

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (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

OR

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

Commission File No.: 001-41334

RAIL VISION LTD.

(Exact name of registrant as specified in its charter)

Translation of registrant's name into English: Not applicable

Israel

(Jurisdiction of incorporation or organization)

**15 Ha'Tidhar St
Ra'anana, 4366517 Israel
Tel: +972-9-957-7706**

(Address of principal executive offices)

**Shahar Hania
Chief Executive Officer
15 Ha'Tidhar St
Ra'anana, 4366517 Israel
Tel: +972-9-957-7706
Email: marketing@railvision.io**

(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 to be registered	Trading Symbol(s)	Name of each exchange on which each class is to be registered
Ordinary shares, no par value	RVSN	The Nasdaq Stock Market LLC
Warrants to purchase ordinary shares, no par value	RVSNW	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

Number of outstanding shares of each of the issuer's classes of capital or common stock as of December 31, 2023: 2,998,278 ordinary shares.

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 Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 during the preceding 12 months. 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.

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 7(a)(2)(B) of the Securities 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. Yes No

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INTRODUCTION

Unless the context otherwise requires, references in this Annual Report on Form 20-F to the “Company,” “Rail Vision,” “we,” “us,” “our” and other similar designations refer to Rail Vision Ltd. All references to “shares” or “ordinary shares” are to our ordinary shares, no par value. All references to “Israel” are to the State of Israel. “U.S. GAAP” means the generally accepted accounting principles of the United States. Unless otherwise stated, all of our financial information presented in this Annual Report has been prepared in accordance with U.S. GAAP. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding. Unless otherwise indicated, or the context otherwise requires, references in this Annual Report to financial and operational data for a particular year refer to the fiscal year of our company ended December 31 of that year.

Our reporting currency and financial currency is the U.S. dollar. In this Annual Report, “NIS” means New Israeli Shekel, and “\$,” “US\$” and “U.S. dollars” mean United States dollars.

On November 15, 2023, we effected a reverse share split of our ordinary shares at the ratio of 8:1. Unless the context expressly dictates otherwise, all references to share and per share amounts referred to herein reflect the reverse share split.

EMERGING GROWTH COMPANY STATUS

We qualify as an “emerging growth company,” as defined in the U.S. Jumpstart Our Business Startups Act of 2012, or JOBS Act, and we may take advantage of certain exemptions, including exemptions from various reporting requirements that are otherwise applicable to public traded entities that do not qualify as emerging growth companies. These exemptions include:

- not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act; and
- not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements (i.e., an auditor discussion and analysis).

Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 13(a) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, for complying with new or revised accounting standards. We have elected to irrevocably opt out of this extended transition period and, as a result, we are required to comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Under federal securities laws, our decision to opt out of the extended transition period is irrevocable.

We will remain an emerging growth company until the earliest of: (i) the last day of the first fiscal year in which our annual gross revenues exceed \$1.07 billion; (ii) the last day of the fiscal year following the fifth anniversary of the date of our initial public offering (i.e., December 31, 2027); (iii) the date that we become a “large accelerated filer” as defined in Rule 12b-2 under the Exchange Act, which would occur if the aggregate worldwide market value of our ordinary shares, including ordinary shares represented by warrants, held by non-affiliates is at least \$700 million as of the last business day of our most recently completed second fiscal quarter; or (iv) the date on which we have issued more than \$1.0 billion in non-convertible debt securities during any three-year period.

TRADEMARKS

We own or have rights to trademarks, service marks and trade names that we use in connection with the operation of our business, including our corporate name, logos and website names. Other trademarks, service marks and trade names appearing in this Annual Report on Form 20-F are the property of their respective owners. Solely for convenience, some of the trademarks, service marks and trade names referred to in this Annual Report on Form 20-F are listed without the ® and ™ symbols, but we will assert, to the fullest extent under applicable law, our rights to our trademarks, service marks and trade names.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information included or incorporated by reference in this Annual Report may be deemed to be “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 and other securities laws. Forward-looking statements are often characterized by the use of forward-looking terminology such as “may,” “will,” “expect,” “anticipate,” “estimate,” “continue,” “believe,” “should,” “intend,” “project” or other similar words, but are not the only way these statements are identified.

These forward-looking statements may include, but are not limited to, statements relating to our objectives, plans and strategies, statements that contain projections of results of operations or of financial condition, expected capital needs and expenses, statements relating to the research, development, completion and use of our products, and all statements (other than statements of historical facts) that address activities, events or developments that we intend, expect, project, believe or anticipate will or may occur in the future.

Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties. We have based these forward-looking statements on assumptions and assessments made by our management in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe to be appropriate.

Important factors that could cause our actual results to differ materially from any future results expressed or implied by the forward-looking statements. Many factors could cause our actual activities or results to differ materially from the activities and results anticipated in forward-looking statements, including, but not limited to, the factors summarized below:

- our lack of operating history;
- our current and future capital requirements;
- our ability to manufacture, market and sell our products and to generate revenues;
- our ability to maintain our relationships with key partners and grow relationships with new partners;
- our ability to maintain or protect the validity of our U.S. and other patents and other intellectual property;
- our ability to launch and penetrate markets in new locations and new market segments;
- our ability to retain key executive members and hire additional personnel;
- our ability to maintain and expand intellectual property rights;
- interpretations of current laws and the passages of future laws;
- our ability to achieve greater regulatory compliance needed in existing and new markets;
- the overall demand for passenger and freight transport;
- our ability to achieve key performance milestones in our planned operational testing;
- our ability to establish adequate sales, marketing and distribution channels;
- acceptance of our business model by investors;
- security, political and economic instability in the Middle East that could harm our business, including due to the current war between Israel and Hamas; and
- those factors referred to in “Item 3.D. Risk Factors,” “Item 4. Information on the Company,” and “Item 5. Operating and Financial Review and Prospects,” as well as in this Annual Report on Form 20-F generally.

These statements are only current predictions and are subject to known and unknown risks, uncertainties, and other factors that may cause our or our industry’s actual results, levels of activity, performance, or achievements to be materially different from those anticipated by the forward-looking statements. We discuss many of these risks in this Annual Report on Form 20-F in greater detail under the heading “Risk Factors” and elsewhere in this Annual Report on Form 20-F. You should not rely upon forward-looking statements as predictions of future events.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. Except as required by law, we are under no duty to update or revise any of the forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this Annual Report on Form 20-F.

MARKET, INDUSTRY AND OTHER DATA

Market data and certain industry data and forecasts used throughout this Annual Report on Form 20-F were obtained from sources we believe to be reliable, including market research databases, publicly available information, reports of governmental agencies, and industry publications and surveys. We have relied on certain data from third party sources, including industry forecasts and market research, which we believe to be reliable based on our management's knowledge of the industry. While we are not aware of any misstatements regarding the industry data presented in this Annual Report on Form 20-F, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading "Risk Factors" and elsewhere in this Annual Report on Form 20-F.

Statements made in this Annual Report on Form 20-F concerning the contents of any agreement, contract or other document are summaries of such agreements, contracts or documents and are not a complete description of all of their terms. If we filed any of these agreements, contracts or documents as exhibits to this Report or to any previous filing with the Securities and Exchange Commission, or SEC, you may read the document itself for a complete understanding of its terms.

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. [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, together with all of the other information in this Annual Report on Form 20-F. The risks and uncertainties described below are those significant risk factors, currently known and specific to us, that we believe are relevant to an investment in our securities. Additional risks and uncertainties not currently known to us or that we now deem immaterial may also harm us. If any of these risks materialize our business, results of operations or financial condition could suffer, and the price of our ordinary shares could decline substantially.

Summary Risk Factors

Our business is subject to numerous risks and uncertainties, including those highlighted in the section titled "Risk Factors" below. These risks include, among others, the following:

Risks Related to Our Financial Condition and Capital Requirements

- We are a development-stage company and have a limited operating history on which to assess the prospects for our business, have incurred significant losses since the date of our inception, and anticipate that we will continue to incur significant losses until we are able to successfully commercialize our products.
- We have not generated significant revenue from the sale of our current products and may never be profitable.
- We expect that we will need to invest significant time and raise substantial additional capital before we can expect to become profitable from sales of our products. This additional capital may not be available on acceptable terms, or at all. Failure to obtain this necessary capital when needed may force us to delay, limit or terminate our product development efforts or other operations. Raising additional capital would cause dilution to our existing shareholders, and may affect the rights of existing shareholders.

Risks Related to Our Business and Industry

- We depend entirely on the success of our current products in development, we may not be able to successfully introduce these products and commercialize them, and we may not be able to successfully manage our planned growth, and our operating results and financial condition may fluctuate. Defects in products could give rise to product returns or product liability, warranty or other claims that could result in material expenses, diversion of management time and attention, and damage to our reputation.
- Our business may be adversely affected by changes in railway safety regulations.
- Under applicable employment laws, we may not be able to enforce covenants not to compete and therefore may be unable to prevent our competitors from benefiting from the expertise of some of our former employees.
- The markets in which we participate are competitive and our failure to compete successfully could cause any future revenues and the demand for our products not to materialize or to decline over time.
- If our relationships with suppliers for our products and services, especially with single source suppliers of components of our products, were to terminate or our manufacturing arrangements were to be disrupted, our business could be interrupted.
- Our planned international operations will expose us to additional market and operational risks, and failure to manage these risks may adversely affect our business and operating results.
- Significant disruptions of our information technology systems or breaches of our data security could adversely affect our business. Additionally, we are subject to data ownership and privacy regulations which may expose us to lawsuits and sanctions for violations.
- We are exposed to fluctuations in currency exchange rates, which could negatively affect our financial condition and results of operations.
- Any resurgence of the COVID-19 pandemic could adversely affect our business, financial condition and results of operations.
- Certain events, developments, or social media posts and interactions may impact our reputation.
- Our business, operating results and growth rates may be adversely affected by current or future unfavorable economic and market conditions and adverse developments with respect to financial institutions and associated liquidity risk.
- Environmental, social and corporate governance (ESG) issues, including those related to climate change and sustainability, may have an adverse effect on our business, financial condition and results of operations and damage our reputation.

Risks Related to Our Intellectual Property

- If we are unable to obtain and maintain effective patent rights for our products, we may not be able to compete effectively in our markets. If we are unable to protect the confidentiality of our trade secrets or know-how, such proprietary information may be used by others to compete against us, affecting our ability to compete.
- We may be involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time consuming, and unsuccessful and we may be subject to claims challenging the inventorship of our intellectual property, and we may not be able to protect our intellectual property rights throughout the world.

Risks Related to the Ownership of Our Securities

- Our principal shareholders, officers and directors beneficially own approximately 13.8% of our ordinary shares. They will therefore be able to exert significant control over matters submitted to our shareholders for approval, which could limit your ability to influence the outcome of key transactions, including a change of control, and which may result in conflicts with us or you in the future.
- Certain of our directors have relationships with our principal shareholders, which may cause conflicts of interest with respect to our business.
- As a “foreign private issuer” we are permitted, and intend, to follow certain home country corporate governance practices instead of otherwise applicable SEC and Nasdaq requirements, which may result in less protection than is accorded to investors under rules applicable to domestic U.S. issuers.
- We may be a “passive foreign investment company,” or PFIC, for U.S. federal income tax purposes in the current taxable year or may be one in any subsequent taxable year. There generally would be negative tax consequences for U.S. taxpayers that are holders of our ordinary shares if we are or were to become a PFIC.
- We may be subject to securities litigation, which is expensive and could divert management attention.

Risks Related to Israeli Law and Our Incorporation, Location and Operations in Israel

- Our headquarters, research and development and other significant operations are located in Israel, and, therefore, our results may be adversely affected by political, economic and military instability in Israel.
- Provisions of Israeli law and our articles of association may delay, prevent or otherwise impede a merger with, or an acquisition of, our company, even when the terms of such a transaction are favorable to us and our shareholders.
- Your rights and responsibilities as a holder of our securities are governed by Israeli law, which differs in some material respects from the rights and responsibilities of shareholders of U.S. companies.
- It may be difficult to enforce a judgment of a U.S. court against us and our officers and directors and the Israeli experts named in this Annual Report in Israel or the United States, to assert U.S. securities laws claims in Israel or to serve process on our officers and directors and these experts.
- Our operations may be disrupted as a result of the obligation of management or key personnel to perform military service.

Risks Related to Our Financial Condition and Capital Requirements

We are a development-stage company and have a limited operating history on which to assess the prospects for our business, have incurred significant losses since the date of our inception, and anticipate that we will continue to incur significant losses until we are able to successfully commercialize our products.

We are a development-stage company with a limited operating history. We have incurred net losses since our inception in 2016, including net losses of approximately \$11.1 million for the year ended December 31, 2023. As of December 31, 2023, we had an accumulated deficit of approximately \$66.0 million.

We have devoted substantially all of our financial resources to develop our solutions. We have financed our operations primarily through the issuance of equity securities and credit facility that we entered into in January 2024. See “Item 5. Operating and Financial Review and Prospects— B. Operating Results— Financing Activities— Execution of Credit Facility Agreement and Issuance of Warrant (January 2024)” for additional information. The amount of our future net losses will depend, in part, on completing the development of our products, the rate of our future expenditures and our ability to obtain funding through the issuance of our securities, strategic collaborations or grants. We expect to continue to incur significant losses until we are able to successfully commercialize our products. We anticipate that our expenses will increase substantially if and as we:

- continue the development and testing of our products;
- establish a sales, marketing, and distribution infrastructure to commercialize our products;
- seek to identify, assess, acquire, license, and/or develop other products and subsequent generations of our current products;
- seek to maintain, protect, and expand our intellectual property portfolio;
- seek to attract and retain skilled personnel; and
- create additional infrastructure to support our operations as a public company and our product development and planned future commercialization efforts.

We have not generated significant revenue from the sale of our current products and may never be profitable.

We have not yet generated significant revenues since the date of our inception. Our first revenues were recorded in our unaudited interim condensed financial statements for the period ended June 30, 2021. Our ability to generate revenue and achieve profitability depends on our ability to successfully complete the development of, and to commercialize, our products. Our ability to generate future revenue from product sales depends heavily on our success in many areas, including but not limited to:

- completing development and testing of our products;
- establishing and maintaining supply and manufacturing relationships with third parties that can provide adequate (in amount and quality) products to support market demand for our products;
- launching and commercializing products, either directly or with a collaborator or distributor;
- addressing any competing technological and market developments;
- identifying, assessing, acquiring and/or developing new products;
- negotiating favorable terms in any collaboration, licensing or other arrangements into which we may enter;
- maintaining, protecting and expanding our portfolio of intellectual property rights, including patents, trade secrets and know-how; and
- attracting, hiring and retaining qualified personnel.

We expect that we will need to invest significant time and raise substantial additional capital before we can expect to become profitable from sales of our products. This additional capital may not be available on acceptable terms, or at all. Failure to obtain this necessary capital when needed may force us to delay, limit or terminate our product development efforts or other operations.

We expect that we will need to invest significant time and require substantial additional capital to commercialize our products. In addition, our operating plans may change as a result of many factors that may currently be unknown to us, and we may need to seek additional funds sooner than planned. Our future capital requirements will depend on many factors, including but not limited to:

- the scope, rate of progress, results and cost of product development, testing and other related activities;
- the cost of establishing commercial supplies of our products;
- the cost and timing of establishing sales, marketing, and distribution capabilities; and
- the terms and timing of any collaborative, licensing, and other arrangements that we may establish.

Any additional fundraising efforts may divert our management from their day-to-day activities, which may adversely affect our ability to develop and commercialize our products. In addition, we cannot guarantee that future financing will be available, when needed, in sufficient amounts or on terms acceptable to us, if at all. Moreover, the terms of any financing may adversely affect the holdings or the rights of our shareholders and the issuance of additional securities, whether equity or debt, by us, or the possibility of such issuance, may cause the market price of our ordinary shares to decline. The incurrence of indebtedness could result in increased fixed payment obligations, and we may be required to agree to certain restrictive covenants, such as limitations on our ability to incur additional debt, limitations on our ability to acquire, sell or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. We could also be required to seek funds through arrangements with collaborative partners or otherwise at an earlier stage than otherwise would be desirable, and we may be required to relinquish rights to some of our technologies or products or otherwise agree to terms unfavorable to us, any of which may have a material adverse effect on our business, operating results and prospects. Even if we believe that we have sufficient funds for our current or future operating plans, we may seek additional capital if market conditions are favorable or if we have specific strategic considerations.

If we are unable to obtain funding on a timely basis, we may be required to significantly curtail, delay or discontinue one or more of our research or development programs or the commercialization of our products or be unable to expand our operations or otherwise capitalize on our business opportunities, as desired, which could materially affect our business, financial condition and results of operations.

Raising additional capital would cause dilution to our existing shareholders, and may affect the rights of existing shareholders.

We may seek additional capital through a combination of private and public equity offerings, debt financings and collaborations and strategic and licensing arrangements. To the extent that we raise additional capital through the issuance of equity or convertible debt securities, your ownership interest will be diluted, and the terms may include liquidation or other preferences that adversely affect your rights as a holder of our ordinary shares.

Risks Related to Our Business and Industry

We depend entirely on the success of our current products in development, and we may not be able to successfully introduce these products and commercialize them.

We have invested almost all of our efforts and financial resources in the research, development and testing of our products in development. As a result, our business is entirely dependent on our ability to complete the development of, and to successfully commercialize, our product candidates. The process of development and commercialization is long, complex, costly and uncertain of outcome. While we have several ongoing tests with train operators through which we hope to demonstrate our technology, we cannot assure you that any of these programs will result in subsequent sales of our products.

Defects in products could give rise to product returns or product liability, warranty or other claims that could result in material expenses, diversion of management time and attention, and damage to our reputation.

Even if we are successful in introducing our products to the market, our products may contain undetected defects or errors that, despite testing, are not discovered until after a product has been used. Specifically, our safety device is complex and could have, or could be alleged to have, defects in design or manufacturing or other errors or failures. This could result in delayed market acceptance of those products, claims from distributors, end-users or others, increased end-user service and support costs and warranty claims, damage to our reputation and business, or significant costs to correct the defect or error. Furthermore, we face a risk of exposure to claims in the event that our products are used in connection with autonomous train operations, and do not perform as expected or experience a malfunction that results in personal injury or death.

Any claim brought against us, regardless of its merit, could result in material expense, diversion of management time and attention, and damage to our reputation, and could cause us to fail to retain or attract customers.

We currently maintain a limited coverage of product liability insurance, which could materially affect our financial condition in the event we have a product liability claim.

Currently, we maintain a limited coverage of product liability insurance in the amount of \$3 million, which will be necessary prior to the commercialization of our products. It is likely that our current and/or any future product liability insurance that we will have in the future will be subject to significant deductibles and there is no guarantee that such insurance will be available or adequate to protect against all such claims, or we may elect to self-insure with respect to certain matters. Costs or payments made in connection with warranty and product liability claims and product recalls or other claims could materially affect our financial condition and results of operations.

Our business may be adversely affected by changes in railway safety regulations.

As the autonomous train industry continues to develop, regulators, including the U.S. Department of Transportation's Federal Railroad Administration, or FRA, and the European Union Agency for Railways, or ERA, may adapt existing regulations and create new ones in order to ensure the compatibility of autonomous trains and autonomous train technology with regulatory expectations, requirements relating to safety and legal liability. On March 29, 2018, for instance, the FRA issued a formal Request For Information, or RFI, regarding the "future of automation in the railroad industry," which is part of a broader effort by the U.S. Department of Transportation to advance the safe deployment of autonomous technologies. We cannot anticipate what regulations will materialize from the FRA's RFI, or from parallel inquiries underway in other countries in which we operate. Likewise, we cannot predict the limitations, restrictions and controls nor the economic consequences flowing from such regulations. Should restrictive regulations apply, they could delay the introduction of autonomous train technology, cause us to redesign aspects of our products, impose additional costs and adversely affect our results of operations. We cannot assure you that we have been or will be at all times in complete compliance with such laws, regulations and permits.

Our operating results and financial condition may fluctuate.

Even if we are successful in introducing our products to the market, the operating results and financial condition of our company may fluctuate from quarter to quarter and year to year and are likely to continue to vary due to a number of factors, many of which will not be within our control. If our operating results do not meet the guidance that we provide to the marketplace or the expectations of securities analysts or investors, the market price of our ordinary shares will likely decline. Fluctuations in our operating results and financial condition may be due to a number of factors, including those listed below:

- the degree of market acceptance of our products and services;
- the mix of products and services that we sell during any period;
- long sale cycles;
- changes in the amount that we spend to develop, acquire or license new products, technologies or businesses;
- changes in the amounts that we spend to promote our products and services;
- changes in the cost of satisfying our warranty obligations and servicing our installed base of systems;
- delays between our expenditures to develop and market new or enhanced systems and the generation of sales from those products;
- development of new competitive products and services by others;
- difficulty in predicting sales patterns and reorder rates;
- litigation or threats of litigation, including intellectual property claims by third parties;
- changes in accounting rules and tax laws;
- changes in regulations and standards;
- the geographic distribution of our sales;
- our responses to price competition;
- general economic and industry conditions that affect end-user demand and end-user levels of product design and manufacturing;
- changes in interest rates that affect returns on our cash balances and short-term investments;
- changes in dollar-NIS exchange rates that affect the value of our net assets, future revenues and expenditures from and/or relating to our activities carried out in those currencies;
- the level of research and development activities by our company; and
- changes in end-use/end-user governmental regulation policy.

Due to all of the foregoing factors, and the other risks discussed herein, you should not rely on quarter to quarter and year to year comparisons of our operating results as an indicator of our future performance.

The markets in which we participate are competitive. Even if we are successful in completing the development of our products in development, our failure to compete successfully could cause any future revenues and the demand for our products not to materialize or to decline over time.

We aim to sell our products to train operators and/or rolling stock manufacturers. Many of our current and potential competitors have extensive track records and relationships within the rail industry and/or the automotive industry. Many of our current and potential competitors have longer operating histories and more extensive name recognition than we have and may also have greater financial, marketing, manufacturing, distribution and other resources than we have. Current and future competitors may be able to respond more quickly to new or emerging technologies and changes in customer demands and to devote greater resources to the development, promotion and sale of their products than we can. Our current and potential competitors may develop and market new technologies that render our existing or future products obsolete, unmarketable or less competitive (whether from a price perspective or otherwise). We cannot assure you that we will be able to establish a competitive position or to compete successfully against current and future sources of competition.

If our relationships with suppliers for our products and services, especially with single source suppliers of components of our products, were to terminate or our manufacturing arrangements were to be disrupted, our business could be interrupted.

We purchase component parts that are used in our products from third-party suppliers. While there are several potential suppliers of most of these component parts that we use, we currently choose to use only one or a limited number of suppliers for several of these components. Our reliance on a single or limited number of vendors involves a number of risks, including:

- potential shortages of some key components;
- product performance shortfalls, if traceable to particular product components, since the supplier of the faulty component cannot readily be replaced;
- discontinuation of a product on which we rely;
- potential delays of several months in the delivery of components in the event a replacement product is sought;
- potential insolvency of these vendors; and
- reduced control over delivery schedules, manufacturing capabilities, quality and costs.

In addition, we require any new supplier to become “qualified” pursuant to our internal procedures. The qualification process involves evaluations of varying durations, which may cause production delays if we were required to qualify a new supplier unexpectedly. We generally assemble our systems and parts based on our internal forecasts and the availability of assemblies, components and finished goods that are supplied to us by third parties, which are subject to various lead times. If certain suppliers were to decide to discontinue production of an assembly, or component that we use, the unanticipated change in the availability of supplies, or unanticipated supply limitations, could cause delays in, or loss of, sales, increased production or related costs and consequently reduced margins, and damage to our reputation. If we were unable to find a suitable supplier for a particular component or compound, we could be required to modify our existing products or the end-parts that we offer to accommodate substitute components or compounds.

Furthermore, in some of our agreements, customers require the ability to maintain systems for a period of at least ten years. During such a long period, there is a risk that some of the system components of our products will become obsolete and will not be available from our suppliers. Therefore, there is a risk that we will be obliged to hold an inventory of components that may become obsolete, or be forced to locate or develop alternatives to such components.

Discontinuation of operations at our and third-parties' manufacturing sites could prevent us from timely filling customer orders and could lead to unforeseen costs for us.

We plan to assemble and test the systems that we sell at single facilities in various locations that are specifically dedicated to separate categories of systems. Because of our reliance on all of these production facilities, a disruption at any of those facilities could materially damage our ability to supply our products to the marketplace in a timely manner. Depending on the cause of the disruption, we could also incur significant costs to remedy the disruption and resume product shipments. Such disruptions may be caused by, among other factors, earthquakes, fire, flood and other natural disasters. Accordingly, any such disruption could result in a material adverse effect on our revenue, results of operations and earnings, and could also potentially damage our reputation. Additionally, we rely on third-party manufacturers for components of our products, and we do not have control over the facilities of these third-party manufacturers.

Our planned international operations will expose us to additional market and operational risks, and failure to manage these risks may adversely affect our business and operating results.

We expect to derive a substantial percentage of our sales from international markets. Accordingly, we will face significant operational risks from doing business internationally, including:

- having to ship and/or manufacture overseas;
- cultural barriers sustained by conducting business activity in foreign countries;
- fluctuations in foreign currency exchange rates;
- potentially longer sales and payment cycles;
- potentially greater difficulties in collecting accounts receivable;
- potentially adverse tax consequences;
- reduced protection of intellectual property rights in certain countries, particularly in Asia and South America;
- difficulties in staffing and managing foreign operations;
- laws and business practices favoring local competition;
- costs and difficulties of customizing products for foreign countries;
- compliance with a wide variety of complex foreign laws, treaties and regulations;
- tariffs, trade barriers and other regulatory or contractual limitations on our ability to sell or develop our products in certain foreign markets; and
- being subject to the laws, regulations and the court systems of many jurisdictions.

Our failure to manage the market and operational risks associated with our international operations effectively could limit the future growth of our business and adversely affect our operating results.

Our business and operations might be adversely affected by security breaches, including any cybersecurity incidents.

We depend on the efficient and uninterrupted operation of our computer and communications systems, and those of our consultants, contractors and vendors, which we use for, among other things, sensitive company data, including our intellectual property, financial data and other proprietary business information.

While certain of our operations have business continuity and disaster recovery plans and other security measures intended to prevent and minimize the impact of IT-related interruptions, our IT infrastructure and the IT infrastructure of our consultants, contractors and vendors are vulnerable to damage from cyberattacks, computer viruses, unauthorized access, electrical failures and natural disasters or other catastrophic events. We could experience failures in our information systems and computer servers, which could result in an interruption of our normal business operations and require substantial expenditure of financial and administrative resources to remedy. System failures, accidents or security breaches can cause interruptions in our operations and can result in a material disruption of our targeted phage therapies, product candidates and other business operations. The loss of data from completed or future studies or clinical trials could result in delays in our research, development or regulatory approval efforts and significantly increase our costs to recover or reproduce the data. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur regulatory investigations and redresses, penalties and liabilities and the development of our product candidates could be delayed or otherwise adversely affected.

Even though we believe we carry commercially reasonable business interruption and liability insurance, we might suffer losses as a result of business interruptions that exceed the coverage available under our insurance policies or for which we do not have coverage. For example, we are not insured against terrorist attacks or cyberattacks. Any natural disaster or catastrophic event could have a significant negative impact on our operations and financial results. Moreover, any such event could delay the development of our product candidates.

We are subject to data ownership and privacy regulations which may expose us to lawsuits and sanctions for violations.

Under the General Data Protection Regulation, GDPR, of the European Union, there are general restrictions regarding the photographing of images without the knowledge and permission of the person being photographed. In this context, the information collected by our system's detection units must be protected and encrypted. Failure to comply with these regulations under the GDPR may expose us to lawsuits and sanctions for such violations. In addition, the ownership of the information collected through our system's detection units is determined in accordance with the local law under which the train operates and will usually remain the property of the customer, with us receiving only limited permission to make use of the information for system improvement but not for other uses, and all subject to the provisions of the said law. These limitations may impede the implementation of our plans to develop certain services through the processing of information obtained by the systems.

We are subject to certain U.S. and foreign anticorruption, anti-money laundering, export control, sanctions and other trade laws and regulations. We can face serious consequences for violations.

Among other matters, U.S. and foreign anticorruption, anti-money laundering, export control, sanctions and other trade laws and regulations, which are collectively referred to as Trade Laws, prohibit companies and their employees, agents, clinical research organizations, legal counsel, accountants, consultants, contractors and other partners from authorizing, promising, offering, providing, soliciting or receiving, directly or indirectly, corrupt or improper payments or anything else of value to or from recipients in the public or private sector. Violations of Trade Laws can result in substantial criminal fines and civil penalties, imprisonment, the loss of trade privileges, debarment, tax reassessments, breach of contract and fraud litigation, reputational harm, and other consequences. We have direct or indirect interactions with officials and employees of government agencies or government-affiliated hospitals, universities and other organizations. We also expect our non-U.S. activities to increase over time. We plan to engage third parties for clinical trials and/or to obtain necessary permits, licenses, patent registrations and other regulatory approvals, and we can be held liable for the corrupt or other illegal activities of our personnel, agents or partners, even if we do not explicitly authorize or have prior knowledge of such activities.

Changes in U.S. and foreign tax laws could have a material adverse effect on our business, cash flow, results of operations or financial conditions

We are subject to taxation in several countries, including the United States and Israel; changes in tax laws or challenges to our tax positions could adversely affect our business, results of operations, and financial condition. As such, we are subject to tax laws, regulations, and policies of the U.S. federal, state, and local governments and of comparable taxing authorities in foreign jurisdictions. Changes in tax laws, as well as other factors, could cause us to experience fluctuations in our tax obligations and effective tax rates in the future and otherwise adversely affect our tax positions and/or our tax liabilities. There can be no assurance that our effective tax rates, tax payments, tax credits, or incentives will not be adversely affected by changes in tax laws in various jurisdictions.

We may not be able to successfully manage our planned growth and expansion.

We expect to continue to make investments in our products in development. We expect that our annual operating expenses will continue to increase as we invest in business development, marketing, research and development, manufacturing and production infrastructure, and develop customer service and support resources for future customers. Failure to expand operational and financial systems timely or efficiently may result in operating inefficiencies, which could increase costs and expenses to a greater extent than we anticipate and may also prevent us from successfully executing our business plan. We may not be able to offset the costs of operation expansion by leveraging the economies of scale from our growth in negotiations with our suppliers and contract manufacturers. Additionally, if we increase our operating expenses in anticipation of the growth of our business and this growth falls short of our expectations, our financial results will be negatively impacted.

If our business grows, we will have to manage additional product design projects, materials procurement processes, and sales efforts and marketing for an increasing number of products, as well as expand the number and scope of our relationships with suppliers, distributors and end customers. If we fail to manage these additional responsibilities and relationships successfully, we may incur significant costs, which may negatively impact our operating results. Additionally, in our efforts to develop new products with innovative functionality and features, we may devote significant research and development resources to products and product features for which a market does not develop quickly, or at all. If we are not able to predict market trends accurately, we may not benefit from such research and development activities, and our results of operations may suffer.

In a process to reduce our operational costs, in December 2023, we took steps to lower our expenses through a targeted reduction in headcount of our employee base by 12 employees representing approximately 20% of our workforce. We expect that the resource adjustment to result in a significant reduction in fixed costs, including salaries and professional services and we will continue to evaluate our needed resources on an ongoing basis.

Our future success depends in part on our ability to retain our executive officers and to attract, retain and motivate other qualified personnel.

We are highly dependent on the services of our executive officers, senior management and qualified employees. The loss of their services without proper replacement may adversely impact the achievement of our objectives. Also, our performance is largely dependent on the talents and efforts of highly skilled individuals, particularly our software engineers. Recruiting and retaining qualified employees, consultants, and advisors for our business, including scientific and technical personnel, will also be critical to our success. There is currently a shortage of skilled personnel in our industry, which is likely to continue. As a result, competition for skilled personnel is intense and the turnover rate can be high. We may not be able to attract and retain personnel on acceptable terms given the competition in the industry in which we operate. Moreover, certain of our competitors or other technology businesses may seek to hire our employees. The inability to recruit and retain qualified personnel, or the loss of the services of our executive officers, without proper replacement, may impede the progress of our development and commercialization objectives.

Under applicable employment laws, we may not be able to enforce covenants not to compete and therefore may be unable to prevent our competitors from benefiting from the expertise of some of our former employees.

We generally enter into non-competition agreements with our employees. These agreements prohibit our employees from competing directly with us or working for our competitors or clients for a limited period after they cease working for us. We may be unable to enforce these agreements under the laws of the jurisdictions in which our employees work and it may be difficult for us to restrict our competitors from benefiting from the expertise that our former employees or consultants developed while working for us. For example, Israeli courts have required employers seeking to enforce non-compete undertakings of a former employee to demonstrate that the competitive activities of the former employee will harm one of a limited number of material interests of the employer that have been recognized by the courts, such as the secrecy of a company's confidential commercial information or the protection of its intellectual property. If we cannot demonstrate that such interests will be harmed, we may be unable to prevent our competitors from benefiting from the expertise of our former employees or consultants and our ability to remain competitive may be diminished.

Any resurgence of the COVID-19 pandemic could adversely affect our business, financial condition and results of operations.

Public health epidemics or outbreaks could adversely impact our business. In late 2019, a novel strain of COVID-19, also known as coronavirus, was reported in Wuhan, China. Initially the outbreak was largely concentrated in China, but it rapidly spread to countries across the globe, including in Israel and the United States. Many countries around the world, including in Israel and the United States, implemented significant governmental measures to control the spread of the virus, including temporary closure of businesses, severe restrictions on travel and the movement of people, and other material limitations on the conduct of business. In response, for several months in 2020, we implemented remote working and workplace protocols for our employees in accordance Israeli Ministry of Health requirements to ensure employee safety and all employees have been instructed on and encouraged to practice best social distancing behaviors.

If there is a resurgence of COVID-19 its spread may materially affect us economically. While the potential economic impact brought by, and the duration of, any future resurgence of the COVID-19 pandemic may be difficult to assess or predict, it has already caused, and could result in further, significant disruption of global financial markets, reducing our ability to access capital, which could in the future negatively affect our liquidity and financial position. In addition, the trading prices for other companies have been highly volatile as a result of the COVID-19 pandemic. As a result, we may face difficulties raising capital through sales of our ordinary shares or other securities and such sales may be on unfavorable terms. To the extent that future waves of COVID-19 disrupt normal business operations, we may face operational challenges with our services, and we likely will have to adopt remote working and workplace protocols for employees in accordance with government requirements and other measures to minimize such impact.

The extent to which COVID-19 impacts our operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration and severity of the outbreak, and the actions that may be required to contain COVID-19 or treat its impact. In particular, the extent to which any resurgence of the COVID-19 pandemic may impact our business and financial performance will depend on future developments, which are highly uncertain and cannot be predicted with confidence.

Certain events, developments, or social media posts and interactions may impact our reputation.

Damage to our reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easy for individuals and groups to communicate and share opinions and views in regard to issuers and their activities, whether true or not. Negative posts or comments about us on any social network could damage our reputation. In addition, employees or others might disclose non-public sensitive information related to our business through external media channels. The continuing evolution of social media will present us with new challenges and risks. We do not ultimately have direct control over how we are perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to our overall ability to advance our business strategy and realize on our growth prospects.

We previously identified material weaknesses in our internal control over financial reporting, which have been remediated. If we identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, we may not be able to produce timely and accurate financial statements, and we or our independent registered public accounting firm may conclude that our internal control over financial reporting is not effective, which could adversely affect our investors' confidence and our stock price.

As an emerging growth company under the JOBS Act, our management is required to report upon the effectiveness of our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act. Our independent registered public accounting firm is not required to formally attest to the effectiveness of our internal control over financial reporting until the date we are no longer an emerging growth company and reach accelerated filer status. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could cause us to fail to meet our reporting obligations. In addition, any testing by us conducted in connection with Section 404 of the Sarbanes-Oxley Act may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our financial statements or identify other areas for further attention or improvement. As previously disclosed, in connection with our financial statement close process for 2021, we identified a material weakness in our entity level control components relating to documenting our financial reporting process. As a result of our remediation activities and based on testing of the new and modified controls for operating effectiveness, our management concluded that we remediated the previously reported material weakness as of December 31, 2022. While we have remediated such material weaknesses, we cannot assure you that we have identified all material weaknesses or that there will not be additional material weaknesses or deficiencies that we will identify in the future.

Our business, operating results and growth rates may be adversely affected by current or future unfavorable economic and market conditions and adverse developments with respect to financial institutions and associated liquidity risk.

Our business depends on the economic health of the global economies. If the conditions in the global economies remain uncertain or continue to be volatile, or if they deteriorate, including as a result of the impact of military conflict, such as the war between Russia and Ukraine, terrorism or other geopolitical events, our business, operating results and financial condition may be materially adversely affected. Economic weakness, inflation and increases in interest rates, limited availability of credit, liquidity shortages and constrained capital spending have at times in the past resulted, and may in the future result, in challenging and delayed sales cycles, slower adoption of new technologies and increased price competition, and could negatively affect our ability to forecast future periods, which could result in an inability to satisfy demand for our products and a loss of market share.

In addition, increases in inflation raise our costs for commodities, labor, materials and services and other costs required to grow and operate our business, and failure to secure these on reasonable terms may adversely impact our financial condition. Additionally, increases in inflation, along with the uncertainties surrounding any resurgence of COVID-19, geopolitical developments and global supply chain disruptions, have caused, and may in the future cause, global economic uncertainty and uncertainty about the interest rate environment, which may make it more difficult, costly or dilutive for us to secure additional financing. A failure to adequately respond to these risks could have a material adverse impact on our financial condition, results of operations or cash flows.

There can be no assurance that future credit and financial market instability and a deterioration in confidence in economic conditions will not occur. Our general business strategy may be adversely affected by any such economic downturn, liquidity shortages, volatile business environment or continued unpredictable and unstable market conditions. If the current equity and credit markets deteriorate, or if adverse developments are experienced by financial institutions, it may cause short-term liquidity risk and also make any necessary debt or equity financing more difficult, more costly, more onerous with respect to financial and operating covenants and more dilutive. Failure to secure any necessary financing in a timely manner and on favorable terms could have a material adverse effect on our growth strategy, financial performance and stock price and could require us to alter our operating plans. In addition, there is a risk that one or more of our service providers, financial institutions, manufacturers, suppliers and other partners may be adversely affected by the foregoing risks, which could directly affect our ability to attain our operating goals on schedule and on budget.

Environmental, social and corporate governance, or ESG, issues, including those related to climate change and sustainability, may have an adverse effect on our business, financial condition and results of operations and damage our reputation.

There is an increasing focus from certain investors, customers, consumers, employees and other stakeholders concerning ESG matters. Additionally, public interest and legislative pressure related to public companies' ESG practices continue to grow. If our ESG practices fail to meet regulatory requirements or investor, customer, consumer, employee or other shareholders' evolving expectations and standards for responsible corporate citizenship in areas including environmental stewardship, support for local communities, Board of director and employee diversity, human capital management, employee health and safety practices, product quality, supply chain management, corporate governance and transparency, our reputation, brand and employee retention may be negatively impacted, and our customers and suppliers may be unwilling to continue to do business with us.

Customers, consumers, investors and other shareholders are increasingly focusing on environmental issues, including climate change, energy and water use, plastic waste and other sustainability concerns. Concern over climate change may result in new or increased legal and regulatory requirements to reduce or mitigate impacts to the environment. Changing customer and consumer preferences or increased regulatory requirements may result in increased demands or requirements regarding plastics and packaging materials, including single-use and non-recyclable plastic products and packaging, other components of our products and their environmental impact on sustainability, or increased customer and consumer concerns or perceptions (whether accurate or inaccurate) regarding the effects of substances present in certain of our products. Complying with these demands or requirements could cause us to incur additional manufacturing, operating or product development costs.

If we do not adapt to or comply with new regulations, including the SEC's rules that were adopted in March 2024 that require companies to provide expanded climate-related disclosures in their periodic reporting. The SEC's climate disclosure rules, if they withstand litigation challenges, would require us to incur significant additional costs to comply and impose increased oversight obligations on our management and board of directors, or fail to meet evolving investor, industry or stakeholder expectations and concerns regarding ESG issues, investors may reconsider their capital investment in our Company, we may become subject to penalties, and customers and consumers may choose to stop purchasing our products, if approved for commercialization, which could have a material adverse effect on our reputation, business or financial condition.

Risks Related to Our Intellectual Property

If we are unable to obtain and maintain effective patent rights for our products, we may not be able to compete effectively in our markets. If we are unable to protect the confidentiality of our trade secrets or know-how, such proprietary information may be used by others to compete against us.

Historically, we have relied on trade secret protection and confidentiality agreements to protect the intellectual property related to our technologies and products. Since our incorporation, we have also sought patent protection for certain of our products. Our success depends in large part on our ability to obtain and maintain patent and other intellectual property protection in the United States and in other countries with respect to our proprietary technology and new products.

We have sought to protect our proprietary position by filing patent applications in the United States and in other countries with respect to our novel technologies and products, which are important to our business. Patent prosecution is expensive and time consuming, and we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. It is also possible that we will fail to identify patentable aspects of our research and development output before it is too late to obtain patent protection.

We have a growing portfolio of seven patents registered in the USA; four patent registered in China; one patent registered from the European Patent Office (EPO) and being validated in Germany, Switzerland, Hungary, Austria, Denmark, France and Great Britain; two patent issued in Japan; 17 pending patent applications, of which two are US provisional patent applications and 14 are national phase patent applications filed in the USA, EPO, China, Japan and India under the provisions of the Patent Cooperation Treaty (PCT) through World Intellectual Property Organization (WIPO); and one of which is a patent application in Hong Kong and requested based on the Chinese national phase patent application. We cannot offer any assurances about which, if any, patent applications will be issued, the breadth of any such patent once issued, or whether any issued patents will be found invalid or unenforceable or will be threatened by third parties. Any successful opposition to these patents or any other patents owned by or licensed to us could deprive us of rights necessary for the successful commercialization of any existing or new products.

Also, there is no guarantee that the patent registration applications that were submitted by us with regards to our technologies will result in patent registration. In the event of failure to complete patent registration, the Company's developments will not be proprietary, which might allow other entities to manufacture the Company's products and compete with us.

Further, there is no assurance that all potentially relevant prior art relating to our patent applications has been found, which can invalidate a patent or prevent a patent from issuing from a pending patent application. Even if patents do successfully issue, and even if such patents cover our products, third parties may challenge their validity, enforceability or scope, which may result in such patents being narrowed, found unenforceable or invalidated. Furthermore, even if they are unchallenged, our patent applications and any future patents may not adequately protect our intellectual property, provide exclusivity for our new products, or prevent others from designing around our claims. Any of these outcomes could impair our ability to prevent competition from third parties, which may have an adverse impact on our business.

If we cannot obtain and maintain effective patent rights for our products, we may not be able to compete effectively, and our business and results of operations would be harmed.

If we are unable to maintain effective proprietary rights for our products, we may not be able to compete effectively in our markets.

In addition to the protection afforded by any patents that may be granted, we seek to protect our proprietary technology and processes, in part, by entering into confidentiality agreements with our employees, consultants, scientific advisors, and contractors. We also seek to preserve the integrity and confidentiality of our data, trade secrets and intellectual property by maintaining physical security of our premises and physical and electronic security of our information technology systems. Agreements or security measures may be breached, and we may not have adequate remedies for any breach. In addition, our trade secrets and intellectual property may otherwise become known or be independently discovered by competitors.

We cannot provide any assurances that our trade secrets and other confidential proprietary information will not be disclosed in violation of our confidentiality agreements or that competitors will not otherwise gain access to our trade secrets or independently develop substantially equivalent information and techniques. Also, misappropriation or unauthorized and unavoidable disclosure of our trade secrets and intellectual property could impair our competitive position and may have a material adverse effect on our business. Additionally, if the steps taken to maintain our trade secrets and intellectual property are deemed inadequate, we may have insufficient recourse against third parties for misappropriating any trade secret.

Intellectual property rights of third parties could adversely affect our ability to commercialize our products, and we might be required to litigate or obtain licenses from third parties in order to develop or market our product candidates. Such litigation or licenses could be costly or not available on commercially reasonable terms.

It is inherently difficult to conclusively assess our freedom to operate without infringing on third party rights. Our competitive position may be adversely affected if existing patents or patents resulting from patent applications issued to third parties or other third party intellectual property rights are held to cover our products or elements thereof, or our manufacturing or uses relevant to our development plans. In such cases, we may not be in a position to develop or commercialize products or our product candidates unless we successfully pursue litigation to nullify or invalidate the third party intellectual property right concerned, or enter into a license agreement with the intellectual property right holder, if available on commercially reasonable terms. There may also be pending patent applications that if they result in issued patents, could be alleged to be infringed by our products. If such an infringement claim should be brought and be successful, we may be required to pay substantial damages, be forced to abandon our products or seek a license from any patent holders. No assurances can be given that a license will be available on commercially reasonable terms, if at all.

It is also possible that we have failed to identify relevant third party patents or applications. For example, U.S. patent applications filed before November 29, 2000 and certain U.S. patent applications filed after that date that will not be filed outside the United States remain confidential until patents are issued. Patent applications in the United States and elsewhere are published approximately 18 months after the earliest filing for which priority is claimed, with such earliest filing date being commonly referred to as the priority date. Therefore, patent applications covering our new products or platform technology could have been filed by others without our knowledge. Additionally, pending patent applications which have been published can, subject to certain limitations, be later amended in a manner that could cover our platform technologies, our products or the use of our products. Third party intellectual property right holders may also actively bring infringement claims against us. We cannot guarantee that we will be able to successfully settle or otherwise resolve such infringement claims. If we are unable to successfully settle future claims on terms acceptable to us, we may be required to engage in or continue costly, unpredictable and time-consuming litigation and may be prevented from or experience substantial delays in pursuing the development of and/or marketing our products. If we fail in any such dispute, in addition to being forced to pay damages, we may be temporarily or permanently prohibited from commercializing our products that are held to be infringing. We might, if possible, also be forced to redesign our new products so that we no longer infringe the third party intellectual property rights. Any of these events, even if we were ultimately to prevail, could require us to divert substantial financial and management resources that we would otherwise be able to devote to our business.

Patent policy and rule changes could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of any issued patents.

Changes in either the patent laws or interpretation of the patent laws in the United States and other countries may diminish the value of any patents that may issue from our patent applications, or narrow the scope of our patent protection. The laws of foreign countries may not protect our rights to the same extent as the laws of the United States. Publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the United States and other jurisdictions are typically not published until 18 months after filing, or in some cases not at all. We therefore cannot be certain that we were the first to file the invention claimed in our owned and licensed patent or pending applications, or that we or our licensor were the first to file for patent protection of such inventions. Assuming all other requirements for patentability are met, in the United States prior to March 15, 2013, the first to make the claimed invention without undue delay in filing, is entitled to the patent, while outside the United States, the first to file a patent application is entitled to the patent. After March 15, 2013, under the Leahy-Smith America Invents Act, or the Leahy-Smith Act, enacted on September 16, 2011, the United States has moved to a first to file system. The Leahy-Smith Act also includes a number of significant changes that affect the way patent applications will be prosecuted and may also affect patent litigation. In general, the Leahy-Smith Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of any issued patents, all of which could have a material adverse effect on our business and financial condition.

We may be involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time consuming, and unsuccessful.

Competitors may infringe our intellectual property. If we were to initiate legal proceedings against a third party to enforce a patent covering one of our products, the defendant could counterclaim that the patent covering our product candidate is invalid and/or unenforceable. In patent litigation in the United States, defendant counterclaims alleging invalidity and/or unenforceability are commonplace. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, including lack of novelty, obviousness, or non-enablement. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld relevant information from the United States Patent and Trademark Office, or the USPTO, or made a misleading statement, during prosecution. Under the Leahy-Smith Act, the validity of U.S. patents may also be challenged in post-grant proceedings before the USPTO. The outcome following legal assertions of invalidity and unenforceability is unpredictable.

Derivation proceedings initiated by third parties or brought by us may be necessary to determine the priority of inventions and/or their scope with respect to our patent or patent applications or those of our licensors. An unfavorable outcome could require us to cease using the related technology or to attempt to license rights to it from the prevailing party. Our business could be harmed if the prevailing party does not offer us a license on commercially reasonable terms. Our defense of litigation or interference proceedings may fail and, even if successful, may result in substantial costs and distract our management and other employees. In addition, the uncertainties associated with litigation could have a material adverse effect on our ability to raise the funds necessary to continue our research programs, license necessary technology from third parties, or enter into development partnerships that would help us bring our products to market.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. There could also be public announcements of the results of hearings, motions, or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a material adverse effect on the price of our ordinary shares.

We may be subject to claims challenging the inventorship of our intellectual property.

We may be subject to claims that former employees, collaborators or other third parties have an interest in, or right to compensation, with respect to our current patent and patent applications, future patents or other intellectual property as an inventor or co-inventor. For example, we may have inventorship disputes arise from conflicting obligations of consultants or others who are involved in developing our products. Litigation may be necessary to defend against these and other claims challenging inventorship or claiming the right to compensation. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights, such as exclusive ownership of, or rights to use, valuable intellectual property. Such an outcome could have a material adverse effect on our business. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees.

In addition, under the Israeli Patent Law, 5727-1967, or the Patent Law, inventions conceived by an employee in the course and as a result of or arising from 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, or the Committee, a body constituted under the Patent Law, shall determine whether the employee is entitled to remuneration for his inventions. Recent case law clarifies that the right to receive consideration for “service inventions” can be waived by the employee. The 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 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 of assigned inventions. As a consequence of such claims, we could be required to pay additional remuneration or royalties to our current and former employees, or be forced to litigate such claims, which could negatively affect our business.

We may not be able to protect our intellectual property rights throughout the world.

Filing, prosecuting, and defending patents on products, as well as monitoring their infringement in all countries throughout the world, would be prohibitively expensive, and our intellectual property rights in some countries can be less extensive than those in the United States.

Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and may also export otherwise infringing products to territories where we have patent protection but enforcement is not as strong as that in the United States. These products may compete with our products. Future patents or other intellectual property rights may not be effective or sufficient to prevent such products from competing with our products.

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents, trade secrets, and other intellectual property protection, which could make it difficult for us to stop the marketing of competing products in violation of our proprietary rights generally. Proceedings to enforce our patent rights in foreign jurisdictions, whether or not successful, could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our future patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to monitor and enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

Risks Related to the Ownership of Our Securities

Our principal shareholders, officers and directors beneficially own approximately 13.8% of our outstanding ordinary shares. They will therefore be able to exert significant control over matters submitted to our shareholders for approval, which could limit your ability to influence the outcome of key transactions, including a change of control, and which may result in conflicts with us or you in the future.

Our principal shareholders, officers and directors beneficially own approximately 13.8% of our ordinary shares. This significant concentration of share ownership may adversely affect the trading price for our ordinary shares because investors often perceive disadvantages in owning shares in companies with controlling shareholders. As a result, these shareholders, if they acted together, could significantly influence or even unilaterally approve matters requiring approval by our shareholders, including the election of directors and the approval of mergers or other business combination transactions. The interests of these shareholders may not always coincide with our interests or the interests of other shareholders, and which may result in conflicts with us or you in the future.

Certain of our directors have relationships with our principal shareholders, which may cause conflicts of interest with respect to our business.

One of our current directors, who was appointed by our board of directors, is an employee of Knorr-Bremse Systeme für Schienenfahrzeuge GmbH, or Knorr-Bremse, our largest shareholder. In addition, pursuant to the Facility Agreement (as defined below) that we entered into in January 2024, two of our current directors were nominated by L.I.A. Pure Capital Ltd., or Pure Capital, and appointed by our board of directors. Pursuant to our amended and restated articles of association, shareholders are entitled to appoint a director to our board of directors for each 10% of our outstanding share capital that they own and in such case the appointment will be for an undefined period. As a result, these directors may face real or apparent conflicts of interest with respect to matters affecting both us and Knorr-Bremse, whose interests may be adverse to ours in certain circumstances.

The JOBS Act will allow us to postpone the date by which we must comply with some of the laws and regulations intended to protect investors and to reduce the amount of information we provide in our reports filed with the SEC, which could undermine investor confidence in our company and adversely affect the market price of our ordinary shares.

For so long as we remain an “emerging growth company” as defined in the JOBS Act, we intend to take advantage of certain exemptions from various requirements that are applicable to public companies that are not “emerging growth companies” including:

- the provisions of the Sarbanes-Oxley Act requiring that our independent registered public accounting firm provide an attestation report on the effectiveness of our internal control over financial reporting;
- any rules that may be adopted by the Public Company Accounting Oversight Board requiring mandatory audit firm rotation or a supplement to the auditor’s report on the financial statements; and,
- Section 107 of the JOBS Act, which provides that an “emerging growth company” can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended, or the Securities Act, for complying with new or revised accounting standards. This means that an “emerging growth company” can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to delay such adoption of new or revised accounting standards. As a result of this adoption, our financial statements may not be comparable to companies that comply with the public company effective date.

We intend to take advantage of these exemptions until we are no longer an “emerging growth company.” We will remain an emerging growth company until the earlier of (1) the last day of the fiscal year (a) following the fifth anniversary of the date of our first sale of common equity securities pursuant to an effective registration statement under the Securities Act, (b) in which we have total annual gross revenue of at least \$1.07 billion, or (c) in which we are deemed to be a large accelerated filer, which means the market value of our ordinary shares that is held by non-affiliates exceeds \$700 million as of the prior June 30, and (2) the date on which we have issued more than \$1.0 billion in non-convertible debt during the prior three-year period.

We cannot predict if investors will find our ordinary shares less attractive because we may rely on these exemptions. If some investors find our ordinary shares less attractive as a result, there may be a less active trading market for our ordinary shares, and our market prices may be more volatile and may decline.

As a “foreign private issuer” we are permitted, and intend, to follow certain home country corporate governance practices instead of otherwise applicable SEC and Nasdaq requirements, which may result in less protection than is accorded to investors under rules applicable to domestic U.S. issuers.

Our status as a “foreign private issuer” exempts us from compliance with certain SEC laws and regulations and certain regulations of the Nasdaq Stock Market, including the proxy rules, the short-swing profits recapture rules, and certain governance requirements such as independent director oversight of the nomination of directors and executive compensation. In addition, we will not be required under the Exchange Act to file current reports and financial statements with the SEC as frequently or as promptly as U.S. domestic companies whose securities are registered under the Exchange Act and we will generally be exempt from filing quarterly reports with the SEC. Also, although the Israeli Companies Law, or the Companies Law, will require us to disclose the annual compensation of our five most highly compensated senior officers on an individual basis, this disclosure will not be as extensive as that required of a U.S. domestic issuer. For example, the disclosure required under the Companies Law is limited to compensation paid in the immediately preceding year without any requirement to disclose option exercises and vested stock options, pension benefits or potential payments upon termination or a change of control. Furthermore, as a foreign private issuer, we are also not subject to the requirements of Regulation FD (Fair Disclosure) promulgated under the Exchange Act.

These exemptions and leniencies will reduce the frequency and scope of information and protections to which you are entitled as an investor.

We may be a “passive foreign investment company,” or PFIC, for U.S. federal income tax purposes in the current taxable year or may become one in any subsequent taxable year. There generally would be negative tax consequences for U.S. taxpayers that are holders of our ordinary shares if we are or were to become a PFIC.

Based on the projected composition of our income and valuation of our assets, we may have been a PFIC during 2023, and although we have not determined whether we will be a PFIC in 2024, or in any subsequent year, our operating results for any such years may cause us to be a PFIC. The determination of whether we are a PFIC is made on an annual basis and will depend on the composition of our income and assets from time to time. Generally, we will be treated as a PFIC for U.S. federal income tax purposes in any taxable year in which either (1) at least 75% of our gross income is “passive income” or (2) on quarterly average at least 50% of our assets by value produce passive income or are held for the production of passive income. Passive income for this purpose generally includes, among other things, certain dividends, interest, royalties, rents and gains from commodities and securities transactions and from the sale or exchange of property that gives rise to passive income. Passive income also includes amounts derived by reason of the temporary investment of funds, including those raised in a public offering. In determining whether a non-U.S. corporation is a PFIC, a proportionate share of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest (by value) is taken into account. The tests for determining PFIC status are applied annually and it is difficult to make accurate projections of future income and assets which are relevant to this determination. In addition, our PFIC status may depend in part on the market value of our ordinary shares. Accordingly, there can be no assurance that we currently are not or will not become a PFIC in the future. If we are a PFIC in any taxable year during which a U.S. Holder (as defined below) holds our ordinary shares, such U.S. Holder would be subject to certain adverse U.S. federal income tax rules, including increased tax liability on gains from dispositions of our ordinary shares and certain distributions and a requirement to file annual reports with the Internal Revenue Service, or IRS. Certain adverse consequences of PFIC status may be alleviated if a U.S. Holder makes a “mark to market” election or an election to treat us as a qualified electing fund, or QEF. These elections would result in an alternative treatment (such as mark-to-market treatment) of our ordinary shares. It is not expected that a U.S. Holder will be able to make a QEF election because we do not intend to provide U.S. Holders with the information necessary to make a QEF Election. In addition, if the IRS determines that we are a PFIC for a year with respect to which we have determined that we were not a PFIC, it may be too late for a U.S. Holder to make a timely QEF or mark-to-market election. U.S. Holders that have held our ordinary shares during a period when we were a PFIC will be subject to the foregoing rules, even if we cease to be a PFIC in subsequent years, subject to exceptions for U.S. Holders who made a timely QEF or mark-to-market election. We do not intend to notify U.S. taxpayers that hold our ordinary shares if we believe we will be treated as a PFIC for any taxable year in order to enable U.S. taxpayers to consider whether to make a QEF election. U.S. Holders that hold our ordinary shares are strongly urged to consult their tax advisors about the PFIC rules, including tax return filing requirements and the eligibility, manner, and consequences to them of making a QEF or mark-to-market election with respect to our ordinary shares in the event that we are a PFIC. See “Item 10.E —Taxation — Certain Material U.S. Federal Income Tax Considerations — Passive Foreign Investment Companies” for additional information.

If a United States person is treated as owning at least 10% of our ordinary shares, such holder 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 ordinary shares, such person may be treated as a “United States shareholder” with respect to each “controlled foreign corporation” in our group (if any). A United States shareholder of a controlled foreign corporation may be required to annually report and include in its U.S. taxable income its pro rata share of “Subpart F income,” “global intangible low-taxed income” and investments in U.S. property by controlled foreign corporations, whether or not we make any distributions, and may be subject to tax reporting obligations. 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. A failure to comply with these reporting obligations may subject you to significant monetary penalties and may prevent the statute of limitations with respect to your U.S. federal income tax return for the year for which reporting was due from starting. We cannot provide any assurances that we will assist any shareholder in determining whether such shareholder is treated as a United States shareholder with respect to any “controlled foreign corporation” in our group (if any) or furnish to any United States shareholders information that may be necessary to comply with the aforementioned reporting and tax paying obligations. A United States investor should consult its tax advisors regarding the potential application of these rules to its investment in our ordinary shares.

We may be subject to securities litigation, which is expensive and could divert management attention.

In the past, companies that have experienced volatility in the market price of their shares have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Litigation of this type could result in substantial costs and diversion of management’s attention and resources, which could seriously hurt our business. Any adverse determination in litigation could also subject us to significant liabilities.

The market price of our securities may be highly volatile, and you could lose all or part of your investment.

The market price of our ordinary shares and warrants is likely to be volatile. This volatility may prevent you from being able to sell your ordinary shares or warrants at or above the price you paid for your securities. Our share price could be subject to wide fluctuations in response to a variety of factors, which include:

- whether we achieve our anticipated corporate objectives;
- actual or anticipated fluctuations in our quarterly or annual operating results;
- changes in our financial or operational estimates or projections;
- our ability to implement our operational plans;
- termination of the lock-up agreement or other restrictions on the ability of our shareholders to sell shares after the initial public offering;
- changes in the economic performance or market valuations of companies similar to ours; and
- general economic or political conditions in the United States or elsewhere.

In addition, the stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies. Broad market and industry factors may negatively affect the market price of our ordinary shares, regardless of our actual operating performance, and we have little or no control over these factors.

If securities or industry analysts do not publish or cease publishing research or reports about us, our business or our market, or if they adversely change their recommendations or publish negative reports regarding our business or the ordinary shares, our share price and trading volume could decline.

The trading market for the ordinary shares will be influenced by the research and reports that industry or securities analysts may publish about us, our business, our market or our competitors. We do not have any control over these analysts and we cannot provide any assurance that analysts will cover us or provide favorable coverage. If any of the analysts who may cover us adversely change their recommendation regarding the ordinary shares, or provide more favorable relative recommendations about our competitors, the price of our ordinary shares would likely decline. If any analyst who may cover us were to cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the price of our ordinary shares or trading volume to decline.

As a “foreign private issuer,” we are permitted, and intend, to follow certain home country corporate governance practices instead of otherwise applicable SEC and Nasdaq Capital Market requirements, which may result in less protection than is accorded to investors under rules applicable to domestic U.S. issuers.

We are a “foreign private issuer” and are not subject to the same requirements that are imposed upon U.S. domestic issuers by the SEC. Under the Exchange Act, we will be subject to reporting obligations that, in certain respects, are less detailed and less frequent than those of U.S. domestic reporting companies. For example, we will not be required to issue quarterly reports or proxy statements that comply with the requirements applicable to U.S. domestic reporting companies. Furthermore, although under regulations promulgated under the Companies Law, as an Israeli public company listed overseas we will be required to disclose the compensation of our five most highly compensated office holders on an individual basis (rather than on an aggregate basis), this disclosure will not be as extensive as that required of U.S. domestic reporting companies. We will also have four months after the end of each fiscal year to file our annual reports with the SEC and will not be required to file current reports as frequently or promptly as U.S. domestic reporting companies. Furthermore, our officers, directors and principal shareholders will be exempt from the requirements to report transactions and short-swing profit recovery required by Section 16 of the Exchange Act. Also, as a “foreign private issuer,” we are not subject to the requirements of Regulation FD (Fair Disclosure) promulgated under the Exchange Act. These exemptions and leniencies will reduce the frequency and scope of information and protections available to investors in comparison to those applicable to a U.S. domestic reporting companies.

In addition, as a “foreign private issuer,” we are permitted to follow certain home country corporate governance practices instead of those otherwise required under the listing rules of the Nasdaq for domestic U.S. issuers. For instance, we follow home country practice in Israel instead of the listing rules of the Nasdaq requiring that a majority of a listed company’s board of directors be comprised of independent directors within a specified period after listing. In addition, we will follow our home country law instead of the listing rules of the Nasdaq that require that we obtain shareholder approval for certain dilutive events, such as the establishment or amendment of certain equity based compensation plans, an issuance that will result in a change of control of our company, certain transactions other than a public offering involving issuances of a 20% or greater interest in the company, and certain acquisitions of the stock or assets of another company. We may in the future elect to follow home country corporate governance practices in Israel with regard to other matters. Following our home country corporate governance practices as opposed to the requirements that would otherwise apply to a U.S. company listed on the Nasdaq may provide less protection to investors than what would otherwise be accorded to investors under the listing rules of the Nasdaq applicable to domestic U.S. issuers.

Risks Related to Israeli Law and Our Incorporation, Location and Operations in Israel

Our headquarters, research and development and other significant operations are located in Israel, and, therefore, our results may be adversely affected by political, economic and military instability in Israel.

Our executive office is located in Ra'anana, Israel. In addition, certain of our key employees, officers and directors are residents of Israel. Accordingly, political, economic and military conditions in the Middle East may affect our business directly. Since the establishment of the State of Israel in 1948, a number of armed conflicts have occurred between Israel and its neighboring countries and terrorist organizations active in the region, including Hamas (an Islamist militia and political group in the Gaza Strip) and Hezbollah (an Islamist militia and political group in Lebanon).

In particular, 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. Hamas also launched extensive rocket attacks on the Israeli population and industrial centers located along Israel's border with the Gaza Strip and in other areas within the State of Israel. These attacks resulted in thousands of deaths and injuries, and Hamas additionally kidnapped many Israeli civilians and soldiers. Following the attack, Israel's security cabinet declared war against Hamas and commenced a military campaign against Hamas and these terrorist organizations in parallel continued rocket and terror attacks. As a result of the events of October 7, 2023, the Israeli government declared that the country was at war and the Israeli military began to call-up reservists for active duty and seven (7) of our full-time and part-time employees were called up for reserve service, none of whom perform critical functions for us. As of the date of this annual report, six (6) of our employees who were initially called up for reserve service have since been released from such service. Military service call ups that result in absences of personnel from us for an extended period of time may materially and adversely affect our business, prospects, financial condition and results of operations.

In addition, since the commencement of these events, there have been continued hostilities along Israel's northern border with Lebanon (with the Hezbollah terror organization) and southern border (with the Houthi movement in Yemen). It is possible that hostilities with Hezbollah in Lebanon will escalate, and that other terrorist organizations, including Palestinian military organizations in the West Bank as well as other hostile countries, such as Iran, will join the hostilities. Such clashes may escalate in the future into a greater regional conflict. In addition, Iran has threatened to attack Israel and is widely believed to be developing nuclear weapons. Iran is also believed to have a strong influence among extremist groups in the region, such as Hamas in Gaza, Hezbollah in Lebanon, the Houthi movement in Yemen and various rebel militia groups in Syria and Iraq. These situations may potentially escalate in the future to more violent events which may affect Israel and us. Any hostilities, armed conflicts, terrorist activities involving Israel or the interruption or curtailment of trade between Israel and its trading partners, or any political instability in the region could adversely affect business conditions and our results of operations and could make it more difficult for us to raise capital and could adversely affect the market price of our ordinary shares. An escalation of tensions or violence might result in a significant downturn in the economic or financial condition of Israel, which could have a material adverse effect on our operations in Israel and our business. Parties with whom we do business have sometimes declined to travel to Israel during periods of heightened unrest or tension, forcing us to make alternative arrangements when necessary in order to meet our business partners face to face. In addition, the political and security situation in Israel may result in parties with whom we have agreements involving performance in Israel claiming that they are not obligated to perform their commitments under those agreements pursuant to force majeure provisions in such agreements.

Since the war broke out on October 7, 2023, our operations have not been adversely affected by this situation, and we have not experienced disruptions to our business operations. As such, our product and business development activities remain on track. However, the intensity and duration of Israel's current war against Hamas is difficult to predict at this stage, as are such war's economic implications on our business and operations and on Israel's economy in general, and we continue to monitor the situation closely and examine the potential disruptions that could adversely affect our operations.

Our insurance does not cover losses that may occur as a result of an event associated with the security situation in the Middle East or for any resulting disruption in our operations. Although the Israeli government has in the past covered the reinstatement value of direct damages that were caused by terrorist attacks or acts of war, we cannot assure you that this government coverage will be maintained or, if maintained, will be sufficient to compensate us fully for damages incurred, and the government may cease providing such coverage or the coverage might not suffice to cover potential damages. Any losses or damages incurred by us could have a material adverse effect on our business.

Finally, political conditions within Israel may affect our operations. Israel has held five general elections between 2019 and 2022, and prior to October 2023, the Israeli government pursued extensive changes to Israel's judicial system, which sparked extensive political debate and unrest. To date, these initiatives have been substantially put on hold. 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 growth prospects.

We are exposed to fluctuations in currency exchange rates, which could negatively affect our financial condition and results of operations.

Our functional and reporting currency is the U.S. dollar. A material portion of our operating expenses is incurred outside the United States, mainly in NIS, and is subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in NIS. Our foreign currency-denominated expenses consist primarily of personnel, rent and other overhead costs. Since a significant portion of our expenses is incurred in NIS, any appreciation of the NIS relative to the U.S. dollar would adversely impact our net loss or net income, as relevant. We are therefore exposed to foreign currency risk due to fluctuations in exchange rates. This may result in gains or losses with respect to movements in exchange rates which may be material and may also cause fluctuations in reported financial information that are not necessarily related to its operating results. In relation to the effect of inflation, results for tax purposes are measured in terms of earnings in NIS after certain adjustments for increases in the Israeli Consumer Price Index, or CPI. As the results in our financial statements are measured in U.S. dollars, the difference between the annual change in the Israeli CPI and in the NIS/U.S. dollar exchange rate can cause a difference between taxable income and the net loss shown in the financial statements. We expect that the majority of our revenues will be generated in U.S. dollars with the balance in EURO for the foreseeable future, and that a significant portion of our expenses will continue to be denominated in NIS and partially in U.S. dollars and EURO. To date, foreign currency transaction gains and losses and exchange rate fluctuations have not been material to our financial statements, and we have not engaged in any foreign currency hedging transactions.

Provisions of Israeli law and our articles of association may delay, prevent or otherwise impede a merger with, or an acquisition of, our company, even when the terms of such a transaction are favorable to us and our shareholders.

As a company incorporated under the law of the State of Israel, we are subject to Israeli law. Israeli corporate law regulates mergers, requires tender offers for acquisitions of shares above specified thresholds, requires special approvals for transactions involving directors, officers or significant shareholders and regulates other matters that may be relevant to such types of transactions. For example, a merger may not be consummated unless at least 50 days have passed from the date on which a merger proposal is filed by each merging company with the Israel Registrar of Companies and at least 30 days have passed from the date on which the shareholders of both merging companies have approved the merger. In addition, a majority of each class of securities of the target company must approve a merger. Moreover, a tender offer for all of a company's issued and outstanding shares can only be completed if the acquirer receives positive responses from the holders of at least 95% of the issued share capital and a majority of the offerees that do not have a personal interest in the tender offer approves the tender offer, unless, following consummation of the tender offer, the acquirer would hold at least 98% of the company's outstanding shares. Furthermore, the shareholders, including those who indicated their acceptance of the tender offer, may, at any time within six months following the completion of the tender offer, claim that the consideration for the acquisition of the shares does not reflect their fair market value, and petition an Israeli court to alter the consideration for the acquisition accordingly, unless the acquirer stipulated in its tender offer that a shareholder that accepts the offer may not seek such appraisal rights, and the acquirer or the company published all required information with respect to the tender offer prior to the tender offer's response date.

Israeli tax considerations also may make potential transactions unappealing to us or to our shareholders whose country of residence does not have a tax treaty with Israel exempting such shareholders from Israeli tax. With respect to mergers, Israeli tax law allows for tax deferral in certain circumstances but makes the deferral contingent on the fulfillment of a number of conditions, including, in some cases, a holding period of two years from the date of the transaction during which sales and dispositions of shares of the participating companies may be subject to certain restrictions and additional terms. Moreover, with respect to certain share swap transactions, the tax deferral is limited in time, and when such time expires, the tax becomes payable even if no disposition of the shares has occurred. See “Taxation—Israeli Tax Considerations and Government Programs” for additional information.

Your rights and responsibilities as a holder of our securities are governed by Israeli law, which differs in some material respects from the rights and responsibilities of shareholders of U.S. companies.

We are incorporated under Israeli law. The rights and responsibilities of the holders of our ordinary shares are governed by our articles of association and by Israeli law. These rights and responsibilities differ in some material respects from the rights and responsibilities of shareholders in typical U.S.-based corporations. In particular, a shareholder of an Israeli company has certain duties to act in good faith and in a customary manner in exercising its rights and performing its obligations towards the company and other shareholders and to refrain from abusing its power in the company including, among other things, in voting at the general meeting of shareholders on certain matters, such as an amendment to the company’s articles of association, an increase of the company’s authorized share capital, a merger of the company, and approval of related party transactions that require shareholder approval. In addition, a controlling shareholder or a shareholder who knows that it possesses the power to determine the outcome of a shareholder vote or to appoint or prevent the appointment of an officer of the company has a duty to act in fairness towards the company with regard to such vote or appointment. However, Israeli law does not define the substance of this duty of fairness. There is limited case law available to assist us in understanding the nature of this duty or the implications of these provisions. These provisions may be interpreted to impose additional obligations on holders of our ordinary shares that are not typically imposed on shareholders of U.S. corporations. See “Item 6.C.—Directors, Senior Management and Employees—Board Practices—Duties of Shareholders” for additional information.

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

We were incorporated in Israel and our corporate headquarters are located in Israel. All of our executive officers and directors and the Israeli experts named in this Annual Report are located outside of the U.S. All of our assets and most of the assets of these persons are located in Israel. Therefore, a judgment obtained against us, or any of these persons, including a judgment based on the civil liability provisions of the U.S. federal securities laws, may not be collectible in the United States and may not necessarily be enforced by an Israeli court. It also may be difficult to affect service of process on these persons in the United States or to assert U.S. securities law claims in original actions instituted in Israel. Additionally, it may be difficult for an investor, or any other person or entity, to initiate an action with respect to U.S. securities laws in Israel. Israeli courts may refuse to hear a claim based on an alleged violation of U.S. securities laws reasoning that Israel is not the most appropriate forum in which 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 proven as a fact by expert witnesses, 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 that addresses the matters described above. As a result of the difficulty associated with enforcing a judgment against us in Israel, you may not be able to collect any damages awarded by either a U.S. or foreign court.

Our operations may be disrupted as a result of the obligation of management or key personnel to perform military service.

Our employees and consultants in Israel, including members of our senior management, may be obligated to perform one month, and in some cases longer periods, of military reserve duty until they reach the age of 45 (or older, for citizens who hold certain positions in the Israeli armed forces reserves) and, in the event of a military conflict or emergency circumstances, may be called to immediate and unlimited active duty. In the event of severe unrest or other conflict, individuals could be required to serve in the military for extended periods of time. In response to increases in terrorist activity, there have been periods of significant call-ups of military reservists. It is possible that there will be similar large-scale military reserve duty call-ups in the future. Our operations could be disrupted by the absence of a significant number of our officers, directors, employees and consultants related to military service. Such disruption could materially adversely affect our business and operations. Additionally, the absence of a significant number of the employees of our Israeli suppliers and contractors related to military service or the absence for extended periods of one or more of their key employees for military service may disrupt their operations.

General Risk Factors

We incur significant additional costs as a result of being a public company subject to SEC reporting requirements in the United States, and our management is required to devote substantial additional time to new compliance initiatives as well as to compliance with ongoing United States reporting requirements.

As a U.S. public reporting company, we are incurring significant additional accounting, legal, and other expenses in the future. Our management and other personnel need to devote substantial time to the compliance requirements of being a U.S. public company; in addition, the implementation of such compliance processes and systems may require us to hire outside consultants and incur other significant costs. Any future changes in the laws and regulations affecting public companies in the United States and the rules and regulations adopted by the SEC and the Nasdaq Market, for so long as they apply to us, will result in increased costs to us as we respond to such changes. These laws, rules, and regulations could make it more difficult or more costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these requirements could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, on our board committees, if any, or as senior management.

If we engage in future acquisitions or strategic partnerships, this may increase our capital requirements, dilute our shareholders, cause us to incur debt or assume contingent liabilities, and subject us to other risks.

We may evaluate various acquisition opportunities and strategic partnerships, including licensing or acquiring complementary products, intellectual property rights, technologies or businesses. Any potential acquisition or strategic partnership may entail numerous risks, including:

- increased operating expenses and cash requirements;
- the assumption of additional indebtedness or contingent liabilities;
- the issuance of our equity securities;
- assimilation of operations, intellectual property and products of an acquired company, including difficulties associated with integrating new personnel;
- the diversion of our management's attention from our existing product programs and initiatives in pursuing such a strategic merger or acquisition;
- retention of key employees, the loss of key personnel and uncertainties in our ability to maintain key business relationships;
- risks and uncertainties associated with the other party to such a transaction, including the prospects of that party and their existing products or product candidates and marketing approvals; and
- our inability to generate revenue from acquired technology and/or products sufficient to meet our objectives in undertaking the acquisition or even to offset the associated acquisition and maintenance costs.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

We are a development stage technology company that is seeking to revolutionize railway safety and the data-related market. We believe we have developed cutting edge, AI based, industry-leading detection technology specifically designed for railways, with investments from Knorr-Bremse, a world-class rail system manufacturer. We have developed our railway detection and systems to save lives, increase efficiency, and dramatically reduce expenses for the railway operator.

We were incorporated under the laws of the State of Israel in April 2016. Our principal executive offices are located at 15 Hatidhar St. Ra'anana, 4366517 Israel. Our telephone number in Israel is +972-9-957-7706. Our website address is <http://www.railvision.io/>. Information contained on or accessible through our website is not a part of this Annual Report on Form 20-F, and the inclusion of our website address herein is an inactive textual reference only. Puglisi & Associates, or Puglisi, serves as our authorized representative in the United States for certain limited matters. Puglisi's address is 850 Library Avenue, Newark, Delaware 19711.

The SEC maintains an internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at <http://sec.gov>. We use our website (<http://www.railvision.io>), LinkedIn (<https://www.linkedin.com/company/rail-vision>), and Facebook (<https://www.facebook.com/railvision.io>) as channels of distribution of Company information. The information we post through this channel may be deemed material. Accordingly, investors should monitor our website, in addition to following our press releases, SEC filings and public conference calls and webcasts. The contents of our website are not, however, a part of this Annual Report on Form 20-F.

We are an emerging growth company, as defined in Section 2(a) of the Securities Act, as implemented under the JOBS Act. As such, we are eligible to, and intend to, take advantage of certain exemptions from reporting requirements that generally apply to public companies, including the auditor attestation requirements with respect to internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act, compliance with new standards adopted by the Public Company Accounting Oversight Board which may require mandatory audit firm rotation or auditor discussion and analysis, exemption from say on pay, say on frequency, and say on golden parachute voting requirements, and reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. We will be an emerging growth company until the earliest of: (i) the last day of the fiscal year during which we had total annual gross revenues of \$1.07 billion or more, (ii) the last day of the fiscal year following the fifth anniversary of the date of the first sale of the ordinary shares pursuant to an effective registration statement (i.e., December 31, 2027), (iii) the date on which we have, during the previous three-year period, issued more than \$1 billion in non-convertible debt, or (iv) the date on which we are deemed a "large accelerated filer" as defined in Regulation S-K under the Securities Act, which means the market value of our ordinary shares that is held by non-affiliates exceeds \$700 million as of the prior June 30th.

As a foreign private issuer, we are exempt from certain rules and regulations under the Exchange Act that are applicable to other public companies that are not foreign private issuers. For example, although we intend to report our financial results on a quarterly basis, we will not be required to issue quarterly reports, proxy statements that comply with the requirements applicable to U.S. domestic reporting companies, or individual executive compensation information that is as detailed as that required of U.S. domestic reporting companies. We will also have four months after the end of each fiscal year to file our annual report with the SEC and will not be required to file current reports as frequently or promptly as U.S. domestic reporting companies. Our senior management, directors, and principal shareholders will be exempt from the requirements to report transactions in our equity securities and from the short-swing profit liability provisions contained in Section 16 of the Exchange Act. As a foreign private issuer, we will also not be subject to the requirements of Regulation FD (Fair Disclosure) promulgated under the Exchange Act.

B. Business Overview

Overview

We are a development stage technology company that is seeking to revolutionize railway safety and the data-related market. We believe we have developed cutting edge, AI based, industry-leading detection technology specifically designed for railways, with investments from Knorr-Bremse, a world-class rail system manufacturer. We have developed our railway detection and systems to save lives, increase efficiency, and dramatically reduce expenses for the railway operator.

Following a long-term pilot with Israel Railways that was concluded in August 2022, in January 2023, we signed an agreement with Israel Railways for the purchase of 10 Rail Vision Main Line Systems, which installation started in February 2024. In addition, after a successful six-month long-term pilot with a US-based rail and leasing services company, in January 2024, we signed a supply contract with this customer valued at up to \$5,000,000 (USD) for the purchase our AI-based Switch Yard Systems. The first phase of the contract is valued at \$1,000,000 (USD). Follow-on orders for additional Switch Yard Systems, valued at up to \$4,000,000, are subject to customer approval. Also, in October 2023, we received a \$500,000 purchase order for a single Main Line System and related services from a leading Latin American mining company, which was delivered to the customer in December 2023. The customer is expected to start a long-term pilot soon after completing the installation.

In addition, our railway detection system is currently in a pilot phase with several industry leading railway operators as we seek to move to the next stage of receiving commercial orders. We believe that our technology will significantly increase railway safety around the world, while creating significant benefits and adding value to everyone who relies on the train ecosystem: from passengers using trains for transportation to companies that use railways to deliver goods and services. In addition, we believe that our technology has the potential to advance the revolutionary concept of autonomous trains into a practical reality.

The increasing electrification and automation of railways and trains are two key factors that are driving growth in the transportation market. Autonomous trains are integrated with advanced systems to provide improved control over the train for stopping, departing and movement between train stations – for example the operators are aiming to increase the density on a given track that's to say more trains per kilometer. From everyday passengers to train operators, there is a rising demand for safe, secure, and efficient transport systems. Additionally, various technological advancements, such as the integration of the Internet of Things, or IoT, and artificial intelligence, or AI, solutions into railway detection systems, are market categories expected to grow in the coming years. These technologies aid in improving the overall operational efficiency and maintaining freight operations and systems.

Autonomous trains, also known as driverless trains, are operated automatically without any human intervention, and are monitored from the control station when communication is available. In case of any obstacle incurred in the route, the obstacle detection system commands the train to stop and in parallel a message is sent to operational control center and to the attendant on the train if any, to further command the train. Owing to increase in traffic congestion on road network, the need for smart and frequent trains has boosted the growth of the global market. According to Allied Market Research, the autonomous train technology market was valued at \$5.88 billion in 2018, and is projected to reach \$15.57 billion by 2026, growing at a CAGR of 12.9% from 2019 to 2026.

Since our founding in April 2016, we have developed unique railway detection systems for railway safety, based on image processing and deep learning technologies that provide early warnings to train driver of hazards on and around the railway track, including during severe weather and in all lighting conditions. Our unique system uses special high resolution cameras to identify objects up to 2,000 meters away, along with a computer unit that uses AI machine learning algorithms to analyze the images, identify objects on or near the tracks, and warn the train driver of the obstacle and potential danger. In 2017, we were recognized as the winner of Deutsche Bahn's MINDBOX competition for our automated early warning systems to prevent railway accidents.

Our railway detection system includes different types of cameras, including optics, visible light spectrum cameras (video) and thermal cameras that transmit data to a ruggedized on-board computer which is designed to be suitable for the rough environment of a train's locomotive. Our railway detection and classification system includes an image-processing and machine-learning algorithm that processes the data for identifying potential hazards on and around the track. These algorithms are designed to identify and classify objects such as people, animals, vehicles, signs, signals along the track, and anomalies. Our railway detection system actively classifies objects by severity to determine if an alarm should be signaled to the train driver. These data collection and classification capabilities can be extended to further use-cases such as predictive maintenance and big-data analyses.

We believe that our technology demonstrates capabilities and results that are better than existing solutions. Most of the currently available safety solutions for the railway industry focus on stationary systems in dedicated hazardous locations, such as at level track crossings and passenger train stations, among others. At these dedicated locations, different technologies are used for detecting obstacles that are on the vicinity of level crossing tracks, and usually include different cameras and radars. The problem with this type of solution is that the train is only monitored at specific points in the railroad junction, leaving the vast majority of the railway unprotected. In addition, even when detected something on the level crossing tracks, the message has to be transmitted in a way that the driver would be able to react on time. In recognition of the limitations of existing solutions, we integrate a collision avoidance system using long-range real-time AI and electro-optics technologies on trains that is designed to address this unmet need, as well as providing solutions to most of the challenges train operators face during transit such as collisions, derailments and other accidents caused by obstacles on tracks, or poor infrastructure.

Industry Overview and Market Opportunity

The railway is an essential form of transportation. Efficient and safe railway infrastructure plays a central role in the global economy. The process of expanding and upgrading railways is taking place worldwide, driving the importance to produce safe and reliable railway infrastructure. A lack of safety and inefficiency may reduce the reliability of train travel, decrease public usage and cause economic damage, including heavier road traffic, more air pollution, and diminish to the quality of life in general.

Railway accidents are generally attributed to several factors, such as the human factor, which include the driver's failure to notice and respond to obstacles on the track, the driver's ability to react to potential dangers, and the driver's field of view, which is made worse in poor lighting or severe weather conditions. Other factors that cause railway accidents include faults in the railway track signaling system, damaged infrastructure, and weather conditions such as rain, fog and snow.

According to the "Report on railway safety and interoperability in the EU, 2022", the economic cost of significant accidents alone was estimated at about EUR 3.2 billion in 2020. Progress has also been very uneven across the EU Member states, with variation in safety levels remaining high. According to the U.S. Department of Transportation, in 2021, in the U.S. there were 8,094 train accidents and incidents, 754 fatalities and 4,628 injuries.

Due to the braking distance required for a train to stop, train operators require advanced notice to stop a train in time and avoid an obstacle on the track. The braking distance of a passenger train traveling at a moderate speed (i.e., 87 mi/h) is between 600 and 800 meters; freight trains typically require a similar distance to safely brake – depending on the load size and speed of the train. Human operators, however, do not have the capacity to detect obstructions on the railway track, and halt a train within these braking distances. Our advanced technology is designed to address this human deficiency.

Our railway detection system monitors the short and long-distance region of interest in front of the train, at an operational range of up to 2,000 meters (1.2 miles), which is longer than the braking distance of most trains. Our system is designed to detect, classify and alert train operators on real-time railway track obstacles, which allows the train operator to make educated decisions in how to best operate the train, and to decide whether it is necessary to stop to avoid a collision. Additionally, after being integrated into the train's computer, our railway detection system's artificial intelligence capabilities will facilitate by taking emergency autonomous actions, such as halting the train, braking once an obstacle is classified, sounding a horn and flashing lights to alert others.

Over the past several years, there has been an increased demand for automated solutions in railway detection systems to make train travel safer and more efficient. There are several technological systems available in the market today that have been designed to reduce the risk of railway accidents, to avoid injuries and damage to property, to limit unplanned closures of railway tracks, to make railway transport more efficient, and to increase the usage of existing railway infrastructure. Generally, such railway detection systems fall into two main categories – those which are installed on the train (such as our railway detection system), and those that are fixed signaling systems installed as part of the stationary infrastructure.

We believe that the market potential for our railway detection systems that are installed on the train is large and ever growing, as every single railway train or drivers' cabin worldwide is a potential customer. Based on our own internal research, we estimate there are approximately 300,000 potential customers, and if considering two (2) systems per loco for each direction the potential can go significantly higher.

According to 2018 estimates of SCI, the global market for railway technology is estimated at approximately \$200 billion with a steady growth curve of 2.8% per year. According to currently displayed statistics on the U.S. Department of Transportation's website, the freight train industry in the United States is estimated at approximately \$80 billion, as determined by the by the seven Class 1 railroads operating in the United States. Additionally, according to the U.S. Department of Transportation it is estimated that \$25 billion is spent annually on maintaining and adding capacity to freight railroads. Also, according to McKinsey & Company, in 2016, the cost of infrastructure maintenance and renewal exceeds €25 billion per year across Europe and is rising.

The railway aftermarket revenue is anticipated to record a valuation of USD 120 billion by 2027, according to the most recent study by Global Market Insights Inc. which anticipates that rising investments in rail and infrastructure maintenance combined with the penetration of high-speed trains is expected to bolster the industry growth.

Railway tracks are a controlled environment, usually owned by one entity in the country where they are located. An obstacle that causes an accident on a train carrying hundreds of passengers or hauling thousands of tons of cargo might be a significant cost in the event of an accident due to injuries and damaged property. In addition, the section of track that is damaged or occupied with the stuck train, which is in any event restricted infrastructure, has to be closed until the investigation is completed, debris is collected and the infrastructure is checked for safety before train travel on the railway tracks can continue. This affects the timetable of many other trains, which causes an increase in downtime and the associated financial loss of such downtime. In addition, the reputation of the train operator is damaged, and as a consequence, the train operator may experience a decrease in business.

The Current Train Vision Market Status and the Transition to Autonomous Train Vision

Many trains are equipped with certain advanced automated technologies to assist railway operators such as Automatic Train Control, or ATC, and Automatic Train Protection, or ATP. ATC is a general group of systems that include mechanisms for controlling a train's speed in response to receiving external data. ATP is a system that, among other things, continuously verifies that the train's speed complies with the permitted speed.

In addition to ATC and ATP systems, there are currently other available technologies for Automatic Train Operation, or ATO, which include components to promote safety and control all stages of operating the train, from acceleration to precision stopping. While there are various levels of implementation of ATO, the most common use of ATO is on underground railways. For example, the London Underground uses semi-automatic train operation on certain lines. The Light Railway in eastern London is even more advanced, and the driver's cabin has been replaced by a controller.

ATO covers five Grades of Automation (GoA):

- GoA 0 refers to a train with a human driver who exercises full control of the train – starting, stopping, opening and closing doors, and operation in emergencies.
- GoA 1 refers to operation where the driver controls starting and stopping the train, operation of doors, emergencies and sudden deviations, with the assistance of ATP systems.
- GoA 2 refers to semi-automatic operation, where stopping is automatic, but the driver starts the train, operates the doors, and drives the train in emergencies.
- GoA 3 refers to operation without a driver, where starting and stopping is automatic, but the controller operates the doors and drives the train in emergencies.
- GoA 4 refers to train operation without supervision; starting, stopping, door operation and operation in emergencies is all automatic with no staff on the train.

We believe that railway companies will gradually implement autonomous trains. While a full transition to autonomous trains will require the development of additional technologies beyond those currently available, we believe that our obstacle detection technology has the potential to advance GoA 3 and GoA 4.

As part of the autonomous train vision being promoted worldwide, an automatic detection system will be required to enable train operators to detect obstacles in the train's travel route beyond the braking distance of a train. An automatic detection system has about twice the human detection capabilities during the day, and much more at night. As part of our efforts to advance operating levels of GoA 3 and GoA 4, we are investing efforts in collaborations with train operators and train manufacturers to examine the integration of our railway detection systems within various trains. We focus on detection systems, whereby the additional auxiliary systems required for an autonomous train (ATC and ATP systems) will be provided by other manufacturers. Our railway detection system is a standalone product that does not require any supportive additional equipment. The interface with an ATO concept of operation can be done at a later time, since our railway detection system, once engaged, can be used regardless of the integration with other autonomous technologies.

GoA 4 freight trains already operate in certain parts of the world (such as Rio Tinto Australia, and Iron Ore Canada). We believe that our railway detection systems are ideal for these trains, and part of our strategy is to engage and collaborate with the operators of these trains. To that end, we have signed a contract to supply demonstrations over several months of testing with the Autonomous GoA4 rail operator Rio Tinto Iron Ore, as described below.

Beyond GoA 4 freight trains, there are some very specific environments where trains are operated without drivers and rely on signaling systems and a sterile testing environment, such as train lines in airports or underground train lines. Such autonomous lines are rare and can only be implemented if the conditions are precise. These types of trains require a safety infrastructure that is separate from the railway track in the external environment. This infrastructure is expensive to build and maintain, and therefore is not a viable option for most operators. While these types of trains are rare and not our main strategic focus, we do believe that our system will be ideal for these trains as well, as they require a solution that is installed on the train and capable of timely identifying potential hazards on and around the track.

Our Solutions

We develop solutions for a number of verticals in the railway market:

1. The Main Line System

The Main Line System is an application of our railway detection system for passengers and freight trains that travels in main line. The system includes an external sensor unit installed on the train along with an on-board computer system (see below). The on-board computer system receives data from the external sensor unit and uses artificial intelligence to perform algorithmic calculations in real time to identify potential hazards for the train operator.

MAIN LINE SYSTEM



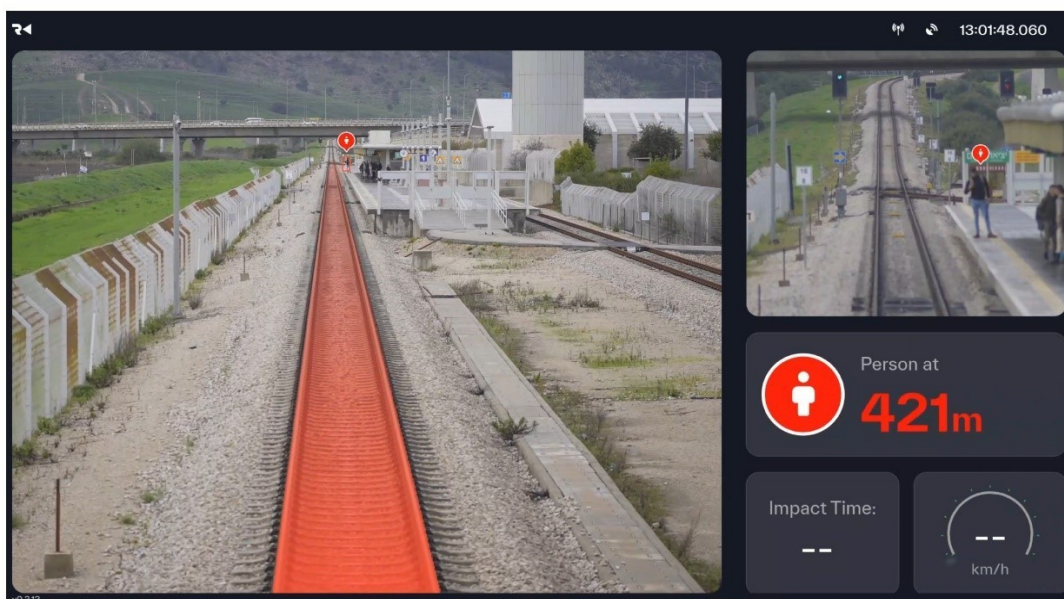
Our railway detection system is designed to discover and warn the train operator about hazards of up to 2,000 meters (1.2 miles) ahead of the train. To detect hazards up to this distance, our railway detection system is dependent on a continuous line of sight that is not obscured by buildings, curves in the track, or dense fog which can limit the detection range.

The braking distance of a train traveling at high speeds of about 160 KPH / 100 MPH is approximately 800 meters (0.5 miles). The Main Line System has been optimized to identify hazards at a distance more than 800 meters (0.5 miles) to provide the train operator with enough time to react to the hazard, and stop the train if necessary. The braking distance of the train may differ as a result of various factors, including weather conditions and the total weight of the train.

Our railway detection system can technically interface with the train's control and monitoring systems, such as the brake system. This interface is achieved by setting up a communication interface between our railway detection system and the train's existing operating system. However, interfacing with the brake system or other systems of a train will require compliance with a more stringent level of train safety (SIL) than the current safety levels we are certified for, as of the date of this Annual Report.

Our railway detection system is designed to detect and classify objects, indicate their location on the track and the distance from the locomotive, and detect the position of the switch. The switch is a device that is part of the railway track and is used to switch between two adjacent tracks or merge two tracks into one track. It is important to detect the position of the switch because the switch selects the train's continued direction from the main track line on which the train is currently riding to another rail.

MAIN LINE SYSTEM VEHICLE AND HUMAN DETECTION



We have completed a homologation process of a driver assistance system on trains in a use-case of Main line (SIL-0 according to EN50126).

An advanced prototype of the Main Line System was completed and finalized its first field test phase with Israel Railways in March 2022.

Following a long-term pilot with Israel Railways that was concluded in August 2022, in January 2023, we signed an agreement with Israel Railways for the purchase of 10 Rail Vision Main Line Systems. The first deliveries of the systems was completed in the first quarter of 2024. The potential sales opportunity with Israel Railways for our Main Line System is for installations on up to 200 trains, and assuming we can negotiate bidirectional installation, the potential sale opportunity could be doubled to install up to 400 RV2000 systems on up to 200 trains.

Rio Tinto Iron Ore, or RTIO, the world's second-largest metals and mining corporation has engaged us to work on part of its AutoHaul autonomous train to improve train safety. RTIO has 60 operations in 35 countries, has 47,500 employees and 2,000 customers. The RTIO fleet is autonomous and does not have the technical capability to foresee any obstacles or anomalies in front of the moving train. As such, RTIO is exploring solutions that can detect, alert and respond to an obstacle on the tracks. In April 2021, we entered into an equipment, personnel and services supply agreement with Hitachi Rail STS Australia Pty Ltd., or STS, which enables STS, as the principal supplier, to supply Rio Tinto Railway Network with our RV2000 system for demonstrations and to examine the RV2000's operational performance. The long-term pilot was concluded in August 2022. Following the completion of the long-term pilot, the company submitted a summary report of the pilot. As of today, we have not received any formal response from Rio Tinto relating to the next phase.

On October 17, 2023, we received a \$500,000 purchase order for a single Main Line System and related services from a leading Latin American mining company, which was delivered to the customer during December 2023.

2. The Shunting Yard System

The Shunting Yard System used at the shunting yard is meant to streamline work in the operational areas of railways (shunting yards) which are used for the assembly, loading and unloading of freight trains.

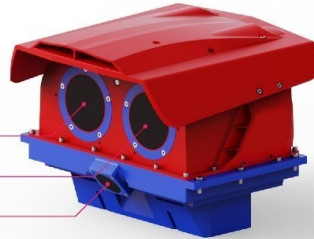
The shunting yard application of the railway detection system consists of two external sensor units installed on either side of the locomotive that are linked to the central processing unit inside the train, and uses algorithms, artificial intelligence/deep learning neural nets, to classify these obstacles in real time, at a range of up to 200 meters on and beside the track, under severe weather and poor visibility conditions. These warnings are shown to the driver with some recommendations to stop or slow down. The system also has the technical ability to interface with the locomotive's control systems, such as the train's brakes. This is done by setting up a communication interface with existing systems in the train and doing so in accordance with the customer's requirements. However, interfacing with the brakes or other systems in the locomotive requires compliance with a stricter Safety Integrity Level (SIL) than the levels for which we have currently have obtained certification (SIL 0). Rail Vision has completed a homologation process of a drive assist system on trains in a use-case of Switch Yard (SIL-0 according to EN50126).

SHUNTING YARD SYSTEM

Wide field of view Camera

Thermal Camera

Coupling Camera

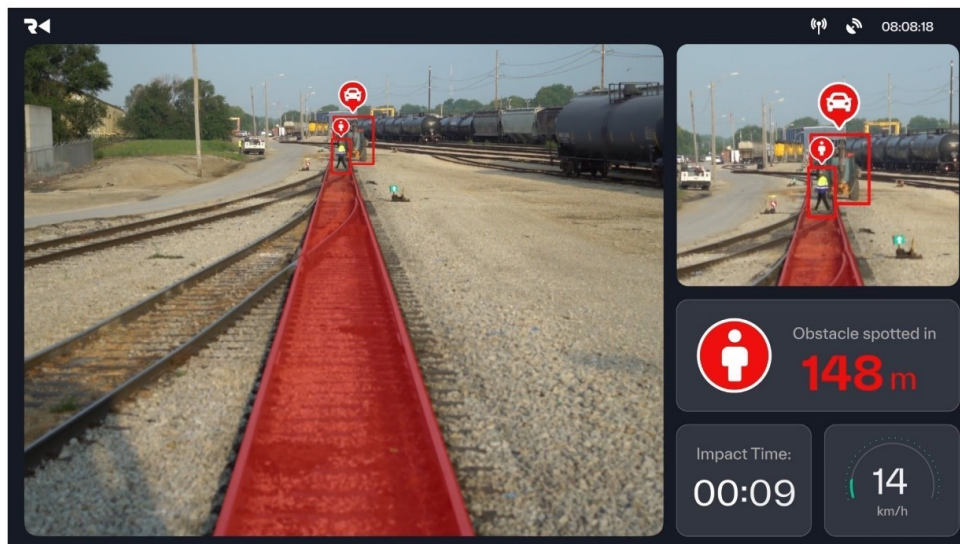


In October 2020, we supplied a prototype of the Shunting Yard System to Schweizerische Bundes Bahnen Cargo, or SBBC, for functional testing, which began in April 2021. As of the date of this Annual Report on Form 20-F, SBB (the mother company of SBB cargo) has cancelled the procurement process for the evaluation of the shunting yards system due to lack of resources.

In February 2023, a leading US-based rail and leasing services company purchased a Switch Yard System and evaluated its performance during a six-month trial that was completed in September 2023, for a total amount of \$140,000 including technical support services, during the six-month trial. In January 2024, we signed a supply contract with this customer valued at up to \$5,000,000 (USD) for the purchase our AI-based Switch Yard Systems. The first phase of the contract is valued at \$1,000,000 (USD). Follow-on orders for additional Switch Yard Systems, valued at up to \$4,000,000, are subject to customer approval. The contract also includes specific purchase quotas that, if met, provide the customer with exclusivity in the North American industrial railyards switching segment.

In March 2024 we received an order for our Switch Yard System from a Class 1 freight rail company in the United States. The freight rail company, which is one of the largest in North America, will install and use the system on its locomotive for evaluation and testing different scenarios related to safety.

SHUNTING YARD SYSTEM VEHICLE AND HUMAN DETECTION



Business and Marketing Strategy

Our vision is to become a global leading developer and supplier of innovative railway detection technologies to the railway industry. We believe that our advanced technologies will enable safer train driving, reduce train accidents, increase the flow of traffic, and save money for our customers. We also believe that the transition to autonomous train driving will not occur without an advanced detection system such as ours.

We focus on the following three main segments of the market as described above:

Locomotives for shunting yards – We have focused on selling the RV200 system to shunting yard operators. Our railway detection system for this market segment is at a relatively advanced stage, as we have a prototype of the RV200 system that is being tested by SBBC, a freight train company in Switzerland. As of the date of this Annual Report on Form 20-F, SBB (the mother company of SBB cargo) is planning to issue a tender for purchasing 9 systems for evaluation. Upon successful trial, the company estimation that the total potential is above 100 systems. We believe that SBBC's reputation will assist us in the promotion and sales of our railway detection systems to other customers in this segment. If the transaction with SBBC evolves into an order, we expect SBBC to order several dozen of our railway detection systems. In addition to the transaction with SBBC, the Company has demonstrated the system to a Class 1 freight operator in the US. The demonstration was successful, and we were asked to give an additional demonstration for the customer's executives.

Locomotives for passenger and freight trains – Our strategic focus on this market segment derives from the fact that it includes the largest number of trains, and that the trains operating in this market segment are exposed to serious risks and the realistic probability for potentially fatal accidents. We invest significant efforts in promoting sales to passenger and freight train operators. The sales processes for this market segment includes a demonstration of the system’s capabilities according to specific requirements of each train operator. In addition, we are engaged in the process of licensing systems that are intended for this market segment on the assumption that obtaining a permit in one country may significantly facilitate the licensing process in another country. The Company has signed a contract with Israel Railways to supply 10 systems. The delivery is expected to start during Q4 2023. The company believes that the first order for such system by a commercial operator will have an impact on the market. The Company concluded a long-term pilot with Rio Tinto in August 2022. Following the completion of the long-term pilot, the Company submitted a summary report of the pilot. Following a technical workshop with Rio Tinto that was performed in Nov. 2022, the Company expects to receive from Rio Tinto more detailed requirements for the next phase.

Our strategic focus is reflected in our marketing strategy:

- We plan to increase our marketing and sales efforts to reach more potential customers. Increasing our sales and marketing efforts will enable us to initiate and create additional opportunities while the sales and marketing personnel focus on and specialize in the territories that our strategy defines as most relevant.
- We are focused on the following markets: North America, Europe and Australia. The reason for the focus on these markets stems from an analysis we conducted to identify the most relevant countries likely to adopt our railway detection systems. We have defined several parameters which may indicate commercial viability of the market relevant to our railway detection systems. The parameters examined by us included, among other things, the total length of the railway tracks in the country examined, the number of passengers per kilometer/ mile of track traveled, the number of tons of goods per kilometer/ mile of track transported, the total number of trains in the country, the level of innovation in the country, and the openness to integrate new technologies.
- We are investing in efforts to create and develop collaborations with leading train manufacturers. These collaborations are meant to be long-term, with the aim of integrating our railway detection systems into the future production lines of these train manufacturers. We believe that the railway detection systems we develop will be an integral part of future trains, and therefore it is important to invest marketing efforts as early as possible to promote partnerships with train manufacturers and increase market adoption of our railway detection systems.
- Leverage and develop our strategic partnership with Knorr-Bremse to serve as a non-exclusive distributor and be a local partner engaged in marketing, sales and the implementation of projects, including integration, installation and services regarding our products in the relevant markets in which Knorr-Bremse operates worldwide. As part of this marketing strategy, we will seek the assistance of Knorr-Bremse’s marketing team. Knorr-Bremse’s marketing staff promotes and sell our products to their existing customers.
- We intend to invest in advertising in traditional industry channels, social media networks and digital channels to better advertise and market our railway detection systems to potential customers in the railway industry.
- We strive to increase collaborations with other companies operating in the railway industry, such as communications companies that are engaged in constructing communications infrastructure or companies that manufacture complementary products for the railway industry. Collaboration with types of companies may provide added value to our customers, whether it be in the field of data communications where customers seek to transfer data in real time from the trains to the control centers, or through cooperation with companies that manufacture additional auxiliary systems, such as sign manufacturers, and manufacturers of automatic coupling systems (systems that enable automatic coupling between a locomotive and a carriage or between carriages for towing) where our systems will provide a complementary solution.
- Big data – Following the dissemination of our technology and products among many customers, we intend to offer our Main line and Shunting yard systems customers predictive maintenance services and digital mapping services based on the gathering of the visual information stored in its systems. We see big data services as one of its most important growth engines in the next 3-5 years.

New Products and Applications

We are currently exploring a number of additional railway detection system applications that are in various stages of research and development, as follows:

Maintenance and predictive maintenance: customers who have installed Rail Vision Main line and Shunting yard systems for real time identification of objects, will have the option of receiving predictive track maintenance services, such as identification of vegetation invading the tracks, damage to infrastructures, sunk pylons, etc. This railway detection system application will be able to collect the data from the sensors and check for any changes in and around the track infrastructure in order to indicate possible defects in the infrastructures. Currently, this application is in the initial research and development (R&D) stage.

Mapping and updates – Geographic Information Systems (GIS): since trains travel the same route several times a day, the comparison of observed data received by our railway detection system can discover infrastructures such as posts, signaling systems, electronics boxes, and check their actual location using system measurements based on an image-based navigation (IBN) algorithm, and compare the data with existing records and provide updates. This saves both time and money, as the expense of remapping a railway track is rarely done, and usually forces stretches of track to be closed for such updates. This application of our railway detection system is in the R&D stage.

Big Data: this application of our system will be based on long-term collection of data from Company's sensors installed on trains to provide relevant data on infrastructure, train traffic and the surroundings. Analysis of the data will generate reports showing trends in driver behavior and the surrounding area and conditions, which will help train operators reduce downtime caused by infrastructure problems, and improve the synchronization of trains, as required by the customer.

Currently, this application is only at the start of the research and development stages and is also conditioned on the installation and operation of about one hundred railway detection systems in order to obtain sufficient data for its operation, assuming the successful completion of its development.

We intend to offer the Big Data applications as an added value to our system to be installed at the customer and not as a separate product.

Commercial Agreements

Israel Railways

On January 31, 2023, we signed a contract with Israel Railways to supply 10 systems. The initial deliveries started during the first quarter of 2023. We believe that the first order for such system by a commercial operator will have an impact on the market. The total amount is approximately \$1.40 million USD.

Latin American mining company

In October 2023, we received a \$500,000 purchase order for a single Main Line system and related services from a leading Latin American mining company, which was delivered to the new customer in December 2023.

US-based rail and leasing services company

In January 2024, we signed a supply contract with a leading US-based rail and leasing services company valued at up to \$5,000,000 (USD) for the purchase our AI-based Switch Yard Systems. The first phase of the contract is valued at \$1,000,000 (USD). Follow-on orders for additional Switch Yard Systems, valued at up to \$4,000,000, are subject to customer approval. The contract also includes specific purchase quotas that, if met, provide the customer with exclusivity in the North American industrial railyards switching segment.

Knorr-Bremse

We have entered into a series of strategic and investment agreements with Knorr-Bremse or affiliates of Knorr-Bremse. Knorr-Bremse is a 110 year old multi-billion dollar market cap company traded on the Frankfurt Stock Exchange. With more than 30,000 employees at over 100 locations in more than 30 countries around the globe Knorr-Bremse is a world leader in braking & peripheral systems generating total of sales of EUR 7.1 billion in 2022. As one of our strategic investors, Knorr-Bremse has invested approximately \$28 million in us. See “Major Shareholders and Related Party Transactions—Related Party Transactions—Knorr-Bremse” for additional information

KBCH Framework Agreement

In August 2020, we entered into a framework agreement, or the Framework Agreement, with KBCH (a subsidiary of Knorr-Bremse operating in Switzerland) regarding the supply of a prototype of our system to the shunting yard of a company operating cargo trains in Switzerland, or SBBC. Under the Framework Agreement, we provided KBCH one prototype of the system which was installed on an operating locomotive in an SBBC shunting yard, for the purpose of examining the operational performance of the system, or the Operational Function Test. In consideration for the prototype provided in October 2020 for the Operational Function Test, KBCH paid us approximately EUR 244,000 (approx. \$293,000). The Company continues the cooperation with KBCH under the Framework Agreement for the upcoming tender. As of the date of this Annual Report on Form 20-F, SBB (the mother company of SBB cargo) has cancelled the procurement process of for the evaluation evaluation of the shunting yards system due to lack of resources.

Strategic Partnership Agreement

On August 19, 2021, we entered into a Strategic Partnership Agreement with Knorr-Bremse. Under the terms of the Strategic Partnership Agreement, we will collaborate with Knorr-Bremse with respect to joint projects, based on the following principles: (a)(i) the expansion of the Knorr-Bremse Railway Driver Assistance Systems to the field of environmental observation, or (ii) future collaboration in the areas of barrier identification and classification systems in the railway industry; and (b) as part of the framework, we will provide Knorr-Bremse the technology needed in order to fulfilling the customer’s requirements.

The agreement further provides, among other things, that (i) in the event that a customer is presented to us by Knorr-Bremse, subject to the certain conditions, Knorr-Bremse will be entitled to serve as the main contractor for such project, (ii) for any joint project, the parties will mutually agree on the identity of the main contractor and (iii) we will instruct and train the local Knorr-Bremse missions to provide field support services for our systems.

The implementation of the terms of the agreement is subject to future approvals and agreements between the parties and third parties, including transactions that may be subject to the related party transaction rules under the Companies Act, and, as such, there is no certainty that such transactions will be executed, in whole or in part.

The term of the agreement will expire three years after the date of the agreement, or August 19, 2024.

Collaboration Agreement with Israel Railways

On August 3, 2016, we entered into a Cooperation Agreement with Israel Railways Ltd. (a governmental company fully owned by the State of Israel), which was further amended on January 19, 2020.

Under the terms of the agreement, we undertook to fulfill certain functions for the development, marketing, distribution and sale of the system, and Israel Railways undertook to provide us with services and the means to perform tests and experiments, mainly in logistics and manpower, and to provide us with information on certain data that will be given at the discretion of Israel Railways.

Pursuant to the agreement, we agreed to pay Israel Railways the following payments: (i) during the period from August 3, 2016 and until the earliest of (a) a period of 5 years from the date of our first commercial sale or (b) our initial public offering on April 4, 2022 or (c) a change of control (as defined in the agreement), Israel Railways will be entitled to a payment of royalties in the amount of 2.75% of our net sales, and (ii) during the period from August 3, 2016 until the earliest of: (a) our initial public offering on April 4, 2022 or (b) a change of control (as defined in the agreement) Israel Railways will be entitled to 1.5% of the total proceeds from an IPO or consideration, received by us or our shareholders, as a result of a change of control.

Upon the completion of our initial public offering, the Israel Railways became entitled to a consideration of 1.5% of the actual proceeds from our initial public offering, which was approximately \$213,000, and accordingly their right to royalties has expired.

The agreement further provides that Israel Railways will be entitled to purchase our products and services at a price equal to half the lowest price charged by us for those products and services to an unrelated third party.

In addition, as part of the agreement and in consideration for services provided to us by Israel Railways, we granted Israel Railways warrants to purchase 195,448 of our ordinary shares with a nominal exercise price. The warrants were initially exercisable upon the earlier of an IPO or a change of control. According to amendments to the agreement we amended the warrant to extend the exercise period, until the earlier of: (1) five business days following the day in which Israel Railways obtained the necessary governmental approvals; or (2) June 30, 2023. On January 25, 2023, Israel Railways provided notice of its exercise of the warrants, pursuant to which we issued 195,448 ordinary shares to Israel Railways.

The agreement was terminated in January 2023.

Competition

Many of our current and potential competitors have extensive track records and relationships within the rail industry and/or the automotive industry. Many of our current and potential competitors have longer operating histories and more extensive name recognition than we have and may also have greater financial, marketing, manufacturing, distribution and other resources than we have. In particular, we operate in a market where most of our competitors are giant corporations such as Bosch Engineering GmbH, ALSTOM Holdings, Siemens Mobility GmbH and Toshiba Infrastructure Systems & Solutions Corporation with others such as 4Tel Pty Ltd and Cognitive Pilot LLC. Current and future competitors may be able to respond more quickly to new or emerging technologies and changes in customer demands and to devote greater resources to the development, promotion and sale of their products than we can.

Unlike some of the competitors that have used existing systems from the motor vehicle world and adjusted them to the railway environment, we develop our railway detection systems from the beginning to operate on trains. Additionally, in terms of the ability to identify hazards at far longer distances, our railway detection system functions can not only discover obstacles on the tracks but also identify these obstacles. We believe that our railway detection system's contribution to train safety will be greater than that of existing railway detection systems by our competitors. Thus, by our estimate, the railway detection systems offered by competitors for mainline trains have relatively limited capabilities compared to the capabilities of our RV2000 system. From our own analysis, we believe that our competitors offer a shorter range-detection distance and provide a lower detection probability of obstacles than the railway detection systems we have developed.

Some of our competitors offer a shorter range-detection distance and provide a lower detection probability of obstacles. Our systems consist of electro-optic sensors using artificial intelligence for automatic identification, classification of obstacles along the tracks at distances which, to the best of our knowledge, are longer than those of the competition. Our railway detection systems also have a greater degree of accuracy and higher probability to detect obstacles, which, to the best of our knowledge, results in fewer false alerts compared to competing products.

Apart from the expected contribution of our systems to increase the safety of train operations, our railway systems are also designed to help in predictive maintenance of railway infrastructure, due to the constant monitoring of the railway tracks by its sensors. As far as we know, this function does not exist in any competing systems.

To the best of our knowledge, several competing companies are developing systems to help drivers. Some derive from the world of trains, others from the wheeled vehicle industry. These companies adapt technologies from the vehicle industry for use with trains, for long distance identification of hazards, particularly in the LRV segment. These technologies are generally based on LIDAR technology and/or radar scans with cameras, and as far as we know, have not yet been shown to be suitable for the railway environment, in terms of discovery ranges and required performance. In addition, we don't expect our LRV system to be sold at a lower price than competitors' prices due to our use of more advanced components than our competitors.

We differentiate our systems by focusing on their unique ability to use AI algorithms in real time to provide alerts to the driver throughout the entire drive. In our estimation, the advantages of our technology over the competition are:

- Our railway detection system is based on passive technology that uses video images or thermal images, unlike other railway detection systems that are based on obstacle discovery using radar or lasers (which emit radiation along the railway track) in train stations, and already exist in the market for LRV and in level crossing – we do not know of any other system that reaches 2 kilometers classification.
- In several field trials, our railway detection systems have shown an ability to identify objects at distances of up to 2,000 meters. Discovering obstacles at a long range is essential for effectively discovering obstacles since there is a long braking distances required by trains to come to a complete stop from the time the obstacle is identified.
- Our railway detection systems, compared to LIDAR technology, are less sensitive to platform speed or rocking motions, higher resolution and are able to classify obstacles at longer distances compared to competing railway detection systems.
- Our detection systems are based on passive technology, and are therefore not exposed to interference due to hot spots and reflection overload. Other technologies such as radar are sensitive to the presence of metallic objects (such as screws, springs and other metallic objects etc.) which are often found on or near railway tracks.

We believe the following table gives representative details of various solutions currently available on the market in the field of identifying obstacles on railway tracks. The following information is based on our beliefs, has been provided to us from publications by the various competitors listed below and has not been independently verified by us.

Shunting Yard				
Name	Segment	Product & Features	Competitive Analysis	Homologation
Cognitive Pilot LLC	Shunting Yard	Based on a combination of daylight camera + radar	<p>Advantages:</p> <ol style="list-style-type: none"> 1. The system incorporates a short-range radar camera; <p>Disadvantages:</p> <ol style="list-style-type: none"> 1. To the best of the Company's knowledge, the system is in development and has not yet been sold in serial production. No existing customers are known beyond demos. 2. The Company understands that the system operates at shorter ranges than the Company's system. 3. To the best of the Company's knowledge, the competitor's system does not include a thermal camera, unlike the Company's system, which has a thermal camera that enables visual identification even at night. 	We are not aware of a standardization process that this competitor has initiated.
Toshiba Infrastructure Systems & Solutions Corporation	Shunting Yard	Based on a high resolution daylight camera with AI capabilities	<p>Advantages:</p> <ol style="list-style-type: none"> 1. To the best of the Company's knowledge, the detection ranges of Toshiba's system are similar to the detection ranges of the Company's system; 2. The competitor is a train manufacturer with high technological and financial capabilities; able to integrate the system as an integral product in its systems; <p>Disadvantages:</p> <ol style="list-style-type: none"> 1. To the best of the Company's knowledge, the system is still under development. 2. To the best of the Company's knowledge, the competing system does not include a thermal camera, unlike the Company's system, which has a thermal camera that enables visual identification even at night. 	We are not aware of a standardization process that this competitor has initiated.
Bosch Engineering GmbH	Shunting Yard	Tram forward collision warning (TFCW), Based on a solution from the wheeled vehicle industry, on the market since 2017. Approved for use with LRV under a European standard.	<p>Advantages:</p> <ol style="list-style-type: none"> 1. According to public announcements, the system has been sold to LRV customers. Bosch's past experience is an advantage. 2. To the best of the Company's knowledge, the Bosch system is sold at a competitive price at the LRV market 3. Bosch is a global company with high technological and financial capabilities compared to the Company. 4. The system also includes short-range radar. <p>Disadvantages:</p> <ol style="list-style-type: none"> 1. To the best of the Company's knowledge Bosch system is designed to the LRV market, not for shunting. 2. Bosch's system does not include a thermal camera like the system developed by the Company, which includes a thermal camera that allows visual identification even at night. <p>The Company is aware that the competing system has a high false alarm rate.</p>	As the installation of such a system requires standardization, it can be assumed that Bosch has the standard required to install such a system in the cities where the system is installed.

Shunting Yard				
Name	Segment	Product & Features	Competitive Analysis	Homologation
OTIV	Shunting Yard	The system is based on an array of day cameras with integrated AI.	Advantages: <ol style="list-style-type: none"> 1. EU based company 2. Mobile system Disadvantages: <ol style="list-style-type: none"> 1. To the best of the Company's knowledge, the ranges are lower than our system. 2. Depends on 4G/5G – might be a problem when there is no cellular connectivity. 	We are not aware of a standardization process that this competitor has initiated.
ALSTOM Holdings	Shunting Yard	The system is based on an array of day cameras with integrated AI.	Advantages: <ol style="list-style-type: none"> 1. Alstom is a major player within the railways industry with high technological and financial capabilities 2. Partnering with ELTA (major player in Radar's) Disadvantages: <ol style="list-style-type: none"> 1. NA 	We are not aware of a standardization process that this competitor has initiated.

Main Line				
Name	Segment	Product & Features	Competitive Analysis	Homologation
4Tel Pty Ltd (AI machine)	Main Line	The system is based on an array of day cameras with integrated AI.	Advantages: <p>A local competitor in Australia in the RIO TINTO project. The competitor may have an advantage due to its being a local manufacturer in Australia.</p> Disadvantages: <p>To the best of the Company's knowledge, the demo has been shown to a customer for a specific use.</p>	We are not aware of a standardization process that this competitor has initiated.
ELTA Systems Ltd	Main Line	The system is based on an array of day cameras with integrated AI.	Advantages: <ol style="list-style-type: none"> 1. ELTA is world leader in Radar technology with years of experience within Radar and EO systems. <p>Won the RDSO tender in India</p> Disadvantages: <ol style="list-style-type: none"> 1. To the best of our knowledge, the system is still under development 	We are not aware of a standardization process that this competitor has initiated.
Thales Group (RailBot)	Main Line	Based on a daylight camera with AI capabilities	Advantages: <ol style="list-style-type: none"> 1. Thales is a major player within the railways industry with high technological and financial capabilities. Disadvantages: <ol style="list-style-type: none"> 1. To the best of the Company's knowledge, the ranges are lower than our system. 	We are not aware of a standardization process that this competitor has initiated.

Our competitive approach is in developing a unique know-how, achieving an advantage and differentiating our railway detection system technology by incorporating advanced technological solutions. We believe that the railway detection system we are developing can provide an effective economic solution for our customers, which includes a return of the investment brought about by the railway detection system's contribution to the train's increased safety, the prevention of accidents and unplanned delays in train traffic, and improving the accuracy of railway operations, all of which can save railway operators extensive operating costs.

Another advantage of our railway detection system is the option, currently in development, to use the system as an aid to predictive maintenance of railway infrastructure due to the system's continuous monitoring of the railway tracks on which it travels.

Apart from that, we engage the competitive landscape by developing new products, and to the extent that such developments are successfully completed, these products will enable us to face the competition. To provide our customers with additional added value, we are developing maintenance, predictive maintenance, Big Data and GIS services, which may be added on top of our existing system components to make our railway detection system more attractive to the customer.

Because our railway detection system regularly monitors railway infrastructures and tracks, the system can record and store visual information. Huge amounts of data are built up (Big Data) which, subject to contractual and legal restrictions, could be available to customers for purposes such as identifying possible gaps and faults in tracks and other infrastructure, and updating maps. This capability is an added value to the existing system. To the best of our knowledge, Siemens Mobility GmbH and the 4Tel Pty Ltd company also use infrastructure monitoring capabilities that are based on artificial intelligence. We have no information about the veracity of this competitor's statement.

Government Regulation

As the autonomous train industry continues to develop, regulators, including the FRA and the ERA, may adapt existing regulations and create new ones in order to ensure the compatibility of autonomous trains and autonomous train technology with regulatory expectations, requirements relating to safety and legal liability. On March 29, 2018, for instance, the FRA issued a RFI regarding the "future of automation in the railroad industry," which is part of a broader effort by the U.S. Department of Transportation to advance the safe deployment of autonomous technologies. We cannot anticipate what regulations will materialize from the FRA's RFI, or from parallel inquiries underway in other countries in which we operate. Likewise, we cannot predict the limitations, restrictions and controls nor the economic consequences flowing from such regulations. Should restrictive regulations apply, they could delay the introduction of autonomous train technology, cause us to redesign aspects of our products, impose additional costs and adversely affect our results of operations. We cannot assure you that we have been or will be at all times in complete compliance with such laws, regulations and permits.

In addition, we are subject to a number of laws and regulations that involve matters central to our business. These laws and regulations involve privacy, data protection, intellectual property, competition, and other subjects. Many of the laws and regulations to which we are subject are still evolving and being tested in courts and could be interpreted in ways that could harm our business. In addition, the application and interpretation of these laws and regulations are often uncertain, particularly in the new and rapidly evolving industry in which we operate. Because global laws and regulations have continued to develop and evolve rapidly, it is possible that we may not be, or may not have been, compliant with each such applicable law or regulation.

Intellectual Property

We seek patent protection as well as other effective intellectual property rights for our products and technologies in the United States and internationally. Our policy is to pursue, maintain and defend intellectual property rights developed internally and to protect the technology, inventions and improvements that are commercially important to the development of our business.

We have 15 registered patents and 17 pending patent applications. Failure to gain approval for the patent applications filed by us or a change in the patents granted to us, in whole or in part, and the promotion and creation of alternative technologies to our technology, may adversely affect our status and ability to sell the system developed by it.

A provisional patent application is a preliminary application that establishes a priority date for the patenting process for the invention concerned and provide certain provisional patent rights. We cannot be certain that patents will be granted with respect to any of our pending patent applications or with respect to any patent applications filed by us in the future, nor can we be sure that any of our existing patents or any patents granted to us in the future will be commercially useful in protecting our technology. Despite our efforts to protect our intellectual property, any of our intellectual property and proprietary rights could be challenged, invalidated, circumvented, infringed or misappropriated, or such intellectual property and proprietary rights may not be sufficient to permit us to take advantage of current market trends or otherwise to provide competitive advantages. For more information, please see “Item 3.D—Risk Factors—Risks Related to our Intellectual Property.”

In addition, we may be exposed to claims and/or suits regarding the use of proprietary rights of third parties who received approval for the registration of a patent in respect of an application which had already been filed when we made use of such rights.

Legal proceedings

We are not currently party to any pending material legal proceedings. From time to time, we may become a party to litigation incident to the ordinary course of our business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Employees

As of March 28, 2024, we have five senior management positions, all of whom are engaged on a full-time basis. In addition to our senior management, we have 44 employees in full or part-time capacities. All our employees are located in Israel. In December 2023, we took steps to lower our expenses through a targeted reduction in headcount of our employee base by 12 employees representing approximately 20% of our workforce.

None of our employees are represented by labor unions or covered by collective bargaining agreements. We believe that we maintain good relations with all our employees. However, in Israel, we are subject to certain Israeli labor laws, regulations and national labor court precedent rulings, as well as certain provisions of collective bargaining agreements applicable to us by virtue of extension orders issued in accordance with relevant labor laws by the Israeli Ministry of Economy and which apply such agreement provisions to our employees even though they are not part of a union that has signed a collective bargaining agreement.

All of our employment and consulting agreements include employees’ and consultants’ undertakings with respect to non-competition and assignment to us of intellectual property rights developed in the course of employment and confidentiality. The enforceability of such provisions is subject to Israeli law.

C. Organizational Structure

We currently have no subsidiaries.

D. Property, Plant and Equipment

Our corporate headquarters, which includes our offices and research and development facility, is located at 15 Ha'Tidhar St., Ra'anana 4366517, Israel, where we currently occupy approximately 16,900 square feet. We lease our facilities and our lease ends in September 2026. At the end of the term, we have the option to extend the lease for an additional five years. Our monthly rent payment is NIS 92,000 (approximately \$25,000), and in 2026, the monthly rent will increase to NIS 96,175 (approximately \$26,000).

We consider our current space sufficient to meet our anticipated needs for the foreseeable future and believe our current space is suitable for the conduct of our business.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and the related notes included elsewhere in this annual report. The discussion below contains forward-looking statements that are based upon our current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from these expectations due to inaccurate assumptions and known or unknown risks and uncertainties, including those identified in "Cautionary Note Regarding Forward-Looking Statements" and under "Risk Factors" elsewhere in this annual report. The following discussion of the financial condition and results of operations is for the years ended December 31, 2023 and 2022. Discussion regarding our financial condition and results of operations for the year ended December 31, 2022 as compared to the year ended December 31, 2021 is included in Item 5 of our Annual Report on Form 20-F for the year ended December 31, 2022, filed with the SEC on March 23, 2023.

Overview

We are a development stage technology company that is seeking to revolutionize railway safety and the data-related market. We believe we have developed cutting edge, AI based, industry-leading detection technology specifically designed for railways, with investments from Knorr-Bremse, a world-class rail system manufacturer. We have developed our railway detection and systems to save lives, increase efficiency, and dramatically reduce expenses for the railway operator.

Following a long-term pilot with Israel Railways that was concluded in August 2022, in January 2023, we signed an agreement with Israel Railways for the purchase of 10 Rail Vision Main Line Systems, which installation started in February 2024. In addition, after a successful six-month long-term pilot with a US-based rail and leasing services company, in January 2024, we signed a supply contract with this customer valued at up to \$5,000,000 (USD) for the purchase our AI-based Switch Yard Systems. The first phase of the contract is valued at \$1,000,000 (USD). Follow-on orders for additional Switch Yard Systems, valued at up to \$4,000,000, are subject to customer approval. Also, in October 2023, we received a \$500,000 purchase order for a single Main Line System and related services from a leading Latin American mining company, which was delivered to the customer during December 2023. The customer is expected to start a long-term pilot soon after completing the installation.

In addition, our railway detection system is currently in a pilot phase with several industry leading railway operators as we seek to move to the next stage of receiving commercial orders. We believe that our technology will significantly increase railway safety around the world, while creating significant benefits and adding value to everyone who relies on the train ecosystem: from passengers using trains for transportation to companies that use railways to deliver goods and services. In addition, we believe that our technology has the potential to advance the revolutionary concept of autonomous trains into a practical reality.

A. Operating Results

Operating Expenses

Our current operating expenses consist of two components — research and development expenses, and general and administrative expenses. To date, we have not generated significant revenues.

Research and Development Expenses, net

Our research and development expenses consist primarily of salaries and related personnel expenses (including share-based payment), subcontractor's expenses and other related research and development expenses.

The following table discloses the breakdown of research and development expenses:

(in thousands of USD)	Year ended December 31, 2023	Year ended December 31, 2022
Depreciation	151	130
Share-based payment	62	174
Payroll and related expenses	5,671	5,049
Subcontracted work and consulting	4	15
R&D consumables	696	160
Rent and office maintenance	416	355
Travel and other expenses	145	347
Total	<u>7,145</u>	<u>6,230</u>

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and related expenses, share-based payment, professional service fees for accounting, legal and bookkeeping, facilities, travel expenses and other general and administrative expenses.

The following table discloses the breakdown of general and administrative expenses:

(in thousands of USD)	Year ended December 31, 2023	Year ended December 31, 2022
Payroll and related expenses	1,815	1,845
Share-based payment	212	323
Professional services	1,635	1,451
Travel expenses	61	115
Rent and office maintenance	139	118
Depreciation	20	20
Marketing and other	457	393
Total	<u>4,339</u>	<u>4,265</u>

Comparison of the Year Ended December 31, 2023, to the Year Ended December 31, 2022

Results of Operations

(in thousands of USD)	December 31, 2023	December 31, 2022
Revenues	142	421
Cost of revenues	(61)	(661)
Gross profit	81	(240)
Research and development expenses	(7,145)	(6,230)
General and administrative expenses	(4,339)	(4,265)
Operating loss	(11,403)	(10,735)
Financial income, net	255	260
Net Loss	(11,148)	(10,475)

Revenues

Our revenues for the year ended December 31, 2023, amounted to \$142,000 representing a decrease of \$279,000 or 66% compared to \$421,000 for the year ended December 31, 2022.

Research and Development Expenses

Our research and development expenses for the year ended December 31, 2023, amounted to \$7,145,000 representing an increase of \$915,000 or 15% as compared to \$6,230,000 for the year ended December 31, 2022. This increase was primarily attributable to the allocation of salary expenses from R&D expenses to cost of sales in 2022 and an increase in R&D equipment purchases in 2023.

General and administrative expenses

Our general and administrative expenses totaled \$4,339,000 for the year ended December 31, 2023, representing an increase of \$74,000 or 2% compared to \$4,265,000 for the year ended December 31, 2022. This increase was primarily attributable to increase in professional services related to operating as a public company offset by share-based payment expenses of grants which were fully vested in 2022.

Operating loss

As a result of the foregoing, our operating loss for the year ended December 31, 2023 was \$11,403,000 compared an operating loss of \$10,735,000 for the year ended December 31, 2022, an increase of \$668,000 or 6%.

Financial expense and income

Financial expense and income consist of interest on deposits, bank fees and other transactional costs and exchange rate differences.

We recognized net financial income of \$255,000 for the year ended December 31, 2023, compared to net financial income of \$260,000 for the year ended December 31, 2022.

Net Loss

As a result of the foregoing, our net loss for the year ended December 31, 2023, was \$11,148,000 compared to \$10,475,000 for the year ended December 31, 2022, an increase of \$673,000 or 6%.

B. Liquidity and Capital Resources

Overview

Since our inception through December 31, 2023, we have funded our operations principally with approximately \$68.7 (net of issuance expenses) from the issuance of ordinary shares, preferred shares, and warrants in public and private offerings. As of December 31, 2023, we had approximately \$3.1 in cash and cash equivalents.

The table below presents our cash flows for the periods indicated:

(in thousands of USD)	December 31, 2023	December 31, 2022
Operating activities	\$ (10,448)	\$ (9,981)
Investing activities	\$ (152)	\$ (29)
Financing activities	\$ 5,397	\$ 16,653
Net increase (increase) in cash and cash equivalents	\$ (5,203)	\$ 6,643

Operating Activities

Net cash used in operating activities of \$10,448,000 during the year ended December 31, 2023, was primarily used for payment of an aggregate of approximately \$7,487,000 in salaries and related personnel expenses. The remaining amount of approximately \$2,962,000 was used for professional services, travel, rent and other miscellaneous expenses.

Net cash used in operating activities of \$9,981,000 during the year ended December 31, 2022, was primarily used for payment of an aggregate of approximately \$6,894,000 in salaries and related personnel expenses. The remaining amount of \$3,087,000 was used, for professional services, travel, rent and other miscellaneous expenses.

Investing Activities

Net cash used in investing activities of \$152,000 during 2023 and \$29,000 during 2022, primarily reflected the purchase of fixed assets in both periods.

Financing Activities

Net cash provided by financing activities in the year ended December 31, 2023, consisted of \$5,397,000 in proceeds from the issuance of ordinary shares and warrants, net of issuance expenses, from a series of transactions we executed in May 2023 as detailed below. See “Registered Direct Offering and Concurrent Private Placement of Warrants (May 2023)” and “Private Placement of Ordinary Shares and Warrants (May 2023)”.

Net cash provided by financing activities in the year ended December 31, 2022, consisted of \$13,643,000 of net proceeds from our IPO in April 2022 and approximately \$3,000,000 of pre-IPO Investment.

Private Placement (January 2024)

On January 18, 2024, we entered into a binding term sheet directly with a global investment firm, or the Lead Investor, for the purchase and sale in a private placement, or the January 2024 PIPE, of units, or the Units, consisting of (i) one of our ordinary shares and/or pre-funded warrants to purchase our ordinary shares and (ii) one and a half warrants to purchase our ordinary shares to the Lead Investor and other investors, collectively, the Investors, of a minimum of \$2.5 million of Units and up to a maximum of \$3 million of Units. The January 2024 PIPE closed on January 31, 2024 following the execution of definitive documentation between us and the Investors.

In the January 2024 PIPE, the Investors purchased \$3.0 million of Units consisting of (A) (i) 1,651,458 of ordinary shares and/or (ii) pre-funded warrants to purchase up to 1,394,999 ordinary shares, or the January 2024 PIPE Pre-Funded Warrants and (B) warrants to purchase up to 4,569,688 ordinary shares, or the January 2024 Warrants. The purchase price per Unit is \$0.98475. The January 2024 PIPE Pre-Funded Warrants are immediately exercisable at an exercise price of \$0.0001 per ordinary share, subject to certain adjustments and certain anti-dilution protection set forth therein, and will not expire until exercised in full. The January 2024 PIPE Ordinary Share Warrants are exercisable upon issuance at an exercise price of \$0.98475 per ordinary share, subject to certain adjustments and certain anti-dilution protection set forth therein, and have a 5.5-year term from the issuance date.

In connection with the closing of the January 2024 PIPE, we exercised our conversion right, or the Conversion Right, pursuant to the Facility Agreement (as defined below) to convert \$500,000 of the Credit Facility (as defined below) as a portion of the January 2024 Conversion Loan Amount (as defined below). Following such conversion, we issued to the Lender (as defined below) (i) a pre-funded warrant to purchase up to 507,743 ordinary shares, or the Facility Conversion Pre-Funded Warrant and (ii) a warrant to purchase up to 761,615 ordinary shares, or the Facility Conversion Ordinary Share Warrant. The Facility Conversion Pre-Funded Warrant and the Facility Conversion Common Warrant are in substantially the same form and on substantially the same terms as the January 2024 PIPE Pre-Funded Warrant and January 2024 PIPE Ordinary Share Warrant, respectively. See “Item 7.B.—Major Shareholders and Related Party Transactions—Related Party Transactions—Pure Capital—Private Placement (January 2024)” for additional information.

As of the date of this Annual Report, 1,394,999 January 2024 PIPE Pre-Funded Warrants, 507,743 Facility Conversion Pre-Funded Warrant, 761,615 Facility Conversion Common Warrant and 4,269,688 January 2024 PIPE Warrants have been exercised resulting in gross proceeds of approximately \$5.0 million to the Company

Execution of Credit Facility Agreement and Issuance of Warrant (January 2024)

On January 9, 2024, we entered into a facility agreement, or the Facility Agreement, for a \$6 million credit facility, or the Credit Facility, and an additional amount up to \$3 million, subject to certain conditions, or the Additional Loans, with a global investment firm, or the Lender, who was also an Investor in the January 2024 PIPE. The Credit Facility, which had an initial term of 10 months, accrued interest at a rate of 8% per annum, and the first payment of \$1.5 million was drawn down upon execution of the Facility Agreement and the remaining amount was able to be drawn down in eight equal installments as of March 7, 2024. As detailed below, the Facility Agreement terminated on March 1, 2024.

Pursuant to the Facility Agreement, the Lender’s financing obligations terminated in the event we drew down \$7.5 million or more pursuant to an alternate credit facility or closes one or more equity financing transaction in an aggregate amount of at least \$5 million. As of March 1, 2024, we had received aggregate gross proceeds of more than \$5 million from the purchase of Units in the January 2024 Private Placement, the exercise of warrants issued in the January 2024 Private Placement and our exercise of the Conversion Right in the amount of \$500,000. As a result, the Lender’s financing obligations have terminated pursuant to the terms of the Facility Agreement.

Until we close one or more equity financing transactions in an aggregate amount of at least \$5 million (including the conversion of the Credit Facility), we had the right to convert into ordinary share up to \$1.5 million, including accrued interest, of a loan extended or to be extended to us by the Lender, or the January 2024 Conversion Loan Amount, in connection with and in the framework of a financing transaction of ours on the date that follows the date upon which we notified the Lender of such financing transaction, which conversion will occur upon the same terms. As of the date hereof, we had converted \$500,000 of the Credit Facility as a portion of the January 2024 Conversion Loan Amount.

As part of the Facility Agreement, we issued a warrant, or the January 2024 Facility Warrant, to the Lender to purchase 2,419,354 of our ordinary shares representing an aggregate exercise amount of \$7.5 million, with a per share exercise price of \$3.10, subject to certain adjustments and certain anti-dilution protection, representing a 150% premium of the closing share price of our ordinary shares on January 5, 2024. The January 2024 Facility Warrant is immediately exercisable upon issuance and has a term of 5 years from the date of issuance. Following the closing of the January 2024 PIPE, the exercise price of the January 2024 Facility Warrant was adjusted to \$0.408 which is the effective price per ordinary share in the January 2024 PIPE, or the January 2024 Facility Warrant Adjusted Exercise Price, and the number of ordinary shares issuable upon the exercise of the January 2024 Facility Warrant was also adjusted to a total 18,382,353, or the January 2024 Facility Warrant Adjusted Shares, such that the product of the January 2024 Facility Warrant Adjusted Exercise Price and the January 2024 Facility Warrant Adjusted Shares is equal to an aggregate exercise amount of \$7.5 million. As of the date of this Annual Report, 920,000 January 2024 Facility Warrants have been exercised resulting in gross proceeds of approximately \$0.375 million to the Company. See “Item 7.B.—Major Shareholders and Related Party Transactions—Related Party Transactions—Pure Capital—Execution of Credit Facility Agreement and Issuance of Warrant (January 2024)” for additional information.

Cashless Exercise of Warrants (January 2024)

As of March 28, 2024, investors from our Private Placement (as defined below) from May 2023 exercised 493,424 Concurrent Warrants on a cashless basis. As a result of the cashless exercise, we issued 181,002 ordinary shares to such investors.

Registered Direct Offering and Concurrent Private Placement of Warrants (May 2023)

On May 10, 2023, we entered into definitive securities purchase agreements with investors for the purchase and sale of 493,421 ordinary shares, at a purchase price of \$6.08 per unit in a registered direct offering, or the Registered Direct Offering. In a concurrent private placement, or the Private Placement, we also agreed to issue to the same investors a total of warrants to purchase an aggregate of 493,424 ordinary shares, or the Concurrent Warrants, at an exercise price of \$6.72 per ordinary share. The Concurrent Warrants will be exercisable upon issuance and will have a 5-year term from the initial issuance date. The transactions closed on May 11, 2023.

Private Placement of Ordinary Shares and Warrants (May 2023)

In an additional concurrent private placement with the Registered Direct Offering and Private Placement, or the KB Private Placement, we entered into a definitive securities purchase agreement for the purchase and sale of an aggregate of 493,421 ordinary shares and 5-year term common warrants to purchase an aggregate of 493,421 ordinary shares, or the KB Warrants, at a purchase price of \$6.08 per unit, to Knorr-Bremse. The KB Warrants are exercisable at \$6.72 per ordinary share. The KB Private Placement closed on June 21, 2023, following approval of such transaction by our shareholders. See “Item 7.B.—Major Shareholders and Related Party Transactions—Related Party Transactions—Knorr-Bremse” for additional information.

Initial Public Offering (April 2022)

On April 4, 2022, we completed our initial public offering on the Nasdaq, or the IPO, in which we issued 473,405 units. Each unit includes one ordinary share and one warrant to purchase one ordinary share at an exercise price of \$33.04. The warrants are exercisable at any time up to five years after the IPO. Gross proceeds for the offering were approximately \$15.6 million (including exercise of over-allotment options as described below) and net proceeds of approximately \$13.6 million after deducting underwriting discounts and commissions and offering expenses. We granted Aegis Capital Corp, or Aegis, the underwriter, a 45-day over-allotment option to purchase additional ordinary shares and/or warrants to purchase additional ordinary shares up to 15% of the number of ordinary shares and warrants, respectively, sold in the IPO solely to cover over-allotments, if any. On April 4, 2022, Aegis partially exercised its over-allotment option with respect to 71,011 warrants to purchase ordinary shares.

Current Outlook

We have financed our operations to date primarily through proceeds from sales of our equity securities in public and private offerings, as well as a loan from a related party. We have incurred losses and generated negative cash flows from operations since inception in April 2016. Since inception, we have not generated significant revenues from the sale of products, and we do not expect to generate significant revenues from the sale of our products in the near future.

As of December 31, 2023, our cash and cash equivalents were \$3.1 million. We expect that we will require substantial additional capital to complete the development of additional features of our system according to customers' requirements, including algorithm optimization, cognitive layer development, system minimization and optical development, as well as to commercialize our products. In addition, our operating plans may change as a result of many factors that may currently be unknown to us, and we may need to seek additional funds sooner than planned. Our future capital requirements will depend on many factors, including:

- the progress and costs of our research and development activities;
- the costs of manufacturing our products;
- the costs of filing, prosecuting, enforcing and defending patent claims and other intellectual property rights;
- the potential costs of contracting with third parties to provide marketing and distribution services for us or for building such capacities internally; and
- the magnitude of our general and administrative expenses.

To date, we have not generated significant revenues from its activities and have incurred substantial operating losses. We expect that we will continue to generate substantial operating losses and will continue to fund our operations primarily through the utilization of our current financial resources, sales of our products, and through additional raises of capital.

In January 2024, we completed the January 2024 PIPE resulting in aggregate gross proceeds approximately \$3.5 million, which includes approximately \$0.5 million that we received upon the partial conversion of the Credit Facility. See "Item 5. Operating and Financial Review and Prospects—B. Operating Results—Financing Activities" for additional information. In addition, to date, we have received approximately \$5.0 million as a result of the exercise of warrants issued in the January 2024 PIPE.

We expect that our cash and cash equivalents as of the issuance date of this annual report and the future expected cash flow from sales will be sufficient for 12 months of operations. Without derogating from the foregoing estimate regarding our existing capital resources and cash flows from operations, we may decide to raise additional funds in 2024. We believe that, if required, we will be able to raise additional capital or reduce discretionary spending to provide the required liquidity beyond the next twelve months.

Our future capital requirements will depend on many factors, including our revenue growth, the timing and extent of investments to support such growth, the expansion of sales and marketing activities, increases in general and administrative costs and many other factors as described under "Item 3.D—Risk Factors."

To the extent additional funds are necessary to meet our long-term liquidity needs as we continue to execute our business strategy, we anticipate that they will be obtained through the incurrence of additional indebtedness, additional equity financings or a combination of these potential sources of funds; however, such financing may not be available on favorable terms, or at all. If we are unable to raise additional funds when desired, our business, financial condition and results of operations could be adversely affected.

Contractual Obligations

The following table summarizes our contractual obligations at December 31, 2023:

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(in thousands of U.S. dollars)				
Operating leases	\$ 849	\$ 313	\$ 536	\$ -	\$ --

C. Research and development, patents and licenses, etc.

For a description of our research and development programs and the amounts that we have incurred over the last two years pursuant to those programs, please see "Item 5. Operating and Financial Review and Prospects— A. Operating Results— Operating Expenses— Research and Development Expenses, net" and "Item 5. Operating and Financial Review and Prospects— A. Operating Results— Comparison of the year ended December 31, 2023 to the year ended December 31, 2022— Research and Development Expenses."

D. Trend Information

Other than as disclosed in “Item 5. Operating and Financial Review and Prospectus—Operating Results” and elsewhere in this Annual Report, we are not aware of any trends, uncertainties, demands, commitments or events for the period from January 1, 2023 to December 31, 2023 that are reasonably likely to have a material effect on our total revenues, income, profitability, liquidity or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial condition.

E. Critical Accounting Estimates

We describe our significant accounting policies more fully in Note 2 to our financial statements for the year ended December 31, 2023. We believe that the accounting policies below are critical in order to fully understand and evaluate our financial condition and results of operations.

An appreciation of our critical accounting policies is necessary to understand our financial results. The accounting policies outlined below are considered to be critical because they can materially affect our operating results and financial condition, as these policies may require us to make difficult and subjective judgments regarding uncertainties. The accuracy of these estimates and the likelihood of future changes depend on a range of possible outcomes and a number of underlying variables, many of which are beyond our control, and there can be no assurance that our estimates are accurate.

The Company’s critical accounting estimate affecting the financial statements is its stock-based compensation:

Stock-based compensation

From time to time, the Company may grant options to its employees, directors and non-employees. The Company recognizes this compensation expense at its fair value.

Changes in the Company’s assumptions can materially affect the estimate of the fair value of stock-based compensation and, consequently, the related expense recognized. The assumptions used in the calculations of the fair value of stock-based payment awards is represented by best estimates which involve inherent uncertainties and the application of judgment when considering inherent uncertainties. As a result, if the Company’s assumptions change and different assumptions are used, the expense of a stock-based compensation award could be materially different in the future than what was originally planned for.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following table sets forth information regarding our executive officers, and directors as of March 28, 2024:

Name	Age	Position
<i>Executive Officers</i>		
Shahar Hania	51	Chief Executive Officer
Ofer Naveh	52	Chief Financial Officer
Zachi Bar-Yehoshua	49	Chief Operating Officer
Ofer Grisaro	47	Vice President of Marketing and Sales
Amit Klir	54	Vice President of Research and Development
<i>Non-Employee Directors</i>		
Eli Yoresh	53	Chairman of the Board of Directors
Mark Cleobury	64	Director
Ariel Dor	43	Director
Hila Kiron-Revach (1)(2)(3)	52	Director
Yossi Daskal (1)(2)(3)(4)	70	Director
Oz Adler (1)(2)(3)(4)	37	Director

(1) Member of the audit committee.

(2) Member of the compensation committee.

(3) Independent director (as defined under Nasdaq Stock Market Listing Rules)

(4) External director (as defined under the Companies Law)

Senior Management

Shahar Hania, Chief Executive Officer

Mr. Shahar Hania has served as our Chief Executive Officer since November 2020. Previously, Mr. Hania served as a member of our board of directors from November 2020 to March 2022, and as our Vice President of Research and Development from April 2016 to March 2021. Mr. Hania is an electro-optics expert with vast experience (since 1994) in the fields of combined electro-optics systems, detection, infrared systems and lasers. Mr. Hania held senior system engineering positions in Bird Aerosystems Ltd. From April 2012 to May 2016, and Elbit Systems Electro-Optics ELOP Ltd. From 2000 to 2012. Mr. Hania holds a B.Sc. in Physics and Electro-optics engineering from the Jerusalem College of Technology, Israel and a M.Sc. in electro-optics engineering from Ben-Gurion University, Israel.

Ofer Naveh, Chief Financial Officer

Mr. Ofer Naveh has served as our Chief Financial Officer since June 2017. Mr. Naveh brings more than 15 years of experience in accounting and financial management, at KPMG's audit practice from December 1999 to November 2005, and in numerous financial and accounting roles at public companies traded in Israel and the United States. Mr. Naveh served as chief financial officer of Accel Solutions Group Ltd (formerly: Dolomite Holdings Ltd.), a public company organized under the laws of the State of Israel and listed on the Tel Aviv Stock Exchange, or the TASE, from 2010 through June 2017. Since March 2021, Mr. Naveh has served as an external director of Upsellon Brands Holdings Ltd (TASE: UPSL). Mr. Naveh holds a B.A. in Accounting and Business from the College of Management Academic Studies, Israel and a M.A. in Law from Bar-Ilan University, Israel. Mr. Naveh is a Certified Public Accountant in Israel.

Zachi Bar-Yehoshua, Chief Operating Officer

Mr. Zachi Bar-Yehoshua has served as our Vice president of Operations since June 2017. Mr. Bar-Yehoshua has combined managerial experience of more than 20 years, both in the high-tech sector and traditional industries in several service and operation roles. Mr. Bar-Yehoshua served as operation and customer manager at Zoko Enterprises Ltd., an infrastructure and transportation company, from June 2015 through June 2017 and as vice president of technologies services at Team-Netcom Ltd. (Malam Group), a hardware development company, from March 2011 through May 2015. Mr. Bar-Yehoshua holds a B.A. in Management and M.B.A in Business Administration from the Open University of Israel.

Ofer Grisaro, Vice President of Marketing and Sales

Mr. Ofer Grisaro has served as our Vice President of Marketing and Sales since February 1, 2021. Mr. Grisaro has more than 15 years of experience in sales, marketing and business development. Prior to joining us, between February 2019 and January 2021, Mr. Grisaro worked as a regional sales manager of NSO Technologies Ltd., a Cyber intelligence company. Prior to that, Mr. Grisaro worked as a sales director at D.S.I.T. Solutions Ltd., an underwater surveillance company, between March 2017 and February 2019. Mr. Grisaro holds B.A. degree in Management and an M.B.A. in International Marketing Pricing, both from the Ben Gurion University, Israel.

Amit Klir, Vice President of Research and Development

Mr. Amit Klir has served as our Vice President of Technology, Research and Development since March 2021. Mr. Klir has more than 25 years of experience in development and leadership of video and audio applications. Prior to joining us, Mr. Klir worked as the Head of Engineering at Continuse Biometrics Ltd., an innovative medical company, between May 2015 and March 2021. Mr. Klir holds a B.Sc. degree in Electric Engineering and Computers from the Ben Gurion University, Israel.

Non-Employee Directors

Eli Yoresh, Director

Mr. Eli Yoresh has served on our board of directors since August 2017 and was appointed as the Chairman in January 2024. Mr. Yoresh is a seasoned executive with over 15 years of executive and financial management experience, mainly with companies in the financial, technology and industrial sectors. Mr. Yoresh has served as chief financial officer since March 2010, and as a director since October 2010, at Foresight Autonomous Holdings Ltd. (Nasdaq and TASE: FRSX), one of our shareholders. Mr. Yoresh served as the chief executive officer of Tomcar Global Holdings Ltd., a global manufacturer of off-road vehicles, from 2005 to 2008. In addition, since March 2014, Mr. Yoresh has served as a director at Nano Dimension Ltd. (Nasdaq and TASE: NNDM). Mr. Yoresh's previous directorships include Greenstone Industries Ltd. (TASE: GRTN) from January 2013 to June 2015, as the chairman of both Zmicha Investment House Ltd. (TASE: TZMI-M) from February 2013 to July 2015 and Gefen Biomed Investments Ltd. (TASE: GEFEN) from April 2013 to July 2015. Mr. Yoresh holds a B.A. in Business Administration from the College of Management, Israel and an M.A. in Law from Bar-Ilan University, Israel. Mr. Yoresh is a Certified Public Accountant in Israel.

Mark Cleobury, Director

Mr. Mark Cleobury has served on our board of directors since December 1, 2022 and served as the Chairman from January 2023 to January 2024. Mr. Cleobury currently serves as Senior Vice President of Knorr-Bremse's Rail Systems Division, since April 2022. Prior to this role, Mr. Cleobury held positions of increasing responsibility at Knorr-Bremse, including between July 2016 and April 2022, Mr. Cleobury served as a Member of the Management Board of Knorr-Bremse Systems for Rail. Prior to that, between April 2011 and June 2016, Mr. Cleobury served as Vice President Sales and Systems for Client Management Trains. Prior to that, between January 2007 and April 2011, he served as Manager Sales & Systems Trains.

During his twenty years of tenure at Knorr-Bremse, in addition to his executive roles, Mr. Cleobury held several global directorship roles within the Knorr-Bremse group, including serving as Vice President for the Knorr-Bremse Company in the U.S., a Director of Knorr-Bremse Investment (UK) Ltd in the UK, Chairman of Knorr-Bremse Nordic Rail Services in Sweden, a Director of Knorr-Bremse Rail Systems (UK) Ltd in the UK, a Member of the Board of Knorr-Bremse Rail Systems Italia S.r.L in Italy, a Member of the Supervisory Board of Knorr-Bremse systemy Kolejowe Polska Sp. Zoo in Poland, a Director of Knorr-Bremse Systemes Ferroviares France SA in France, Consiglio D'Amministrazione at Microelettrica Scientifica s.p.a in Italy, a Director of Knorr-Bremse Systems for Railways in Russia, and a Director of Knorr-Bremse 1520 in Russia.

Ariel Dor, Director

Mr. Ariel Dor is a seasoned entrepreneur and leader in the fields of engineering and business. From 2011 to 2013, Mr. Dor served as the Team Leader of the Aerospace division at Elbit Systems. From 2014 to 2015, he served as Business Unit Director at Galooli Fleet & Energy, a subsidiary of the Galooli Group that specializes in IoT solutions for vehicles. Transitioning to the autonomous vehicle industry, Mr. Dor served as the Co-CEO of Foresight Autonomous Holdings from 2016 to 2019. In 2019, Mr. Dor founded Upsellon Brands Holdings and has served as its CEO since that time. Upsellon Brands is an innovative e-commerce dedicated to revolutionizing the landscape of Amazon FBA aggregation. Mr. Dor holds a B.Sc. in Electrical Engineering from the Tel Aviv University.

Hila Kiron-Revach, Director

Ms. Hila Kiron-Revach has served on our board of directors since January 2024. Ms. Kiron-Revach has served as a member of the board of directors of Geffen Biomed Ltd. since 2014 and has been a member of the board of directors of Zmiha Investment House Ltd. since 2021. In 2021, Ms. Kiron-Revach served as a professional advisor to the chairman of the board of directors and acting secretary of Eilat Ashkelon Pipeline Company. From 2015 until 2021, Ms. Kiron-Revach served as a senior professional advisor to ministers in the Israeli government, including the minister of foreign affairs and minister of transportation. From 2012 until 2015, Ms. Kiron-Revach served as CEO of Hamil 38 – the Israeli Center for National Master Plan to Strengthen Existing Building in the Face of Earthquakes, Tama 38 Ltd. and as an attorney at Tabakman & Co. Law Firm. In 2007, Ms. Kiron-Revach founded Eliya – AB and served as its chief executive officer until 2010. Ms. Kiron-Revach hold an LL.B. from the Netanya Academic College and is a licensed attorney in Israel.

Yossi Daskal, Director

Mr. Daskal has served on our board of directors since March 2022. Mr. Daskal serves as the President of Israel-Canada Chamber of Commerce since 2013. From 2003 to 2019, Mr. Daskal established Bombardier Israel, working as Chief Country Representative, Project Manager, Financing & Head of Sales. Prior to that, Mr. Daskal was the General Manager of Chemitron Technologies from 1999 to 2003. Since 2021, he is the chairman of the board of directors and the director of the finance committee of the Tel Aviv Museum of Art. Mr. Daskal has a Bachelors of Arts in Mediterranean and Arabic History Science and a Masters of Arts in Political Science, and is completing a PhD in Decision-Making from Haifa University.

Oz Adler, Director

Mr. Adler, CPA, has served on our board of directors since June 2022. Mr. Adler currently serves as the chief executive officer and chief financial officer of SciSparc Ltd. Mr. Adler has served as SciSparc's chief financial officer since April 2018 and as its chief executive officer since January 2022. Prior to that, from September 2017 until March 2018, he served as the VP Finance of SciSparc. From December 2020 to April 2021, Mr. Adler served as the chief financial officer of Medigus Ltd. Mr. Adler also worked in the audit department of Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global between December 2012 and August 2017. Additionally, Mr. Adler currently serves on the board of directors of numerous private and publicly traded companies, including Elbit Imaging Ltd. (TASE: EMITF), Clearmind Medicine Inc. (CSE: CMND) (OTC: CMNDF) (FSE: CWY), Jeffs' Brands Ltd., Polyrizon Ltd. and Charging Robotics Ltd. Mr. Adler is a certified public accountant in Israel and holds a B.A. degree in Accounting and Business Management from The College of Management, Israel.

Family Relationships

There are currently no family relationships between any members of our executive management and our directors.

Arrangements for Election of Directors and Members of Management

Pursuant to our amended and restated articles of association, shareholders are entitled to appoint a director to our board of directors for each 10% of our outstanding share capital that they own and in such case the appointment will be for an undefined period. As of the date of this Annual Report, none of our shareholders hold 10% or more of our outstanding share capital in order to have such appointment right. Pursuant to the Facility Agreement, Pure Capital nominated Mr. Amitay Weiss and Ms. Hila Kiron-Revach who were appointed by our board of directors. On March 12, 2024, Mr. Weiss resigned from our board of directors, and, following nomination by Pure Capital, our board of directors appointed Mr. Ariel Dor to our board of directors to serve until our next annual general meeting of shareholders. Additional board members are elected at our shareholder's annual meetings and in such case they shall serve on the board of directors until the next annual general meeting (except for external directors which will serve for up to three terms, each term of three years' period). In addition, our amended and restated articles allow our board of directors to appoint directors to fill vacancies and/or as an addition to the board of directors (subject to the maximum number of directors) to serve until the next annual general meeting. All of the elected directors, other than external directors, may be re-elected for an unlimited number of terms upon completion of their then-current term of office. There are no other arrangements or understandings with major shareholders, customers, suppliers or others pursuant to which any of our executive management or our directors were selected. See "Item 7.B.—Major Shareholders and Related Party Transactions—Related Party Transactions" for additional information.

B. Compensation

The following table presents in the aggregate all compensation we paid to all of our directors and senior management as a group for the year ended December 31, 2023. The table does not include any amounts we paid to reimburse any of such persons for costs incurred in providing us with services during this period.

All amounts reported in the table below reflect the cost to us in thousands of U.S. dollars, for the year ended December 31, 2023. Amounts paid in NIS are translated into U.S. dollars at the rate of NIS 3.69 = \$1.00, based on the average representative rate of exchange between the NIS and the U.S. dollar as reported by the Bank of Israel in the year ended December 31, 2023.

	Salary and Related Benefits	Pension, Retirement and Other Similar Benefits	Share Based Compensation
All directors and senior management as a group, consisting of 12* persons (as of December 31, 2023).	\$ 1,273,362	--	\$ 162,557

* On January 9, 2024, we announced that each of Mr. Shmuel Donnerstein, Ms. Inbal Kreiss and Ms. Keren Aslan tendered their resignations from the our board of directors, and the board of directors had appointed Mr. Amitay Weiss and Ms. Hila Kiron-Revach to the board of directors, to serve until the Company's next annual general meeting of shareholders. On March 12, 2024, Mr. Weiss resigned from our board of directors and that Mr. Ariel Dor was appointed to our board of directors. Mr. Donnerstein, Ms. Kreiss and Ms. Aslan served on our board of directors as of December 31, 2023. On March 25, 2024, Mr. Maximilian Eichhorn's term as a member of our board of directors expired pursuant to our amended and restated articles of association, and on March 28, 2024, Mr. Eichhorn was appointed to continue as an observer of the board of directors. As a result, compensation paid to Mr. Donnerstein, Ms. Kreiss, Ms. Aslan and Mr. Eichhorn as of December 31, 2023 is included in the above table, but does not include any compensation paid to Mr. Weiss (for his service from January 2024 to March 2024), Ms. Kiron-Revach or Mr. Dor who joined our board of directors after such date.

As of December 31, 2023, options to purchase 47,488 ordinary shares granted to our directors and executive officers were outstanding under our Option Plan at a weighted average exercise price of \$14.8 per share.

In accordance with the Companies Law, we are required to disclose the compensation granted to our five most highly compensated officers. The table below reflects the compensation granted during or with respect to the year ended December 31, 2023.

Executive Officer - Name and Principal Position (1) (2) (in thousands, US dollars)	Salary and Related Benefits	Share Based Compensation	Total
Shahar Hania, CEO	\$ 302(3)	\$ 51	\$ 353
Ofer Naveh, CFO	\$ 229	\$ 22	\$ 251
Amit Klir, VP R&D	\$ 229(4)	\$ 7	\$ 236
Ofer Grisaro, VP Sales and Marketing	\$ 191(5)	\$ 7	\$ 198
Zachi Bar- Yehoshua, COO	\$ 180	\$ 1	\$ 181

(1) All amounts reported in the table are in terms of cost to us, as recorded in our financial statements.

(2) Cash compensation amounts denominated in NIS were converted into U.S. dollars at the average conversion rate for the year ended December 31, 2023.

(3) Includes a one-time bonus to our Chief Executive Officer in the amount of NIS 84,000 (approximately \$23,000).

(4) Includes a one-time bonus to our VP R&D in the amount of NIS 52,000 (approximately \$14,000)

(5) Includes sales bonuses to our VP Sales and Marketing in a total amount of NIS 62,375 (approximately \$17,000)

Employment Agreements and Service Agreements with Executive Officers

We have entered into written employment agreements and/or service agreements with each of our executive officers. These agreements are terminable by either party upon prior written notice ranging from 30 to 60 days. All of these agreements contain customary provisions regarding noncompetition, confidentiality of information and assignment of inventions. However, the enforceability of the noncompetition provisions may be limited under applicable law. In addition, we have entered into agreements with each executive officer and director pursuant to which we have agreed to indemnify each of them up to a certain amount and to the extent that these liabilities are not covered by directors and officers insurance. We contribute (usually following a trial period of three months) monthly amounts for the benefit and on behalf of all our employees located in Israel to a pension fund pursuant to Section 14 of Israel's Severance Pay Law. Employees covered by Section 14 are entitled to monthly deposits at a rate of 8.33% of their monthly salary, made on their behalf by us. Payments in accordance with Section 14 release us from any future severance liabilities in respect of those employees. We do not set aside or accrue any additional amounts to provide pension, severance, retirement or other similar benefits or expenses. Most of our executive officers do not receive benefits upon the termination of their respective employment with us, other than benefits under Section 14.

With the completion of our initial public offering, we paid a one-time IPO bonus to our Chief Executive Officer in the amount of NIS 312,000 (approximately \$97,000), and granted our Chief Executive Officer options to purchase 19,510 ordinary shares (equal to 0.75% of our post-IPO share capital on a fully diluted basis), with an exercise price of \$14.80 per share (equal to the average closing share price on the Nasdaq over the first 30 calendar days that followed our initial public offering on April 4, 2022). Such options will vest one-third following 12 months from the completion date of our initial public offering and the balance on a quarterly basis during the following 24 months. At our extraordinary general meeting of shareholders held in October 2023, following the approval of our board of directors and the compensation committee, our shareholders approved as amendment to the terms of engagement with our Chief Executive Officer as follows: (1) to increase our Chief Executive Officer's monthly fee by NIS9,000 to an amount of NIS 93,000, or the New Monthly Fee, effective as of September 1, 2023; (2) during his engagement as the our Chief Executive Officer, our Chief Executive Officer may be entitled to an annual bonus of up to six (6) New Monthly Fees, as set out in our Remuneration Policy for the our officers, based, among others, on the achievement of certain goals, as shall be determined by our compensation committee and our board of directors; and (3) to grant our Chief Executive Officer options to purchase 42,497 ordinary shares at an exercise price of US \$14.80 per-share, to be vested over a three-year period as of the grant date on quarterly basis.

In addition, with the completion of our initial public offering, we paid a one-time IPO bonus to our Chief Financial Officer in the amount of NIS 270,000 (approximately \$84,000), and granted our Chief Financial Officer options to purchase 15,608 ordinary shares (equal to 0.6% of our post-IPO share capital on a fully diluted basis), with an exercise price of \$14.80 per share (equal to the average closing share price on the Nasdaq over the first 30 calendar days that followed our initial public offering on April 4, 2022). Such options will vest one-third following 12 months from the completion date of our initial public offering and the balance on quarterly basis during the following 24 months.

Directors' Service Contracts

We do not have written agreements with any director providing for benefits upon the termination of his engagement with our company.

Our board members are each entitled to an annual fee and a per meeting fee of the fixed amounts set under the Companies Law in accordance with our then-effective grade, so that as of January 1, 2024 and according to the our equity as of December 31, 2023, all members of our board of directors, who are not otherwise employed by us, shall be entitled to an annual fee of NIS 32,515 and a per meeting fee of NIS 1,040. Board members may waive their right to receive the above fees or options or any part thereof, and director nominees may assign their right to remunerations to the shareholder that appointed them.

C. Board Practices

Under our amended and restated articles of association, our board of directors must consist of at least four (4) directors and not more than thirteen (13) directors, including at least two external directors if required to be appointed under the Companies Law. Pursuant to the Companies Law, the management of our business is vested in 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 management. Our executive officers are responsible for our day-to-day management and have individual responsibilities established by our board of directors. Our Chief Executive Officer is appointed by, and serves at the discretion of, our board of directors, subject to the services agreement that we have entered into with him. All other executive officers are appointed by our Chief Executive Officer. Their terms of employment are subject to the approval of the board of directors' compensation committee and of the board of directors, as well as our shareholders in the event such terms deviate from our office holder compensation policy, and are subject to the terms of any applicable engagement agreements that we may enter into with them.

Each director, except external directors and directors appointed by shareholders entitled to appoint a director for each 10% of the issued and outstanding share capital of the company that the shareholders owns, will hold office until the annual general meeting of our shareholders for the year in which his or her term expires, he or she resigns or upon the occurrence of certain events, in accordance with the Companies Law and our amended and restated articles of association.

In addition, under certain circumstances, our amended and restated articles of association allow our board of directors to appoint directors to fill vacancies on our board of directors or in addition to the acting directors (subject to the limitation on the number of directors), until the next annual general meeting. External directors may be elected for up to two additional three-year terms after their initial three-year term under the circumstances described below, with certain exceptions as described below. External directors may be removed from office only under the limited circumstances set forth in the Companies Law. See "Item 6.C.—Directors, Senior Management and Employees—Board Practices—External Directors" below.

Under the Companies Law, any shareholder holding at least one percent of our outstanding voting power may request that the board of directors include a matter on the agenda of a general meeting to be held in the future, provided that the board determines that the matter is appropriate to be considered in a general meeting including in order to nominate a director in an annual shareholders meeting. Any such notice must include certain information, including the consent of the proposed director nominee to serve as our director if elected, and a declaration signed by the nominee declaring that he or she possess the requisite skills and has the availability to carry out his or her duties. Additionally, the nominee must provide details of such skills, and demonstrate an absence of any limitation under the Companies Law that may prevent his or her election, and affirm that all of the required election-information is provided to us, pursuant to the Companies Law.

Under the Companies Law, our board of directors must determine the minimum number of directors who are required to have accounting and financial expertise. In determining the number of directors required to have such expertise, our board of directors must consider, among other things, the type and size of the company and the scope and complexity of its operations. Our board of directors has determined that we must have at least one director with accounting and financial expertise.

The board of directors may elect one director to serve as the chairman of the board of directors to preside at the meetings of the board of directors, and may also remove that director as chairman. Pursuant to the Companies Law, neither the chief executive officer nor any of his or her relatives is permitted to serve as the chairman of the board of directors of a public company, and a public company may not vest the chairman or any of his or her relatives with the chief executive officer's authorities. In addition, a person who reports, directly or indirectly, to the chief executive officer may not serve as the chairman of the board of directors; the chairman may not be vested with authorities of a person who reports, directly or indirectly, to the chief executive officer; and the chairman may not serve in any other position in the company or a controlled company, but he or she may serve as a director or chairman of a controlled company. However, the Companies Law permits a company's shareholders to determine, for a period not exceeding three years from each such determination, that the chairman or his or her relative may serve as chief executive officer or be vested with the chief executive officer's authorities, and that the chief executive officer or his or her relative may serve as chairman or be vested with the chairman's authorities. Such determination of a company's shareholders requires either: (1) the approval of at least a majority of the shares of those shareholders present and voting on the matter (other than controlling shareholders and those having a personal interest in the determination) (shares held by abstaining shareholders shall not be considered); or (2) that the total number of shares opposing such determination does not exceed 2% of the total voting power in the company.

The board of directors may, subject to the provisions of the Companies Law and certain limitations set forth therein, delegate its powers to committees of the board, and it may, from time to time, revoke such delegation or alter the composition of any such committees. Unless otherwise expressly provided by the board of directors, the committees shall not be empowered to further delegate such powers. The composition and duties of our audit committee and compensation committee are described below.

The board of directors oversees how management monitors a company's compliance with its risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by a company. The board of directors is assisted in its oversight role by an internal auditor. The internal auditor undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

Diversity of the Board of Directors

Board Diversity Matrix (As of March 28, 2024)

Country of Principal Executive Offices	Israel
Foreign Private Issuer	Yes
Disclosure Prohibited under Home Country Law	No
Total Number of Directors	6

Part I: Gender Identity	Female	Male	Non-Binary	Did Not Disclose Gender
Directors	1	5	-	-
Part II: Demographic Background				
Underrepresented Individual in Home Country Jurisdiction			-	
LGBTQ+			-	
Did Not Disclose Demographic Background			-	

External Directors

Under the Companies Law, an Israeli company whose shares have been offered to the public or whose shares are listed for trading on a stock exchange in or outside of Israel is required to appoint at least two external directors to serve on its board of directors. External directors must meet stringent standards of independence. Mr. Yossi Daskal and Mr. Oz Adler have agreed to serve as our external directors.

According to regulations promulgated under the Companies law, at least one of the external directors is required to have “financial and accounting expertise,” unless another member of the audit committee, who is an independent director under the Nasdaq Listing Rules, has “financial and accounting expertise,” and the other external director or directors are required to have “professional expertise.” An external director may not be appointed to an additional term unless: (1) such director has “accounting and financial expertise;” or (2) he or she has “professional expertise,” and on the date of appointment for another term there is another external director who has “accounting and financial expertise” and the number of “accounting and financial experts” on the board of directors is at least equal to the minimum number determined appropriate by the board of directors. We have determined that Mr. Oz Adler has accounting and financial expertise.

A director with accounting and financial expertise is a director who, due to his or her education, experience and skills, possesses a high degree of proficiency in, and an understanding of, business – accounting matters and financial statements, such that he or she is able to understand the financial statements of the company in depth and initiate a discussion about the manner in which financial data is presented. A director is deemed to have “professional expertise” if he or she holds an academic degree in certain fields or has at least five years of experience in certain senior positions. The board of directors is charged with determining whether a director possesses financial and accounting expertise or professional qualifications.

External directors are elected by a majority vote at a shareholders’ meeting, so long as either:

- at least a majority of the shares held by shareholders who are not controlling shareholders and do not have personal interest in the appointment (excluding a personal interest that did not result from the shareholder’s relationship with the controlling shareholder) have voted in favor of the proposal (shares held by abstaining shareholders shall not be considered); or
- the total number of shares voted against the election of the external director, does not exceed 2% of the aggregate voting rights of our Company.

The Companies Law provides for an initial three-year term for an external director. Thereafter, an external director may be reelected by shareholders to serve in that capacity for up to two additional three-year terms, provided that:

- (1) his or her service for each such additional term is recommended by one or more shareholders holding at least one percent of the company’s voting rights and is approved at a shareholders meeting by a disinterested majority, where the total number of shares held by non-controlling, disinterested shareholders voting for such reelection exceeds two percent of the aggregate voting rights in the company and subject to additional restrictions set forth in the Companies Law with respect to the affiliation of the external director nominee as described below;
- (2) his or her service for each such additional term is recommended by the board of directors and is approved at a shareholders meeting by the same disinterested majority required for the initial election of an external director (as described above); or
- (3) the external director offered his or her service for each such additional term and was approved in accordance with the provisions of section (1) above.

The term of office for external directors for Israeli companies traded on certain foreign stock exchanges, including the Nasdaq Stock Market, may be extended indefinitely in increments of additional three-year terms, in each case provided that the audit committee and the board of directors of the company confirm that, in light of the external director’s expertise and special contribution to the work of the board of directors and its committees, the reelection for such additional period(s) is beneficial to the company, and provided that the external director is reelected subject to the same shareholder vote requirements as if elected for the first time (as described above). Prior to the approval of the reelection of the external director at a general shareholders meeting, the company’s shareholders must be informed of the term previously served by him or her and of the reasons why the board of directors and audit committee recommended the extension of his or her term.

External directors may be removed only by a special general meeting of shareholders called by the board of directors after the board has determined that circumstances allow such dismissal, at the same special majority of shareholders required for their election or by a court, and in both cases only if the external directors cease to meet the statutory qualifications for their appointment or if they violate their duty of loyalty to our company. In the event of a vacancy created by an external director which causes the company to have fewer than two external directors, the board of directors is required under the Companies Law to call a shareholders meeting as soon as possible to appoint such number of new external directors in order that the company thereafter has two external directors.

Each committee of the board of directors that exercises the powers of the board of directors must include at least one external director, except that the audit committee and the compensation committee must include all external directors then serving on the board of directors and an external director must serve as the chair thereof. Under the Companies Law, external directors of a company are prohibited from receiving, directly or indirectly, any compensation from the company other than for their services as external directors pursuant to the Companies Law and the regulations promulgated thereunder. Compensation of an external director is determined prior to his or her appointment and may not be changed during his or her term subject to certain exceptions.

The Companies Law provides that a person is not qualified to be appointed as an external director if (i) the person is a relative of a controlling shareholder of the company, or (ii) if that person or his or her relative, partner, employer, another person to whom he or she was directly or indirectly subordinate, or any entity under the person's control, has or had, during the two years preceding the date of appointment as an external director: (a) any affiliation or other disqualifying relationship with the company, with any person or entity controlling the company or a relative of such person, or with any entity controlled by or under common control with the company; or (b) in the case of a company with no shareholder holding 25% or more of its voting rights, had at the date of appointment as an external director, any affiliation or other disqualifying relationship with a person then serving as chairman of the board or chief executive officer, with a holder of 5% or more of the issued share capital or voting power in the company or with the most senior financial officer.

The term "Controlling Shareholder" 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 have "control" of the company and thus to be a controlling shareholder of the company if the shareholder holds 50% or more of the "means of control" of the company. "Means of control" is defined as (1) the right to vote at a general meeting of a company or a corresponding body of another corporation; or (2) the right to appoint directors of the corporation or its general manager. For the purpose of approving related-party transactions, the term also includes any shareholder that holds 25% or more of the voting rights of the company if the company has no shareholder that owns more than 50% of its voting rights. For the purpose of determining the holding percentage stated above, two or more shareholders who have a personal interest in a transaction that is brought for the company's approval are deemed as joint holders.

The term "relative" is defined in the Companies Law as a spouse, sibling, parent, grandparent or descendant; spouse's sibling, parent or descendant; and the spouse of each of the foregoing persons.

Under the Companies Law, the term "affiliation" and the similar types of disqualifying relationships, as used above, include (subject to certain exceptions):

- an employment relationship;
- a business or professional relationship even if not maintained on a regular basis (excluding insignificant relationships);
- control; and
- service as an office holder, excluding service as a director in a private company prior to the initial public offering of its shares if such director was appointed as a director of the private company in order to serve as an external director following the initial public offering.

The term "office holder" is defined in the Companies Law as a general manager, chief business manager, deputy general manager, vice general manager, any other person assuming the responsibilities of any of these positions regardless of that person's title, a director and any other manager directly subordinate to the general manager.

In addition, no person may serve as an external director if that person's position or professional or other activities create, or may create, a conflict of interest with that person's responsibilities as a director or otherwise interfere with that person's ability to serve as an external director or if the person is an employee of the Israel Securities Authority or of an Israeli stock exchange. A person may furthermore not continue to serve as an external director if he or she received direct or indirect compensation from the company including amounts paid pursuant to indemnification or exculpation contracts or commitments and insurance coverage, other than for his or her service as an external director as permitted by the Companies Law and the regulations promulgated thereunder.

Following the termination of an external director's service on a board of directors, such former external director and his or her spouse and children may not be provided a direct or indirect benefit by the company, its controlling shareholder or any entity under its controlling shareholder's control. This includes engagement as an office holder of the company or a company controlled by its controlling shareholder or employment by, or provision of services to, any such company for consideration, either directly or indirectly, including through a corporation controlled by the former external director. This restriction extends for a period of two years with regard to the former external director and his or her spouse or child and for one year with respect to other relatives of the former external director.

If at the time at which an external director is appointed all members of the board of directors who are not controlling shareholders or relatives of controlling shareholders of the company are of the same gender, the external director to be appointed must be of the other gender. A director of a company may not be appointed as an external director of another company if at the same time a director of such other company is acting as an external director of the first company.

In addition, under regulations promulgated pursuant to the Companies Law, a company with no controlling shareholder whose shares are listed for trading on specified exchanges outside of Israel, including the Nasdaq Capital Market, may adopt exemptions from various corporate governance requirements of the Companies Law so long as such company satisfies the requirements of applicable foreign country laws and regulations, including applicable stock exchange rules, that apply to companies organized in that country and relating to the appointment of independent directors and the composition of audit and compensation committees. Such exemptions include an exemption from the requirement to appoint external directors and the requirement that an external director be a member of certain committees, as well as the exemption from limitations on directors' compensation. We may use these exemptions in the future as of the date of this Annual Report we do not have a controlling shareholder.

Independent Directors Under the Companies Law

Under the Companies Law an "independent director" is either an external director or a director who meets the same non-affiliation criteria as an external director, (except for (i) the requirement that the director be an Israeli resident (which does not apply to companies such as ours whose securities have been offered outside of Israel or are listed outside of Israel) and (ii) the requirement for accounting and financial expertise or professional qualifications) as determined by the audit committee, and who has not served as a director of the company for more than nine consecutive years. For these purposes, ceasing to serve as a director for a period of two years or less would not be deemed to sever the consecutive nature of such director's service. Ms. Hila Kiron-Revach has agreed to serve as our independent director.

Regulations promulgated pursuant to the Companies Law provide that a director in a public company whose shares are listed for trading on specified exchanges outside of Israel, including the Nasdaq Capital Market, who qualifies as an independent director under the relevant non-Israeli rules and who meets certain non-affiliation criteria, which are less stringent than those applicable to independent directors as set forth above, would be deemed an "independent" director pursuant to the Companies Law provided: (i) he or she has not served as a director for more than nine consecutive years; (ii) he or she has been approved as such by the audit committee; and (iii) his or her remuneration shall be in accordance with the Companies Law and the regulations promulgated thereunder. For these purposes, ceasing to serve as a director for a period of two years or less would not be deemed to sever the consecutive nature of such director's service.

Furthermore, pursuant to these regulations, such company may reappoint a person as an independent director for additional terms, beyond nine years, which do not exceed three years each, if each of the audit committee and the board of directors determine, in that order, that in light of the independent director's expertise and special contribution to the board of directors and its committees, the reappointment for an additional term is in the company's best interest.

Alternate Directors

Our amended and restated articles of association provide, as allowed by the Companies Law, that any director may, subject to the conditions set thereto, appoint a person as an alternate to act in his place, to remove the alternate and appoint another in his place and to appoint an alternate in place of an alternate whose office is vacated for any reason whatsoever. Under the Companies Law, a person who is not qualified to be appointed as a director, a person who is already serving as a director or a person who is already serving as an alternate director for another director, may not be appointed as an alternate director. Nevertheless, a director who is already serving as a director may be appointed as an alternate director for a member of a committee of the board of directors so long as he or she is not already serving as a member of such committee, and if the alternate director is to replace an external director, he or she is required to be an external director and to have either “financial and accounting expertise” or “professional expertise,” depending on the qualifications of the external director he or she is replacing. A person who does not have the requisite “financial and accounting expertise” or the “professional expertise,” depending on the qualifications of the external director he or she is replacing, may not be appointed as an alternate director for an external director. A person who is not qualified to be appointed as an independent director, pursuant to the Companies Law, may not be appointed as an alternate director of an independent director qualified as such under the Companies Law. Unless the appointing director limits the time or scope of the appointment, the appointment is effective for all purposes until the appointing director ceases to be a director or terminates the appointment.

Committees of the Board of Directors

Audit Committee

Our audit committee is comprised of at least three directors, including all of the external directors (one of whom must serve as chair of the committee). The audit committee may not include the chairman of the board; a controlling shareholder of the company or a relative of a controlling shareholder; a director employed by or providing services on a regular basis to the company, to a controlling shareholder or to an entity controlled by a controlling shareholder; or a director who derives most of his or her income from a controlling shareholder.

In addition, a majority of the members of the audit committee of a publicly-traded company must be independent directors under the Companies Law.

The members of our audit committee are Mr. Yossi Daskal, Ms. Hila Kiron-Revach and Mr. Oz Adler.

Our audit committee will also act as a committee for review of our financial statements as required under the Companies Law, and in such capacity will oversee and monitor our accounting; financial reporting processes and controls, audits of the financial statements, compliance with legal and regulatory requirements as they relate to financial statements or accounting matters, and the independent registered public accounting firm’s qualifications, independence and performance; and provide the board of directors with reports on the foregoing.

Under the Companies Law, our audit committee is responsible for:

- determining whether there are deficiencies in the business management practices of our company, and making recommendations to the board of directors to improve such practices;
- determining whether to approve certain related party transactions (including transactions in which an office holder has a personal interest and whether such transaction is extraordinary or material under Companies Law) (see “Directors, Senior Management and Employees—Board Practices—Approval of Related Party Transactions under Israeli law”);
- determining the approval process for transactions that are ‘non-negligible’ (i.e., transactions with a controlling shareholder that are classified by the audit committee as non-negligible, even though they are not deemed extraordinary transactions), as well as determining which types of transactions would require the approval of the audit committee, optionally based on criteria which may be determined annually in advance by the audit committee;
- examining our internal controls and internal auditor’s performance, including whether the internal auditor has sufficient resources and tools to dispose of its responsibilities;
- where the board of directors approves the working plan of the internal auditor, examining such working plan before its submission to the board of directors and proposing amendments thereto;

- examining the scope of our auditor’s work and compensation and submitting a recommendation with respect thereto to our board of directors or shareholders, depending on which of them is considering the appointment of our auditor; 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.

Our audit committee may not conduct any discussions or approve any actions requiring its approval (see “Directors, Senior Management and Employees—Board Practices—Approval of Related Party Transactions under Israeli law”), unless at the time of the approval a majority of the committee’s members are present, which majority consists of independent directors under the Companies Law, including at least one external director.

Nasdaq Stock Market Requirements for Audit Committee

Under the Nasdaq Listing Rules, we are required to maintain an audit committee consisting of at least three members, all of whom are independent and are financially literate and one of whom has accounting or related financial management expertise.

As noted above, the members of our audit committee are Mr. Yossi Daskal and Mr. Oz Adler, who will serve as external directors, and Ms. Hila Kiron-Revach, who will serve as an independent director, each of whom is “independent,” as such term is defined in under Nasdaq Listing Rules. The members of our audit committee meet the requirements for financial literacy under the Nasdaq Listing Rules. Our board of directors has determined that each member of our audit committee is an audit committee financial expert as defined by the SEC rules and has the requisite financial experience as defined by the Nasdaq Listing Rules.

Our board of directors has adopted an audit committee charter setting forth among others, the responsibilities of the audit committee consistent with the rules of the SEC and Nasdaq Listing Rules (in addition to the requirements for such committee under the Companies Law).

Compensation Committee

Under the Companies Law, the board of directors of any public company must establish a compensation committee. The compensation committee must be comprised of at least three directors, including all of the external directors, who must constitute a majority of the members of the compensation committee. Each compensation committee member that is not an external director must be a director whose compensation does not exceed an amount that may be paid to an external director. The compensation committee is subject to the same Companies Law restrictions as the audit committee as to (a) who may not be a member of the committee and (b) who may not be present during committee deliberations as described above.

The members of our compensation committee are Mr. Yossi Daskal, Mr. Oz Adler and Ms. Hila Kiron-Revach, each of whom is “independent,” as such term is defined under the Nasdaq Listing Rules. Our compensation committee complies with the provisions of the Companies Law, the regulations promulgated thereunder, and our amended and restated articles of association, on all aspects referring to its independence, authorities and practice. Our compensation committee follows home country practice as opposed to complying with the compensation committee membership and charter requirements prescribed under the Nasdaq Listing Rules. Our board of directors has adopted a compensation committee charter.

Our compensation committee reviews and recommends to our board of directors, with respect to our executive officers’ and directors’: (1) annual base compensation; (2) annual incentive bonus, including the specific goals and amount; (3) equity compensation; (4) employment agreements, severance arrangements, and change in control agreements and provisions; (5) retirement grants and/or retirement bonuses; and (6) any other benefits, compensation, compensation policies or arrangements.

The duties of the compensation committee include the recommendation to the company's board of directors of a policy regarding the terms of engagement of office holders, to which we refer as a compensation policy. Such policy must be adopted by the company's board of directors, after considering the recommendations of the compensation committee. The compensation policy is then brought for approval by our shareholders, which requires a special majority (see "Directors, Senior Management and Employees—Board Practices—Approval of Related Party Transactions under Israeli law"). Under the Companies Law, the board of directors may adopt the compensation policy if it is not approved by the shareholders, provided that after the shareholders oppose the approval of such policy, the compensation committee and the board of directors revisit the matter and determine that adopting the compensation policy would be in the best interest of the company. Our board has adopted a compensation policy which was approved by our shareholders on March 27, 2022.

The compensation policy must serve as the basis for decisions concerning the financial terms of employment or engagement of executive officers and directors, 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, the company's business and its long-term strategy, and creation of appropriate incentives for executives. 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 knowledge, skills, expertise and accomplishments of the relevant director or executive;
- the director's or executive's roles and responsibilities and prior compensation agreements with him or her;
- the relationship between the cost of the terms of service of an office holder and the average and median compensation of the other employees of the company (including those employed through manpower companies), including the impact of disparities in salary upon work relationships in the company;
- the possibility of reducing variable compensation at the discretion of the board of directors; and the possibility of setting a limit on the exercise value of non-cash variable compensation; and
- as to severance compensation, the period of service of the director or executive, the terms of his or her compensation during such service period, the company's performance during that period of service, the person's contribution towards the company's achievement of its goals and the maximization of its profits, and the circumstances under which the person is leaving the company.

The compensation policy must also include the following principles:

- the link between variable compensation and long-term performance and measurable criteria;
- the relationship between variable and fixed compensation, and the ceiling for the value of variable compensation at the time of its grant;
- the conditions under which a director or executive would be required to repay compensation paid to him or her if it was later shown that the data upon which such compensation was based was inaccurate and was required to be restated in the company's financial statements;
- the minimum holding or vesting period for variable, equity-based compensation; and
- maximum limits for severance compensation.

The compensation policy must also consider appropriate incentives from a long-term perspective.

The compensation committee is also responsible for:

- recommending whether a compensation policy should continue in effect, if the then-current policy has a term of greater than three years (approval of either a new compensation policy or the continuation of an existing compensation policy must in any case occur every three years);
- recommending to the board of directors periodic updates to the compensation policy;
- assessing implementation of the compensation policy;
- determining whether the terms of compensation of certain office holders of the company need not be brought to approval of the shareholders; and
- determining whether to approve the terms of compensation of office holders that require the committee's approval.

Under the Companies Law, the board of directors of an Israeli public company must appoint an internal auditor nominated by the audit committee. Our internal auditor is Mrs. Dana Spira, who has been serving as our internal auditor since May 2022. Mrs. Spira is a Certified Public Accountant and holds a B.A. degree in accounting and business and L.L.B law from Reichman University, Israel

The role of the internal auditor is to examine, among other things, whether a company's actions comply with the law and proper business procedure. The audit committee is required to oversee the activities, and to assess the performance of the internal auditor as well as to review the internal auditor's work plan. An internal auditor may not be an interested party or office holder, or a relative of any interested party or office holder, and may not be a member of the company's independent accounting firm or its representative. The Companies Law defines an interested party as a holder of 5% or more of the outstanding shares or voting rights of a company, any person or entity that has the right to nominate or appoint at least one director or the general manager of the company or any person who serves as a director or as the general manager of a company.

Remuneration of Directors

Under the Companies Law, remuneration of directors is subject to the approval of the compensation committee, thereafter by the board of directors and thereafter, unless exempted under the regulations promulgated under the Companies Law, by the general meeting of the shareholders. External directors are entitled to remuneration (including reimbursement of expenses) subject to the provisions and limitations set forth in the regulations promulgated under the Companies Law. Where the director is also a controlling shareholder, the requirements for approval of transactions with controlling shareholders apply.

There are no service contracts between us, on the one hand, and our directors in their capacity as directors, on the other hand, providing for benefits upon termination of service.

Fiduciary Duties of Office Holders

The Companies Law imposes a duty of care and a duty of loyalty on all office holders of a company.

The duty of care requires an office holder to act with the level of care with which a reasonable office holder in the same position would have acted under the same circumstances. The duty of care of an office holder includes a duty to use reasonable means to obtain:

- information on the advisability of a given action brought for his approval or performed by him by virtue of his position; and
- all other important information pertaining to these actions.

The duty of loyalty of an office holder requires an office holder to act in good faith and for the benefit of the company, and includes a duty to:

- refrain from any conflict of interest between the performance of his duties in the company and his performance of his other duties or personal affairs;
- refrain from any action that is competitive with the company's business;
- refrain from exploiting any business opportunity of the company to receive a personal gain for himself or others; and
- disclose to the company any information or documents relating to the company's affairs which the office holder has received due to his position as an office holder.

Insurance

Under the Companies Law, a company may obtain insurance for any of its office holders against the following liabilities incurred due to acts he or she performed as an office holder, if and to the extent provided for in the company's articles of association:

- breach of his or her duty of care to the company or to another person, to the extent such a breach arises out of the negligent conduct of the office holder;
- a breach of his or her duty of loyalty to the company, provided that the office holder acted in good faith and had reasonable cause to assume that his or her act would not prejudice the company's interests; and
- a financial liability imposed upon him or her in favor of another person.

On March 28, 2024 the Compensation Committee of our Board of Directors resolved to approve the renewal of the Company's directors' and officers' insurance policy, for a period of 18 months as of March 31, 2023, of a \$7.5 million coverage, and an annual premium not to exceed \$246,400 (\$369,600 for the 18 months period), pursuant to the applicable regulations under Companies Law.

On March 28, 2022, our board of directors approved the purchase of a run-off insurance policy for directors and officers, which will cover past events. The insurance amount is NIS 18 million (approximately US\$ 5.6 million) in aggregate plus reasonable legal defense costs, with Company retention for claims in North America of NIS 90,000 (approximately US\$ 28,125) and Company retention for other claims of NIS 18,000 (approximately US\$ 5,600). The policy is for seven (7) years as of April 4, 2022, and cost NIS 49,140 (approximately US\$ 15,260). The purchase of the run-off director and officer insurance policy was approved by the Company's shareholders on June 6, 2022.

Indemnification

The Companies Law provide that a company may indemnify an office holder against the following liabilities and expenses incurred for acts performed by him or her as an office holder, either pursuant to an undertaking made in advance of an event or following an event, provided its articles of association include a provision authorizing such indemnification:

- a financial liability imposed on him or her in favor of another person by any judgment concerning an act performed in his or her capacity as an office holder, 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 foreseen events and amount or criteria;

- reasonable litigation expenses, including attorneys' fees, expended by the office holder (a) 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 (1) no indictment (as defined in the Companies Law) was filed against such office holder as a result of such investigation or proceeding; and (2) no financial liability as a substitute for the criminal proceeding (as defined in the Companies Law) was imposed upon him or her 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 (b) in connection with a monetary sanction;
- reasonable litigation expenses, including attorneys' fees, expended by the office holder or imposed on him or her by a court: (1) in proceedings that the company institutes, or that another person institutes on the company's behalf, against him or her; (2) in a criminal proceedings of which he or she was acquitted; or (3) as a result of a conviction for a crime that does not require proof of criminal intent; and
- expenses incurred by an office holder in connection with an Administrative Procedure under the Securities Law, including reasonable litigation expenses and reasonable attorneys' fees. An "Administrative Procedure" is defined as a procedure pursuant to chapters H3 (Monetary Sanction by the Israeli Securities Authority), H4 (Administrative Enforcement Procedures of the Administrative Enforcement Committee) or I1 (Arrangement to prevent Procedures or Interruption of procedures subject to conditions) to the Securities Law.

Exculpation

Under the Companies Law, an Israeli company may not exculpate an office holder from liability for a breach of his or her duty of loyalty, but may exculpate in advance an office holder from his or her liability to the company, in whole or in part, for damages caused to the company as a result of a breach of his or her duty of care (other than in relation to distributions), but only if a provision authorizing such exculpation is included in its articles of association.

Limitations

The Companies Law provides that we may not exculpate or indemnify an office holder nor enter into an insurance contract that would provide coverage for any liability incurred as a result of any of the following: (1) a breach by the office holder of his or her duty of loyalty unless (in the case of indemnity or insurance only, but not exculpation) the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice us; (2) a breach by the office holder of his or her duty of care if the breach was carried out intentionally or recklessly (as opposed to merely negligently); (3) any act or omission committed with the intent to derive an illegal personal benefit; or (4) any fine, monetary sanction, penalty or forfeit levied against the office holder.

Under the Companies Law, exculpation, indemnification and insurance of office holders in a public company must be approved by the compensation committee and the board of directors and, with respect to certain office holders or under certain circumstances, also by the shareholders (see "Directors, Senior Management and Employees—Board Practices—Approval of Related Party Transactions under Israeli Law").

Our amended and restated articles of association permits us to exculpate, indemnify and insure our office holders to the fullest extent permitted or to be permitted by the Companies Law.

We have entered into agreements with each of our directors and executive officers exculpating them from liability to us for damages caused to us as a result of a breach of duty of care and undertaking to indemnify them, in each case, to the fullest extent permitted by our amended and restated articles of association and the Companies Law, to the extent that these liabilities are not covered by insurance.

Approval of Related Party Transactions under Israeli Law

General

Under the Companies Law, we may approve an action by an office holder from which the office holder would otherwise have to refrain, as described above, if:

- the office holder acts in good faith and the act or its approval does not cause harm to the company; and
- the office holder disclosed the nature of his or her interest in the transaction (including any significant fact or document) to the company at a reasonable time before the company's approval of such matter.

Disclosure of Personal Interests of an Office Holder

The Companies Law requires that an office holder disclose to the company, promptly, and, in any event, not later than the board meeting at which the transaction is first discussed, any direct or indirect personal interest that he or she may have and all related material information known to him or her relating to any existing or proposed transaction by the company. If the transaction is an extraordinary transaction, the office holder must also disclose any personal interest held by:

- the office holder's relatives; or
- any corporation in which the office holder or his or her relatives holds 5% or more of the shares or voting rights, serves as a director or general manager or has the right to appoint at least one director or the general manager.

An office holder is not, however, obliged to disclose a personal interest if it derives solely from the personal interest of his or her relative in a transaction that is not considered an extraordinary transaction. Under the Companies Law, an extraordinary transaction is a transaction:

- not in the ordinary course of business;
- not on market terms; or
- that is likely to have a material effect on the company's profitability, assets or liabilities.

The Companies Law does not specify to whom within us nor the manner in which required disclosures are to be made. We require our office holders to make such disclosures to our board of directors.

Under the Companies Law, once an office holder complies with the above disclosure requirement, the board of directors may approve a transaction between the company and an office holder, or a third party in which an office holder has a personal interest, unless the articles of association provide otherwise and provided that the transaction is in the company's interest. If the transaction is an extraordinary transaction in which an office holder has a personal interest, first the audit committee and then the board of directors, in that order, must approve the transaction. Under specific circumstances, shareholder approval may also be required. Generally, a person who has a personal interest in a matter which is considered at a meeting of the board of directors or the audit committee may not be present at such a meeting unless the chairman of the audit committee or board of directors (as applicable) determines that he or she should be present in order to present the transaction that is subject to approval. A director who has a personal interest in a transaction, which is considered at a meeting of the board of directors or the audit committee, may not be present at this meeting or vote on this matter, unless a majority of the members of the board of directors or the audit committee, as the case may be, has a personal interest. If a majority of the board of directors has a personal interest, then shareholder approval is generally also required.

Disclosure of Personal Interests of a Controlling Shareholder

Under the Companies Law, the disclosure requirements that apply to an office holder also apply to a controlling shareholder of a public company. Extraordinary transactions with a controlling shareholder or in which a controlling shareholder has a personal interest, including a private placement in which a controlling shareholder has a personal interest, as well as transactions for the provision of services whether directly or indirectly by a controlling shareholder or his or her relative, or a company such controlling shareholder controls, and transactions concerning the terms of engagement and compensation of a controlling shareholder or a controlling shareholder's relative, whether as an office holder or an employee, require the approval of the audit committee or the compensation committee, as the case may be, the board of directors and a majority of the shares voted by the shareholders of the company participating and voting on the matter in a shareholders' meeting. In addition, the shareholder approval must fulfill one of the following requirements:

- at least a majority of the shares held by shareholders who have no personal interest in the transaction and are voting at the meeting must be voted in favor of approving the transaction, excluding abstentions; or
- the shares voted by shareholders who have no personal interest in the transaction who vote against the transaction represent no more than 2% of the voting rights in the company.

In addition, any extraordinary transaction with a controlling shareholder or in which a controlling shareholder has a personal interest with a term of more than three years requires the abovementioned approval every three years; however, such transactions not involving the receipt of services or compensation can be approved for a longer term, provided that the audit committee determines that such longer term is reasonable under the circumstances.

The Companies Law requires that every shareholder that participates, in person, by proxy or by voting instrument, in a vote regarding a transaction with a controlling shareholder, must indicate in advance or in the ballot whether or not that shareholder has a personal interest in the vote in question. Failure to so indicate will result in the invalidation of that shareholder's vote.

Approval of the Compensation of Directors and Executive Officers

Directors. Under the Companies Law, the compensation of our directors requires the approval of our compensation committee, the subsequent approval of the board of directors and, unless exempted under the regulations promulgated under the Companies Law, the approval of the general meeting of our shareholders. If the compensation of our directors is inconsistent with our stated compensation policy, then, provided that those provisions that must be included in the compensation policy according to the Companies Law have been considered by the compensation committee and board of directors, shareholder approval by a special majority will be required.

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) only if such compensation arrangement is inconsistent with the company's stated compensation policy, the company's shareholders by a special majority. 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 provides 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. 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 provides detailed reasons for their decision. In addition, the compensation committee may exempt the engagement terms of a candidate to serve as the chief executive officer from shareholders' approval, if the compensation committee determines 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 to a shareholder vote would impede the company's ability to attain the candidate to serve as the company's chief executive officer (and provide detailed reasons for the latter).

The approval of each of the compensation committee and the board of directors, with regard to the office holders and directors above, must be in accordance with the company's stated compensation policy; however, under special circumstances, the compensation committee and the board of directors may approve compensation terms of a chief executive officer that are inconsistent with the company's compensation 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 requirement.

Duties of Shareholders

Under the Companies Law, a shareholder has a duty to refrain from abusing its power in the company and to act in good faith and in an acceptable manner in exercising its rights and performing its obligations toward the company and other shareholders, including, among other things, in voting at general meetings of shareholders (and at shareholder class meetings) on the following matters:

- amendment of the articles of association;
- increase in the company's authorized share capital;
- merger; and
- the approval of related party transactions and acts of office holders that require shareholder approval.

A shareholder also has a general duty to refrain from oppressing other shareholders. The remedies generally available upon a breach of contract will also apply to a breach of the above mentioned duties, and in the event of oppression of other shareholders, additional remedies are available to the injured shareholder.

In addition, any controlling shareholder, any shareholder that knows that its vote can determine the outcome of a shareholder vote and any shareholder that, under a company's articles of association, has the power to appoint or prevent the appointment of an office holder, or has another power with respect to a company, is under a duty to act with fairness towards the company. The Companies Law does not describe the substance of this duty except to state that the remedies generally available upon a breach of contract will also apply in the event of a breach of the duty to act with fairness, taking the shareholder's position in the company into account.

We currently do not have any controlling shareholder as defined by the Companies Law. See "Major Shareholders and Related Party Transactions."

D. Employees.

See "Item 4.B. Business Overview—Employees."

E. Share Ownership.

See "Item 7.A. Major Shareholders" below.

Share Incentive Plan

We maintain one equity incentive plan, or the Option Plan. As of March 28, 2024, the number of ordinary shares reserved for issuance under the Option Plan was 288,745. As of March 28, 2024, 206,539 options to purchase 206,539 ordinary shares were issued and outstanding, of which 108,498 options were vested as of that date, with an exercise price approximately \$14.80-49.11 per share. Our board may, at any time during the term of the Option Plan increase the number of shares available for grant under the Option Plan subject to any required approval of the our shareholders of such increase if so required under applicable laws and/or our incorporation documents and/or any shareholders agreement, as shall be in effect from time to time.

Our Option Plan was adopted by our board of directors on January 31, 2017, and awards may be granted under the Option Plan until January 31, 2027. Our Option Plan was last amended on March 28, 2024. Our employees, directors, officers, and services providers, including those who are our controlling shareholders (if any), as well as those of our affiliated companies, are eligible to participate in this Option Plan.

Our Option Plan is administered by our board of directors, regarding the granting of options and the terms of option grants, including exercise price, method of payment, vesting schedule, acceleration of vesting and the other matters necessary in the administration of this Option Plan. Eligible Israeli employees, officers and directors, would qualify for provisions of Section 102(b)(2) of the Tax Ordinance. Pursuant to such Section 102(b)(2), qualifying options and shares issued upon exercise of such options are held in trust and registered in the name of a trustee selected by the board of directors. The trustee may not release these options or shares to the holders thereof for two years from the date of the registration of the options in the name of the trustee, unless the beneficiary grantee waives the tax benefits under Section 102, as detailed below. Under Section 102, any tax payable by an employee from the grant or exercise of the options is deferred until the transfer of the options or ordinary shares by the trustee to the employee or upon the sale of the options or ordinary shares, and gains may qualify to be taxed as capital gains at a rate equal to 25%, subject to compliance with specified conditions. Our Israeli non-employee service providers and controlling shareholders may only be granted options under Section 3(9) of the Tax Ordinance, which does not provide for similar tax benefits. The Option Plan also permits granting options to Israeli grantees who do not qualify under Section 102(b)(2).

As a default, our Option Plan provides that upon termination of employment for any reason, other than in the event of death or disability, all unvested options will expire and all vested options will generally be exercisable for one month following such termination, if we initiate such termination, or two weeks following such termination, if an employee initiates such termination, or such other period as determined by the Option Plan administrator, subject to the terms of the Option Plan and the governing option agreement. Notwithstanding the foregoing, in the event the employment is terminated for cause (including, inter alia, a breach of confidentiality or non-compete obligations to us, and commission of an act involving moral turpitude or an act that causes harm to us) all options granted to such employee, whether vested or unvested, will not be exercisable and will terminate on the date of the termination of his employment.

Upon termination of employment due to death or disability, all the options vested at the time of termination will generally be exercisable for six months, or such other period as determined by the Option Plan administrator, subject to the terms of the Option Plan and the governing option agreement.

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

Not applicable.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

The following table sets forth information regarding beneficial ownership of our ordinary shares as of March 28, 2024 by:

- each person, or group of affiliated persons, known to us to be the beneficial owner of more than 5% of our outstanding ordinary shares;
- each of our directors and executive officers; and
- all of our directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC, and includes voting or investment power with respect to ordinary shares. Ordinary shares issuable under share options or warrants that are exercisable within 60 days after March 28, 2024 are deemed outstanding for the purpose of computing the percentage ownership of the person holding the options or warrants but are not deemed outstanding for the purpose of computing the percentage ownership of any other person.

Except as indicated in the footnotes to this table, we believe that the shareholders named in this table have sole voting and investment power with respect to all shares shown to be beneficially owned by them, based on information provided to us by such shareholders. Unless otherwise noted below, each beneficial owner's address is: c/o Rail Vision Ltd., 15 Ha'Tidhar St., Ra'anana, 4366517 Israel.

	No. of Shares Beneficially Owned	Percentage Owned
Holders of more than 5% of our voting securities:		
Knorr-Bremse (1)	1,718,539	12.97%
Directors and senior management who are not 5% holders:		
Shahar Hania (2)	76,140	**
Ofer Naveh(3)	17,293	**
Zachi Bar-Yehoshua (4)	4,650	**
Eli Yoresh* (5)	3,771	**
Ofer Grisaro (6)	2,604	**
Amit Klir (7)	2,604	**
Ariel Dor*	-	-
Yossi Daskal* (8)	1,664	**
Hila Kiron Revach*	-	-
Oz Adler* (9)	1,664	**
Mark Cleobury*	-	-
All directors and senior management as a group (11 persons)	59,570	0.87%

* Indicates director of the Company.

** Indicates beneficial ownership of less than 1% of the total ordinary shares outstanding.

(1) Consists of (i) 1,149,474 ordinary shares and (ii) 569,065 warrants to purchase 569,065 ordinary shares. The shareholder is Knorr-Bremse Systeme für Schienenfahrzeuge GmbH, which is a 100% subsidiary of Knorr-Bremse AG which is a German company publicly traded on the Frankfurt Stock Exchange. As of January 1, 2023, Marc Llistosella is the chief executive officer of Knorr-Bremse AG.

(2) Consists of (i) 50,820 ordinary shares, and (ii) 25,320 options vested within 60 days, exercisable at an exercise price of \$14.80 and expiring in January 2028, October 2030, May 2032 and October 2033. Does not include options to purchase 45,801, ordinary shares exercisable at \$14.80 per share and expiring in May 2032 and October 2033, that vest in more than 60 days from the date hereof.

(3) Consists of 17,293 options vested within 60 days, exercisable at an exercise price of \$14.80 and expiring in January 2028, January 2030 and May 2032. Does not include options to purchase 5,229 ordinary shares exercisable at \$14.80 per share and expiring in May 2032, that vest in more than 60 days from the date hereof.

(4) Consists of 4,650 options vested within 60 days, exercisable at an exercise price of \$14.80 and expiring in January 2028, January 2030 and September 2032. Does not include options to purchase 251 ordinary shares exercisable at \$14.80 per share and expiring in September 2032, that vest in more than 60 days from the date hereof.

(5) Consists of 3,771 options vested within 60 days, exercisable at an exercise price of \$14.80 and expiring in January 2028 and May 2032. Does not include options to purchase 3,328 ordinary shares exercisable at \$14.80 per share and expiring in May 2032, that vest in more than 60 days from the date hereof.

(6) Consists of 2,604 options vested within 60 days, exercisable at an exercise price of \$14.80 and expiring in September 2032. Does not include options to purchase 3,646 ordinary shares exercisable at \$14.80 per share and expiring in September 2032, that vest in more than 60 days from the date hereof.

(7) Consists of 2,604 options vested within 60 days, exercisable at an exercise price of \$14.80 and expiring in September 2032. Does not include options to purchase 3,646 ordinary shares exercisable at \$14.80 per share and expiring in September 2032, that vest in more than 60 days from the date hereof.

(8) Consists of 1,664 options vested within 60 days, exercisable at an exercise price of \$14.80 and expiring in May 2032. Does not include options to purchase 3,328 ordinary shares exercisable at \$14.80 per share and expiring in May 2032, that vest in more than 60 days from the date hereof.

(9) Consists of 1,664 options vested within 60 days, exercisable at an exercise price of \$14.80 and expiring in June 2032. Does not include options to purchase 3,328 ordinary shares exercisable at \$14.80 per share and expiring in June 2032, that vest in more than 60 days from the date hereof.

Changes in Ownership of Major Shareholders

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.

Record Holders

As of March 21, 2024, there were 75 holders of record of our ordinary shares, out of which 24 holders of record had a registered address in the United States. The number of record holders is not representative of the number of beneficial holders of our ordinary shares, as 88.802% of our outstanding ordinary shares are recorded in the name of Cede & Co. as nominee for the Depository Trust Company, in whose name all shares held in “street name” are held in the United States. Except where otherwise indicated, we believe, based on information furnished to us by such owners, that the beneficial owners of the Ordinary Shares listed below have sole investment and voting power with respect to such shares.

We are not controlled by another corporation, by any foreign government or by any natural or legal persons. There are no arrangements known to us which would result in a change in control of our company at a subsequent date.

B. Related Party Transactions

The following is a description of the material terms of those transactions with related parties to which we are party since January 1, 2023.

Employment Agreements

We have entered into written employment or services agreements with each of our executive officers. All of these agreements contain customary provisions regarding noncompetition, confidentiality of information and assignment of inventions. However, the enforceability of the noncompetition provisions may be limited under applicable law. In addition, we have entered into agreements with each executive officer and director pursuant to which we have agreed to indemnify each of them up to a certain amount and to the extent that these liabilities are not covered by directors and officers insurance.

Options

Since our inception, we have granted options to purchase our ordinary shares to certain of our officers and directors. Such option agreements may contain acceleration provisions upon certain merger, acquisition, or change of control transactions. We describe our Option Plan under “Item 6.E.—Directors, Senior Management and Employees—Share Incentive Plan.” If the relationship between us and an executive officer or a director is terminated, except for cause (as defined in the various Option Plan agreements), options that are vested will generally remain exercisable for one month following the date of such termination if we initiate such termination or two weeks following the date of such termination, if an executive officer or a director initiates such termination.

Pure Capital

Private Placement (January 2024)

On January 18, 2024, we entered into the January 2024 PIPE, Units, consisting of (i) one of our ordinary shares and/or pre-funded warrants to purchase our ordinary shares and (ii) one and a half warrants to purchase our ordinary shares to the Investors, of a minimum of \$2.5 million of Units and up to a maximum of \$3 million of Units. The January 2024 PIPE closed on January 31, 2024 following the execution of definitive documentation between us and the Investors.

In the January 2024 PIPE, the Investors purchased \$3.0 million of Units consisting of (A) (i) 1,651,458 of ordinary shares and/or (ii) January 2024 PIPE Pre-Funded Warrants to purchase up to 1,394,999 ordinary shares and (B) January 2024 PIPE Ordinary Share Warrants to purchase up to 4,569,688 ordinary shares. The purchase price per Unit is \$0.98475. The January 2024 PIPE Pre-Funded Warrants are immediately exercisable at an exercise price of \$0.0001 per ordinary share, subject to certain adjustments and certain anti-dilution protection set forth therein, and will not expire until exercised in full. The January 2024 PIPE Ordinary Share Warrants are exercisable upon issuance at an exercise price of \$0.98475 per ordinary share, subject to certain adjustments and certain anti-dilution protection set forth therein, and have a 5.5-year term from the issuance date.

In connection with the closing of the January 2024 PIPE, we exercised our conversion right pursuant to the Facility Agreement to convert \$500,000 of the Credit Facility as a portion of the January 2024 Conversion Loan Amount. Following such conversion, we issued to the Lender (i) the Facility Conversion Pre-Funded Warrant to purchase up to 507,743 ordinary shares and (ii) the Facility Conversion Ordinary Share Warrant to purchase up to 761,615 ordinary shares. The Facility Conversion Pre-Funded Warrant and the Facility Conversion Common Warrant are in substantially the same form and on substantially the same terms as the January 2024 PIPE Pre-Funded Warrant and January 2024 PIPE Ordinary Share Warrant, respectively.

As of the date of this Annual Report, 1,394,999 January 2024 PIPE Pre-Funded Warrants, 507,743 Facility Conversion Pre-Funded Warrant, 761,615 Facility Conversion Common Warrant and 4,269,688 January 2024 PIPE Warrants have been exercised resulting in gross proceeds of approximately \$5.0 million to the Company

Execution of Credit Facility Agreement and Issuance of Warrant (January 2024)

On January 9, 2024, we entered into the Facility Agreement for a \$6 million the Credit Facility and an additional amount up to \$3 million, subject to certain conditions, of Additional Loans, with the Lender, who was also an Investor in the January 2024 PIPE. The Credit Facility, which had an initial term of 10 months, accrued interest at a rate of 8% per annum, and the first payment of \$1.5 million was drawn down upon execution of the Facility Agreement and the remaining amount were able to be drawn down in eight equal installments as of March 7, 2024. As detailed below, the Facility Agreement terminated on March 1, 2024.

Pursuant to the Facility Agreement, the Lender's financing obligations terminated in the event we drew down \$7.5 million or more pursuant to an alternate credit facility or closes one or more equity financing transaction in an aggregate amount of at least \$5 million. As of March 1, 2024, we had received aggregate gross proceeds of more than \$5 million from the purchase of Units in the January 2024 Private Placement, the exercise of warrants issued in the January 2024 Private Placement and our exercise of the Conversion Right in the amount of \$500,000. As a result, the Lender's financing obligations have terminated pursuant to the terms of the Facility Agreement.

Until we close one or more equity financing transactions in an aggregate amount of at least \$5 million (including the conversion of the Credit Facility), we had the right to convert into ordinary share up to \$1.5 million, including accrued interest, of a loan extended or to be extended to us by the Lender, or the January 2024 Conversion Loan Amount, in connection with and in the framework of a financing transaction of ours on the date that follows the date upon which we notified the Lender of such financing transaction, which conversion will occur upon the same terms. As of the date hereof, we had converted \$500,000 of the Credit Facility as a portion of the January 2024 Conversion Loan Amount.

As part of the Facility Agreement, we issued a warrant, or the January 2024 Facility Warrant, to the Lender to purchase 2,419,354 of our ordinary shares representing an aggregate exercise amount of \$7.5 million, with a per share exercise price of \$3.10, subject to certain adjustments and certain anti-dilution protection, representing a 150% premium of the closing share price of our ordinary shares on January 5, 2024. The January 2024 Facility Warrant is immediately exercisable upon issuance and has a term of 5 years from the date of issuance. Following the closing of the January 2024 PIPE, the exercise price of the January 2024 Facility Warrant was adjusted to \$0.408 which is the effective price per ordinary share in the January 2024 PIPE, or the January 2024 Facility Warrant Adjusted Exercise Price, and the number of ordinary shares issuable upon the exercise of the January 2024 Facility Warrant was also adjusted to a total 18,382,353, or the January 2024 Facility Warrant Adjusted Shares, such that the product of the January 2024 Facility Warrant Adjusted Exercise Price and the January 2024 Facility Warrant Adjusted Shares is equal to an aggregate exercise amount of \$7.5 million. As of the date of this Annual Report, 920,000 January 2024 Facility Warrants have been exercised resulting in gross proceeds of approximately \$0.375 million to the Company.

In connection with and as a condition to the Credit Facility, each of Shmuel Donnerstein, Inbal Kreiss and Keren Aslan tendered their resignations from our board of directors, and our board of directors appointed Amitay Weiss and Hila Kiron-Revach to our board of directors, to serve until our next annual general meeting of shareholders. On March 12, 2024, Mr. Weiss resigned from our board of directors. Mr. Weiss's resignation was not due to any disagreement with us or management. Also on March 12, 2024, our board of directors appointed Mr. Ariel Dor to our board of directors to serve until our next annual general meeting of shareholders.

Knorr-Bremse

On March 6, 2022, we issued to Knorr-Bremse, a total of 10,256 Preferred A shares at a price of \$195 per share, after we called an amount of \$2,000,000 out of the option amount.

Immediately prior to the completion of the IPO on April 4, 2022, 61,538 Preferred A shares were automatically converted into 2,707,672 ordinary shares (after giving effect to the issuance of 10,256 Preferred A shares described above).

In June 2021, we reached a co-operation and business development agreement with Knorr-Bremse India Pvt. Ltd., in which Knorr-Bremse India Pvt. Ltd. provided a joint proposal to a tender published by the Ministry of Railways of the Government of India for obstacle detection systems for trains in the RV2000 system market segment. As part of the joint bid Knorr-Bremse India Pvt. Ltd. provided a guarantee of \$27,000 to secure our proposal. On January 10, 2022, Knorr-Bremse informed us they did not receive the tender. However, the parties intend to collaborate on future projects. See "Business – Commercial Agreements" for additional commercial agreements.

In the KB Private Placement, we entered into a definitive securities purchase agreement for the purchase and sale of an aggregate of 493,421 ordinary shares and the KB Warrants, 5-year term common warrants to purchase an aggregate of 493,421 ordinary shares, at a purchase price of \$6.08 per unit, to Knorr-Bremse. The KB Warrants are exercisable at \$6.72 per ordinary share. The KB Private Placement closed on June 21, 2023, following approval of such transaction by our shareholders.

SAFE

In January 2022, we entered into a SAFE with two of our current shareholders providing for financing in the aggregate amount of \$1,000,000 (Knorr-Bremse in the amount of \$714,286 and Foresight in the amount of \$285,714) which was subsequently amended in March 2022. Upon our initial public offering on April 4, 2022, the SAFE converted into an aggregate of 242,131 ordinary shares and warrants to purchase 242,131 ordinary shares. The warrants issued have the same terms as the warrants issued in our initial public offering except that such warrants shall be unregistered and shall not be tradeable.

Certain Relationships

From time to time, we do business with other companies affiliated with our principal shareholders, as described above. We believe that all such arrangements have been entered into in the ordinary course of business.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION.

A. Statements and Other Financial Information.

See "Item 18. Financial Statements."

Legal Proceedings

See “Item 4.B. Business Overview—Legal Proceedings.”

Dividends

We have never declared or paid any cash dividends on our ordinary shares and do not anticipate paying any cash dividends in the foreseeable future. However, we may declare a dividend to be paid to the holders of our ordinary shares in proportion to their respective shareholdings. Under the Companies Law, dividend distributions are determined by the board of directors and do not require the approval of the shareholders of a company unless the company’s articles of association provide otherwise. Our amended and restated articles of association do not require shareholder approval of a dividend distribution and will provide that dividend distributions may be determined by our board of directors. Payment of cash dividends, if any, in the future will be at the discretion of our board of directors and will depend on then-existing conditions, including our financial condition, operating results, contractual restrictions, capital requirements, business prospects and other factors our board of directors may deem relevant.

Pursuant to the Companies Law, the distribution of dividends is limited to the greater of retained earnings or earnings generated over the previous two years, according to our then last reviewed or audited financial statements, provided that the end of the period to which the financial statements relate is not more than six months prior to the date of the distribution. If we do not meet such criteria, we may only distribute dividends with court approval. In each case, we are only permitted to distribute a dividend if our board of directors and the court, if applicable, determines that there is no reasonable concern that payment of the dividend will prevent us from satisfying our existing and foreseeable obligations as they become due.

Payment of dividends may be subject to Israeli withholding taxes.

B. Significant Changes

Other than as otherwise described in this Annual Report on Form 20-F and as set forth below, no significant change has occurred in our operations since the date of our financial statements included in this Annual Report on Form 20-F.

A. Offer and Listing Details

On March 31, 2022, our ordinary shares and warrants commenced trading on the Nasdaq Capital Market under the symbols “RVSN,” and “RVSNW,” respectively.

B. Plan of Distribution

Not applicable.

C. Markets

Our ordinary shares are listed on the Nasdaq Capital Market.

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. Articles of Association

A copy of our Amended and Restated Articles of Association is attached as Exhibit 1.1 to this Annual Report. Other than as disclosed below, the information called for by this Item is set forth in Exhibit 2.1 to this Annual Report and is incorporated by reference into this Annual Report.

C. Material Contracts

We have not entered into any material contracts other than in the ordinary course of business and other than those described in Item 4. "Information on Our Company," Item 7B "Major Shareholders and Related Party Transactions - Related Party Transactions" or elsewhere in this Annual Report.

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 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.

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. 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.

ISRAELI TAX CONSIDERATIONS AND GOVERNMENT PROGRAMS

The following is a brief summary of the material Israeli tax laws applicable to us and certain Israeli Government programs. The following also contains a discussion of material Israeli tax consequences concerning the ownership and disposition of our ordinary shares purchased by investors in this offering. To the extent that the discussion is based on new tax legislation which has not been subject to judicial or administrative interpretation, there can be no assurance that the tax authorities will accept the views expressed in this discussion. This summary is based on laws and regulations in effect as of the date hereof, and is not intended, and should not be taken, as legal or professional tax advice and is not exhaustive of all possible tax considerations.

General Corporate Tax Structure in Israel

Israeli resident companies are generally subject to corporate tax. The current corporate tax rate, as from 2018 is 23%. However, the effective tax rate payable by a company that derives income from a Preferred Enterprise (as discussed below) may be considerably less.

Capital gains derived by an Israeli resident company are generally subject to tax at the prevailing corporate tax rate. Under Israeli tax legislation, a corporation will be considered as an "Israeli resident company" if it meets one of the following: (i) it was incorporated in Israel; or (ii) the control and management of its business are exercised in Israel.

Law for the Encouragement of Industry (Taxes) - 1969

The Law for the Encouragement of Industry (Taxes) - 1969, generally referred to as the Industry Encouragement Law, provides several tax benefits for “Industrial Companies.”

The Industry Encouragement Law defines an “Industrial Company” as a company incorporated in, and resident of Israel, at least 90% of the income of which, in a given tax year, exclusive of income from specified government loans, capital gains, interest and dividends which are not classified for such company as business income, is derived from an industrial enterprise owned by it. In general, an “Industrial enterprise” is defined as an enterprise whose major activity in a given tax year is industrial production.

The following corporate tax benefits, among others, are available to Industrial Companies:

- Amortization of the cost of purchased a patent, rights to use a patent, and know-how, which are used for the development or promotion of the Industrial Enterprise, over an eight-year period and certain other intangible property rights (other than goodwill), commencing on the year in which such rights were first exercised;
- Under limited conditions, an election to file consolidated tax returns with related Israeli Industrial Companies; and
- A straight-line deduction of expenses related to a public offering over a three-year period commencing in the year of offering.

Eligibility for benefits under the Industry Encouragement Law is not contingent upon approval of any governmental authority. There is no assurance that we qualify as an Industrial Company or that the benefits described above will be available in the future.

The Encouragement of Research, Development and Technological Innovation in the Industry Law-1984

Under the Encouragement of Research, Development and Technological Innovation in the Industry Law-1984, or the Innovation Law, and its related regulations, research and development programs which meet specified criteria and are approved by the Israeli Innovation Authority, or the IIA, are eligible for grants of up to 50% of the project’s expenditure, as determined by the research committee, in exchange for the payment of royalties from the revenues generated from the sale of products and related services developed, in whole or in part, pursuant to, or as a result of, a research and development program funded by the IIA. The royalties are generally at a range of 3.0% to 5.0% of revenues until the entire grant is repaid, together with an annual interest (as determined in the Innovation Law). Following the full payment of such royalties and interest, there is generally no further liability for royalty payments. Nonetheless, the restrictions under the Innovation Law (as generally specified below) will continue to apply even after our company has repaid the grants, including accrued interest, in full.

The main obligations under the Innovation Law which are applicable to us as a grant recipient are:

Local manufacturing obligation: The terms of the Innovation Law require that the manufacture of products developed with IIA grants be performed in Israel. Manufacturing activity may not be transferred outside of Israel, unless the prior approval of the IIA is received. However, this does not restrict the export of products that incorporate the funded technology. Ordinarily, as a condition to obtaining approval to manufacture outside Israel, we would be required to pay royalties at an increased rate (usually 1% in addition to the standard rate) and increased royalties cap between 120% and 300% of the grants, depending on the manufacturing volume that is performed outside Israel as follows:

Manufacturing Volume Outside of Israel	Royalties to the IIA as a Percentage of Grant
Up to 50%	120%
Between 50% and 90%	150%
90% and more	300%

The transfer of no more than 10% of the manufacturing capacity in the aggregate outside of Israel is exempt under the Innovation Law from obtaining the prior approval of the IIA. A company requesting funds from the IIA also has the option of declaring in its IIA grant application its intention to perform part of its manufacturing outside Israel, thus avoiding the need to obtain additional approval.

Transfer of know-how outside of Israel: The know-how developed within the framework of the IIA plan may not be transferred to third parties outside Israel without the prior approval of the IIA. The approval, however, is not required for the export of any products developed using grants received from the IIA. The IIA approval to transfer know-how created, in whole or in part, in connection with an IIA-funded project, to a third party outside Israel is subject to payment of a redemption fee to the IIA calculated according to a formula provided under the Innovation Law that is based, in general, on the ratio between the aggregate IIA grants to the company's aggregate investments in the project that was funded by these IIA grants, multiplied by the transaction consideration. The regulations promulgated under the Innovation Law establish a cap of the redemption fee payable to the IIA under the above mentioned formulas and differentiate between two situations: (i) in the event that the funded company sells its IIA funded know-how, in whole or in part, or is sold as part of an merger and acquisition, or M&A, transaction, and subsequently ceases to conduct business in Israel, the maximum redemption fee under the above mentioned formulas will be no more than six times the total grants received from the IIA, including accrued interest; (ii) in the event that following the transactions described above the company undertakes to continue its research and development activity in Israel for at least three years following such transfer and maintain at least 75% of its research and development staff employees it had for the six months before the know-how was transferred, while keeping the same scope of employment for such research and development staff, then the company is eligible for a reduced cap of the redemption fee of no more than three times the amounts received (plus accrued interest) for the applicable know-how being transferred, or the entire amount received from the National Authority for Technological Innovation, or NATI, as applicable.

Upon payment of such redemption fee, the know-how and the production rights for the products supported by such funding cease to be subject to the Innovation Law. Transfer of such funded know-how to an Israeli entity is subject to the IIA approval and to an undertaking of the recipient Israeli entity to comply with the provisions of the Innovation Law and related regulations, including the restrictions on the transfer of know-how and the obligation to pay royalties, as further described in the Innovation Law and related regulations.

Licensing rules: In May 2017, the IIA issued new rules for licensing know-how developed with the IIA's funding outside of Israel, or the Licensing Rules, which allow a company to enter into licensing arrangements or grant other rights in know-how developed under the IIA's programs outside of Israel, subject to the prior consent of the IIA and payment of license fees, calculated in accordance with the Licensing Rules. The payment of the license fees will not discharge a company from the obligations to pay royalties or other payments to the IIA.

Certain reporting obligations: A recipient of grants under the Innovation Law is required to notify the IIA of certain events enumerated in the Innovation Law. In addition, the IIA may from time to time audit sales of products by companies which received funding from the IIA and this may lead to additional royalties being payable on additional product candidates.

We have not received any grants from the IIA. In the future, we may apply for such grants. In the event that a company has received IIA grants, the abovementioned restrictions and requirements for payment may impair the ability of such a company to sell its technology outside of Israel, or to outsource manufacturing or otherwise transfer know-how outside Israel and may require it to obtain the approval or the IIA for certain actions and transactions and pay additional royalties or other payments to the IIA. If such a company fails to comply with the Innovation Law, it may be subject to mandatory repayment of grants, together with interest and penalties, as well as be exposed to criminal charges.

Tax Benefits for Research and Development under the Encouragement of Industrial Research and Development Law-1984

Israeli tax law allows, under certain conditions, a tax deduction for expenditures, including capital expenditures, related to scientific research and development, 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 related to scientific research and development that were not approved are deductible in equal amounts over three years.

From time to time we may apply the IIA for approval to allow a tax deduction for all research and development expenses during the year incurred. There can be no assurance that such application will be accepted.

Law for the Encouragement of Capital Investments-1959

The Law for the Encouragement of Capital Investments-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, as of January 1, 2011, and as of January 1, 2017 (the “2017 Amendment”). The 2017 Amendment introduces new benefits for Technology Enterprises, alongside the existing tax benefits.

Tax Benefits Under the 2017 Amendment

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 benefits programs under the Investment Law.

The 2017 Amendment provides that a technology 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 NIS 200 million, and the sale receives prior approval from the IIA.

The 2017 Amendment further provides that a technological company satisfying certain conditions (including a group turnover of at least NIS 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 IIA. A Special Preferred Technological Enterprise that acquires Benefitted Intangible Assets from a foreign company for more than NIS 500 million will be eligible for these benefits for at least ten years, subject to certain approvals as specified in the Investment Law.

Dividends distributed 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% 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. If such dividends are distributed to a foreign company and other conditions are met, the withholding tax rate will be 4%.

If in the future we generate taxable income, to the extent that we qualify as a “Preferred Company,” the benefits provided under the Investment Law could potentially reduce our corporate tax liabilities.

Taxation of our Shareholders

Capital Gains

Israeli capital gain tax is imposed on the disposal of capital assets by an Israeli resident, and on the disposal of such assets by a non-Israeli resident if those assets are either (i) located in Israel; (ii) are shares or a right to a share in an Israeli resident corporation, or (iii) represent, directly or indirectly, rights to assets located in Israel. The Israeli Income Tax Ordinance of 1961 (New Version), or the Ordinance, distinguishes between “Real Gain” and the “Inflationary Surplus.” The Inflationary Surplus is a portion of the total capital gain which is equivalent to the increase of the relevant asset’s purchase price which is attributable to the increase in the Israeli consumer price index or the foreign exchange rate differences in certain cases, between the date of purchase and the date of sale. The Real Gain is the excess of the total capital gain over Inflationary Surplus. Inflationary Surplus generated from December 31, 1993, is not subject to tax in Israel.

Real Gain accrued by individuals on the sale of our ordinary shares will be taxed at the rate of 25%. However, if the individual shareholder is a “Substantial Shareholder” (i.e., a person who holds, directly or indirectly, alone or together with such person’s relative or another person who collaborates with such person on a permanent basis, 10% or more of one of the Israeli resident company’s “means of control.” “Means of control” generally includes the right to vote, receive profits, nominate a director or an officer, receive assets upon liquidation, or order someone who holds any of the aforesaid rights how to act, and all regardless of the source of such right) at the time of sale or at any time during the preceding 12 months period, such gain will be taxed at the rate of 30%.

Real Capital Gain derived by corporations will be generally subject to a corporate tax rate of 23% (in 2024).

Capital Gains Taxes is Applicable also to Non-Israeli Resident Shareholders.

A non-Israeli resident who derives capital gains from the sale, exchange or disposition of shares in an Israeli resident company listed on a non-Israeli stock exchange may be exempt from Israeli tax so long as the following cumulative conditions are met: (i) the shares were purchased upon or after the registration of the securities on the stock exchange, (ii) the seller does not have a permanent establishment in Israel to which the derived capital gain is attributed, and (iii) the capital gains are neither subject to section 101 of the Ordinance, nor to the Israeli Income Tax Law (Inflationary Adjustments)-1985. However, 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. Furthermore, such exemption is not applicable to a person whose gains from selling or otherwise disposing of the securities are deemed to be business income.

Additionally, a sale of shares by a non-Israeli resident may be exempt from Israeli capital gains tax under the provisions of an applicable tax treaty (subject to the receipt in advance of a valid certificate from the Israel Tax Authority, or the ITA). For example, under 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, or the U.S.-Israel Tax Treaty, the sale, exchange or other disposition of shares by a shareholder who is a United States resident (for purposes of the treaty) holding the shares as a capital asset and is entitled to claim the benefits afforded to such a resident by the U.S.-Israel Tax Treaty, or a Treaty U.S. Resident, is generally exempt from Israeli capital gains tax unless either: (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 of the Treaty U.S. Resident maintained 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 any of these cases, the sale, exchange or disposition of our ordinary shares would be subject to Israeli tax, to the extent applicable. However, under the U.S.-Israel Tax Treaty, such Treaty U.S. Resident would be permitted to claim a credit for the tax against the U.S. federal income tax imposed with respect to the sale, exchange or disposition, subject to the limitations in U.S. laws 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. Specifically, in transactions involving a sale of all of the shares of an Israeli resident company, in the form of a merger or otherwise, the Israeli Tax Authority may require from shareholders who are not liable for Israeli tax to sign declarations in forms specified by this authority or obtain a specific exemption from the Israeli Tax Authority to confirm their status as non-Israeli residents, and, in the absence of such declarations or exemptions, may require the purchaser of the shares to withhold taxes at source.

Dividends

Non-Israeli residents (whether 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% (or 30% in the case such shareholder is considered a “substantial shareholder” at any point in the preceding 12 month period), which tax will be withheld at source, unless relief is provided in an applicable tax treaty between Israel and the shareholder’s country of residence. However, a distribution of dividends to non-Israeli residents is subject to withholding tax at source at a rate of 20% if the dividend is distributed from income attributed to a Preferred (including Preferred Technological) Enterprise. If the dividend is attributable in part to income derived from a Preferred Enterprise or a Preferred Technological Enterprise, the withholding rate will be a blended rate reflecting the relative portions of the 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. Such dividends are generally subject to Israeli withholding tax at a rate of 25% so long as the shares are registered with a nominee company (whether the recipient is a substantial shareholder or not) and 20% if the dividend is distributed from income attributed to a Preferred Enterprise.

However, a reduced tax rate may be provided under 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, that are paid to a United States 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. If dividends are distributed from income attributed to a Preferred Enterprise, or a Preferred Technological Enterprise and the foregoing conditions are met, such dividends are subject to a withholding tax rate of 15% for a shareholder that is a United States corporation.

Excess Tax

Subject to the provisions of an applicable tax treaty, individuals who are subject to income 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, income derived from dividends, interest and capital gains) exceeding NIS 721,560 for 2024, which amount is linked to the annual change in the Israeli consumer price index.

Foreign Exchange Regulations

Non-residents of Israel who hold our ordinary shares are able to receive any dividends, and any amounts payable upon the dissolution, liquidation and winding up of our affairs, repayable in non-Israeli currency at the rate of exchange prevailing at the time of conversion. However, Israeli income tax is generally required to have been paid or withheld on these amounts. In addition, the statutory framework for the potential imposition of currency exchange control has not been eliminated, and may be restored at any time by administrative action.

Estate and Gift Tax

Israeli law presently does not impose estate or gift taxes.

CERTAIN MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

THE FOLLOWING SUMMARY IS NOT INTENDED TO BE, AND SHOULD NOT BE CONSIDERED TO BE, LEGAL OR TAX ADVICE. EACH U.S. HOLDER SHOULD CONSULT WITH HIS OR HER OWN TAX ADVISOR AS TO THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND SALE OF ORDINARY SHARES, INCLUDING THE EFFECTS OF APPLICABLE STATE, LOCAL, FOREIGN OR OTHER TAX LAWS AND POSSIBLE CHANGES IN THE TAX LAWS.

Subject to the limitations described below, the following discussion summarizes certain material U.S. federal income tax consequences to a “U.S. Holder” arising from the purchase, ownership and sale of our ordinary shares. For this purpose, a “U.S. Holder” is a holder of ordinary shares that is: (1) an individual citizen or resident of the United States, including an alien individual who is a lawful permanent resident of the United States or meets the substantial presence residency test under U.S. federal income tax laws; (2) a corporation (or entity treated as a corporation for U.S. federal income tax purposes) or a partnership (other than a partnership that is not treated as a U.S. person under any applicable U.S. Treasury regulations) created or organized under the laws of the United States or the District of Columbia or any political subdivision thereof; (3) an estate, the income of which is includable in gross income for U.S. federal income tax purposes regardless of its source; (4) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have authority to control all substantial decisions of the trust; or (5) a trust that has a valid election in effect to be treated as a U.S. person to the extent provided in U.S. Treasury regulations.

This summary is for general information purposes only and does not purport to be a comprehensive description of all of the U.S. federal income tax considerations that may be relevant to the purchase, ownership or sale of our ordinary shares. This summary generally considers only U.S. Holders that own our ordinary shares as capital assets. This summary does not consider the U.S. federal tax consequences to a person that is not a U.S. Holder. This summary is based on the provisions of the Internal Revenue Code of 1986, as amended, or the Code, final, temporary and proposed U.S. Treasury regulations promulgated thereunder, administrative and judicial interpretations thereof, and the United States-Israel Tax Treaty, all as in effect as of the date hereof and all of which are subject to change, possibly on a retroactive basis, and all of which are open to differing interpretations. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive basis. We will not seek a ruling from the IRS, with regard to the U.S. federal income tax treatment of an investment in our ordinary shares by U.S. Holders and, therefore, can provide no assurances that the IRS will agree with the conclusions set forth below.

This discussion does not address all of the aspects of U.S. federal income taxation that may be relevant to a particular U.S. Holder based on such U.S. Holder’s particular circumstances and in particular does not discuss any estate, gift, generation-skipping transfer, state, local, excise or foreign tax considerations. In addition, this discussion does not address the U.S. federal income tax treatment of a U.S. Holder who is: (1) a bank, life insurance company, regulated investment company, or other financial institution or “financial services entity;” (2) a broker or dealer in securities or foreign currency; (3) a person who acquired our ordinary shares in connection with employment or other performance of services; (4) a U.S. Holder that is subject to the U.S. alternative minimum tax; (5) a U.S. Holder that holds our ordinary shares as a hedge or as part of a hedging, straddle, conversion or constructive sale transaction or other risk-reduction transaction for U.S. federal income tax purposes; (6) a tax-exempt entity; (7) real estate investment trusts or grantor trusts; (8) a U.S. Holder that expatriates out of the United States or a former long-term resident of the United States; or (9) a person having a functional currency other than the U.S. dollar. This discussion does not address the U.S. federal income tax treatment of a U.S. Holder that owns, directly, indirectly or constructively, at any time, ordinary shares representing 10% or more of the stock (by vote or value) of our Company.

If a partnership (including any entity or arrangement treated as a partnership for United States federal income tax purposes) holds our ordinary shares, the tax treatment of a person treated as a partner in the partnership for United States federal income tax purposes generally will depend on the status of the partner and the activities of the partnership. Partnerships (and other entities or arrangements so treated for United States federal income tax purposes) and their partners should consult their own tax advisors.

EACH U.S. HOLDER IS ADVISED TO CONSULT HIS OR HER OWN TAX ADVISER FOR THE SPECIFIC TAX CONSEQUENCES TO THAT U.S. HOLDER OF PURCHASING, HOLDING OR DISPOSING OF OUR ORDINARY SHARES, INCLUDING THE EFFECTS OF APPLICABLE STATE, LOCAL, FOREIGN OR OTHER TAX LAWS AND POSSIBLE CHANGES IN THE TAX LAWS.

Taxation of Dividends

We do not intend to pay dividends in the foreseeable future. In the event that we do pay dividends, and subject to the discussion under the heading “Passive Foreign Investment Companies” below and the discussion of “qualified dividend income” below, a U.S. Holder, other than certain U.S. Holders that are U.S. corporations, will be required to include in gross income as ordinary income the amount of any distribution paid on the ordinary shares (including the amount of any Israeli tax withheld on the date of the distribution), to the extent that such distribution does not exceed our current and accumulated earnings and profits, as determined for U.S. federal income tax purposes. The amount of a distribution which exceeds our earnings and profits will be treated first as a non-taxable return of capital, reducing the U.S. Holder’s tax basis for the ordinary shares to the extent thereof, and then capital gain. We do not expect to maintain calculations of our earnings and profits under U.S. federal income tax principles and, therefore, U.S. Holders should expect that the entire amount of any distribution generally will be reported as dividend income.

In general, preferential tax rates for “qualified dividend income” and long-term capital gains are applicable for U.S. Holders that are individuals, estates or trusts. For this purpose, “qualified dividend income” means, inter alia, dividends received from a “qualified foreign corporation.” A “qualified foreign corporation” is a corporation that is entitled to the benefits of a comprehensive tax treaty with the United States which includes an exchange of information program. The IRS has stated that the United States-Israel Tax Treaty satisfies this requirement and we believe we are eligible for the benefits of that treaty.

In addition, our dividends will be qualified dividend income if our ordinary shares are readily tradable on the Nasdaq Capital Market or another established securities market in the United States. Dividends will not qualify for the preferential rate if we are treated, in the year the dividend is paid or in the prior year, as a PFIC, as described below under “Passive Foreign Investment Companies.” A U.S. Holder will not be entitled to the preferential rate: (1) if the U.S. Holder has not held our ordinary shares for at least 61 days of the 121-day period beginning on the date which is 60 days before the ex-dividend date, or (2) to the extent the U.S. Holder is under an obligation to make related payments with respect to positions in substantially similar or related property. Any days during which the U.S. Holder has diminished its risk of loss on our ordinary shares are not counted towards meeting the 61-day holding period. Finally, U.S. Holders who elect to treat the dividend income as “investment income” pursuant to Section 163(d)(4) of the Code will not be eligible for the preferential rate of taxation.

Corporate U.S. Holders generally will not be allowed a deduction for dividends received from us.

The amount of a distribution with respect to our ordinary shares will be measured by the amount of the fair market value of any property distributed, and for U.S. federal income tax purposes, the amount of any Israeli taxes withheld therefrom. Cash distributions paid by us in NIS, if any, will be included in the income of U.S. Holders at a U.S. dollar amount based upon the spot rate of exchange in effect on the date the dividend is includible in the income of the U.S. Holder, and U.S. Holders will have a tax basis in such NIS for U.S. federal income tax purposes equal to such U.S. dollar value. If the U.S. Holder subsequently converts the NIS into U.S. dollars or otherwise disposes of them, any subsequent gain or loss in respect of such NIS arising from exchange rate fluctuations will be U.S. source ordinary income or loss. U.S. Holders should consult their own tax advisors regarding the tax consequences to them if we pay dividends in NIS or any other non-U.S. currency.

Subject to certain significant conditions and limitations, including potential limitations under the U.S.-Israel Tax Treaty, U.S. holders may be entitled to a credit against their U.S. federal income tax liability or a deduction against U.S. federal taxable income in an amount equal to the non-refundable Israeli tax withheld on distributions on our ordinary shares. However, as a result of recent changes to the U.S. foreign tax credit rules, a withholding tax may need to satisfy certain additional requirements in order to be considered a creditable tax for a U.S. holder. We have not determined whether these requirements have been met and, accordingly, no assurance can be given that any withholding tax on dividends paid by us will be creditable. The election to deduct, rather than credit, foreign taxes, is made on a year-by-year basis and applies to all foreign taxes paid by a U.S. holder or withheld from a U.S. holder that year. Distributions paid on our ordinary shares will generally be treated as passive income that is foreign source for U.S. foreign tax credit purposes, which may be relevant in calculating a U.S. holder's foreign tax credit limitation. The rules relating to the determination of the foreign tax credit are complex, and U.S. Holders should consult their tax advisor to determine whether and to what extent such U.S. Holder will be entitled to this credit.

Taxation of the Sale, Exchange or other Disposition

Except as provided under the PFIC rules described below under "Passive Foreign Investment Companies," upon the sale, exchange or other disposition of our ordinary shares, a U.S. Holder will recognize capital gain or loss in an amount equal to the difference between such U.S. Holder's tax basis for the ordinary shares, determined in U.S. dollars, and the U.S. dollar value of the amount realized on the disposition (or its U.S. dollar equivalent determined by reference to the spot rate of exchange on the date of disposition, if the amount realized is denominated in a foreign currency). The gain or loss realized on the sale, exchange or other disposition of ordinary shares will be long-term capital gain or loss if the U.S. Holder has a holding period of more than one year at the time of the disposition. Individuals who recognize long-term capital gains may be taxed on such gains at reduced rates of tax. The deduction of capital losses is subject to various limitations.

U.S. Holders should consult their own tax advisors regarding the U.S. federal income tax consequences of receiving currency other than U.S. dollars upon the disposition of our ordinary shares.

Passive Foreign Investment Companies

Based on the projected composition of our income and valuation of our assets, we may have been a PFIC during 2023, and although we have not determined whether we will be a PFIC in 2024, or in any subsequent year, our operating results for any such years may cause us to be a PFIC. If we were classified as a PFIC in any taxable year, a U.S. Holder would be subject to special rules with respect to distributions on and sales, exchanges and other dispositions of our ordinary shares. Generally, we will be treated as a PFIC for any taxable year in which at least 75 percent of our gross income is "passive income" or at least 50 percent of our gross assets during the taxable year, assuming we were not a controlled foreign corporation for the year being tested, based on the average of the fair market values of the assets determined at the end of each quarterly period, are assets that produce or are held for the production of passive income.

Passive income for this purpose generally includes, among other things, dividends, interest, rents, royalties, gains from commodities and securities transactions, and gains from assets that produce passive income. Passive income also includes amounts derived by reason of the temporary investment of funds, including those raised in a public offering. Generally, cash is treated as generating passive income and is therefore treated as a passive asset for purposes of the PFIC rules.

However, rents and royalties received from unrelated parties in connection with the active conduct of a trade or business are not considered passive income for purposes of the PFIC test. In determining whether we are a PFIC, a pro rata portion of the income and assets of each corporation in which we own, directly or indirectly, at least a 25% interest (by value) is taken into account.

Excess Distribution Rules

If we were a PFIC with respect to a U.S. Holder, then unless the U.S. Holder makes one of the elections described below, a special tax regime would apply to the U.S. Holder with respect to (a) any “excess distribution” (generally, aggregate distributions in any year that are greater than 125% of the average annual distribution received by the U.S. Holder in the shorter of the three preceding years or the U.S. Holder’s holding period for the ordinary shares) and (b) any gain realized on the sale or other disposition of the ordinary shares. Under this regime, any excess distribution and realized gain will be treated as ordinary income and will be subject to tax as if (a) the excess distribution or gain had been realized ratably over the U.S. Holder’s holding period, (b) the amount deemed realized in each year had been subject to tax in each year of that holding period at the highest marginal rate for such year (other than income allocated to the current period or any taxable period before we became a PFIC, which would be subject to tax at the U.S. Holder’s regular ordinary income rate for the current year and would not be subject to the interest charge discussed below), and (c) the interest charge generally applicable to underpayments of tax had been imposed on the taxes deemed to have been payable in those years. A U.S. Holder that is not a corporation will be required to treat any such interest paid as “personal interest,” which is not deductible. In addition, dividend distributions would not qualify for the lower rates of taxation applicable to long-term capital gains discussed above under “Taxation of Dividends.”

A U.S. Holder that holds our ordinary shares at any time during a taxable year in which we are classified as a PFIC generally will continue to treat such ordinary shares as shares in a PFIC, even if we no longer satisfy the income and asset tests described above, unless the U.S. Holder elects to recognize gain, which will be taxed under the excess distribution rules as if such ordinary shares had been sold on the last day of the last taxable year for which we were a PFIC.

Certain elections by a U.S. Holder would alleviate some of the adverse consequences of PFIC status and would result in an alternative treatment of the ordinary shares, as described below. However, we do not currently intend to provide the information necessary for U.S. Holders to make “QEF elections,” as described below, and the availability of a “mark-to-market election” with respect to the shares is a factual determination that will depend on the manner and quantity of trading of our shares, as described below.

QEF Election

If we were a PFIC, the rules above would not apply to a U.S. Holder that makes an election to treat our ordinary shares as stock of a qualified electing fund. A U.S. Holder that makes a QEF election is required to include in income its pro rata share of our ordinary earnings and net capital gain as ordinary income and long-term capital gain, respectively, subject to a separate election to defer payment of taxes, which deferral is subject to an interest charge. A U.S. Holder makes a QEF election generally by attaching a completed IRS Form 8621 to a timely filed United States federal income tax return for the year beginning with which the QEF election is to be effective (taking into account any extensions). A QEF election can be revoked only with the consent of the IRS. In order for a U.S. Holder to make a valid QEF election, we must annually provide or make available to the U.S. Holder certain information. We do not intend to provide to U.S. Holders the information required to make a valid QEF election and we currently make no undertaking to provide such information.

If we were classified as a PFIC, under Treasury Regulations, if a U.S. Holder has an option, warrant, or other right to acquire stock of a PFIC, such option, warrant or right is considered to be PFIC stock. However, a U.S. Holder of an option, warrant or right to acquire stock of a PFIC may not make a QEF election that will apply to the option, warrant or other right to acquire PFIC stock. In addition, under Treasury Regulations, if a U.S. Holder holds an option, warrant or other right to acquire stock of a PFIC, the holding period with respect to shares of stock of the PFIC acquired on exercise of such option, warrant or other right will include the period that the option, warrant or other right was held. Each U.S. Holder should consult its own tax advisor regarding the application of the PFIC rules.

Mark-to-market Election

If we were a PFIC, the rules above also would not apply to a U.S. Holder that makes a “mark-to-market” election with respect to the ordinary shares, but this election will be available with respect to the ordinary shares only if they meet certain minimum trading requirements to be considered “marketable stock” for purposes of the PFIC rules. ordinary shares will be marketable stock if they are regularly traded on a national securities exchange that is registered with the SEC or on a non-U.S. exchange or market that meets certain requirements under the Treasury regulations. ordinary shares generally will be considered regularly traded during any calendar year during which they are traded, other than in *de minimis* quantities, on at least 15 days during each calendar quarter. Any trades that have as their principal purpose meeting this requirement will be disregarded.

A U.S. Holder that makes a valid mark-to-market election for the first tax year in which such U.S. Holder holds (or is deemed to hold) our ordinary shares and for which we are a PFIC will be required to include each year an amount equal to the excess, if any, of the fair market value of such ordinary shares the U.S. Holder owns as of the close of the taxable year over such U.S. Holder's adjusted tax basis in such ordinary shares. The U.S. Holder will be entitled to a deduction for the excess, if any, of such U.S. Holder's adjusted tax basis in the ordinary shares over the fair market value of such ordinary shares as of the close of the taxable year, but only to the extent of any net mark-to-market gains with respect to such ordinary shares included by the U.S. Holder under the election for prior taxable years. The U.S. Holder's basis in such ordinary shares will be adjusted to reflect the amounts included or deducted pursuant to the election. Amounts included in income pursuant to a mark-to-market election, as well as gain on the sale, exchange or other taxable disposition of such ordinary shares, will be treated as ordinary income. The deductible portion of any mark-to-market loss, as well as loss on a sale, exchange or other disposition of our ordinary shares to the extent that the amount of such loss does not exceed net mark-to-market gains previously included in income, will be treated as ordinary loss.

The mark-to-market election applies to the taxable year for which the election is made and all subsequent taxable years, unless the ordinary shares cease to be treated as marketable stock for purposes of the PFIC rules or the IRS consents to its revocation. The excess distribution rules described above generally will not apply to a U.S. Holder for tax years for which a mark-to-market election is in effect. However, if we were a PFIC for any year in which the U.S. Holder owns the ordinary shares but before a mark-to-market election is made, the interest charge rules described above would apply to any mark-to-market gain recognized in the year the election is made.

U.S. Holders should consult their tax advisors to determine under what circumstances the mark-to-market election or QEF election would be available and, if available, what the consequences of the alternative treatments would be in their particular circumstances.

PFIC Reporting Obligations

A U.S. Holder of PFIC stock must generally file an annual information return on IRS Form 8621 (Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund) containing such information as the U.S. Treasury Department may require. The failure to file IRS Form 8621 could result in the imposition of penalties and the extension of the statute of limitations with respect to U.S. federal income tax.

U.S. Holders are urged to consult their tax advisors as to our status as a PFIC, and the tax consequences to them if we were a PFIC, including the reporting requirements and the desirability of making, and the availability of, a QEF election or a mark-to-market election with respect to the ordinary shares.

Tax on Net Investment Income

U.S. Holders who are individuals, estates or trusts will generally be required to pay a 3.8% Medicare tax on their net investment income (including dividends on and gains from the sale or other disposition of our ordinary shares), or in the case of estates and trusts on their net investment income that is not distributed to beneficiaries of the estate or trust. In each case, the 3.8% Medicare tax applies only to the extent the U.S. Holder's total adjusted income exceeds applicable thresholds. You should consult your own tax advisor regarding the application of backup withholding and the availability of and procedures for obtaining an exemption from backup withholding in your particular circumstances.

Information Reporting and Withholding

Certain U.S. Holders will be required to file an IRS Form 926 (Return by a U.S. Transferor of Property to a Foreign Corporation) to report a transfer of cash or other property to us. Substantial penalties may be imposed on a U.S. Holder that fails to comply with this reporting requirement. Each U.S. Holder is urged to consult with its own tax advisor regarding this reporting obligation.

A U.S. Holder may be subject to backup withholding at a rate of 24% with respect to cash dividends and proceeds from a disposition of our ordinary shares. In general, backup withholding will apply only if a U.S. Holder fails to comply with specified identification procedures. Backup withholding will not apply with respect to payments made to designated exempt recipients, such as corporations and tax-exempt organizations. Backup withholding is not an additional tax and may be claimed as a credit against the U.S. federal income tax liability of a U.S. Holder, provided that the required information is timely furnished to the IRS.

Certain U.S. Holders with interests in “specified foreign financial assets” (including, among other assets, our ordinary shares, unless such ordinary shares are held on such U.S. Holder’s behalf through a financial institution) may be required to file an information report with the IRS if the aggregate value of all such assets exceeds \$50,000 on the last day of the taxable year or \$75,000 at any time during the taxable year (or such higher dollar amount as may be prescribed by applicable IRS guidance). You should consult your own tax advisor as to the possible obligation to file such information report.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to certain information reporting requirements of the Exchange Act, applicable to foreign private issuers and under those requirements will file reports with the SEC. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. Our filings with the SEC will also be available to the public through the SEC’s website at www.sec.gov.

As a foreign private issuer, we are exempt from the rules under the Exchange Act related to the furnishing and content of proxy statements, and our officers, directors and principal shareholders will be 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 annual, quarterly and current reports and financial statements with the SEC as frequently or as promptly as U.S. domestic companies whose securities are registered under the Exchange Act. However, we will file with the SEC, within 120 days after the end of each fiscal year, or such applicable time as required by the SEC, an annual report on Form 20-F containing financial statements audited by an independent registered public accounting firm, and may submit to the SEC, on a Form 6-K, unaudited quarterly financial information.

I. Subsidiary Information.

Not applicable.

J. Annual Report to Security Holders.

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risks 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 current investment policy is to invest available cash in bank deposits with banks that have a credit rating of at least A-minus. Accordingly, some of our cash and cash equivalents is held in deposits that bear interest. Given the current low rates of interest we receive, we will not be adversely affected if such rates are reduced. Our market risk exposure is primarily a result of U.S. dollar/NIS exchange rates, which is discussed in detail in the following paragraph.

Foreign Exchange Risk

Our results of operations and cash flow are subject to fluctuations due to changes in U.S. dollar/NIS currency exchange rates. A certain portion of our cash and cash equivalents is held in U.S. dollars, and the vast majority of our expenses is denominated in NIS. Changes of 5% and 10% in the U.S. dollar/NIS exchange rate would increase/decrease our operating expenses for the year ended December 31, 2023 by approximately -4.23% and -8.07%, respectively. However, these historical figures may not be indicative of future exposure, as we expect that the percentage of our NIS denominated expenses will decrease in the near future as our operations expand globally, therefore reducing our exposure to exchange rate fluctuations. Currently, we do not hedge our foreign currency exchange risk. In the future, we may enter into formal currency hedging transactions to decrease the risk of financial exposure from fluctuations in the exchange rates of our principal operating currencies. These measures, however, may not adequately protect us from the material adverse effects of such fluctuations.

Liquidity risk

We monitor forecasts of our liquidity reserve (comprising cash and cash equivalents). We generally carry this out based on our expected cash flows in accordance with practice and limits set by our management. We are in the process of expanding our operations and the expenses associated therewith and we are therefore exposed to liquidity risk. However, we believe that our existing funds will enable us to fund our operating expenses and capital expenditure requirements for the twelve months following the date of this Annual Report on Form 20-F.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities.

Not applicable.

B. Warrants and rights.

Not applicable.

C. Other Securities.

Not applicable.

D. American Depositary Shares

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

There are no material modifications to the rights of security holders.

ITEM 15. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2023, or the Evaluation Date. Based on such evaluation, those officers have concluded that, as of the Evaluation Date, our disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be included in periodic filings under the Exchange Act and that such information is accumulated and communicated to management, including our principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosure.

(b) Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based principally on the framework and criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission as of the end of the period covered by this report. Based on that evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2023 at providing 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) Attestation Report of the Registered Public Accounting Firm

This Annual Report on Form 20-F does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting due to an exemption for emerging growth companies provided in the JOBS Act.

(d) Changes in Internal Control over Financial Reporting

During the year ended December 31, 2023, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16. [RESERVED]

Not applicable.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Mr. Oz Adler, is an audit committee financial expert as such term is defined by the SEC rules and has the requisite financial experience as defined by the Nasdaq Rules. Each of the members of our audit committee is “independent” as such term is defined in Rule 10A-3(b)(1) under the Exchange Act and satisfies the independent director requirements under the Nasdaq Rules.

ITEM 16B. CODE OF ETHICS

Our board of directors has adopted a Code of Ethics applicable to all of our directors and employees, including our Chief Executive Officer, Chief Financial Officer, controller or principal accounting officer, or other persons performing similar functions, which is a “code of ethics” as defined in Item 16B of Form 20-F promulgated by the SEC. The full text of the Code of Ethics is posted on our website at www.railvision.io. Information contained on, or that can be accessed through, our website does not constitute a part of this a part of this Annual Report on Form 20-F and is not incorporated by reference herein. If we make any amendment to the Code of Ethics or grant any waivers, including any implicit waiver, from a provision of the Code of Ethics, we will disclose the nature of such amendment or waiver on our website to the extent required by the rules and regulations of the SEC. We have not granted any waivers under our Code of Business Conduct and Ethics.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Brightman Almagor Zohar & Co., a Firm in the Deloitte Global Network, an independent registered public accounting firm, or Deloitte, has served as our principal independent registered public accounting firm for the year ended December 31, 2023, and 2022.

	Year Ended December 31,	
	2023	2022
(USD in thousands)		
Audit fees (1)	120	120
Audit-related fees (2)	50	220
Tax fees (3)	-	21
All other fees	-	-
Total	170	361

- (1) Audit fees consist of professional services provided in connection with the audit of our annual financial statements.
- (2) Audit-related fees in 2022 consist of services in connection with our initial public offering and in 2023 includes a consent and a comfort letter.
- (3) Tax fees consist of fees for professional services for tax compliance, tax advice, and tax audits

Pre-Approval of Auditors' Compensation

Our audit committee has a pre-approval policy for the engagement of our independent registered public accounting firm to perform certain audit and non-audit services. Pursuant to this policy, which is designed to assure that such engagements do not impair the independence of our auditors, the audit committee pre-approves annually a catalog of specific audit and non-audit services in the categories of audit services, audit-related services and tax services that may be performed by our independent registered public accounting firm. If a type of service, that is to be provided by our auditors, has not received such general pre-approval, it will require specific pre-approval by our audit committee. The policy prohibits retention of the independent registered public accounting firm to perform the prohibited non-audit functions defined in applicable SEC rules.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not applicable.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not Applicable.

ITEM 16G. CORPORATE GOVERNANCE

The Sarbanes-Oxley Act, as well as related rules subsequently implemented by the SEC, require foreign private issuers, such as us, to comply with various corporate governance practices. In addition, following the listing of our ordinary shares and warrants on the Nasdaq Capital Market, we are required to comply with the Nasdaq Listing Rules. Under those rules, we may elect to follow certain corporate governance practices permitted under the Companies Law in lieu of compliance with corresponding corporate governance requirements otherwise imposed by the Nasdaq Listing Rules for U.S. domestic issuers.

In accordance with Israeli law and practice and subject to the exemption set forth in Rule 5615 of the Nasdaq Listing Rules, we have elected to follow the provisions of the Companies Law, rather than the Nasdaq Listing Rules, with respect to the following requirements:

- *Distribution of periodic reports to shareholders; proxy solicitation.* As opposed to the Nasdaq Listing Rules, which require listed issuers to make such reports available to shareholders in one of a number of specific manners, Israeli law does not require us to distribute periodic reports directly to shareholders, and the generally accepted business practice in Israel is not to distribute such reports to shareholders but to make such reports available through a public website. In addition to making such reports available on a public website, we currently make our audited financial statements available to our shareholders at our offices and will only mail such reports to shareholders upon request. As a foreign private issuer, we are generally exempt from the SEC's proxy solicitation rules.
- *Quorum.* While the Nasdaq Listing Rules require that the quorum for purposes of any meeting of the holders of a listed company's common voting stock, as specified in the company's bylaws, be no less than 33 1/3% of the company's outstanding issued and outstanding share capital, under Israeli law, a company is entitled to determine in its articles of association the number of shareholders and percentage of holdings required for a quorum at a shareholders meeting. Our amended and restated articles of association provides that a quorum of two or more shareholders holding at least 25% of the voting rights in person or by proxy is required for commencement of business at a general meeting. However, the quorum set forth in our amended and restated articles of association with respect to an adjourned meeting consists of any number of shareholders present in person or by proxy.

- *Nomination of our directors.* Our amended and restated articles of association provides that shareholders are entitled to appoint a director to the Company's board of directors for each 10% of the Company's outstanding share capital that they own and such appointment shall be for undefined period. Additional board members are elected at our shareholder's annual meetings and in such case they shall serve on the board of directors until the next annual general meeting (except for external directors which will serve for up to three terms, each term of three years' period). In addition, our amended and restated articles allow our board of directors to appoint directors to fill vacancies and/or as an addition to the board of directors (subject to the maximum number of directors) to serve until the next annual general meeting. All of the elected directors, other than external directors, may be re-elected for an unlimited number of terms upon completion of their then-current term of office. The nominations for directors are made in accordance with the provisions of our amended and restated articles of association and the Companies Law. Nominations need not be made by a nominating committee of our board of directors consisting solely of independent directors, as required under the Nasdaq Listing Rules.
- *Compensation of officers.* Israeli law and our amended and restated articles of association does not require that the independent members of our board of directors (or a compensation committee composed solely of independent members of our board of directors) determine an executive officer's compensation, as is generally required under the Nasdaq Listing Rules with respect to the chief executive officer and all other executive officers. Instead, compensation of executive officers is determined and approved by our compensation committee and our board of directors, and in certain circumstances by our shareholders, either in consistency with our office holder compensation policy or, in special circumstances in deviation therefrom, taking into account certain considerations stated in the Companies Law.
- *Independent directors.* Israeli law does not require that a majority of the directors serving on our board of directors be "independent," as defined under Nasdaq Stock Market Rule 5605(a)(2), and rather requires we have at least two external directors who meet the requirements of the Companies Law, as described below under "Directors, Senior Management and Employees—Board Practices—External Directors." The definition of independent director under Nasdaq Listing Rules and external director under the Companies Law overlap to a significant degree such that we would generally expect the directors serving as external directors to satisfy the requirements to be independent under Nasdaq Listing Rules. However, it is possible for a director to qualify as an "external director" under the Companies Law without qualifying as an "independent director" under the Nasdaq Listing Rules, or vice-versa. Our board of directors has determined that Mr. Yossi Daskal, Oz Adler, and Mrs. Inbal Kreiss are "independent" for purposes of the Nasdaq Listing Rules. We are required, however, to ensure that all members of our Audit Committee are "independent" under the applicable Nasdaq and SEC criteria for independence (as we cannot exempt ourselves from compliance with that SEC independence requirement, despite our status as a foreign private issuer), and we must also ensure that a majority of the members of our Audit Committee are "independent directors" as defined in the Companies Law. Furthermore, Israeli law does not require, nor do our independent directors conduct, regularly scheduled meetings at which only they are present, which the Nasdaq Listing Rules otherwise require.
- *Shareholder approval.* We will seek shareholder approval for all corporate actions requiring such approval under the requirements of the Companies Law, rather than seeking approval for corporate actions in accordance with Nasdaq Stock Market Rule 5635. In particular, under this Nasdaq Stock Market rule, shareholder approval is generally required for: (i) an acquisition of shares or assets of another company that involves the issuance of 20% or more of the acquirer's shares or voting rights or if a director, officer or 5% shareholder has greater than a 5% interest in the target company or the consideration to be received; (ii) the issuance of shares leading to a change of control; (iii) adoption or amendment of equity compensation arrangements (although under the provisions of the Companies Law there is no requirement for shareholder approval for the adoption/amendment of the equity compensation plan); and (iv) issuances of 20% or more of the shares or voting rights (including securities convertible into, or exercisable for, equity) of a listed company via a private placement (and/or via sales by directors, officers or 5% shareholders) if such equity is issued (or sold) at below the greater of the book or market value of shares. By contrast, under the Companies Law, shareholder approval is required for, among other things: (i) transactions with directors concerning the terms of their service or indemnification, exemption and insurance for their service (or for any other position that they may hold at a company), for which approvals of the compensation committee, board of directors and shareholders are all required, (ii) extraordinary transactions with controlling shareholders of publicly held companies, which require the special approval, and (iii) terms of employment or other engagement of the controlling shareholder of us or such controlling shareholder's relative, which require special approval. In addition, under the Companies Law, a merger requires approval of the shareholders of each of the merging companies.
- *Approval of Related Party Transactions.* All related party transactions are approved in accordance with the requirements and procedures for approval of interested party acts and transaction as set forth in the Companies Law, which requires the approval of the audit committee, or the compensation committee, as the case may be, the board of directors and shareholders, as may be applicable, for specified transactions, rather than approval by the audit committee or other independent body of our board of directors as required under the Nasdaq Listing Rules.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

ITEM 16J. INSIDER TRADING POLICIES

Pursuant to applicable SEC transition guidance, the disclosure required by Item 16J will only be applicable to the Company from the fiscal year ending on December 31, 2024.

ITEM 16K. CYBERSECURITY

We have developed and maintain a cybersecurity risk management program, consisting of cybersecurity policies, procedures, compliance and awareness programs to mitigate risk and to ensure compliance with security, availability and confidentiality trust principles. The cybersecurity process has been integrated into our overall risk management system and process, and is solely internally managed. Management is responsible for identifying risks that threaten achievement of the control activities stated in the management's description of the services organizations systems. Management has implemented a process for identifying relevant risks that could affect the organization's ability to provide secure and reliable service to its users. The risk assessment occurs annually, or as business needs change, and covers identification of risks that could act against the company's objectives as well as specific risks related to a compromise to the security of data. See "Item 3.D Risk Factors—Risks Related to Our Business and Industry— Our business and operations might be adversely affected by security breaches, including any cybersecurity incidents."

The level of each identified risk is determined by considering the impact of the risk itself and the likelihood of the risk materializing and high scoring risks are actioned upon. Risks are analyzed to determine whether the risk meets company risk acceptance criteria to be accepted or whether a mitigation plan will be applied. Mitigation plans include both the individual or department responsible for the plan and may include budget considerations.

The oversight of cybersecurity threats is undertaken by our IT Manager, who is a Chief Information Security Officer (CISO) and holds over 15 years of experience in information technology and the design and architecture of information systems, and is supported by management. Our audit committee is responsible for cybersecurity oversight and monitoring risk. Management informs the audit committee of such risk by committee meetings.

As of the date of this report, we are not aware of any material risks from cybersecurity threats that have materially affected or are reasonably likely to materially affect us, including our business strategy, results of operations or financial condition.

PART III

ITEM 17. FINANCIAL STATEMENTS

We have elected to provide financial statements and related information pursuant to Item 18.

ITEM 18. FINANCIAL STATEMENTS

The financial statements and the related notes required by this Item are included in this Annual Report on Form 20-F beginning on page F-1.

ITEM 19. EXHIBITS.

<u>Exhibit No.</u>	<u>Exhibit Description</u>
--------------------	----------------------------

1.1	<u>Amended and Restated Articles of Association of the Company, as currently in effect (included as Exhibit 3.1 to the Registration Statement on Form F-3 as filed with the Securities and Exchange Commission March 15, 2024 and incorporated herein by reference).</u>
2.1*	<u>Description of Securities Registered under Section 12 of the Securities Exchange Act of 1934</u>
2.2	<u>Form of Warrant (included as Exhibit 4.3 to the Registration Statement on Form F-1 as filed with the Securities and Exchange Commission March 24, 2022, as amended, and incorporated herein by reference).</u>
4.1	<u>Form of Underwriter's Warrant (included as Exhibit 4.1 to our Registration Statement on Form F-1 as filed with the Securities and Exchange Commission on March 24, 2022, and incorporated herein by reference).</u>
4.2	<u>Form of Warrant Agent Agreement (included as Exhibit 4.2 to our Registration Statement on Form F-1 as filed with the Securities and Exchange Commission on March 24, 2022, and incorporated herein by reference).</u>
4.3	<u>Form of Indemnification Agreement (included as Exhibit 10.1 to our Registration Statement on Form F-1 as filed with the Securities and Exchange Commission on March 24, 2022, and incorporated herein by reference).</u>
4.4*	<u>Rail Vision Ltd. Amended Share Option Plan, amended as of March 28, 2024</u>
4.5	<u>Compensation Policy (included as Exhibit 10.3 to the Registration Statement on Form F-1 as filed with the Securities and Exchange Commission March 24, 2022, as amended, and incorporated herein by reference).</u>
4.6	<u>Amended and Restated Investors' Rights Agreement between the Company, Knorr-Bremse and Foresight, dated October 13, 2020 (included as Exhibit 10.4 to our Registration Statement on Form F-1 as filed with the Securities and Exchange Commission on March 24, 2022, and incorporated herein by reference).</u>
4.7	<u>Framework agreement between the Company and Knorr-Bremse Rail Systems Schweiz AG, dated August 2020 (included as Exhibit 10.6 to our Registration Statement on Form F-1 as filed with the Securities and Exchange Commission on March 24, 2022, and incorporated herein by reference).</u>
4.8	<u>Investment Agreement between the Company and Knorr-Bremse, dated October 13, 2020 (included as Exhibit 10.7 to our Registration Statement on Form F-1 as filed with the Securities and Exchange Commission on March 24, 2022, and incorporated herein by reference).</u>
4.9	<u>Strategic Partnership Agreement by and between the Company and Knorr-Bremse, dated August 19, 2021 (included as Exhibit 10.8 to our Registration Statement on Form F-1 as filed with the Securities and Exchange Commission on March 24, 2022, and incorporated herein by reference).</u>
4.10	<u>Form of Securities Purchase Agreement (filed as Exhibit 10.1 to our Report on Form 6-K furnished to the Securities and Exchange Commission on May 11, 2023 and incorporated herein by reference).</u>
4.11	<u>Form of Knorr-Bremse Securities Purchase Agreement (filed as Exhibit 10.2 to our Report on Form 6-K furnished to the Securities and Exchange Commission on May 11, 2023 and incorporated herein by reference).</u>
4.12	<u>Form of Common Warrant (filed as Exhibit 10.1 to our Report on Form 6-K furnished to the Securities and Exchange Commission on May 15, 2023 and incorporated herein by reference).</u>

4.13	<u>Form of Registration Rights Agreement (filed as Exhibit 10.3 to our Report on Form 6-K furnished to the Securities and Exchange Commission on May 11, 2023 and incorporated herein by reference).</u>
4.14	<u>Placement Agent Agreement dated May 10, 2023 (filed as Exhibit 10.4 to our Report on Form 6-K furnished to the Securities and Exchange Commission on May 11, 2023 and incorporated herein by reference).</u>
4.15	<u>Form of Securities Purchase Agreement (filed as Exhibit 99.1 to our Report on Form 6-K furnished to the Securities and Exchange Commission on January 31, 2024 and incorporated herein by reference).</u>
4.16	<u>Form of Registration Rights Agreement (filed as Exhibit 99.2 to our Report on Form 6-K furnished to the Securities and Exchange Commission on January 31, 2024 and incorporated herein by reference).</u>
4.17	<u>Form of Pre-Funded Warrant (filed as Exhibit 99.3 to our Report on Form 6-K furnished to the Securities and Exchange Commission on January 31, 2024 and incorporated herein by reference).</u>
4.18	<u>Form of Common Warrant (filed as Exhibit 99.4 to our Report on Form 6-K furnished to the Securities and Exchange Commission on January 31, 2024 and incorporated herein by reference).</u>
4.19	<u>Facility Agreement, dated January 9, 2024, between L.I.A. Pure Capital Ltd. and Rail Vision Ltd. (filed as Exhibit 99.1 to our Report on Form 6-K furnished to the Securities and Exchange Commission on January 9, 2024 and incorporated herein by reference).</u>
4.20	<u>Form of Warrant (filed as Exhibit 99.2 to our Report on Form 6-K furnished to the Securities and Exchange Commission on January 9, 2024 and incorporated herein by reference).</u>
12.1*	<u>Certification of the Chief Executive Officer pursuant to rule 13a-14(a) of the Securities Exchange Act of 1934</u>
12.2*	<u>Certification of the Chief Financial Officer pursuant to rule 13a-14(a) of the Securities Exchange Act of 1934</u>
13.1*	<u>Certification of the Chief Executive Officer pursuant to 18 U.S.C. 1350</u>
13.2*	<u>Certification of the Chief Financial Officer pursuant to 18 U.S.C. 1350</u>
15.1*	<u>Consent of Brightman Almagor Zohar & Co., a Firm in the Deloitte Global Network.</u>
97.1*	<u>Executive Officer Clawback Policy</u>
101	The following financial information from Rail Vision Ltd.'s Annual Report on Form 20-F for the year ended December 31, 2023, formatted in Inline Extensible Business Reporting Language (XBRL): (i) Statement of Financial Position, (ii) Statements of Comprehensive Loss, (iii) Statements of Changes in Equity, (iv) Statements of Cash Flows and (iv) Notes to Financial Statements.

* Filed herewith.

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 Form 20-F filed on its behalf.

Date: March 28, 2024

RAIL VISION LTD.

By: /s/ Shahar Hania
Shahar Hania
Chief Executive Officer

Rail Vision Ltd.

**Financial Statements
As of December 31, 2023**

Rail Vision Ltd.
Financial Statements
As of December 31, 2023
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**To the Shareholders and Board of Directors of
RAIL VISION LTD.**

We have audited the accompanying balance sheets of Rail Vision Ltd. (the “Company”) as of December 31, 2023 and 2022 and the related statements of comprehensive loss, change in convertible preferred shares and shareholders’ equity and cash flows for each of the three years in the period ended December 31, 2023 and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s 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 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 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 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 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 financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Brightman Almagor Zohar & Co.

Certified Public Accountants

A Firm in the Deloitte Global Network

Tel Aviv, Israel

March 28, 2024

We have served as the Company’s auditor since 2016.

Tel Aviv - Main Office

1 Azrieli Center Tel Aviv, 6701101 P.O.B. 16593 Tel Aviv, 6116402 | Tel: +972 (3) 608 5555 | info@deloitte.co.il

Jerusalem

3 Kiryat Ha'Mada
Har Hotzvim Tower
Jerusalem, 914510
D. BOX 45396

Tel: +972 (2) 501 8888
Fax: +972 (2) 537 4173
info-jer@deloitte.co.il

Haifa

5 Ma'aleh Hashichrur
P.O.B. 5648
Haifa, 3105502

Tel: +972 (4) 860 7333
Fax: +972 (4) 867 2528
info-haifa@deloitte.co.il

Eilat

The City Center
P.O.B. 583
Eilat, 8810402

Tel: +972 (8) 637 5676
Fax: +972 (8) 637 1628
info-eilat@deloitte.co.il

Nazareth

9 Marj Ibn Amer St.
Nazareth, 16100

Tel: +972 (73) 399 4455
Fax: +972 (73) 399 4455
info-nazareth@deloitte.co.il

Rail Vision Ltd.**Balance Sheets**

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

		As of December 31,	
	Note	2023	2022
ASSETS			
Current assets			
Cash and cash equivalents		\$ 3,066	8,270\$
Restricted cash		223	222
Accounts receivable		--	115
Inventories	3	977	--
Other current assets	4	336	225
Total current assets		4,602	8,832
Operating lease - right of use asset	14	889	1,151
Fixed assets, net	5	430	449
		1,319	1,600
TOTAL ASSETS		5,921	10,432
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade accounts payable		185	56
Current operating lease liability	14	285	281
Other accounts payable	6	2,140	1,032
Total current liabilities		2,610	1,369
Non-current operating lease liability	14	524	798
TOTAL LIABILITIES		3,134	2,167
Commitments and contingencies liabilities	7	--	--
Shareholders' equity			
Ordinary shares, NIS 0.08 par value; Authorized 12,500,000 shares; Issued and outstanding: 2,998,278 and 1,987,005 shares as of December 31, 2023 and 2022	9	68	46
Additional paid in capital	9	68,681	63,033
Accumulated deficit		(65,962)	(54,814)
Total shareholders' equity		2,787	8,265
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		5,921	10,432

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

Rail Vision Ltd.**Statements of Comprehensive Loss**

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

	Note	Year ended December 31,		
		2023	2022	2021
Revenues		\$ 142	\$ 421	\$ 888
Cost of revenues		(61)	(661)	(657)
Gross profit (loss)		81	(240)	231
Research and development expenses, net	10	(7,145)	(6,230)	(7,208)
General and administrative expenses	11	(4,339)	(4,265)	(3,316)
Operating loss		(11,403)	(10,735)	(10,293)
Financial income, net		255	260	73
Net loss		(11,148)	(10,475)	(10,220)
Basic and diluted loss per ordinary share (*)		\$ (4.3)	\$ (5.91)	\$ (8.94)
Weighted average number of ordinary shares outstanding used in computing basic and diluted loss per ordinary share (*)		2,587,290	1,771,803	1,143,518

(*) Retroactively adjusted to reflect the issuance of bonus shares effected on February 13, 2022, and a reverse share split of the Company's ordinary shares effected on November 15, 2023 (see Note 1B)

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

Rail Vision Ltd.

Statements of Convertible Preferred Shares and Changes in Shareholders' Equity

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

	Convertible Preferred A Shares		Ordinary Shares (**)		Additional paid in capital	Accumulated Deficit	Total shareholders' equity (deficit)
	Number of shares	USD	Number of shares	USD			
BALANCE AS OF January 1, 2021	51,282	4,965	1,142,075	25	35,001	(34,119)	907
CHANGES DURING 2021:							
Issuance of convertible preferred shares	--	5,000	--	--	--	--	--
Issuance of shares as a result of exercise of options	--	--	2,591	(*)	127	--	127
Share-based payment	--	--	--	--	859	--	859
Net loss	--	--	--	--	--	(10,220)	(10,220)
BALANCE AS OF DECEMBER 31, 2021	<u>51,282</u>	<u>9,965</u>	<u>1,144,666</u>	<u>25</u>	<u>35,987</u>	<u>(44,339)</u>	<u>(8,327)</u>
CHANGES DURING 2022:							
Issuance of convertible preferred shares	10,256	2,000	--	--	--	--	--
Conversion of convertible preferred shares into ordinary shares upon completion of initial public offering	(61,538)	(11,965)	338,459	8	11,957	--	11,965
Issuance of units of ordinary shares and warrants in connection with the initial public offering, net of issuance costs(***)	--	--	473,405	12	13,575	--	13,587
Conversion of convertible debt into ordinary shares upon completion of initial public offering	--	--	30,266	1	999	--	1,000
Issuance of ordinary shares as a result of exercise of options	--	--	209	(*)	10	--	10
Share-based payment	--	--	--	--	505	--	505
Net loss	--	--	--	--	--	(10,475)	(10,475)
BALANCE AS OF DECEMBER 31, 2022	<u>--</u>	<u>--</u>	<u>1,987,005</u>	<u>46</u>	<u>63,033</u>	<u>(54,814)</u>	<u>8,265</u>

(*) Represents an amount less than \$1.

(**) Retroactively adjusted to reflect the issuance of bonus shares effected on February 13, 2022, and a reverse share split of the Company's ordinary shares effected on November 15, 2023 (see Note 1B)

(***) Issuance costs in the amount of approximately \$2,060

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

Rail Vision Ltd.

Statements of Convertible Preferred Shares and Changes in Shareholders' Equity (Cont.)

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

	Convertible Preferred A Shares		Ordinary Shares (**)		Additional paid in capital	Accumulated Deficit	Total shareholders' equity (deficit)
	Number of shares	USD	Number of shares	USD			
Balance as of January 1, 2023	--	--	1,987,005	46	63,033	(54,814)	8,265
Issuance of shares as a result of exercise of warrants	--	--	24,431	1	(1)	--	--
Issuance of units of ordinary shares and warrants, net of issuance expenses (***)	--	--	986,842	21	5,376	--	5,397
Share-based payment	--	--	--	--	273	--	273
Net loss	--	--	--	--	--	(11,148)	(11,148)
BALANCE AS OF DECEMBER 31, 2023	--	--	2,998,278	68	68,681	(65,962)	2,787

(*) Represents an amount less than \$1.

(**) Retroactively adjusted to reflect the issuance of bonus shares effected on February 13, 2022, and a reverse share split of the Company's ordinary shares effected on November 15, 2023 (see Note 1B)

(***) Issuance costs in the amount of approximately \$603. (See Note 9 B (6) below)

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

Rail Vision Ltd.
Statements of Cash Flows
(U.S. dollars in thousands)

	Year ended December 31,		
	2023	2022	2021
Cash flows from operating activities			
Loss for the year	\$ (11,148)	\$ (10,475)	\$ (10,220)
Adjustments to reconcile loss to net cash used in operating activities:			
Depreciation	171	150	142
Share-based payment	273	505	1,055
Exchange rate changes on cash and cash equivalents	(70)	--	--
Changes in operating assets and liabilities:			
Decrease (increase) in accounts receivable	115	--	--
Decrease (increase) in other current assets	(111)	163	(381)
Increase in Inventory	(977)	--	--
Change in operating lease liability, net.	(8)	(159)	(91)
Increase (decrease) in trade accounts payable	129	(83)	87
Increase (decrease) in other accounts payable	1,108	(82)	(540)
Net cash used in operating activities	(10,518)	(9,981)	(9,948)
Cash flows from investing activities			
Purchase of fixed assets	(152)	(29)	(273)
Net cash used in investing activities	(152)	(29)	(273)
Cash flows from financing activities:			
Issuance of preferred A shares	--	2,000	5,000
Proceeds from a convertible debt	--	1,000	--
Proceeds from exercise of options	--	10	127
Issuance of ordinary shares and warrants, net of issuance costs	5,397	13,643	--
Net cash provided by financing activities	5,397	16,653	5,127
Effect of exchange rate changes on cash and cash equivalents	70	--	--
Increase (decrease) in cash, cash equivalents and restricted cash	(5,203)	6,643	(5,094)
Cash, cash equivalents and restricted cash at the beginning of the period	8,492	1,849	6,943
Cash, cash equivalents and restricted cash at the end of the period	3,289	8,492	1,849

	Year ended December 31,		
	2023	2022	2021
Non-Cash Activities:			
Obtaining a right-of-use asset in exchange for a lease liability	--	--	458
Conversion of preferred shares	--	11,965	--
Conversion of a convertible debt	--	1,000	--
Decrease of deferred expenses against additional paid in capital	--	56	--

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

NOTE 1 - GENERAL

A. Reporting Entity:

Rail Vision Ltd. (the “Company”) was incorporated and registered in Israel on April 18, 2016. The Company is a development-stage technology Company that is engaged in the design, development and assembly of railway detection systems designed to solve the challenges in railway operational safety, efficiency and predictive maintenance. The Company’s railway detection systems include different types of cameras, including optics, visible light spectrum cameras (video) and thermal cameras that transmit data to a ruggedized on-board computer which is designed to be suitable for the rough environment of a train’s locomotive.

The Company’s ordinary shares and warrants began trading on the Nasdaq Capital Market (“Nasdaq”) on March 31, 2022, under the symbols “RVSN” and “RVSNW,” respectively (see Note 9B (4) below).

The Company’s activities are subject to significant risks and uncertainties. The Company has incurred significant losses since the date of its inception and anticipates that it will continue to incur significant losses until it will be able to successfully commercialize its products. Failure to obtain this necessary capital when needed may force the Company to delay, limit or terminate its product development efforts or other operations. In addition, the Company is subject to risks including, among other things, competition associated with the industry in general, risks associated with financing, liquidity requirements, rapidly changing customer requirements, the loss of key personnel and the effect of planned expansion of operations on the future results of the Company.

To date, the Company has not generated significant revenues from its activities and has incurred substantial operating losses. Management expects the Company to continue to generate substantial operating losses and to continue to fund its operations primarily through the utilization of its current financial resources, sales of its products, and through additional raises of capital.

As described in note 15C, subsequent to the balance sheet date, the Company raised \$8,830 as part of issuance of shares and exercise of warrants and according to the current monthly burn rate, the management anticipates that its cash and cash equivalents as of the issuance date of the financial statements and the future expected cash flow from sales will be sufficient for 12 months of operations.

B. Issuance of bonus shares and reverse split:

On February 13, 2022, the Company effected a bonus shares issuances under Israeli law to reflect the effect of 44-for-1 forward share split of the Company’s ordinary shares. Accordingly, (i) for each one share of outstanding ordinary shares, 43 additional ordinary shares were issued and distributed to the holder thereof; (ii) the number of ordinary shares issuable upon the exercise of each outstanding convertible preferred shares, warrant and option was proportionately increased by 43 additional ordinary shares; (iii) the exercise price of each outstanding option to purchase ordinary shares was proportionately adjusted; (iv) the authorized number of ordinary shares was increased in order to reflect such issuance of bonus shares; and (v) the par value of ordinary shares was not adjusted as result of this issuance of bonus shares.

On November 15, 2023, the Company effected a one-for-eight (1-for-8) reverse stock split of its ordinary share (the “Reverse Split”). As a result of the Reverse Split, every eight (8) shares of ordinary share either issued and outstanding were combined into one new share of ordinary share. All outstanding securities entitling their holders to purchase ordinary shares, including options and warrants were adjusted as a result of the Reverse Split, as required by the terms of those securities. The Reverse Split changed the par value of the ordinary share from NIS 0.01 to NIS 0.08. the Reverse Split did not change the number of shares authorized for issuance. See also note 15D below.

All share amounts, share prices, and exercise prices have been adjusted retroactively within these financial statements to reflect the issuance of the bonus shares and the Reverse Split.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation:

The financial statements have been prepared in conformity with accounting principles generally accepted in United States of America (“US GAAP”).

B. Use of estimates in the preparation of financial statements:

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Company’s management believes that the estimates, judgments and assumptions used are reasonable based upon information available at the time they are made. These estimates, judgments and assumptions can affect reported amounts and disclosures made. Actual results could differ from those estimates.

C. Financial statement in U.S. dollars:

The functional currency of the Company is the U.S. dollar (“dollar” or “\$”) since the dollar is the currency of the primary economic environment in which the Company has operated and expects to continue to operate in the foreseeable future.

Transactions and balances denominated in dollars are presented at their original amounts. Transactions and balances denominated in foreign currencies have been re-measured to dollars.

All transaction gains and losses from re-measurement of monetary balance sheet items denominated in non-dollar currencies are reflected in the statements of comprehensive loss as financial income or expenses, as appropriate.

D. Cash and cash equivalents and restricted cash:

Cash equivalents are short-term highly liquid investments that are readily convertible to cash with maturities of three months or less as of the date acquired, readily convertible to known amounts of cash and subject to an insignificant risk. Restricted cash consists of deposits pledged to a bank that provided guarantee in connection with an operating lease.

E. Fair value of financial instruments:

The carrying values of cash and cash equivalents, restricted cash, accounts receivable, trade accounts payable, accrued expenses and employees and related expenses recorded in other accounts payable, approximate their fair value due to the short-term maturity of these instruments.

ASC 820, “Fair Value Measurements and Disclosures,” defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact. The Company also considers assumptions that market participants would use when pricing the asset or liability, such as, inherent risk, transfer restrictions and risk of nonperformance.

F. Inventories:

Inventories are stated at the lower of cost or market, with cost determined by the first-in, first-out method (FIFO) of inventory accounting. The Company capitalizes, material, labor, subcontractor and overhead costs as work-in-process for contracts where control has not yet passed to the customer. The valuation of the inventories requires to make estimates regarding excess or obsolete inventories, including making estimates of the future demand for products to be sold. Although the Company make every effort to ensure the accuracy of forecasts of future product demand, any significant unanticipated changes in demand, price, or technological developments could have a significant impact on the value of the inventory and reported operating results. Charges for excess and obsolete inventories are included within cost of revenue.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

G. Fixed assets:

Fixed assets are stated at cost, less accumulated depreciation. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are as follows:

	%
Office furniture and equipment	7-15
Computer software and electronic equipment	33
Laboratory equipment	7-15
Leasehold improvements	Over the shorter of the lease term (including the option) or useful life

H. Impairment of long-lived assets:

The Company's long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future undiscounted cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds their fair value. During 2023 and 2022, no impairment losses were recognized.

I. Accrued post-employment benefit:

Under Israeli employment laws, employees of the Company are covered under Section 14 of the Severance Compensation Act, 1963 ("Section 14") for a portion of their salaries. According to Section 14, these employees are entitled to receive monthly deposits (payments) made by the Company on their behalf with insurance companies.

Payments in accordance with Section 14 release the Company from any future severance payments (under the Israeli Severance Compensation Act, 1963) with respect of those employees. The obligation to make the monthly deposits is expensed as incurred. In addition, the aforementioned deposits are not recorded as an asset in the Company's balance sheet, and there is no liability recorded as the Company does not have a future obligation to make any additional payments.

J. Revenue recognition:

The Company applies ASC 606 "Revenue from contracts with customers" ("ASC 606"). Under ASC 606, revenue is measured as the amount of consideration the Company expects to be entitled to, in exchange for transferring products or providing services to its customers and is recognized when or as performance obligations under the terms of contracts with the Company's customers are satisfied. ASC 606 prescribes a five-step model for recognizing revenue from contracts with customers: (i) identify contract(s) with the customer; (ii) identify the separate performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the separate performance obligations in the contract; and (v) recognize revenue when (or as) each performance obligation is satisfied.

At contract inception, once the contract is determined to be within the scope of ASC 606, the Company assesses whether the goods or services promised within each contract are distinct and, therefore, represent a separate performance obligation. Goods and services that are determined not to be distinct are combined with other promised goods and services. The Company then allocates the transaction price (the amount of consideration the Company expects to be entitled to from a customer in exchange for the promised goods or services) to each performance obligation and recognizes the associated revenue when (or as) each performance obligation is satisfied.

Revenues from product sales are recognized upon the transfer of control, which is generally upon shipment or delivery.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

J. Revenue recognition (Cont.):

Deferred revenue represents amounts received by the Company for which the related revenues have not been recognized because one or more of the revenue recognition criteria have not been met.

The current portion of deferred revenue represents the amount to be recognized within one year from the balance sheet date based on the estimated performance period of the underlying performance obligation, see Note 6 below.

K. Share-based payment:

The Company applies ASC 718-10, "Share-Based Payment," ("ASC 718-10") which requires the measurement and recognition of compensation expenses for all share-based payment awards granted to employees and directors including share options granted under the Company's incentive share option plan based on estimated fair values.

ASC 718-10 requires companies to estimate the fair value of share-based payment awards on the date of grant. The portion of the grant-date fair value of the share-based payment award that is ultimately expected to vest is recognized as an expense over the requisite service periods in the Company's statements of comprehensive loss.

The Company estimates the fair value of share options granted as share-based payment awards using a Black-Scholes option pricing model. The Black-Scholes option pricing model requires a number of assumptions, of which the most significant are share price, expected volatility and the expected option term (the time from the grant date until the options are exercised or expire). Expected volatility is estimated based on volatility of similar companies in the technology sector. The expected option term is calculated for options granted to employees and directors using the "simplified" method, and grants to non-employees are based on the contractual term. The Company has historically not paid dividends and has no foreseeable plans to pay dividends. The risk-free interest rate is based on the yield from Israel Treasury zero-coupon bonds with an equivalent term. Changes in the determination of each of the inputs can affect the fair value of the share options granted and the results of operations of the Company.

L. Leases:

The Company leases office space and vehicles under operating leases.

Operating leases are included in operating lease right of use ("ROU") assets and operating lease liabilities in the Company's balance sheets. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities were recognized based on the present value of the remaining lease payments over the lease term. The Company's incremental borrowing rate is used in determining the present value of lease payments because rate implicit in the Company's leases is not readily determinable. The expected lease terms include options to extend or terminate the lease when it is reasonably certain that such options will be exercised. Operating lease expense is recognized on a straight-line basis over the lease term, variable payments are expensed in the periods incurred.

The Company has made an accounting policy election not to recognize ROU assets and lease liabilities that arise from leases with initial terms of 12 months or less. Instead, the Company continues to record such lease expenses on a straight-line basis over the lease term in the statements of comprehensive loss.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

M. Research and development expenses, net:

Research and development expenses, net, are charged to the statements of comprehensive loss as incurred.

N. Basic and diluted net loss per ordinary share:

Basic loss per ordinary share is computed by dividing the net loss by the weighted average number of ordinary shares outstanding during the year. Diluted loss per share is computed by dividing the net loss by the weighted average number of ordinary shares outstanding plus the number of additional ordinary shares that would have been outstanding if all potentially dilutive ordinary shares had been issued, using the treasury stock method. Potentially dilutive ordinary shares were excluded from the diluted loss per share calculation because they were anti-dilutive.

O. Recent Accounting Standards:

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740) – “Improvements to Income Tax Disclosures”. The ASU requires that an entity disclose specific categories in the effective tax rate reconciliation as well as provide additional information for reconciling items that meet a quantitative threshold. Further, the ASU requires certain disclosures of state versus federal income tax expense and taxes paid. The amendments in this ASU are required to be adopted starting January 1, 2025. Early adoption is permitted, and the amendments should be applied on a prospective basis. The Company is currently evaluating the effect of adopting the ASU on its disclosures.

NOTE 3 - INVENTORIES

Inventories consist of the following as of December 31, 2023 and 2022:

	December 31,	
	2023	2022
Raw materials	505	--
Work in process	383	--
Finished goods	89	--
	<u>\$ 977</u>	<u>\$ --</u>

NOTE 4 - OTHER CURRENT ASSETS

Other current assets consist of the following as of December 31, 2023 and 2022:

	December 31,	
	2023	2022
Government institutions	\$ 88	\$ 27
Deposits at the Chamber of Commerce	14	49
Deferred expenses (See note 7H)	39	--
Deferred cost of revenues (See note 7H)	85	--
Prepaid expenses	87	118
Other	23	31
	<u>\$ 336</u>	<u>\$ 225</u>

Rail Vision Ltd.**Notes to Financial Statements**

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

NOTE 5 - FIXED ASSETS, NET

	December 31,	
	2023	2022
Cost:		
Computers and software	\$ 712	\$ 573
Laboratory equipment	408	408
Furniture and office equipment	164	161
Leasehold improvement	146	136
	<u>1,430</u>	<u>1,278</u>
Accumulated depreciation:		
Computers and software	\$ 673	\$ 574
Laboratory equipment	225	172
Furniture and office equipment	29	24
Leasehold improvement	73	59
	<u>1,000</u>	<u>829</u>
Carrying amount	<u>\$ 430</u>	<u>\$ 449</u>

Depreciation expenses for the years ended December 31, 2023, 2022 and 2021 were \$171, \$150 and \$142, respectively.

NOTE 6 - OTHER ACCOUNTS PAYABLE

	December 31,	
	2023	2022
Employees and related expenses	\$ 868	\$ 824
Accrued expenses	280	208
Deferred revenues (*)	992	--
	<u>\$ 2,140</u>	<u>\$ 1,032</u>

(*) See also notes 7A(2) and 7H below.

NOTE 7 - COMMITMENTS AND CONTINGENCIES LIABILITIES

A. Israel Railways Ltd. (“Israel Railways”):

(1) Collaboration Agreement with Israel Railways:

In August 2016, the Company and Israel Railways entered into an agreement for cooperation between the parties, which was further amended on January 19, 2020, and on July 1, 2021 (“the Railway Agreement”). Under the Railway Agreement, the Company undertook to fulfill certain functions for the development, marketing, distribution and sale of the systems, and Israel Railways undertook to provide the Company with services and the means to perform tests and experiments, mainly in the form of logistics and manpower, and to provide the Company with information on certain data that will be provided at the discretion of Israel Railways.

In accordance to the Railway Agreement and upon the completion of the initial public offering on April 4, 2022 (the “IPO”) (see Note 9B(4)) the Company paid to Israeli Railways a consideration of 1.5% of the actual IPO proceeds, which was approximately \$213 and its right for payment of royalties has expired, according to the Railway Agreement provisions.

The Railway Agreement further provides that Israel Railways will be entitled to purchase the Company’s products and services at a price equal to half the lowest price charged by the Company for those products and services to an unrelated third party.

In addition, as part of the Railway Agreement and in consideration for services provided to the Company by Israel Railways, the Company granted Israel Railways an option to purchase 24,431 of the Company’s ordinary shares at their par value (see also Note 9B(5)).

The Railway Agreement was terminated and canceled by the parties under the Railways Commercial Agreement signed on January 31, 2023 (see Note 7A(2) below).

(2) Railways Commercial Agreement:

On January 31, 2023, the Company signed an agreement with Israel Railways for the purchase by Israel Railways of ten Rail Vision Main Line Systems and related services for a total amount of approximately \$1,400. As of December 31, 2023, the advanced payment received from Israel Railways was recorded as deferred revenues in other accounts payable in the amount of approximately \$500.

B. Memorandum of Understanding between the Company and Knorr-Bremse:

On September 17, 2020, a non-binding memorandum of understanding (the “Knorr-Bremse MOU”) was signed between the Company and Knorr-Bremse Systeme für Schienenfahrzeuge GmbH, an affiliate of Knorr-Bremse AG (“Knorr-Bremse”) regarding cooperation between the parties with respect to Light Rail Vehicle (“LRV”) systems.

Following the signing of the Knorr-Bremse MOU, in December 2020, Knorr-Bremse placed a purchase order with the Company for developing two prototypes of the LRV system according to specifications required by Knorr-Bremse (the “Knorr-Bremse Purchase Order”). In return for the development of the two prototypes, Knorr-Bremse paid the Company a total of approximately EUR 397 thousand (approximately \$471).

As of December 31, 2021, the Company completed its commitment according to the Knorr-Bremse Purchase Order for the supply of the two LRV prototype systems to Knorr-Bremse. Accordingly, the Company recognized revenues in 2021 from the sale of the two LRV prototype systems and the related services in a total amount of approximately \$471.

NOTE 7 - COMMITMENTS AND CONTINGENCIES LIABILITIES (Cont.)

C. Framework agreement with Knorr-Bremse Rail Systems Schweiz AG (“KBCH”):

In August 2020, the Company entered into a framework agreement (the “KBCH Framework Agreement”) with KBCH (a subsidiary of Knorr-Bremse operating in Switzerland) regarding the supply of a prototype of the Company’s shunting yard system to Schweizerische Bundes Bahnen Cargo (“SBBC”), a freight train company in Switzerland.

Under the KBCH Framework Agreement, the Company provided KBCH with one prototype of the shunting yard system which has been installed on a shunting locomotive in the SBBC shunting yard, for the purpose of examining the operational performance of the shunting yard system (the “Operational Function Test”).

In consideration for the prototype provided for the Operational Function Test, KBCH paid the Company the amount of approximately EUR 244 thousand (approximately \$292). In addition, in order to support the Operational Function Test procedure, the Company undertook to provide various professionals, as needed, in exchange for payment at the maximum rates and amounts determined in the KBCH Framework Agreement. Accordingly, during 2021, KBCH paid the Company an additional amount of approximately EUR 110 thousand (approximately \$125) for the Company’s services supporting the installation and operation of the system and its participation in part of the overall licensing process of the operating concept that were fully provided during the reporting period.

As the delivery of the prototype and the provision of the services described above were identified by the Company as a single performance obligation, during 2021, the Company recognized revenues from the sale of the prototype and the related services in the total amount of approximately \$417.

D. Strategic partnership agreement between the Company and Knorr-Bremse

On August 19, 2021, the Company entered into a strategic partnership agreement which summarizes the understandings for strategic cooperation between the parties.

The agreement was approved by the Company’s Board of Directors on August 25, 2021 and by the Company’s General Meeting on August 26, 2021.

E. Agreement for supplying equipment and services with Hitachi Rail STS Australian Pty Ltd. (“STS”)

In April 2021, the Company entered into an agreement to supply equipment, personnel and services with STS, which enables STS, as the main supplier, to supply to an Australian railway company Rio Tinto Railway Network, a prototype of the Company’s Main Line system, for demonstrations and examining the operational activity of the Main Line system (the “Long-Term Pilot”).

In September 2022, the Company completed the Long-Term Pilot and accordingly recognized revenues in the year ended December 31, 2022 from the Long Term Pilot in the total amount of EUR 192 thousands (approximately \$202).

F. Proof of Concept Purchase Order

In September 2021 the Company received a purchase order (“PO”) from a customer in the United States (the “U.S. Customer”) for a Proof of Concept (“POC”) regarding to a detection system which will focus on railway infrastructure inspection and is based on the Company’s sensors and algorithmic capabilities, utilizing cloud computing to handle data collections and measurements.

In March 2022, the Company completed the POC and accordingly recognized revenues in the year ended December 31, 2022 from the POC in the total amount of approximately \$219.

NOTE 7 - COMMITMENTS AND CONTINGENCIES LIABILITIES (Cont.)

G. Six-Month Trial with Leading US-based Rail and Leasing Services Company

On February 16, 2023, a leading US-based rail and leasing services company purchased a Switch Yard System for \$140 with support, to evaluate its performance during a six-month trial. The six-month trial was completed in September 2023, and accordingly recognized revenues in the year ended December 31, 2023 from the sale of the system and the trial, in the total amount of approximately \$142. Regarding a supply contract signed on January 17, 2024 with this customer for the purchase of the Company's AI-based Switch Yard Systems, see Note 15B below.

H. Purchase Order from a Leading Latin America Mining Company

On October 17, 2023, the Company received a purchase order in the amount of \$492 for a single Main Line system and related services from a leading Latin American ("LATAM") mining company.

On December 11, 2023, the Company completed the delivery of the Main Line system to the LATAM mining company but hadn't fully transferred the control on the system to the customer. In addition to the delivery of the system, the Company is providing supervision, guidance, and training services as part of the \$492 purchase order.

As of December 31, 2023, the payment received from the LATAM mining company in the amount of \$492, was recorded as deferred revenues in other accounts payable. In addition, the Company recorded an amount of approximately \$87 as deferred cost of revenues and an amount of approximately \$39 as deferred expenses.

NOTE 8 - CONVERTIBLE PREFERRED SHARES

Issuance of Preferred A Shares

On October 13, 2020, the Company and Knorr-Bremse entered into an investment agreement under which the Company issued 51,282 Preferred A shares to Knorr-Bremse, in exchange for a total investment of \$10,000. As of December 31, 2021, the net proceeds, after deducting closing costs and fees, amounted to \$9,965.

In addition, the Company was given, under the investment agreement, an option to demand Knorr-Bremse to invest an additional amount of \$5,000 at the same price per share (the "Call Option"), provided the existence of circumstances as detailed in the investment agreement. The Call Option was accounted as a derivative and valued at zero. On December 2, 2021, and February 14, 2022 the Company and Knorr-Bremse signed two amendments to the investment agreement, according to which, the Company will be entitled to exercise its option in 2 installments as follows: (i) up to \$2,000 will be exercisable through March 31, 2022; and (ii) up to \$2,286 will be exercisable through June 30, 2022. The aforesaid option shall expire on the closing of the Company's IPO if such shall occur prior to June 30, 2022. On March 6, 2022, the Company exercised its first installment of \$2,000 and as a result issued to Knorr-Bremse, a total of 10,256 Preferred A shares at a price of \$195 per share.

Preferred A shares were entitled to all the rights of the Company's ordinary shares and additional rights regarding liquidation preference and listing rights. Holders of Preferred A shares were entitled, at their option, to convert the Preferred A shares at any time into the Company's ordinary shares in a 1:44 ratio. In addition, prior to the Company's IPO, all Preferred A shares were converted into the Company's ordinary shares in a 1:44 ratio, and, accordingly, all rights stated are revoked upon their conversion into the Company's ordinary shares.

Immediately prior to the completion of the IPO on April 4, 2022 (see Note 9B(4)), 61,538 Preferred A shares were automatically converted into 338,459 ordinary shares (after giving effect to the issuance of 10,256 Preferred A shares described above).

NOTE 9 - SHAREHOLDERS' EQUITY

A. The rights of ordinary shares are as follows:

The ordinary shares confer upon the holders the right to receive notice to participate and vote in general meetings of shareholders of the Company, the right to receive dividends, if declared, and the right to participate in a distribution of the surplus of assets upon liquidation of the Company.

Regarding Issuance of bonus shares and Reverse Split see Note 1B above.

B. Issuance of ordinary shares and warrants:

- (1) During April – June 2021, an aggregate of options to purchase 2,591 ordinary shares were exercised by former Company employees resulting in proceeds of \$127.
- (2) During March 2022, options to purchase 209 ordinary shares were exercised by former Company employees resulting in proceeds of \$10.
- (3) In January 2022, the Company entered into a Simple Agreement for Future Equity ("SAFE") with its two main shareholders providing for financing in the aggregate amount of \$1,000 (the "Investment Amount"), which was subsequently amended in March 2022.

The SAFE provides for the conversion of the Investment Amount into the Company's ordinary shares under certain circumstances including in particular in the case of an initial public offering such that immediately prior to the closing of an initial public offering the Investment Amount shall automatically convert into the number of shares and warrants equal to the Investment Amount divided by the initial public offering price. The warrants which shall be issued shall have the same terms as the warrants to be issued in the initial public offering except such warrants shall not be registered under the Securities Act of 1933, as amended, and shall not be tradeable.

Immediately prior to the completion of the IPO on April 4, 2022 (see Note 9B(4) below) the Investment Amount was automatically converted to 30,266 ordinary shares and 30,266 warrants to purchase ordinary shares, with an exercise price of \$33.44 per share, immediately exercisable and will expire five years from the date of issuance. These warrants are being accounted for as equity instruments in accordance with the guidance contained in ASC 815-40.

- (4) On April 4, 2022, the Company completed its IPO, in which the Company issued 473,405 units. Each unit included one ordinary share and one warrant to purchase one ordinary share at an exercise price of \$33.44 per ordinary share. The warrants are exercisable at any time up to five years after the IPO. These warrants are being accounted for as equity instruments in accordance with the guidance contained in ASC 815-40.

Gross proceeds for the offering were approximately \$15,647 (including exercise of over-allotment options as described below) and net proceeds of approximately \$13,587 after deducting underwriting discounts and commissions and offering expenses.

The Company granted Aegis Capital Corp, the underwriter ("Aegis"), a 45-day over-allotment option to purchase additional ordinary shares and/or warrants to purchase additional ordinary shares up to 15% of the number of ordinary shares and warrants, respectively, sold in the IPO solely to cover over-allotments, if any. On April 4, 2022, Aegis exercised its over-allotment option with respect to 71,011 warrants to purchase ordinary shares.

- (5) According to an amended and restated cooperation agreement, dated January 19, 2020, with Israel Railways, the Company granted Israel Railways warrants to purchase 24,431 of its ordinary shares with a nominal exercise price of NIS 0.01 (approximately \$0.003) per share. On January 25, 2023, Israel Railways notified the Company of its exercise of the warrants in full, and accordingly the Company issued 24,431 ordinary shares to Israel Railways.

NOTE 9 - SHAREHOLDERS' EQUITY (Cont.)

B. Issuance of Ordinary shares and warrants (Cont.):

- (6) In May 2023, the Company executed a series of transactions raising aggregate gross proceeds of \$6,000 (approximately \$5,397 after deducting issuance costs), as follows:

On May 11, 2023 the Company completed the closing of definitive agreements with investors (i) in a registered direct offering, for the purchase and sale of 493,421 ordinary shares and (ii) in a concurrent private placement to the same investors, for the issuance of 493,424 warrants, each to purchase one ordinary share at an exercise price of \$6.72 per share. The private placement warrants are exercisable upon issuance and have a 5-year term from the initial exercise date. These warrants are being accounted for as equity instruments in accordance with the guidance contained in ASC 815-40. The aggregate gross proceeds to the Company of the registered direct offering and concurrent private placement were approximately \$3,000.

Regarding cash-less exercise of warrants subsequent to December 31, 2023, see Note 15 below.

In a concurrent private placement, the Company agreed to issue an aggregate of 493,421 ordinary shares and 493,421 five-year warrants exercisable at \$6.72 per share to Knorr-Bremse. The Knorr-Bremse private placement was subject to the approval by the Company's shareholders, and the shareholders approved the transaction on June 18, 2023. The aggregate gross proceeds from this placement were approximately \$3,000.

In all transactions, the purchase price of one unit was \$6.08. Each unit included one ordinary share and one 5-year warrant to purchase one ordinary share.

C. Equity Incentive Plan:

In January 2017, the Board authorized an incentive share option plan which was amended on March 21, 2022, and on September 13, 2022 ("2017 Plan"). The 2017 Plan provides for the grant of incentive share options to employees and service providers of the Company. Awards may be granted under the 2017 Plan until January 31, 2027.

According to the 2017 Plan, the aggregate number of ordinary shares that may be issued pursuant to awards will not exceed 291,544 ordinary shares.

D. Shares and options to service providers:

The fair value for the options to service providers was estimated on their grant date determined using a Black-Scholes option pricing model, with the following weighted-average assumptions: weighted average volatility of 70%, risk free interest rates of 1.4%, dividend yields of 0% and a weighted average life of the options of up to 5 years.

- (1) On December 20, 2021, the Company granted options to a consultant for the purchase of 3,135 of the Company's ordinary shares at an exercise price of \$49.12 per share. The Consultant will be eligible to exercise the options upon completion of milestones, as defined in the consultant agreement, for a period of 24 months from the date of their grant.
- (2) On January 1, 2023 the Company granted to a service provider 3 years term warrants, to purchase a total of 6,252 ordinary shares. 1,563 warrants at an exercise price of \$12.00, 1,563 warrants at an exercise price of \$14.00, 1,563 warrants at an exercise price of \$20.00, and 1,563 warrants at an exercise price of \$24.00.

NOTE 9 - SHAREHOLDERS' EQUITY (Cont.)

E. Options to employees

(1) The fair value of options was estimated using the Black-Scholes option pricing model, which was based on the following assumptions: share price \$2.4 - \$8.8 weighted average volatility of 65% - 68%, risk free interest rates of 1.83%-3.66%, dividend yields of 0% and expected life of the options of up to 6 years.

(2) The following table summarizes the option activity for options to employees, officers and directors:

	For the year ended December 31,								
	2023			2022			2021		
	Amount of options	Weighted average exercise price	Weighted average remaining contractual life \$	Amount of options	Weighted average exercise price (*) \$	Weighted average remaining contractual life	Amount of options	Weighted average exercise price \$	Weighted average remaining contractual life
Outstanding as of beginning of period	237,612	17.6	8.2	158,109	49.12	7.5	204,974	49.12	8.9
Granted	68,739	14.8	9.75	132,361	14.8		--	--	
Exercised	--	--	--	(209)	49.12		(2,590)	49.12	
Forfeited or expired	(9,642)	14.8		(52,649)	49.12		(44,275)	49.12	
Outstanding as of end of period	<u>296,709</u>	<u>16.32</u>	<u>6.16</u>	<u>237,612</u>	<u>17.6</u>	<u>8.2</u>	<u>158,109</u>	<u>49.12</u>	<u>7.5</u>
Exercisable as of end of period	<u>157,394</u>	<u>17.44</u>	<u>4.12</u>	<u>100,633</u>	<u>19.68</u>	<u>6.6</u>	<u>85,465</u>	<u>49.12</u>	<u>7.4</u>

(*) Regarding repricing during 2022, see Note 9E(3)(h) below.

The weighted average fair value of options granted during the years ended December 31, 2023 and 2022 was \$0.13 and \$0.48 and per share, respectively. No options granted during 2021.

As of December 31, 2023, the total unrecognized share-based payment expenses related to nonvested awards was \$302, which is expected to be recognized over the next 2.75 years.

(3) Options granted:

- a) On June 24, 2018, the Company granted options to purchase 23,512 ordinary shares to its employees and directors at an exercise price of \$49.12 per share (see also subsection (i) below). These options expire 10 years after their grant date and vest over three years in nine tranches. One third of the options vested upon the first-year anniversary and the remainder vested in eight equal quarterly tranches over a period of two years thereafter. For the year ended December 31, 2021, the Company recorded an expense of \$89. No expenses have been recorded for the years ended December 31, 2023 and 2022.
- b) On January 22, 2020, the Company granted options to purchase 83,912 ordinary shares to its employees at an exercise price of \$49.12 per share (see also subsection (h) below) (of which options to purchase 9,322 ordinary shares were to the Company's former CEO that were forfeited at the end of his employment in December 2020). These options expire 10 years after their grant date and vest over three years in nine tranches. One-third of the options vested on September 18, 2020 and the remainder vest in eight equal quarterly tranches over a period of two years thereafter. For the years ended December 31, 2022 and 2021, the Company recorded an expense of \$163 and \$380, respectively, No expenses have been recorded for the year ended December 31, 2023, in respect for such grant.

NOTE 9 - SHAREHOLDERS' EQUITY (Cont.)

E. Options to employees (Cont.)

(3) Options granted: (Cont.)

- c) In October 2020, the Company granted to its former chairman of the Board options to purchase 69,602 ordinary shares are exercisable at an exercise price of \$49.12 per share (see also subsection (i) below). The options vest as follows: (1) options to purchase 17,400 ordinary shares vested in one tranche at the end of 12 months from October 13, 2020; and (2) options to purchase 34,801 ordinary shares will vest in the event that the Company generate a cumulative order backlog (as defined in the option agreement) in the amount of not less than \$7,000 by the end of 18 months from October 13, 2020; (3) options to purchase 17,400 ordinary shares will vest in the event that the Company reaches a cumulative order backlog of \$15,000 by the end of 24 months from October 13, 2020 (including the first cumulative order backlog); and all subject to him serving as the active Chairman of the Company's Board at the time of vesting and were subject to an acceleration of 25% of his unvested options (i.e., 17,402) in the event that the Company effectuates an IPO. Accordingly, upon the completion of the IPO on April 4, 2022 (see Note 9B(4)), 17,402 were accelerated and considered fully vested.

For the years ended December 31, 2022 and 2021, the Company recorded an expense of \$133 and \$332, respectively, No expenses have been recorded for the year ended December 31, 2023, in respect for such grants.

As of December 31, 2023, a total of 34,801 of the former chairman's options had expired as the periods of 18 and 24 months had passed and the Company did not reach the required cumulative order backlogs, as detailed above.

- d) In October 2020, the Company granted to its CEO options to purchase 7,700 ordinary shares at an exercise price of \$49.12 per share (see also subsection (i) below) vest as follows: (1) options to purchase 3,850 ordinary shares will vest on the condition that the Company generates, no later than October 12, 2022, a cumulative order backlog (as defined in the option agreement) in an amount not less than \$10,000; and (2) options to purchase the remaining 3,850 ordinary shares will vest on the condition that the Company generates, no later than October 12, 2024 a cumulative order backlog (as defined above) in an amount not less than \$20,000 (including the first cumulative order backlog); and all subject to him serving in his position at the time of vesting.

For the years ended December 31, 2023, 2022 and 2021, the Company recorded an expense of \$22, \$20 and \$12, respectively, in respect for such grant.

As of December 31, 2023, a total of 3,850 of the CEO's options had expired as the period of 24 months has passed and the Company did not reach the required cumulative order backlog, as detailed above.

- e) On November 3, 2020, the Company granted options to purchase 13,475 ordinary shares to its employees at an exercise price of \$49.12 per share (see also subsection (i) below). These options expire 10 years after their grant date and vest over three years in nine tranches. One-third of the options vested on November 3, 2021, and the remainder vest in eight equal quarterly tranches over a period of two years thereafter. For the years ended December 31, 2023, 2022 and 2021, the Company recorded an expense of \$45, \$46 and \$62, respectively, in respect for such grant.

NOTE 9 - SHAREHOLDERS' EQUITY (Cont.)

E. Options to employees (Cont.)

(3) Options granted (Cont.)

- e) On May 11, 2022, the Company granted to three officers options to purchase 68,395 ordinary shares including 33,277 to its former chairman of the Board, 19,510 to its CEO and 15,608 to its CFO, at an exercise price of \$14.80 per share (equal to the average closing share price on the Nasdaq over the first 30 calendar days following the IPO on April 4, 2022). These options expire 10 years after their grant date and vest over three years in nine tranches. One-third of the options vested on May 11, 2023 and the remainder vest in eight equal quarterly tranches over a period of two years thereafter. For the years ended December 31, 2023 and 2022, The Company recorded an expense of \$96 and \$61 respectively, in respect for such grant.
- f) On May 11, 2022, and June 6, 2022, the Company granted to four of its directors options to purchase 14,974 ordinary shares and 4,991 ordinary shares, respectively, with an exercise price of \$14.80 per share. Such options will vest one-third following 12 months from the grant date of such options, second one-third following 24 months from the grant date and the balance following 36 months. For the years ended December 31, 2023 and 2022, the Company recorded an expense of \$27 and \$17 respectively, in respect for such grant.
- g) On September 13, 2022, in accordance with the terms of the 2017 Plan, the Board approved a modification of 46,964 outstanding options held by officers and employees that had an exercise price of \$49.12 per share and reduced the exercise price to \$14.80 per share. This resolution was effective from November 3, 2022, after receiving approval from the Israeli Tax Authorities. The Company calculated the fair value of such options immediately before and after the modification. The Company immediately recognized the additional fair value attributable to vested options, approximately \$51, as share based payment expenses. The additional fair value resulting from the modification, approximately \$30, is being expensed over the remaining vesting period of the modified options.

The modification of 46,021 additional outstanding options held by the Company's CEO and two Directors was approved by the Board and the Company's shareholders.

- h) On September 13, 2022 the Company granted 31,500 options to its employees at an exercise price of \$14.80 per share. These options expire 10 years after their grant date and vest over three years in nine tranches. One-third of the options vested on September 13, 2023 and the remainder vest in eight equal quarterly tranches over a period of two years thereafter. For the years ended December 31, 2023 and 2022, the Company recorded an expense of \$22 and \$10 respectively, in respect for such grant.
- i) On September 13, 2022 the Company granted 12,500 options to two of its officers at an exercise price of \$14.80 per share. These options expire 10 years after their grant date and vest in twelve equal quarterly tranches over a period of three years. For the years ended December 31, 2023 and 2022, the Company recorded an expense of \$12 and \$4 respectively, in respect for such grant.
- j) During the period June till October, 2023 the Company granted a total of 68,739 to its employees (including its CEO) and one of its director at an exercise price of \$14.80 per share. These options expire 10 years after their grant date and vest over three years in nine tranches. One-third of the options vested on June 18, 2024 and the remainder vest in eight equal quarterly tranches over a period of two years thereafter. For the year ended December 31, 2023, the Company recorded an expense of \$5, in respect for such grants.

Rail Vision Ltd.**Notes to Financial Statements**

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

NOTE 9 - SHAREHOLDERS' EQUITY (Cont.)**F. Share Based Payment Expense:**

The total share-based payment expense related to options granted to employees and service providers comprised, at each period, as follows:

	Year ended December 31,		
	2023	2022	2021
Cost of revenues	-	\$ 8	\$ 36
Research and development	61	174	608
General and administrative	212	323	411
Total share-based payment expense	<u>\$ 273</u>	<u>\$ 505</u>	<u>\$ 1,055</u>

NOTE 10 - RESEARCH AND DEVELOPMENT, NET

	Year ended December 31,		
	2023	2022	2021
Payroll and related expenses	\$ 5,671	\$ 5,049	\$ 5,586
Share-based payment	61	174	608
R&D consumables	696	160	318
Rent and office maintenance	416	355	390
Depreciation	151	130	132
Subcontracted work and consulting	5	15	64
Travel and other expenses	145	347	110
	<u>\$ 7,145</u>	<u>\$ 6,230</u>	<u>\$ 7,208</u>

NOTE 11 - GENERAL AND ADMINISTRATIVE

	Year ended December 31,		
	2023	2022	2021
Payroll and related expenses	\$ 1,815	\$ 1,845	\$ 1,508
Share-based payment	212	323	411
Professional services	1,635	1,451	1,133
Travel expenses	61	115	48
Rent and office maintenance	139	118	130
Depreciation	20	20	11
Marketing and others	457	393	75
	<u>\$ 4,339</u>	<u>\$ 4,265</u>	<u>\$ 3,316</u>

Rail Vision Ltd.**Notes to Financial Statements**

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

NOTE 12 - TAXES ON INCOME

A. The Company is subject to income taxes under Israeli tax laws:

1. The Israeli corporate tax rate was 23% in 2023, 2022 and 2021.
2. As of December 31, 2023, the Company generated net operating losses of approximately \$54,237, which may be carried forward and offset against taxable income in the future for an indefinite period.
3. The Company is still in its development stage and has not yet generated revenues. Therefore, it is more likely than not that sufficient taxable income will not be available for the tax losses to be utilized in the foreseeable future. Therefore, a valuation allowance was recorded to cover the entire balance of the deferred tax assets.

	December 31,	
	2023	2022
Deferred tax assets:		
Deferred taxes due to carryforward losses	\$ 12,474	\$ 9,843
Valuation allowance	(12,474)	(9,843)
Income tax expenses	--	--

4. The Company has no uncertain tax positions and foreign sources of income.

NOTE 13 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Parties considered to be related to the Company if the parties directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests.

A. Transactions:

	Year ended December 31,		
	2023	2022	2021
Revenues	--	--	\$ 888
General and administrative expenses (*)	\$ 22	\$ 147	--

- (*) In 2023, one time bonus in the amount of \$22 to CEO. In 2022, one time IPO bonus in the amount of \$97 and \$50 to the Company's CEO and its former chairman, respectively.

B. Balances:

	December 31,	
	2023	2022
Other current assets	--	\$ 27

Rail Vision Ltd.**Notes to Financial Statements**

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

NOTE 14 – LEASES

On April 4, 2021, the Company signed an amendment to the lease of the Company's offices in Raanana, Israel, according to which, instead of the additional lease period under the option in the lease, the Company extended the lease period for another five years beginning on September 9, 2021 (the date the current lease period ends) until September 8, 2026 (the "Lease Update").

According to the Lease Update, the monthly rent for the Company's offices (excluding parking and management fees) are approximately NIS 79 thousand (approx. \$25) in the first two years, NIS 82 thousand (approx. \$26) in the third and fourth lease years and NIS 83 thousand (approx. \$26) in the fifth year. All the amounts are linked to the Israeli Consumer Price Index.

According to the Lease Update, the Company has an option to extend the lease period for another five years from September 9, 2026, to September 8, 2031, with a monthly rent of between NIS 96 thousand (approx. \$30) and NIS 102 thousand (approx. \$32) over the additional lease period linked with the Israeli Consumer Price Index.

At the time of the amendment, the Company updated its lease liability and right-of-use asset in a total amount of approx. \$458, which reflects the expected lease term until September 8, 2026.

For the years ended December 31, 2023, 2022 and 2021, operating lease expenses recorded in the Statements of Comprehensive Loss were \$375, \$357 and \$405, respectively.

Future lease payments under operating leases as of December 31, 2023 were as follows:

2024	313
2025	317
2026	219
Total future lease payments	849
Less imputed interest	(40)
Total lease liability balance	809

The weighted average lease term and weighted average discount rate as of December 31, 2023 was as follows:

Operating leases weighted average remaining lease term (in years)	2.7
Operating leases weighted average discount rate	5.1%

NOTE 15 - SUBSEQUENT EVENTS

A. Execution of Credit Facility Agreement and Issuance of Facility Warrant

On January 9, 2024, the Company entered into the Facility Agreement for a \$6,000 credit facility (the “Credit Facility”) and an additional amount up to \$3,000, subject to certain conditions (the “Additional Loans”) with a global investment firm (the “Lender”).

The Credit Facility, which has an initial term of 10 months, accrues interest at a rate of 8% per annum, and the first payment of \$1,500 was drawn down upon execution of the Facility Agreement and the remaining amount may be drawn down in eight equal installments as of March 7, 2024. As detailed below, the Facility Agreement terminated on March 1, 2024.

After the Credit Facility is exhausted, the Company may draw down the Additional Loans in an aggregate amount up to \$3,000. The Additional Loans include two initial installments of up to \$750, and two additional installments of up to \$750, the latter of which are subject to certain conditions. The Additional Loans will accrue interest at a rate of 12% per annum.

In the event that the Company enters into an alternate credit facility on more favorable terms, the Lender’s funding obligations under the Credit Facility shall decrease with respect to the amount actually received by the Company under such alternate credit facility. The Lender’s financing obligations shall terminate in the event the Company draws down \$7,500 or more pursuant to an alternate credit facility or closes one or more equity financing transaction in an aggregate amount of at least \$5,000. As of March 1, 2024, in connection with the January 2024 Private Placement, the Company has received aggregate gross proceeds of more than \$5,000 from the purchase of Units and exercise of warrants (see Note 15C below), and accordingly the Lender’s financing obligations have been terminated.

Until the Company closes one or more equity financing transactions in an aggregate amount of at least \$5,000 (including the conversion of the Credit Facility), it has the right to convert an amount of up to \$1,500 out of the outstanding loan (including accrued interest) into ordinary shares of the Company, in connection with and in the framework of a financing transaction of the Company on the date that follows the date upon which the Company notifies the Lender of such financing transaction, which conversion will occur upon the same terms. In connection with the January 2024 Private Placement, the Company has converted \$500 of the outstanding loan and issued to the Lender the Facility Conversion Pre-Funded Warrant and the Facility Conversion Common Warrant (see Note 15C below).

In addition, the loan, together with accrued interest, must be repaid at a rate of 30% of the gross proceeds of any equity financing transactions consummated by the Company during the term of the Credit Facility, which meet a minimum threshold aggregate amount (initially, \$5,000 and increasing by an additional \$500 for each month during the term) until the loan is repaid in full. The repayment of the Credit Facility shall be on the last day of each calendar month during which the sources for repayment specified above were actually received by the Company. The loan may be prepaid early without any penalty.

As part of the Facility Agreement, the Company issued a warrant (the “Facility Warrant”) to the Lender to purchase 2,419,354 ordinary shares of the Company representing an aggregate exercise amount of \$7,500, with a per share exercise price of \$3.10, subject to certain adjustments and certain anti-dilution protection, representing a 150% premium of the closing share price of the Company’s ordinary shares on January 5, 2024. The Facility Warrant was exercisable upon issuance and has a term of 5 years from the date of issuance. The January 2024 Private Placement detailed in Note 15C below, triggered an anti-dilution protection and accordingly the exercise price of the Facility Warrant was adjusted to \$0.408 and the amount of ordinary shares issuable upon the exercise of the Facility Warrant was adjusted to 18,382,353 shares. As of the date of these financial statements, 920,000 January 2024 Facility Warrants have been exercised resulting in gross proceeds of approximately \$375 to the Company.

B. A Leading US-Based Rail & Leasing Services Company Orders Rail Vision Switch Yard Systems Valued at Up to \$5 Million

On January 17, 2024 a leading US-based rail and leasing services company signed a supply contract with the Company for the purchase of the Company’s Switch Yard Systems.

The first phase of the contract is valued at \$1,000. Follow-on orders for additional Switch Yard Systems, valued at up to \$4,000, are subject to customer approval. The contract also includes specific purchase quotas that, if met, provide the customer with exclusivity in the North American industrial railyards switching segment.

NOTE 15 - SUBSEQUENT EVENTS (Cont.)

- C. On January 18, 2024, the Company entered into a binding term sheet directly with a global investment firm (the “Lead Investor”) for the purchase and sale in the January 2024 Private Placement of units (the “Units”) consisting of (i) one ordinary share of the Company and (ii) one and a half warrants to purchase ordinary shares of the Company to the Lead Investor and other investors (collectively, the “Investors”) of a minimum of \$2,500 of Units and up to a maximum of \$3,000 of Units. The January 2024 Private Placement closed on January 31, 2024 following the execution of definitive documentation between the Company and the Investors..

On January 30, 2024, the Company entered into the definitive securities purchase agreement with the Investors for the purchase and sale of Units consisting of (A) (i) 1,651,458 of the Company’s ordinary shares, and/or (ii) pre-funded warrants (the “PIPE Pre-Funded Warrants”) to purchase up to 1,394,999 ordinary shares and (B) common warrants (the “PIPE Common Warrants”) to purchase up to 4,569,688 ordinary shares. The purchase price per Unit is \$0.98475.

The PIPE Pre-Funded Warrants are immediately exercisable at an exercise price of \$0.0001 per ordinary share, subject to certain adjustments and certain anti-dilution protection set forth therein, and will not expire until exercised in full. The PIPE Common Warrants are exercisable upon issuance at an exercise price of \$0.98475 per ordinary share, subject to certain adjustments and certain anti-dilution protection set forth therein, and will have a 5.5-year term from the issuance date.

The aggregate gross proceeds to the Company from the January 2024 Private Placement was approximately \$3,000 (\$3,500 including the \$500 converted as detailed below)..

In connection with the closing of the Private Placement, the Company exercised its conversion right pursuant to the Credit Facility to convert \$500 of the outstanding loan that was extended to the Company by the Lender of the Credit Facility. Following such conversion, the Company issued to the Lender (i) a pre-funded warrant (the “Facility Conversion Pre-Funded Warrant”) to purchase up to 507,743 ordinary shares and (ii) a common warrant (the “Facility Conversion Common Warrant”) to purchase up to 761,615 ordinary shares. The Facility Conversion Pre-Funded Warrant and the Facility Conversion Common Warrant are in substantially the same form and on substantially the same terms as the PIPE Pre-Funded Warrant and PIPE Common Warrant, respectively.

As of the date of these financial statements 1,394,999 January 2024 PIPE Pre-Funded Warrants, 507,743 Facility Conversion Pre-Funded Warrant, 761,615 Facility Conversion Common Warrant and 4,269,688 January 2024 PIPE Warrants have been exercised resulting in gross proceeds of approximately \$4,955 to the Company.

- D. On February 21, 2024, the Company convened an extraordinary general meeting of shareholders (the “Meeting”). At the Meeting, the shareholders of the Company approved (i) the cancellation of the nominal value of the Company’s registered and issued share capital; (ii) an increase of the Company’s registered share capital from 12,500,000 ordinary shares to 100,000,000 ordinary shares; and to amend the Company’s Amended and Restated Articles of Association accordingly.
- E. In January 2024, investors from the May 2023 private placement (see Note 9B(6) above) exercised 493,424 warrants to purchase ordinary shares on a cashless basis. As a result of the cashless exercises, the Company issued 181,002 ordinary shares to such investors.

DESCRIPTION OF THE SECURITIES

The descriptions of the securities contained herein summarize the material terms and provisions of the ordinary shares and warrants of Rail Vision Ltd. (the “Company”, “we”, “our” or “us”), registered under Section 12 of the Securities Exchange Act of 1934.

General

As of March 27, 2024, our authorized share capital consisted of 100,000,000 ordinary shares, no par value, of which 12,334,780 ordinary shares were issued and outstanding as of such date. All of our outstanding ordinary shares have been validly issued, fully paid and non-assessable. Our ordinary shares are not redeemable and are not subject to any preemptive rights. All descriptions of our share capital set forth herein give effect to the reverse share split of our ordinary shares at the ratio of 8:1 that we effected on November 15, 2023, the cancellation of the nominal value of our registered and issued share capital, the increase of our registered share capital that we effected on February 21, 2024 and the customary adjustments to our outstanding options and warrants.

Rights Attached to Shares

Our ordinary shares shall confer upon the holders thereof:

- equal right to attend and to vote at all of our general meetings, whether regular or special, with each ordinary share entitling the holder thereof, which attend the meeting and participate at the voting, either in person electronically or by a proxy or by a written ballot, to one vote;
- equal right to participate in distribution of dividends, if any, whether payable in cash or in bonus shares, in distribution of assets or in any other distribution, on a per share pro rata basis; and
- equal right to participate, upon our dissolution, in the distribution of our assets legally available for distribution, on a per share pro rata basis.

The Nasdaq Capital Market

On March 31, 2022, our ordinary shares and warrants commenced trading on the Nasdaq Capital Market under the symbols “RVSN,” and “RVSNW,” respectively.

Amended and Restated Articles of Association

Transfer of Shares

Our ordinary shares that are fully paid are issued in registered form and may be freely transferred under our Amended and Restated Articles of Association, unless the transfer is restricted or prohibited by another instrument, applicable law or the rules of a stock exchange on which the shares are listed for trade. The ownership or voting of our ordinary shares by non-residents of Israel is not restricted in any way by our Amended and Restated Articles of Association or the laws of the State of Israel, except for ownership by nationals of some countries that are, or have been, in a state of war with Israel.

Election of Directors

Pursuant to our amended and restated articles of association, shareholders are entitled to appoint a director to our board of directors for each 10% of our outstanding share capital that they own and in such case the appointment will be for an undefined period. Additional board members are elected at our shareholder's annual meetings and in such case they shall serve on the board of directors until the next annual general meeting (except for external directors which will serve for up to three terms, each term of three years' period). In addition, our amended and restated articles allow our board of directors to appoint directors to fill vacancies and/or as an addition to the board of directors (subject to the maximum number of directors) to serve until the next annual general meeting. All of the elected directors, other than external directors, may be re-elected for an unlimited number of terms upon completion of their then-current term of office. External directors are elected for an initial term of three years and may be removed from office pursuant to the terms of the Companies Law.

Dividend and Liquidation Rights

The ordinary shares confer upon the holders the right to receive notice to participate and vote in general meetings of shareholders of the Company, the right to receive dividends, if declared, and the right to participate in a distribution of the surplus of assets upon liquidation of the Company.

Annual and Special Meetings

Under the Companies Law, we are required to hold an annual general meeting of our shareholders once every calendar year, at such time and place which shall be determined by our board of directors, that must be 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 as special general meetings. Our board of directors may call special meetings whenever it sees fit and upon the written request of: (a) any two of our directors or such number of directors equal to one quarter of the members of our board of directors; and/or (b) one or more shareholders holding, in the aggregate, either (i) 5% or more of our outstanding voting power or (ii) 5% or more of our outstanding issued shares and 1% of our outstanding voting power.

Resolutions regarding the following matters must be passed at a general meeting of our shareholders:

- amendments to our amended and restated articles of association;
- appointment or termination of our auditors;
- appointment of elected directors, including external directors;
- approval of acts and transactions requiring general meeting approval pursuant to the provisions of the Companies Law, its regulations and any other applicable law;
- increases or reductions of our authorized share capital; and
- a merger (as such term is defined in the Companies Law).

Notice Requirement

The Companies Law requires that a notice of any annual or special shareholders meeting be provided at least 21 days prior to the meeting, and if the agenda of the meeting includes, among other matters, the appointment or removal of directors, the approval of transactions with office holders or interested or related parties, or an approval of a merger, notice must be provided at least 35 days prior to the meeting.

Quorum Requirements

As permitted under the Companies Law, under our amended and restated articles of association, the quorum required for our general meetings consists of at least two shareholders present in person, by proxy or written ballot, who hold or represent between them at least 25% of the total outstanding voting rights. If within half an hour of the time set forth for the general meeting a quorum is not present, the general meeting shall stand adjourned the same day of the following week, at the same hour and in the same place, or to such other date, time and place as prescribed in the notice to the shareholders and in such adjourned meeting, if no quorum is present within half an hour of the time arranged, any number of shareholders participating in the meeting, shall constitute a quorum.

Adoption of Resolutions

Our amended and restated articles of association provide that all resolutions of our shareholders require a simple majority vote, unless otherwise required under the Companies Law or our amended and restated articles of association. A shareholder may vote in a general meeting in person, by proxy or by a written ballot.

Changing Rights Attached to Shares

Unless otherwise provided by the terms of the shares and subject to any applicable law, in order to change the rights attached to any class of shares, such change must be adopted at a general meeting of the affected class or by a written consent of all the shareholders of the affected class.

The enlargement of an existing class of shares or the issuance of additional shares thereof, shall not be deemed to modify the rights attached to the previously issued shares of such class or of any other class, unless otherwise provided by the terms of the shares.

Limitations on the Right to Own Securities in Our Company

There are no limitations on the right to own our securities. In certain circumstances the warrants have restrictions upon the exercise of such warrants if such exercise would result in the holders thereof owning more than 4.99% or 9.99% of our ordinary shares upon such exercise, as further described below.

Provisions Restricting Change in Control of Our Company

There are no specific provisions of our amended and restated articles of association that would have an effect of delaying, deferring or preventing a change in control of the Company or that would operate only with respect to a merger, acquisition or corporate restructuring involving us. However, as described below, certain provisions of the Companies Law may have such effect.

The Companies Law includes provisions that allow a merger transaction and requires that each company that is a party to the merger have the transaction approved by its board of directors and, unless certain requirements described under the Companies Law are met, a vote of the majority of shareholders, and, in the case of the target company, also a majority vote of each class of its shares. For purposes of the shareholder vote of each party, unless a court rules otherwise, the merger will not be deemed approved if shares representing a majority of the voting power present at the shareholders meeting and which are not held by the other party to the merger (or by any person or group of persons acting in concert who holds 25% or more of the voting power or the right to appoint 25% or more of the directors of the other party) vote against the merger. If, however, the merger involves a merger with a company's own controlling shareholder or if the controlling shareholder has a personal interest in the merger, then the merger is instead subject to the same special majority requirement that governs all extraordinary transactions with controlling shareholders. Upon the request of a creditor of either party to the proposed merger, the court may delay or prevent the merger if it concludes that there exists a reasonable concern that as a result of the merger the surviving company will be unable to satisfy the obligations of any of the parties to the merger, and may further give instructions to secure the rights of creditors. In addition, a merger may not be completed unless at least (1) 50 days have passed from the time that the requisite proposals for approval of the merger were filed with the Israeli Registrar of Companies by each merging company and (2) 30 days have passed since the merger was approved by the shareholders of each merging company.

The Companies Law also provides that an acquisition of shares in an Israeli public company must be made by means of a “special” tender offer if as a result of the acquisition (1) the purchaser would become a holder of 25% or more of the voting rights in the company, unless there is already another holder of at least 25% or more of the voting rights in the company or (2) the purchaser would become a holder of more than 45% of the voting rights in the company, unless there is already a holder of more than 45% of the voting rights in the company. These requirements do not apply if, in general, the acquisition (1) was made in a private placement that received shareholders’ approval, subject to certain conditions, (2) was from a holder of 25% or more of the voting rights in the company which resulted in the acquirer becoming a holder of 25% or more of the voting rights in the company, or (3) was from a holder of more than 45% of the voting rights in the company which resulted in the acquirer becoming a holder of more than 45% of the voting rights in the company. A “special” tender offer must be extended to all shareholders. In general, a “special” tender offer may be consummated only if (1) at least 5% of the voting power attached to the company’s outstanding shares will be acquired by the offeror and (2) the offer is accepted by a majority of the offerees who notified the company of their position in connection with such offer (excluding the offeror, controlling shareholders, holders of 25% or more of the voting rights in the company or anyone on their behalf, or any person having a personal interest in the acceptance of the tender offer). If a special tender offer is accepted, then the purchaser or any person or entity controlling it or under common control with the purchaser or such controlling person or entity may not make a subsequent tender offer for the purchase of shares of the target company and may not enter into a merger with the target company for a period of one year from the date of the offer, unless the purchaser or such person or entity undertook to effect such an offer or merger in the initial special tender offer.

If, as a result of an acquisition of shares, the acquirer will hold more than 90% of an Israeli company’s outstanding shares, the acquisition must be made by means of a tender offer for all of the outstanding shares. In general, if less than 5% of the outstanding shares are not tendered in the tender offer and more than half of the offerees who have no personal interest in the offer tendered their shares, all the shares that the acquirer offered to purchase will be transferred to it by operation of law. However, a tender offer will also be accepted if the shareholders who do not accept the offer hold less than 2% of the issued and outstanding share capital of the company or of the applicable class of shares. Shareholders may request appraisal rights in connection with a full tender offer for a period of six months following the consummation of the tender offer, but the acquirer is entitled to stipulate, under certain conditions, that tendering shareholders will forfeit such appraisal rights.

Lastly, Israeli tax law treats some acquisitions, such as stock-for-stock exchanges between an Israeli company and a foreign company, less favorably than U.S. tax laws. For example, Israeli tax law may, under certain circumstances, subject a shareholder who exchanges his ordinary shares for shares in another corporation to taxation prior to the sale of the shares received in such stock-for-stock swap.

Changes in Our Capital

Our amended and restated articles of association enable us to increase or reduce our share capital. Any such changes are subject to the provisions of the Companies Law and must be approved by a resolution duly passed by our shareholders at a general meeting by voting on such change in the capital.

Warrants

The following is a summary of certain terms and provisions of the 4,355,327 warrants sold in our initial public offering, all of which remain outstanding.

Exercisability

The warrants are exercisable at any time after their original issuance and at any time up to the date that is five years after their original issuance. The warrants will be exercisable, at the option of each holder, in whole or in part by delivering to us a duly executed exercise notice and, at any time a registration statement registering the issuance of the ordinary shares underlying the warrants under the Securities Act is effective and available for the issuance of such shares, by payment in full in immediately available funds for the number of ordinary shares purchased upon such exercise. If a registration statement registering the issuance of the ordinary shares underlying the warrants under the Securities Act is not effective or available, the holder may, in its sole discretion, elect to exercise the warrant through a cashless exercise, in which case the holder would receive upon such exercise the net number of ordinary shares determined according to the formula set forth in the Warrant. No fractional shares will be issued in connection with the exercise of a warrant. In lieu of fractional shares, we will pay the holder an amount in cash equal to the fractional amount multiplied by the exercise price.

Exercise Limitation

A holder does not have the right to exercise any portion of the warrant if the holder (together with its affiliates) would beneficially own in excess of 4.99% of the number of ordinary shares outstanding immediately after giving effect to the exercise, as such percentage ownership is determined in accordance with the terms of the warrants. However, any holder may increase or decrease such percentage to any other percentage not in excess of 9.99%, provided that any increase in such percentage shall not be effective until 61 days following notice from the holder to us.

Exercise Price

The exercise price per whole ordinary share purchasable upon exercise of the warrants is \$33.04 per share. The exercise price of the warrant is subject to appropriate adjustment in the event of certain stock dividends and distributions, stock splits, stock combinations, reclassifications or similar events affecting our ordinary shares and also upon any distributions of assets, including cash, stock or other property to our shareholders.

Transferability

Subject to applicable laws, the warrants may be offered for sale, sold, transferred or assigned without our consent.

Fundamental Transactions

In the event of a fundamental transaction, as described in the warrants and generally including any reorganization, recapitalization or reclassification of our ordinary shares, the sale, transfer or other disposition of all or substantially all of our properties or assets, our consolidation or merger with or into another person, the acquisition of more than 50% of our outstanding ordinary shares, or any person or group becoming the beneficial owner of 50% of the voting power represented by our outstanding ordinary shares, the holders of the warrants will be entitled to receive upon exercise of the warrants the kind and amount of securities, cash or other property that the holders would have received had they exercised the warrants immediately prior to such fundamental transaction without regard to any limitations on exercised contained in the warrants.

Rights as a Shareholder

Except as otherwise provided in the warrants or by virtue of such holder's ownership of our ordinary shares, the holder of a warrant does not have the rights or privileges of a holder of our ordinary shares, including any voting rights, until the holder exercises the warrant.

Governing Law

The warrants are governed by New York law.

Other Securities

We do not have any other securities that are registered under Section 12 of the Securities Act.

RAIL VISION LTD.

AMENDED SHARE OPTION PLAN

As amended and ratified on March 28, 2024

1. **Purpose:** The purpose of this Share Option Plan is to provide an additional incentive to Employees, Directors, Consultants and certain other Service Providers of the Company (as defined below) and any Affiliate of the Company (as defined below) to further the growth, development and financial success of the Company by providing them with opportunities to purchase Shares (as defined below) of the Company pursuant to this Share Option Plan and to promote the success of the Company's business.
2. **Definitions:** For the purposes of this Share Option Plan, the following terms shall have the meaning ascribed thereto below:
 - a) **"Additional Rights"** means any distribution of rights, including an issuance of bonus shares and stock dividends (but excluding cash dividends), in connection with Section 102 Trustee Awards (as defined below) and/or the Shares issued upon exercise of such Awards.
 - b) **"Affiliate(s)"** means a present or future company that either (i) controls the Company or is controlled by the Company; or (ii) is controlled by the same person or entity that controls the Company, provided that for the purpose of grants made under Section 102, such company is an "employing company" within the meaning of Section 102(a) of the Tax Ordinance (as defined below).
 - c) **"Award"** – means an Option, a Share Award and/or any other Share-based award and/or other right or benefit, granted to a Grantee under the Plan.
 - d) **"Award Agreement"** – with respect to any Grantee – a written award agreement or written instrument, executed by and between the Company and the Grantee, which shall set forth the terms and conditions with respect to the Awards.
 - e) **"Board"** means the Board of Directors of the Company.
 - f) **"Cause"** means any of the following: (i) a serious breach of trust, including but not limited to, theft, embezzlement, self-dealing, and/or breach of fiduciary duties; (ii) the Grantee (as defined below) has committed any flagrant criminal offense; (iii) a material breach by the Grantee of any agreement between the Grantee and the Company and/or any Affiliate, which has not been remedied within thirty (30) days after the Grantee has received a written demand for performance from the Company; or (iv) any other circumstance justifying termination or dismissal without severance payment according to Israeli law.
 - g) **"Committee"** means a committee of Directors (as defined below) to which the Board may delegate power to act under or pursuant to the provisions of the Plan. In the absence of any such delegation, the Committee will consist of the entire Board.
 - h) **"Company"** means Rail Vision Ltd., a company incorporated under the laws of the State of Israel.
 - i) **"Companies Law"** means the Israeli Companies Law 5759-1999, as amended.
 - j) **"Consultant"** means any person or entity that is engaged by the Company or any Affiliate of the Company to render consulting or advisory services to such entity.
 - k) **"Controlling Shareholder"** has the meaning ascribed to it in Section 32(i) of the Tax Ordinance.
 - l) **"Corporate Transaction"** means the consummation of any of the following transactions or series of related transactions to which the Company is a party:
 - i) any person becomes a beneficial owner, directly or indirectly, of either (A) 50% or more of the then-outstanding Shares or (B) securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities eligible to vote for the election of directors; provided, however, that for purposes of this subsection i), the following acquisitions of shares or the Company's voting securities shall not constitute a Change in Control: (w) an acquisition directly from the Company pursuant to share issuances, share purchases, or similar acquisitions by Company shareholders, (x) an acquisition by the Company or an Affiliate, (y) an acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Affiliate, or (z) an acquisition pursuant to a Non-Qualifying Transaction (as defined in subsection (ii) below);

- ii) the consummation of a reorganization, merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company or an Affiliate (a “Reorganization”), or the sale or other disposition of all or substantially all of the Company’s assets (a “Sale”) or the acquisition of assets or stock of another corporation or other entity (an “Acquisition”), unless immediately following such Reorganization, Sale or Acquisition: (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the outstanding Shares and outstanding Company’s voting securities immediately prior to such Reorganization, Sale or Acquisition beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding Shares and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such Reorganization, Sale or Acquisition (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company’s assets or shares either directly or through one or more subsidiaries, the “Surviving Entity”) in substantially the same proportions as their ownership, immediately prior to such Reorganization, Sale or Acquisition, of the outstanding Shares and outstanding voting securities, as the case may be, and (B) no person (other than (x) the Company or any Affiliate, (y) the Surviving Entity or its ultimate parent entity, or (z) any employee benefit plan (or related trust) sponsored or maintained by any of the foregoing) is the beneficial owner, directly or indirectly, of 50% or more of the total ordinary shares or 50% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Surviving Entity (any Reorganization, Sale or Acquisition which satisfies all of the criteria specified in (A) and (B) above shall be deemed to be a “Non-Qualifying Transaction”);
- m) **“Director”** means a member of the Board of Directors of the Company.
- n) **“Disability”** means a complete and permanent inability, due to illness or injury, to perform the duties of the Grantee’s engagement at such time when the disability commenced, as determined by the Committee based on medical evidence acceptable to it.
- o) **“Employee”** means any person, including officers and Directors, employed by the Company or any Affiliate of the Company. A person employed by the Company or any Affiliate of the Company shall not cease to be an Employee for the purposes of the Plan in the case of (i) any leave of absence approved by the Company, or (ii) transfer between locations of the Company, or (iii) transfer of employment between the Company and any Affiliate or any successor thereto. With regard to Section 102 Trustee Awards and Section 102 Non-Trustee Awards (as defined below), “Employee” includes Directors and office holders (“*Nosei Misra*” as such term is defined in the Israeli Companies Law), and excludes any person who is a Controlling Shareholder prior to and/or after the issuance of the Shares issued upon exercise of the Awards.
- p) **“Exercise Price”** means the price per Share determined by the Committee in accordance with Section 10 below, which is to be paid to the Company in order to exercise an Award and purchase the Share(s) covered thereby.
- q) **“Expiration Date”** of an Award means the earlier of: (i) the lapse of ten (10) years from the date such Award was granted; (ii) the expiration date set forth in the Award Agreement; or (iii) with respect to a Share Award, the time on which such Share Award expires in accordance with Section 11 of the Plan.
- r) **“Fair Market Value”** means, as of any date, the value of a Share determined as follows:
 - i) If the Shares are admitted to trading on any established stock exchange or a national market system, including without limitation the Nasdaq National Market or the Nasdaq Small Cap Market of the Nasdaq Stock Market, the Fair Market Value shall be the closing sale price of a Share on the principal exchange on which Shares are then trading (or as reported on any composite index which includes such principal exchange), on the trading day immediately preceding such date, or if Shares were not traded on such date, then on the next preceding date of which a trade occurred, as reported in *The Wall Street Journal* or such other source as the Committee deems reliable;
 - ii) If the Shares are not traded on an exchange, but are admitted to quotation on the Nasdaq or other comparable quotation system, the Fair Market Value shall be the mean between closing representative bid and asked prices for the Shares on the trading day immediately preceding such date or, if no bid and ask prices were reported on such date, then on the last date preceding such date on which both bid and ask prices were reported, all as reported by Nasdaq or such other comparable quotation system; or

- iii) If the Shares are not publicly traded on an exchange and not quoted on Nasdaq or a comparable quotation system, the Fair Market Value shall be determined in good faith by the Committee.
- iv) Without derogating from the foregoing and solely for the purpose of determining the tax liability, in the case of Capital Gain Option Through a Trustee (as defined below), the Fair Market Value of a Share at grant shall be determined in accordance with the provisions of Section 102(b)(3) of the Tax Ordinance as further detailed in Section 18(b) below.
- s) “**Grantee**” – a person or entity to whom Awards are granted.
- t) “**Lock-up Period**” means the period during which the Section 102 Trustee Awards granted to an Grantee or, upon exercise thereof the underlying Shares as well as any Additional Rights distributed in connection therewith are to be held by the Trustee (as defined below) on behalf of the Grantee, in accordance with Section 102 (as defined below) and pursuant to the tax route which the Company elects.
- u) “**Notice of Exercise**” has the meaning ascribed to it in Section 11 below.
- v) “**Option(s)**” means a right to purchase Shares granted under Section 8 below in accordance with the provisions of the Award Agreement, and subject to the terms specified in the Plan, whether a Section 102 Trustee Award, Section 102 Non-Trustee Award, Section 3(i) Award, or option issued under other tax regimes.
- w) “**Plan**” means this Share Option Plan, as amended from time to time.
- x) “**Share Award**” – Any Restricted Share or Restricted Share Unit.
- y) “**Section 3(i)**” means that certain Section 3(i) of the Tax Ordinance, and any regulations, rules, orders or procedures promulgated thereunder, all as amended.
- z) “**Section 3(i) Award**” means an Award granted pursuant to Section 3(i).
- aa) “**Section 102**” means that certain Section 102 of the Tax Ordinance, and any regulations, rules, orders or procedures promulgated thereunder, including the Income Tax Rules (Tax Relief for Issuance of Shares to Employees), 2003, all as amended.
- bb) “**Section 102 Trustee Award**” means an Award that by its terms qualifies and is intended to qualify under the provisions of Section 102(b) of the Tax Ordinance (including the Section 102(b) Route Election (as defined below)), as either:
 - i) “**Capital Gain Award Through a Trustee**” for the special tax treatment under Section 102(b)(2) and the “Capital Route”.
 - ii) “**Section 102(b) Route Election**” means the right of the Company to choose either the “Capital Route” (as set under Section 102(b)(2)), or the “Ordinary Income Route” (as set under Section 102(b)(1)), but subject to the provisions of Section 102(g) of the Tax Ordinance, as further specified in Section 6 below.
- dd) “**Section 102 Non-Trustee Award**” means an Award that by its terms does not qualify or is not intended to qualify as a Section 102 Trustee Award and is granted not through a trustee under the terms of Section 102(c) of the Tax Ordinance.
- ee) “**Service Provider**” means an Employee, officer, Director or Consultant.
- ff) “**Share(s)**” means an Ordinary Share, nominal value NIS 0.01 of the Company, as adjusted in accordance with Section 14 of the Plan.
- gg) “**Tax Ordinance**” means the Israeli Income Tax Ordinance (New Version), 1961, as amended.
- hh) “**Trust Agreement**” means a written agreement between the Company and the Trustee, which sets forth the terms and conditions of the trust and is in accordance with the provisions of Section 102(b).

- ii) **“Trustee”** means a person or an entity, appointed by the Company and approved in accordance with the provisions of Section 102, to hold in trust on behalf of the Grantees the granted Awards, or upon exercise thereof, the Shares, as well as any Additional Rights granted in connection therewith, in accordance with the provisions of Section 102.
 - jj) **“Repricing”** shall mean (i) reducing the exercise price of an Award, (ii) cancel outstanding Awards in exchange for cash, other equity awards or Awards with an Exercise Price that is less than the Exercise Price of the original Awards, or (iii) cancel outstanding Awards with an Exercise Price that is less than the then current Fair Market Value of a Share in exchange for other equity awards, cash or other property.
 - kk) **“Restricted Share(s)”**– means a Share subject to certain restrictions, subject to the provisions of this Plan and the applicable Award Agreement.
 - ll) **“Restricted Share Unit(s)”**– means a contingent right to be issued one Share upon the applicable vesting date, subject to the provisions of this Plan and the applicable Award Agreement.
3. **Interpretation:** Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender, as appropriate.
4. **Administration:**
- a) The Committee shall have the power to administer the Plan. Notwithstanding the above, the Board shall automatically have a residual authority if no Committee shall be constituted or if such Committee shall cease to operate for any reason whatsoever.
 - b) Subject to the terms and conditions of this Plan, and subject to the approval of any relevant authorities and to applicable laws, the Committee shall have full power and authority, at all times, to: (i) select the Service Providers to whom Awards may from time to time be granted hereunder, and to grant the Awards to the said Service Providers; (ii) determine the terms and provisions of the Award Agreements (which need not be identical) including, but not limited to, the type of Award to be granted, the number of Shares to be covered by an Award, the Exercise Price, the times or conditions upon which and the extent to which an Award shall be vested and may be exercised and the nature and duration of any restrictions applicable to the Awards or the underlying Shares, including as to transferability or exercise of the same; (iii) accelerate the right of an Grantee to exercise, in whole or in part, any Award, or extend such right; (iv) amend the terms of any outstanding Award in any manner to achieve Repricing; (v) approve forms of Award Agreement for use under the Plan; (vi) make a Section 102(b) Route Election (subject to the limitations set under Section 102(g)); (vii) interpret and construe the provisions of the Plan and the Award Agreements; (viii) determine the Fair Market Value of the Shares; (ix) adopt sub-plans, Plan addenda and appendices to the Plan as the Committee deems desirable, to accommodate foreign laws, regulations and practice. The provisions of such sub-plans, Plan addenda and appendices to the Plan may take precedence over other provisions of the Plan, but unless otherwise superseded by the terms of such sub-plans, Plan addenda and appendices to the Plan, the provisions of the Plan shall govern their operation; (x) exercise such powers and perform such acts as are deemed necessary or expedient to promote the best interests of the Company with respect to the Plan, including but not limited to prescribe, amend and rescind any rules and regulations relating to the Plan (including rules and regulations relating to sub-plans, Plan addenda and appendices to the Plan established for the purpose of satisfying applicable foreign laws); and (xi) take all other action and determine any other matter which is necessary or desirable for, or incidental to, the administration of the Plan.
 - c) The interpretation and construction by the Committee of any provision of the Plan (including sub-plans, Plan addenda and appendices to the Plan), the Award Agreement or of any Award thereunder shall be final and conclusive, unless otherwise determined by the Board.
5. **Reserved Shares:**
- a) The Company, during the term of this Plan, shall reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan. The Shares subject to the Plan may be either authorized but unissued Shares or reacquired Shares, subject to applicable laws.

- b) Any Shares under the Plan, in respect of which the right hereunder of an Grantee to purchase the same shall for any reason terminate, become cancelled, expire or otherwise cease to exist, shall again be available for grant through Awards under the Plan (unless the Plan has terminated); provided, however, that any Shares not issued or tendered to the Company related to the payment of the Exercise Price of an Award or tax withholding obligations as provided under Section 18 shall not be available for grant through Awards under the Plan. No fraction of Shares may be issued under the Plan.
- c) The Board may, at any time during the term of the Plan, increase the number of Shares available for grant under the Plan. The approval of the Company's shareholders of such increase shall be obtained if so required under applicable laws and/or the Company's incorporation documents and/or any shareholders agreement, as shall be in effect from time to time.
6. Section 102(b) Route Election: No Section 102 Trustee Awards may be granted under this Plan to any eligible Grantee, unless and until, the Company's election of the type of Section 102 Trustee Awards either as "Ordinary Income Award Through a Trustee" or as "Capital Gain Award Through a Trustee" is appropriately filed with the Income Tax Authorities. The Section 102(b) Route Election shall obligate the Company to grant *only* the type of Section 102 Trustee Award it has elected, and shall apply to all Grantees who were granted Section 102 Trustee Awards during the period indicated herein, to the extent required under and in accordance with the provisions of Section 102(g) of the Tax Ordinance and the applicable regulations. For avoidance of doubt, it is clarified that the Company does not obligate itself to file a Section 102(b) Route Election, and in any case, such Section 102(b) Route Election shall be at the sole discretion of the Company. It is further clarified that such Section 102(b) Route Election shall not prevent the Company from granting Section 102 Non-Trustee Awards simultaneously.
7. Eligible Grantees:
- a) Subject to the terms and conditions of the Plan and any restriction imposed by applicable laws, Awards may be granted to Service Providers, as selected by the Committee in its sole discretion, *provided however*, that, (i) Section 102 Trustee Awards and Section 102 Non-Trustee Awards may be granted only to Israeli Employees of the Company and any Affiliate thereof, and provided further that, such Affiliate corporation is an "employing company" within the meaning of Section 102(a) of the Tax Ordinance; and (ii) Section 3(i) Awards may be granted only to Israeli (a) Consultants; and/or (b) employees, Directors and/or officers of the Company or any Affiliate who are Controlling Shareholders prior to and/or after the issuance of the Shares underlying the Awards.
- b) Eligibility to participate in the Plan does not confer any right to be granted with Awards under the Plan. Participation in the Plan is voluntary. The grant of an Award to a Service Provider hereunder, shall neither entitle such Service Provider to participate, nor disqualify him from participating, in any other grant of Awards pursuant to this Plan or any other share incentive or stock option plan of the Company or any Affiliate of the Company.
8. Issuance of Awards:
- a) Awards may be granted at any time after the Plan shall become effective as specified in Section 19 hereof, subject to obtaining all the necessary approvals (if any) from any regulatory body or governmental agency having jurisdiction over the Company and/or any Affiliate and/or any Grantee. In the case of Section 102 Trustee Awards, Awards may be granted only after the passage of thirty (30) days (or a shorter period as and if approved by the tax authorities) following the delivery by the Company to the appropriate Israeli Income Tax Authorities of a request for approval of the Plan and the Trustee according to Section 102. Notwithstanding the above, if within ninety (90) days of delivery of the abovementioned request, the tax officer notifies the Company of its decision not to approve the Plan, the Awards, which were intended to be granted as a Section 102 Trustee Awards, shall be deemed to be Section 102 Non-Trustee Awards, unless otherwise was approved by the tax officer. The date of grant of each Option shall be the date specified by the Committee at the time such Option is granted and subject to the applicable laws and regulations.
- b) An Award Agreement shall evidence each Award granted pursuant to the Plan. The Award Agreement shall state, *inter alia*, the number of Shares covered thereby, the type of Award granted thereunder, the vesting schedule (including any performance-based vesting criteria) and any acceleration thereof, the Exercise Price and such other terms and conditions as the Committee in its discretion may prescribe, provided that they are consistent with this Plan and applicable laws.

9. Trustee: In connection with the grant of any Section 102 Trustee Awards, the following shall apply:

- a) Notwithstanding anything to the contrary contained in the Plan, Section 102 Trustee Awards, which shall be granted under the Plan and any Shares issued upon exercise of such Awards shall be issued to the Trustee who shall hold the same in trust for the benefit of the Grantee at least for the Lock-up Period. Upon the conclusion of the Lock-up Period and subject to any further period included in the Plan and/or in the Award Agreement, the Trustee may release Section 102 Trustee Awards or Shares issued upon exercise of such Awards to Grantee only after the Grantee's full payment of his tax liability in connection therewith due pursuant to the Tax Ordinance.
- b) Notwithstanding the above, in the event an Grantee shall elect to release the Section 102 Trustee Awards and/or the Shares issued upon exercise of such Awards prior to the conclusion of the Lock-up Period, the sanctions under Section 102 shall apply to and shall be borne solely by the Grantee.
- c) Any Additional Rights distributed to the Grantee on account of Section 102 Trustee Awards shall be deposited with and/or issued to the Trustee for the benefit of the Grantee, and shall be held by the Trustee for the applicable Lock-up Period in accordance with the provisions of Section 102 and the elected tax route.
- d) The Company, any Affiliate of the Company (if applicable), the Trustee and the Grantee shall comply with the Tax Ordinance, Section 102 and the provisions of the Trust Agreement.
- e) Upon receipt of Section 102 Trustee Awards, Grantee will sign the Award Agreement, which shall be deemed as the Grantee's undertaking to exempt the Trustee from any liability in respect of any action or decision duly taken and *bona fide* executed in relation with the Plan and any Award, Share, Additional Right or other rights received by the Grantee in connection therewith.
- f) The Committee shall determine and approve the terms of engagement of the Trustee, and shall be authorized to designate from time to time a new Trustee and replace either of them at its sole discretion, and in the event of replacement of any existing Trustee, to instruct the transfer of all Awards and Shares held by such Trustee at such time to its successor.

10. Options

- a) The Exercise Price shall be determined by the Committee on the date of grant of an Option, on an individual basis, subject to any guidelines as may be determined by the Board from time to time and any applicable law; provided, however, that the Exercise Price shall be not less than the nominal value of the Shares underlying the Option.
- b) The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Committee subject to applicable laws. Such consideration may consist of, without limitation, (1) cash, or (2) check or wire transfer, or (3) at the discretion of the Committee, consideration received by the Company under a broker-assisted sale and remittance program acceptable to the Committee, or (4) at the discretion of the Committee, any combination of the foregoing methods of payment.
- c) Options shall be exercisable pursuant to the terms under which they were awarded and subject to the terms and conditions of this Plan and the Award Agreement; provided, however, that in no event shall an Option be exercisable after its Expiration Date, as further specified in Section 11(d) below.
- d) An Option, or any part thereof, shall be exercisable by the Grantee's signing and returning to the Company at its principal office, on any business day, a "Notice of Exercise" in such form and substance as may be prescribed by the Committee from time to time and in accordance with the requirements of applicable laws, which exercise shall be effective upon receipt of such signed notice by the Company at its principal office. The Notice of Exercise shall specify the number of Shares with respect to which the Option is being exercised and shall be accompanied by payment of the aggregate Exercise Price due with respect to the Shares to be purchased. Such payment may consist of any consideration and method of payment authorized by the Committee and permitted by the Award Agreement and the Plan. If required under applicable laws, the Notice of Exercise shall also be accompanied by payment of the aggregate withholding taxes due with respect to the exercise of Options and/or purchased Shares.
- e) If applicable laws require the Company to take any action with respect to the Shares specified in the Notice of Exercise before the issuance thereof, then the date of their issuance shall be extended for the period necessary to take such action.

f) Net Exercise:

Notwithstanding the provisions of Section 11 below, the Board may determine that in lieu of exercising Options for cash, the Grantee may elect to receive Shares equal to the aggregate value of the Options (or the portion thereof being exercised) against payment of the par value of such exercised Shares, by written notice of such election to the Company, in which event the Company shall issue to the Grantee, for no additional consideration (other than the par value of such exercised Shares), that number of Shares computed using the following formula:

$$X = \frac{Y (A-B)}{A-N}$$

Where:

X = The number of Shares to be issued to the Grantee.

Y = The number of vested Options that the Grantee wishes to exercise.

A = The Fair Market Value of one (1) Share, which, if the Shares are traded on a stock exchange, will be considered as the average known closing price (or closing bid if no sales have been reported) of the Company's share on the applicable stock exchange in the 30 days prior to the date of delivery of the exercise notice by the Grantee to the Company.

B = The Exercise Price.

N = Par Value of Exercise Share

11. Vesting of Awards:

- a) Each Award Agreement shall provide the vesting schedule for the Award as determined by the Committee. The Committee shall have the authority to determine the vesting schedule and accelerate the vesting of any outstanding Award at such time and under such circumstances as it, in its sole discretion, deems appropriate.
- b) The Award Agreement may contain performance goals and measurements (which, in the case of Awards granted in accordance with Section 102, shall, if then required, be subject to obtaining a specific tax ruling or determination from the appropriate Israeli Income Tax Authorities), and the provisions with respect to any Award need not be the same as the provisions with respect to any other Awards.
- c) Unless the Committee provides otherwise, vesting of Awards granted hereunder shall be suspended during any unpaid leave of absence.
- d) Anything herein to the contrary notwithstanding, if any Award, or any part thereof, has not been exercised or settled prior to its Expiration Date and the Shares covered thereby not paid for until such date, then such Award, or such part thereof, and the right to acquire such Shares shall terminate, and all interests and rights of the Grantee in and to the same shall expire.
- e) Awards may be exercised or settled only to purchase whole Shares, and in no case may a fraction of a Share be purchased. If any fractional Share would be deliverable upon exercise, including but not limited to, as a result of adjustments as provided in Section 15 hereof, such fraction shall be rounded up one-half or less, or otherwise rounded down, to the nearest whole number of Shares.
- f) Prior to exercise or settlement of Awards, the Grantee shall have none of the rights and privileges of a shareholder of the Company in respect to any underlying Shares. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to receive dividends or any other rights as a shareholder shall exist with respect to the Shares, notwithstanding the exercise of the Award. The Company shall issue (or cause to be issued) such Shares promptly after the Award is exercised or settled, subject to the provisions of Section 16 hereof. No adjustment will be made for a dividend or other right, for which the record date precedes the date of issuance of the Shares, except as provided in Section 14 hereof.
- g) Except and to the extent otherwise expressly provided herein, the Shares acquired under an Award shall be subject to the provisions of the Company's incorporation documents, as amended from time to time and/or any other shareholders agreement in effect.

12. Restricted Share Units

- a) The Board may grant Restricted Share Units from time to time at its sole discretion. The Restricted Share Units granted pursuant to the Plan, shall be evidenced by a written Award Agreement. Each Award Agreement shall state, among other matters, the number of Restricted Share Units granted, the vesting dates, the tax route and such other terms and conditions as the Board at its discretion may prescribe, provided that they are consistent with this Plan.
- b) Following vesting of the Restricted Share Units, the Company shall issue Shares within reasonable time in the name of the Grantee, subject to compliance with applicable law and payment of any tax liability associated with such issuance. The issuance of Shares upon vesting shall be subject to the payment of the par value of the Shares by the Grantee.

13. Restricted Shares

- a) The Board may grant Restricted Shares from time to time at its sole discretion. The Restricted Shares granted pursuant to the Plan, shall be evidenced by a written Award Agreement. Each Award Agreement shall state, among other matters, the number of Restricted Shares granted, the restrictions to which the Shares will be subject, the tax route and such other terms and conditions as the Board at its discretion may prescribe, provided that they are consistent with this Plan.
- b) Beginning on the date of grant and subject to the execution of an Award Agreement and the payment of the purchase price for the Shares (to the extent applicable), the Grantee shall become a shareholder of the Company with respect to all Restricted Shares and shall have all of the rights of a shareholder, including the right to receive distributions made with respect to such shares, including regular cash dividends (except as otherwise provided by the Board); provided, however, that in the absence of a Board action to the contrary, any Shares or any other property (other than regular cash distributions) distributed as a dividend or otherwise with respect to any Restricted Shares as to which the restrictions have not yet lapsed shall be subject to the same restrictions as the shares covered by such Restricted Shares, as further detailed in the applicable Award Agreement.
- c) The Grantee shall not be permitted to transfer or sell Restricted Shares granted under the Plan prior to the lapse of the restrictions as detailed in the Award Agreement (the “**Restriction Period**”).
- d) If and when the Restriction Period expires without a prior forfeiture of the Restricted Shares, certificates for Shares attributable to such Restricted Shares shall be delivered to the Grantee (or, if certificates were previously issued, replacement certificates shall be delivered upon return of the previously issued certificates). All legends shall be removed from said certificates at the time of delivery to the Grantee, except as otherwise required by applicable law, applicable agreements to which the Grantee is bound or other limitations imposed by the Board. Notwithstanding the foregoing, actual certificates shall not be issued to the extent that book entry recordkeeping is used.
- e) Upon issuance of Restricted Shares, and as a condition to the issuance with no restrictions following the Restriction Period, the Grantee shall consent to the terms of any agreement between the Company and its shareholders setting forth certain obligations of the Company’s shareholders and certain restrictions and limitations on the transfer Shares in the Company including, without limitation, the terms of a “bring along” provision, by executing any document, including any joinder or adoption agreement, as shall be required by the Company.

14. Termination of Relationship as a Service Provider:

- a) Except as provided below, an Award, or any part thereof, may not be exercised unless the Grantee is then a Service Provider of the Company or any Affiliate thereof, and unless the Grantee has remained continuously a Service Provider since the date of grant of the Award, unless the Committee determines that a longer period is applicable or such longer period is otherwise set forth in the Award Agreement.
- b) Unless otherwise approved by the Committee or set forth in the Award Agreement, if an Grantee ceases to be a Service Provider of the Company or any Affiliate thereof for any reason (including, but not limited to retirement, but excluding termination by reasons of Cause, Grantee's Disability or death, for which events there are special rules in Sections 14c) and 14(d) below), all Awards granted to the Grantee, which are vested and exercisable at the time of such termination, may be exercised within one (1) month following the date of such termination if the Company initiates such termination or two (2) weeks following the date of such termination, if the Service Provider initiates such termination but in no event later than the Expiration Date of such Award, as set forth in the Award Agreement. If, after termination, the Award is not so exercised within the time specified herein, the Award shall terminate, and the Shares covered by the unexercised portion of such Award shall revert to the Plan. Unless the Committee or the Award Agreement provide otherwise, any Awards which are not vested and exercisable at the date of such termination, shall terminate, and the Shares covered by such unvested Award shall revert to the Plan.
- c) Unless otherwise approved by the Committee or set forth in the Award Agreement, if an Grantee ceases to be a Service Provider of the Company or any Affiliate thereof as a result of Grantee's Disability or death, all Awards granted to the Grantee, which are vested and exercisable at the time of such termination, may, unless earlier terminated in accordance with the Award Agreement, be exercised within six (6) months, following the Grantee's termination, but in no event later than the Expiration Date of such Award, as set forth in the Award Agreement. In the case of Grantee's death, such Award may be exercised by the personal representative of the Grantee's estate or by the person or persons to whom the Award is transferred pursuant to the Grantee's will or the laws of inheritance or by the Grantee's designated beneficiary or beneficiaries of that Award. If, after termination, the Award is not so exercised within the time specified herein, the Award shall terminate, and the Shares covered by the unexercised portion of such Award shall revert to the Plan. Unless the Committee or the Award Agreement provide otherwise, any Awards which are not vested and exercisable at the date of such termination, shall terminate and the Shares covered by such unvested Award shall revert to the Plan.
- d) Notwithstanding the above, if an Grantee ceases to be a Service Provider of the Company or any Affiliate thereof for Cause, all outstanding Awards granted to such Grantee (whether vested or not) shall, to the extent not theretofore exercised, expire immediately upon the earlier of: (i) the date of such termination; or (ii) the time of delivery of the notice of termination for Cause, unless otherwise determined by the Committee. The Shares covered by such expired Awards shall revert to the Plan.
- e) In addition and notwithstanding Sections 14(b) through 14(d) above, if after termination of relationship as a Service Provider, Grantee does not comply in full with any of non- compete, non-solicitation, confidentiality or any other requirement of any agreement between the Grantee and the Company (or any Affiliate thereof engaging the Grantee), the Committee may, in its sole discretion, refuse to allow the exercise of the Awards.
- f) For the purpose of this Section 14, termination of relationship as a Service Provider shall be deemed to be effective upon the date, which is designated by the Company (or any Affiliate thereof engaging the Grantee) as the last day of the Grantee's service with the Company or any Affiliate thereof.
- g) For the purpose of this Section 14, a transfer of the Grantee from the service of the Company to any Affiliate (and vice versa) or between Affiliates shall not be deemed a termination of relationship as a Service Provider, unless otherwise determined by the Committee.

15. Adjustments, Liquidation and Corporate Transaction: Upon the occurrence of any of the following described events, an Grantee's right to purchase Shares under the Plan shall be adjusted as hereinafter provided.

- a) Changes in Capitalization. The number and type of Shares which have been authorized for issuance under the Plan but as to which no Award have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Award, and the number and type of Shares covered by each outstanding Award, as well as the Exercise Price per Share covered by each such outstanding Award, shall be proportionately adjusted for any increase or decrease in the number or type of issued Shares resulting from a stock split, reverse stock split, stock dividend, recapitalization, combination or reclassification of the Shares, or any other increase or decrease in the number of issued Shares effected without receipt of consideration by the Company, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the Plan. The conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration". Such adjustment shall be made by the Committee, in its sole discretion. The Company shall not be required to issue fractional Shares or other securities under the Plan as a result of such adjustment and any fractional interest in a Share or other security that would otherwise be delivered upon the exercise of an Award will be rounded, as detailed in Section 11(e) hereof.
- b) Dissolution or Liquidation. In the event of dissolution or liquidation of the Company, the Company shall have no obligation to notify the Grantees of such event and any Awards that have not been previously exercised will terminate immediately prior to such dissolution or liquidation. Notwithstanding the above, in the event of a voluntary liquidation of the Company, which is not within the frame of a Corporate Transaction, the Committee shall notify each Grantee as soon as practicable prior to the effective date of such proposed transaction, and any Awards that have not been previously exercised will terminate immediately prior to such proposed liquidation.
- c) Corporate Transaction. In the event of a Corporate Transaction, each outstanding Award shall be treated as the Committee determines, including, without limitation, that each Award may (i) be assumed or substituted for an equivalent option by the successor corporation or a parent or subsidiary of the successor corporation. In the case of such assumption or substitution of Options, appropriate adjustments shall be made in the number and type of Shares covered by each outstanding Option, as well as the Exercise Price per Share covered by each such outstanding Award, and all other terms and conditions of the Awards, such as the vesting dates, shall remain in force; or (ii) be terminated in exchange for a cash payment (if any) equal to the excess of the Fair Market Value of the Shares subject to such Award (either to the extent then exercisable or, at the discretion of the Committee, the Award being made fully exercisable for purposes of this Section 15(c)) over the Exercise Price thereof.

For the purposes of this Section 15(c), the Award shall be considered assumed if, following the Corporate Transaction, the Award confers the right to purchase or receive, for each Share covered by the Award immediately prior to the Corporate Transaction, the consideration, if any, (whether stock, cash, or other securities or property) received in the Corporate Transaction by holders of Ordinary Shares for each Ordinary Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Ordinary Shares); provided, however, that if such consideration received in the Corporate Transaction is not solely in securities of the successor corporation or its Parent or Subsidiary, the Committee may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Award, for each Ordinary Share subject to the Award, to be solely in securities of the successor corporation or its Parent or Subsidiary equal in fair market value to the per share consideration received by holders of Ordinary Shares in the Corporate Transaction.

Unless the Committee or the Award Agreement provide otherwise, in the event that the Award is not assumed, substituted or exchanged during and/or immediately following the Corporate Transaction, the Award shall terminate as of the date of the closing of the Corporate Transaction and the Committee shall notify the Grantee in writing or electronically of such termination.

The Committee shall not be required to treat all Awards similarly in the transaction

- d) Dividend Distribution. In the event the Company shall distribute a cash, in kind, or similar dividend with respect to all of its issued and outstanding ordinary shares, and the record date for determining the right to receive such dividends is before the Expiration Date of exercise such Awards, then the Award Exercise Price payable upon exercise of each outstanding Option shall be adjusted and reduced by the amount of such dividend payment per Share; provided, however, that no dividends or Additional Rights may be issued with respect to any unvested Awards.
- e) Issuance of Rights. In the event that the Company shall offer to its shareholders rights to purchase any securities, by the method of rights offering, than the Exercise Price shall not be adjusted. However, the amount of shares issuable upon the exercise of Awards not yet exercised prior to the effective date with respect to the right to purchase rights under the rights offering (in this Section 15(e) – the "Effective Date"), shall be adjusted according to the benefit component of the rights, if any, as it is expressed in the ratio between the price of an ordinary share on the end of the Effective Date and the price of an ordinary share as a result of such rights offering, as recorded by the stock exchange, as applicable (ex rights rate).
- f) Upon each adjustment of the Exercise Price and/or number of Shares, the Company shall notify Holder within a reasonable time setting forth the adjustments to the Exercise Price, class and/or number of Shares.

16. Limited Transferability and Restrictions on Sale of Awards/Shares:

- a) No Award may be sold, pledged, assigned, hypothecated or transferred other than by will or by the laws of descent and distribution, and may be exercised during the lifetime of the Grantee, only by the Grantee. The terms of the Plan and the Award Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of the Grantee. Any attempted sale, transfer, assignment, pledge, hypothecation or other disposition of any Award or of any rights granted thereunder contrary to the provisions of this Plan shall be null and void.
- b) Without derogating from the provisions of Section 16(a) above, with regard to Section 102 Trustee Award and the Shares issued upon exercise of such Awards, as long as such Awards and/or Shares are held by the Trustee on behalf of the Grantee, all rights of the Grantee with respect thereto are personal and cannot be transferred, assigned, pledged or mortgaged, other than by will or by the laws of descent and distribution.
- c) Shares acquired upon exercise of an Award shall be subject to such restrictions on transfer and/or sale as are generally applicable to Ordinary Shares of the Company, including but not limited to (i) restrictions detailed in the Company's incorporation documents, as may be amended from time to time; and (ii) restrictions detailed in any shareholders agreements (as applicable to other shareholders of Ordinary Shares of the Company), as amended from time to time, regardless of whether or not the Grantee is a party to such agreements.
- d) In the event the Shares shall be registered for trading in any public market, the Committee may impose certain limitations on the Grantee's right to sell the Shares (including a lock-up period) as may be requested by the Company's underwriters or as the Committee may, in its absolute discretion, determine to be necessary or advisable, and Grantee shall unconditionally agree and accept any such limitations.

17. Conditions Upon Issuance of Shares:

- a) Shares shall not be issued pursuant to the exercise of an Award unless the exercise of such Award and the issuance and delivery of such Shares shall comply with applicable laws and shall be further subject to the approval of counsel for the Company with respect to such compliance. Without derogating from the generality of the foregoing, the Company shall not be required to issue or deliver any Shares (or any certificate or certificates for such Shares) purchased upon exercise of any Award (or portion thereof) prior to the completion of any registration or other qualification of such Shares, if so required under any applicable law and/or under the rulings or regulations of any governmental regulatory body which the Committee shall, in its absolute discretion, determine to be necessary or advisable.
- b) As a condition to the exercise of an Award, the Committee may require the Grantee exercising such Award to represent and warrant at the time of such exercise, if, in the opinion of counsel for the Company such representation is required in order to comply with any registration exemption requirement, that (i) the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares; and (ii) the Grantee shall not sell, transfer or otherwise dispose of any of the Shares so purchased by him, except in compliance with the applicable securities laws, and the rules and regulations thereunder. Furthermore, the Company shall have the authority to endorse upon the certificate or certificates representing the Shares such legends referring to the foregoing restrictions, and any other applicable restriction, as it may deem appropriate.

18. Tax Consequences:

- a) Any tax consequences arising from the grant or exercise of any Award, from the payment for Shares covered thereby, from the sale, transfer or disposition of such Shares or from any other event or act (of the Grantee, the Company or any Affiliate of the Company or the Trustee (if applicable)) hereunder, shall be borne solely by the Grantee. The Company or any Affiliate or the Trustee (if applicable) shall withhold taxes according to the requirements under the applicable laws, and it may take steps as it may deem necessary for withholding all due taxes, including, but not limited to (i) to the extent permitted by applicable laws, deducting the amount so required to be withheld from any other amount then or thereafter payable to an Grantee, and/or (ii) requiring an Grantee to pay to the Company or any Affiliate or to the Trustee (as the case may be) the amount so required to be withheld as a condition for the issuance, delivery, distribution or release of any Shares. Furthermore, such Grantee shall agree to indemnify the Company, any Affiliate that engages the Grantee and the Trustee, if applicable, and hold them harmless against and from any and all liability for any such tax or interest or penalty thereon, including without limitation, liabilities relating to the necessity to withhold, or to have withheld, any such tax from any payment made to the Grantee. Except as otherwise required by applicable laws, the Company shall not be required to release any Share certificate to an Grantee until all required payments have been fully made.
- b) Without derogating from the definition of Fair Market Value in Section 2 above, and solely for the purpose of determining the tax liability with respect to the grant of Capital Gain Award Through a Trustee pursuant to Section 102, in the event the Shares of the Company are listed for trade on any established stock exchange or national market system or in the event the Shares of the Company will be registered for trade within ninety (90) days following the date of grant of such Awards, the Fair Market Value of the Shares on the date of grant shall be equal to the average value of the Company's Shares on the thirty (30) trading days preceding the date of grant or on the thirty (30) trading days following the date of registration for trade, as the case may be, all in accordance with the provisions of Section 102(b)(3) of the Tax Ordinance.
- c) With regard to Section 102 Non-Trustee Award, in the event an Grantee shall cease to be employed by or, if applicable, cease to render his services to the Company or any Affiliate, for any reason, the Grantee shall be obligated to provide the Company and/or its Affiliate with a security or guarantee, in the degree and manner satisfactory to them, to cover any future tax obligation resulting from the disposition of the Awards and/or the Shares acquired thereunder.
- d) With regard to Section 102 Trustee Awards, the provisions of the Plan and the Award Agreement shall be subject to the provisions of Section 102 and the tax officer's approval, which shall be deemed an integral part of the Plan and the Award Agreement. To the extent that Section 102 and/or the tax officer's approval require the Plan and/or the Award Agreement to contain specified provisions in order to qualify the Awards for preferential tax treatment, such provisions shall be deemed to be stated herein and/or in the Award Agreement, as applicable, and to be binding upon the Company, any Affiliate and the Grantee.

19. Term, Amendment and Termination of the Plan:

- a) The Plan shall become effective upon the later of: (i) its adoption by the Board; or (ii) its approval by the Company's shareholders, but only if such shareholders' approval is required under applicable laws.
- b) The Committee, at any time and from time to time, may terminate, suspend or amend the Plan. The Committee shall obtain approval from the Company's shareholders of any Plan amendment to the extent necessary to comply with applicable laws. Other than in respect of a Corporate Transaction (in which case, the provisions of Section 15(c) above shall govern), no amendment, suspension or termination of the Plan shall impair the rights of any Grantee, unless mutually agreed otherwise between the Grantee and the Committee, which agreement must be in writing and signed by the Grantee and the Company. Termination of the Plan shall not affect the Committee's ability to exercise the powers granted to it hereunder with respect to Awards granted under the Plan prior to the date of such termination.

20. Participation by Grantees Outside Israel. Notwithstanding anything in the Plan to the contrary, with respect to any employee who is resident outside of Israel, the Committee may, in its sole discretion, amend the terms of the Plan in order to conform such terms with the requirements of local law or to meet the objectives of the Plan. The Committee may, where appropriate, establish one or more sub-plans for this purpose.
21. Inability to Obtain Authority: The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.
22. Continuance of Engagement: Neither the Plan nor any Award granted hereunder shall impose any obligation on the Company or its Affiliates, to continue its relationship with an Grantee as a Service Provider, and nothing in the Plan, in any Award Agreement or in any Award granted pursuant thereto shall confer upon any Grantee any right with respect to continuing the Grantee's relationship as a Service Provider with the Company or its Affiliate nor shall it interfere in any way with his right or the Company's or its Affiliate's right to terminate such relationship at any time, with or without Cause, and with or without notice.
23. Non-Exclusivity of the Plan: The Plan shall not be construed as creating any limitations on the power of the Board or the Committee to adopt such other incentive arrangements as either may deem desirable, including without limitation, the granting of stock options otherwise than under the Plan, and such arrangements may be either generally applicable or applicable only in specific cases.
24. Governing Law and Jurisdiction: This Plan and all instruments issued thereunder or in connection therewith shall be governed by and construed and enforced in accordance with the laws of the State of Israel, without giving effect to the principles of conflict of laws thereof. Any dispute arising out of this Plan and all instruments issued thereunder or in connection therewith shall be resolved exclusively by the appropriate court in the State of Israel.
25. Application of Funds: The proceeds received by the Company from the sale of Shares pursuant to Awards will be used for general corporate purposes of the Company.
26. Severability: If any term or other provision of this Plan is determined to be invalid, illegal or incapable of being enforced by any applicable laws, the invalidity of such term or provision of the Plan shall not affect the validity or enforceability of any other provision of the Plan, which shall remain in full force and effect.

CERTIFICATION PURSUANT TO EXCHANGE ACT RULE 13a-14(a) or 15d-14(a)

I, Shahar Hania, certify that:

1. I have reviewed this annual report on Form 20-F of Rail Vision 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the 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 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:
 - 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 28, 2024

/s/ Shahar Hania

Shahar Hania
Chief Executive Officer

CERTIFICATION PURSUANT TO EXCHANGE ACT RULE 13a-14(a) or 15d-14(a)

I, Ofer Naveh, certify that:

1. I have reviewed this annual report on Form 20-F of Rail Vision 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the 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; and
5. The Company's other certifying officer 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 function):
 - 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 28, 2024

/s/ Ofer Naveh

Ofer Naveh

Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. Section 1350**

In connection with the filing of the Annual Report on Form 20-F for the period ended December 31, 2023 (the “Report”) by Rail Vision Ltd. (the “Company”), the undersigned, as the Chief Executive Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, that, to my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or Section 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 28, 2024

/s/ Shahar Hania

Shahar Hania
Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. Section 1350**

In connection with the filing of the Annual Report on Form 20-F for the period ended December 31, 2023 (the “Report”) by Rail Vision Ltd. (the “Company”), the undersigned, as the Chief Financial Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, that, to my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or Section 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 28, 2024

/s/ Ofer Naveh

Ofer Naveh

Chief Financial Officer

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements on Form F-3 (File Nos. 333-271068, 333-272933, 333-276869 and 333-277963) and Form S-8 (File No. 333-265968) of our report dated March 28, 2024, relating to the financial statements of Rail Vision Ltd. appearing in this Annual Report on Form 20-F for the year ended December 31, 2023.

/s/ Brightman Almagor Zohar & Co.

Brightman Almagor Zohar & Co.

Certified Public Accountants

A Firm in the Deloitte Global Network

Tel Aviv, Israel

March 28, 2024

Rail Vision Ltd.
Executive Officer Clawback Policy

I. Purpose

This Executive Officer Clawback Policy describes the circumstances under which Covered Persons of Rail Vision Ltd. and any of its direct or indirect subsidiaries (the “Company”) will be required to repay or return Erroneously-Awarded Compensation to the Company.

This Policy and any terms used in this Policy shall be construed in accordance with any SEC regulations promulgated to comply with Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, including without limitation Rule 10D-1 promulgated under the Securities Exchange Act of 1934, as amended, and the rules adopted by Nasdaq, as well as the provisions of the Israeli Companies Law of 1999 (the “Companies Law”).

Each Covered Person of the Company shall sign an Acknowledgement and Agreement to the Clawback Policy in the form attached hereto as Exhibit A as a condition to his or her participation in any of the Company’s incentive-based compensation programs; provided that this Policy shall apply to each Covered Person irrespective of whether such Covered Person shall have failed, for any reason, to have executed such Acknowledgement and Agreement.

II. Definitions

For purposes of this Policy, the following capitalized terms shall have the respective meanings set forth below:

- (a) “**Accounting Restatement**” shall mean an accounting restatement (i) due to 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 restatements that is material to the previously issued financial statements (a “Big R” restatement), or (ii) that corrects an error that is not material to previously issued financial statements, but 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). Notwithstanding the foregoing, none of the following changes to the Company’s financial statements represent error corrections and shall not be deemed an Accounting Restatement: (a) retrospective application of a change in accounting principle; (b) retrospective revision to reportable segment information due to a change in the structure of the Company’s internal organization; (c) retrospective reclassification due to a discontinued operation; (d) retrospective application of a change in reporting entity, such as from a reorganization of entities under common control; and (e) retrospective revision for share splits, reverse share splits, share dividends or other changes in capital structure.
- (b) “**Board**” shall mean the Board of Directors of the Company.
- (c) “**Clawback-Eligible Incentive Compensation**” shall mean, in connection with an Accounting Restatement, any Incentive-Based Compensation Received by a Covered Person (regardless of whether such Covered Person was serving at the time that Erroneously-Awarded Compensation is required to be repaid) (i) on or after the Nasdaq Effective Date, (ii) after beginning service as a Covered Person, (iii) while the Company has a class of securities listed on a national securities exchange or national securities association and (iv) during the Clawback Period.

- (d) “**Clawback Period**” shall mean, with respect to any Accounting Restatement, the three completed fiscal years immediately preceding the Restatement Date and any transition period (that results from a change in the Company’s fiscal year) of less than nine months within or immediately following those three completed fiscal years.
- (e) “**Committee**” shall mean the Compensation Committee of the Board.
- (f) “**Covered Person**” shall mean any person who is, or was at any time, during the Clawback Period, an Executive Officer of the Company. For the avoidance of doubt, Covered Person may include a former Executive Officer that left the Company, retired or transitioned to an employee non-Executive Officer role (including after serving as an Executive Officer in an interim capacity) during the Clawback Period, and this Policy applies regardless of whether the Covered Person was at fault for an accounting error or other action that resulted in, or contributed to, the Accounting Restatement.
- (g) “**Erroneously-Awarded Compensation**” shall mean the amount of Clawback-Eligible Incentive Compensation that exceeds the amount of Incentive-Based Compensation that otherwise would have been Received had it been determined based on the restated amounts. This amount must be computed without regard to any taxes paid.
- (h) “**Executive Officer**” shall mean (i) the Company’s president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy-making function, (ii) any other person (including an officer of the Company’s parent(s) or subsidiaries) who performs similar policy-making functions for the Company, or (iii) an “Officer” within the meaning set forth in the Companies Law. For the sake of clarity, at a minimum, all persons who would be executive officers pursuant to Rule 401(b) under Regulation S-K shall be deemed “Executive Officers”.
- (i) “**Financial Reporting Measures**” shall mean 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, including, without limitation, measures that are “non-GAAP financial measures” for purposes of Exchange Act Regulation G and Item 10(e) of Regulation S-K, as well other measures, metrics and ratios that are not non- GAAP measures. For purposes of this Policy, Financial Reporting Measures shall include stock price and total shareholder return (and any measures that are derived wholly or in part from stock price or total shareholder return). A Financial Reporting Measure need not be presented within the Company’s financial statements or included in a Company filing with the SEC.
- (j) “**Incentive-Based Compensation**” shall have the meaning set forth in Section III below.
- (k) “**Nasdaq**” shall mean The Nasdaq Stock Market.
- (l) “**Nasdaq Effective Date**” shall mean October 2, 2023.
- (m) “**Policy**” shall mean this Executive Officer Clawback Policy, as the same may be amended and/or restated from time to time.
- (n) “**Received**” shall mean Incentive-Based Compensation received, or deemed to be received, in the Company’s fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation is attained, even if the payment or grant occurs after the fiscal period.

- (o) “**Repayment Agreement**” shall have the meaning set forth in Section V below.
- (p) “**Restatement Date**” shall mean the earlier 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 that a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement.
- (q) “**SARs**” shall mean stock appreciation rights.
- (r) “**SEC**” shall mean the U.S. Securities and Exchange Commission.

III. Incentive-Based Compensation

“Incentive-Based Compensation” shall mean any compensation that is granted, earned or vested wholly or in part upon the attainment of a Financial Reporting Measure.

For purposes of this Policy, specific examples of Incentive-Based Compensation include, but are not limited to:

- Non-equity incentive plan awards that are earned based, wholly or in part, based on satisfaction of a Financial Reporting Measure performance goal;
- Bonuses paid from a “bonus pool,” the size of which is determined, wholly or in part, based on satisfaction of a Financial Reporting Measure performance goal;
- Other cash awards based on satisfaction of a Financial Reporting Measure performance goal;
- Restricted stock, restricted stock units, performance share units, stock options and SARs that are granted or become vested, wholly or in part, on satisfaction of a Financial Reporting Measure performance goal; and
- Proceeds received upon the sale of shares acquired through an incentive plan that were granted or vested based, wholly or in part, on satisfaction of a Financial Reporting Measure performance goal.

For purposes of this Policy, Incentive-Based Compensation excludes:

- Any base salaries (except with respect to any salary increases earned, wholly or in part, based on satisfaction of a Financial Reporting Measure performance goal);
- Bonuses paid solely at the discretion of the Committee or Board that are not paid from a “bonus pool” that is determined by satisfying a Financial Reporting Measure performance goal;
- Bonuses paid solely upon satisfying one or more subjective standards and/or completion of a specified employment period;
- Non-equity incentive plan awards earned solely upon satisfying one or more strategic measures or operational measures; and
- Equity awards that vest solely based on the passage of time and/or satisfaction of one or more non-Financial Reporting Measures.

IV. Determination and Calculation of Erroneously-Awarded Compensation

In the event of an Accounting Restatement, the Committee shall promptly determine the amount of any Erroneously-Awarded Compensation for each Executive Officer in connection with such Accounting Restatement and shall promptly thereafter provide each Executive Officer with a written notice containing the amount of Erroneously-Awarded Compensation and a demand for repayment, forfeiture or return thereof, as applicable.

- (a) **Cash Awards**. With respect to cash awards, the Erroneously-Awarded Compensation is the difference between the amount of the cash award (whether payable as a lump sum or over time) that was Received and the amount that should have been Received applying the restated Financial Reporting Measure.
- (b) **Cash Awards Paid From Bonus Pools**. With respect to cash awards paid from bonus pools, the Erroneously-Awarded Compensation is the pro rata portion of any deficiency that results from the aggregate bonus pool that is reduced based on applying the restated Financial Reporting Measure.
- (c) **Equity Awards**. With respect to equity awards, if the shares, options, SARs or other equity awards are still held at the time of recovery, the Erroneously-Awarded Compensation is the number of such securities Received in excess of the number that should have been received applying the restated Financial Reporting Measure (or the value in excess of that number). If the options, SARs or other equity awards have been exercised, vested, settled or otherwise converted into underlying shares, but the underlying shares have not been sold, the Erroneously-Awarded Compensation is the number of shares underlying the excess options or SARs (or the value thereof). If the underlying shares have already been sold, the Erroneously-Awarded Compensation is the higher of the value of the stock upon vesting, exercise or sale.
- (d) **Compensation Based on Stock Price or Total Shareholder Return**. For Incentive-Based Compensation based on (or derived from) stock 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, the amount shall be determined by the Committee based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation was Received (in which case, the Committee shall maintain documentation of such determination of that reasonable estimate and provide such documentation to Nasdaq in accordance with applicable listing standards).

V. Recovery of Erroneously-Awarded Compensation

Once the Committee has determined the amount of Erroneously-Awarded Compensation recoverable from the applicable Covered Person, the Committee shall take all necessary actions to recover the Erroneously-Awarded Compensation. Unless otherwise determined by the Committee, the Committee shall pursue the recovery of Erroneously-Awarded Compensation in accordance with the below:

- (a) **Cash Awards**. With respect to cash awards, the Committee shall either (i) require the Covered Person to repay the Erroneously-Awarded Compensation in a lump sum in cash (or such property as the Committee agrees to accept with a value equal to such Erroneously-Awarded Compensation) reasonably promptly following the Restatement Date or (ii) if approved by the Committee, offer to enter into a Repayment Agreement. If the Covered Person accepts such offer and signs the Repayment Agreement within a reasonable time as determined by the Committee, the Company shall countersign such Repayment Agreement.
- (b) **Unvested Equity Awards**. With respect to those equity awards that have not yet vested, the Committee shall take all necessary action to cancel, or otherwise cause to be forfeited, the awards in the amount of the Erroneously-Awarded Compensation.

- (c) **Vested Equity Awards**. With respect to those equity awards that have vested and the underlying shares have not been sold, the Committee shall take all necessary action to cause the Covered Person to deliver and surrender the underlying shares in the amount of the Erroneously-Awarded Compensation.

In the event that the Covered Person has sold the underlying shares, the Committee shall either (i) require the Covered Person to repay the Erroneously-Awarded Compensation in a lump sum in cash (or such property as the Committee agrees to accept with a value equal to such Erroneously-Awarded Compensation) reasonably promptly following the Restatement Date or (ii) if approved by the Committee, offer to enter into a Repayment Agreement. If the Covered Person accepts such offer and signs the Repayment Agreement within a reasonable time as determined by the Committee, the Company shall countersign such Repayment Agreement.

- (d) **Repayment Agreement**. “Repayment Agreement” shall mean an agreement (in a form reasonably acceptable to the Committee) with the Covered Person for the repayment of the Erroneously-Awarded Compensation as promptly as possible without unreasonable economic hardship to the Covered Person.
- (e) **Effect of Non-Repayment**. To the extent that a Covered Person fails to repay all Erroneously-Awarded Compensation to the Company when due (as determined in accordance with this Policy), the Company shall, or shall cause one or more other members of the Company to, take all actions reasonable and appropriate to recover such Erroneously-Awarded Compensation from the applicable Covered Person. Unless otherwise determined by the Committee in its discretion, the applicable Covered Person shall be required to reimburse the Company for any and all expenses reasonably incurred (including legal fees) by the Company in recovering such Erroneously-Awarded Compensation in accordance with the immediately preceding sentence.

The Committee shall have broad discretion to determine the appropriate means of recovery of Erroneously-Awarded Compensation based on all applicable facts and circumstances and taking into account the time value of money and the cost to shareholders of delaying recovery. However, in no event may the Company accept an amount that is less than the amount of Erroneously-Awarded Compensation in satisfaction of a Covered Person’s obligations hereunder.

VI. Discretionary Recovery

Notwithstanding anything herein to the contrary, the Company shall not be required to take action to recover Erroneously-Awarded Compensation if any one of the following conditions are met and the Committee determines that recovery would be impracticable:

- (i) The direct expenses paid to a third party to assist in enforcing this Policy against a Covered Person would exceed the amount to be recovered, after the Company has made a reasonable attempt to recover the applicable Erroneously-Awarded Compensation, documented such attempts and provided such documentation to Nasdaq;
- (ii) Recovery would violate home country law where that law was adopted prior to November 28, 2022, provided that, before determining that it would be impracticable to recover any amount of Erroneously-Awarded Compensation based on violation of home country law, the Company has obtained an opinion of home country 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 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

VII. Reporting and Disclosure Requirements

The Company shall file all disclosures with respect to this Policy in accordance with the requirements of the federal securities laws, including the disclosure required by the applicable filings required to be made with the SEC.

VIII. Effective Date

This Policy shall apply to any Incentive-Based Compensation Received on or after the Nasdaq Effective Date.

IX. No Indemnification

The Company shall not indemnify any Covered Person against the loss of Erroneously-Awarded Compensation and shall not pay, or reimburse any Covered Persons for premiums, for any insurance policy to fund such Covered Person's potential recovery obligations.

X. Administration

The Committee has the sole discretion to administer this Policy and ensure compliance with Nasdaq Rules and any other applicable law, regulation, rule or interpretation of the SEC or Nasdaq promulgated or issued in connection therewith. Actions of the Committee pursuant to this Policy shall be taken by the vote of a majority of its members. The Committee shall, subject to the provisions of this Policy, make such determinations and interpretations and take such actions as it deems necessary, appropriate or advisable. All determinations and interpretations made by the Committee shall be final, binding and conclusive.

XI. Amendment; Termination

The Committee may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary, including as and when it determines that it is legally required by any federal securities laws, SEC rule, the Companies Law or the rules of any national securities exchange or national securities association on which the Company's securities are then listed. The Committee may terminate this Policy at any time. Notwithstanding anything in this Section XI 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, the Companies Law or the rules of any national securities exchange or national securities association on which the Company's securities are then listed.

XII. Other Recoupment Rights; No Additional Payments

The Committee intends that this Policy will be applied to the fullest extent of the law. The Committee may require that any employment agreement, equity award agreement or any other agreement entered into on or after the Adoption Date shall, as a condition to the grant of any benefit thereunder, require a Covered Person to agree to abide by the terms of this Policy. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other rights under applicable law, regulation or rule or pursuant to any similar policy in any employment agreement, equity plan, compensation policy, equity award agreement or similar arrangement and any other legal remedies available to the Company. However, this Policy shall not provide for recovery of Incentive-Based Compensation that the Company has already recovered pursuant to Section 304 of the Sarbanes-Oxley Act or other recovery obligations.

XIII. Successors

This Policy shall be binding and enforceable against all Covered Persons and their beneficiaries, heirs, executors, administrators or other legal representatives.

Exhibit A

**ACKNOWLEDGEMENT AND AGREEMENT
TO THE
EXECUTIVE OFFICER CLAWBACK POLICY
OF
RAIL VISION LTD.**

By signing below, the undersigned acknowledges and confirms that the undersigned has received and reviewed a copy of Rail Vision Ltd. Executive Officer Clawback Policy (the "Policy"). Capitalized terms used but not otherwise defined in this Acknowledgement Form (this "Acknowledgement Form") shall have the meanings ascribed to such terms in the Policy.

By signing this Acknowledgement Form, the undersigned acknowledges and agrees that the undersigned is and will continue to be subject to the Policy and that the Policy will apply both during and after the undersigned's employment with the Company. Further, by signing below, the undersigned agrees to abide by the terms of the Policy, including, without limitation, by returning any Erroneously-Awarded Compensation (as defined in the Policy) to the Company to the extent required by, and in a manner permitted by, the Policy.

Signature

Name

Date