is based on the historical rate, which the Company anticipates remaining at zero. The following table provides quantitative information regarding Level 3 fair value measurements inputs as of their measurement dates:

	December 31,	
	2023	2022
Fair value determined per warrant	\$ 0.53	\$ 1.57
Expected volatility	95%	92.5%
Expected annual dividend yield	0%	0%
Expected term (years)	2.3	3.3
Risk-free rate	4.2%	4.2%

NOTE 8: - ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of the following:

	December 31,	
	2023	2022
Warranty provision	\$ 585	\$ 330
Accrued expenses	7,783	6,174
Fixed assets creditors	182	814
Others	193	254
	<u>\$ 8,743</u>	<u>\$ 7,572</u>

U.S. dollars in thousands (except share and per share data)

NOTE 9: - COMMITMENTS AND CONTINGENCIES

Legal proceedings:

The Company is currently not part, as plaintiff or defendant, to any legal proceedings that, individually or in the aggregate, are expected by the Company to have a material effect on the Company's business, financial position, results of operations or cash flows. The Company reviews the status of each matter and assesses its potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, the Company accrues a liability for the estimated loss. These accruals are reviewed quarterly and adjusted to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a matter.

NOTE 10: - CONVERTIBLE PREFERRED SHARES

- a. Upon closing of the Transactions, all issued and outstanding Preferred Shares were automatically converted into Ordinary Shares of no-par value. As such, the Company reclassified the preferred shares carrying amount into permanent equity (for further information see Note 1c).
- b. Preferred shares A, B, B-1, C, and C-1 (collectively "Preferred Shares") conferred upon their holders the same rights conferred by the Company's legacy Ordinary Shares (for further information see Note 11a) in addition to the following rights:

Conversion rights - the holders of the Preferred Shares were entitled, at their option, to convert the Preferred Shares into Ordinary Shares by dividing the original issue price for such series of Preferred Share by the conversion price for such series of Preferred Share that was in effect at the time of conversion. The initial conversion price would have been the respective original issue price for such series of Preferred Share. The original issue price was \$0.4408, \$4.6366, \$3.7093, \$5.9842 and \$9.5730 per share for the Preferred A, B, B-1, C and C-1 Shares, respectively. The applicable conversion price was subject to adjustment upon share splits or combinations, recapitalizations, or upon the issuance of any new securities at a price per share lower than the applicable conversion price of the Preferred Shares, as applicable, in effect immediately prior to such issuance. The Preferred Shares would have been automatically converted into Ordinary Shares, at the then effective conversion price, upon the closing of the sale of the Company's Ordinary Shares to the public in a firm commitment underwritten public offering, provided that the price per share in such offering reflected at least 200% of Series C-1 Preferred Shares and that such offering results in at least \$100,000 of gross proceeds to the Company.

U.S. dollars in thousands (except share and per share data)

NOTE 10: - CONVERTIBLE PREFERRED SHARES (Cont.)

Dividend - the holders of the Preferred Shares were entitled to a dividend only when and if declared by the Company's board of directors. The Company was not to declare, pay or set aside any dividends on any other class or series of capital share unless the Company's outstanding Preferred Shares first received, or simultaneously received, a dividend on each outstanding Preferred Share. All dividends declared by the Company and legally available for distribution among the shareholders, would have been distributed in the following order of preference:

- I. First, the holders of the Preferred C and C-1 Shares (collectively "Preferred C Shares") were entitled to receive, prior to any distribution to any other shareholder, on a proportional basis an amount equal to the original issue price for such series of Preferred Share, plus interest at a rate of 6% of the Preferred Shares original issue price, per annum, plus (if applicable), an amount equal to any dividends declared but unpaid thereon.
- II. Second, the holders of the Preferred B and B-1 Shares (collectively "Preferred B Shares") were entitled to receive, in preference to each inferior class, on a proportional basis an amount calculated in the same manner as described above with respect to the Preferred C Shares.
- III. Third, the holders of the Preferred A Shares were entitled to receive, in preference to each inferior class, an amount calculated in the same manner as described above with respect to the Preferred C Shares.
- IV. Following the full payment of the entire preferred preference to the holders of Preferred Shares, the holders of the Ordinary Shares were entitled to receive the remaining distribution proceeds (if any), pro rata based on the number of Ordinary Shares held by each such holder.

No dividends have been declared till the Transactions occurred.

Liquidation preference - in the event of "Distribution Event", as defined in the Company's Articles of Association in effect at the time (the "AOA"), which included liquidation (including Deemed Liquidation, events such as change in control, license of substantially all of the Company's intellectual property, etc.), dissolution or winding up of the Company, all assets or proceeds of the Company legally available for distributing among the shareholders, would have been distributed among the shareholders in the same order and calculated in the same manner as described above with respect to dividend distribution.

Redemption - according to the AOA, certain holders of the Preferred C and Preferred C-1 Shares were entitled to redemption rights in the event that the Company failed to hold a board meeting within a calendar year or complete an IPO or liquidation event within the 6-year anniversary of February 2019. The AOA did not provide redemption rights to the holders of Preferred A, B and B-1 Shares.

- c. On October 1, 2020, the Company closed its initial Series C-1 Preferred Share financing round with new and existing investors, according to which the Company issued 943,148 series C-1 Preferred Shares at a price per share of \$9.5730 (the "Original PPS"), for a total consideration of \$8,934 net of issuance costs in the amount of \$95.

The transaction documents also conferred upon certain of holders of Preferred C-1 Shares the following rights:

1. In the event that: (i) definitive agreement in connection with transaction between the Company and a SPAC, had not been signed prior to December 31, 2020, or (ii) the closing of the Transactions contemplated under such aforementioned definitive agreements shall not have taken place prior to April 30, 2021, the Company were to issue additional Preferred C-1 Shares for no additional consideration, such that after the issuance of the additional Preferred C-1 Shares, the aggregate number of Preferred C-1 Shares held by such investors were equal to the aggregate investment made by the investor divided by price per share as defined in the transaction documents (for the Preferred C-1 Shares actually issued see Note 10e).

U.S. dollars in thousands (except share and per share data)

NOTE 10: - CONVERTIBLE PREFERRED SHARES (Cont.)

2. In the event the closing of the Transactions contemplated under such aforementioned definitive agreements shall have taken place prior to April 30, 2021, with pre-money valuation of the Company lower than \$1,300 million, the Company were to issue additional Preferred C-1 Shares for no additional consideration, such that after the issuance of the additional Preferred C-1 Shares, the aggregate number of Preferred C-1 Shares held by such investors were equal to the aggregate investment made by the investor divided by 70% of the Original PPS.

The Company concluded that the rights above are embedded within the Preferred C-1 Shares and are not eligible to be bifurcated as an embedded derivative. As such, the Company accounted for the embedded rights and the Preferred C-1 Shares as a single unit of account.

- d. See Note 11b for reverse share split which occurred on February 17, 2021.
- e. Immediately prior to the closing of the Transactions, and in accordance with the Preferred C-1 transaction documents, the Company issued to certain shareholders 346,678 Preferred C-1 Shares of no-par value, for no additional consideration.
- f. During the year ended December 31, 2020, the Company capitalized \$371 of transaction costs. Upon closing of the Transactions, these costs were recorded as a reduction to additional paid in capital during the year ended December 31, 2021.
- g. Classification:

Since a deemed liquidation event is not solely within the control of the Company, the Preferred Shares were classified outside of permanent equity as temporary equity pursuant to ASC 480-10-S99.

As of April 5, 2021, the Company did not adjust the carrying values of the Preferred Shares to the deemed liquidation values of such shares since a liquidation event was not probable.

U.S. dollars in thousands (except share and per share data)

NOTE 11: - SHAREHOLDERS' EQUITY

- a. Composition of share capital:

	December 31,			
	2023		2022	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding
	Number of Shares		Number of Shares	
Ordinary Shares of no-par value (1)	500,000,000	165,387,098	500,000,000	136,185,264

- (1) Ordinary Shares confer upon the holders the right to vote in annual and special meetings of the Company, and to participate in the distribution of the surplus assets of the Company upon liquidation of the Company.
- b. On February 17, 2021, the Company effected a 1-for-1.138974 reverse share split to cause the value of the outstanding legacy ordinary shares immediately prior to the closing of the Transactions to equal \$10 per share.
- c. On August 14, 2023 and on September 12, 2023, the Company issued a total of 26,352,878 ordinary shares of no par value, at a public offering price of \$2.5 per share, for a total consideration of \$61,400, net of underwriting discount and other issuance costs of \$4,482.

NOTE 12: - SHARE-BASED COMPENSATION

- a. Share incentive plans:

In 2016, the Company's Board of Directors adopted an Employee Shares Incentive Plan (the "2016 Plan"). Under the 2016 Plan, options may be granted to employees, officers, consultants and directors of the Company and its subsidiaries.

The 2016 plan was terminated in 2021, although option awards outstanding as of that date will continue in full force in accordance with the terms under which they were granted.

In 2021, the Company's Board of Directors adopted a new Share Incentive Plan (the "2021 Plan"). According to the 2021 Plan, share awards, options to purchase shares or Restricted Share Units (RSUs) may be granted to employees, directors, consultants and other service providers of the Company or any affiliate of the Company.

Under the 2021 Plan, as of December 31, 2023, a total of 247,819 shares were still available for future grant. Each option granted under the 2021 Plan expires no later than seven years from the date of grant. The options vest primarily over four years of employment unless the Board of Directors and the Board of Director's Compensation Committee determines otherwise. Any option which is forfeited or cancelled before expiration becomes available for future grants.

NOTE 12: - SHARE-BASED COMPENSATION (Cont.)

b. Options granted:

The fair value of the Company's share options granted for the years ended December 31, 2023, 2022 and 2021, was estimated using the following weighted average assumptions:

	Year ended December 31,		
	2023	2022	2021
Expected term, in years	4.59	4.61	4.40
Expected volatility	67%	66%	64%
Risk-Free interest rate	4.30%-4.55%	1.54%-4.36%	0.48%-1.01%
Expected dividend yield	0%	0%	0%

A summary of option balances as of December 31, 2023, and changes during the year then ended are as follows:

	Number of options	Weighted-average exercise price	Weighted-average remaining contractual term (in years)	Aggregate intrinsic value
Outstanding at January 1, 2023	14,080,996	\$ 5.24	6.00	\$ 19,724
Granted	474,344	\$ 3.95		
Exercised	631,970	\$ 0.72		\$ 1,444
Forfeited	396,135	\$ 5.41		
Expired	197,799	\$ 7.38		
Outstanding at December 31, 2023	<u>13,329,436</u>	<u>\$ 5.38</u>	<u>5.07</u>	<u>\$ 9,584</u>
Exercisable at December 31, 2023	<u>10,580,281</u>	<u>\$ 5.35</u>	<u>4.97</u>	<u>\$ 8,954</u>

The weighted-average grant date fair value of options granted during the years ended December 31, 2023, 2022 and 2021, was \$2.26, \$2.35 and \$4.75, respectively.

Exercise price - before the Company became public in April 2021, in determining the exercise prices for share options granted, the Board of Directors considered the fair value of Ordinary Shares as of each grant date. The fair value of Ordinary Shares underlying the share options was determined by the Board of Directors at each award grant date based upon a variety of factors, including the results obtained from independent third-party valuations, the Company's financial position and historical financial performance, the status of technological developments within the Company's products, the composition and ability of the current management team, an evaluation or benchmark of the Company's competition, the current business climate in the marketplace, the illiquid nature of the Ordinary Shares, arm's length sales of the Company's capital share, the effect of the rights and preferences of the Preferred Shares, and the prospects of a liquidity event, among others. From the date the Company became public, the fair value of each Ordinary Share was based on the closing price of the Company's publicly traded Ordinary Shares as reported on the date of the grant.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 12: - SHARE-BASED COMPENSATION (Cont.)

Expected volatility - as the Company became public in April 2021, there is not sufficient historical volatility for the expected term of the share options. Therefore, the Company uses an average historical share price volatility based on an analysis of reported data for a peer group of comparable publicly traded companies which were selected based upon industry similarities.

Expected term (years) - represents the period that the Company's options granted are expected to be outstanding. There is not sufficient historical share exercise data to calculate the expected term of the share options. Therefore, the Company elected to utilize the simplified method to value option grants. Under this approach, the weighted-average expected life is presumed to be the average of the shortest vesting term and the contractual term of the option.

Risk-free interest rate - the Company determined the risk-free interest rate by using a weighted-average equivalent to the expected term based on the U.S. Treasury yield curve in effect as of the date of grant.

Expected dividend yield - since inception, the Company has not paid and does not anticipate paying any dividends in the foreseeable future. Thus, the Company used 0% as its expected dividend yield.

c. RSUs granted:

A summary of RSUs activity for the year ended December 31, 2023, is as follows:

	Number of shares	Weighted average grant date fair value per share
Unvested as of December 31, 2022	7,308,579	\$ 5.95
Granted	7,238,480	\$ 3.83
Vested	2,216,986	\$ 5.78
Forfeited	630,185	\$ 5.06
Unvested as of December 31, 2023	<u>11,699,888</u>	<u>\$ 4.72</u>

U.S. dollars in thousands (except share and per share data)

NOTE 12: - SHARE-BASED COMPENSATION (Cont.)

- d. Management earn-out shares:

The fair value of the Management earn-out shares granted to officers on May 12, 2021 was estimated using the Monte Carlo pricing model under the following assumptions:

	<u>May 12, 2021</u>
Share Price	\$ 9.75
Expected volatility	77.50%
Risk-Free interest rate	0.66%
Threshold	\$ 12.5
Term (years)	4

Share price - the share price was based on the closing price of the share on day of grant.

Expected volatility - the Company estimates the volatility of the earn-out shares based on the historical volatility of the company's share price and of a selected peer companies that matches the expected remaining life of the earn-out shares.

Risk-free interest rate - the Company determined the risk-free interest rate by using a weighted average equivalent to the expected term based on the U.S. Treasury yield curve in effect as of the date of grant.

Threshold - the Company determined the earnout share price as part of the Transactions agreement.

- e. The total share-based compensation expense related to all of the Company's equity-based awards, which include options and RSUs recognized in the Company's consolidated statements of operations are as follow:

	<u>Year ended December 31,</u>		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Cost of revenues	\$ 1,587	\$ 174	\$ -
Research and development	13,690	11,995	25,504
Sales and marketing	1,409	2,300	17,153
General and administrative	5,634	4,980	22,079
	<u>\$ 22,320</u>	<u>\$ 19,449</u>	<u>\$ 64,736</u>

As of December 31, 2023, unrecognized compensation cost related to share options and RSUs was \$51,352, which is expected to be recognized over a weighted average period of 2.86 years.

- f. For awards issued for non-employees' services, see Note 1c.

These awards were accounted for as issuance costs in connection with the Transactions.

U.S. dollars in thousands (except share and per share data)

NOTE 13: - TAXES ON INCOME

a. Corporate tax rates in Israel:

The corporate tax rate in Israel is 23%.

b. Income taxes of non-Israeli subsidiaries:

Non-Israeli subsidiaries are taxed according to the tax laws in their respective countries of residence.

c. Carryforward tax losses and credits:

As of December 31, 2023, the Company had operating loss carry forwards for Israeli income tax purposes of approximately \$544,000 which may be offset indefinitely against future taxable income.

d. Deferred income taxes:

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The principal components of the Company's deferred tax assets are as follows:

	December 31,	
	2023	2022
Deferred tax assets:		
Net operating loss carryforward	\$ 125,170	\$ 94,973
Research and development costs carryforward	19,212	18,728
Capital loss carryforward	1,900	90
Inventory provision	1,608	948
Accrued expenses	1,732	727
Property and equipment	1,022	311
Lease liabilities	5,855	6,328
Other	2,419	3,020
Total deferred tax assets	158,918	125,125
Valuation allowance	(152,965)	(118,932)
Deferred tax liabilities:		
Right-of-use assets	(5,862)	(6,193)
Other	(91)	-
Total deferred tax liabilities	(5,953)	(6,193)
Net deferred tax	\$ -	\$ -

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 13: - TAXES ON INCOME (Cont.)

Based on the available evidence, management believes that it is more likely than not that certain of its deferred tax assets relating to net operating loss carryforwards and other temporary differences in Israel will not be realized and accordingly a valuation allowance has been provided.

As of December 31, 2023, and 2022, the Company has not provided a deferred tax liability in respect of cumulative undistributed earnings relating to the Company's foreign subsidiaries, as the Company intends to keep these earnings permanently invested.

- e. Loss before taxes on income is comprised as follows:

	Year ended December 31,		
	2023	2022	2021
Domestic (Israel)	\$ (125,228)	\$ (127,631)	\$ (153,091)
Foreign	2,416	1,084	(184)
Loss before taxes on income	<u>\$ (122,812)</u>	<u>\$ (126,547)</u>	<u>\$ (153,275)</u>

- f. Income taxes are comprised as follows:

	Year ended December 31,		
	2023	2022	2021
Current	\$ 642	\$ 325	\$ 284
Domestic (Israel)	131	115	232
Foreign	511	210	52
Income taxes	<u>\$ 642</u>	<u>\$ 325</u>	<u>\$ 284</u>

- g. The reconciliation of the tax benefit at the Israeli statutory tax rate to the Company's income taxes is as follows:

	Year ended December 31,		
	2023	2022	2021
Israel tax provision at statutory rate	23.00%	23.00%	23.00%
Non-deductible share-based compensation	(3.87)%	(2.77)%	(2.00)%
Effect of other permanent differences	(0.31)%	0.05%	0.47%
Change in valuation allowance	(27.71)%	(18.70)%	(24.41)%
Issuance costs	6.52%	6.06%	3.68%
Provision to return	0.24%	(8.00)%	(0.77)%
Capital losses	1.47%	-	-
Other adjustments	0.14%	0.10%	(0.16)%
Effective tax rate	<u>(0.52)%</u>	<u>(0.26)%</u>	<u>(0.19)%</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 13: - TAXES ON INCOME (Cont.)

h. Tax assessments:

The Company's tax assessments through 2017 are considered final.

As of December 31, 2023, the tax returns of the Company are still subject to audits by the tax authorities for the tax years 2018 onwards.

i. Uncertain tax positions:

The Company has reviewed the tax positions taken, or to be taken, in its tax returns for all tax years currently open to examination by a taxing authority. As of December 31, 2023 and 2022, the Company has not recorded any uncertain tax position liability.

NOTE 14: - BASIC AND DILUTED NET LOSS PER SHARE

The following table sets forth the computation of the net loss per share for the period presented:

	Year ended December 31,		
	2023	2022	2021
Numerator:			
Net loss	\$ (123,454)	\$ (126,872)	\$ (153,559)
Preferred share accrued cumulative dividend rights	-	-	(5,044)
Total loss attributable to ordinary shares	<u>\$ (123,454)</u>	<u>\$ (126,872)</u>	<u>\$ (158,603)</u>
Denominator:			
	<u>147,480,521</u>	<u>135,224,312</u>	<u>102,859,891</u>

The following potential ordinary shares have been excluded from the calculation of diluted net loss per share for the period presented due to their anti-dilutive effect:

- a. 16,231,141 warrants, 2,402,178 sponsors earnout shares, 25,029,324 outstanding options to purchase Ordinary Shares and unvested RSUs as of December 31, 2023.
- b. 16,231,141 warrants, 2,402,178 sponsors earnout shares, 21,389,575 outstanding options to purchase Ordinary Shares and unvested RSUs as of December 31, 2022.
- c. 16,231,241 warrants, 2,402,178 sponsors earnout shares, 20,147,947 outstanding options to purchase Ordinary Shares and unvested RSUs as of December 31, 2021 (in addition to 70,618,999 underlying the Company's Preferred Shares that were outstanding prior to April 5, 2021).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 15: - SALE OF NON-MARKETABLE SECURITIES

In November 2021, the Company sold its equity investment in a privately held company with no readily determinable fair value which was accounted for under the measurement alternative pursuant to ASC 320, for \$2,178. The Company recognized a profit in the amount of \$2,012 in financial income, net.

NOTE 16: - GEOGRAPHIC AND CUSTOMER INFORMATION

a. Geographic information:

Following is a summary of revenues by geographic areas. Revenues attributed to geographic areas, based on the location where the customers accept delivery of the products and services:

	Year ended December 31,		
	2023	2022	2021
Europe, Middle East and Africa (*)	\$ 18,986	\$ 3,225	\$ 2,570
Asia Pacific	394	739	538
North America (**)	1,496	2,062	2,358
	<u>\$ 20,876</u>	<u>\$ 6,026</u>	<u>\$ 5,466</u>

(*) Includes revenues from Germany in the amount of \$18,758, \$3,034 and \$2,491 in the years ended December 31, 2023, 2022 and 2021, respectively.

(**) Includes revenues from United States only.

b. The Company's long-lived assets (property and equipment, net and operating lease right-of-use assets, net) are located as follows:

	Year ended December 31,	
	2023	2022
Israel	\$ 50,318	\$ 56,424
United States	8	50
Germany	909	929
Others	21	13
	<u>\$ 51,256</u>	<u>\$ 57,416</u>

U.S. dollars in thousands (except share and per share data)

NOTE 16: - GEOGRAPHIC AND CUSTOMER INFORMATION (Cont.)

- c. Customers accounted for over 10% of revenues:

For the year ended 2023, Customer A and Customer B accounted for 48% and 47% of revenues, respectively.

For the year ended 2022, Customer B accounted for 77% of revenues.

For the year ended 2021, Customer B accounted for 82% of revenues.

- d. Concentration of credit risk from major customers customers:

As of December 31, 2023, Customer B accounted for approximately 91% of the Company's trade receivables.

As of December 31, 2022, Customer B accounted for approximately 89% of the Company's trade receivables.

AGREEMENT

between

Innoviz Technologies Ltd.
5 Uri Ariav Street
Rosh Haayin
Israel

- hereinafter referred to as „INNOVIZ“ -

and

Magna Electronics Technology, Inc.
10410 North Holly Road
Holly, Michigan, 48442
United States

- hereinafter referred to as „MAGNA ELECTRONICS“ -

Magna Electronics Europe GmbH & Co. OHG
Kurfürst-Eppstein-Ring 9
63877 Sailauf
Germany

- hereinafter referred to as „MAGNA ELECTRONICS EUROPE“ -

- MAGNA ELECTRONICS and MAGNA ELECTRONICS EUROPE hereinafter jointly referred to as „MAGNA“ -

- INNOVIZ and MAGNA hereinafter individually referred to a „PARTY“ or jointly the „PARTIES“ -

Preamble

The PARTIES are tied by various contractual relations including, amongst others, by

- a Joint Development and Master Supply Agreement dated December 4, 2017 (the “**JDMSA**”) and
- a statement of work dated February 2, 2018 as amended from time to time (the “**SOW**”) according to which INNOVIZ is commissioned with the following development project: “Long Range LiDAR as a key sensor to enable autonomous driving and support diverse ADAS functionality”
- a Memorandum of Understanding dated October 12, 2020 (the “**MoU**”), according to which, inter alia, INNOVIZ shall sell to MAGNA ELECTRONICS the Innoviz Components (hereinafter referred to as “**DELIVERY ITEMS**”) and EQUIPMENT (defined terms not otherwise defined herein shall have the meaning ascribed to them in the MoU).

[Omitted]

The PARTIES hereby agree as follows:

1. INNOVIZ shall deliver 3 different DELIVERY ITEMS – the “Maui ASIC”, the “MEMS” and the “Detector” – to MAGNA ELECTRONICS in line with the applicable data sheets attached hereto as **Annex 3**, which have been mutually agreed upon and which meet BMW requirements.
 2. The ownership in the EQUIPMENT has already been transferred to MAGNA ELECTRONICS, and there is no need for additional EQUIPMENT [Omitted]
 3. INNOVIZ shall supply the DELIVERY ITEMS starting with the first deliveries as of the [Omitted] (hereinafter referred to as “**SOP**”) and supply the DELIVERY ITEMS to MAGNA ELECTRONICS in line with MAGNA ELECTRONICS’ call-off orders as from SOP, up to a total of DELIVERY ITEMS to enable MAGNA [Omitted] months rolling forecasts on a monthly basis during the term of the project, which sets forth DELIVERY ITEMS quantity requirements anticipated by MAGNA over the following [Omitted] month period (the “**Forecast**”) which rolling Forecasts are subject to changes in line with BMW’s demands subject to the terms hereof. The first Forecast is attached hereto as **Annex 4**. The amounts shown in every monthly Forecast during the term of the project for its initial [Omitted] months are binding; the individual call-offs can, however, be changed as long as said amounts are met. [Omitted]
-

INNOVIZ shall set up the following production capacity (“**Capacity**”):

[Omitted]

INNOVIZ must be capable of furnishing supply capacities of up to 20% over the agreed capacities for a maximum of [Omitted] weeks per calendar quarter, no later than within [Omitted] weeks from the time of a request for such additional capacities from MAGNA without additional costs for MAGNA but subject to MAGNA being obligated to purchase such additional deliveries.

[Omitted]

[Omitted]

For clarification purposes, it is noted that, except for the binding portion of the Forecast as described above, the production capacities do not constitute a commitment for MAGNA and MAGNA shall have no obligation to purchase any minimum quantities of DELIVERY ITEMS. MAGNA will call-off DELIVERY ITEMS in line with the delivery call-offs of BMW in accordance with the Parties’ obligations hereunder.

[Omitted]

DELIVERY ITEMS may not be used by MAGNA for any other purpose other than to manufacture InnovizOne OM for BMW, and MAGNA shall not manufacture or otherwise make available the DELIVERY ITEMS or the InnovizOne OM to or for any other purpose, entity or person.

4. The following requirements must be met prior to SOP (“**SOP Requirements**”): [Omitted]

MAGNA hereby confirms that SOP was met on the last date of signature of this Agreement by the authorized signatory of both Parties.

[Omitted]

5. INNOVIZ shall at all times be primarily responsible and liable for the acts and omissions of its subcontractors, and INNOVIZ shall make best efforts to bind such subcontractors to (ensure their compliance with) all obligations and restrictions of INNOVIZ under this Agreement. This Agreement shall not give rise to any contractual relationship between Magna and any of INNOVIZ' subcontractors.

6. All deliveries shall be made FCA Innoviz Technologies Ltd., 5 Uri Ariav Street, Rosh Haayin (Incoterms 2020).

All packaging, marking and delivery must comply with MAGNA's Label and Packaging Procedure for Purchased Components, attached as **Annex 5**.

7. The PARTIES hereby agree on the following fixed prices for the DELIVERY ITEMS:

[Omitted]

Payments shall be made [Omitted] days net upon delivery and receipt of a verifiable invoice.

8. During the WARRANTY PERIOD, INNOVIZ warrants and guarantees to MAGNA ELECTRONICS, its successors and assignees that the DELIVERY ITEMS will:

[Omitted]

(together, the "**Warranty Obligation**").

INNOVIZ further warrants and guarantees to MAGNA ELECTRONICS, its successors and assignees, that INNOVIZ will, at the time of delivery and subject to the receipt of the full payment for the DELIVERY ITEMS, convey to MAGNA ELECTRONICS good title for all DELIVERY ITEMS, free and clear of all liens, claims or other encumbrances. Risk of loss to, the DELIVERY ITEMS (including, but not limited to, any repaired or replacement DELIVERY ITEMS) shall pass to MAGNA in accordance with the applicable Incoterms.

“WARRANTY PERIOD” –

[Omitted]

9. INNOVIZ shall provide support in good faith to support MAGNA in case negotiations or discussions with the equipment manufactures [Omitted]
 10. INNOVIZ shall provide support in good faith with the potential negotiations with suppliers of MAGNA listed in **Annex 6** hereto, which suppliers were originally nominated by INNOVIZ, if needed and as specifically requested by MAGNA, on a case by case basis.
 11. [Omitted]
 12. [Omitted]
 13. [Omitted]
-

14. [Omitted]

[Omitted]

15. [Omitted]

[Omitted]

16. INNOVIZ is obliged to conduct SW-maintenance / HW (if needed) / SW defect analysis according to BMW requirement. INNOVIZ has to implement a failure analysis capability including the necessary tools and infrastructure and to support I-Steps activities. INNOVIZ shall in particular, but not limited to, be obliged to the following:

[Omitted]

17. INNOVIZ shall provide MAGNA ELECTRONICS with support and training as further detailed herein: (1) with respect to remote support, MAGNA ELECTRONICS shall pay [Omitted] and (2) with respect to on site support, MAGNA ELECTRONICS shall pay INNOVIZ [Omitted]

[Omitted]

[Omitted] The manufacturing engineering support shall be quoted by INNOVIZ in detail in writing and submitted to MAGNA ELECTRONICS for approval. MAGNA ELECTRONIC'S written approval must be obtained and a PO issued prior to commencement of any activity associated.

[Omitted]

[Omitted]

18. [Omitted]
-

19. INNOVIZ hereby represents and warrants that its performance under this Agreement (a) will comply with MAGNA's Code of Conduct and Ethics available under the current <https://www.magna.com/company/suppliers/magna-supplier-code-of-conduct-and-ethics>, and (b) will comply, subject to MAGNA not failing to fully cooperate with INNOVIZ and providing all information and data reasonably requested by Innoviz, with all INNOVIZ DELIVERY ITEMS-related safety, emissions, environmental and other laws and regulations applicable to performance hereunder.

[Omitted]

MAGNA ELECTRONICS EUROPE and INNOVIZ entered into the Quality Guidelines for Suppliers on May 30, 2018 attached hereto as **Annex 11** (the “**Quality Guidelines**”). INNOVIZ agrees to comply with the Quality Guidelines. The Parties further agree that as of the last date of signing this Agreement by both Parties, INNOVIZ will set up and furnish evidence of a quality management system in accordance with the latest edition of [Omitted]

INNOVIZ will ensure that DELIVERY ITEMS are [Omitted] and adhere to the [Omitted] valid at the time of signature of this agreement.

[Omitted]

[Omitted]

20. This agreement may not be ordinarily terminated by either party. The PARTIES may terminate this Agreement by a mutual written and signed document.
 21. For the avoidance of doubt, MAGNA ELECTRONICS and MAGNA ELECTRONICS EUROPE are entering into this agreement on their own behalf and are not joint and several debtors.
 22. This agreement (including its validity, interpretation, formation, performance and termination) is governed by, and shall be interpreted, construed and enforced in accordance with, the laws of the State of New York, USA, without regard to any conflict of laws principles that require application of any other law. The United Nations Convention on Contracts for the International Sale of Goods shall not apply to this Agreement and is hereby disclaimed. Any claim, dispute or controversy between the parties will be subject to the exclusive jurisdiction and venue of the courts located in New York County, New York, and each Party hereby irrevocably submits to the personal jurisdiction of such courts and waives any jurisdictional, venue, or inconvenient forum objections to such courts.
-

23. Neither Party shall be liable to the other for failure or delay in the performance of any of its obligations under this Agreement, if such failure or delay is due to unforeseeable events beyond its reasonable control. Force majeure (in situations in which the prerequisites of the first sentence hereof apply) shall include, but not be limited to, [Omitted] In such events, the affected Party shall immediately inform the other Party of such circumstances together with documents of proof and the performance of obligations hereunder shall be suspended during, but not longer than, the period of existence of such cause and the period reasonably required to perform the obligations in such cases. The affected Party shall take commercially reasonable steps to mitigate damages arising out of the force majeure event. In the case that an event of force majeure subsists for longer than [Omitted] without interruption or a [Omitted] in total over a period of [Omitted] then the unaffected Party shall have the right to terminate this Agreement or any POs or call-offs related thereto. In such case, neither Party shall have the right to demand any compensation and damages from the other Party.

[Omitted]

[Omitted]

For and on behalf of

INNOVIZ Technologies Ltd.

Date: December 24, 2023

/s/ Omer Keilaf

Omer Keilaf, CEO

/s/ Eldar Cegla

Eldar Cegla, CFO

For and on behalf of

INNOVIZ Technologies Ltd.

Date: December 24, 2023

Omer Keilaf, CEO

Eldar Gegla, CFO

For and on behalf of

Magna Electronics Technology, Inc.

Date: December 29, 2023

/s/ Steve Salvatore

Steve Salvatore

/s/ Nancy Brndiar

Nancy Brndiar

For and on behalf of

Magna Electronics Europe GmbH & Co. OHG

Date: December 29, 2023

/s/ Cornelius Wolber

Cornelius Wolber

/s/ Alexandra Schneider

Alexandra Schneider

SUBSIDIARIES OF INNOVIZ TECHNOLOGIES LTD.

Name of Subsidiary

Innoviz Technologies, Inc.

Innoviz Technologies GmbH

Innoviz Technologies BY LLC

Innoviz Software Centre Bucharest S.R.L.

Innoviz Technologies Trading Shanghai Co., Ltd.

Jurisdiction of Organization

U.S. (Delaware)

Germany

Belarus

Romania

China

**Certification by the Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Omer David Keilaf, certify that:

1. I have reviewed this annual report on Form 20-F of Innoviz Technologies Ltd.;
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 company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) 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 by Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company 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 company, 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;
 - c) Evaluated the effectiveness of the company'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 company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting.
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company'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 company'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 company's internal control over financial reporting.

Date: March 12, 2024

/s/ Omer David Keilaf

Name: Omer David Keilaf
Title: Chief Executive Officer (principal executive officer)

**Certification by the Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Eldar Cegla, certify that:

1. I have reviewed this annual report on Form 20-F of Innoviz Technologies Ltd.;
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 company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) 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 by Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company 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 company, 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;
 - c) Evaluated the effectiveness of the company'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 company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting.
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company'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 company'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 company's internal control over financial reporting.

Date: March 12, 2024

/s/ Eldar Cegla

Name: Eldar Cegla
Title: Chief Financial Officer (principal financial officer)

**Certification by the Chief Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the annual report of Innoviz Technologies Ltd. (the "Company") on Form 20-F for the year ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Omer David Keilaf, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; 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: March 12, 2024

By: */s/ Omer David Keilaf*

Name: Omer David Keilaf

Title: Chief Executive Officer (principal executive officer)

**Certification by the Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the annual report of Innoviz Technologies Ltd. (the "Company") on Form 20-F for the year ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Eldar Cegla, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; 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: March 12, 2024

By: /s/ Eldar Cegla

Name: Eldar Cegla

Title: Chief Financial Officer (principal financial officer)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Forms F-3 (File Nos. 333-265170 and 333-267646) and Forms S-8 (File Nos. 333-255511, 333-265169 and 333-270416) of Innoviz Technologies Ltd. of our report dated March 12, 2024 relating to the financial statements, which appears in this Form 20-F.

Tel Aviv, Israel
March 12, 2024

/s/ Kesselman & Kesselman
Certified Public Accountants (Isr.)
A member firm of PricewaterhouseCoopers International Limited

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements:

- (1) Registration Statements (Form F-3 Nos. 333-265170 and 333-267646) of Innoviz Technologies Ltd., and
- (2) Registration Statements (Form S-8 Nos. 333-255511, 333-265169 and 333-270416) pertaining to the Innoviz Technologies Ltd. 2016 Share Incentive Plan and the Innoviz Technologies Ltd. 2021 Share Incentive Plan;

of our report dated March 9, 2023 with respect to the consolidated financial statements of Innoviz Technologies Ltd. included in this Annual Report (Form 20-F) of Innoviz Technologies Ltd. for the year ended December 31, 2022.

Tel Aviv, Israel
March 12, 2024

/s/ KOST, FORER, GABBAY & KASIERER
KOST, FORER, GABBAY & KASIERER
A Member of EY Global

INNOVIZ TECHNOLOGIES LTD.

CLAWBACK POLICY

I. OVERVIEW

In accordance with the applicable rules of the Nasdaq Stock Market (the “*Nasdaq*”), Section 10D and Rule 10D-1 of the U.S. Securities Exchange Act of 1934, as amended (the “*Exchange Act*”) (“*Rule 10D-1*”), the Board of Directors (the “*Board*”) of Innoviz Technologies Ltd., a company organized under the laws of the State of Israel (the “*Company*”), has adopted this Policy (the “*Policy*”) to provide for the recovery of erroneously awarded Incentive-based Compensation from Executive Officers. Each capitalized term used and not defined shall have the meaning set forth in Section VIII below.

II. RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

(1) In the event of an Accounting Restatement, the Company will reasonably promptly recover the Erroneously Awarded Compensation Received in accordance with the applicable rules of Nasdaq (“*Nasdaq Rules*”) and Rule 10D-1 as follows:

(i) After an Accounting Restatement, the Compensation Committee of the Board of Directors (the “*Committee*”) shall determine the amount of any Erroneously Awarded Compensation Received by each Executive Officer, if any, and shall promptly notify each Executive Officer with a written notice containing the amount of any Erroneously Awarded Compensation and a demand for repayment or return of such compensation, as applicable.

(a) For Incentive-based Compensation based on (or derived from) the Company’s share price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the applicable Accounting Restatement:

(x) The amount to be repaid or returned shall be determined by the Committee based on a reasonable estimate of the effect of the Accounting Restatement on the Company’s share price or total shareholder return upon which the Incentive-based Compensation was Received; and

(y) The Company shall maintain documentation of the determination of such reasonable estimate and provide the relevant documentation as required to the Nasdaq.

(ii) The Committee shall have discretion to determine the appropriate means of recovering Erroneously Awarded Compensation based on the particular facts and circumstances, which may include, without limitation, reduction or cancellation by the Company or an affiliate of the Company of Incentive-Based Compensation or Erroneously Awarded Compensation, reimbursement or repayment by any person subject to this Policy of the Erroneously Awarded Compensation, and, to the extent permitted by law, an offset of the Erroneously Awarded Compensation against other compensation payable by the Company or an affiliate of the Company to such person. Notwithstanding the foregoing, except as set forth in Subsection (2) below, in no event may the Company accept an amount that is less than the amount of Erroneously Awarded Compensation in satisfaction of an Executive Officer’s obligations hereunder.

(iii) To the extent that the Executive Officer has already reimbursed the Company for any Erroneously Awarded Compensation Received under any duplicative recovery obligations established by the Company or applicable law, including, without limitation, the Company's Executive Compensation Policy adopted in accordance with Israeli law, it shall be appropriate for any such reimbursed amount to be credited to the amount of Erroneously Awarded Compensation that is subject to recovery under this Policy.

(iv) To the extent that an Executive Officer fails to repay all Erroneously Awarded Compensation to the Company when due, the Company shall take all actions reasonable and appropriate to recover such Erroneously Awarded Compensation from the applicable Executive Officer. The applicable Executive Officer shall be required to reimburse the Company for any and all expenses reasonably incurred (including reasonable legal fees) by the Company in recovering such Erroneously Awarded Compensation in accordance with the immediately preceding sentence.

(2) Notwithstanding anything herein to the contrary, the Company shall not be required to take the actions contemplated by Subsection (1) above if the Committee determines that recovery would be impracticable and any of the following three conditions are met:

(i) The Committee has determined that the direct expenses paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered. Before making this determination, the Company must make a reasonable attempt to recover the Erroneously Awarded Compensation, documented such attempt(s) and provided such documentation to the Nasdaq;

(ii) Recovery would violate the Israeli law, provided that, before determining that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on violation of the Israeli law, the Company has obtained an opinion of Israeli counsel, acceptable to Nasdaq, that recovery would result in such a violation and a copy of the opinion is provided to Nasdaq; or

(iii) Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Internal Revenue Code of 1986, as amended, and regulations thereunder.

(3) Recovery shall be required in accordance with this Section II regardless of whether the applicable Executive Officer engaged in misconduct or otherwise caused or contributed to the requirement for the Accounting Restatement and regardless of whether or when restated financial statements are filed by the Company.

(4) For clarity, the recovery of Erroneously Awarded Compensation under this Policy will not give rise to any person's right to voluntarily terminate employment for "good reason," or due to a "constructive termination" (or any similar term of like effect) under any plan, program or policy of or agreement with the Company or any of its affiliates.

III. DISCLOSURE REQUIREMENTS

The Company shall file all disclosures with respect to this Policy required by applicable U.S. Securities and Exchange Commission (“SEC”) filings and rules.

IV. PROHIBITION OF INDEMNIFICATION AND LIABILITY

The Company shall not be permitted to insure or indemnify any Executive Officer against (i) the loss of any Erroneously Awarded Compensation that is repaid, returned or recovered pursuant to the terms of this Policy, or (ii) any claims relating to the Company’s enforcement of its rights under this Policy. None of the Company, an affiliate of the Company or any member of the Committee or the Board shall have any liability to any person as a result of actions taken under this Policy.

Further, the Company shall not enter into any agreement that exempts any Incentive-based Compensation that is granted, paid or awarded to an Executive Officer from the application of this Policy or that waives the Company’s right to recovery of any Erroneously Awarded Compensation, and this Policy shall supersede any such agreement (whether entered into before, on or after the Effective Date of this Policy).

V. ADMINISTRATION AND INTERPRETATION

This Policy shall be administered by the Committee, and, subject to any permitted review by the Nasdaq pursuant to the Nasdaq Rules, any determinations made by the Committee shall be final and binding on all affected individuals. The Board of Directors of the Company (the “Board”) may re-vest in itself the authority to administer, interpret and construe this Policy in accordance with applicable law, and in such event references herein to the “Committee” shall be deemed to be references to the Board.

The Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy and for the Company’s compliance with Nasdaq Rules, Section 10D, Rule 10D-1 and any other applicable law, regulation, rule or interpretation of the SEC or Nasdaq promulgated or issued in connection therewith (the “*Applicable Rules*”). The Committee may delegate administrative duties with respect to this Policy to one or more directors or employees of the Company, as permitted under applicable law, including any Applicable Rules.

This Policy will be interpreted and applied in a manner that is consistent with the requirements of the Applicable Rules, and to the extent this Policy is inconsistent with such Applicable Rules, it shall be deemed amended to the minimum extent necessary to ensure compliance therewith.

VI. AMENDMENT; TERMINATION

The Committee may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary. Notwithstanding anything in this Section VI to the contrary, no amendment or termination of this Policy shall be effective if such amendment or termination would (after taking into account any actions taken by the Company contemporaneously with such amendment or termination) cause the Company to violate any federal securities laws, SEC rule, Nasdaq rule or Israeli law. This Policy will terminate automatically when the Company does not have a class of securities listed on a national securities exchange or association in the United States.

VII. OTHER RECOVERY RIGHTS

This Policy shall be binding and enforceable against all Executive Officers and, to the extent required by applicable law or guidance from the SEC or Nasdaq, their beneficiaries, heirs, executors, administrators or other legal representatives. The Committee intends that this Policy will be applied to the fullest extent required by applicable law. Any employment agreement, equity award agreement, compensatory plan or any other agreement or arrangement with an Executive Officer shall be deemed to include, as a condition to the grant of any benefit thereunder, an agreement by the Executive Officer to abide by the terms of this Policy. Any right of recovery under this Policy is in addition to, and not in lieu of, any other remedies or rights of recovery that may be available to the Company under applicable law, regulation or rule or pursuant to the terms of any policy of the Company, including, without limitation, the Company's Executive Compensation Policy adopted in accordance with Israeli law, or any provision in any employment agreement, equity award agreement, compensatory plan, agreement or other arrangement.

VIII. SEVERABILITY

The provisions in this Policy are intended to be applied to the fullest extent of the law; provided, however, to the extent that any provision of this Policy is found to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law.

IX. ACKNOWLEDGEMENT

Each Executive Officer shall sign an acknowledgment pursuant to which such Executive Officer will agree to be bound by the terms of, and comply with, this Policy; however, any Executive Officer's failure to sign any such acknowledgment shall not negate the application of this Policy to the Executive Officer.

X. DEFINITIONS

For purposes of this Policy, the following capitalized terms shall have the meanings set forth below.

(1) "**Accounting Restatement**" means an accounting restatement to correct the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (a "*Big R*" restatement), or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a "*little r*" restatement).

(2) "**Clawback Eligible Incentive Compensation**" means all Incentive-based Compensation Received by an Executive Officer (i) on or after the effective date of the applicable Nasdaq rules, (ii) after beginning service as an Executive Officer, (iii) who served as an Executive Officer at any time during the applicable performance period relating to any Incentive-based Compensation (whether or not such Executive Officer is serving at the time the Erroneously Awarded Compensation is required to be repaid to the Company), (iv) while the Company has a class of securities listed on a national securities exchange or a national securities association, and (v) during the applicable Clawback Period (as defined below).

(3) "**Clawback Period**" means, with respect to any Accounting Restatement, the three completed fiscal years of the Company immediately preceding the Restatement Date (as defined below), and if the Company changes its fiscal year, any transition period of less than nine months within or immediately following those three completed fiscal years.

(4) “**Erroneously Awarded Compensation**” means, with respect to each Executive Officer in connection with an Accounting Restatement, the amount of Clawback Eligible Incentive Compensation that exceeds the amount of Incentive-based Compensation that otherwise would have been Received based on a restated Financial Reporting Measure had it been determined based on the restated amounts, determined on a pre-tax basis in accordance with the Applicable Rules.

(5) “**Executive Officer**” means each individual who is currently or was previously designated as the Company’s principal executive officer, principal financial officer or principal accounting officer, or was otherwise identified by the Company in Item 6.A of the Company’s Annual Report on Form 20-F filed with the SEC as a member of the Company’s senior management (as defined in Form 20-F).

(6) “**Financial Reporting Measures**” means measures that are determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and all other measures that are derived wholly or in part from such measures. Share price and total shareholder return (and any measures that are derived wholly or in part from share price or total shareholder return) shall, for purposes of this Policy, be considered Financial Reporting Measures. For the avoidance of doubt, a Financial Reporting Measure need not be presented in the Company’s financial statements or included in a filing with the SEC.

(7) “**Incentive-based Compensation**” means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure and Received by a person: (a) after beginning service as an Officer; (b) who served as an Officer at any time during the performance period for that compensation; (c) while the issuer has a class of its securities listed on a national securities exchange or association; and (d) during the applicable Clawback Period.

(8) “**Received**” means, with respect to any Incentive-based Compensation, actual or deemed receipt, and Incentive-based Compensation shall be deemed received in the Company’s fiscal period during which the Financial Reporting Measure specified in the Incentive-based Compensation award is attained, even if the grant, vesting or payment of the Incentive-based Compensation to the Executive Officer occurs after the end of that period.

(9) “**Restatement Date**” means the earlier to occur of (i) the date the Board, a committee of the Board or the officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement, or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement.

Effective as of September 12, 2023.

EXHIBIT

ATTESTATION AND ACKNOWLEDGMENT OF CLAWBACK POLICY

By my signature below, I acknowledge and agree that:

1. I have received and read the attached Clawback Policy (the "**Policy**") of Innoviz technologies Ltd. (the "**Company**").
2. For good and valuable consideration, the receipt of which is acknowledged, I hereby agree to abide by all of the terms of this Policy both during and after my employment with the Company and any subsidiary of the Company and agree that compensation I receive may be subject to reduction, cancellation, forfeiture and/or recoupment to the extent necessary to comply with the Policy, notwithstanding any other agreement to the contrary.
3. I further acknowledge and agree that I am not entitled to indemnification in connection with any enforcement of the Policy against me and expressly waive any rights to such indemnification under the Company's organizational documents or otherwise.

Signature: _____

Name: _____

Date: _____
